

For personal use only



Wellard

Prospectus

Initial public offering of ordinary shares
Wellard Limited | ACN 607 708 190



Joint Lead Managers



Co-Lead Manager

Important notices

Offer

The offer contained in this Prospectus is an invitation for you to apply for fully paid ordinary shares in Wellard Limited (ACN 607 708 190) (**Wellard**) (**Shares**) (**Offer**). This Prospectus is issued by Wellard.

Restructure

Wellard was incorporated on 10 September 2015 and does not currently own the Business which is conducted by Wellard Group Holdings Pty Ltd (ACN 009 263 423) (**WGH**) and its subsidiaries and related entities (as described in Section 3). In connection with the Offer, WGH will transfer or procure the transfer of the WGH IPO Subsidiaries which own the Business to Wellard or a subsidiary of Wellard (**Restructure**) (refer Section 9.4.1). Completion of the Restructure will take place before the issue of the Shares under the Offer. If the Restructure does not complete, the Offer will not proceed.

Unless otherwise specified, this Prospectus has been prepared as if the Restructure had already occurred. For example, the investment overview in Section 1, the company overview in Section 3 and the financial information in Section 4, each describe Wellard after the Restructure.

Shares issued to WGH as part of the Restructure are issued pursuant to the disclosure made in this Prospectus.

Lodgement and Listing

This Prospectus is dated 20 November 2015 (**Prospectus Date**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. This Prospectus is issued by Wellard for the purpose of Part 6D of the Corporations Act 2001 (Cth) (**Corporations Act**).

Wellard has applied to the Australian Securities Exchange (**ASX**) for admission of Wellard to its official list and quotation of the Shares on the ASX (**Listing**).

No Shares will be issued on the basis of this Prospectus later than 13 months after the Prospectus Date.

Neither ASIC nor the ASX takes any responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates.

Exposure Period

The Corporations Act prohibits Wellard from processing applications to subscribe for, or acquire, Shares offered under this Prospectus (**Applications**) in the seven day period after lodgement of this Prospectus with ASIC (**Exposure Period**). This Exposure Period may be extended by ASIC by up to a further 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. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

During the Exposure Period, an electronic version of this Prospectus

will be made available to Australian and New Zealand residents, without the Application Form, at Wellard's offer website, www.wellard.com.au. If you access the electronic version of this Prospectus, you should ensure that you download and read the Prospectus in its entirety.

Note to Applicants

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs (including financial and tax issues) of any prospective investor.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in Wellard.

In particular, in considering the prospects of Wellard, you should consider the risk factors that could affect the performance of Wellard. You should carefully consider these risks in light of your personal circumstances, investment objectives, financial situation and particular needs (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest in Shares.

Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

You should also consider the best estimate assumptions underlying the Forecast Financial Information (refer Section 4) and the risk factors (refer Section 5) that could affect Wellard's business, financial condition and results of operations.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses Wellard, this Prospectus or its contents or (unless otherwise indicated) that the assets shown in them are assets of Wellard. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

Disclaimer and forward looking statements

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by Wellard, Wellard's Directors or officers, UBS and Deutsche Bank (the **Joint Lead Managers**) or any other person in connection with the Offer. You should rely only on information in this Prospectus. Except as required by law, and only to the extent so required, none of Wellard, any person named in this Prospectus, or any other person warrants or guarantees the future performance of Wellard, or any return on any investment made pursuant to this Prospectus.

This Prospectus contains forward looking statements which are statements that may be identified by words such as "may", "could", "believes", "estimates", "expects",

"intends" and other similar words that involve risks and uncertainties. The Forecast Financial Information is an example of forward looking statements. These statements are based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that, at the Prospectus Date, are expected to take place (including the key assumptions set out in 4.8.3).

Wellard does not have any intention to update or revise forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, other than to the extent required by law.

Forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Wellard and the Directors and management of Wellard. Forward looking statements should therefore be read in conjunction with, and are qualified by reference to, Section 4 and 4.1, and other information in this Prospectus.

Wellard cannot or does not give any assurance 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.

This Prospectus, including the industry overview and market profiles in Section 2 and Section 3, uses market data, industry forecasts and projections. Wellard has obtained significant portions of this information from market research prepared by third parties. There is no assurance that any of the forecasts contained in the reports, surveys and research of such third parties that are referred to in this Prospectus will be achieved. Wellard has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including the risk factors in Section 5.

As set out in Section 7, it is expected that the Shares will be quoted on the ASX initially on a conditional and deferred settlement basis. Wellard, its Directors and officers, Link Market Services Limited (the **Share Registry**) and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

Statements of past performance

This Prospectus includes information regarding the past performance of Wellard. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Financial information presentation

All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and sums and components in tables, figures and diagrams contained in this Prospectus are due to rounding.

Section 4 sets out in detail the financial information referred to in this Prospectus (**Financial Information**). The basis of preparation of the Financial Information is set out in Section 4.

The Financial Information in this Prospectus is presented in abbreviated form insofar as it does not include all of the presentation and disclosures required by the Australian Accounting Standards (**AAS**) and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The Financial Information has been prepared in accordance with the measurement and recognition principles of the AAS adopted by the Australian Accounting Standards Board (**AASB**), which are consistent with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board.

This Prospectus includes Forecast Financial Information based on the best estimate assumptions of the Directors of Wellard (**Directors**). The basis of preparation and presentation of the Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation and presentation of the Historical Financial Information.

The Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Sections 4 and 5.

Obtaining a copy of this Prospectus

A hard copy of this Prospectus is available free of charge during the Offer period to any person in Australia by calling the Wellard Offer Information Line on 1800 187 991 (toll free within Australia) or +61 1800 187 991 (outside Australia) between 8.30am and 5.30pm (AEDT), Monday to Friday.

This Prospectus is also available in electronic form to Australian and New Zealand residents on Wellard's offer website, www.wellard.com.au. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. The Offer constituted by this Prospectus in electronic form is available only to Australian and New Zealand residents accessing the website within Australia or New Zealand. Hard copy and electronic versions of this Prospectus are not available to persons in other jurisdictions, including the United States.

Applications for Shares may only be made on the Application Form attached to, or accompanying, this Prospectus in its hard copy form, or in its electronic form available online at www.wellard.com.au. 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, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus. Refer to Section 7.2 for further information.

No cooling off rights

Cooling off rights do not apply to an investment in Shares pursuant to the

Offer. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Offer management

The Offer is managed by the Joint Lead Managers.

No offering where illegal

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia and New Zealand. The Offer is not being extended to any investor outside Australia and New Zealand, other than to certain Institutional Investors as part of the Institutional Offer.

The distribution of this Prospectus (including in electronic form) outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus outside Australia and New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Shares to be offered under the Offer have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (**U.S. Securities Act**) or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States, unless the Shares are registered under the U.S. Securities Act or are offered and sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws.

Refer Sections 7.7 and 9.11 for more detail on selling restrictions that apply to the Offer and sale of Shares in jurisdictions outside Australia and New Zealand.

Important information for New Zealand investors

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 the Regulations. 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 the Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and the Regulations 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.

Copies of this Prospectus and other documents relating to the Offer have been, or will be, lodged with the New Zealand Companies Office.

Privacy

Refer to Section 9.12 for important information about how your personal information will be treated.

Company website

Any references to documents included on Wellard's website are provided for convenience only, and none of the documents or other information on Wellard's website, or any other website referred in this Prospectus, is incorporated in this Prospectus by reference.

Defined terms and abbreviations

Defined terms and abbreviations used in this Prospectus, unless specified otherwise, have the meaning given in the glossary in Appendix D.

Unless otherwise stated or implied, references to times in this Prospectus are to the time in Sydney, New South Wales.

Unless otherwise stated or implied, references to dates or years are calendar year references.

Questions

If you have any questions in relation to the Offer, contact the Wellard Offer Information Line 1800 187 991 (toll free within Australia) or +61 1800 187 991 (outside Australia) between 8.30am and 5.30pm (AEDT), Monday to Friday during the Offer period.

Contents

Offer Summary	2
Key dates	3
Chairman's letter	4
01. Investment Overview	5
02. Industry Overview	22
03. Company Overview	44
04. Financial Information	66
05. Key Risks	116
06. Directors, management and governance	129
07. Details of the Offer	143
08. Investigating Accountant's Report	158
09. Additional information	169
Appendix A. Accounting policies	194
Appendix B. Reconciliation of Pro Forma Historical Carve-out Financial Information	205
Appendix C. Market profiles	209
Appendix D. Glossary	244
Corporate Directory	IBC

Offer Summary

Key Offer Statistics¹

Offer Price ²	\$1.39
Total number of Shares to be offered under the Offer	215.0 million
Total Shares held by WGH, SCPEL and Wellard employees at Completion of the Offer ³	185.0 million
Total number of Shares on issue at Completion of the Offer	400.0 million
Total proceeds under the Offer ⁴	\$298.9 million
Market capitalisation ⁴	\$556.0 million
Pro forma net debt as at 30 June 2015 ⁵	\$51.8 million
Enterprise Value on Completion of the Offer ⁶	\$607.8 million
Enterprise Value/FY2016 Pro forma forecast EBITDA ⁷	8.0x
Offer Price/FY2016 Pro forma forecast NPAT per Share ⁸	12.0x
Implied forecast dividend yield for FY2016 dividend ⁹	4.2%

1. This table contains Forecast Financial Information and information derived from Forecast Financial Information. Forecast Financial Information is set out in Section 4, and is prepared on the basis of the best estimate assumptions set out in Section 4.8. It should be read in conjunction with the discussion of the Historical Financial Information in Section 4.7, as well as the sensitivities set out in Section 4.9, and the risk factors set out in Section 4.10 and Section 5. This table also contains non-IFRS financial measures, which are discussed in Section 4.2.4.
2. Shares may trade below the Offer Price (refer to Section 5.3.1 for more details).
3. Shares held by WGH, Standard Chartered Private Equity Limited (**SCPEL**) and Wellard employees will be subject to voluntary escrow arrangements (refer to Section 7.6 for details). This figure also includes Shares to be transferred by WGH to consultants and others not part of the Wellard Group as permitted by the WGH voluntary escrow arrangements (refer to Section 7.6 for details).
4. Based on the Offer Price and the key Offer assumptions set out in Section 7.
5. Net debt as at 30 June 2015, adjusted for capital expenditure and debt repayments from 30 June 2015 to Completion of the Offer and the IPO Restructure, presented assuming A\$:US\$ exchange rate of 0.75.
6. Enterprise Value is calculated as the sum of market capitalisation at the Offer Price and pro forma net debt as at 30 June 2015.
7. This ratio is commonly referred to as an EV/EBITDA ratio. The EV/EBITDA ratio is calculated as the Enterprise Value on Completion of the Offer divided by FY2016 pro forma forecast EBITDA of \$76.1 million (refer to Section 4.3.1). EBITDA is earnings before interest, tax, depreciation and amortisation (refer to Section 4.2.4.1 for more details).
8. This ratio is commonly referred to as a price earnings or PE ratio. The PE ratio is calculated based on the Offer Price divided by the FY2016 pro forma forecast NPAT per Share (being pro forma FY2016 forecast NPAT of \$46.4 million (refer to Section 4.3.1) divided by total Shares on issue immediately after Completion of the Offer).
9. The estimated FY2016 dividend yield is calculated as the annualised expected final dividend per Share in respect of FY2016 (based on a payout ratio for FY2016 of 50% of pro forma NPAT per Share) divided by the Offer Price (refer to Section 4.11 for more details).

Key dates

Prospectus Date	Friday, 20 November 2015
Opening of the Broker Firm Offer and Priority Offer	Monday, 30 November 2015
Closing of the Broker Firm Offer and Priority Offer	Tuesday, 8 December 2015
Expected commencement of trading on the ASX on a conditional and deferred settlement basis	Thursday, 10 December 2015
Settlement	Friday, 11 December 2015
Completion of the Restructure and Issue of Shares under the Offer	Monday, 14 December 2015
Expected dispatch of holding statements	Wednesday, 16 December 2015
Expected commencement of trading on the ASX on a normal settlement basis	Thursday, 17 December 2015

Dates May Change

The dates above are indicative only and may change without notice.

Wellard, in consultation with the Joint Lead Managers, reserves the right to vary the times and dates of the Offer including to close the Offer early, extend the Offer or to accept late Applications, either generally or in particular cases, without notification. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

Investors are therefore encouraged to submit their Application Forms as early as possible after the Offer opens.

All times are AEDT.

How To Invest

Applications for Shares can only be made by completing and lodging the Application Form.

Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form.

Questions

Call the Wellard Offer Information Line on 1800 187 991 (toll free within Australia) or +61 1800 187 991 (outside Australia) from 8.30am until 5.30pm (AEDT), Monday to Friday during the Offer Period. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

For personal use only

Chairman's letter

20 November 2015

Dear investor,

On behalf of the Directors of Wellard Limited (**Wellard**), it is my pleasure to invite you to become a Shareholder of Wellard.

Wellard is an integrated agribusiness that connects primary producers of cattle, sheep and other livestock to customers globally through a vertically integrated supply chain. Wellard sources livestock in markets globally where production is surplus to domestic requirements and sells livestock and meat to customers in markets where demand exceeds local production. To support its operations, Wellard owns or controls critical and specialist infrastructure at various stages of its supply chain including strategically located pre-export quarantine facilities and a fleet of purpose-built livestock transport vessels.

Wellard is a significant marketer and exporter of livestock and meat globally. In FY2015, Wellard was the largest exporter of cattle from Australia, accounting for approximately 27% of all Australian cattle exports.

Wellard's business can be traced to the 1950s in Italy and was established in Australia in 1980. Since that time, Wellard has expanded significantly and today has on-the-ground presence in ten countries including key customer and supply markets such as Indonesia, Vietnam, China, Brazil and Uruguay. Through its global network, Wellard also services a customer base that spans a much broader geographic footprint which includes North America, Sri Lanka, the Philippines and Taiwan.

Wellard operates in a growing industry, driven by increasing consumption of beef, sheep meat and dairy products in China, South East Asia, the Middle East and other markets. Following Completion of the Offer, Wellard will be well positioned to expand its operations to meet this growing demand. In particular, Wellard has commissioned the construction of an additional livestock transport vessel and will receive WGH's interests under the Wellao Heads of Agreement in respect of a joint venture with a Chinese partner to develop downstream facilities in China.

Wellard has a strong financial track record and has achieved growth in pro forma revenue and EBITDA from FY2014 to FY2015 of 18.4% and 25.3% respectively. This has been driven by an expansion of Wellard's customer and supplier base (through investment in livestock carrying capacity and other critical infrastructure), in addition to a commitment to customer service and leadership in animal welfare.

Wellard is led by a deep and experienced senior management team that has successfully overseen its growth and financial performance. Mauro Balzarini, the Managing Director and CEO, has worked for Wellard and its associated entities since 1985. Wellard's management team is supported by an experienced team of livestock buyers, sales people and other employees.

The Offer is expected to raise approximately \$298.9 million¹, which will provide Wellard with the financial flexibility to execute its identified growth initiatives and longer-term strategy, fund the acquisition of the IPO Subsidiaries, repay certain external debt, pay for the costs of the Offer and provide a liquid market for the Shares and the opportunity to invest in Wellard. On Completion of the Offer, Wellard will have cash and undrawn committed debt capacity to fund its operations and the growth initiatives outlined in Section 3.6.

This Prospectus contains detailed information about the Offer, the industry and markets in which Wellard operates its business and its financial and operating performance. As with all companies, Wellard is subject to a range of risks, including risks associated with Wellard's marketing and export activities (such as loss of customers, supply issues and the impact of variations in commodity prices), transport and logistics (such as delays or other scheduling issues), and political and regulatory risks (such as export bans, import quotas and other regulatory issues). The key risks are described in Section 5. I encourage you to read this document carefully and in its entirety before making your investment decision.

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

Yours sincerely,



David Griffiths
Chairman
Wellard Limited

¹ Based on the key Offer details set out in Section 7.

For personal use only

01.

Investment Overview



01. Investment Overview

1.1 Introduction

Topic	Summary	For more information
What is Wellard?	<p>Wellard is an integrated agribusiness that connects primary producers of cattle, sheep and other livestock to customers globally through a vertically integrated supply chain.</p> <p>Wellard sources livestock globally where production is surplus to domestic requirements (e.g. Australia, Brazil and Uruguay) and sells livestock and meat to customers in markets where demand exceeds local production (e.g. China, Indonesia, Vietnam, the Middle East and Turkey).</p> <p>To support its operations, Wellard owns or controls critical and specialist infrastructure at various stages of its supply chain, including strategically located pre-export quarantine facilities and a fleet of purpose-built livestock transport vessels.</p>	Section 3.1
What is the Offer?	<p>The Offer is an offer of approximately 215.0 million Shares in Wellard.</p> <p>The Offer is expected to raise approximately \$298.9 million.</p>	Sections 1.7 and 7.1
Why is the Offer being conducted?	<p>The Offer is being conducted to:</p> <ul style="list-style-type: none">• fund the acquisition by Wellard of the IPO Subsidiaries and the repayment of certain external debt;• provide Wellard with the financial flexibility to execute its identified growth initiatives and longer-term strategy;• pay the costs of the Offer; and• provide a liquid market for the Shares and an opportunity for others to invest in Wellard. <p>The Offer also provides existing Shareholders with an opportunity to realise part of their investment in Wellard.</p>	Section 7.1.2

1.2 Key features of Wellard's business model

Topic	Summary	For more information
How does Wellard generate its income?	<p>Wellard generates income from the international marketing and export of livestock and meat.</p> <p><i>Livestock Marketing and Export</i> – Wellard sources livestock (predominantly cattle at this time), aggregates and prepares this livestock at pre-export quarantine facilities and delivers the livestock to its customers via purpose-built livestock vessels. In certain circumstances, Wellard may also charter all or part of one of its vessels to third parties to transport livestock not owned by Wellard. In FY2015, Wellard generated approximately 94% of its pro forma revenue from Livestock Marketing and Export.</p> <p><i>Processed Meat Marketing and Export</i> – Wellard sources, fattens and processes sheep and sells chilled and frozen sheep meat to customers globally. In FY2015, Wellard generated approximately 6% of its pro forma revenue from Processed Meat Marketing and Export.</p>	Section 3
What is Wellard's Livestock Marketing and Export model?	<p>Wellard operates a marketing and export model under which it actively manages sourcing and delivery risk, foreign exchange risk, livestock price risk and credit risk.</p> <p>Key features of Wellard's livestock trading model typically include:</p> <ul style="list-style-type: none"> • customer orders are generally received prior to livestock purchases being agreed; • as sales are typically in US\$ and livestock are acquired in local currency (e.g. A\$), Wellard hedges its foreign exchange exposure at the time livestock are purchased; • transport of livestock on purpose-built Wellard-owned vessels or suitable third party chartered vessels; and • depending on the customer and location, Wellard may require a portion of the order value be paid in advance or secured by a bank guarantee or letter of credit at or prior to loading. 	Section 3.2.1
Which geographical markets does Wellard operate in?	<p>Wellard is headquartered in Fremantle, Western Australia and has on-the-ground presence in other countries across South East Asia, China, the Middle East and South America.</p> <p>Wellard sources livestock predominantly from Australia, New Zealand and also various countries in South America. Wellard markets and exports this livestock and meat globally.</p>	Section 3

For personal use only

01. Investment Overview

Topic	Summary	For more information
<p>What are Wellard's key assets?</p>	<p>In addition to its experienced team of market-based relationship managers and livestock buyers, Wellard owns or controls a number of strategically important assets, including:</p> <ul style="list-style-type: none"> • three Department of Agriculture and Water Resources (DAWR) approved pre-export quarantine facilities in Australia and two pre-export facilities in Brazil located close to export ports; • five livestock transport vessels (including one due for completion of construction on 2 March 2016); • a ruminant feed mill capable of producing 65,000 tonnes per annum of high quality feed to supplement the feed required at Wellard's pre-export facilities and aboard Wellard's vessels; and • Beaufort River Meats (BRM) processing facility, which has capacity to process 2,500 head of sheep per day. <p>In order to meet the growing global demand for red meat, Wellard has also entered into a contract to acquire a sixth purpose-built livestock vessel. This vessel is expected to be delivered in 2H FY2017 and will increase Wellard's shipping capacity at that time (measured in square metres) by approximately 18%. Wellard is also currently seeking to develop two additional pre-export facilities in Australia.</p> <p>As part of the proposed Wellao JV, Wellard expects to have an interest in specialised cattle feedlots and processing in China.</p>	<p>Section 3.2.1</p>
<p>Who are Wellard's customers?</p>	<p>Wellard's customers vary by type of livestock and product:</p> <ul style="list-style-type: none"> • feeder/slaughter cattle are typically sold to feedlot and processing facility operators; • dairy and breeder cattle are typically sold to specialist importers; • sheep are typically sold to traders and processing facility operators; and • processed meat is sold to a range of international distributors and end users. 	<p>Section 3.2.1.2</p>
<p>How does Wellard source livestock?</p>	<p>Wellard typically sources livestock from thousands of primary producers via third party agents and also buys livestock directly from primary producers.</p>	<p>Section 3.2.1.3</p>
<p>What is Wellard's growth strategy?</p>	<p>Wellard will continue to grow its business both organically and through acquisitions via:</p> <ul style="list-style-type: none"> • expanding its logistics capacity and improving its logistics capabilities; • securing sourcing of livestock via strong engagement with suppliers; • continuing to develop its global supply of livestock; and • partnering with its customers in Asia in downstream facilities to meet the growing demand in the region. 	<p>Section 3.6</p>

01. Investment Overview

Topic	Summary	For more information																													
<p>How does Wellard expect to fund its growth strategy?</p>	<p>Wellard's principal source of funding is cash flow from operations. In addition, on Completion of the Offer Wellard will have cash and Working Capital of approximately \$66.5 million, undrawn committed debt facilities of approximately \$50.0 million and the potential to obtain further debt financing against vessels currently in construction. This cash and, to the extent required, debt facilities will be used to fund Wellard's growth strategy.</p> <p>Depending on the scale and attractiveness of investment opportunities and the availability of financing from the above sources, Wellard may seek to raise capital via the issuance of additional Shares or further debt in the future.</p>	<p>Section 4.5.1 and Section 4.5.2</p>																													
<p>What is Wellard's historical and forecast financial performance?</p>	<table border="1"> <thead> <tr> <th rowspan="2">\$m</th> <th colspan="3">Pro forma historical</th> <th>Pro forma forecast</th> </tr> <tr> <th>FY2013</th> <th>FY2014</th> <th>FY2015</th> <th>FY2016F</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>273.4</td> <td>432.5</td> <td>512.3</td> <td>607.4</td> </tr> <tr> <td>EBITDA</td> <td>12.9</td> <td>42.2</td> <td>52.9</td> <td>76.1</td> </tr> <tr> <td>EBIT</td> <td>0.5</td> <td>27.5</td> <td>33.1</td> <td>57.5</td> </tr> <tr> <td>NPAT</td> <td>(0.4)</td> <td>19.1</td> <td>23.7</td> <td>46.4</td> </tr> </tbody> </table> <p>The Financial Information presented above contains non-IFRS financial measures and is intended as a summary only and should be read in conjunction with the more detailed discussion of the Financial Information disclosed in Section 4, including the assumptions, management discussion and analysis and sensitivity analysis, as well as the risk factors set out in Section 5. Certain Financial Information is described as pro forma for the reasons described in Section 4.</p>	\$m	Pro forma historical			Pro forma forecast	FY2013	FY2014	FY2015	FY2016F	Revenue	273.4	432.5	512.3	607.4	EBITDA	12.9	42.2	52.9	76.1	EBIT	0.5	27.5	33.1	57.5	NPAT	(0.4)	19.1	23.7	46.4	<p>Section 4.3.1</p>
\$m	Pro forma historical			Pro forma forecast																											
	FY2013	FY2014	FY2015	FY2016F																											
Revenue	273.4	432.5	512.3	607.4																											
EBITDA	12.9	42.2	52.9	76.1																											
EBIT	0.5	27.5	33.1	57.5																											
NPAT	(0.4)	19.1	23.7	46.4																											

For personal use only

01. Investment Overview

Topic	Summary	For more information
<p>What is Wellard's dividend policy?</p>	<p>The payment of a dividend is at the discretion of the Directors. It is the intention of the Board to pay interim dividends in respect of half years ending 31 December and final dividends in respect of full years ending 30 June. The Directors expect to pay Wellard's first dividend post Completion of the Offer in respect of the six months ending 30 June 2016 (First Dividend).</p> <p>The Directors intend to target a payout ratio over time of 30% to 50% of NPAT however, the level of dividend payout ratio may vary depending on a range of factors including:</p> <ul style="list-style-type: none"> • general business and financial conditions; • Wellard's cash flow; • capital expenditure requirements; • Working Capital requirements; • potential acquisition opportunities; • taxation requirements; and • other factors that the Directors consider relevant. <p>With respect to the First Dividend, and having regard to Wellard's access to funding and growth outlook, the Directors expect to target the upper end of the payout ratio range outlined above, being 50% of pro forma NPAT for 2H FY2016.</p> <p>The Directors intend to frank future dividends to the maximum extent possible, having regard to the level of Wellard's available franking credits at the time of the future dividend payment. The extent to which a dividend can be franked will depend upon Wellard's franking account balance (which will be nil at Completion of the Offer) and its level of distributable profits. Wellard's franking account balance will depend on the amount of Australian income tax paid by Wellard. The Directors expect that the First Dividend will be partially franked.</p> <p>To the extent that a dividend is unfranked or partially franked, the Directors intend to declare the unfranked portion to be conduit foreign income to the maximum extent possible, having regard to the level of Wellard's available conduit foreign income at the time of the future unfranked dividend payment. The extent to which an unfranked or partially franked dividend can be declared to be conduit foreign income will depend on Wellard's conduit foreign income balance (which will be nil at Completion of the Offer) and its level of distributable profits. Wellard's conduit foreign income balance will depend, among other things, on the amount of dividends received by Wellard from its non-Australian subsidiaries.</p> <p>No assurances can be given by any person, including the Directors, about payment of any dividend and the level of franking or conduit foreign income on any such dividend.</p>	<p>Section 4.11</p>
<p>When will the first dividend be paid?</p>	<p>It is intended that the First Dividend paid will be a final dividend in the six months ending 30 June 2016.</p>	<p>Section 4.11</p>

1.3 Key strengths

Topic	Summary	For more information
Attractive industry dynamics	<p>Global demand for beef, sheep meat and dairy products has experienced consistent growth over the last decade, supported by several factors including:</p> <ul style="list-style-type: none"> • population and disposable income growth in developing economies; • increased urbanisation in some markets, with red meat consumption per capita in urban areas typically significantly higher than in rural areas; • a trend towards more western-style diets, including increased demand for higher-value protein; and • expansion of the foodservice (restaurants) industry in developing economies. <p>Primary production in many markets is insufficient to meet domestic consumption requirements, driving demand for imported livestock and processed meat.</p> <p>The establishment of international trade agreements and health protocols, including the pending China-Australia Free Trade Agreement (ChAFTA) and the ratified beef cattle health protocol, are expected to further support global marketing and export activity.</p>	Section 2.2
Global sourcing and marketing capabilities	<p>Wellard's global capabilities provide it with a number of key advantages including:</p> <ul style="list-style-type: none"> • ability to source livestock from a diverse range of parties in multiple markets and to provide security of supply for its customers; • visibility of supply/demand dynamics across multiple markets and, as a result of its control of the supply chain, the flexibility to take advantage of higher margin opportunities; • ability to service customer markets from geographically proximate supply markets. For example, Wellard typically services cattle customers in Venezuela, the Middle East and North Africa from South American sourcing; • reduced exposure to agricultural risks, such as drought or disease, in any individual supply market; and • reduced exposure to regulatory and other disruptions in any individual supply or customer market. 	Section 3.2.1
Long term customer relationships	<p>Wellard's Livestock Marketing and Export business was established in 1980 and Wellard has long-standing relationships with many of its customers, built on its on-the-ground presence, ability to assist customers with their sourcing requirements and its consistency of supply.</p>	Section 3.2.1.2
A scale operator in an industry with substantial scale benefits	<p>Wellard is the largest exporter of cattle from Australia and a significant seaborne livestock exporter globally. This scale means that it is a regular and ongoing buyer of livestock across a variety of breeds, ages and weights to meet the varying needs of its customers. This market presence and capacity to provide a "whole-of-production" solution is attractive to producers.</p>	Section 3.2.1.5

For personal use only

01. Investment Overview

Topic	Summary	For more information
<p>A scale operator in an industry with substantial scale benefits continued</p>	<p>Wellard operates a young fleet of livestock carrying vessels with one of the largest Australian Maritime Safety Authority (AMSA) approved cattle carrying capacities in the world². This capacity, in conjunction with Wellard's control of pre-export quarantine facilities, means Wellard can fulfil more orders on a more regular basis. Furthermore, Wellard's large-scale purpose-built vessels provide it with animal welfare and cost benefits relative to other operators.</p>	<p>Section 3.2.1.5</p>
<p>Vertically integrated business model with control of key infrastructure</p>	<p>Wellard owns or controls critical and strategic infrastructure across its supply chain, including five pre-export quarantine facilities and its own fleet of livestock carrying vessels. Control of critical infrastructure within the supply chain provides Wellard with several advantages including:</p> <ul style="list-style-type: none"> • limited reliance on third parties; • flexibility to take advantage of changes in market conditions and higher margin marketing and export opportunities; • ability to provide security of supply to customers; and • ability to capture margins along the supply chain. 	<p>Section 3.2.1</p>
<p>Strong focus on animal welfare</p>	<p>Wellard is committed to animal welfare in the livestock export trade and has been actively involved in assisting the Australian Government in developing industry regulation, including Australia's Exporter Supply Chain Assurance System (ESCAS). Wellard's compliance with Australian regulatory standards is independently audited on at least an annual basis.</p> <p>Wellard does not tolerate customers with poor animal welfare records and has been at the forefront of the industry in introducing initiatives which exceed regulatory requirements, to ensure high standards are maintained at all stages of the supply chain.</p> <p>Specific examples of Wellard's animal welfare initiatives include:</p> <ul style="list-style-type: none"> • material investment to build and improve its livestock carrying vessel fleet and upgrade its pre-export facilities; • utilisation of Wellard's modern vessels that have been specifically designed and built for livestock transport; • appointment of an experienced animal welfare officer to oversee each voyage; • active consideration of animal welfare track record when selecting customers; • initiatives in importing countries, such as the installation of closed-circuit TV cameras in some customer facilities; and • in-country representatives to monitor and assist companies with their animal welfare initiatives. 	<p>Section 3.5</p>

² Measured by carrying co-efficient which is defined as vessel size multiplied by vessel speed.

01. Investment Overview

Topic	Summary	For more information
Track record of strong earnings growth and high cash flow generation	<p>Wellard has delivered strong earnings growth, primarily driven by successful expansion in its customer and supply base, supported by expansion in its fleet capacity:</p> <ul style="list-style-type: none"> • pro forma revenue growth of 18.4% per annum from FY2014 to FY2015; • pro forma EBITDA growth of 25.3% per annum from FY2014 to FY2015; • pro forma EBITDA margin expansion from 9.8% in FY2014 to 10.3% in FY2015; and • Return on Operating Assets of 21.1% in FY2014 and 26.1% in FY2015. 	Section 4.3.1
Conservative capital structure	<p>On Completion of the Offer, Wellard will have cash and Working Capital of approximately \$66.5 million, drawn debt of approximately US\$87.4 million and undrawn committed debt capacity of approximately \$50.0 million.</p>	Section 4.5.2
Experienced senior management team	<p>Wellard's senior management team comprises 13 senior managers who are highly experienced in the livestock and Processed Meat Marketing and Export industries.</p> <p>Wellard is led by Mauro Balzarini, Managing Director and CEO, who has over 30 years of experience in the livestock trading industry. Mauro is the son of the founder of Wellard and has been involved in the family owned Australian company since 1985, with overall responsibility for its business plan and growth strategy over this period.</p> <p>Other key Wellard executives are set out in Section 6.2.</p>	Section 6.2

1.4 Key risks

Topic	Summary	For more information
Loss of major customers	<p>Although Wellard has a diverse range of customers, a number of them are individually material and have not entered into long-term contracts with Wellard (see Section 3.2.1.2 for further information in relation to Wellard's key customers). There is a risk that Wellard may not continue to transact with one or more of its major customers or that the level of sales to Wellard's customers could decrease.</p>	Section 5.2.1.1
Political and regulatory risks, including in relation to animal welfare	<p>Livestock Marketing and Export activities are subject to government regulation in both exporting and importing countries, including regulations relating to animal welfare. Governments may further regulate or suspend livestock exports, and customers may become less prepared to participate in the livestock export industry, which could negatively impact Wellard's business. Lobby groups could also target Wellard's activities or the livestock industry in general.</p>	Section 5.2.1.2
Insufficient supply of livestock	<p>There is a risk that Wellard may not be able to acquire sufficient quantities of livestock to meet the requirements of its customer base or to fully utilise its livestock carrying vessels and other assets.</p>	Section 5.2.1.3

01. Investment Overview

Topic	Summary	For more information
Loss of key personnel	The loss of key members of senior management may adversely affect Wellard's ability to develop or implement its business strategies and may adversely affect its future financial performance.	Section 5.2.3.1
Seasonal and environmental conditions	There is a risk that Wellard could be exposed to a number of natural events such as droughts, floods, storms, fires and other adverse environmental conditions which may negatively impact Wellard's suppliers' operations and Wellard's own operations.	Section 5.2.1.4
Trade restrictions and offshore operations	Trade sanctions or changes to existing trade policies may impact Wellard's export market or future sales. Wellard conducts operations in a number of countries, each of which has separate regulatory regimes or quotas. A significant change in any of these may adversely affect Wellard's business.	Section 5.2.1.5
Regulatory compliance and change risk	Wellard's business is subject to a high degree of regulation, particularly in relation to the export of livestock. Any failure to comply with these requirements (whether by Wellard or others involved in Wellard's supply chain or competitors in the sector) could negatively impact Wellard's business.	Section 5.2.1.6
Logistics delays and other scheduling issues	Weather events, industrial action at ports, port congestion and other factors, including political and regulatory factors, may impact Wellard's ability to transport livestock and/or meat via ships in a timely manner or to fully utilise capacity.	Section 5.2.2.1
Vessel breakdown or weather	Like any organisation which relies on sea transportation, Wellard runs the risk that a serious mechanical failure or vessel breakdown could impact the operational availability of vessels and negatively impact Wellard's business.	Section 5.2.2.2
Disease outbreak	A major disease outbreak could result in significant disruption to Wellard's ability to market and export livestock.	Section 5.2.3.2
Price risk	There is a risk that variations in domestic and international livestock prices, which are outside Wellard's control, or a mismatch between the price Wellard is able to sell its products to customers and its costs to deliver those products, will result in losses or reduced profitability on individual shipments and on Wellard's overall financial performance.	Section 5.2.1.7
Other risks	A number of other specific key risks to an investment in Wellard and general investment risks are set out in Section 5.	Section 5

1.5 Wellard Directors and key executives

Topic	Name	Position	For more information
Who are the directors of Wellard?	David Griffiths	Non-Executive Chairman	Section 6.1
	Mauro Balzarini	Managing Director and CEO	
	Greg Wheeler	Finance Director and Company Secretary	
	Sharon Warburton	Non-Executive Director	
	Philip Clausius	Non-Executive Director	
	The Board will consider the opportunity to appoint one additional Independent Non-Executive Director after Completion of the Offer.		
Who are the other key corporate executives of Wellard?	Mauro Balzarini	Managing Director and CEO	Section 6.2
	Greg Wheeler	Finance Director and Company Secretary	
	Scot Braithwaite	Chief Operating Officer	
	Domenico Bazzoni	Head of Business Development – Europe & Americas	
	Paolo Triglia	Managing Director – Wellard Ships	
	George Nicholls	Group Financial Controller	
	Alessandro Polacco	Executive Director – Wellard Ships	
	Kelly Whitehouse	General Manager – Meat Processing, Marketing and Export	
	Brad Gosling	General Manager – Planning	
	Colin Webb	General Manager – Breeding and Dairy	
	Bernie Brosnan	General Manager – South East Asia	
	Harold Sealy	General Manager – Sheep	
	Andrea Bazzoni	General Manager – Middle East	

For personal use only

1.6 Significant interests of key people and related party transactions

Topic	Summary	For more information																		
<p>Who are the existing Shareholders in Wellard and what will be their interest following Completion of the Offer?</p>	<p>WGH is the current owner of the IPO Subsidiaries (excluding Wellard do Uruguay S.A. (Wellard Uruguay) which is currently owned by Mauro Balzarini) and Wellao Agriculture Co., Ltd (China) (Wellao JV). WGH is approximately 79% controlled by Mauro Balzarini and his related parties. The remaining interests in WGH are held by third parties, including family members, WGH staff and unaffiliated third parties.</p> <p>WGH will receive cash from the proceeds of the Offer and Shares in Wellard as consideration for the sale of the WGH IPO Subsidiaries to Wellard.</p> <p>The interests of WGH, Wellard employees, SCPEL and other Shareholders at Completion of the Offer are expected to be as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>Following Completion of the Offer (million Shares)</th> <th>Following Completion of the Offer (% of issued Share capital)</th> </tr> </thead> <tbody> <tr> <td>WGH³</td> <td>146.3</td> <td>36.6%</td> </tr> <tr> <td>Wellard employees⁴</td> <td>13.7</td> <td>3.4%</td> </tr> <tr> <td>SCPEL⁴</td> <td>25.0</td> <td>6.3%</td> </tr> <tr> <td>Other Shareholders</td> <td>215.0</td> <td>53.8%</td> </tr> <tr> <td>Total</td> <td>400.0</td> <td>100.0%</td> </tr> </tbody> </table>		Following Completion of the Offer (million Shares)	Following Completion of the Offer (% of issued Share capital)	WGH ³	146.3	36.6%	Wellard employees ⁴	13.7	3.4%	SCPEL ⁴	25.0	6.3%	Other Shareholders	215.0	53.8%	Total	400.0	100.0%	<p>Section 7.1.5 Section 9.4.1</p>
	Following Completion of the Offer (million Shares)	Following Completion of the Offer (% of issued Share capital)																		
WGH ³	146.3	36.6%																		
Wellard employees ⁴	13.7	3.4%																		
SCPEL ⁴	25.0	6.3%																		
Other Shareholders	215.0	53.8%																		
Total	400.0	100.0%																		
<p>What significant benefits are payable to Directors and other persons connected with Wellard or the Offer and what significant interests will they hold?</p>	<table border="1"> <thead> <tr> <th>Directors</th> <th>Shares held at Prospectus Date</th> <th>Shares held at Completion of the Offer</th> </tr> </thead> <tbody> <tr> <td>Mauro Balzarini</td> <td>999, held by WGH</td> <td>146.3 million Shares, held by WGH</td> </tr> <tr> <td>Greg Wheeler</td> <td>Nil</td> <td>0.96 million Shares, held directly</td> </tr> </tbody> </table> <p>Mauro Balzarini controls WGH which will receive cash under the Restructure and Shares in Wellard in connection with the Offer. Details are set out in Section 9.4.1.</p> <p>The Directors are entitled to remuneration and fees on commercial terms as disclosed in Section 6.3.2 and may also subscribe for Shares through the Offer.</p> <p>Advisers and other service providers are entitled to fees for services as disclosed in Section 6.3.1.</p>	Directors	Shares held at Prospectus Date	Shares held at Completion of the Offer	Mauro Balzarini	999, held by WGH	146.3 million Shares, held by WGH	Greg Wheeler	Nil	0.96 million Shares, held directly	<p>Section 6.3</p>									
Directors	Shares held at Prospectus Date	Shares held at Completion of the Offer																		
Mauro Balzarini	999, held by WGH	146.3 million Shares, held by WGH																		
Greg Wheeler	Nil	0.96 million Shares, held directly																		

³ The number and percentage of Shares does not include the Shares to be transferred by WGH to Wellard employees, consultants and others not part of the Wellard Group, which will first be issued to WGH. SCPEL will receive Shares under the arrangements outlined in Section 7.6.3. Further, Fulida has the right to convert an investment in WGH into Shares at any time before 31 March 2016 by way of a transfer of Shares from WGH for up to US\$27.8 million worth of Shares at the Offer Price. Refer to Section 9.4.12.

⁴ Wellard Employee Shares will be transferred by WGH to the employees (including consultants and others not part of the Wellard Group) shortly after the Completion of the Offer. The WGH Voluntary Escrow Agreement permits this transfer to occur. SCPEL will receive Shares under the arrangements outlined in Section 7.6.3.

01. Investment Overview

Topic	Summary	For more information
<p>Will any Shares be subject to restrictions on disposal following Completion of the Offer?</p>	<p>Yes. WGH, initially a 40%⁵ Shareholder in Wellard following Completion of the Offer, has agreed to enter into voluntary escrow arrangements in relation to all Shares held by it.</p> <p>The Escrowed Shares will be subject to disposal restrictions as follows:</p> <ul style="list-style-type: none"> • 33% of the Escrowed Shares will be released from the escrow arrangements on the day after Wellard’s results for FY2016 are released to the ASX; and • the remaining 67% of the Escrowed Shares will be released from the escrow arrangements on the day after Wellard’s results for FY2017 are released to the ASX. <p>Mauro Balzarini and entities he controls will be restricted from dealing their Escrowed Shares through these periods. This voluntary escrow arrangement is subject to certain exceptions as set out in Section 7.6.</p> <p>In addition, certain other employees of Wellard have entered into voluntary escrow agreements in relation to their Shareholdings in Wellard. The aggregate number of Shares that these employee voluntary escrow arrangements apply to is 5.28 million Shares. The employees include Greg Wheeler, Scot Braithwaite, Domenico Bazzoni and Paolo Triglia. The terms of these voluntary escrow agreements are materially identical to the WGH voluntary escrow agreement but with fewer exceptions (refer to Section 7.6.2).</p> <p>SCPEL will, prior to the Completion of the Offer, enter into a voluntary escrow agreement in relation to the Shares it will own. Under the terms of this agreement, SCPEL will not be able to dispose of its Shares until the business day after Wellard’s results for FY2016 are released to the ASX (refer to Section 7.6.3).</p>	<p>Section 7.6</p>
<p>What arrangements has Wellard made with related parties?</p>	<p>Wellard Rural Exports, an IPO Subsidiary, has entered into a lease with a WGH entity in relation to the existing sheep feedlot at Baldivis, Western Australia.</p> <p>Wellard has entered into a sublease with a WGH entity in relation to the Wellard headquarters in Fremantle, Western Australia.</p> <p>A WGH entity has agreed to make an aircraft available to Wellard on a spot charter basis for business travel purposes.</p> <p>Mauro Balzarini also leases a small office in Italy to Wellard Rural Exports.</p> <p>These arrangements will continue following Completion of the Offer and are on normal commercial terms.</p> <p>As a large primary producer in Western Australia, WGH Group may have a small level of trading with Wellard after Listing. Wellard has a related party transactions policy in place to ensure that any other related party transactions are conducted on arm’s length terms.</p>	<p>Sections 6.5.3.4 and 9.4</p>

⁵ Prior to the transfer of Shares to Wellard employees, consultants and others not part of the Wellard Group as permitted under the WGH voluntary escrow arrangements. Refer to section 7.6.1. After these transfers WGH will be a 36.6% Shareholder in Wellard.

For personal use only

01. Investment Overview

Topic	Summary	For more information
How is the Restructure being implemented?	<p>WGH currently owns the WGH IPO Subsidiaries. There are a range of agreements relating to the Restructure which have been or will be entered into by Wellard and WGH. The WGH IPO Subsidiaries will be transferred to Wellard under these agreements prior to the issue of Shares under the Offer.</p> <p>The Restructure will be based on the overriding principle that, subject to a few limited exceptions, Wellard will be treated as if it has always owned the WGH IPO Subsidiaries so that all associated benefits and liabilities will be transferred to Wellard and that the relevant companies in the WGH Group will likewise be treated as if they had always owned the relevant assets relating to the businesses retained by WGH.</p> <p>After the Restructure is implemented, Wellard will own and control the WGH IPO Subsidiaries (and therefore the Business) and WGH will continue to own and operate its grain, sheep and cattle production business in Western Australia.</p>	Section 9.4.1

1.7 Overview of the Offer

Topic	Summary	For more information
What is the Offer?	<p>The Offer is an initial public offering of approximately 215.0 million Shares at the Offer Price of \$1.39 per Share.</p> <p>The Offer is expected to raise approximately \$298.9 million.</p>	Section 7.1
Who is the issuer of this Prospectus?	Wellard Limited (ACN 607 708 190), incorporated in Western Australia.	Section 7.1
What is the proposed use of the funds raised under the Offer?	<p>The funds raised under the Offer will be used to:</p> <ul style="list-style-type: none"> • provide Wellard with the financial flexibility to execute its identified growth initiatives and longer-term strategy; • fund the acquisition by Wellard of the IPO Subsidiaries and the repayment of certain external debt; and • pay the costs of the Offer. 	Section 7.1.2
Will the Shares be quoted on the ASX?	<p>Wellard has applied to the ASX for admission to the official list of the ASX and for quotation of the Shares on the ASX under the code WLD.</p> <p>If approval is not given within three months after the Prospectus Date (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>It is expected that quotation will initially be on a conditional and deferred settlement basis. Completion of the Offer is conditional on the ASX approving this application.</p>	Section 7.2 and 7.9
Is the Offer underwritten?	Yes. The Offer is fully underwritten by the Joint Lead Managers.	Section 7.1 and 9.4

01. Investment Overview

Topic	Summary	For more information
<p>How is the Offer structured and who will be eligible to participate?</p>	<p>The Offer comprises:</p> <ul style="list-style-type: none"> • the Broker Firm Offer, which is open to persons who receive an allocation of Shares from their Broker and who have a registered address in Australia or New Zealand; • the Priority Offer, which is open to selected investors in Australia and New Zealand who have received an invitation to participate; and • the Institutional Offer, which consisted of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares. <p>There is no general public offer of Shares.</p>	<p>Section 7.1</p>
<p>What is the allocation policy?</p>	<p>The allocation of Shares between the Broker Firm Offer, Priority Offer and Institutional Offer was determined by the Joint Lead Managers, in agreement with Wellard.</p> <p>With respect to the Broker Firm Offer, it is a matter for the Brokers how they allocate stock among their eligible retail clients.</p> <p>The allocation of Shares among Applicants in the Priority Offer will be determined by Wellard, following consultation with the Joint Lead Managers. Applicants under the Priority Offer will be guaranteed an allocation of Shares in the amount specified in their personalised invitation, or such lesser value of Shares validly applied for (rounded down to the nearest whole Share), subject to the minimum Application size of \$2,000 and in multiples of \$500 thereafter.</p> <p>The allocation of Shares among Applicants in the Institutional Offer was determined by the Joint Lead Managers, in agreement with Wellard.</p>	<p>Section 7.3.4</p>
<p>Is there any brokerage, commission or stamp duty payable by Applicants?</p>	<p>No brokerage, commission or stamp duty should be payable by Applicants on acquisition of Shares under the Offer.</p>	<p>Section 7.2</p>
<p>What are the tax implications of investing in the Shares?</p>	<p>A summary of certain Australian tax consequences of participating in the Offer and investing in the Shares is set out in Section 9.7. The tax consequences of any investment in the Shares will depend on an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.</p>	<p>Section 9.7</p>
<p>When will I receive confirmation my Application has been successful?</p>	<p>It is expected that initial holding statements will be dispatched by standard post on or about Wednesday, 16 December 2015.</p> <p>Applicants in the Broker Firm Offer should confirm their allocation of Shares with the Broker from whom they received their allocation.</p>	<p>Section 7.2</p>

01. Investment Overview

Topic	Summary	For more information
<p>How can I apply?</p>	<p>If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Application Form with the Broker from whom you received your allocation of Shares. Broker Firm Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Broker Firm Application Form.</p> <p>If you are an investor applying under the Priority Offer, you are guaranteed an allocation of Shares up to the amount indicated in your personalised invitation.</p> <p>Priority Offer Applicants may apply for Shares by submitting a Priority Offer Application Form online, and must comply with the instructions on the website www.wellard.com.au.</p>	<p>Section 7.3.2 and 7.4.2</p>
<p>When can I sell my Shares on the ASX?</p>	<p>It is expected that trading of the Shares on the ASX will commence on or about Thursday, 10 December 2015 initially on a conditional and deferred settlement basis. This will be before the condition for the commencement of unconditional trading will have been satisfied, being completion of the Restructure. The contracts formed on acceptance of Applications and confirmations of allocations will be conditional on the ASX agreeing to quote the Shares on ASX, and on issue occurring.</p> <p>Following completion of the Restructure, trading will be on an unconditional but deferred settlement basis until Wellard has advised the ASX that holding statements have been despatched to Shareholders.</p> <p>It is expected that dispatch of holding statements will occur on or about Wednesday, 16 December 2015 and that Shares will commence trading on the ASX on a normal settlement basis on or about Thursday, 17 December 2015.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.</p> <p>The Company 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, whether on the basis of a confirmation of allocation provided by any of them or by a Broker.</p>	<p>Section 7.9</p>
<p>What is conditional and deferred settlement trading?</p>	<p>It is expected that trading of the Shares on the ASX (on a conditional and deferred basis) will commence on or about Thursday, 10 December 2015. It is expected that the Restructure will complete on Monday, 14 December 2015.</p> <p>The period of conditional and deferred settlement trading allows for Shares to trade on the ASX prior to (and including) this date. In the event the Restructure does not complete by the end of the conditional and deferred settlement trading period, the Offer will not complete and all trades conducted during the conditional and deferred settlement trading period will be invalid and will not settle. All Application Monies received will be returned to Applicants. No interest will be paid on any Application Monies refunded as a result of the Offer not completing.</p> <p>Trading on the ASX is expected to commence on a normal settlement basis on or about Thursday, 17 December 2015.</p>	<p>Section 7.9.3</p>

01. Investment Overview

Topic	Summary	For more information
Can the Offer be withdrawn?	<p>Yes. Wellard reserves the right not to proceed with, and to withdraw, the Offer at any time before the issue of Shares to successful Applicants.</p> <p>The Offer will be withdrawn if the Restructure does not complete. If this occurs, the Offer will not proceed.</p> <p>If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).</p>	Section 7.8
Where can I find out more information about this Prospectus or the Offer?	<p>For more information, call the Wellard Offer Information Line on 1800 187 991 (within Australia) or +61 1800 187 991 (outside Australia) from 8:30am until 5:30pm (AEDT) Monday to Friday.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether Wellard is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.</p>	Important notices

For personal use only

For personal use only



02.

Industry
Overview

02. Industry Overview

2.1 Introduction

Wellard operates in the beef, sheep meat and dairy industries, the export of which is collectively estimated to have generated over US\$160 billion globally in 2014⁶.

The global beef and sheep meat industries encompass the production, aggregation, processing, marketing, exporting, shipping and distribution of both livestock and meat products. The global dairy industry comprises the breeding of dairy animals and the production of a range of products such as milk, milk powder, cheese and butter. Wellard's current operations are primarily in the marketing and export of livestock and the production and distribution of sheep meat.

2.2 Consumption trends

Global consumer demand for beef, sheep meat and dairy products has experienced consistent growth over the last decade, supported by several factors including:

- population and disposable income growth in developing economies;
- increased urbanisation in some markets, with red meat consumption per capita in urban areas typically significantly higher than that in rural areas;
- a trend towards more western style diets, including increased demand for higher-value protein; and
- expansion of the foodservice (restaurants) industry in developing economies.

2.2.1 Beef

Global consumption of beef⁷ grew 1.1% per annum from 2004 to 2014, with growth rates in South East Asia significantly higher (5.0% over the same period). Chinese beef consumption has been steadily growing over the last decade, having increased from 5.5 million tonnes to 7.2 million tonnes between 2004 and 2014 (representing a 2.7% CAGR over this period). This growth has accelerated in recent years, with consumption growing at a CAGR of 4.4% from 2012 to 2014.

Figure 1: Beef consumption – global (million tonnes)

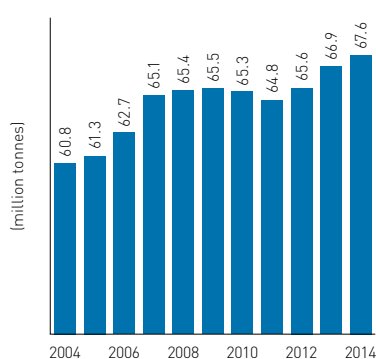


Figure 2: Beef consumption – China (million tonnes)

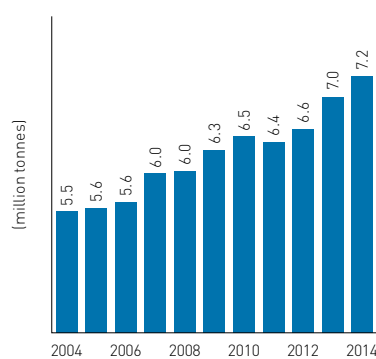
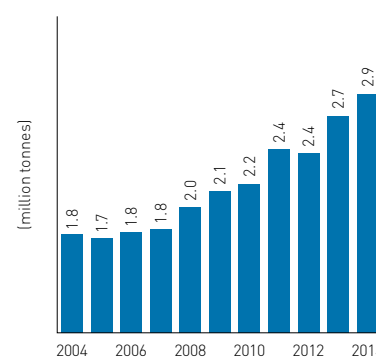


Figure 3: Beef consumption – South East Asia⁸ (million tonnes)



Source: OECD – FAO Agricultural Outlook 2015 – 2024

Growth in Asian demand for beef has been primarily driven by increased per capita consumption, underpinned by income growth and changes in dietary habits away from staples towards higher value and higher protein foods. Asian beef demand has been further supported by population growth and increasing urbanisation.

⁶ International Trade Centre (United Nations).

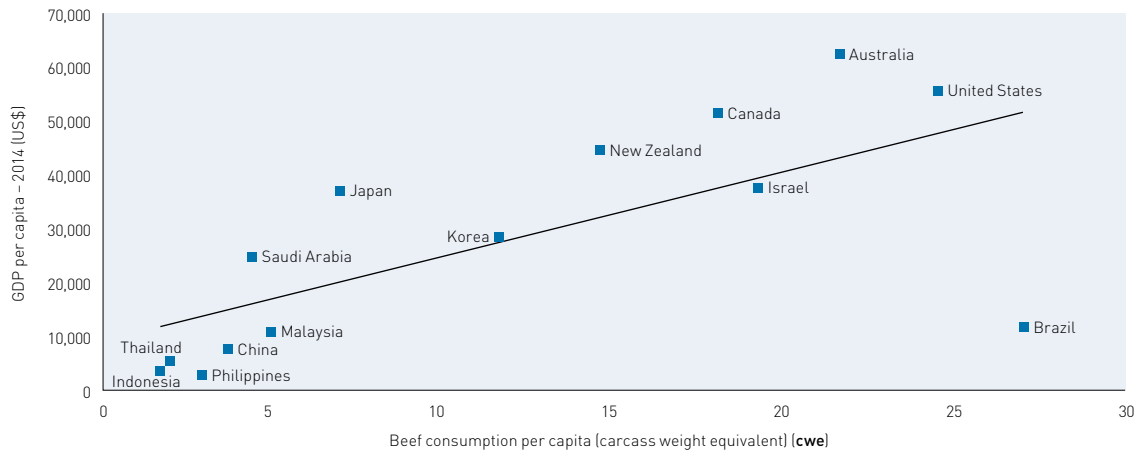
⁷ Data referred to in Section 2, sourced from OECD, also includes veal consumption.

⁸ South East Asia incorporates Indonesia, Malaysia, Vietnam, the Philippines, Thailand and Bangladesh.

02. Industry Overview

There is typically a positive correlation between beef consumption per capita and Gross Domestic Product (GDP) per capita, as set out in Figure 4, with beef consumption per capita typically increasing significantly as GDP per capita increases. Many South East Asian economies are currently exhibiting strong GDP growth, driving strong growth in demand for beef.

Figure 4: Beef consumption per capita versus GDP per capita in select markets (2014)



Source: OECD – FAO Agricultural Outlook 2015 – 2024; IMF World Economic Outlook

2.2.2 Sheep meat

Global demand for sheep meat, consisting of both lamb and mutton, grew at 1.8% per annum from 2004 to 2014. Sheep meat is a staple meat in various regions of the world, including in the Middle East and Africa. Sheep meat forms an important part of consumers' diets in most Middle Eastern countries, with the most significant import markets including Saudi Arabia, the United Arab Emirates, Kuwait, Bahrain and Jordan.

China is also a key consumer market despite sheep meat not being a traditional meat in that region. China is the world's largest producer of sheep meat and is the principal consumer in Asia. Nevertheless, sheep and goat meat together represent only around 5% of total meat consumed in China.

Figure 5: Global sheep meat consumption (million tonnes)

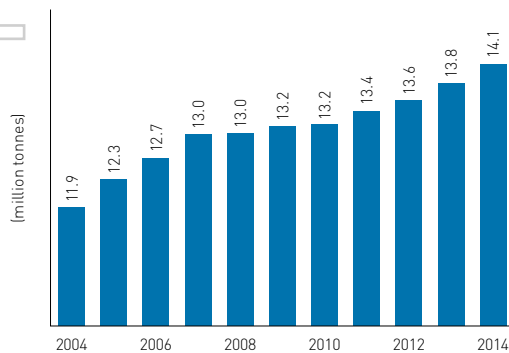
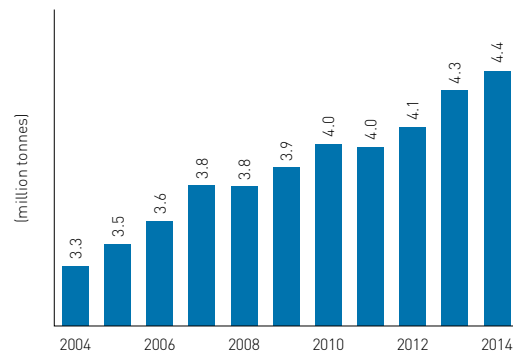


Figure 6: Chinese sheep meat consumption (million tonnes)

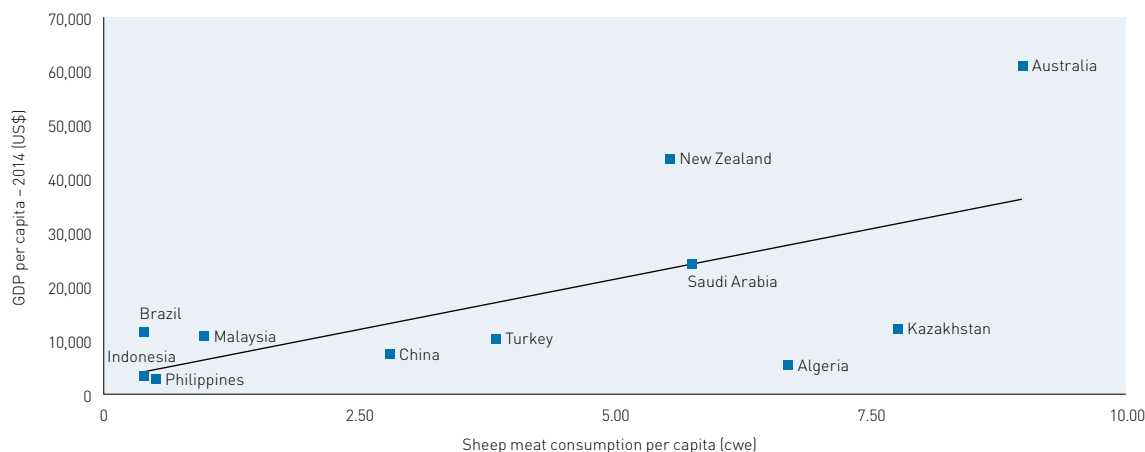


Source: OECD – FAO Agricultural Outlook 2015 – 2024

02. Industry Overview

Figure 7 sets out the correlation between sheep meat consumption per capita and GDP per capita in select Asian and Middle Eastern markets. Saudi Arabian sheep meat consumption per capita is relatively high, reflecting its higher GDP per capita. The Philippines, Indonesia, Malaysia and China are expected to demonstrate strong consumption growth as GDP increases over time.

Figure 7: Sheep meat consumption per capita versus GDP per capita in select markets (2014)



Source: OECD – FAO Agricultural Outlook 2015 – 2024 and IMF World Economic Outlook

2.2.3 Dairy

Wellard's operations in the dairy industry involve the marketing and export of live dairy cattle. Demand for dairy cattle is ultimately driven by (i) consumer trends towards increased dairy intake as disposable income rises, (ii) a consumer preference for high quality and fresh dairy products, and (iii) a desire to improve dairy cattle herd sizes in many developing economies. For example, dairy product consumption in China grew at a CAGR of 6.5% from 2004 to 2014.

In some circumstances, in conjunction with its marketing and export activities, Wellard may assist its customers in establishing and improving their infrastructure. For example, Wellard has contracted with the Sri Lankan Department of Economic Development to supply 20,000 dairy cattle and has previously contracted with the National Livestock Development Board to supply cattle and oversee the development of an operating dairy farm.

2.3 Global marketing and export

Marketing and export activity in the beef, sheep meat and dairy industries is characterised by the flow of livestock and processed meat from countries with surplus production (i.e. production greater than domestic demand) to countries that are unable to satisfy demand via domestic production.

Efficient large-scale breeding of cattle and sheep requires extensive farming, significant land area and reliable rainfall, while fattening animals to add weight prior to processing can be undertaken in an intensive way via supplement feed. Only a limited number of countries are able to breed livestock on a large-scale and in excess of domestic demand such that a material surplus production is created. The major countries in this position are Brazil, India, Australia, New Zealand and Uruguay.

Domestic herd sizes are also impacted by factors such as weather conditions, land availability, urbanisation and financial considerations. Where herd sizes are constrained by these factors, there is a need for a greater number of animals to be imported live and processed locally.

02. Industry Overview

Strong demand for red meat and the consequential increase in beef prices have had the effect of increasing the number of cattle and sheep being slaughtered to produce meat in many countries, particularly China and in South East Asia. As a result of increased slaughter rates in these countries of animals that would otherwise have been kept for reproduction, there has been a depletion of the local herd.

Livestock export flows are driven not just by consumption demand in the destination market but also by objectives such as increasing domestic herd sizes and improving herd quality through the importation of breeder animals. Although both live and processed meat service the same ultimate demand pool, the dynamics in each of these trades can vary (refer to Section 2.6).

Many countries have trade agreements in place with other countries that establish the key terms of trading in livestock and processed meat products, including any import tariffs to be levied. In addition, health protocols have been established between some countries that set out agreed specifications with respect to animal health and the importation process. The existence of a free trade agreement and/or an established health protocol significantly supports the export of livestock and processed meat products between two countries. Details on the relevant trade agreements and health protocols are provided in Section 2.4.

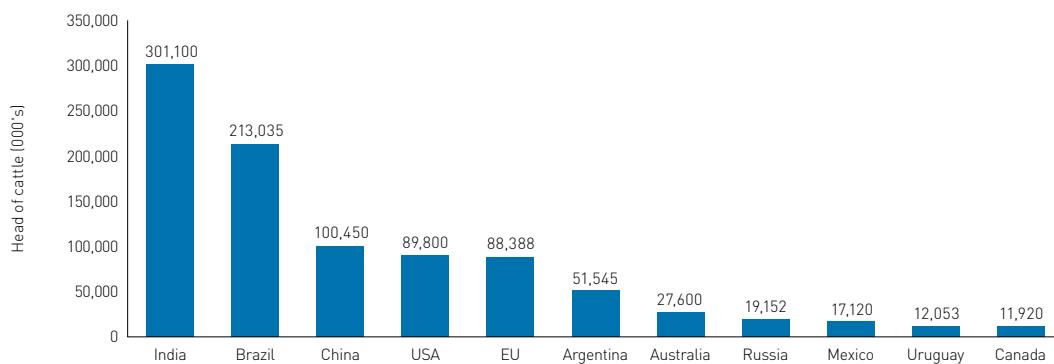
Further detail on the key markets of most relevance to Wellard is also provided in Appendix C.

2.3.1 Beef

The global beef export industry, encompassing both livestock and processed meat, is estimated to have generated export revenues of US\$55 billion in 2014.

The global beef cattle herd is estimated to be close to one billion head, with India and Brazil accounting for the largest herds. Australia, while relatively small in absolute herd size, is a significant exporter of beef given its relatively small population and consequently modest amount of aggregate beef consumption.

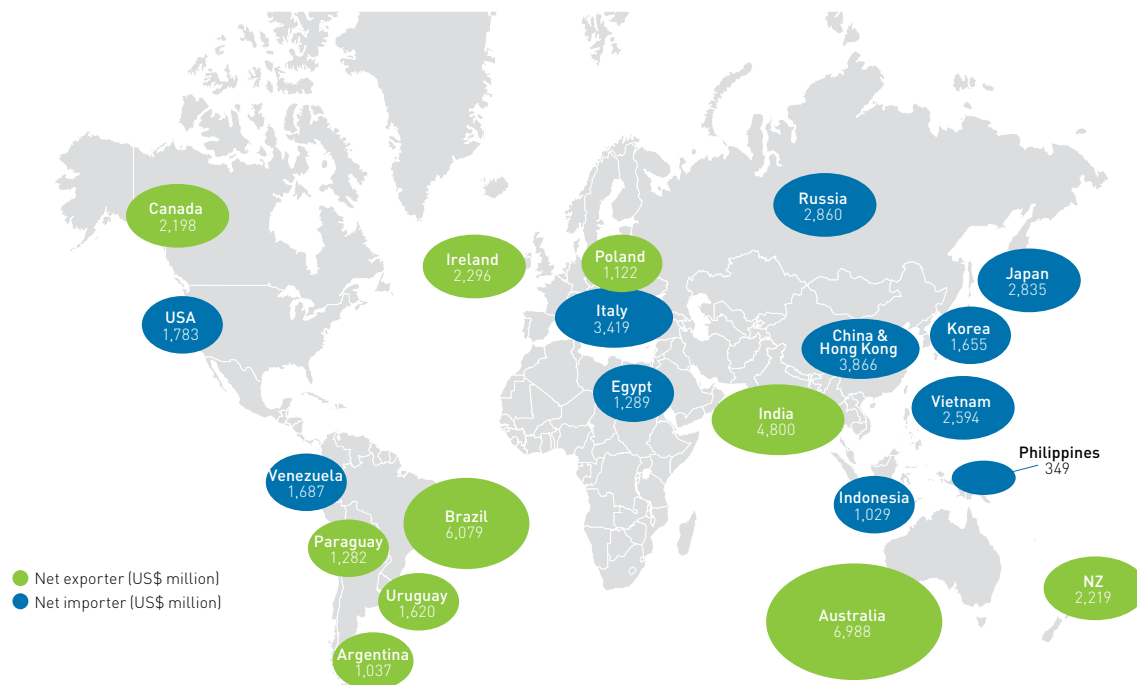
Figure 8: Beef cattle herd sizes – 2015 ('000 head)



Source: USDA

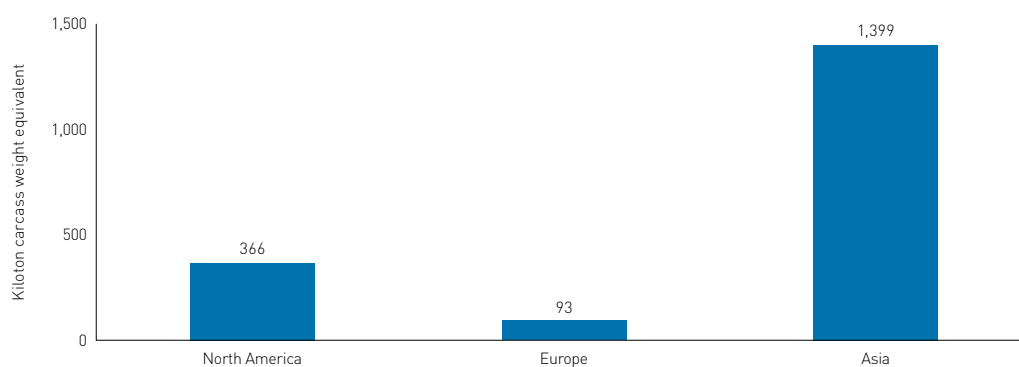
Due to the strong consumption trends outlined in Section 2.2.1, Asian countries are significant importers of beef in both live and processed meat form. These consumption trends are supporting strong growth in processed beef and cattle imports in these regions. Figure 10 illustrates that the increasing Asian demand for beef imports is forecast to outstrip growth in others region over the next decade.

Figure 9: Net value of beef imports and exports by major markets (US\$ million) (2014)⁹



Source: International Trade Centre (United Nations)

Figure 10: Forecast change in beef imports by region from 2014 to 2023 (kt cwe)¹⁰



Source: OECD – FAO Agricultural Outlook 2014 – 2023

2.3.2 Sheep meat

The global sheep meat marketing and export industry, encompassing both live and processed meat, is estimated to have generated export revenues in excess of US\$8 billion in 2014.

China and the Middle East are the largest markets for sheep meat globally, and the most active importers. Sheep meat is considered a staple meat in many Middle Eastern countries; however, most have relatively small domestic livestock industries with production limited by arid conditions and availability and cost of feed.

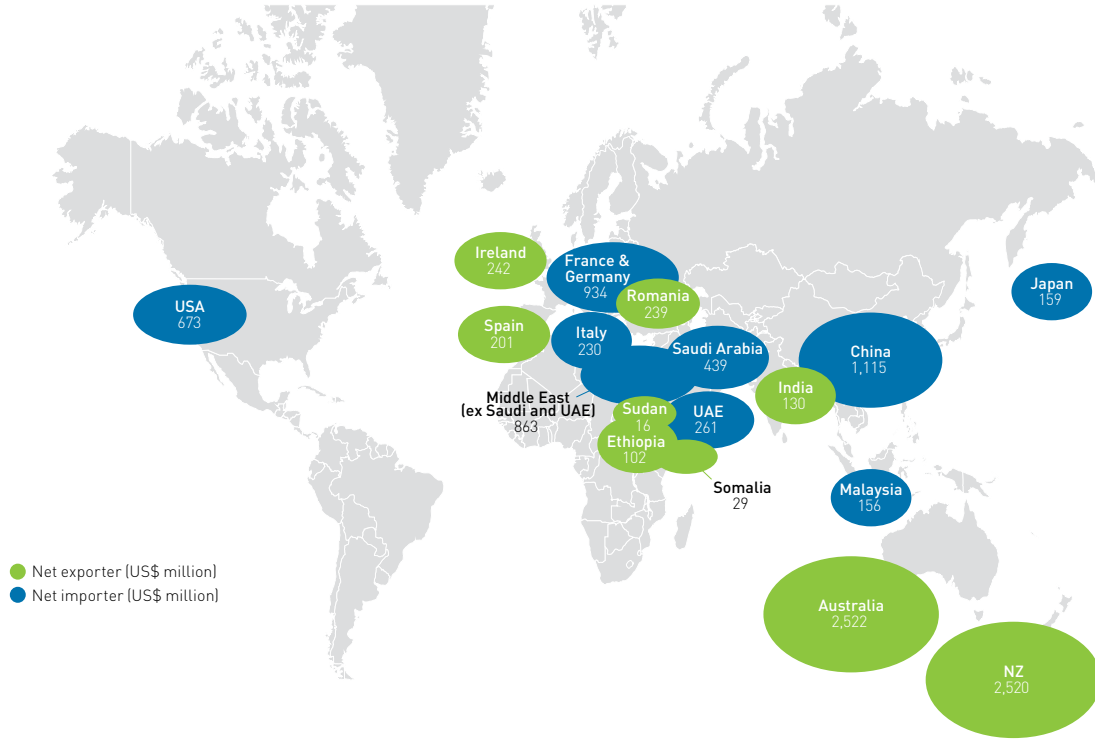
Australia and New Zealand are the world’s largest exporters of sheep meat.

9 Includes both cattle and processed beef

10 Asia includes Korea, Turkey, Bangladesh, China, India, Indonesia, Iran, Malaysia, Pakistan, Philippines, Saudi Arabia, Thailand and Vietnam

For personal use only

Figure 11: Net value of sheep imports and exports by major markets (US\$ million) (2014)

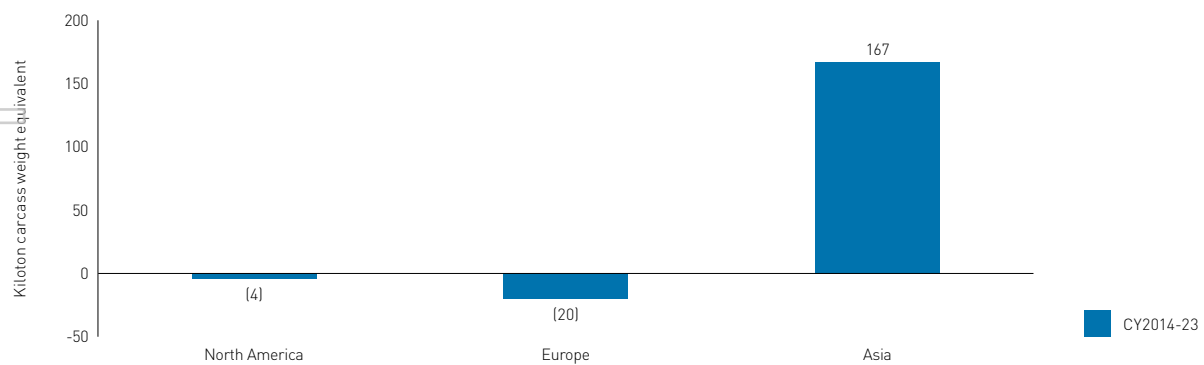


Source: International Trade Centre (United Nations)

Note: Most recent data for Sudan is for 2011

Asia, and China in particular, is forecast to experience strong growth in sheep meat imports over the next decade. While China is the world's largest producer of sheep and goat meat, Chinese imports of sheep meat have grown significantly over the past 20 years as growth in consumption has outpaced production.

Figure 12: Forecast change in sheep meat imports by region from 2014 to 2023 (kt cwe)



Source: OECD - FAO Agricultural Outlook 2014 - 2023

2.3.3 Dairy

The global dairy industry encompasses the marketing and export of both dairy cattle and dairy products including milk powder, cheese, butter, casein and whey. Wellard's dairy related operations are predominantly marketing and export of dairy cattle livestock.

For personal use only

02. Industry Overview

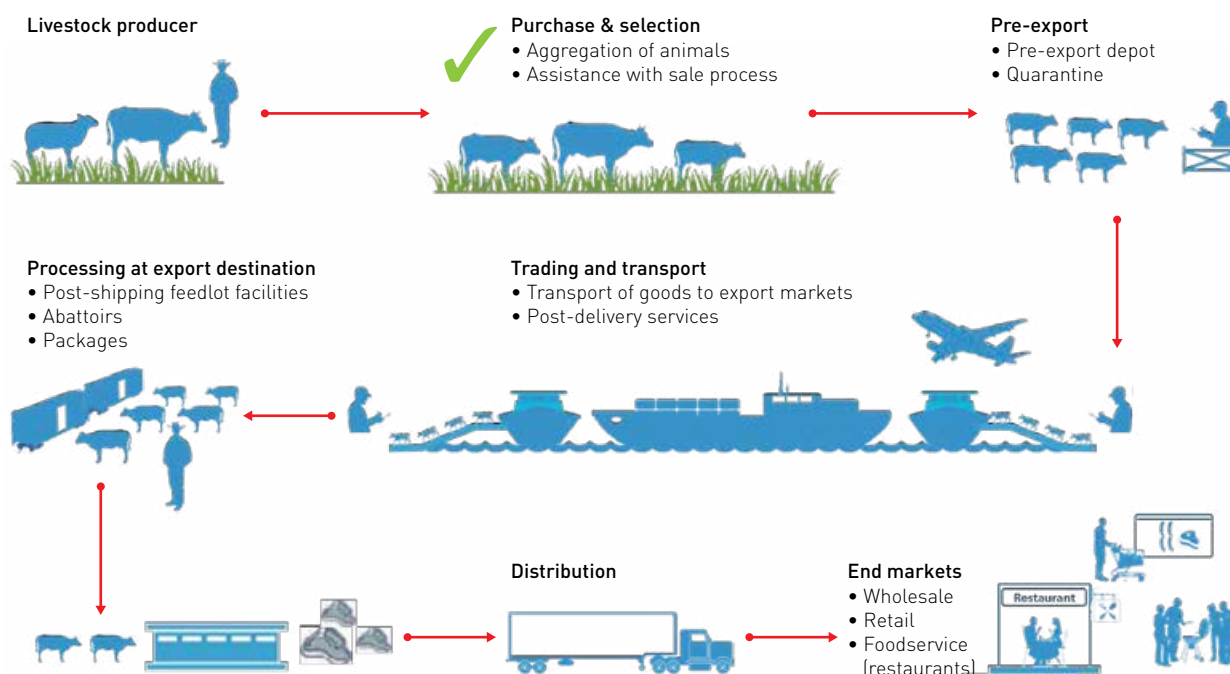
China and South East Asia are significant net consumers of dairy products, with domestic industries typically characterised by relatively small-scale farms and low productivity, unable to meet the growing demand in each of these markets. Between 2004 and 2014, net consumption in China grew at a CAGR of over 6.5%.

Import demand for Australian and New Zealand dairy cattle is supported by the high quality genetics and disease-free reputations of these supply markets.

2.4 Livestock Marketing and Export

The livestock export supply chain is illustrated in Figure 13.

Figure 13: Livestock export supply chain



The movement of livestock between countries is typically regulated by specific protocols, as explained in Section 2.4.4.

The main types of animals that are moved through the global Livestock Marketing and Export value chain include:

- slaughter animals – animals that are ready for processing within a short period of time after being delivered in the destination market;
- feeder animals – animals that are set for further fattening in the destination market prior to processing;
- breeding animals – animals that are used in a breeding capacity in the destination market to build herd sizes; and
- dairy cattle – cattle that will be used for the supply of milk in the destination market.

2.4.1 Cattle export flows

Australia and Brazil are typically the largest exporting countries for cattle, and the United States and South East Asian countries are some of the largest importers.

Export flows between countries are driven by geographic proximity of the supply and destination markets as well as the existence of trade agreements and health protocols. The majority of Australian cattle exports are to the South East Asian markets, whereas Canadian and Mexican cattle are typically exported (via road) to the United States.

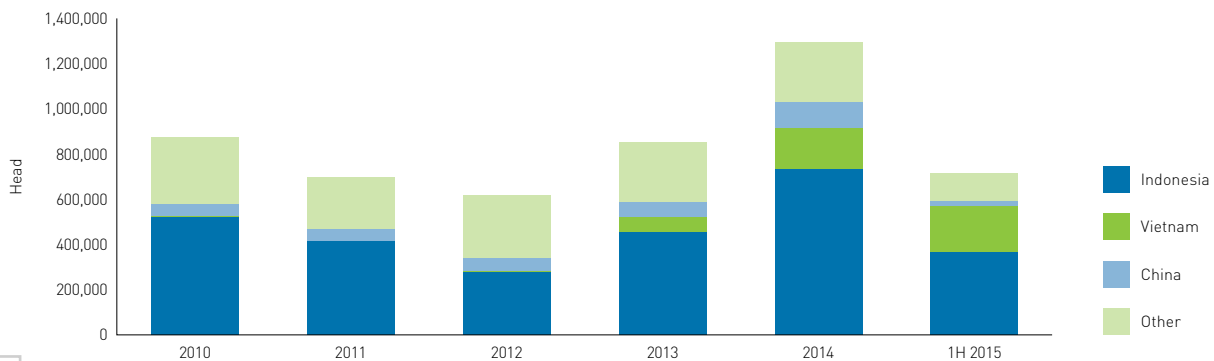
2.4.1.1 Overview of key supply markets relevant to Wellard

2.4.1.1.1 Australia

Australia's large land mass combined with a relatively small population means that its beef and veal production significantly outstrips domestic consumption. As at the start of 2015, its cattle herd size was approximately 28 million and in FY2015, it exported approximately 1.4 million head of cattle¹¹. Its efficient production methods and strict biosecurity regime support a "clean and green" reputation and drive strong international demand for Australian cattle. Australia is also a significant producer of dairy products, supported by a herd of 1.6 million dairy cattle. The nature of dairy cattle replacement creates a surplus in Australia, allowing a significant number of dairy cattle to be exported annually.

Australia's proximity to Asia results in lower transport costs relative to those for many other supply markets. Indonesia has historically been the primary export market for Australian cattle; however, in recent years, growing amounts of cattle have been exported to a wider range of destination markets, including Vietnam, Malaysia and the Philippines. As a result of the recently signed health protocol agreements and the pending ChAFTA, it is expected that China will account for a more significant proportion of total exports in the future.

Figure 14: Destination markets for Australian cattle



Source: MLA and ABS

2.4.1.1.2 New Zealand

Having entered into a free trade agreement with China in 2008, New Zealand is a material exporter of dairy cattle to China (approximately 77,000 head in 2014)¹². This position is supported by New Zealand's reputation as a high quality and disease-free producer.

2.4.1.1.3 Brazil

With a herd of approximately 213 million beef cattle¹³, Brazil has the second largest herd globally and was the third largest beef exporter globally in 2014 by volume. Historically, Brazil's cattle industry has been impacted by period of disease (such as foot and mouth disease) although it is currently recognised by the

11 LiveLink, Live export statistics (August 2015), MLA.

12 Harmonised Trade Exports (Quarterly), Statistics New Zealand (July 2015).

13 Brazil Livestock and Products Annual, Annual Livestock 2015, USDA Foreign Agricultural Service (August 2015).

02. Industry Overview

World Organisation for Animal Health (**OIE**) as having negligible risk of mad cow disease. Key export markets include Venezuela and the Middle East; however, a number of countries such as Japan and Saudi Arabia have maintained embargoes on Brazilian beef.

Brazil recently re-entered the livestock export market and its significant herd size provides a strong base for potential growth.

2.4.1.1.4 Uruguay

Although it has a relatively small herd of 12 million beef cattle¹⁴, Uruguay is a significant exporter of cattle to Turkey, Egypt and China. Uruguay is classified as disease-free and it has implemented a system of livestock traceability similar to that in Australia. Uruguay also exports dairy cattle to China and other markets.

2.4.1.2 Overview of key customer markets relevant to Wellard

2.4.1.2.1 Indonesia

Indonesia has historically been one of the largest importers of cattle and in 2014 it imported approximately 730,000 head of cattle¹⁵. This reflects a number of factors including:

- cost effective local fattening capability, driven by abundance of animal feedstock (derived from human food byproducts) and an advanced, low-cost feedlot sector; and
- the cultural importance of fresh (rather than frozen) beef to traditional cuisine (e.g. bakso, an Indonesian meatball or meat paste for which fresh beef is preferred).

Since 2010, the Indonesian Government has introduced a range of measures to target self-sufficiency, including import quotas and maximum weight restrictions on imported cattle. In conjunction with growing demand, these measures have resulted in significant increases in the price of beef.

Growing demand and a drive towards self-sufficiency have also resulted in increased slaughter rates and there are doubts whether the Indonesian breeding cattle herd can be sustained. As a result, and depending on how policy is structured regarding cattle self-sufficiency, there may be increased pressure on domestic supply resulting in an expected material increase in the reliance on cattle imports.

2.4.1.2.2 China

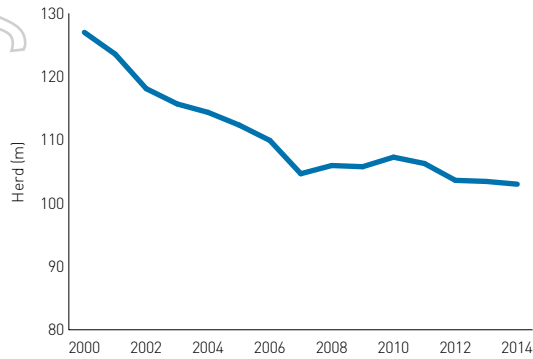
Beef consumption in China has grown at a CAGR of 2.7% over the decade to 2014¹⁶ driven by increasing disposable incomes, urbanisation of the population and increasing consumer preference for a "western diet". A declining Chinese cattle herd due to an increasing annual slaughter has also placed pressure on local beef production. As a result, China is forecast to be the single largest contributor to the increase in global beef and veal consumption globally by 2024 and the second largest consumer of beef globally by 2024 according to the OECD. Australia is the largest exporter of beef to China, with approximately 50% of the import market in 2014.

14 USDA.

15 ABS.

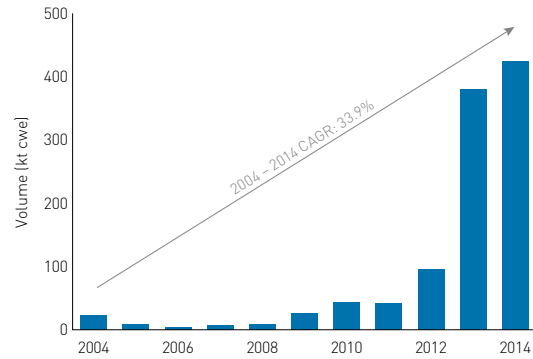
16 OECD – FAO Agricultural Outlook 2015 – 2024.

Figure 15: Chinese cattle herd size



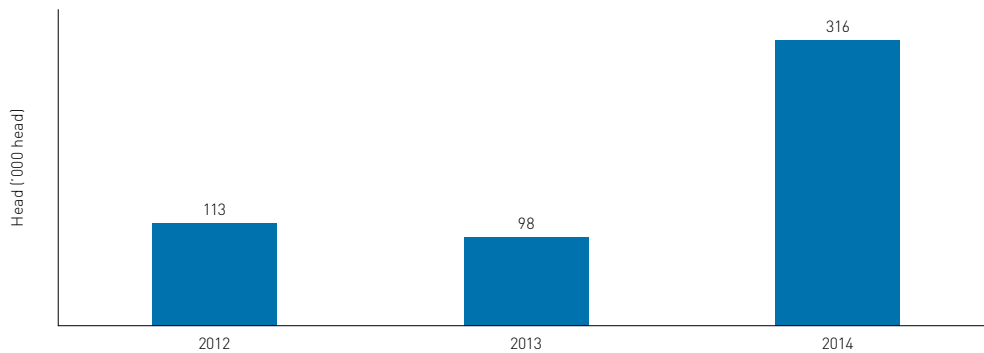
Source: USDA

Figure 16: China processed beef and veal imports



Source: OECD – FAO Agricultural Database 2015 – 2024

Figure 17: China cattle imports



Source: USDA

To date, China’s cattle imports have been focused on breeder cattle to improve the genetics of China’s beef and dairy herds, mainly imported from Australia and New Zealand. However, in August 2015, the Chinese Government ratified Australia’s health protocol agreement, thereby establishing the health certification requirements to import Australian feeder and slaughter cattle. Australia is the first country to have established this position, opening up a major and presently untapped opportunity for live exports of Australian feeder and slaughter cattle to China. Furthermore, exporters of cattle to China will benefit from the pending ChAFTA, which will eliminate the 10% tariffs on live animal trade within four years (subject to ratification by the Australian Government).

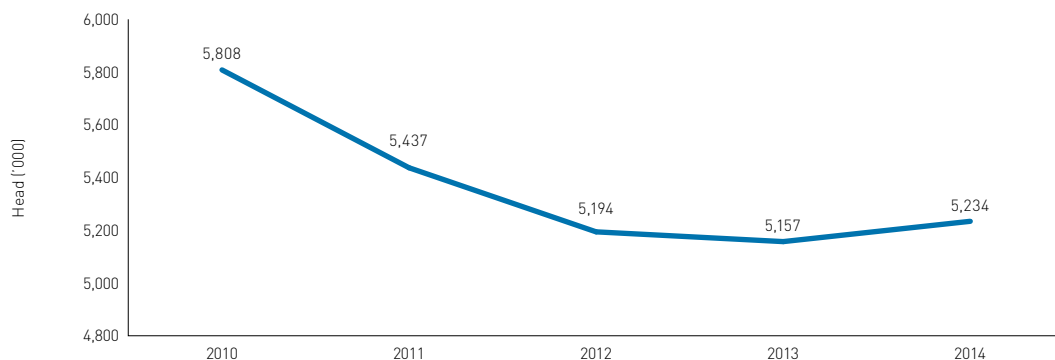
2.4.1.2.3 Vietnam

Beef consumption in Vietnam grew at a CAGR of 19% over the decade to 2014¹⁷, driven by increasing disposable income and consumer preferences broadening beyond pork and poultry. In 2014, domestic beef production represented only 30% of domestic consumption¹⁸.

17 OECD – FAO Agricultural Outlook 2015 – 2024.

18 OECD – FAO Agricultural Outlook 2015 – 2024.

For personal use only

Figure 18: Vietnam cattle herd size

Source: BIDV Research Center

Vietnam has health protocols in place to import cattle from countries including Australia, Thailand, Laos and Cambodia. Australia accounts for a large and increasing portion of its cattle imports as cattle in its other trade partners are being diverted to satisfy growing demand in China. Health protocols are also currently being negotiated between Vietnam and Colombia and are expected to be finalised by December 2015.

2.4.1.2.4 Middle East

In many Middle Eastern countries, there is a preference to process animals domestically rather than import processed meat, driven by religious preferences. Key markets supplying cattle to the Middle East include Brazil and Europe.

2.4.1.2.5 Turkey

Beef and veal consumption in Turkey grew at a CAGR of 9.1% over the decade to 2014¹⁹. Turkey imposes significant tariffs on the importation of cattle (excluding breeder cattle) and processed beef. At present, only 14 countries (including Australia) have authorisation to export live feeder cattle to Turkey and only 15 countries (including Australia) have authorisation to export breeder cattle to Turkey.

2.4.1.2.6 Sri Lanka

Currently, Sri Lanka produces only 35% of its milk requirements domestically. The Sri Lankan Government has introduced a number of initiatives aimed at being self-sufficient at milk production by 2020, including increasing the size of its dairy cattle herd. A prominent example of such an initiative is the Sri Lankan National Livestock Development Board's planned import of 45,000 dairy heifers from Australia.

Wellard has been awarded a contract with the Sri Lankan Department of Economic Development to supply 20,000 dairy cattle to Sri Lanka in the next two years, as well as managing the development of two dairy farms in Sri Lanka complete with sheds, a milking parlour and machinery with the National Livestock Development Board.

2.4.2 Livestock shipping

Livestock carriers are custom-designed vessels built or converted specifically for the purpose of carrying livestock. Livestock carriers are very different from other vessels and are typically more expensive to build and operate due to the complexity of the design and systems required to assure the welfare and safety of animals. Common features of a livestock carrier are set out in Figure 19.

19 OECD – FAO Agricultural Outlook 2015 – 2024.

For personal use only

Figure 19: Cross-section of a livestock transport vessel



Source: LiveCorp

02. Industry Overview

2.4.2.1 Livestock shipping capacity

Livestock shipping capacity is relatively concentrated among a small group of operators, with vessels typically owned by livestock exporters and occasionally by dedicated shipping companies.

Australia and New Zealand have specific, stringent requirements included in their legislation (AMSA Marine Orders) for the design, maintenance and operation of vessels which are involved in exporting livestock from Australia or New Zealand. As a result the livestock shipping industry is effectively divided into those vessels approved by AMSA which can operate in Australia and New Zealand and vessels that operate in the rest of the world. All of Wellard's vessels are approved by AMSA.

Figure 20 and Figure 21 summarise the major AMSA-approved cattle and sheep livestock carrying fleets by owner and carrying capacity. The carrying capacity is calculated as the square metre vessel surface area multiplied by the estimated average speed of the vessel. This method of measurement is used to reflect the fact that a vessel which is faster can perform more voyages and therefore transport more livestock than a vessel of the same size capacity but lower speed, and vice versa.

Figure 20: AMSA-approved cattle livestock carrying capacity²⁰

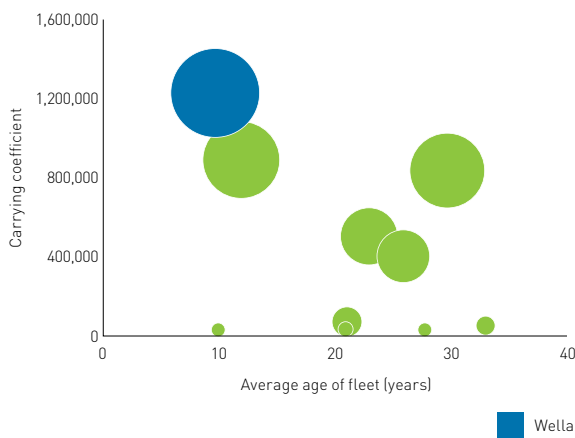
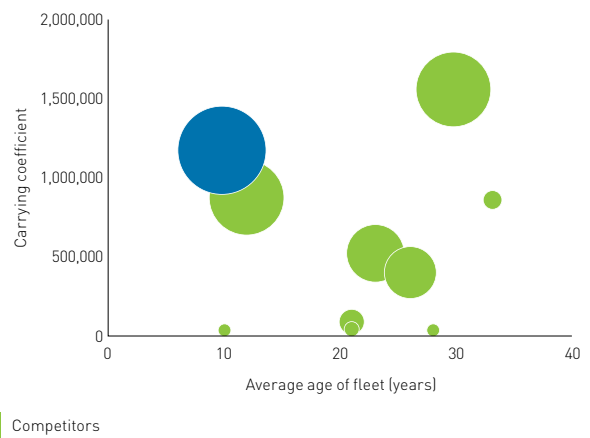


Figure 21: AMSA-approved sheep livestock carrying capacity²⁰



Source: Wellard management estimates based on publicly available information provided by AMSA and MarineTraffic. Wellard includes the MV Ocean Shearer currently being constructed.

2.4.3 Health protocols

The movement of livestock between countries is regulated by specific protocols, typical of trading in food related sectors. The primary objective of such protocols is to ensure the health status of the animals being imported for the receiving country. Such protocols often involve controls and tests performed in the exporting country prior to shipping.

Countries report their health status through the OIE, which is a United Nations organisation. The OIE is based in Paris and performs a function similar to what the World Health Organisation performs with respect to humans.

²⁰ Carrying capacity as measured by the Carrying Coefficient which is defined as vessel size (square metres) multiplied by vessel speed (knots).

Figure 22: Summary of key existing Australian health protocols of relevance to Wellard’s operations

Animal type	Key countries
Beef cattle	China, Indonesia, Vietnam, Israel, Qatar, Israel, Turkey, Russia, Jordan, Egypt and Bahrain
Dairy cattle	China, Sri Lanka, Pakistan, Kuwait, United Arab Emirates and Qatar
Sheep	Kuwait, Qatar, Jordan, Bahrain, United Arab Emirates, Oman, Egypt and Israel

2.4.4 Regulatory framework

The export of livestock is governed by various forms of regulation in both exporting and importing countries, typically relating to the following:

- animal quarantining;
- licence to export;
- shipping registration and compliance;
- livestock vessel suitability and safety;
- on-board animal welfare standards;
- supply chain assurance; and
- licence to operate.

2.4.4.1 Select Australian regulations

The various stages of regulation in the context of Australian livestock export are illustrated in Figure 23, and additional detail on the key pieces of regulation is provided below.

Figure 23: Main Australian regulatory requirements



2.4.4.1.1 Australian Standards for the Export of Livestock (ASEL)

The ASEL scheme came into effect in December 2004 and was developed as part of the Australian Government’s response to the Livestock Export Review. ASEL outlines animal health and welfare requirements for livestock export and incorporates reporting requirements for exporters. These reporting requirements enable the Australian Government to monitor the health and welfare of animals.

Additionally, ASEL requires that all livestock are monitored by accredited stock people during voyages, and also that an accredited veterinarian is present during long-haul voyages. ASEL further requires that all livestock mortalities are reported at the end of a voyage and these statistics are provided to the Australian Government.

02. Industry Overview

2.4.4.1.2 *AMSA Marine Order 43*

AMSA Marine Order 43 specifies minimum requirements that a livestock transport vessel needs to comply with in order to assure an optimum welfare outcome during the sea voyage. Amongst other specifications, it dictates animal pen sizes, passageways to enable inspection of animals, an adequate ventilation system to provide fresh air, vessels stability requirements and requirements for storage of food and water. Vessels are also required to carry equipment for the humane euthanasia of injured animals. AMSA Marine Order 43 also imposes certain reporting obligations on the ship's master regarding mortality rates.

2.4.4.1.3 *Exporter Supply Chain Assurance System (ESCAS)*

The ESCAS scheme is a framework that was implemented in 2011 and designed to improve the welfare of exported Australian livestock. The ESCAS framework applies to slaughter and feeder cattle.

The ESCAS framework requires Australian exporters to hold a current export licence and obtain a permit to export livestock. Additionally, the exporter must demonstrate that throughout the entire supply chain through to the point of slaughter:

- animals will be handled and processed through specified supply chains in accordance with the internationally accepted requirements for animal welfare established by the OIE;
- the exporter has control of the movement of animals within their supply chain;
- the exporter can track or account for animals throughout their supply chain; and
- the exporter has conducted independent audits of the supply chain, both prior to shipment and throughout post-arrival management of the animals.

As part of the ESCAS framework, export supply chains are subject to independent performance audits to ensure compliance with the framework.

2.5 Processed Meat Marketing and Export

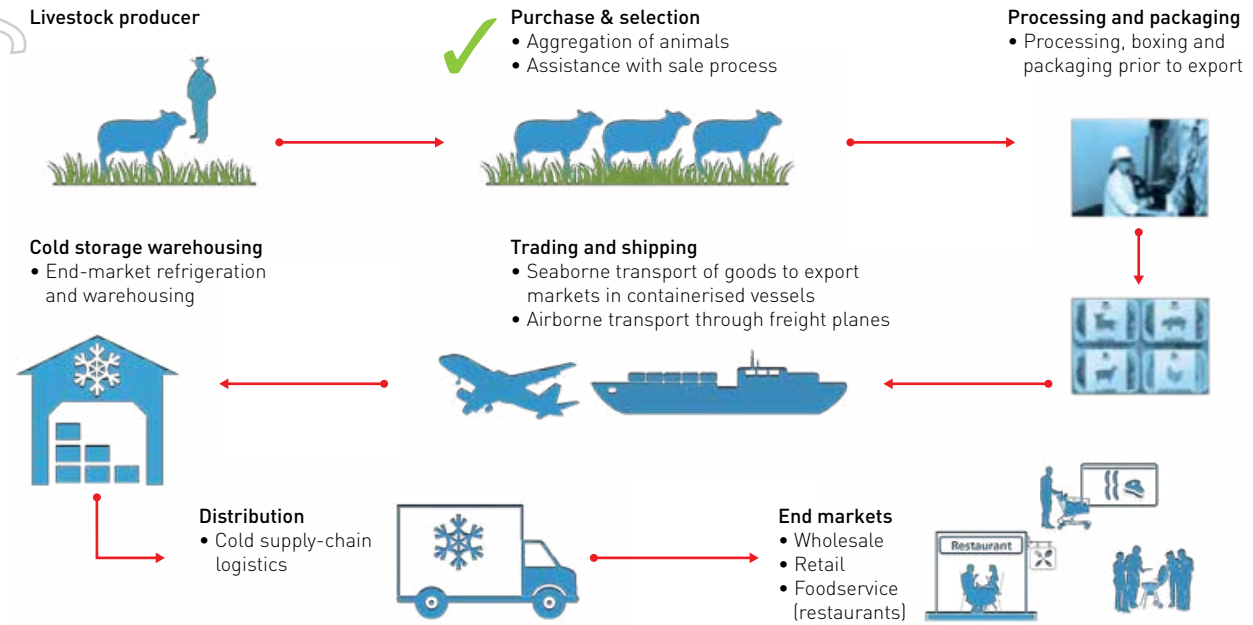
The processed meat export industry does not face the same transportation considerations as livestock export, as standard container shipping vessels, which are more broadly available, can be used for processed meat. In addition, the ability to store large quantities of processed meat near trading ports without incurring the costs of maintaining live animals (e.g. feed) can be attractive to exporters.

In some cases, the export of processed meat is driven by health restrictions in the receiving country which prohibit live animals being imported from supply markets which have had disease concerns historically. Often, the restrictions do not apply to the import of processed meat where the disease concerns do not compromise the quality of the meat product.

Finally, exporters may prefer to deal in processed meat rather than live export in some markets where there is a perception that animal welfare standards in the receiving country may not meet the required hurdles. This has been the case in some Middle Eastern countries with respect to sheep importation in particular.

The processed meat export supply chain is illustrated in Figure 24.

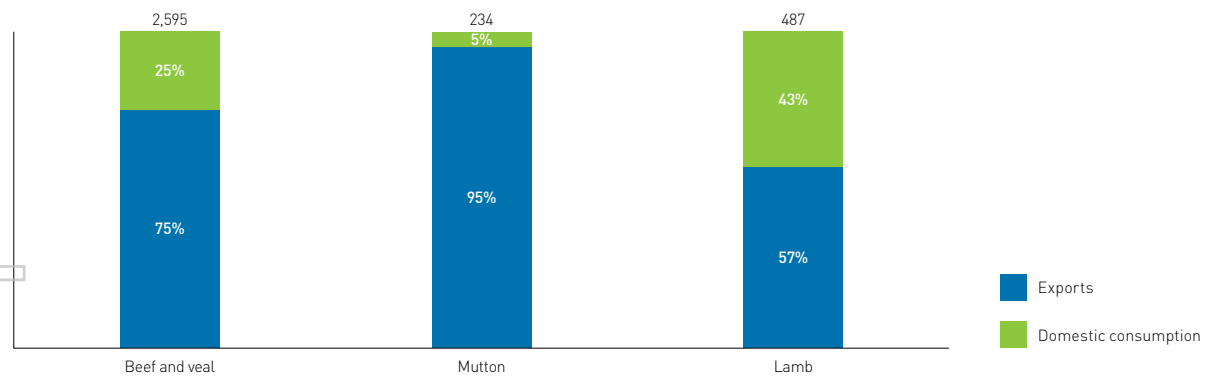
Figure 24: Processed meat export supply chain



2.5.1 Australian processed meat exports

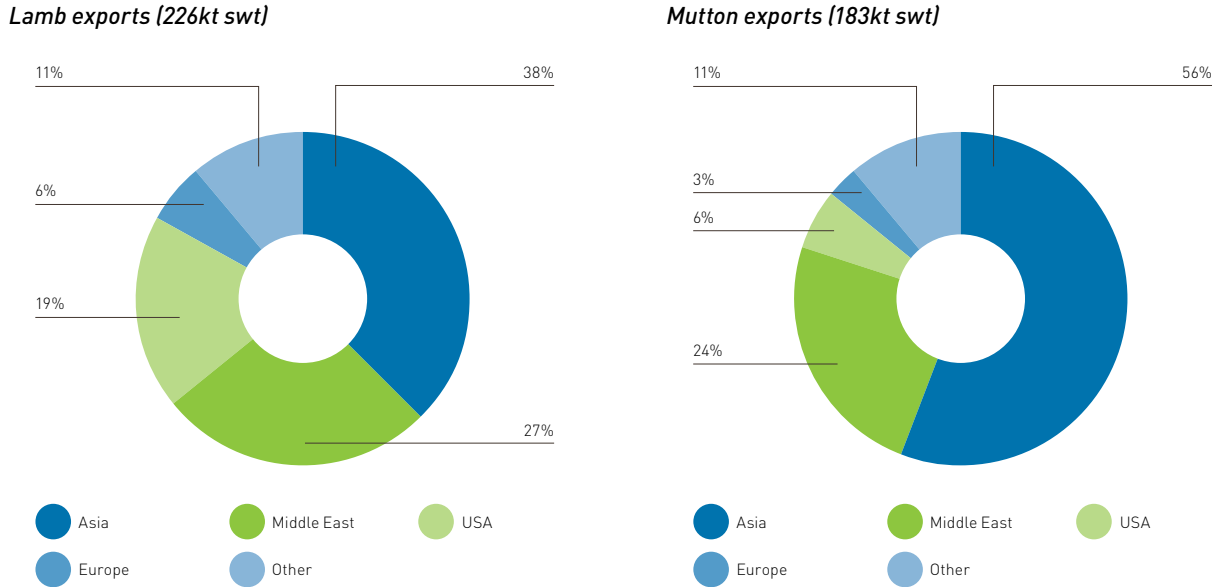
In 2013 – 2014, approximately 57% and 96% of Australian lamb and mutton, respectively, was exported. Approximately 70% of total sheep meat exports supply the Asian and Middle East markets.

Figure 25: Australian processed meat production and export proportion (2014) (kt cwe)



Source: MLA, ABS and DA

Figure 26: Volume of Australian processed sheep meat exports by destination markets – 2013 to 14



Source: MLA and DA

Note: Middle East defined to include: Afghanistan, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, the United Arab Emirates, Syria and Yemen.

Consumption in countries with significant Muslim populations is an important component of global demand for processed sheep meat. The status of exported meat as halal, meaning it is permissible for Muslims to eat under Islamic Shariah law, is critical to exporting to these markets. Subject to the slaughter process being conducted in accordance with stipulated rules, processed meat can be certified as halal prior to shipment. The certification is provided by designated halal certification authorities, such as the Western Australia Halal Authority.

2.5.2 Regulatory framework

The export of processed meat is regulated by several bodies both in the exporting and importing countries, with food safety and animal welfare the primary focus areas.

Australian meat processing facilities serving the export market must operate under the Export Control Act 1982 (Cth). Under this Act, Export Control (Meat and Meat Products) Orders 2005 establish the framework for meeting the legislative requirements that apply to export meat processing plants. The Act also governs all aspects of how meat is handled during processing, and stipulates that each facility must have a veterinary officer from the DAWR – the Australian Government agency responsible for meat hygiene, safety regulation and certification.

In addition, certain receiving countries, including the United States and European Union members, have their own food standards that exporters must comply with to be able to sell into that country.

Wellard’s BRM facility meets regulatory quality standards and has been approved to supply a broader range of markets, including the United States, China and Saudi Arabia.

2.6 Livestock versus processed meat export

A number of drivers influence the dynamics between livestock and processed meat export. These are outlined in Figure 27.

For personal use only

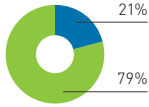
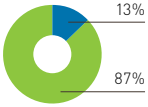
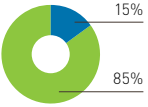
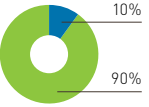
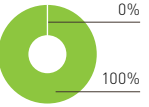
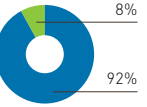
Figure 27: Summary of the key drivers of livestock versus processed meat export

Livestock export drivers	Processed meat export drivers
<ul style="list-style-type: none"> • Consumer preference for freshly slaughtered meat in certain markets (e.g. due to cultural reasons) • Lack of cold storage infrastructure available throughout the supply chain in many countries • Significantly lower cost of processing in destination markets. For example, Wellard estimates that the average labour cost for processing works in Australia is approximately ten times that in either Indonesia or China • Use of a wider range of animal parts in select destination markets • High rainfall and availability of suitable feed stock allowing for lower feeding costs in some destination markets, enabling more efficient weight gain (e.g. Indonesia, Vietnam, China) • Objective in some countries (e.g. Indonesia) to develop local industries that support employment • Increasing ship sizes leading to reduced shipping costs 	<ul style="list-style-type: none"> • Enables processed meat to be transported in containerised form, rather than via specialised livestock vessels which can be a bottleneck to trade • Processed meat can be easier to store in large quantities near ports • The cost of frozen products may be lower than the cost of fresh products • Perception of higher animal welfare if processed in country of production • Concerns about livestock handling in certain end markets

2.6.1 Breakdown of herd turn-off from key supply markets

The proportion of total herd turn-off that is exported live versus processed locally (and applied to serve the local market or the processed meat export market) varies significantly across each of the key supply markets, and is impacted by the various factors listed in Figure 27.

Figure 28: Beef cattle and sheep herd turn-off from select supply markets

Supply market	Cattle			Sheep		
	Australia	Brazil	Uruguay	Australia	New Zealand	Romania
Total herd turn-off ('000 head) [2014]	~11,200	~41,000	~2,300	~35,000 ²¹	~25,000 ²²	n/a
Breakdown of export (cwe) [2014]	 ● Live cattle ● Processed beef	 ● Live cattle ● Processed beef	 ● Live cattle ● Processed beef	 ● Live sheep ● Sheep meat	 ● Live sheep ● Sheep meat	 ● Live sheep ● Sheep meat
	Total: 1.71mt	Total: 1.41mt	Total: 0.29mt	Total: 0.51mt	Total: 0.41mt	Total: 0.05mt ²³

Source: MLA, Eurostat, Beef + Lamb New Zealand, USDA and Bloomberg

Note: Cattle exports are converted at an assumed carcass weight equivalent of 277kg per head and live sheep exports are converted at a carcass weight equivalent of 23kg per head.

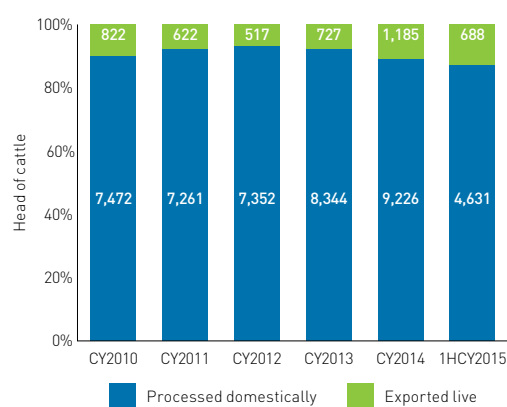
21 As at 30 June 2014.
 22 As at 30 June 2014.
 23 2013 live export data.

2.6.2 Australian export trends

The factors set out in Figure 27, in particular consumer preferences in destination markets and the relative cost efficiencies of processing outside Australia, have meant there has been strong growth in the number of Australian cattle processed in offshore markets, with the number increasing at approximately twice the rate of cattle processed domestically since 2010 (see Figure 29).

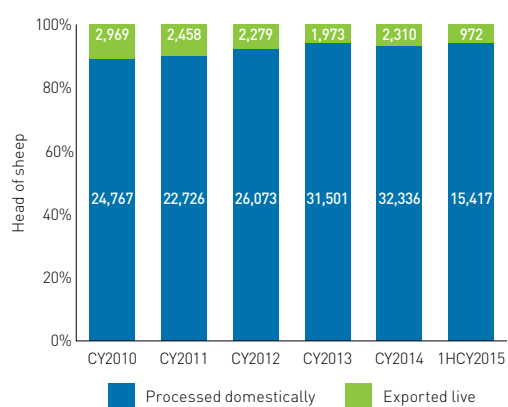
Conversely, the proportion of total heads of Australian sheep that have been exported has declined in recent years (see Figure 30). This trend has been primarily driven by Middle East-specific factors including geopolitical disruptions and uncertainty regarding animal welfare standards, resulting in a shift from livestock export to processed meat exports to those markets.

Figure 29: Proportion of Australian cattle processed domestically versus exported



Source: ABS

Figure 30: Proportion of Australian sheep processed domestically²⁴ versus exported



Source: ABS

²⁴ Includes lamb.

For personal use only

2.7 Industry participants

Select major operators in the Livestock Marketing and Export industry are set out in Figure 31, including an overview of their key operations.

Figure 31: Overview of major industry participants

Country	Operator	Overview	Owned shipping capacity capable of exporting livestock from Australia
Australia	Austrex	<ul style="list-style-type: none"> Livestock trader with a long trading history 	X
Australia	Elders	<ul style="list-style-type: none"> Diversified agribusiness listed on the ASX Services include acting as a rural agent, feedlot operator and live exporter supplying international markets 	X
Australia	Emanuel Export	<ul style="list-style-type: none"> Perth based livestock exporter 	X
Australia	Halleen	<ul style="list-style-type: none"> Perth based livestock exporter predominantly focused on export of cattle within South East Asia 	X
Australia	International Livestock Export	<ul style="list-style-type: none"> Perth based livestock exporter focused mainly on export of cattle to South East Asia 	X
Australia	Landmark	<ul style="list-style-type: none"> Diversified agribusiness with a livestock presence in agency, retailing and export 	X
Australia	Ruralco	<ul style="list-style-type: none"> Diversified agribusiness listed on the ASX Operations include acting as a rural agent, irrigation services and a recently established livestock export division (known as Frontier) which supplies international markets 	X
Australia	South East Asian Livestock Services	<ul style="list-style-type: none"> Australian based cattle exporter mainly focused on South East Asia and other international markets 	X
Brazil	Minerva Foods	<ul style="list-style-type: none"> Large meat processor based in Brazil with interests in livestock exports 	X
Holland	Hunland	<ul style="list-style-type: none"> Vertically integrated importer and exporter of livestock and processed meat based in Holland and Hungary, with presence in pre-export, export and follow-up care 	X
Holland	Vroon	<ul style="list-style-type: none"> Large, diversified shipping group headquartered in Holland Amongst various other ship types, operates a fleet of livestock carriers which are chartered to various exporters 	✓

02. Industry Overview

Country	Operator	Overview	Owned shipping capacity capable of exporting livestock from Australia
Italy/France	Eurofrance	<ul style="list-style-type: none"> Cattle trader based in France and operating in some Middle East and South American markets 	✗
Jordan/Abu Dhabi	Livestock Shipping Services	<ul style="list-style-type: none"> Vertically integrated group based in the Middle East Predominantly focused on the Middle East market but also operates in other markets 	✓
Kuwait	KLTT	<ul style="list-style-type: none"> Kuwaiti based sheep exporter with a primary focus on sheep supply to Kuwait and other Gulf markets 	✓
Lebanon	Sleiman Livestock	<ul style="list-style-type: none"> Lebanese-based integrated marketing, export and shipping organisation with a focus on cattle 	✗
Saudi Arabia	Hmood Al Khalaf	<ul style="list-style-type: none"> Saudi Arabian based agribusiness and livestock marketer and exporter Owns one converted livestock carrier 	✓
United Kingdom	Fares Rural	<ul style="list-style-type: none"> Privately owned Operates one livestock vessel which is mainly chartered to various livestock exporters including Wellard 	✓

Source: MarineTraffic, Wellard intelligence and company websites

For personal use only

For personal use only



03.

Company
Overview

03. Company Overview

3.1 Overview of Wellard

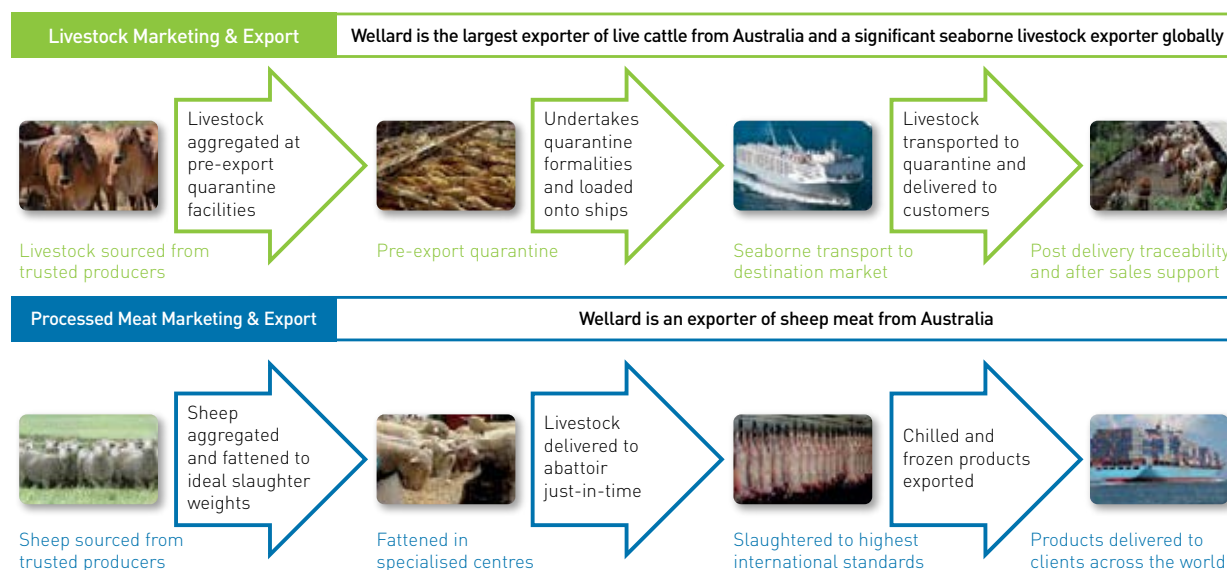
Wellard is an agribusiness that connects primary producers of cattle, sheep and other livestock to customers globally through a vertically integrated supply chain.

Wellard sources livestock in markets globally where production is surplus to domestic requirements (such as Australia, Brazil and Uruguay) and sells livestock and meat to customers in markets where demand exceeds local production (such as China, Indonesia, Vietnam, the Middle East and Turkey). Wellard is a significant seaborne livestock marketer and exporter globally and is the largest exporter of cattle from Australia, accounting for approximately 27% of all cattle exports in FY2015.

To support its operations, Wellard owns or controls critical and specialist infrastructure at various stages of its supply chain including strategically located pre-export quarantine facilities and a fleet of purpose-built livestock transport vessels with one of the largest AMSA-approved cattle carrying capacities in the world²⁵.

Wellard's global presence provides it with greater security and diversity of supply of livestock, as well as visibility on market dynamics and higher margin opportunities between various export and import markets and between livestock and meat. Importantly, Wellard's ownership of critical and specialist infrastructure across its supply chain provides it with the flexibility to take advantage of changes in market conditions and limits its reliance on third parties to meet the requirements of its customers.

Figure 32: Overview of Wellard's activities



In FY2015, Wellard generated pro forma revenue and pro forma EBITDA of \$512 million and \$53 million respectively from the sale of approximately:

- 383,000 head of slaughter/feeder cattle to customers in five countries;
- 7,600 head of dairy and breeder cattle to customers in two countries;
- 8,200 sheep to customers in two countries; and
- 6,000 tonnes of sheep meat to customers in 21 countries.

In FY2015, on average, Wellard:

- purchased over 1,000 cattle and 900 sheep per day;
- loaded and discharged a shipment of livestock each week; and
- dispatched eight shipping containers of sheep meat each week.

²⁵ Carrying capacity as measured by Carrying Coefficient which is defined as vessel size (m²) multiplied by vessel speed (knots).

03. Company Overview

Headquartered in Fremantle, Western Australia, Wellard has on-the-ground presence in 10 countries and employs over 200 full time staff (excluding vessel crew).

Figure 33: Wellard's global presence

Australia and New Zealand



KEY

- Wellard on-the-ground presence
- Wellard pre-export facilities
- Wellard proposed pre-export facilities
- Other Wellard facilities

Rest of world



3.1.1 History of Wellard

Tracing its origins to Italy in the 1950s, Wellard has successfully grown from a local livestock trading business to become an integrated livestock and value-added product marketing and export business.

Figure 34: Key milestones in Wellard's evolution

Date	Event
1950	Emilio Balzarini establishes livestock businesses in Europe
1965	First shipment of livestock to the Middle East
1979	First shipment from Australia on the MV El Podrero
1980	Balzarini family establishes its operations in Australia, creating Wellard
1998	First in-house designed purpose-built livestock carrier (MV Alnilam) completed
2002	Launch of the world's largest purpose-built livestock carrier (MV Becrux; current name: MV Ocean Drover)
2004	Following a restructure of family assets, Mauro Balzarini takes control of the family's agribusiness in Australia to create a vertically integrated protein supply chain
2004	Expands market by supplying the cattle to South East Asia
2009/10	Expanded export capacity with the completion and delivery of the MV Ocean Swagman and the MV Ocean Outback
2012	Wellard entered the Processed Meat Marketing and Export market through purchase of BRM in order to diversify its products
2013	Further diversification of livestock supply via the expansion of supply centres in North and South America
2014	Further export capacity expansion via the acquisition of the MV Ocean Ute
2015	Entered into a Heads of Agreement ²⁶ for a joint venture with Fulida Group of China in order to expand into China and expand its downstream operations
2016	Further export capacity expansion with the MV Ocean Shearer due for completion of construction on 2 March 2016

²⁶ The Heads of Agreement was entered into and the shares in the Wellao JV entity will initially be held by WGH and therefore will not initially form part of the Wellard Group, but will be transferred to Wellard subject to the conditions set out in Section 9.4.8. The detailed terms of the Wellao JV agreement are being finalised, refer to Section 9.4.8 for further information.

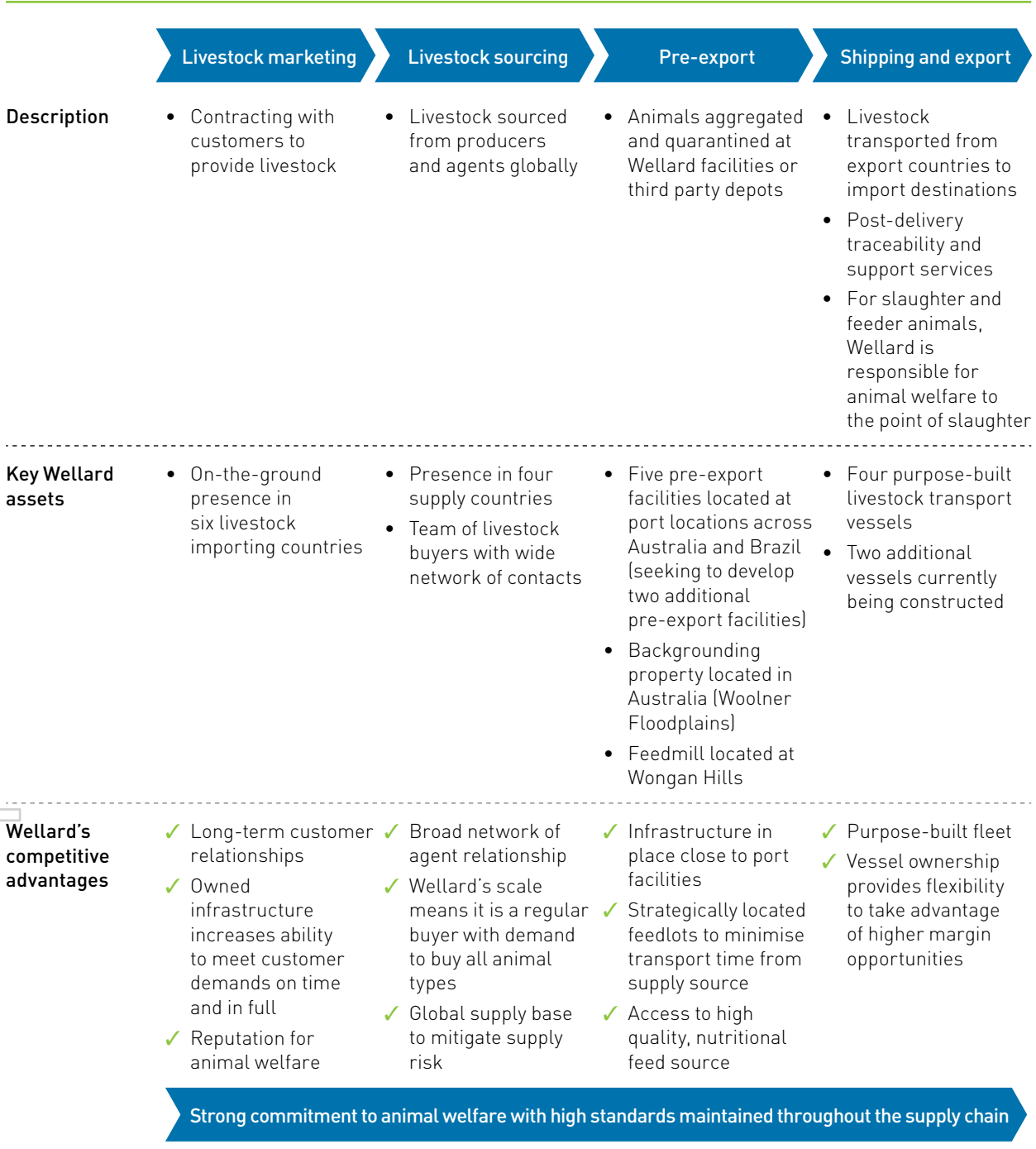
For personal use only

3.2 Wellard's operations

3.2.1 Livestock Marketing and Export

Wellard operates a vertically integrated Livestock Marketing and Export business with capabilities to source and transport livestock from major supply markets globally to its customer base.

Figure 35: Wellard's role in the Livestock Marketing and Export supply chain



03. Company Overview

Wellard's global footprint and ownership of critical and specialist infrastructure allow it to effectively and efficiently supply customers in a variety of geographic markets from around the world. These global capabilities provide Wellard with a number of key advantages, including:

- ability to source livestock from multiple markets;
- visibility of supply/demand dynamics across multiple markets and, combined with its vessel ownership, the flexibility to take advantage of higher margin opportunities;
- reduced exposure to agricultural risks (e.g. drought and/or disease) in any individual supply market; and
- reduced exposure to regulatory and other disruptions in any individual supply or customer market.

Figure 36: Wellard's major markets and export flows



Wellard's Livestock Marketing and Export operations have experienced significant growth over the past three years, driven by a range of company initiatives including:

- establishment of marketing offices in Europe, China and Vietnam;
- diversification of sourcing network, including establishment of points of presence in New Zealand and South America; and
- acquisition of additional livestock carrying vessels in 2009 and 2014 to service increased customer demand.

Wellard's vertically integrated business model and control of critical infrastructure provide flexibility to take advantage of changes in market conditions and higher margin export opportunities. For example, since 2012, Wellard's livestock export mix has shifted away from sheep and towards feeder, slaughter and breeder cattle.

03. Company Overview

Similarly, this flexibility has allowed Wellard to expand its Livestock Marketing and Export business beyond the traditional market of Indonesia into other markets such as Vietnam, the Philippines and China. This shift reflects the increased demand for beef and dairy products in Asia, and China in particular, and the resulting demand for and profitability in marketing and export of cattle. Additionally, over 2011 and 2012 the Australian Government introduced stricter animal welfare regulations. In response to the obligations imposed under these regulations, a number of customers importing sheep to the Middle East sought livestock supply from alternative supply markets.

Figure 37: Livestock Marketing and Export revenue by customer country (excluding charters to third parties)

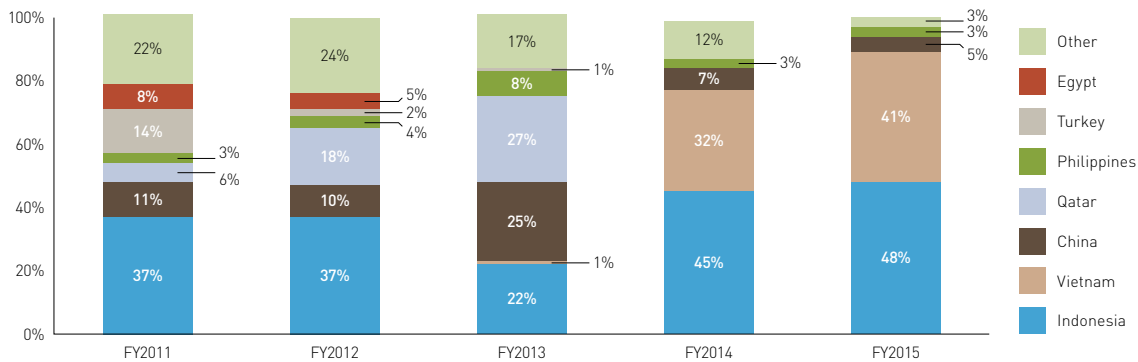
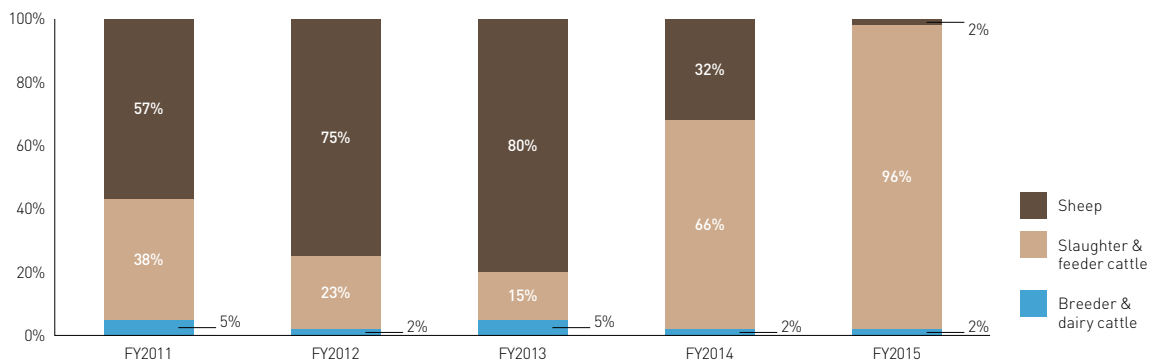


Figure 38: Livestock Marketing and Export by animal type (number of heads)



3.2.1.1 Wellard's marketing and export model

Wellard operates a marketing and export model under which it actively manages foreign exchange, livestock price and credit risk.

Figure 39: Lifecycle of a typical customer order

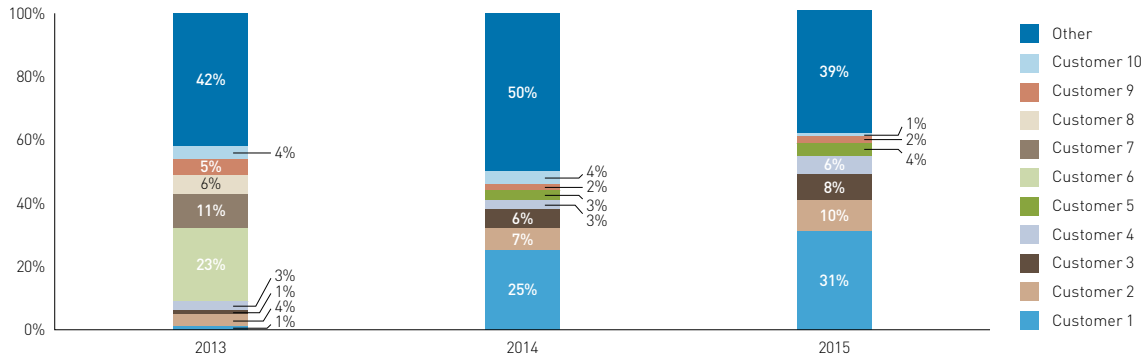
	Activity	Timing
1	<ul style="list-style-type: none"> Wellard provides indicative pricing to the customer: <ul style="list-style-type: none"> feeder/slaughter cattle: typically US\$ per kilogram loaded weight (US\$ per kilogram discharged weight for customers in Indonesia and Turkey); breeder/dairy cattle: US\$ per head; and sheep: US\$ per head Price includes delivery to customer 	1 – 2 months prior to vessel departure
2	<ul style="list-style-type: none"> Wellard begins sourcing livestock to meet customer order, with committed price generally agreed once final price with customer is set: <ul style="list-style-type: none"> livestock typically acquired in local currency and payable on delivery; and price typically includes cartage to the feedlot or pre-export facility 	4 – 6 weeks prior to vessel departure
3	<ul style="list-style-type: none"> Final price is agreed between Wellard and customer Wellard hedges any currency exposure via forward rate agreements Payment terms depend on location of customer. For example: <ul style="list-style-type: none"> Chinese customers: typically require a bank-guaranteed letter of credit for approximately 95% of order value; and Indonesian customers: Wellard is typically paid approximately one third of the estimated sales amount in advance of loading livestock on vessels, followed by a further one third payment once the vessel departs the originating port. Once the vessel arrives at the final destination port in Indonesia and unloads the livestock, a final payment is made to Wellard, inclusive of any adjustment for weight differences above or below those specified in the contract with the customer 	2 – 4 weeks prior to shipping
4	<ul style="list-style-type: none"> Delivery of livestock is made to Wellard or third party pre-export facility Wellard is responsible for feeding and maintaining livestock from time of delivery at pre-export facility until delivery to the customer Livestock is insured during the voyage 	Dairy cattle: 3 – 4 weeks prior to shipping Others: 5 – 7 days
5	<ul style="list-style-type: none"> Seaborne transport on livestock carrying vessel and delivery to customers For slaughter and feeder animals, Wellard is responsible for animal welfare throughout the process to the point of slaughter 	Approximately 4 – 18 days voyage time

3.2.1.2 Wellard's customers

Reflecting its scale, longevity in the industry and capability to provide security and quality of supply, Wellard has a strong market reputation for reliability. While Wellard has not entered into long-term contracts with customers, it has longstanding relationships with customers across a range of markets in South East Asia, China and the Middle East. Wellard's customers consist of a base of longstanding regular customers in its key markets plus it has the infrastructure and flexibility to service customers with less frequent, large-scale orders.

For personal use only

Figure 40: Wellard's revenue by customer (FY2013 to FY2015)



Feeder and slaughter cattle

The majority of Wellard's customers for feeder and slaughter cattle are located in South East Asia, with the highest volumes of livestock being sold to customers in Indonesia and Vietnam. Wellard has on-the-ground teams in Indonesia, Vietnam and China who are in regular contact with customers, to jointly forecast demand and assist them with animal welfare matters.

Indonesia has traditionally been the largest market for cattle exports from Australia. Wellard has developed and maintained strong relationships with six major customers for over ten years. These customers operate large-scale feedlots with significant investment in infrastructure and require constant supply of livestock to be profitable. As such, these customers place a high value on Wellard's ability to provide continuity of supply.

Vietnam has emerged to currently be Wellard's current second largest customer market for feeder and slaughter cattle. As in Indonesia, Wellard's customers in Vietnam have made significant investments in feedlotting infrastructure, and Wellard's ability to maintain a regular supply of livestock to their facilities is highly valued.

Case study: Wellard's development of the Vietnamese market

First established	2013
Current number of major customers	2
Livestock supplied	Feeder, slaughter and breeder cattle
Head sold	FY2013: 3,299 and FY2015: 130,163

In response to the introduction of cattle import quotas in Indonesia in 2013, Wellard's marketing team assessed demand for livestock in a number of other countries, with Vietnam identified as a key target market. Wellard identified a number of high volume cattle processors in Vietnam that were able to demonstrate compliance with ESCAS regulations and the ability to process the volumes of cattle that would be delivered on Wellard's vessels.

In November 2013, Wellard exported its first delivery of cattle to two customers in Vietnam. Since then, Wellard has significantly increased the quantity of livestock exported to Vietnam, which in FY2015 was Australia's second largest export market for cattle.

Recognising the importance of the Vietnamese market and its potential for growth, Wellard has deployed three full time staff to Vietnam, in addition to having a number of local employees, to assist its customers to expand their businesses and to reinforce Wellard's position as preferred supplier. Since 2013, Wellard's customers in Vietnam have invested in new feedlots and processing facilities and are regarded as industry leaders in that market.

03. Company Overview

The expansion of Wellard's operations into South America has broadened its feeder and slaughter cattle customer base beyond South East Asia to include customers in a number of other countries, including Venezuela and Jordan. As a recent entrant to these regions, Wellard expects that its customer base will continue to grow in these markets.

Pending the signing of the China-Australia Free Trade Agreement and following China's ratification of Australia's cattle health protocols in August 2015, Chinese customers will, for the first time, be able to import feeder and slaughter cattle. Wellard expects that customers in China, including the Wellao JV (refer Section 3.6.2.1), will be a significant source of demand for Australian cattle.

Breeder and dairy cattle

China is Wellard's largest market for breeder and dairy cattle. Chinese livestock importers of breeder and dairy cattle are generally independent of the end users and Wellard's customers in this market are typically specialist importers who act as intermediaries between the exporter (i.e. Wellard) and the large breeders of beef and dairy cattle. Wellard has relationships with a number of specialist importers that have an established track record, access to reputable and growing end users and a strong understanding of the product and the complex regulatory requirements.

The export of breeding and dairy cattle is typically lower volume but higher value per head than slaughter cattle. Wellard's exports to this market are typically more opportunistic as beef and dairy cattle breeding enterprises are generally self-sustaining, with additional cattle imported when expansions are planned.

Sheep

Historically, Wellard has supplied sheep to customers throughout the Middle East, including in Qatar, Bahrain, Kuwait, United Arab Emirates, Oman, Saudi Arabia, Jordan, Israel and Palestine.

Wellard has operated in the Middle East for over 30 years. Despite periodic fluctuations in demand, Wellard has a permanent presence in Jordan.

3.2.1.3 Sourcing and suppliers

On receipt of a customer order, Wellard's buyers begin sourcing livestock. Wellard's buyers work with third party livestock agents and directly with farmers to ensure animals selected meet customers' requirements and the health protocols of the importing country.

In FY2015, Wellard purchased approximately 3.5% of all cattle sold in Australia. Wellard is a regular and ongoing buyer of livestock across a variety of breeds, ages and weights, to meet the varying needs of its customers. In Australia, Wellard is able to effectively compete for supply from producers due to its:

- ability to offer competitive pricing;
- in some cases, acceptance of a larger volume of cattle and a broader range of cattle types (e.g. differing weights and ages) relative to domestic meat processors.

Wellard sources livestock from a diverse range of suppliers across a range of markets. Livestock is sourced from different regions depending on the nature of the customer order. For example, livestock for South East Asian markets are predominantly sourced from the Northern Territory, Queensland and Western Australia, breeding and dairy trade livestock are predominantly sourced from Victoria and New Zealand and feeder and slaughter cattle for Europe and the Middle East are predominantly sourced from South America.

Case study: Establishment of Wellard's supplier network in Brazil

First established	2013
Number of suppliers	Over 100 individual suppliers
Livestock supplied	Slaughter and feeder cattle
Head shipped in FY2015	14,601

Wellard established a supplier network for feeder and slaughter cattle in Brazil in 2013 with the establishment of a sourcing office in Belem, Brazil. In 2013, Wellard shipped its first shipment of approximately 1,500 head of cattle to customers in Venezuela. Since then, Wellard has significantly increased the total quantum of livestock it has exported from Brazil, and, to date, has exported over 60,000 head from Brazil.

Following the establishment of its supplier network in Brazil, Wellard has expanded to Uruguay and expects to send its first delivery from Colombia in the second half of 2015 subject to the finalisation of health protocols between the Colombian and Vietnamese governments.

3.2.1.4 Pre-export operations

Following purchase of livestock, animals are aggregated at either a Wellard pre-export quarantine facility, or a third party depot, prior to loading to prepare the animals for export. Prior to loading, livestock are inspected by both an accredited third party veterinarian, as well as a veterinarian from the Australian Quarantine and Inspection Service, who must issue a "permit to leave for loading" before the consignment can be moved to the dock.

Wellard operates five licensed pre-export facilities at key locations across Australia and Brazil. Control of these assets provides Wellard with certainty of access to licensed quarantine facilities and flexibility to aggregate cattle at various locations to match shipping schedules and sources of supply. In addition, Wellard has plans to establish two further pre-export facilities within Australia to provide for increased cattle volumes.

In addition, Wellard leases a cattle agistment property (Woolner Floodplains) in the Northern Territory which is used to aggregate and finish cattle (backgrounding). Located approximately 70km north-east of Darwin, it has a carrying capacity of around 20,000 cattle.

Figure 41: Overview of Wellard's pre-export quarantine facilities

Location	Ownership	Operations	Description
Australia			
Baldivis, WA	Leased	Cattle and sheep feedlot	DAWR accredited pre-export quarantine facility, located 30km south of Perth.
Santavan, NT	Leased	Cattle feedlot	DAWR accredited pre-export quarantine facility, located 40km south of Darwin. The lease for this property expires in March 2016 and the parties are negotiating an extension. If the lease is not extended, Wellard will find a replacement property.
Turkey Heath, VIC	Leased	Backgrounding property and feedlot	DAWR accredited pre-export quarantine facility, located 370km west of Melbourne, and a 1,200ha breeding and backgrounding property. The property is currently on the market and depending on the outcome of that process, may be replaced in due course.

03. Company Overview

Location	Ownership	Operations	Description
Proposed facilities – Australia			
Lansdowne, QLD	Leased	Cattle pre-export facility	Proposed development into a 20,000 head integrated pre-export quarantine facility, located 50km from Townsville.
Livingstone, NT	Owned	Cattle pre-export facility	Proposed development into a 15,000 head cattle pre-export quarantine facility, located 45km from the Port of Darwin.
Brazil			
Cinca Guara	Leased	Cattle feedlot	900ha pre-export quarantine facility.
Fazenda haras Chao Goiano	Leased	Cattle pre-export facility	250ha pre-export quarantine facility adjoining to Cinca Guara.

3.2.1.4.1 Feed mill

Wellard owns and operates a ruminant feed mill located in Western Australia's wheat belt, capable of producing 65,000 tonnes per annum of high quality feed. This feed is used to supplement the feed required for livestock at Wellard's pre-export facilities and to supply Wellard's livestock carrying vessels with feed for their voyage.

3.2.1.5 Livestock carrying vessels

Wellard's strategy is to own and operate a fleet of livestock transport vessels that are purpose-built to meet Wellard's requirements in terms of animal welfare standards, cargo size, speed, fodder capacity and other important design characteristics.

Control of livestock transport vessels is an important success factor for Wellard and provides a number of strategic and financial advantages relative to chartering vessels including:

- visibility and control of animal welfare throughout the marketing and export process;
- certainty of quality and proven capacity to meet customer orders. This is particularly important for exports from Australia, where AMSA requirements for livestock transport vessels may constrain the available capacity;
- flexibility to set schedules and to export livestock between different supply and customer markets and to export different species to match market dynamics; and
- cash flow flexibility (charter vessels typically require booking and a 30% down payment upon signing of the booking).

Furthermore, control of livestock carrying capacity acts as a material barrier to entry, given the specialised physical characteristics of the vessels, the cost and time required to build and the strict regulatory requirements for vessels used to transport livestock.

Wellard owns or controls four operational livestock transport vessels. The vessels are compliant with AMSA standards, a certification which grants them access to all international markets. Wellard also owns a fifth vessel (the MV Ocean Shearer) which is due for completion of construction on 2 March 2016. A sixth vessel (the MV Ocean Kelpie) is currently under construction with delivery scheduled in 2H FY2017.

Wellard operates a mix of medium and large-scale vessels to provide flexibility to service all key customer markets, including, but not limited to, South East Asia and the Middle East.

Figure 42: Summary of Wellard's livestock carrying vessels

Name	Year built	Capacity (either or)		Size (square m.)	Speed (knots)	Class
		# of sheep	# of cattle			
MV Ocean Drover	2002	75,000	20,000	23,378	18.5	Rina
MV Ocean Swagman	2009	26,000	7,000	8,000	15.5	Rina
MV Ocean Outback	2010	26,000	7,000	8,000	15.5	Rina
MV Ocean Ute	1994 ²⁷	22,000	6,000	7,000	13.0	Bureau Veritas
Under construction						
<i>MV Ocean Shearer</i>	<i>2016</i>	<i>75,000</i>	<i>20,000</i>	<i>23,500</i>	<i>19.0</i>	<i>Rina</i>
<i>MV Ocean Kelpie</i>	<i>2017</i>	<i>40,000</i>	<i>10,000</i>	<i>12,500</i>	<i>16.5</i>	<i>Rina</i>

Wellard has two different financing structures in place for its four current operating vessels, being:

- traditional debt finance with security granted over the vessel and where the vessel continues to be legally owned by Wellard (MV Ocean Outback and MV Ocean Swagman); and
- sale and leaseback structures where the vessel is legally owned by the financier and leased to Wellard and Wellard has the obligation to buy back the vessel at the end of the lease term (MV Ocean Ute and MV Ocean Drover).

Further details on these arrangements can be found in Section 4.5.2. In all cases, Wellard entities have operational control over the vessels.

Wellard has entered into ship management agreements with Korkyra in respect of the four currently operational vessels, covering technical management of the ship, including the maintenance, repairs, supplies and safety management systems. Further details on these arrangements can be found in Section 9.4.5.

Unlike some of its competitors, Wellard's vessels (with the exception of the MV Ocean Ute) have been designed and purpose-built specifically for livestock transport with the ability to carry cattle, sheep, buffalo and goats. The conversion of the MV Ocean Ute into a livestock carrier in 2011 brought it up to standard for livestock transport. Wellard's vessels incorporate a number of specific design and construction elements including:

- optimum distribution of pens among the decks to provide maximum livestock comfort and stockman accessibility;
- typically pen size for cattle of 10 to 13 animals per pen;
- suitable vessel stability to ensure animals are comfortable in all sea conditions;
- a ventilation system which allows complete and even air circulation in spaces where livestock are carried;
- automatic distribution of fodder through the cargo area;
- desalination of sea water through reverse osmosis systems to provide sufficient fresh water for livestock requirements; and
- an efficient washing system to ensure vessels comply with strict quarantine requirements to clean animals in Australia to control potential diseases.

During times of high demand, Wellard has historically supplemented its owned or controlled capacity with third party chartered capacity; however, this is expected to decrease in the future with the acquisition of the MV Ocean Shearer and MV Ocean Kelpie.

²⁷ Converted into a livestock carrier in 2011

03. Company Overview

Wellard has established a scheduling tool and a proprietary database to accurately estimate its feed and freight costs from purchase through to delivery of livestock, therefore supporting the efficiency of its vessel fleet. These management tools allow Wellard to more accurately estimate its costs for individual customer contracts and thus manage its margin and pricing.

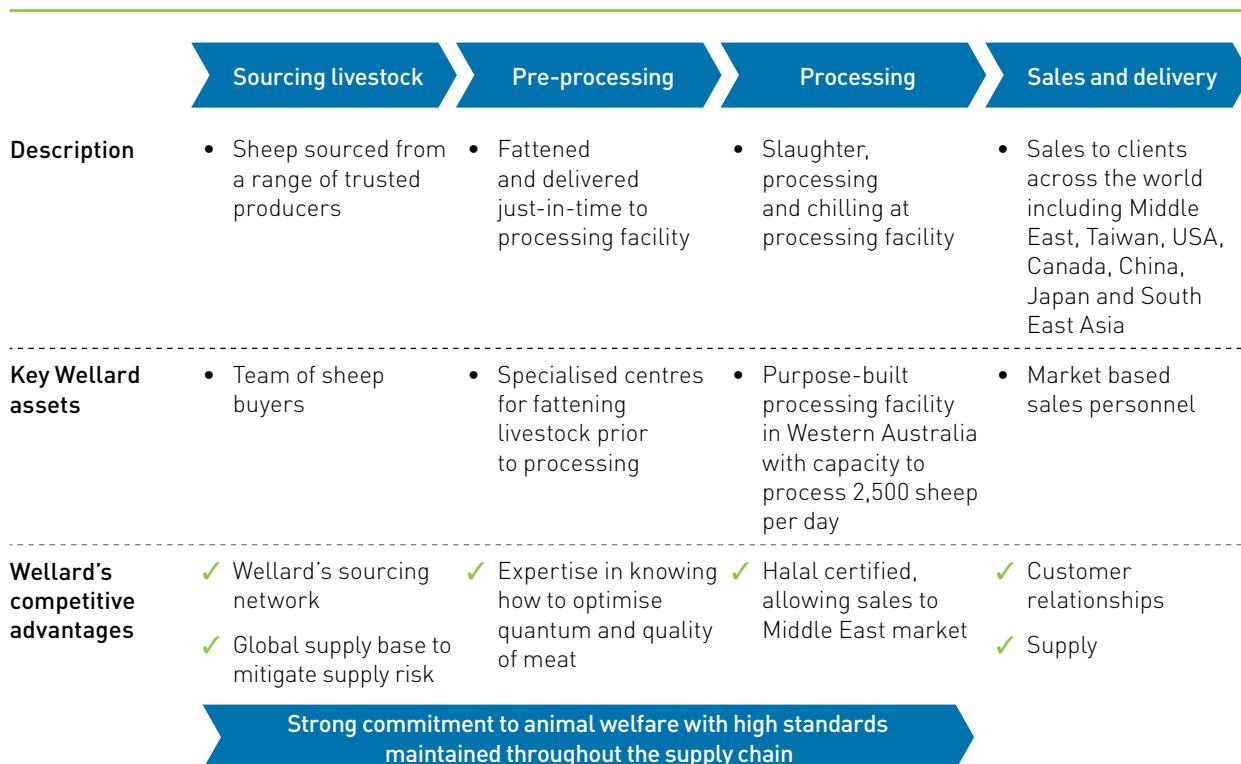
3.2.1.6 Charter of Wellard vessels to third parties

In certain circumstances, Wellard may charter all or part of a vessel to third parties to transport livestock not being exported by Wellard. Examples of such third parties include international agricultural organisations that transport livestock from Australia or New Zealand to their operations in other countries utilising AMSA-approved vessels. Under these arrangements, Wellard receives revenue from chartering the vessel (rather than the sale of livestock as is typically the case) and continues to be responsible for the costs associated with operating the vessel and the voyage (e.g. crew and fuel). Wellard does not regard this activity as part of its core business and typically only charters its vessels where it is sufficiently financially attractive and the loss of capacity will not cause disruption to Wellard's export customers.

3.2.2 Processed Meat Marketing and Export

In line with Wellard's strategy to own or control strategic assets along its vertically integrated supply chain, in November 2012, Wellard acquired BRM to supply chilled and frozen sheep meat to international markets and to leverage Wellard's existing network of livestock buyers.

Figure 43: Wellard's role in the processed meat export supply chain



03. Company Overview

The BRM sheep processing facility is based in the Great Southern region of Western Australia and has capacity to process 2,500 head per day according to halal requirements. The BRM facility is certified as "Tier 2" which meets higher quality standards and can supply a broader range of markets, including the USA, China and Saudi Arabia. "Tier 2" certification requires the full time presence of DAWR inspectors on site.

3.2.2.1 Business model

Livestock is purchased to a customer's specification and processed and labelled in accordance with the health protocol requirements of the importing country. Order to fulfilment is typically a four to eight week process.

Regular communication between the meat marketing team and the livestock buying team ensures the selling price reflects current market prices for livestock, factoring in known production costs and target margins. The short time period between confirming customer orders and livestock purchases minimises any price risk. Foreign currency risk is hedged through foreign exchange contracts.

3.2.2.2 Key markets and customers

Wellard's team of experienced meat marketing and export professionals sell meat directly to customers located in over 30 countries, including those within the Middle East, Taiwan, the United States, Canada, the West Indies, Hong Kong, Vietnam, Japan, Singapore and China. For certain niche products, Wellard may use specialist brokers.

In 2014, BRM also secured a branded supply relationship with a major Australian domestic supermarket chain, IGA.

3.2.2.3 Licences and approval

Wellard holds a Meat Packer's Licence issued by the Australian Department of Agriculture, which enables the business to export meat and meat products internationally. The facility holds a number of other certifications and approvals, including a halal certificate from the Western Australia Halal Authority, EPA approvals and approvals from various importing countries.

3.3 Management and employees

3.3.1 Wellard's employees

As at 30 June 2015, Wellard employed 224 employees. This figure does not include vessel crew members who are directly employed by Wellard Ships' Technical Manager under contracts approved by ITF (International Transport Federation).

Figure 44: Employee breakdown

By role	Count	By location	Count
Executive	8	Australia	176
Senior management	5	Singapore	14
General	211	Other international offices	48
Total	224	Total	224

3.3.2 Workplace health and safety (WHS)

Wellard places a high priority on a workplace free of accidents and injury. Wellard maintains thorough WHS procedures that are intended to ensure employees' health and safety. Wellard aims to create uniformity across its operations, have site and vessel-specific policies and procedures and have best practice reporting programmes.

The primary measures for safety performance currently used by Wellard include:

- lost time injury frequency rate (LTIFR);
- claims for compensation (cost and frequency); and
- results of a range of internal auditing and practical inspections.

3.4 Community involvement and support

Wellard is committed to contributing to society through advocacy and active support of a wide range of projects, educational institutions, community groups and initiatives that have a positive impact on the communities in which it operates, both in Australia and overseas.

Specific examples of Wellard's community involvement and support include:

- official sponsor of the Western Australian Pastoralist and Grazier's Association's Rural Achievement Award;
- livestock donations to hunger relief agency Foodbank, Western Australia;
- sponsorship of the Wellard/BRM/Yamaha junior motocross team and organisation of free motocross coaching days in local communities; and
- ongoing support for a number of charities and institutions, most notably the Royal Flying Doctor Service, Children's Leukaemia and the Cancer Research Foundation.

3.5 Animal welfare

Animal welfare is a critical element for success in any business involving livestock. Animal welfare includes ensuring that animals are not subject to cruelty or undergo undue suffering, even when outside the direct care of the organisation. International standards on animal handling are dictated by the OIE (World Organization for Animal Health).

For personal use only

03. Company Overview

In addition to being an ethical matter, animal welfare also has important economic implications. An animal in good health is more valuable because its weight gain is typically higher and meat yield is improved both in quantity and quality. Wellard has always dedicated significant attention to the welfare of its livestock which is evidenced by the initiatives highlighted in Figure 45.

Wellard does not tolerate customers with poor animal welfare records and has been at the forefront of the industry in introducing initiatives over and above regulatory requirements to ensure high standards are maintained at all stages of the supply chain.

This is demonstrated by the fact that, in the past, in the few instances where there have been issues, Wellard has taken decisive action with animal welfare as its priority. This includes stopping supply to customers who could not demonstrate sufficiently robust systems in relation to their animal welfare practices and enhancing practices to adapt to changing circumstances in its markets.

In line with ESCAS guidelines, for all Australian exports, Wellard has in place systems that provide individual animal identification and traceability for cattle at all points through the supply chain, from the point of loading up to and including the point of slaughter in the importing country. Compliance with some of these practices depends in part, on the preparedness of Wellard's customers to comply with contractual and statutory requirements and Wellard carefully assesses the customers preparedness and capability to comply when deciding to do business. Figure 46 illustrates an example framework for an animal traceability system implemented by Wellard and its customers in Vietnam. Furthermore, Wellard has in place systems to provide oversight of all supply chain arrangements for livestock transport, management and slaughter.

Wellard is committed to animal welfare and in compliance with all regulatory standards in the live export trade and has been actively involved in assisting the Australian Government in developing industry regulation, including ESCAS. Wellard's compliance with Australian regulatory standards is independently audited on at least an annual basis. There have been a small number of historical instances of non-compliance with these standards all of which were notified voluntarily to the relevant body and none of which resulted in any sanction or penalty

Figure 45: Examples of Wellard's animal welfare initiatives

Area	Specific Wellard initiatives
Pre-export	<ul style="list-style-type: none"> Wellard commissioned an independent animal welfare audit of its pre-export facilities to identify areas of improvement Wellard has previously entered into a partnership with Murdoch University to fund the Wellard Senior Lecturer for Leadership in Animal Health and Production
Livestock carrying vessels	<ul style="list-style-type: none"> Wellard's fleet comprises purpose-built modern vessels to deliver the best on-board animal welfare outcomes In 2009 and 2010, Wellard launched two, new, state of the art, technologically advanced livestock carriers. The MV Ocean Outback and the MV Ocean Swagman were designed and constructed to provide new levels of animal welfare through a range of initiatives, ranging from improved ventilation systems to dual, independent propulsion systems Both the MV Ocean Shearer and the MV Ocean Kelpie to be launched in 2016 and 2017 have been designed and constructed to Wellard's high animal welfare standards
On-board animal welfare	<ul style="list-style-type: none"> In addition to the Australian regulatory requirements for vets and stockmen on board each voyage, Wellard has implemented its own programs to maximise on-board animal welfare including: <ul style="list-style-type: none"> independent training, assessment and accreditation for crew members on animal welfare and husbandry skills; and appointment of an animal welfare officer to oversee each voyage

For personal use only

Area	Specific Wellard initiatives
Working with end market customers	<ul style="list-style-type: none"> To improve international feedlot and overland transport systems, Wellard has established a consultancy for overseas based customers to provide advice and strategies to improve animal welfare outcomes through improved standards, procedures and infrastructure Wellard has produced an education program for customers Wellard has installed closed circuit television cameras in some abattoirs to monitor and encourage appropriate animal husbandry practices

Figure 46: Example of a traceability system designed and implemented by Wellard in Vietnam



- Each head of cattle in Australia is identified with an electronic ear tag that carries a serial number that is specific to that animal;
- Through the various phases of export, the animal is scanned each time it enters or leaves a new facility (e.g. from feedlot to processing facility);
- At the point of slaughter, a smart phone application, connected to the scanner, takes a photograph of each animal which records the time of slaughter and the GPS co-ordinates to ensure it has been processed in an approved facility;
- 4-6. The data is sent to and aggregated in a centralised office and reconciled each day.

Details of risks related to potential animal welfare issues are explained further in Section 5.

3.6 Growth strategy and initiatives

3.6.1 Wellard's growth strategy

Wellard has established its strategy for 2016 to 2020, comprising two components:

- growth strategies – outward looking strategies that set out a clear direction; and
- enablers – the capabilities in the Business to deliver the growth strategies.

For personal use only

Figure 47: Wellard's growth strategy



Each of Wellard's four growth strategies is supported by specific objectives:

Develop Global Supply – continuing to build sourcing capability in chosen livestock exporting countries to effectively meet global demand via:

- building or acquiring pre-export quarantine facilities in chosen global sourcing markets;
- building sufficient inventory of quality livestock to ensure on-time delivery and efficient utilisation of Wellard's supply chain; and
- developing its customer base in key global importing destinations.

Secured Sourcing – secure sourcing of high quality livestock through stronger engagement with suppliers and producers and to reduce risk of supply interruptions via:

- reviewing Wellard's sourcing approach to improve efficiency and secure supply arrangements with suppliers and producers;
- building capabilities to counter seasonal demand-supply imbalances; and
- continuing to provide leadership in animal welfare.

Capable supply chain – building and streamlining Wellard's whole-of-logistics capabilities to efficiently meet customer demand in an environmentally sustainable way. Delivery of this strategy will involve:

- expanding livestock carrying capacity by building additional vessels with better fuel efficiency;
- improving co-ordination between Wellard's pre-export quarantine centres to achieve cost efficiencies;
- removing logistics bottlenecks to increase the capacity across the entire supply chain; and
- reducing Wellard's environmental impact via increased logistics efficiency.

For personal use only

03. Company Overview

Grow Marketing & Export and Processing – helping Wellard’s customers satisfy the growing red meat demand and establishing processing capabilities in the region. This growth strategy is underpinned by the following objectives:

- establishing and growing downstream livestock processing infrastructure in partnership with customers in chosen markets;
- creating sustained demand by participating in downstream processing;
- supporting customers in achieving growth; and
- streamlining the supply chain through secure demand for Wellard’s livestock.

Wellard has identified three enablers to support achievement of its growth strategy, being:

- *Industry Leadership and Animal Welfare* – Wellard provides leadership in the livestock industry by implementing best practice animal welfare standards across the livestock supply chain. Key initiatives include design and implementation of livestock traceability systems, investment in animal welfare compliance in vessels, in-country training and research and design of facilities to promote animal welfare;
- *Strengthen the Wellard Brand* – Wellard has developed an overall brand and marketing strategy to further develop its brand and support stronger relationships with customers, producers, suppliers and other key stakeholders; and
- *Workforce of the Future* – ensuring the Business has the right people, skills, diversity and structures to succeed in realising its vision, support its expansion and preserve its existing strengths and values.

3.6.2 Current growth initiatives

Wellard is currently undertaking a number of growth initiatives to expand its customer and supply markets and provide it with the necessary supply chain infrastructure to meet this expansion.

3.6.2.1 Wellao joint venture

As set out in Section 2.4, China is expected to become a major market for processed beef and cattle, driven by increasing consumption and a declining domestic cattle herd (notwithstanding current breeder exports). Until mid-2015, Chinese customers were not able to import feeder and slaughter cattle from Australia. In June 2015, the health protocols addressed this.

In line with Wellard’s strategy to participate in downstream activities, in 2015 WGH agreed to establish a joint venture with Fulida Group of China – refer Section 9.4.8 for a description of the Wellao Heads of Agreement. Fulida Group is a private, diversified industrial company with operations in cellulose products, specialty yarn, logistics, waste treatment and power generation.

Subject to regulatory approvals and finalisation of the project plan, the Wellao JV will establish specialised cattle feedlots in Tianjin, China to fatten imported cattle for eventual processing in a co-located processing facility and, ultimately, sell the finished product.

It is intended that Wellard will be the exclusive supplier of cattle to the Wellao JV. It is currently envisaged that the Wellao JV will pay the variable cost of acquiring cattle (in Australian dollars) and an additional fixed price per head for selection, preparation and transportation services.

The feedlots and processing facility are currently in design stage and subject to meeting the necessary conditions, Wellard is targeting a completion date for the initial phase development in calendar Q3 2016. The second stage, with significantly increased feedlot sizes and greater processing capacity, will be conditional on successful implementation of stage one. Wellard is targeting an indicative completion date for stage two of calendar Q3 2017. Assuming the project is able to achieve full capacity, Wellard expects to supply the Wellao JV with up to approximately 150,000 head of cattle per annum.

The Wellao JV will employ its own management team responsible for the day-to-day activities, which will report to the Wellao JV’s Board of Directors. The Board will consist of four Directors, with two being appointed by Wellard.

Wellard will own 50% of the Wellao JV and the Wellao Heads of Agreement notes the intention that both parties are to contribute up to US\$15 million of future equity funding according to the needs of the Wellao JV, which are yet to be agreed. The interests of WGH under the Wellao Heads of Agreement and

03. Company Overview

related arrangements are to be transferred to Wellard, subject to all necessary Chinese regulatory consents and approvals being obtained and Fulida approval. See Section 9.5 below for more details.

Key potential benefits for Wellard from the Wellao JV include:

- establishment of a presence in the Chinese beef cattle market, which is expected to become one of the largest markets for cattle and beef globally;
- participation in downstream profits from the fattening of cattle and sale of beef; and
- creation of a large-scale customer for Wellard's Livestock Marketing and Export operations.

Risks associated with the Wellao JV include:

- the Joint Venture, and the business case for it, is being developed and so the project may need revision or might not proceed;
- usual joint venture risks; and
- distribution of processed meat in China by Fulida is untested.

See Section 5.2.3.8 for more details.

3.6.2.2 Expansion of livestock carrying capacity

In order to meet the growing demand from existing and potential new customers, Wellard has commissioned the construction of two additional livestock transport vessels, which will increase its carrying capacity by approximately 78%.

MV Ocean Shearer



MV Ocean Kelpie



	MV Ocean Shearer	MV Ocean Kelpie
Description	<ul style="list-style-type: none"> • 23,500 square metre capacity suitable for sheep or cattle • Speed of 19 knots with 53 tonnes per day of fuel consumption • Fodder capacity of 3,000 tonnes • Suitable for long and short-haul operations 	<ul style="list-style-type: none"> • 12,500 square metres capacity suitable for sheep or cattle • Speed of 16.5 knots with 29 tonnes per day of fuel consumption but with flexibility to increase speed to 19 knots • Fodder capacity of 7,000 tonnes • Designed for China and South East Asia trade but suitable for worldwide operation
Expected delivery	<ul style="list-style-type: none"> • 2 March 2016 (completion of construction) with commencement of operations expected from 1 April 2016 	<ul style="list-style-type: none"> • 2H FY2017
Total cost	<ul style="list-style-type: none"> • US\$55 million to US\$65 million • US\$30 million paid to date. Remaining US\$35 million payment to be funded post-IPO 	<ul style="list-style-type: none"> • €50.25 million plus US\$8.0 million • Payment in stages during construction • US\$6.5 million paid pre-IPO; balance to be paid post-IPO
Capacity	<ul style="list-style-type: none"> • 75,000 sheep or 20,000 head of cattle 	<ul style="list-style-type: none"> • 40,000 sheep or 10,000 head of cattle

03. Company Overview

3.6.2.3 Expansion of Wellard's supply network in South America

As set out in Section 2.4.1.1, a number of South American countries, particularly Brazil, Uruguay and Colombia, produce cattle in excess of domestic consumption.

Wellard is currently exploring opportunities to establish a strategically located pre-export facility in Brazil to accumulate and prepare cattle for export. Initially, Wellard is targeting a facility with capacity to hold around 5,000 head of cattle, with the potential to expand the capacity over time to meet demand. This facility would provide Wellard with a number of benefits including:

- capability to build sufficient inventory of livestock that is in close proximity to European and Middle Eastern markets;
- further diversification of country-specific risk factors, including weather, disease and regulatory restrictions; and
- increased access to lower cost and diversified quality of livestock.

3.6.2.4 Expansion of Australian pre-export facilities

To complement its expanding vessel capacity and meet growing demand from its customers, Wellard is seeking to develop two additional pre-export facilities in Australia.

	Livingstone, NT	Lansdowne, QLD
Location	<ul style="list-style-type: none"> • Approximately 50km from the Port of Darwin • Adjacent to existing leased property in Santavan 	<ul style="list-style-type: none"> • Approximately 45km from Townsville
Facility description	<ul style="list-style-type: none"> • Plan to develop a 15,000 head cattle pre-export quarantine facility including all required equipment 	<ul style="list-style-type: none"> • Plan to develop a 20,000 head cattle pre-export quarantine facility including all required equipment
Status	<ul style="list-style-type: none"> • Land has been secured • Design and contract with building company in place • Seeking approval from the relevant authorities 	<ul style="list-style-type: none"> • Currently leased by Wellard • Awaiting council approval for freehold purchase of property
Expected operational date	<ul style="list-style-type: none"> • July 2016 	<ul style="list-style-type: none"> • To be announced – pending local government approvals
Total cost	<ul style="list-style-type: none"> • Estimated total cost of \$15 million • \$12.5 million to be spent post Completion of the Offer 	<ul style="list-style-type: none"> • \$15 million to be spent post Completion of the Offer

For personal use only

Personal use only



04.

Financial
Information

04. Financial Information

4.1 Introduction

4.1.1 Background

Wellard was incorporated on 10 September 2015 and does not currently own the Business which is conducted by the IPO Subsidiaries (as described in Section 3). In connection with the Offer, WGH will transfer or procure the transfer of the WGH IPO Subsidiaries which own the Business to Wellard, or a subsidiary of Wellard, under the terms of the Restructure (see Section 9.4.1).

4.1.2 Financial Information

The Financial Information contained in this Section 4 includes:

- pro forma historical carve-out financial information for Wellard, presented as set out in Section 4.2 Basis of preparation and Appendix B, and comprising the:
 - summary pro forma historical carve-out income statements for the financial years ended 30 June 2013 (**FY2013**), 30 June 2014 (**FY2014**) and 30 June 2015 (**FY2015**) (**Pro Forma Carve-out Historical Results**); and
 - summary pro forma historical carve-out statement of financial position as at 30 June 2015 (**Pro Forma Carve-out Historical Statement of Financial Position**),

(together, the **Pro Forma Carve-out Historical Financial Information**);

- pro forma historical financial information for Wellard, presented as set out in Section 4.2 Basis of preparation, comprising the:
 - summary pro forma historical income statements for FY2013, FY2014 and FY2015 (**Pro Forma Historical Results**);
 - summary pro forma historical cash flow information for FY2013, FY2014 and FY2015 (**Pro Forma Historical Cash Flows**); and
 - summary pro forma historical statement of financial position as at 30 June 2015 (**Pro Forma Historical Statement of Financial Position**),

(together, the **Pro Forma Historical Financial Information**);

- statutory forecast financial information for Wellard, comprising the:
 - summary statutory forecast income statement for the financial year ending 30 June 2016 (**FY2016**) (**Statutory Forecast Result**); and
 - statutory forecast cash flow information for FY2016 (**Statutory Forecast Cash Flows**),

(together, the **Statutory Forecast Financial Information**); and

- pro forma forecast financial information for Wellard, comprising the:
 - summary pro forma forecast income statement for FY2016 (**Pro Forma Forecast Result**); and
 - summary pro forma forecast cash flow information for FY2016 (**Pro Forma Forecast Cash Flows**),

(together, the **Pro Forma Forecast Financial Information**).

The Pro Forma Carve-out Historical Financial Information and the Pro Forma Historical Financial Information together form the **Historical Financial Information**.

The Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information together form the **Forecast Financial Information**.

The Historical Financial Information and the Forecast Financial Information together form the **Financial Information**.

Appendix B includes the Pro Forma Carve-out Historical Financial Information, together with the reconciliations to the underlying audited or unaudited²⁸ financial information of the IPO Subsidiaries that will form part of the Wellard Group upon Completion of the Offer and the Restructure.

²⁸ The unaudited balances and results of Portimor SA are included in the pro forma results for Wellard Limited. For FY2015 Portimor SA had no revenue and incurred \$0.08 million of start-up losses. As at 30 June 2015, it had net liabilities of \$0.05 million.

4.1.3 Additional information

Also summarised in this Section 4 are:

- the basis of preparation and presentation of the Financial Information (see Section 4.2);
- information regarding certain non-IFRS (**International Financial Reporting Standards**) financial and operating measures (see Section 4.2.4);
- pro forma adjustments and reconciliations of the Pro Forma Carve-out Historical Financial Information to the Pro Forma Historical Financial Information and the Statutory Forecast Financial Information to the Pro Forma Forecast Financial Information (see Section 4.3.2 and Section 4.6.2);
- segment information (see Section 4.4);
- details of Wellard's indebtedness and capitalisation (see Section 4.5.2) and a description of the Wellard's debt facilities (see Section 4.5.3);
- information regarding liquidity and capital resources (see Section 4.5.4);
- information regarding Wellard's committed capital expenditure and commitments (see Section 4.5.5);
- management's discussion and analysis of the Historical Financial Information (see Section 4.7);
- the general, Directors' best estimate and specific assumptions underlying the Forecast Financial Information (see Sections 4.8.1, 4.8.2 and 4.8.3);
- an analysis of the sensitivity of the Forecast Financial Information to changes in certain key assumptions (see Section 4.9);
- a discussion of Wellard's financial risk management framework (see Section 4.10); and
- Wellard's proposed dividend policy (see Section 4.11).

The Financial Information presented in this Prospectus has been reviewed by PricewaterhouseCoopers Securities Ltd, in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information, as stated in its Investigating Accountant's Report on the Financial Information. Investors should note the scope and limitations of the Investigating Accountant's Report (refer to Section 8). The Investigating Accountant's Report on the Financial Information has been prepared solely in connection with the offer of Shares in Australia.

The information in this Section 4 should also be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

All amounts disclosed in this Section 4 are presented in Australian dollars (\$) and, unless otherwise noted, are rounded to the nearest \$0.1 million.

4.2

Basis of preparation

4.2.1 Overview

The directors of Wellard Limited are responsible for the presentation and preparation of the Financial Information. The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the historical financial performance, cash flows and financial position of Wellard together with the Forecast Financial Information.

The Financial Information has been prepared in accordance with the measurement and recognition principles of the Australian Accounting Standards (**AAS**) adopted by the Australian Accounting Standards Board (**AASB**), which are consistent with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**).

The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements and comparative information as required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

04. Financial Information

Accounting policies have been consistently applied for Wellard throughout the periods presented. Significant accounting policies relevant to the Financial Information are set out in Appendix A.

A discussion of the segments Wellard expects to report under AASB 8 Operating Segments is set out in Section 4.4.

In addition to the Financial Information, this Section 4 includes non-IFRS measures (financial and operating) that Wellard uses to manage and report on its business and that are not recognised under AAS or IFRS.

4.2.2 Preparation of the Historical Financial Information

4.2.2.1 Historical Financial Information

The Historical Financial Information is presented on a pro forma basis.

The Pro Forma Carve-out Historical Financial Information for Wellard has been derived from the general purpose statutory consolidated financial statements of Wellard Group Holdings Pty Ltd (**WGH**) for FY2013, FY2014 and FY2015 (**WGH Financial Statements**) and individual trial balances for the relevant entities that formed part of WGH, the special purpose statutory financial statements of Wellard Rural Exports Pty Ltd (**WRE**) for FY2013 and FY2014, the general purpose financial statements of WRE for FY2015, the statutory financial statements of Wellard Ships Pte Ltd (Singapore) (**Wellard Ships**) for FY2013 and FY2014, the consolidated financial statements of Wellard Ships Pte Ltd (Singapore) for FY2015 and the unaudited management accounts of Portimor S.A. (Uruguay), to be renamed Wellard do Uruguay S.A. (**Wellard Uruguay**) for FY2015.

Appendix B includes the Pro Forma Carve-out Historical Results and the Pro Forma Carve-out Historical Statement of Financial Position. No consolidated financial statements exist for Wellard (as a standalone group) in those periods.

Wellard was incorporated on 10 September 2015. On completion of the Restructure, Wellard will obtain control of the IPO Subsidiaries including the Livestock Marketing & Export and Processed Meat Marketing & Export operations. Wellard will then own a number of subsidiaries which were previously controlled entities of (or under common control with) WGH (a structure chart and table describing the main activities of those entities is set out at Section 9.3) and Wellard Uruguay which was previously owned by Mauro Balzarini.

Wellard will also have a 50% shareholding in Wellao Agriculture Co., Ltd (China) (**Wellao JV**). Refer to Section 9.4.8.

Wellard has determined that the Restructure of the WGH IPO Subsidiaries (being the IPO Subsidiaries excluding Wellard Uruguay) represents a business combination involving entities under "common control", and therefore Wellard is not required to account for the restructure as a business combination under AASB 3 Business Combinations. Wellard has made an accounting policy election to consolidate the assets and liabilities of Wellard and its subsidiaries at their historical carrying values, which are represented in this Prospectus as the Pro Forma Carve-out Historical Financial Information. As a result, the Pro Forma Carve-out Historical Financial Information incorporates the assets and liabilities of Wellard Group as if they had operated as a single consolidated group for FY2013, FY2014 and FY2015.

In adopting this approach, the Directors note that there is an alternate view that such a restructure conditional on the Completion of the IPO should be accounted for as a business combination that follows the legal structure of Wellard being the acquirer. The Directors note that the accounting for transactions, such as that noted above and contemplated in connection with the Offer, is currently being reviewed by the IASB, and is subject to alternative interpretations which may be subject to change. The outcome of these deliberations, the timing of any decisions and whether any potential changes are retrospective or only prospective, could mean that the financial reporting outcome may be different to that reported in this Prospectus.

In the event that the business combination of the WGH IPO Subsidiaries contemplated by the Restructure and Offer were required to be recorded at fair value:

- the net assets of Wellard would be increased to reflect the market capitalisation upon Completion of the Offer (an increase of \$339.5 million based on the Offer Price);
- the consolidated reserves and retained earnings would be reset to nil as a result of the transactions;

04. Financial Information

- the Directors estimate that the excess of the fair value (based on the market capitalisation) compared to the book value of net assets, if a purchase price allocation were required to be undertaken in the future, would be allocated in part to tangible assets with fair value uplifts expected in relation to the livestock carrying vessels and other property, plant & equipment (estimated to be approximately \$57.0 million). The impact on the annual depreciation expense is estimated at approximately \$3.8 million (increase) if fair value accounting was adopted; and
- the remainder of the excess of the fair value over the carrying amounts would be allocated to goodwill and other intangible assets. To the extent that any of the excess was allocated to finite life intangible assets, net profit after tax (**NPAT**) would be impacted by the annual amortisation of these intangible assets.

The precise impact of any acquisition accounting, if it were required to be applied in the future, cannot be accurately determined at this time, as a formal purchase price allocation has not been carried out. Accordingly, the above estimates are preliminary indicative estimates only, which may change if a formal purchase price allocation is undertaken in the future.

The impact of acquisition accounting, should this subsequently be required, is non-cash in nature and will not impact future cash flows or the ability of Wellard to pay future dividends (to the extent sufficient retained earnings are available), as the overall financial position of the parent entity, Wellard, will be the determinant of whether or not dividends are able to be paid in future financial periods.

The Restructure Separation Agreement (refer to Section 9.4.1.1) requires WGH to ensure Mr Balzarini transfers his interest in Wellard Uruguay to Wellard for nominal consideration. Wellard has determined that the acquisition of Wellard Uruguay will be accounted for as an asset acquisition and not a business combination. Wellard Uruguay, the holder of a livestock export license, was incorporated on 23 March 2012 and has had limited trading history. For FY2015 it incurred \$0.08 million of start-up losses. As at 30 June 2015, it had net liabilities of \$0.05 million. For the purposes of inclusion in the Financial Information, where relevant, Wellard have assumed that the fair value of the assets of Wellard Uruguay to be acquired would be approximated by their book value.

The sources of information for the Pro Forma Carve-out Historical Financial Information are as follows:

- for FY2013:
 - the general purpose statutory financial statements of WGH and the special purpose statutory financial statements of WRE, both of which were audited by Ernst & Young in accordance with Australian Auditing Standards and upon which unmodified audit opinions were issued;
 - the management consolidation working papers underlying the audited general purpose statutory financial statements of WGH; and
 - the audited statutory financial statements of Wellard Ships which were prepared in accordance with Singapore Financial Reporting Standards and audited by Ernst & Young LLP in accordance with Singapore Standards of Auditing and upon which an unmodified audit opinion was issued;
- for FY2014:
 - the general purpose statutory financial statements of WGH and the special purpose statutory financial statements of WRE, both of which were audited by PricewaterhouseCoopers, Australian Partnership, in accordance with Australian Auditing Standards. An unmodified audit opinion was issued in respect of WRE. PricewaterhouseCoopers issued an unqualified opinion with an emphasis of matter with respect to material uncertainty in relation to the ability of the WGH group and its subsidiaries to continue as a going concern being dependent on the group having sufficient funds available to repay convertible notes repayable in FY2016. The payment of proceeds to WGH in connection with the Offer will result in the settlement of these convertible note obligations;
 - the management consolidation working papers underlying the audited general purpose statutory financial statements of WGH; and
 - the audited statutory financial statements of Wellard Ships which were prepared in accordance with Singapore Financial Reporting Standards and audited by PricewaterhouseCoopers LLP (Singapore firm), Public Accountants and Chartered Accountants, in accordance with Singapore Standards of Auditing and upon which an unmodified audit opinion was issued; and

04. Financial Information

- for FY2015:
 - the general purpose statutory financial statements of WGH and the general purpose statutory financial statements of WRE, both of which were audited by PricewaterhouseCoopers, Australian Partnership, in accordance with Australian Auditing Standards. PricewaterhouseCoopers issued an unqualified opinion with an emphasis of matter with respect to material uncertainty in relation to the ability of WGH to continue as a going concern due to WGH having a working capital deficiency of \$449.8 million at 30 June 2015 and the ability of WGH and its subsidiaries, prior to the Restructure, to continue as a going concern being dependent on the group having sufficient funds available to repay borrowings of \$267.5 million which are callable at balance date. The payment of proceeds to WGH in connection with the Offer will result in the settlement of a portion of the current borrowings obligations and a reclassification of a portion of the debt as non-current thus resolving the working capital deficiency. PricewaterhouseCoopers issued an unqualified opinion with an emphasis of matter with respect to material uncertainty in relation to the ability of WRE to continue as a going concern due to WRE having a working capital deficiency of \$143.8 million at 30 June 2015 and it being dependent on having sufficient funds available to repay borrowings of \$120.3 million payable which are callable at balance date. The capital raised through the Offer will result in this debt being repaid;
 - the management consolidation working papers underlying the audited general purpose statutory financial statements of WGH;
 - the audited statutory financial statements of Wellard Ships and its subsidiaries which were prepared in accordance with Singapore Financial Reporting Standards and audited by PricewaterhouseCoopers LLP (Singapore firm), Public Accountants and Chartered Accountants, in accordance with Singapore Standards of Auditing and upon which an unqualified opinion with an emphasis of matter with respect to material uncertainty in relation to the ability of Wellard Ships and its subsidiaries to continue as a going concern due to the Wellard Ships group having a working capital deficiency of US\$87.1 million at 30 June 2015 and capital commitments of US\$80.8 million. The Wellard Ships group has also issued a corporate guarantee of US\$107.0 million. The capital raised through the Offer will result in this debt being reclassified as non-current and the corporate guarantee being retired;
 - the management consolidation working papers underlying the audited statutory financial statements of Wellard Ships; and
 - the unaudited management accounts of Wellard Uruguay.

The WGH Financial Statements in each of FY2013, FY2014 and FY2015 are Tier 2 general purpose financial statements, which have been prepared in accordance with Australian Accounting Standard (AAS) – Reduced Disclosure Requirements (AASB – RDR) (including Australian Interpretations) adopted by the AASB and the Corporations Act. It is noted that the WGH convertible notes do not form part of the Wellard Group post Completion of the Offer. Further detail in respect of Wellard's indebtedness and capitalisation is set out in Section 4.5.2, with a description of the New Banking Facilities at Section 4.5.3.

The FY2014 general purpose statutory financial statements of WGH and the FY2014 special purpose statutory financial statements of WRE were lodged with ASIC on 27 October 2015.

The FY2015 general purpose statutory financial statements of WGH and WRE were lodged with ASIC on 18 November 2015.

4.2.2.2 *Pro Forma Historical Financial Information*

The Pro Forma Historical Financial Information has been prepared solely for the purposes of inclusion in this Prospectus.

The Pro Forma Historical Results have been derived from the Pro Forma Carve-out Historical Results, adjusted to reflect:

- removal of certain one off non-recurring items;
- estimated additional costs associated with Wellard being a listed company, including estimated Board and governance costs, and incremental audit, tax and compliance costs;
- the removal of expenses incurred for the advice and negotiation of the WGH restructuring borne by Wellard and inclusion of staff costs and rent expenses relating to Wellard previously borne by WGH;

04. Financial Information

- removal of income/expenses pertaining to changes in the capital structure arising as a result of the Restructure and Offer (see Section 4.5 for more information regarding the new capital structure); and
- tax effect of the pro forma adjustments, determined using the relevant applicable effective corporate tax rate.

The Pro Forma Historical Statement of Financial Position has been derived from the Pro Forma Carve-out Historical Statement of Financial Position, adjusted to reflect the:

- impact of the Offer including proceeds received from the Offer, costs of the Offer and payments to WGH as explained in the sources and uses of funds table in Section 7.1.2; and
- changes to Wellard's capital structure including the New Banking Facilities and settlement of intercompany balances with WGH.

A detailed description of the pro forma adjustments that have been made to the Pro Forma Carve-out Historical Financial Information is provided as follows:

- Section 4.3.2 provides a reconciliation of the Pro Forma Carve-out Historical Results to the Pro Forma Historical Results;
- Section 4.5.1 provides a reconciliation of the Pro Forma Carve-out Historical Statement of Financial Position to the Pro Forma Historical Statement of Financial Position;
- Section 4.6.1 provides a reconciliation of the EBITDA from the Pro Forma Historical Results to the Pro Forma Historical Free Cash Flows before financing; and
- Section 4.6.2 provides a reconciliation of the Pro Forma Historical Free Cash Flows before financing to the statutory cash flows before financing.

Investors should note that past results are not a guarantee of future performance.

4.2.3 Preparation of the Forecast Financial Information

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus based on an assessment of current operating, market and economic conditions applicable to the business. The Directors have prepared the Forecast Financial Information with due care and attention and consider all best estimate assumptions, when taken as a whole, to be reasonable at the time of preparation of this Prospectus. However, this information is not fact, and investors are cautioned not to place undue reliance on the Forecast Financial Information.

This Prospectus includes Forecast Financial Information based on the best estimate assumptions of the Directors. The basis of preparation and presentation of Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation of the Historical Financial Information, unless otherwise noted.

The Forecast Financial Information has been prepared by the Directors on the basis of numerous assumptions, including the Directors' best estimates of general and specific assumptions set out in Sections 4.8.1, 4.8.2 and 4.8.3. The inclusion of these assumptions is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that these differences may have a material effect on Wellard's actual financial performance or financial position. In addition, the assumptions upon which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of Wellard, the Directors and management, and are not predictable. Accordingly, none of Wellard, the Directors, management or any other person can give investors any assurance that the events and outcomes discussed in the Forecast Financial Information will arise. Events and outcomes may differ in amount and timing from the assumptions, and may have a material impact on the actual results for FY2016.

Investors are advised to review the Directors' best estimate general and specific assumptions set out in Sections 4.8.1, 4.8.2 and 4.8.3 in conjunction with the significant accounting policies set out in Appendix A, the sensitivity analysis set out in Section 4.9, the risk factors as set out in Section 5 and other information set out in this Prospectus.

04. Financial Information

The Forecast Financial Information has been prepared and presented on both a pro forma and a statutory basis for FY2016, as follows:

- the Statutory Forecast Financial Information for FY2016 reflects the Directors' best estimate forecast for FY2016; and
- the Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, and has been adjusted to reflect:
 - removal of transaction costs associated with the Offer, including adviser fees and financing related costs;
 - removal of foreign exchange losses to be realised upon payment of existing US\$ debt that will be paid down upon Completion of the Offer;
 - removal of a management incentive expense, as a one-off IPO bonus, to be awarded on Completion of the Offer;
 - removal of the stamp duty expense to be paid on completion of the Restructure;
 - net interest expense based on the anticipated debt profile following Completion of the Offer; and
 - tax effect of the pro forma adjustments, determined using the relevant applicable effective corporate tax rate.

Section 4.3.2 provides a reconciliation of the Statutory Forecast Result to the Pro Forma Forecast Result. Section 4.6.2. provides a reconciliation of the Statutory Forecast Cash Flows to the Pro Forma Forecast Cash Flows.

The Directors have no intention to update or revise the Forecast Financial Information or other forward looking statements following the issue of this Prospectus, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

4.2.4 Explanation of certain non-IFRS measures

Wellard uses certain measures to manage and report on its business that are not recognised under AAS or IFRS. These measures are collectively referred to in Section 4.2.4.1 as non-IFRS measures.

The Directors believe that these measures provide useful information about the financial performance of Wellard. However, they should only be considered as supplementary to the Financial Information and not as a replacement for any aspect of that Financial Information. Because these non-IFRS measures are not based on AAS, they do not have standard definitions, and the way Wellard calculates these measures may differ from similarly-titled measures used by other entities. Readers should therefore not place undue reliance on these non-IFRS measures.

4.2.4.1 *Non-IFRS financial measures*

The non-IFRS financial measures that are referred to in this Prospectus are as follows:

Gross Profit reflects the margin on sales, after incorporating direct livestock and transport related costs associated with the sales. It does not contain indirect expenses including repairs and maintenance on livestock carrying vessels, depreciation and amortisation charges;

EBITDA is earnings before interest, tax, depreciation and amortisation. EBITDA eliminates certain non-cash charges such as depreciation and amortisation and therefore is useful to understanding the operating cash generation by Wellard.

Management uses EBITDA to evaluate the operating performance of the business without the non-cash impact of depreciation and amortisation and before the impact of taxation and interest charges which are significantly influenced by the capital structure and historical tax position of Wellard.

04. Financial Information

However, EBITDA should not be considered as an alternative to cash flow from operations as it does not reflect actual cash movements and investors should not consider EBITDA in isolation from, or as a substitute for, analysis of Wellard's results of operations. Some limitations of EBITDA are that it does not reflect:

- Wellard's available cash or capital expenditure;
- changes in Wellard's capital needs;
- the cash requirements necessary to service interest payments or principal repayments in respect of any borrowings; or
- any cash requirements to replace assets that are being depreciated or amortised;

EBIT is earnings before interest and taxation;

Working Capital is defined in Section 4.7.1.5;

Maintenance Capital Expenditure is as defined in Section 4.7.1.6;

Growth Capital Expenditure is as defined in Section 4.7.1.6;

Free Cash Flow is a measure that represents EBITDA adjusted for:

- change in Working Capital;
- Maintenance Capital Expenditure;
- Growth Capital Expenditure;
- interest payments; and
- tax payments.

Investors should note that Free Cash Flow does not take into account drawdown of debt or equity funding or the payment of dividends; and

Return on Operating Assets is defined as EBITDA during a period divided by, for that period, the average of the opening and closing property, plant and equipment balance plus the average of the opening and closing Working Capital balance.

4.2.4.2 *Non-IFRS Operating measures*

The non-IFRS operating measures that are referred to in this Prospectus are as follows:

Livestock Weight is the weight of livestock sold by Wellard, and is measured in metric tonnes (MT);

Vessel Capacity Coefficient is a measure of each vessel's livestock carrying capacity and is calculated as the vessel's carrying area (in square metres) multiplied by the number of days in the year that the vessel was available for operation by Wellard. For example, in FY2016 the MV Ocean Drover's Vessel Capacity Coefficient is 8,532,970, being 23,378 square metres multiplied by 365 days;

Total Vessel Capacity Coefficient is the aggregate Vessel Capacity Coefficient across all of Wellard's owned livestock carrying vessels; and

Sheep Meat Yield is the proportion of the sheep weight that can be sold.

4.2.5 Indices used to manage and forecast the Business

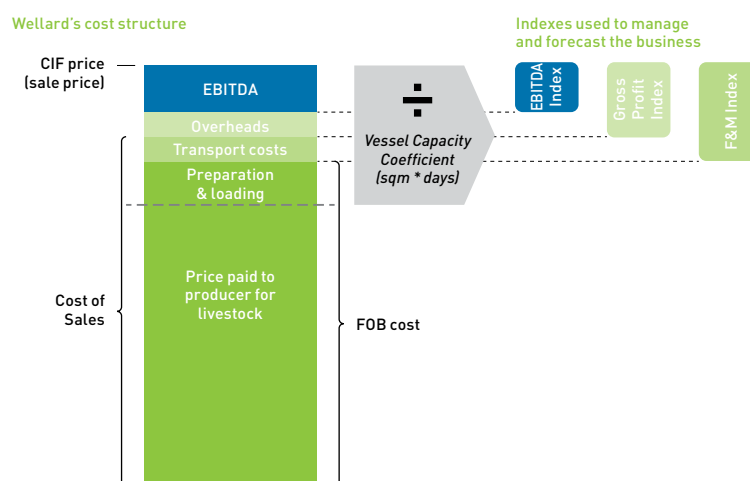
Wellard's management monitor and analyse various revenue and profitability indices on each potential Livestock Marketing & Export transaction. These indices support business allocation decisions by assisting management in evaluating potential transactions and forecasting expected earnings. This approach enables transactions to be considered, compared, priced and executed in a timely manner.

As illustrated in Figure 48 below, the key indices are:

- the Freight and Margin (**F&M**) index;
- the Gross Profit Index; and
- the EBITDA Index.

Each of these indices is a metric relative to the relevant Vessel Capacity Coefficient.

Figure 48: Wellard's cost structure and indices used to manage and forecast the business



The indices are based on detailed historical analysis, and they enable Wellard's management to factor in expected downtime for repairs and maintenance, other overhead costs and differing vessel attributes (e.g. speed) when considering potential transactions.

These indices are applicable to assessing livestock export transactions using Wellard's own vessels, livestock export transactions using third party transport and any external chartering of Wellard's vessels to third parties.

4.3 Historical and forecast results

4.3.1 Pro Forma Historical Results, Pro Forma Forecast Result and Statutory Forecast Result

Figure 49 sets out the Pro Forma Historical Results for FY2013, FY2014 and FY2015, the Pro Forma Forecast Result for FY2016 and the Statutory Forecast Result for FY2016. The Pro Forma Historical Results and Pro Forma Forecast Result are reconciled to the Pro Forma Carve-out Historical Results and Statutory Forecast Result in Figure 51 (at EBIT) and Figure 52 (at NPAT).

04. Financial Information

Figure 49: Pro Forma Historical Results, Pro Forma Forecast Result and Statutory Forecast Result

(Year end 30 June) A\$'000	Historical			Forecast	
	FY2013 Pro forma	FY2014 Pro forma	FY2015 Pro forma	FY2016 Pro forma	FY2016 Statutory
Livestock Marketing & Export	259,418	397,248	483,384	570,957	570,957
Processed Meat Marketing & Export	13,962	35,248	28,885	36,476	36,476
1 Total Revenue	273,380	432,497	512,269	607,433	607,433
2 Livestock cost of sales	(192,399)	(302,479)	(367,870)	(443,022)	(443,022)
3 Transport cost of sales	(30,832)	(42,470)	(34,147)	(41,742)	(41,742)
Other cost of sales	(4,283)	(6,912)	(15,020)	(9,263)	(9,263)
Cost of Sales	(227,515)	(351,861)	(417,037)	(494,027)	(494,027)
Gross Profit	45,866	80,635	95,232	113,406	113,406
4 Labour costs	(13,402)	(14,914)	(16,469)	(14,177)	(32,877)
5 Administration expenses	(5,953)	(8,954)	(8,353)	(8,070)	(8,070)
6 Repairs and maintenance	(3,078)	(5,066)	(6,524)	(3,467)	(3,467)
7 Other expenses	(10,521)	(9,494)	(10,980)	(11,592)	(26,353)
Expenses	(32,955)	(38,428)	(42,327)	(37,306)	(70,767)
EBITDA	12,911	42,207	52,905	76,100	42,639
8 Depreciation and amortisation	(12,409)	(14,665)	(19,851)	(18,617)	(18,617)
EBIT	502	27,542	33,054	57,483	24,022
9 Net interest expense	(4,994)	(5,587)	(6,132)	(6,004)	(12,751)
Net profit before tax	(4,492)	21,955	26,922	51,479	11,271
10 Income tax income/(expense)	4,055	(2,874)	(3,188)	(5,036)	(2,289)
Net profit after tax	(437)	19,080	23,734	46,443	8,982

Notes:

- Revenues are predominantly generated from the sale of livestock (Livestock Marketing & Export) and the sale of frozen and fresh packaged meats (Processed Meat Marketing & Export).
- Livestock cost of sales includes all direct costs of purchasing, preparing for sale and loading livestock.
- Transport cost of sales includes all direct costs associated with the transport of livestock and processed meat, including costs associated with Wellard's livestock carrying vessels (e.g. fuel, crew costs, port costs and insurance).
- Labour costs relate to all employees salaries and costs excluding those relating to livestock carrying vessel personnel. FY2016 statutory forecast includes a one off share-based bonus. Refer to Section 4.3.2, note #5 for further information.
- Administration expenses include accounting, insurance and other administrative costs.
- Repairs and maintenance expenses relate predominantly to Wellard's livestock carrying vessels. Refer to Section 4.7.1.6 for further information on total repairs and maintenance and capital expenditure on Wellard's livestock carrying vessels.
- Other expenses includes items such as occupancy costs, rates, realised and unrealised FX gains/(losses), bad debt costs, travel and motor vehicle expenses and other items.
- Depreciation and amortisation predominantly relates to the depreciation of Wellard's livestock carrying vessels.
- Net interest expense for FY2013, FY2014 and FY2015 has been adjusted to reflect the terms of Wellard's debt facilities post Completion of the Offer. For more information, refer to Section 4.5.3.
- The pro forma income tax income/(expense) incorporates the net tax effect of the pro forma adjustments based on the effective corporate tax rate applicable in the relevant jurisdiction of the Wellard Group company impacted by each pro forma adjustment (see Section 9.3 for an outline of the jurisdiction of each Wellard Group company). Also refer to Sections 4.7.1.4 and 4.8.3.4 for further detail regarding the applicable effective corporate tax rate. Wellard and its Australian subsidiaries intend to form a tax consolidated group with effect from, or around, Completion of the Offer. The tax base of various assets and liabilities of the Wellard tax consolidated group will be reset at this time. The expected impact of tax consolidation on Wellard's deferred tax balances has been reflected in the Pro Forma Historical Statement of Financial Position in Section 4.5.1. A full assessment of the income tax consolidation implications will be completed following the Completion of the Offer.

04. Financial Information

Figure 50 provides a summary of Wellard's historical key operating metrics for pro forma FY2013, FY2014 and FY2015 and the forecast key operating metrics for pro forma FY2016.

Figure 50: Summary of historical and forecast key operating metrics for pro forma FY2013 to FY2016

(Year end 30 June)	Unit	Historical			Forecast
		FY2013 Pro forma	FY2014 Pro forma	FY2015 Pro forma	FY2016 Pro forma
Livestock Marketing & Export revenue	\$	259,418	397,248	483,384	570,957
Processed Meat Marketing & Export revenue	\$	13,962	35,248	28,885	36,476
Total Revenue	\$	273,380	432,497	512,269	607,433
<i>Revenue growth</i>	%	n/a	58.2%	18.4%	18.6%
Gross Profit margin	%	16.8%	18.6%	18.6%	18.7%
<i>Gross Profit growth</i>	%	n/a	75.8%	18.1%	19.1%
EBITDA margin	%	4.7%	9.8%	10.3%	12.5%
<i>EBITDA growth</i>	%	n/a	226.9%	25.3%	43.8%
<i>Return on Operating Assets</i>	%	6.3%	21.1%	26.1%	29.6%
<i>Livestock Marketing & Export</i>					
Cattle exports (by heads)	Heads	129,068	318,262	390,322	409,324
Cattle exports (by weight)	Metric tonnes	41,296	114,690	140,597	147,958
Sheep exports (by heads)	Heads	504,406	150,798	8,238	13,804
Sheep exports (by weight)	Metric tonnes	24,632	8,465	470	725
<i>Vessel carrying area capacity at year end</i>					
MV Ocean Drover	m ²	23,378	23,378	23,378	23,378
MV Ocean Swagman	m ²	8,000	8,000	8,000	8,000
MV Ocean Outback	m ²	8,000	8,000	8,000	8,000
MV Ocean Ute	m ²	-	7,000	7,000	7,000
MV Ocean Shearer	m ²	-	-	-	23,500
Total vessel carrying area capacity	m ²	39,378	46,378	46,378	69,878
<i>Vessel availability</i>					
MV Ocean Drover	days	365	365	365	365
MV Ocean Swagman	days	365	365	365	365
MV Ocean Outback	days	365	365	365	365
MV Ocean Ute	days	-	30	365	365
MV Ocean Shearer	days	-	-	-	91
Total vessel availability	days	1,095	1,125	1,460	1,551
Total Vessel Capacity Coefficient (in million)	m ² per year	14.4	14.6	16.9	19.1
EBITDA/Total Vessel Capacity Coefficient	A\$/m	0.9	2.9	3.1	4.0
<i>Processed Meat Marketing & Export</i>					
Sheep processed	#	n/a	359,957	289,199	370,500
Average weight per sheep	kg	n/a	17.88	17.93	20.00
Sheep Meat Yield	%	n/a	97.8%	97.5%	97.0%
<i>Sheep average sale prices</i>					
Meat	A\$/kg	n/a	4.45	4.83	4.75
Skin	A\$/head	n/a	5.74	4.16	4.00
Offal	A\$/head	n/a	2.43	2.85	3.00
Sheep variable costs (excluding livestock)	A\$/head	n/a	27.19	25.24	25.00

For personal use only

4.3.2 Reconciliation of the Pro Forma Carve-out Historical Results and the Statutory Forecast Result to the Pro Forma Historical Results and the Pro Forma Forecast Result

Figure 51 and Figure 52 set out the reconciliation of EBIT and NPAT from the Pro Forma Carve-out Historical Results and Statutory Forecast Result to the Pro Forma Historical Results and Pro Forma Forecast Result, respectively. Refer to Appendix B for a reconciliation of the Pro Forma Carve-out Results to the underlying audited or unaudited financial information of the IPO Subsidiaries that will comprise Wellard on Completion of the Restructure and Offer.

Figure 51: EBIT reconciliation of the Pro Forma Carve-out Historical Results and Statutory Forecast Result to the Pro Forma Historical Results and Pro Forma Forecast Result

(Year end 30 June) A\$'000	Historical			Forecast
	FY2013	FY2014	FY2015	FY2016
Pro Forma Carve-out Historical EBIT/FY2016				
Statutory EBIT	995	27,663	14,937	24,022
Pro forma adjustments:				
1 Removal of certain one off non-recurring items				
MV Ocean Drover fire costs	-	-	9,286	-
Termination of vessel construction contracts	4,261	10,742	-	-
Other non-recurring items	(991)	(6,988)	4,101	-
2 Administration and overhead expenses	(3,763)	(3,874)	(3,083)	-
3 IPO transaction costs	-	-	-	9,240
4 Change in debt structure on IPO	-	-	7,812	4,721
5 Management incentive	-	-	-	18,700
6 Stamp duty on reorganisation	-	-	-	800
Total Pro forma EBIT adjustments	(493)	(120)	18,116	33,461
Pro forma EBIT	502	27,542	33,054	57,483

04. Financial Information

Notes:

- 1 Removal of certain one off non-recurring items:
 - i) In FY2015, a fire on the MV Ocean Drover caused the loss of operational activity of that vessel for the period from 9 October 2014 to 31 March 2015. As a result, third party transport was required in order to fulfil commitments made to customers. The pro forma adjustment removes the impact of these incremental costs that would otherwise have not been incurred if the transport had been undertaken using the MV Ocean Drover as intended.
 - ii) Removal of expenses relating to losses arising from vessel construction contracts. In FY2013, Wellard impaired the carrying value of vessels under construction as a result of the constructor closing its shipyard due to financial difficulties. In FY2014, Wellard expensed the net costs of vessel construction (unrecovered from bank guarantee) due to financial difficulties of the constructor which resulted in the contract being terminated. The majority of the costs in both periods related to the construction of the MV Ocean Shearer which Wellard subsequently repurchased from the appointed administrator and has engaged another party to complete the vessel construction.
 - iii) Other non-recurring items:
 - Costs incurred as a result of the operational restructuring that Wellard has undertaken (expenses of \$1.6 million in FY2013 and \$1.2 million in FY2015). FY2013 relates to the exit of a joint business relationship; the activities of which are no longer pursued by Wellard. FY2015 includes costs borne by Wellard that related to the broader WGH group;
 - Debt forgiveness gain of \$6.7 million in FY2014 relating to the winding up of a related entity;
 - The FY2015 write-off of a legal claim receivable of \$1.2 million has been adjusted back to FY2013, the period to which the claim relates;
 - Procurement incentive for a vessel of \$1.8 million in FY2015, not capitalised in the cost of the vessel;
 - Costs incurred for the advice and negotiation of the WGH restructuring borne by WRE; and
 - A gain recognised on disposal of assets (\$1.4 million income in FY2013).
- 2 Administration and overhead expenses:
 - i) Adjustments reflect the uplift in corporate costs of \$1.5 million expected to arise as a consequence of Wellard being an ASX listed entity post Completion of the Offer. The costs principally relate to Board fees, additional corporate and compliance costs, and investor relations costs; and
 - ii) Adjustments reflect staff salary and rent costs previously borne by WGH that will be borne by Wellard going forward.
- 3 Costs of the Offer are estimated at \$21.0 million on a pre-tax basis. Of this, \$9.2 million has been expensed in the FY2016 Statutory Forecast Result with the balance offset against equity as directly attributable to the issue of Shares under the Offer, refer to Figure 53.
- 4 Adjustments reflect:
 - i) The removal of an unrealised loss in FY2015 relating to FX movements on US\$ debt. The related debt will be settled as part of the Restructure and Offer. The FY2016 Statutory Forecast Result includes an expense of \$2.9 million relating to forecast realised FX losses from the settlement of this debt upon Completion of the Offer, assuming an A\$:US\$ exchange rate of 0.75; and
 - ii) Capitalised borrowing costs of \$1.8 million to be expensed upon repayment of debt at Completion of the Offer.
- 5 Expense relates to the one-off IPO bonus and associated taxes as outlined in Section 6.3.3.4. The expense is a share-based payment provided by WGH and expensed by Wellard in accordance with AASB 2 Share-Based Payments. The fair value of the Shares used to calculate this balance are derived using the Offer Price.
- 6 Wellard Singapore Pte Ltd will be subject to stamp duty in Singapore on acquisition of the shares in Wellard Ships (which forms part of the Restructure).

04. Financial Information

Figure 52: NPAT reconciliation of the Pro Forma Carve-out Historical Results and Statutory Forecast Result to the Pro Forma Historical Results and Pro Forma Forecast Result

(Year end 30 June) A\$'000	Historical			Forecast
	FY2013	FY2014	FY2015	FY2016
Pro Forma Carve-out Historical NPAT/FY2016				
Statutory NPAT	1,514	20,085	2,171	8,982
1 Total pro forma EBIT adjustments (per Figure 51)	(493)	(120)	18,116	33,461
2 Interest (costs)/savings on new debt structure	(1,623)	(2,816)	8,636	6,747
3 Taxation	165	1,932	(5,190)	(2,747)
Pro forma net profit after tax	(437)	19,080	23,734	46,443

Notes:

- 1 Refer to Figure 51 for details.
- 2 Adjustment to the net interest expense reflecting the anticipated debt profile following Completion of the Offer. The adjustment reflects:
 - i) Reversal of interest expense for the debt which is to be settled as part of the Restructure and the Offer; and
 - ii) The revised interest rates negotiated on the Sale and Leaseback Agreements that will apply from mid-November 2015.
- 3 The income tax impact incorporates the net tax effect of the pro forma adjustments based on the effective corporate tax rate applicable in the relevant jurisdiction of the Wellard Group company impacted by each adjustment (refer to Section 9.3 for information on the jurisdiction of each Wellard Group company). Also refer to Sections 4.7.1.4 and 4.8.3.4 for further detail regarding the applicable effective corporate tax rate. The FY2016 income tax impact also reflects the expected income tax impact of the IPO transaction costs. Wellard and its Australian subsidiaries intend to form a tax consolidated group with effect from, or around, Completion of the Offer. The tax base of various assets and liabilities of the Wellard tax consolidated group will be reset at this time. The expected impact of tax consolidation on Wellard's deferred tax balances has been reflected in the Pro Forma Historical Statement of Financial Position in Section 4.5.1. A full assessment of the income tax consolidation implications will be completed following Completion of the Offer.

4.4 Segment information

WGH has historically not been required to disclose segment information, as required under AASB 8 Operating Segments, in its FY2013, FY2014 or FY2015 financial statements as they were prepared in accordance with AAS – RDR adopted by the AASB and the Corporations Act. Accordingly, these financial statements do not disclose segment information.

Wellard's management has considered the reportable segments in which the Wellard Group will report in future periods. As a result of this process, Wellard's management has determined that Livestock Marketing & Export represents the only reportable segment, including the marketing and export of cattle and sheep. These export activities have similar production and distribution channels, similar products and similar end customers, and as such aggregated and classified as one segment.

Processed Meat Marketing & Export and corporate services are not considered to be reportable operating segments, however will be presented in an 'other segments' column in future periods financial statements.

This classification is in accordance with AASB 8 guidelines.

4.5 Financial position

4.5.1 Pro Forma Carve-out Historical Statement of Financial Position and Pro Forma Historical Statement of Financial Position

Figure 53 sets out the pro forma adjustments that have been made to the Pro Forma Carve-out Historical Statement of Financial Position in order to prepare the Pro Forma Historical Statement of Financial Position.

These adjustments reflect the events and assumptions discussed in the notes to Figure 53, including the proceeds of the Offer and the impact of the capital structure that will be in place following Completion of the Offer as if they had occurred or were in place as at 30 June 2015.

Under the Offer, Wellard will raise capital through the issuance of new equity, with the proceeds applied as follows:

- retained cash such that Wellard has cash and Working Capital at the time of Completion of the Offer of approximately \$66.5 million (see growth initiatives in Section 3.6);
- repayment of up to US\$51.3 million in existing drawn debt;
- approximately \$21.0 million to pay fees and costs relating to the Offer; and
- the balance paid to WGH as part consideration for the acquisition of the WGH IPO Subsidiaries.

In addition, the Separation Agreement includes certain adjustment mechanisms relating to, among other things, IPO Subsidiary cash balances at the time of Completion of the Offer and the required minimum Working Capital balance as at Completion of the Offer (refer to Section 9.4.1.2).

The Pro Forma Historical Statement of Financial Position as at 30 June 2015 shown in Figure 53 has been derived from the Pro Forma Carve-out Statement of Financial Position as at 30 June 2015 which has been reconciled (in Appendix B) to the underlying audited or unaudited financial information of IPO Subsidiaries that will comprise Wellard upon Completion of the Offer and the Restructure, and adjusted to reflect the impact of the Offer and the new capital structure as if they were in place as at 30 June 2015.

Cash and cash equivalents and borrowings in the Pro Forma Historical Statement of Financial Position have been adjusted to reflect the impact of the Offer and the new capital structure, as well as capital expenditure and debt repayments since 30 June 2015 as if they were in place as at 30 June 2015. The balances have not been adjusted for anticipated operating cash requirements of the business between 30 June 2015 and Completion of the Offer. Refer to Figure 54.

Further information on the sources and uses of funds of the Offer is contained in Section 7.1.2 and further information on Wellard's debt facilities post Completion of the Offer is contained in Section 4.5.3.

Figure 53: Pro Forma Carve-out Historical Statement of Financial Position and Pro Forma Historical Statement of Financial Position

		1	2	3	4
		Pre Completion of the Offer			
(30 June 2015) A\$'000	Carve-out Historical Statement of Financial Position	Intercompany debt settlement prior to the Completion of the Offer	Partial repayment of SCB debt (US\$50m) and other debt between 30 June 2015 and Completion of the Offer	Purchase of property, plant and equipment between 30 June 2015 and Completion of the Offer	Draw down of short term financing arrangements post 30 June 2015
Cash and cash equivalents	18,182	100,000	(80,000)	(58,229)	15,133
Inventories	11,246	-	-	-	-
Biological assets	7,607	-	-	-	-
Other assets	5,313	-	-	-	-
Trade and other receivables	59,559	43,993	-	-	-
Current assets	101,907	143,993	(80,000)	(58,229)	15,133
Property, plant and equipment	208,202	-	-	58,229	-
Receivables from WGH Group	173,363	(173,363)	-	-	-
Other non-current assets	1,656	314	(1,207)	-	-
Non-current assets	383,221	(173,049)	(1,207)	58,229	-
Total assets	485,127	(29,056)	(81,207)	-	15,133
SCB term loan	122,066	-	(75,399)	-	-
Borrowing costs	(1,791)	-	-	-	-
Other short-term borrowings	125,515	43,993	(4,000)	-	15,133
Payables to WGH Group	16,624	(16,624)	-	-	-
Short-term provisions	948	-	-	-	-
Trade and other payables	82,029	-	-	-	-
Current liabilities	345,391	27,369	(79,399)	-	15,133
Deferred tax liability	319	-	-	-	-
Long-term provisions	2,376	-	-	-	-
Payables to WGH Group	12,839	(11,632)	(1,207)	-	-
Long-term borrowings	-	-	-	-	-
Non-current liabilities	15,533	(11,632)	(1,207)	-	-
Total liabilities	360,925	15,737	(80,606)	-	15,133
Net assets	124,203	(44,793)	(601)	-	-
Issued capital	56,940	-	-	-	-
Foreign currency translation reserve	12,941	-	-	-	-
Common control reserve	-	(43,993)	-	-	-
Share based payments reserve	-	-	-	-	-
Retained earnings	54,322	(800)	(601)	-	-
Equity	124,203	(44,793)	(601)	-	-

04. Financial Information

	5	6	7	8	9		
	At Completion of the Offer						
	Proceeds from the Offer	Cash payment and share issue to WGH for purchase of WGH IPO Subsidiaries	Separation agreement adjustment mechanism applied to 30 June 2015 balance sheet	Costs of the Offer, debt repayment, employee one-off IPO bonus	Reclassification of debt	Group eliminations	Pro Forma Historical Statement of Financial Position
	298,850	(156,383)	16,414	(88,830)	-	-	65,137
	-	-	-	-	-	-	11,246
	-	-	-	-	-	-	7,607
	-	-	-	588	-	-	5,901
	-	-	-	-	-	(43,993)	59,559
	298,850	(156,383)	16,414	(88,242)	-	(43,993)	149,450
	-	-	-	-	-	-	266,431
	-	-	-	-	-	-	-
	-	713	-	1,509	-	-	2,985
	-	713	-	1,509	-	-	269,415
	298,850	(155,670)	16,414	(86,733)	-	(43,993)	418,865
	-	-	-	(46,667)	-	-	-
	-	-	-	1,791	-	-	-
	-	-	-	(19,667)	(103,811)	(43,993)	13,171
	-	-	-	-	-	-	-
	-	-	-	-	-	-	948
	-	-	-	-	-	-	82,029
	-	-	-	(64,542)	(103,811)	(43,993)	96,148
	-	(240)	-	-	-	-	79
	-	-	-	-	-	-	2,376
	-	-	-	-	-	-	-
	-	-	-	-	103,811	-	103,811
	-	(240)	-	-	103,811	-	106,265
	-	(240)	-	(64,542)	-	(43,993)	202,413
	298,850	(155,430)	16,414	(22,191)	-	-	216,452
	298,850	257,150	-	(9,932)	-	(56,940)	546,068
	-	-	-	-	-	-	12,941
	-	(413,533)	16,414	-	-	56,940	(385,039)
	-	-	-	19,101	-	-	19,101
	-	953	-	(31,360)	-	-	23,381
	298,850	(155,430)	16,414	(22,191)	-	-	216,452

04. Financial Information

Notes:

- 1 Wellard Limited will issue a promissory note of approximately \$44.0 million to WGH which will form part of the consideration for the purchase of the IPO Subsidiaries.

WRE will receive a cash payment of A\$100.0 million and promissory note of A\$44.0 million to settle the intercompany receivable due from WGH prior to Completion of the Offer.

The expected deferred tax impact from the debt settlement has also been reflected.
 - 2 WRE will use part of the received funds to pay down pre-existing bank debt of A\$66.7 million or US\$50.0 million (assuming an A\$:US\$ exchange rate of 0.75) pre Completion of the Offer. The adjustment also reflects the debt due for repayment between 30 June 2015 and Completion of the Offer. The expected deferred tax impact from the debt settlement has been reflected.
 - 3 Wellard forecasts expenditure on property, plant and equipment of \$58.2 million prior to the Completion of the Offer. The Growth Capital Expenditure on the MV Ocean Shearer comprises a significant portion of this amount.
 - 4 Wellard Ships has a fully drawn short term finance arrangement with New Finley Asset Limited (NFAL) for US\$11.35 million (A\$15.13 million) (assuming an A\$:US\$ exchange rate of 0.75). The financing arrangements of Wellard Ships with NFAL are being paid down prior to Completion of the Offer. Payment of the outstanding US\$12.1 million (including arrangement fee of US\$0.65 million) under the NFL Finance Arrangements will result in any associated security interests being released.

Following repayment, the NFL Finance arrangements will be terminated. The payment of this debt forms part of note #8.
 - 5 Cash is increased by \$298.9 million, which represents the gross proceeds of the Offer.
 - 6 Cash payment of \$156.4 million and issue of 185 million Shares to WGH as partial consideration for the acquisition of the IPO Subsidiaries. The corresponding balance to these adjustments is taken to the Common Control Reserve Account, which forms part of Total Equity. The Common Control Reserve Account is formed due to the accounting policy election taken by Wellard where the IPO Subsidiaries are presented at their historical carrying values rather than measured at fair value. Refer to Section 4.2.2.1 for further information.
 - 7 Separation Agreement mechanism adjustments have been included if they were applied as at 30 June 2015 to the Carve-Out Historical Statement of Financial Position. Under the terms of the Restructure, the WGH IPO Subsidiary cash balances at the time of Completion of the Offer will be paid to WGH. Working Capital at the Completion of the Offer will be calculated and adjusted to reflect the required minimum balance under the Separation Agreement.
 - 8 Costs of the Offer are estimated at \$21.0 million on a pre-tax basis. Of this:
 - \$9.9 million net of tax has been offset against equity raised as directly attributable to the issue of Shares under the Offer;
 - \$8.1 million net of tax has been expensed; and
 - a deferred tax asset of \$2.9 million has been recognised in respect of these transaction costs on the basis that a portion is expected to be deductible for Australian tax purposes over a five year period.

Debt of up to US\$51.3 million is settled as part of the Restructure and Offer. This has been translated at the assumed A\$:US\$ exchange rate of 0.75, equating to up to A\$68.3 million.

An adjustment to the Statement of Financial Position for the one-off IPO bonus on successful Completion of the Offer has been reflected, impacting retained earnings and the Share-based payments reserve.
 - 9 A portion of remaining debt is expected to be reclassified from current to non-current as a result of Completion of the Offer.
- Wellard and its Australian subsidiaries intend to form a tax consolidated group with effect from, or around, Completion of the Offer. The tax base of various assets and liabilities of the Wellard tax consolidated group will be reset at this time. The expected impact of tax consolidation on Wellard's deferred tax balances has been reflected in the Pro Forma Historical Statement of Financial Position, in adjustments #5 and #7. A full assessment of the income tax consolidation implications will be completed following Completion of the Offer.

4.5.2 Indebtedness

The Pro Forma Historical Statement of Financial Position as at 30 June 2015 has been adjusted to reflect the impact of the Offer and new capital structure as if were in place as at that date, in accordance with ASIC Regulatory Guide 228 paragraph 92. Figure 54 sets out the pro forma indebtedness of Wellard as at Completion of the Offer.

Wellard's cash balance at Completion of the Offer is subject to certain adjustment mechanisms as set out in the Separation Agreement, including the required Working Capital and cash balance at Completion of the Offer (refer to Section 9.4.1.2). Should Wellard's Working Capital balance be higher at Completion of the Offer than as set out in the 30 June 2015 Carve-Out Historical Statement of Financial Position, Wellard's cash and cash equivalents balance will be reduced by a corresponding amount, and vice versa.

Figure 54: Pro forma indebtedness as at Completion of the Offer

A\$'000	Note	Pro forma carve-out indebtedness as at 30 June 2015	Repayment of borrowings as a result of the Restructure and the Offer	Reclass-ification of debt as a result of the Restructure and the Offer	Draw down of short term financing arrangements 30 June 2015	Repayments of debt post 30 June 2015	Pro forma forecast indebtedness at Completion of the Offer
Current borrowings	1	247,581	(133,000)	(103,811)	15,133	(12,732)	13,171
Non-current borrowings		-	-	103,811	-	-	103,811
Drawn debt		247,581	(133,000)	-	15,133	(12,732)	116,982
Less Cash and cash equivalents							(65,137)
Net total indebtedness							51,845
Net debt/FY2015 pro forma EBITDA							0.98
Net debt/FY2016 pro forma EBITDA							0.68
Net debt/Total assets							0.12

Notes:

- 1 Refer to the notes to Figure 53 for information on the repayment of borrowings, draw down of debt between 30 June 2015 and Completion and reclassification of debt as a result of the Restructure and the Offer, notes #1, #3 and #7. Debt repayments of \$12.7 million are forecast to be paid between 30 June 2015 and Completion of the Offer in accordance with the normal repayment terms under the debt agreements. The short term financing facility was drawn down between 30 June 2015 and Completion of the Offer. It is paid out of IPO proceeds on Completion of the Restructure.

Figure 54 is subject to movements in the A\$:US\$ exchange rate and Separation Agreement adjustment mechanisms which will affect the ending cash balance on Completion of the Offer (refer to Section 9.4.1).

4.5.3 Debt facilities

Wellard's debt facilities following Completion of the Offer will comprise:

- the New Banking Facilities;
- the Sale and Leaseback Agreements;
- the Vessel Finance Agreements; and
- Fuel and oil working capital facility (**Trust Receipts Agreement**).

WRE has also entered into an agreement with American Express to enable senior management to use corporate cards for official purposes. The aggregate limit of the facility is \$8 million and the obligations of WRE are guaranteed by Wellard.

Figure 55 summarises Wellard's debt facilities at Completion of the Offer. One of the Vessel Finance Agreements (in respect of the MV Ocean Shearer) has not yet been negotiated although the indicative terms are close to being agreed. Wellard currently anticipates that the MV Ocean Shearer Vessel Finance Agreement will be executed before or shortly after Completion of the Offer. However there is no guarantee the relevant lenders will meet this timing or execute binding documentation.

Figure 55: Wellard's pro forma debt facilities as at 30 June 2015 and Completion of the Offer

A\$'000	Note	Pro forma				
		As at 30 June 2015	At Completion of the Offer	Payable post Completion of the Offer in FY2016	Payable in FY2017	Payable post FY2017
Sale and Leaseback Agreements						
- MV Ocean Drover	1	55,890	54,485	4,589	8,206	41,690
- MV Ocean Ute	1	23,511	22,322	2,536	4,517	15,269
Total		79,401	76,807	7,125	12,723	56,959
Vessel Finance Agreements						
- MV Ocean Swagman	2	19,482	18,525	1,425	2,850	14,250
- MV Ocean Outback	2	22,098	21,650	2,400	3,200	16,050
Total		41,581	40,175	3,825	6,050	30,300
Grand total		120,982	116,982	10,950	18,773	87,259
Working capital facility						
- Fuel and oil working capital facility - undrawn	3		5,467			
New Banking Facilities						
CBA working capital facility - undrawn	4		50,000			
CBA corporate credit card facility	4		500			
CBA foreign exchange and interest rate hedging facility	4		-			

04. Financial Information

Notes:

- 1 Relates to sale and leaseback arrangements on the following vessels:
 - MV Ocean Drover, which has an outstanding balance at Completion of the Offer of \$54.5 million (US\$40.9 million), an implicit interest rate of 4.89% per annum, and lease expiry of 9 December 2019; and
 - MV Ocean Ute, which has an outstanding balance at Completion of the Offer of \$22.3 million (US\$16.7 million), an implicit interest rate of 4.89% per annum, and lease expiry of 25 August 2019.
- 2 Relates to mortgage debt against the following livestock carrying vessels:
 - MV Ocean Swagman, which has an outstanding balance at Completion of the Offer of \$18.5 million (US\$13.9 million), an interest rate of LIBOR + 3.10% per annum and a repayment date of May 2022; and
 - MV Ocean Outback, which has an outstanding balance at Completion of the Offer of \$21.7 million (US\$16.3 million), an interest rate of LIBOR + 1.65% per annum and a repayment date of June 2022.
- 3 US\$4.0 million and S\$0.15 million revolving facility for bunker (fuel and oil) purchasing, assumed to be paid down on Completion of the Offer; however, the facility will remain available for use.
- 4 \$50.0 million equivalent 12 month revolving credit facility, \$0.5 million corporate credit card facility and foreign exchange and hedging facility with CBA subject to Completion of the Offer.

4.5.3.1 New Banking Facilities

4.5.3.1.1 Description of New Banking Facilities

Wellard has received a credit-approved term sheet from Commonwealth Bank of Australia (**CBA**) in relation to New Banking Facilities, comprising of:

- a one year \$50.0 million cash advance facility (**Cash Advance Facility**) which may be used for Working Capital purposes;
- a \$500,000 corporate credit card facility which may be used for business expenses; and
- a foreign exchange and interest rate hedging facility.

The availability of funds under the New Banking Facilities will be subject to satisfaction of conditions precedent which are considered customary for facilities of this nature, including Completion of the Offer and the listing of Wellard on the ASX. Management expects to refinance the New Banking Facilities at expiration of the facilities.

4.5.3.1.2 Interest and fees

Interest on the Cash Advance Facility will be a variable rate based on BBSY, plus a margin. The Cash Advance Facility will also incur a usage fee when drawn and a line fee calculated on the Cash Advance Facility limit.

Wellard is also required to pay to CBA a one off establishment fee.

4.5.3.1.3 Security and guarantees

The New Banking Facilities will be secured by a security interest to be granted by Wellard over all of its present and post Completion of the Offer acquired property.

The New Banking Facilities are required to be guaranteed by wholly owned subsidiaries of Wellard that contribute at least 90% of consolidated group total assets and EBITDA.

4.5.3.1.4 Representations, warranties and undertakings

It is expected that the facility agreement will contain representations, warranties and undertakings which are usual for facilities of this nature.

The facility agreement is expected to include undertakings, including the requirement that the drawn balance of the Cash Advance Facility is not to exceed 50% of the aggregate value of current assets comprising inventories and trade receivables.

For personal use only

4.5.3.1.5 Financial covenants

The facility agreement is expected to contain certain financial covenants. Failure to comply with the financial covenants (unless cured) will be an event of default. The following financial covenants are expected to apply:

- minimum debt service cover ratio of 2.0x to be maintained (measured quarterly); and
- minimum net worth (Total Equity per the Statement of Financial Position) of \$145 million to be maintained at all times and tested semi-annually.

Wellard expects to remain in compliance with these financial covenants for the term of the New Banking Facilities and does not presently expect that an event of default will occur during that period.

4.5.3.1.6 Events of default

The facility agreement will include events of default which are customary for facilities of this nature. These include (and are subject to, in some cases, cure rights, grace periods and materiality thresholds) failure to make payments, failure to comply with any obligation, a breach of a financial covenant (unless cured), misrepresentation, cross payment default and cross acceleration (\$5,000,000 threshold), the occurrence of an insolvency event in respect of the Wellard or any guarantor and the occurrence of any matter that has or would have a material adverse effect.

The occurrence of an event of default may lead to the funds borrowed becoming immediately due and payable and the CBA facilities being cancelled.

4.5.3.1.7 Review events

The facility agreement is expected to contain review events which will be triggered upon:

- any person (either alone or jointly with another person) acquiring "control" (as defined in section 50AA of the Corporations Act) of Wellard post Listing; and
- any loss or suspension of licences that allow Wellard to conduct its business under normal operating conditions.

4.5.3.2 Sale and Leaseback Agreements

4.5.3.2.1 Description of Sale and Leaseback Agreements

Wellard has finance arrangements in place, structured as sale and leaseback agreements, in respect of the MV Ocean Drover and MV Ocean Ute.

Ruchira Ships Ltd (**Ruchira**) has leased each vessel back to Wellard under a sale and leaseback agreement. Under each Sale and Leaseback Agreement, Ruchira owns the vessel while Wellard retains commercial and operational control under the terms of a standard charter hire agreement.

At various stages throughout the lease term, Wellard will be entitled to buy back MV Ocean Drover for an agreed price. The agreed purchase price reduces over the term of the lease. The Wellard is obliged to buy back both of the vessels for an agreed price at the expiry of the lease.

	MV Ocean Ute	MV Ocean Drover
Initial net finance amount	US\$20,250,000	US\$46,150,000
Lease expiry	25 August 2019	9 December 2019
Implicit interest rate	4.89% per annum	4.89% per annum
Buy-back sale amount at expiry of lease	US\$3,750,000	US\$15,000,000 ²⁹

The sale and leaseback arrangements have been treated as financing transactions from an accounting perspective due to the obligation to purchase the vessels at the end of the lease term.

²⁹ There are periods throughout the lease term whereby Wellard may elect to purchase the MV Ocean Drover at agreed prices.

4.5.3.2 Guarantor and security

The initial net finance amount is lower than the sales price of the vessels on inception of the lease. This difference is called the 'credit amount'. Wellard has provided the credit amount as security for its obligations under the relevant Sale and Leaseback Agreement. In each case, the credit amount has been deducted from the purchase price payable by Ruchira and will be paid to Wellard on the expiry of the lease arrangements. Payment of the credit amount by Ruchira is guaranteed by a personal guarantee from an individual.

Wellard will provide a guarantee in favour of Ruchira in respect of the obligations owed by it under the respective Sale and Leaseback agreements.

4.5.3.3 Undertakings and events of default

The Sale and Leaseback Agreements also include other terms such as undertakings, prepayment and events of default typical for agreements of this nature. Any breach of these undertakings or representations, or occurrence of the events of default, may lead to the cancellation of the Sale and Leaseback Agreements, and either immediate re-delivery to Ruchira, or the balance of all lease and buy-back payments falling due and payable.

4.5.3.4 Subsisting events of default

As at the date of this Prospectus, there are subsisting breaches under the existing SCB Facility (which will not continue after Completion of the Offer). These defaults cause cross defaults under Sale and Leaseback Agreements (see Section 9.4.4.4 for details of the defaults). Wellard has obtained standstills and waivers in respect of the cross defaults under the Sale and Leaseback Agreements (see Section 9.4.4 for details of the defaults, standstills and waivers).

4.5.3 Vessel Finance Agreements**4.5.3.1 Description of Vessel Finance Agreements**

The MV Ocean Outback and the MV Ocean Swagman are each financed under separate finance agreements (Vessel Finance Agreements) from Norddeutsche Landesbank Girozentrale to Wellard Ships. The Vessel Finance Agreements are otherwise substantially the same.

The key terms of the Vessel Finance Agreements are:

	MV Ocean Outback	MV Ocean Swagman
Facility amount	US\$27,771,500	US\$17,100,000
Amount owing at Completion of the Offer	US\$16.3 million	US\$13.9 million
Term	15 June 2022	27 May 2022
Interest rate	LIBOR + 1.65% per annum	LIBOR + 3.10% per annum

4.5.3.2 Guarantor

Wellard will provide a guarantee to the lender in respect of the obligations of Wellard Ships under each of the Vessel Finance Agreements.

4.5.3.3 Security

Wellard has granted a security package to the lender in respect of each of the Vessel Finance Agreements. The security package includes first ranking ship mortgages over the vessels, collateral deeds of covenants, and assignments of insurances and earnings.

4.5.3.4 Undertakings and events of default

The Vessel Finance Agreements also include other terms such as undertakings, prepayment and events of default typical for agreements of this nature. Any breach of these undertakings or representations, a

For personal use only

breach of a financial covenant (unless cured) or occurrence of the events of default, may lead to the cancellation of the Vessel Finance Agreements and any outstanding amounts falling due and payable.

4.5.3.3.5 *Repayment*

The Vessel Finance Agreements each provide for amortised payments, scheduled for full repayment on 27 May 2022 (in the case of the MV Ocean Swagman) and 15 June 2022 (in the case of the MV Ocean Outback).

4.5.3.3.6 *Financial covenants*

The Vessel Finance Agreements contain certain financial covenants. Failure to comply with the financial covenants (unless cured) will be an event of default.

The following financial covenants are expected to apply to the guarantor (Wellard) at all times throughout the facility period for the Norddeutsche Landesbank Gironzentrale Swagman Loan Facility Agreement and Guarantee and Indemnity:

- Debt Service Cover Ratio of 1.2x to be maintained (measured annually);
- Minimum Equity of \$30 million to be maintained; and
- Maximum Net Debt to Total Assets percentage for the relevant period of no more than ninety percent (90%).

Wellard expects to remain in compliance with these financial covenants for the term of the facilities and does not presently expect that an event of default will occur during that period.

4.5.3.3.7 *Subsisting events of default*

As at the date of this Prospectus, there are subsisting breaches under the existing SCB Facility (which will not continue after Completion of the Offer). These defaults cause cross defaults under Vessel Finance Agreements. Wellard has obtained standstills and waivers in respect of the cross defaults under the Vessel Finance Agreements (see Section 9.4.4 for details of the defaults, standstills and waivers).

4.5.3.4 *Proposed MV Ocean Shearer Vessel Finance Facility*

Ocean Shearer Pte Ltd (Singapore) is in the process of negotiating a Vessel Finance Facility (**Ocean Shearer Facility**) with a lender to part-finance the acquisition and refurbishment of livestock vessel MV Ocean Shearer. As at the date of this Prospectus, the parties are in the process of negotiating an indicative term sheet. The fully binding Ocean Shearer Facility is expected to be executed in December 2015/January 2016. The terms of the indicative term sheet are currently still being negotiated.

The MV Ocean Shearer is currently subject to security arrangements entered into in connection with a bridging finance facility. The bridging finance facility is intended to be repaid from the proceeds of the IPO. Further details are set out in Section 9.4.4.2.

4.5.3.5 *Fuel and oil working capital facility (Trust Receipts Agreement)*

4.5.3.5.1 *Description of Trust Receipts Agreement*

Trust receipts and letters of credit for bunker (fuel purchases) are provided from a lender to Wellard Ships.

The key terms of the facility are:

	Trust receipts	Letters of credit
Facility amount	US\$4.0 million	S\$150,000
Amount owing at Completion of the Offer	nil	nil
Term	12 months, reviewed annually	12 months, reviewed annually
Interest rate	LIBOR + 2.5% per annum	LIBOR + 2.5% per annum

For personal use only

04. Financial Information

4.5.3.5.2 Guarantor

Wellard will provide a guarantee to the lender in respect of the obligations of Wellard Ships under the Trust Receipts Agreement.

4.5.3.5.3 Undertakings and events of default

The Trust Receipts Agreement also includes other terms such as undertakings, prepayment and events of default typical for agreements of this nature. Any breach of these undertakings or representations or occurrence of the events of default, may lead to the cancellation of the Trust Receipts Agreement and any outstanding amounts falling due and payable.

Wellard ships has obtained a waiver from the negative pledge requirement under its US\$4.2 million Fuel and oil working capital facility with United Overseas Bank for the grant of security over the Ocean Swagman and associated earnings.

4.5.3.5.4 Repayment

Under the Trust Receipts Agreement, a line of credit of up to 60 days for bunker fuel purchases and up to 90 days for letters of credit exists.

4.5.4 Liquidity and capital resources

Following Completion of the Offer, Wellard's principal sources of funds will be cash flow from operations, debt facilities set out in Section 4.5.3 as well as cash held at Completion of the Offer. Historical and forecast capital expenditure and Working Capital trends are set out in Sections 4.7.1.6 and 4.7.1.5 respectively.

Following Completion of the Offer and after payment of Offer related costs and expenses, Wellard will have cash and Working Capital of approximately \$66.5 million, undrawn committed debt facilities of approximately \$50.0 million and the potential to obtain further debt financing against vessels currently in construction. This funding capacity will be applied by Wellard to fund Working Capital and capital expenditure requirements and for other general corporate purposes.

Wellard expects that it will have sufficient operating cash flow and access to surplus cash and debt financing to fund its operational requirements (including any interest payments) and business needs and that its operating cash flows, together with borrowings under the New Banking Facilities and cash held at Completion of the Offer, will position Wellard to grow its business in accordance with the Forecast Financial Information.

4.5.5 Committed capital expenditure and other commitments

Figure 56 summarises Wellard's committed capital expenditure and other commitments at Completion of the Offer.

Capital expenditure contracted as at 30 June 2015 and at Completion of the Offer but not recognised as liabilities is tabled below. The Wellard Group also leases various offices, apartments and the Baldvis feedlot under operating leases expiring within one to 10 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Figure 56: Committed capital expenditure and other commitments at Completion of the Offer

A\$'000	Commitments due and payable in		
	FY2016	FY2016 At Completion of the Offer	Post FY2016
Capital expenditure commitments			
MV Ocean Shearer	76,370	37,433	-
MV Ocean Kelpie	8,667	8,667	80,000
Pre-export quarantine facilities in Australia	2,500	-	-
Other capital expenditure	2,700	1,700	650
Total	90,237	47,800	80,650
Operating lease commitments			
Commitments for minimum lease payments as follows:			
Within one year	3,605	1,953	2,843
Later than one year but not later than five years	7,999	7,999	7,999
Later than five years	2,687	2,687	2,687
Total	14,290	12,638	13,529
Other commitments			
Contractual obligation for processing facility contract labour	3,523	2,055	7,045
Contractual obligation for management of vessels	889	519	-
Total	4,412	2,574	7,045

Capital expenditure commitments include:

- capital expenditure commitments on the MV Ocean Shearer (denominated in US\$) and MV Ocean Kelpie (predominantly denominated in €), part of which are expected to be debt financed in the relevant currency;
- pre-export quarantine facility commitments funded prior to Completion of the Offer; and
- other commitments relate primarily to capital expenditure to expand capacity at the BRM processing facility.

4.6 Historical and forecast cash flows

4.6.1 Pro Forma Historical Cash Flows, Pro Forma Forecast Cash Flows and Statutory Forecast Cash Flows

Set out in Figure 57 is a summary of the Pro Forma Historical Cash Flows for FY2013, FY2014 and FY2015, the Pro Forma Forecast Cash Flows for FY2016 and Statutory Forecast Cash Flows for FY2016.

04. Financial Information

Figure 57: Pro Forma Historical Cash Flows, Pro Forma Forecast Cash Flows and Statutory Forecast Cash Flows for FY2013, FY2014, FY2015 and FY2016

[Year end 30 June] A\$'000	Historical			Forecast	
	FY2013 Pro forma	FY2014 Pro forma	FY2015 Pro forma	FY2016 Pro forma	FY2016 Statutory
EBITDA	12,911	42,207	52,905	76,100	42,639
1 Add back/(remove) non-cash items	1,746	(374)	749	–	22,791
Receivables	(22,043)	(9,468)	(10,497)	(15,837)	(15,837)
Payables	(657)	22,921	13,363	24,908	24,908
Inventories	29,935	(8,080)	(327)	(11,861)	(11,861)
Change in Working Capital	7,236	5,373	2,539	(2,790)	(2,790)
2 Maintenance Capital Expenditure	(2,177)	(660)	(13,861)	(2,348)	(2,348)
Operating cash flow before Growth Capital Expenditure	19,716	46,546	42,331	70,962	60,292
3 Growth Capital Expenditure	(10,429)	(16,053)	(17,259)	(114,580)	(114,580)
Operating cash flow before financing and tax	9,287	30,493	25,072	(43,618)	(54,288)
Net interest paid	(4,994)	(5,587)	(6,132)	(6,004)	(12,751)
Income tax paid	–	(496)	–	(3,235)	–
Free Cash Flow before financing	4,293	24,410	18,941	(52,857)	(67,039)
4 Proceeds from borrowings					81,800
5 Repayment of borrowings					(161,316)
6 Settlement of intercompany loans					100,000
7 Proceeds from issue of Shares					298,850
8 Payment to WGH for Wellard Group					(156,383)
9 Separation agreement adjustment mechanism					16,414
10 IPO costs (capitalised into equity)					(11,760)
Net cash flow before dividends					100,565
Cash Conversion (Operating cash flow before Growth Capital Expenditure as a % of EBITDA)	152.7%	110.3%	80.0%	93.2%	141.4%

Notes:

- 1 Non-cash items within EBITDA, including asset write downs, bad debts, unrealised gains/(losses) and the one-off IPO bonus expense.
- 2 Maintenance Capital Expenditure. Refer to discussion in Section 4.7.1.6.
- 3 Investment in property, plant and equipment, including livestock carrying vessels, and software assets beyond Maintenance Capital Expenditure. Key items forecast in the FY2016 pro forma and statutory cash flow statements are investments in the MV Ocean Shearer (\$86.7 million), MV Ocean Kelpie (\$8.7 million), pre-export quarantine facilities (\$15.0 million) and BRM facility (\$4.2 million). The majority of Wellard's capital expenditure is denominated in US\$ and is subject to fluctuations in the A\$:US\$ exchange rate. The A\$ figures presented in the above table have been translated assuming an A\$:US\$ exchange rate of 0.75.
- 4 Drawdown for the short term finance arrangement with NFAL for US\$11.35 million (A\$15.13 million) in Q2 and retired up on Completion of the Offer through the Separation Agreement mechanism and additional drawn debt for the investment in the MV Ocean Shearer US\$50.0 million using an assumed A\$:US\$ exchange rate of 0.75, forecast to occur in Q4 of FY16. Refer to Section 4.5.3.

For personal use only

04. Financial Information

- 5 Repayment of existing debt facilities that will either not be continued post Completion of the Offer or will be repaid and available at Completion of the Offer and principal repayments on retained vessel finance facilities due for payment during the period.
- 6 Receipt of \$100.0 million from WGH for payment of intercompany receivable.
- 7 Proceeds from the issue of Shares under the Offer.
- 8 Cash payment forms part of the consideration to WGH as partial consideration for the acquisition of the IPO Subsidiaries.
- 9 Under the terms of the Restructure the IPO Subsidiary cash balances at time of Completion of the Offer will be paid to WGH and Working Capital will be adjusted to reflect the agreed Separation Agreement level of Working Capital, refer to Section 9.4.1. This adjustment has been calculated as if the Completion of the Offer occurred as at 30 June 2015.
- 10 Offer costs that are offset against equity on the Pro Forma Historical Statement of Financial Position.

4.6.2 Reconciliation of the Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows to the statutory cash flows

Set out in Figure 58 is a reconciliation of Pro Forma Historical Cash Flows for FY2013, FY2014 and FY2015 and Pro Forma Forecast Cash Flows for FY2016 to the statutory cash flows.

Figure 58: Reconciliation of the Pro Forma Historical Cash Flows for FY2013, FY2014 and FY2015 and Pro Forma Forecast Cash Flows for FY2016 to the statutory cash flows

Year end 30 June A\$'000	Historical			Forecast
	FY2013	FY2014	FY2015	FY2016
Pro Forma Carve-out Historical Free Cash Flow before financing/FY2016 Statutory Free Cash Flow before financing	9,679	31,101	954	(67,039)
Pro forma adjustments:				
1 Removal of certain one off non-recurring items				
MV Ocean Drover fire costs	-	-	9,286	-
Other non-recurring items	-	-	3,148	-
2 Administration and overhead expenses	(3,763)	(3,874)	(3,083)	-
3 IPO transaction costs	-	-	-	9,240
4 Interest (costs)/savings on new debt structure	(1,623)	(2,816)	8,636	6,747
5 Stamp duty on reorganisation	-	-	-	800
6 Management incentive	-	-	-	630
7 Taxation	-	-	-	(3,235)
Pro forma Free Cash Flow before financing	4,293	24,410	18,941	(52,857)

Notes:

- 1 Reversal of cash impact of the MV Ocean Drover fire costs pro forma adjustment per Figure 51. Impact on cash flow for restructuring and vessel financing expenses per Figure 51.
- 2 Cash effect of the administration and overhead pro forma adjustment per Figure 51.
- 3 Reflects IPO transaction costs expense per Figure 51.
- 4 Reflects net interest adjustment per Figure 52.
- 5 Stamp duty payable on reorganisation per Figure 51.
- 6 Reflects the impact on cash (for example, payroll taxes) for the one-off IPO bonus per Figure 51 and Section 6.3.3.4. Refer to Section 4.3.2.
- 7 Incorporates the net tax adjustment per Figure 52. Also refer to Sections 4.7.1.4 and 4.8.3.4 for further detail regarding pro forma income tax paid.

4.7 Management's discussion and analysis of Historical Financial Information

4.7.1 General factors affecting the operating and financial results of Wellard

A discussion of the general factors that have affected Wellard's operations and relative financial performance in FY2013, FY2014 and FY2015 is set out below. Wellard's management expects that these general factors may continue to affect Wellard's operating and financial performance in the future.

The discussion of these general factors is intended to provide a brief summary and does not detail all of the factors that affected Wellard's historical operating and financial performance, nor everything that may affect its operations and financial performance in the future.

4.7.1.1 Revenue

Wellard's total revenue, in A\$ terms, is primarily impacted by two key drivers, namely:

- Volumes and mix; and
- Sale prices achieved.

4.7.1.1.1 Volumes and mix

The primary driver of Wellard's Livestock Marketing & Export volumes is demand for imported livestock and meat.

Demand for imported livestock and meat is impacted by various factors including:

- Underlying consumption dynamics – see Section 2.2;
- The inability of domestic production to supply domestic consumption in certain markets;
- New markets opening up to import – e.g. demand from the Vietnamese market for Australian cattle has increased significantly in recent years as a result of livestock from its traditional supply markets being diverted to other markets including China; and
- Changes in regulations that impact the demand from a particular market – e.g. the number of cattle exported to Indonesia by Wellard grew significantly in FY2014 compared to that for FY2013 as market conditions normalised after Indonesia relaxed its restrictive import quota system.

The mix of the volume also impacts Wellard's revenue and profitability. For example, Wellard has actively shifted its Livestock Marketing & Export mix from sheep to cattle in recent years due to a number of factors including stronger demand for cattle and greater profitability.

Wellard also has the ability to take advantage of periods where demand for livestock transportation is particularly strong by chartering its vessels out to third parties. In these instances, the livestock are not owned by Wellard, and are instead being carried on behalf of third parties. As a result, these chartering arrangements have the effect of reducing the volume of livestock exported by Wellard in that period, while increasing charter revenue.

The acquisition of Beaufort River Meats (**BRM**) in November 2012 also enabled Wellard to market and export processed meat.

4.7.1.1.2 Sale prices achieved

Wellard's revenue growth is impacted by sale prices achieved in the market, which is driven primarily by the supply and demand factors relevant to each market. Historically, prices have tended to increase in times of short supply and high demand and vice versa.

One of the drivers of supply in the global livestock trade is the availability of livestock carrying vessel capacity capable of transporting livestock from supply countries to destination markets. Wellard uses its own fleet of livestock carrying vessels, as well as third party transport when required and economically attractive.

Other factors that can impact the supply of livestock from certain countries include weather patterns and seasonality, herd dynamics and existence of established health protocols.

The primary drivers of demand in the global livestock trade are set out in Section 4.7.1.1 above.

04. Financial Information

The majority of Wellard's revenue is denominated in US\$ (approximately 90% in FY2015) and the majority of Wellard's cost of sales is denominated in A\$ (approximately 85% in FY2015). However, in the past there has been a relationship between the A\$:US\$ exchange rate and A\$ livestock purchase prices that acts to offset this currency mismatch. Typically, a weaker A\$ will drive an increase in the A\$ livestock purchase price and vice versa; as a result, Wellard's pro forma Gross Profit margin percentage has been broadly consistent over FY2013 to FY2015 (16.8% to 18.6%).

Given this dynamic, the year-on-year bridges and comparisons contained in this Section 4.7 are based primarily on movements in Gross Profit, as this best represents the relationship between sale prices and livestock purchase prices.

4.7.1.2 Cost of Sales

Wellard's Cost of Sales include:

- Livestock costs – the costs of purchasing, preparing and loading all livestock and processed meat for export, as well as fodder for feeding of animals during their transport. By their nature, livestock costs are variable in nature and able to change based on the level of activity. As discussed in Section 4.7.1.1 above, there is a relationship between the A\$ livestock purchase price and the A\$:US\$ exchange rate; and
- Transport costs – all costs associated with transporting livestock and processed meat including:
 - fixed costs such as vessel crew, vessel insurance and regulatory costs; and
 - variable costs such as fuel (based on the number of steaming days) and port costs (based on the port access requirements).

The use of third party transport is typically more expensive than the costs associated with Wellard operating its own vessels, and as such the Gross Profit margin is higher on exports that use Wellard's own livestock carrying vessels.

Wellard expanded its livestock carrying vessel fleet from three vessels during FY2013, to four by the end of FY2014 through the addition of the MV Ocean Ute. As a result, Wellard's Total Vessel Capacity Coefficient, being a measure of Wellard's livestock carrying capacity based on operational availability, has increased from 14.4 million in FY2013 to 16.9 million in FY2015. This increased Total Vessel Capacity Coefficient has supported Wellard's ability to capture additional margin rather than rely on the use of third party transport.

With respect to Processed Meat Marketing & Export, frozen meat is transported in refrigerated containers through major container lines while chilled meat is generally delivered by airfreight and often transported via the cargo hold of passenger planes.

4.7.1.3 Overhead costs

Wellard's overhead costs can be broken down as follows:

- Labour costs – include salaries, wages and incentives of staff excluding vessel crew members. This includes both permanent and casual employees, as well as any contractors that may be required from time to time. This expense is largely fixed with some variability depending on business activity and required headcount. This expense has increased steadily through the expansion of the business during FY2013, FY2014 and FY2015;
- Administration expenses – relate to insurance, marketing, communications and IT, office and consulting costs;
- Repairs and maintenance – relate to maintenance and dry docking costs of Wellard's livestock carrying vessels and the up-keep of other existing assets; and
- Other expenses – include occupancy costs, legislation change costs, bad debts, and travel and motor vehicle expenses. Other expenses also include any realised and unrealised FX gains/(losses) associated with foreign currency denominated debt or cash held at bank and favourable or unfavourable movements on forward contracts with suppliers.

04. Financial Information

4.7.1.4 Taxation

Wellard's pro forma income tax expense is based on applying the effective corporate tax rate applicable in the relevant jurisdiction of each Wellard Group company to the standalone operations and net profit before tax of each company. Refer to Section 9.3 for an outline of the jurisdiction of each Wellard Group company.

Wellard Ships and its Singaporean subsidiaries have been granted the Maritime Sector Incentive – Approved International Shipping Enterprise (MSI-AIS) Award in Singapore, which provides them with a Singapore tax exemption on qualifying shipping income for a period of 10 years. This 10 year period ends in April 2019 at which time an application to renew the award for a further period of 10 years can be made. In addition, some of the vessels operated by Wellard Ships are Singapore-Registered Ships and are automatically exempted from Singapore tax for certain types of shipping income under Section 13A of the Singapore Income Tax Act. These tax exemptions have been reflected in the effective corporate tax rate applicable in Singapore and in the income tax payable in Singapore on the basis that Wellard Ships and its subsidiaries derive qualifying shipping income.

Wellard intends to form a tax consolidated group with its Australian companies with effect from, or around, Completion of the Offer. The tax base of various assets and liabilities of the Wellard tax consolidated group will be reset at this time. The expected impact of tax consolidation on Wellard's deferred tax balances has been reflected in the Pro Forma Historical Statement of Financial Position in Section 4.5.1. A full assessment of the income tax consolidation implications will be completed following the Offer.

The pro forma income tax impacts are based on the Australian subsidiaries (together with Wellard), being a separate Australian tax consolidated group (rather than members of the WGH tax consolidated group) during FY2013 to FY2015. Pro forma income tax paid during FY2013 to FY2015 is based on a tax consolidated group consisting of the Australian subsidiaries (together with Wellard) incurring tax losses in FY2013 and recouping those losses in FY2014 and FY2015 (such that there is nil pro forma Australian income tax paid for FY2014 and pro forma FY2015 Australian income tax is paid in FY2016).

4.7.1.5 Working Capital

Working Capital is primarily comprised of current trade and other receivables, inventories, prepayments, trade and other payables.

Wellard's Working Capital requirements are primarily influenced by the customer and supply dynamics and trading conventions in the markets in which Wellard operates. For example:

- for sales to Indonesian customers, Wellard is typically paid approximately 30% of the estimated sales amount in advance of loading livestock on vessels, followed by a further 30% payment once the vessel departs the originating port. Once the vessel arrives at the final destination port in Indonesia and unloads the livestock, a final payment is made to Wellard, inclusive of any adjustment for weight differences above or below those specified in the contract with the customer;
- for sales to Vietnamese customers, Wellard typically receives approximately 50% of the estimated sales amount in advance of loading livestock on vessels (via a letter of credit at site), and the balance of the amount upon delivery of the livestock in Vietnam; and
- for deliveries which are sourced from South America, the customer typically opens a letter of credit at the time of placing the order, which is then cashed out upon departure of the vessel and presentation of all required shipping documents.

Producers are typically paid on 14 to 21 day terms but this can vary based on the supply channel at the time and any unforeseen events. Wellard typically uses the first payment and letters of credit to partly fund the purchase of the livestock from producers and the initial costs in preparing livestock for departure.

Overall, Wellard's Livestock Marketing & Export operations are financed by operating cash flows. The Working Capital balance at any point in time throughout the course of the year is primarily driven by the prevailing status of deliveries at that time. Figure 59 illustrates Wellard's Working Capital balance throughout FY2013 to FY2015.

Figure 59: Working Capital balance throughout FY2013 to FY2015

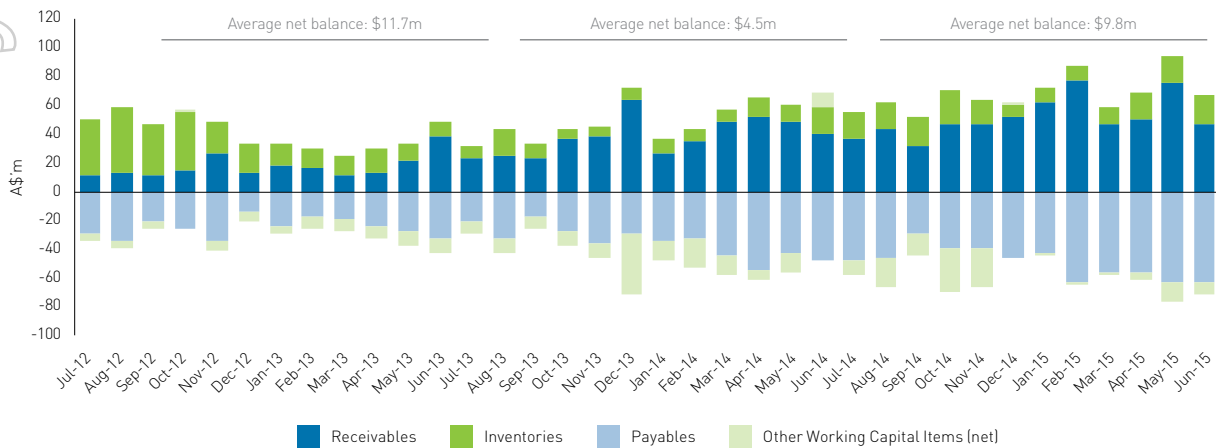


Figure 59 depicts Wellard’s net Working Capital over FY2013 to FY2015 on an unadjusted basis. The increase in aggregate movements between FY2013 and FY2015 is impacted by the growth of the business and the shift from primarily sheep marketing and export in FY2013 to primarily cattle marketing and export in FY2015.

4.7.1.6 Capital expenditure

Wellard categorises its capital expenditure into two types:

- Maintenance Capital Expenditure is expenditure undertaken to sustain current revenues and profits. Maintenance Capital Expenditure typically includes general repairs and maintenance, occupational health and safety, quality requirements and equipment replacement; and
- Growth Capital Expenditure is expenditure that is undertaken to generate revenues and profits through the expansion of the business.

4.7.1.6.1 Total investment in property, plant and equipment

Figure 60 highlights the total investment in Wellard’s property, plant and equipment through FY2013, FY2014 and FY2015 and forecast for FY2016, whether classified as repairs and maintenance expense, Maintenance Capital Expenditure or Growth Capital Expenditure:

Figure 60: Total investment in Wellard’s property, plant and equipment

(Year end 30 June) A\$'000	Historical			Forecast	
	FY2013 Pro forma	FY2014 Pro forma	FY2015 Pro forma	FY2016 Pro forma	FY2016 Statutory
Repairs and maintenance expense	(3,078)	(5,066)	(6,524)	(3,467)	(3,467)
Maintenance Capital Expenditure	(2,177)	(660)	(13,861)	(2,348)	(2,348)
Growth Capital Expenditure	(10,429)	(16,053)	(17,259)	(114,580)	(114,580)
Total	(15,684)	(21,779)	(37,644)	(120,395)	(120,395)

04. Financial Information

Wellard undertakes regular vessel repair and maintenance on its livestock carrying vessels, with time allotted within the annual shipping schedule for scheduled maintenance.

Total vessel investment in FY2015 was abnormally large as a result of (i) significant unscheduled repairs and maintenance as a direct result of the MV Ocean Drover fire, and (ii) engine replacement and related works on the MV Ocean Swagman and MV Ocean Outback. To minimise the impact to the shipping schedule, Wellard also brought forward additional repairs and maintenance to its fleet while the vessels were in dry dock during FY2015.

For FY2016, Wellard forecasts repairs and maintenance operating and Maintenance Capital Expenditure to return to its pre-FY2015 levels as the abovementioned additional repairs have improved operational reliability of the fleet.

Growth Capital Expenditure forecast in FY2016 includes investments in the MV Ocean Shearer (\$86.7 million), MV Ocean Kelpie (\$8.7 million), pre-export quarantine facilities (\$15.0 million) and BRM facility (\$4.2 million).

4.7.2 Pro Forma Historical Results: FY2014 compared to FY2013

Figure 61 sets out the selected Pro Forma Historical Results and key operating metrics for FY2014 and FY2013.

Figure 61: Selected Pro Forma Historical Results and key operating metrics: FY2014 compared to FY2013

(Year end 30 June) A\$'000	FY2013 Pro forma	FY2014 Pro forma	Growth %
Livestock Marketing & Export	259,418	397,248	
Processed Meat Marketing & Export	13,962	35,248	
Total Revenue	273,380	432,497	58.2%
Livestock cost of sales	(192,399)	(302,479)	
Transport cost of sales	(30,832)	(42,470)	
Other cost of sales	(4,283)	(6,912)	
Cost of Sales	(227,515)	(351,861)	54.7%
Gross Profit	45,866	80,635	75.8%
Labour costs	(13,402)	(14,914)	
Administration expenses	(5,953)	(8,954)	
Repairs and maintenance	(3,078)	(5,066)	
Other expenses	(10,521)	(9,494)	
Expenses	(32,955)	(38,428)	16.6%
EBITDA	12,911	42,207	226.9%
Depreciation and amortisation	(12,409)	(14,665)	
EBIT	502	27,542	
<i>Gross profit %</i>	16.8%	18.6%	
<i>EBITDA margin %</i>	4.7%	9.8%	
<i>EBIT margin %</i>	0.2%	6.4%	

Revenue increased by \$159.1 million, or 58.2%, from \$273.4 million in FY2013 to \$432.5 million in FY2014 predominantly driven by volume growth in Wellard’s Livestock Marketing & Export operations. FY2013 was impacted by the contraction of the Middle East live sheep trading market where the introduction of the Australian Government’s ESCAS provisions compressed demand in existing markets and restricted exporters’ ability to open new markets. The revenue growth of 58.2% in FY2014 was driven by the change in mix of livestock exported from sheep to predominantly cattle in FY2014, as the Indonesian market increased import permits and growth in Vietnam as a significant importer of slaughter cattle.

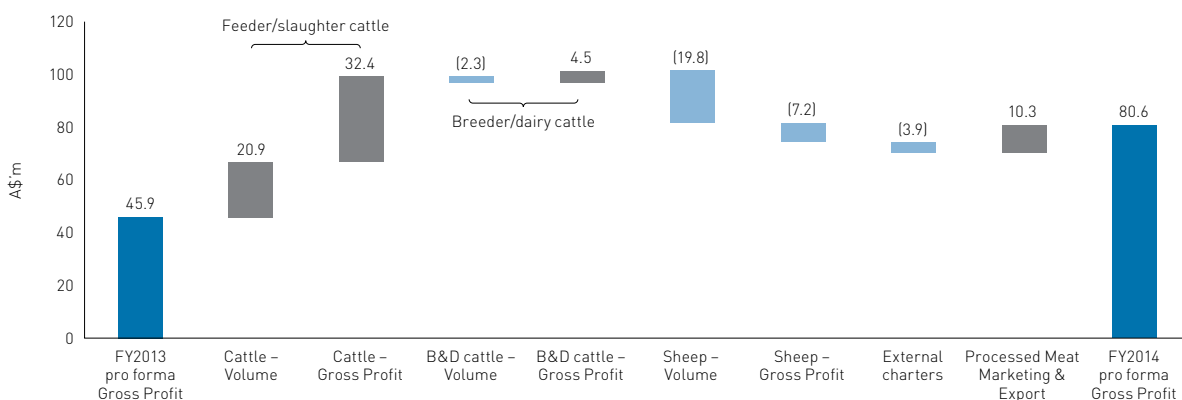
Pro forma EBITDA increased to \$42.2 million in FY2014 largely due to volume growth within Wellard’s Livestock Marketing & Export operations, as well as increased profitability of its Processed Meat Marketing & Export operations.

4.7.2.1 Pro forma Gross Profit bridge

The earnings bridges in this Section 4.7 and Section 4.8 have been shown on a pro forma Gross Profit level given the relationship between sale price and livestock purchase price as set out in Section 4.7.1.2.

Wellard’s pro forma Gross Profit increased by \$34.8 million, or 75.8%, from \$45.9 million in FY2013 to \$80.6 million in FY2014. The key drivers of this change are outlined and discussed in Figure 62 and the related commentary.

Figure 62: Pro forma Gross Profit bridge: FY2013 to FY2014



In FY2014, Wellard shifted its mix of livestock exported from sheep to cattle, driven by factors including greater profitability in cattle. Feeder/slaughter cattle volumes exported increased from 31,051 MTs in FY2013 to 108,603 MTs in FY2014. As a result, feeder/slaughter cattle exports contributed an incremental \$53.3 million of pro forma Gross Profit in FY2014.

The other key trends in Livestock Marketing & Export in FY2014 included:

- a greater focus on shorter-haul shipments to Indonesia and Vietnam, instead of the Middle East (which represented a more significant component in FY2013). This was driven by factors including:
 - the Indonesian Government increasing its cattle import quotas. This allowed Wellard to increase the volume of cattle sold into Indonesia by 155% in the period, from c.65,000 in FY2013 to c.166,000 in FY2014. Indonesia accounted for 52.3% of total cattle exports in FY2014;
 - the development of the Vietnamese cattle market. Livestock heads exported to Vietnam increased from c.3,000 in FY2013 to c.88,000 in FY2014 with Wellard accounting for approximately 65% of total Australian cattle exported to Vietnam in the period. A decrease in domestic Vietnamese supply due to increased exports to China drove a strengthening in Vietnamese demand for imported cattle; and
 - a strategic objective of Wellard to reduce the extent of its livestock exports to the Middle East region; and
- increased sourcing of cattle from South America, with 12 shipments of cattle to Venezuela sourced from Wellard’s Brazilian operations.

04. Financial Information

Wellard was also able to further capitalise on the increased South East Asian demand for livestock in FY2014, by increasing its export capacity through the use of third party transport. There were 21 third party transport deliveries in FY2014 versus 10 in FY2013. In addition, the introduction of the MV Ocean Ute in June 2014 generated \$0.9 million of pro forma Gross Profit in FY2014 from one shipment to Vietnam.

Processed Meat Marketing & Export contributed \$21.3 million of pro forma revenue growth and \$10.3 million of pro forma Gross Profit growth in FY2014, being its first full year of operations under Wellard's ownership. c.360,000 head of sheep were processed in FY2014 (up from c.160,000 in FY2013) due primarily to the full year impact of the acquisition of BRM in November 2012. Demand for processed sheep meat significantly increased in FY2014 due to the expansion of international export markets including the accreditation to export to China during the period.

4.7.2.2 Overheads

Pro forma overheads increased by \$5.4 million, or 16.6%, from \$33.0 million in FY2013 to \$38.4 million in FY2014. The increase in pro forma overheads was due to the following:

- \$3.5 million increase related to the ramp-up of Wellard's Brazilian operations in FY2014. Prior to FY2014, Wellard had a minimal presence in Brazil;
- \$0.9 million additional labour costs incurred in the Processed Meat Marketing & Export operations for the first full year of operation of the meat processing facility which was purchased in November 2012;
- \$0.7 million additional travel expenses largely related to international travel to Brazil as part of Wellard's first year of operations there; and
- \$0.5 million increase in rent expense due to the recommencement of Wellard utilising pre-export quarantine facilities in Townsville in response to increased demand for heavy Australian feeder/ slaughter cattle for export to Vietnam.

For personal use only

4.7.3 Pro Forma Historical Cash Flows: FY2014 compared to FY2013

Set out in Figure 63 is the summary Pro Forma Historical Cash Flows for FY2014 and FY2013.

Figure 63: Summary Pro Forma Historical Cash Flows: FY2014 compared to FY2013

(Year end 30 June) A\$'000	FY2013 Pro forma	FY2014 Pro forma	Growth %
EBITDA	12,911	42,207	226.9%
Add back/(remove) non-cash items	1,746	(374)	
Receivables	(22,043)	(9,468)	
Payables	(657)	22,921	
Inventories	29,935	(8,080)	
Change in working capital	7,236	5,373	
Maintenance capital expenditure	(2,177)	(660)	
Operating cash flow before Growth Capital Expenditure	19,716	46,546	136.1%
Growth capital expenditure	(10,429)	(16,053)	
Operating cash flow before financing and tax	9,287	30,493	228.4%
Net interest paid	(4,994)	(5,587)	
Income tax paid	-	(496)	
Free Cash Flow before financing	4,293	24,410	468.6%

4.7.3.1 Change in Working Capital

The FY2013 change in Working Capital of \$7.2 million was driven by the release of inventory held during FY2013, offset by a build-up of trade receivables at year end. The change in Working Capital in FY2014 relates to the year-on-year net improvement in the Working Capital balances of \$5.4 million between FY2013 and FY2014.

The drivers behind the change in Working Capital were primarily:

- the growth in the business as illustrated by the strong growth in revenue from FY2013 to FY2014; and
- an increased focus on Working Capital improvement.

The resultant net improvement in investment days was driven through a decrease in average debtor days from 58 days in FY2013 to 37 days in FY2014, and through a decrease in average inventory days from 19 days in FY2013 to 15 days in FY2014. Offsetting this, average payable days decreased by 22 days from FY2013 to FY2014.

This improvement was driven through management-implemented programs aimed to monitor Wellard's Working Capital profile including, but not limited to, more efficient debtor collection and better inventory management.

4.7.3.2 Capital expenditure

FY2014 capital expenditure included \$0.7 million in Maintenance Capital Expenditure on Wellard's livestock carrying vessels, the payment of a deposit for the MV Ocean Ute of \$12.9 million and \$3.1 million in other plant and equipment purchases.

4.7.4 Pro Forma Historical Results: FY2015 compared to FY2014

Figure 64 sets out the selected Pro Forma Historical Results and key operating metrics for FY2014 and FY2015.

Figure 64: Selected Pro Forma Historical Results and key operating metrics: FY2015 compared to FY2014

[Year end 30 June] A\$'000	FY2014 Pro forma	FY2015 Pro forma	Growth %
Livestock Marketing & Export	397,248	483,384	
Processed Meat Marketing & Export	35,248	28,885	
Total Revenue	432,497	512,269	18.4%
Livestock cost of sales	(302,479)	(367,870)	
Transport cost of sales	(42,470)	(34,147)	
Other cost of sales	(6,912)	(15,020)	
Cost of Sales	(351,861)	(417,037)	18.5%
Gross Profit	80,635	95,232	18.1%
Labour costs	(14,914)	(16,469)	
Administration expenses	(8,954)	(8,353)	
Repairs and maintenance	(5,066)	(6,524)	
Other expenses	(9,494)	(10,980)	
Expenses	(38,428)	(42,327)	10.1%
EBITDA	42,207	52,905	25.3%
Depreciation and amortisation	(14,665)	(19,851)	
EBIT	27,542	33,054	
<i>Gross profit %</i>	18.6%	18.6%	
<i>EBITDA margin %</i>	9.8%	10.3%	
<i>EBIT margin %</i>	6.4%	6.5%	

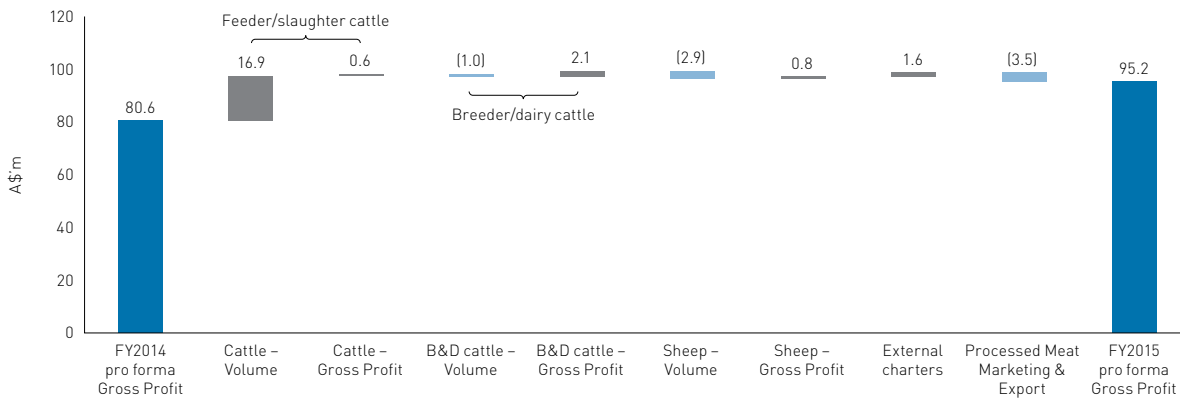
Revenue increased by \$79.8 million, or 18.4%, from \$432.5 million in FY2014 to \$512.3 million in FY2015 driven primarily by volume growth in cattle exported, largely to Indonesia and Vietnam.

Pro forma EBITDA increased by \$10.7 million to \$52.9 million in FY2015 due primarily to volume growth achieved in Wellard's Livestock Marketing & Export operations, partially offset by an increase in pro forma overheads.

4.7.4.1 Pro forma Gross Profit bridge

Wellard’s pro forma Gross Profit increased by \$14.6 million, or 18.1%, from \$80.6 million in FY2014 to \$95.2 million in FY2015. The key drivers of this change are outlined and discussed in Figure 65 and the related commentary.

Figure 65: Pro forma Gross Profit bridge: FY2014 to FY2015



Wellard benefited from the ongoing strength in demand for feeder/slaughter cattle from the Indonesian and Vietnamese markets in FY2015, driven by a continuation of the trends outlined in Section 2.2.

The increased contribution of feeder/slaughter cattle exports, and reduced contribution of sheep exports, continued in FY2015, with feeder/slaughter cattle sales volume growth of 27.4% in the period (108,603 MTs in FY2014 to 138,312 MTs in FY2015).

Cattle volumes also increased as a result of the MV Ocean Ute operating for a full 12 month period in FY2015. Wellard primarily utilised the MV Ocean Ute to service cattle demand from Vietnamese customers, with a smaller amount of sales into Indonesia and the Philippines.

While the third party transport costs associated with the inability to use the MV Ocean Drover from October 2014 to March 2015 (due to the fire discussed in Section 4.3.2) have been adjusted for in the Pro Forma Historical Results, the lost margin as a result of not being able to use Wellard’s own vessel has not been adjusted for – the Gross Profit impact of this lost margin is estimated to have been \$4.1 million. This event also caused a disruption to new transactions being undertaken and extra costs associated with feeding cattle while waiting for alternative transport arrangements to be put in place, neither of which has been adjusted for in the Financial Information.

Processed Meat Marketing & Export experienced a reduction in pro forma revenue of \$6.4 million and pro forma Gross Profit of \$3.5 million in FY2015, primarily as a result of a disruption in supply to the processing facility which resulted in an unscheduled shutdown. The supply disruption was due to a scarcity of suitable sheep being available for processing.

4.7.4.2 Overheads

Pro forma overheads increased by \$3.9 million, or 10.1%, from \$38.4 million in FY2014 to \$42.3 million in FY2015. The increase in pro forma overheads was due to the following:

- an additional \$0.7 million of labour costs incurred in the Processed Meat Marketing & Export operations due to the appointment of an in-house meat & by-product sales and marketing team and increased workforce in response to increased demand for livestock export and \$0.6 million, being the full year impact of labour costs for Wellard’s Brazilian operations;
- a \$1.5 million increase in repairs and maintenance expense due primarily to repairs and dry docking of vessels during FY2015 (refer to Section 4.7.1.6.1); and
- an increase in travel costs of \$1.2 million in FY2015 due primarily to management travel to oversee dry docking activities and Wellard’s investigation of Chinese market opportunities and potential partnership arrangements.

4.7.5 Pro Forma Historical Cash Flows: FY2015 compared to FY2014

Set out in Figure 66 is the summary Pro Forma Historical Cash Flows for FY2015 and FY2014.

Figure 66: Summary Pro Forma Historical Cash Flows: FY2015 compared to FY2014

(Year end 30 June) A\$'000	FY2014 Pro forma	FY2015 Pro forma	Growth %
EBITDA	42,207	52,905	25.3 %
Add back/(remove) non-cash items	(374)	749	
Receivables	(9,468)	(10,497)	
Payables	22,921	13,363	
Inventories	(8,080)	(327)	
Change in working capital	5,373	2,539	
Maintenance capital expenditure	(660)	(13,861)	
Operating cash flow before Growth Capital Expenditure	46,546	42,331	(9.1)%
Growth capital expenditure	(16,053)	(17,259)	
Operating cash flow before financing and tax	30,493	25,072	(17.8)%
Net interest paid	(5,587)	(6,132)	
Income tax paid	(496)	-	
Free Cash Flow before financing	24,410	18,941	(22.4)%

4.7.5.1 Change in Working Capital

The change in Working Capital in FY2015 relates to a year-on-year improvement in the net balance of receivables, payables and inventory balances between FY2014 and FY2015 respectively.

The drivers behind the change in Working Capital were:

- the growth in the business as illustrated by the growth in revenue from FY2014 to FY2015;
- continued focus on managing payables and maximising the value from the Wellard Group's supply chain; and
- a net improvement in investment days from FY2014 to FY2015.

The net improvement in investment days was driven primarily through extending payable days by an additional nine days in FY2015, which was partially offset by a 12% increase in inventory days in FY2015.

4.7.5.2 Capital expenditure

FY2015 capital expenditure comprised of \$13.9 million in Maintenance Capital Expenditure, the remaining payment of \$15.8 million for the purchase of the MV Ocean Ute and \$1.5 million in general plant and equipment purchases within the Wellard Group.

4.7.6 FY2016 trading update

In Q1 FY2016 Wellard achieved pro forma revenue of \$134.7 million and EBITDA of \$10.9 million. This Q1 FY2016 EBITDA includes \$1.3 million of interest costs relating to export credit agency finance in connection with Wellard's Sri Lankan operations which have been classified as Cost of Sales and expensed in full in the quarter.

The Q1 FY2016 result was largely driven by:

- the performance of the Livestock Marketing & Export operations, where continued strength in feeder/slaughter cattle volumes exported to the Vietnamese market and deployment of Wellard vessels to external charters on attractive terms supported the result. This was offset by reduced cattle volumes exported to Indonesia, which was impacted by the Q1 FY2016 import permit release of 50,000 head of cattle. The Indonesian Government has released import permits of 200,000 head of cattle for Q2 FY2016; and
- a negative EBITDA contribution from Processed Meat Marketing & Export, reflecting typical Q1 seasonality in those operations and a lower number of sheep processed due to the impact of the scheduled plant closure for maintenance in July 2015.

In total Wellard exported 67,010 head of cattle in Q1 FY2016, and a further 50,473 head of cattle in the month of October 2015. Wellard has visibility over additional client orders and external charters for the remainder of Q2 FY2016.

4.8 Forecast Financial Information

The basis of preparation of the FY2016 Forecast Financial Information is detailed in Section 4.2. This Section 4.8 describes the Directors' best estimate general and specific assumptions adopted in preparing the Forecast Financial Information.

4.8.1 General assumptions

In preparing the Forecast Financial Information, the following general assumptions have been adopted:

- no material changes in the competitive and operating environments in which Wellard operates;
- no significant deviation from current market expectations of economic and market conditions under which Wellard and its key customers operate;
- no material changes in government legislation, tax legislation, regulatory requirements, import or export restrictions, or government policy that will have a material impact on the financial performance or cash flows, financial position, accounting policies, financial reporting or disclosures of Wellard;
- no changes in applicable AAS, IFRS, other mandatory professional reporting requirements or the Corporations Act which would have a material effect on Wellard's reported financial performance or cash flows, financial position, accounting policies, financial reporting or disclosures;
- no material changes in key personnel, including key management personnel. It is also assumed that Wellard maintains its ability to recruit and retain the personnel required to support future growth;
- no material industrial strikes, employee relations disputes or other disturbances, environmental costs, contingent liabilities or legal claims arise or are settled to the detriment of Wellard;
- no material adverse impact in relation to litigation;
- no material acquisitions, disposals, restructurings or investments other than as contemplated by this Prospectus;
- no material changes to Wellard's corporate and funding structure other than as set out in, or contemplated by, this Prospectus;
- no significant disruptions to the continuity of operations of Wellard or other material changes in its business;

04. Financial Information

- no major weather events that may materially impact on the operations of Wellard;
- no material amendment to any material contract, agreement or arrangement relating to Wellard's business, intellectual property, joint ventures or partnerships other than as set out in, or contemplated by, this Prospectus;
- none of the risks listed in Section 5 has a material adverse impact on the operations of Wellard;
- the Offer proceeds are received in accordance with the timetable set out in the Key dates section of this Prospectus; and
- no material change in Wellard's ability to source livestock supply.

4.8.2 Directors' best estimate assumptions

The Forecast Financial Information for FY2016 is based on various best estimate assumptions, of which the key assumptions are set out in Section 4.8.3.

The specific assumptions below are a summary only and do not represent all factors that will affect Wellard's forecast financial performance. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. It should be read in conjunction with the basis of preparation of the Forecast Financial Information set out in Section 4.2, the general assumptions set out in this Section 4.8, the sensitivity analysis set out in Section 4.9, the risk factors set out in Section 5 and the Investigating Accountant's Report in Section 8.

4.8.3 Specific assumptions

The basis of the specific assumptions that have been used in the preparation of the Forecast Financial Information in respect of FY2016 is set out below.

4.8.3.1 Livestock Marketing & Export

Revenue

- Feeder/slaughter cattle volumes are forecast to increase by 7,695 MTs, or 5.6%, compared to FY2015 volumes. The volume growth is driven by:
 - Wellard's Brazilian operations, which are forecast to increase volumes of feeder/slaughter cattle exports to Turkey (a new market for Wellard). Wellard completed its first shipment to Turkey in July 2015;
 - Feeder/slaughter cattle exports to China following the recent establishment of health protocols between the Australian and Chinese governments (refer to Sections 3.2.1.2 and 3.6.2.1). Wellard has previously exported breeder and dairy cattle to China and expects to be able to leverage its existing commercial relationships. The first shipment of feeder/slaughter cattle to China is forecast in Q4 FY2016; and
 - Volumes to Indonesia and Vietnam, Wellard's two largest markets, are assumed to decline modestly from FY2015 levels. Revenue from deliveries to Vietnam include two shipments of feeder/slaughter cattle from Colombia in 2H FY2016 for which health protocols are subject to finalisation and expected to be agreed by December 2015.
- Forecast FY2016 breeder and dairy cattle and sheep volumes are broadly consistent with those for FY2015.
- An increase in the number of external charter voyages by Wellard vessels from 2 in FY2015 to 10 in FY2016. Five of these external charters have already occurred in Q1 FY2016 (refer to Section 4.7.6).

Gross Profit margin

- Forecast Livestock Marketing & Export Gross Profit margin in FY2016 is 19.2%, which is consistent with a Gross Profit margin of 19.2% in FY2015 and 18.9% in FY2014.
- The average fuel cost assumption adopted in FY2016 of US\$300 per tonne is based on management's view on Singapore benchmark futures and existing fuel supply hedge contracts for the remainder of FY2016.
- Wellard's Total Vessel Capacity Coefficient is forecast to increase from 16.9 million square metres in FY2015 to 19.1 million square metres in FY2016. Additional vessel capacity in FY2016 is due to the construction, completion and delivery of the MV Ocean Shearer, which is forecast to commence operating from 1 April 2016 (relative to the due date for completion of construction of 2 March 2016), resulting in a forecast greater mix of Wellard owned vessels compared to that for FY2015. A sensitivity analysing the timing of this commencement has been included in Section 4.9.
- With regard to the MV Ocean Shearer, the revenue and Gross Profit margin expectations have been based on the historical performance of the MV Ocean Drover, due to the similar crew complement and equipment installation and specifications between the two vessels.
- The daily operating costs of each vessel, including crew wages and fuel consumed per day are based on historical performance of each vessel, with priority consideration given to the most recent 12 month period.
- Within the Brazilian operations, an assumed Gross Profit per MT has been based on prior year results, as well as the run rate achieved in Q1 FY2016 for Wellard's first shipment to Turkey.

4.8.3.2 Processed Meat Marketing & Export

- Forecast volumes are expected to increase by 81,301 to 370,500 heads in FY2016, returning to historical levels achieved in FY2014. FY2015 was affected by a shortage of sheep supply suitable for export markets (see Section 4.7.4).
- FY2016 forecast prices and meat yields are based on historical performance of the processing facility and expected market conditions. Assumed Sheep Meat Yields are below FY2014 to FY2015 averages.
- Forecast FY2016 Gross Profit margin for Processed Meat Marketing & Export is above that for FY2015 but significantly below that achieved in FY2014. As outlined above, FY2015 Gross Profit margin was impacted by shortage of sheep supply, whereas FY2014 achieved similar volumes to the FY2016 forecast assumption, however the forecast does not assume that Gross Profit margins will return to FY2014 levels within the Forecast Period.
- Fixed costs of Processed Meat Marketing & Export are forecast to reduce in FY2016 due primarily to cost savings relating to the restructure of management positions and operating staff, including labour productivity improvements driven from the purchase of new automated processing equipment. These initiatives are forecast to commence in Q2 FY2016.

4.8.3.3 Foreign exchange

- The Forecast Financial Information assumes an A\$:US\$ exchange rate of 0.75.

04. Financial Information

4.8.3.4 Other

- FY2016 forecast pro forma overheads are based on actual costs incurred during the most recent 12 months, with consideration given to non-recurring expenses and changes to the cost structure of Wellard. These are outlined on an exception basis in Section 4.8.4.2.
- Repairs and maintenance expenses are forecast to return to historical averages, significantly below the FY2015 amount. Wellard does not anticipate significant dry docking in FY2016. The forecast repairs and maintenance expense for FY2016 is consistent with the average annual US\$ expense over the period FY2010 to FY2014.
- Livestock carrying vessels are depreciated on a straight line basis over their estimated remaining useful life of 20 to 25 years. FY2016 depreciation and amortisation expense is forecast to be lower than the FY2015 expense due to the accelerated depreciation of dry docking costs in FY2015 (see Section 4.8.4). The FY2016 expense includes the depreciation of the MV Ocean Shearer for the period commencing 1 April 2016.
- The Forecast Financial Information assumes a LIBOR interest rate of 0.70% per annum, and that the New Banking Facility remains undrawn throughout FY2016.
- The Forecast Financial Information assumes the debt for the MV Ocean Shearer of US\$50.0 million is drawn down at the beginning of Q4 FY2016.
- The Forecast Financial Information assumes no further expense relating to the implementation of employee share-based payment incentive schemes is recognised in FY2016 other than the management IPO bonus incentive (see Section 4.3.2).
- The pro forma FY2016 income tax impacts are based on the Australian subsidiaries (together with Wellard), being a separate Australian tax consolidated group for all of FY2016 (rather than members of the WGH tax consolidated group for a part of the FY2016 income year).
- FY2016 pro forma income tax expense is based on applying the effective corporate tax rate applicable in the relevant jurisdiction of each Wellard Group to the forecast standalone FY2016 operations and net profit before tax of each company.
- The MSI-AIS Award/Section 13A tax exemption has been reflected in the FY2016 effective corporate tax rate applicable in Singapore and in the FY2016 income tax payable in Singapore on the basis that Wellard Ships and its subsidiaries derive qualifying shipping income in FY2016.
- Pro forma FY2016 income tax paid is based on the payment of the pro forma FY2015 Australian income tax payable plus one quarter of the pro forma FY2016 Australian income tax payable (representing three monthly income tax instalment payments).
- Statutory FY2016 income tax paid is based on the Wellard tax consolidated group remitting FY2016 Australian income tax payable after 30 June 2016 (i.e. upon lodgement of the first Wellard consolidated income tax return).
- Wellard intends to form a tax consolidated group with the Australian companies with effect from, or around, Completion of the Offer. The tax base of various assets and liabilities of the Wellard tax consolidated group will be reset at this time. The expected impact of tax consolidation on Wellard's deferred tax balances has been reflected in the Pro Forma Historical Statement of Financial Position in Section 4.5.1. A full assessment of the income tax consolidation implications will be completed following the Offer.

4.8.4 Pro Forma Forecast Result for FY2016 compared to the Pro Forma Historical Result for FY2015

Figure 67 sets out the selected Pro Forma Historical Result for FY2015 and Pro Forma Forecast Result for FY2016, and key operating metrics.

Figure 67: Selected Pro Forma Historical Result and Pro Forma Forecast Result and key operating metrics: FY2016 compared to FY2015

(Year end 30 June) A\$'000	FY2015 Pro forma	FY2016 Pro forma	Growth %
Livestock Marketing & Export	483,384	570,957	
Processed Meat Marketing & Export	28,885	36,476	
Total Revenue	512,269	607,433	18.6%
Livestock cost of sales	(367,870)	(443,022)	
Transport cost of sales	(34,147)	(41,742)	
Other cost of sales	(15,020)	(9,263)	
Cost of Sales	(417,037)	(494,027)	18.5%
Gross Profit	95,232	113,406	19.1%
Labour costs	(16,469)	(14,177)	
Administration expenses	(8,353)	(8,070)	
Repairs and maintenance	(6,524)	(3,467)	
Other expenses	(10,980)	(11,592)	
Expenses	(42,327)	(37,306)	(11.9)%
EBITDA	52,905	76,100	43.8%
Depreciation and amortisation	(19,851)	(18,617)	
EBIT	33,054	57,483	
<i>Gross profit %</i>	18.6%	18.7%	
<i>EBITDA margin %</i>	10.3%	12.5%	
<i>EBIT margin %</i>	6.5%	9.5%	

Revenue is forecast to increase by \$95.2 million, or 18.6%, from \$512.3 million in FY2015 to \$607.4 million in FY2016. The FY2016 forecast includes the assumptions outlined in Section 4.8.3.

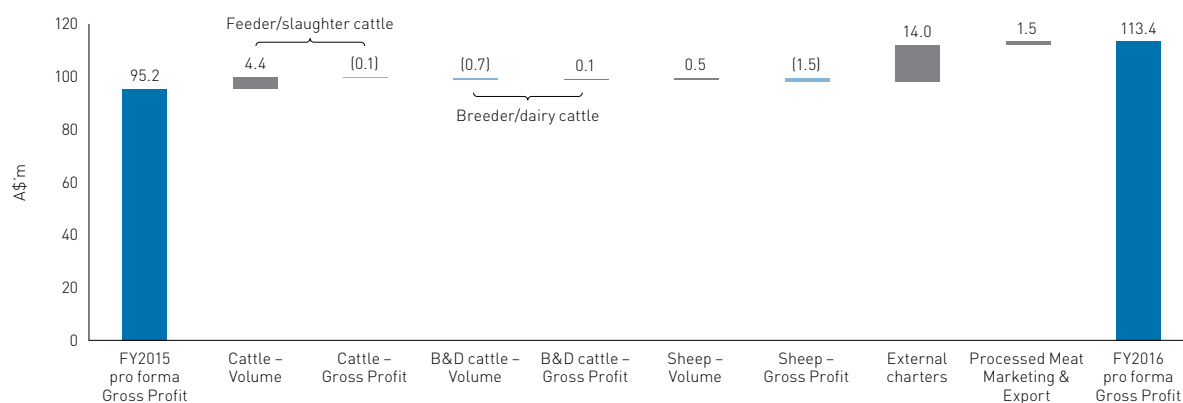
Pro forma EBITDA is forecast to increase by \$23.2 million to \$76.1 million in FY2016, driven by volume growth from new feeder/slaughter markets (e.g. Turkey and China), increase in the number of external charters undertaken by Wellard's own vessels and forecast reduction in overheads. Pro forma FY2015 and pro forma FY2016 overheads include the repairs and maintenance expenditure as outlined in Section 4.7.1.6.1.

04. Financial Information

4.8.4.1 Pro forma Gross Profit bridge

Wellard's pro forma Gross Profit is forecast to increase by \$18.2 million, or 19.1%, from \$95.2 million in FY2015 to \$113.4 million forecast for FY2016. The key drivers of this forecast increase are outlined and discussed in Figure 68 and the related commentary.

Figure 68: Pro forma Gross Profit bridge: FY2015 to FY2016



The forecast FY2016 Gross Profit is based on the assumption outlined in Section 4.8.3. The key operational factors impacting FY2016 relative to FY2015 include the following:

- the commencement of operation by the MV Ocean Shearer from 1 April 2016, and the MV Ocean Drover operating for the full 12 months in FY2016 relative to the part year contribution in FY2015. These factors are forecast to increase Wellard's use of owned vessels relative to the use of third party transport in FY2016, thereby increasing Wellard's Gross Profit margin. The FY2016 forecast assumes that any use of third party transport by Wellard following Completion of the Offer will be opportunistic and driven by taking advantage of profitable opportunities as they arise. Revenue from these additional opportunities has not been included in the FY2016 forecast;
- an increase in revenue from external chartering of Wellard's livestock carrying vessels, particularly in Q1 and Q2 FY2016 when Wellard expects to deploy some of its vessels at attractive chartering rates and against the backdrop of the reduced Indonesian import quota for Q1 FY2016. This increased external chartering has the effect of reducing livestock volumes exported in the period as the vessels are being used for chartering purposes for a greater proportion of the period;
- forecast lower fuel costs in FY2016 relative to those for FY2015, favourably impacting the Gross Profit margins achieved;
- initiatives to refine and optimise the meat processing business supporting Wellard's ability to meet the forecast increase in revenue based on higher throughput; and
- an uplift from Wellard's Brazilian operations, driven by a forecast increase in exports to Turkey and Jordan, and a shift in sales channel away from the less profitable Venezuelan market.

4.8.4.2 Overheads

Pro forma overheads are forecast to reduce by \$5.0 million, or 11.9%, from \$42.3 million in FY2015 to \$37.3 million in FY2016. The forecast reduction in pro forma overheads is largely due to the following:

- \$2.3 million (13.9%) reduction in labour costs due to labour productivity improvements in both the Livestock Marketing & Export and Processed Meat Marketing & Export operations, partially driven by efficiency gains from the purchase of new equipment to increase automation during processing; and
- repairs and maintenance expense increased in FY2015 due to repairs and dry docking of certain vessels as outlined in Section 4.7.1.6.1. Significant improvements and upgrades to vessels were completed during this period (some of which has been capitalised in property, plant and equipment), which is not forecast to recur in FY2016. Wellard does not anticipate significant dry docking in FY2016. The forecast repairs and maintenance expense for FY2016 is consistent with the average annual US\$ expense over the period from FY2010 to FY2014.

4.8.5 Pro Forma Forecast Cash Flow for FY2016 compared to the Pro Forma Historical Cash Flow for FY2015

Set out in Figure 69 is the summary Pro Forma Forecast Cash Flow for FY2016 and the summary Pro Forma Historical Cash Flows for FY2015.

Figure 69: Summary Pro Forma Historical Cash Flow and Pro Forma Forecast Cash Flow: FY2016 compared to FY2015

(Year end 30 June) A\$'000	FY2015 Pro forma	FY2016 Pro forma	Growth %
EBITDA	52,905	76,100	43.8%
Add back/(remove) non-cash items	749	-	
Receivables	(10,497)	(15,837)	
Payables	13,363	24,908	
Inventories	(327)	(11,861)	
Change in working capital	2,539	(2,790)	
Maintenance capital expenditure	(13,861)	(2,348)	
Operating cash flow before Growth Capital Expenditure	42,331	70,962	<i>67.6%</i>
Growth capital expenditure	(17,259)	(114,580)	
Operating cash flow before financing and tax	25,072	(43,618)	<i>(274.0)%</i>
Net interest paid	(6,132)	(6,004)	
Income tax paid	-	(3,235)	
Free Cash Flow before financing	18,941	(52,857)	<i>(379.1)%</i>

4.8.5.1 Change in Working Capital

Working Capital has been forecast utilising the 30 June 2015 investment days profile. The FY2016 movement in Working Capital has been calculated using this profile and applying it against the Q4 FY2016 forecast export activities, which is impacted by the commencement of operations by the MV Ocean Shearer. Therefore, the negative impact on operating cash flow from Working Capital is due to the volume growth in the business.

4.8.5.2 Capital expenditure

Total capital expenditure for FY2016 is forecast to be \$116.9 million and comprises:

- \$86.7 million for the construction of the MV Ocean Shearer;
- \$8.7 million for the construction of the MV Ocean Kelpie;
- \$15.0 million for the fit out of four pre-export quarantine facilities;
- \$4.2 million for improvements to the BRM processing facility; and
- \$2.3 million in Maintenance Capital Expenditure on Wellard's livestock carrying vessels.

4.9 Sensitivity analysis

The Forecast Financial Information included in this Section 4 is based on a number of estimates and assumptions, as described in Section 4.8. These estimates and assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Wellard, the Directors and Wellard's management. These estimates are also based on assumptions with respect to future business decisions, which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the forecasts, set out below is a summary of the sensitivity of the pro forma net profit before tax (**NPBT**) to changes in a number of key assumptions.

The changes in the key assumptions set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown.

For the purpose of this analysis, each sensitivity is presented in terms of the impact of each on the forecast FY2016 pro forma NPBT and is set out below.

Figure 70: Wellard pro forma NPBT forecast sensitivities

(Year end 30 June) A\$'000	Note	FY2016 Pro forma NPBT impact
<i>Livestock Marketing & Export</i>		
Impact of EBITDA/Total Vessel Capacity Coefficient increasing by 5%		3,805
Impact of EBITDA/Total Vessel Capacity Coefficient decreasing by 5%		(3,805)
Impact of increase in Gross Profit margin by 1.0ppt		5,710
Impact of decrease in Gross Profit margin by 1.0ppt		(5,710)
Impact of HFO price increasing by 5%	1	(842)
Impact of HFO price decreasing by 5%		842
Impact should MV Ocean Shearer be delayed by 30 days	2	(3,405)
Impact of change in A\$:US\$ assumption from 0.75 to 0.80	3	(2,391)
Impact of change in A\$:US\$ assumption from 0.75 to 0.70		2,732
<i>Processed Meat Marketing & Export</i>		
Impact of product volumes increasing by 10%		350
Impact of product volumes decreasing by 10%		(350)
Impact of increase in Gross Profit margin % by 1.0ppt		365
Impact of decrease in Gross Profit margin % by 1.0ppt		(365)
<i>Corporate</i>		
Impact of increase in overheads by 5%		(1,865)
Impact of decrease in overheads by 5%		1,865

Notes:

1. Full year impact of an increase/decrease in the HFO price per tonne (Heavy fuel oil, US\$/t) incurred by vessels when steaming by 5%.
2. Impact of a delay in the delivery of the MV Ocean Shearer by 30 days, reducing the number of days the MV Ocean Shearer is available for use in FY2016.
3. Impact of the appreciation/depreciation of the A\$ vs the US\$ for a one month period. The sensitivity has been calculated by translating the US\$ denominated revenues and costs at the higher/lower A\$:US\$ exchange rate, whilst reflecting no change to A\$ denominated revenues or costs. It is assumed that any favourable or unfavourable exchange rate movement would extend for one month only as sales/livestock pricing will realign as goods are sold in a global market (refer to Section 4.7.1.1.2 and Section 5.2.3.4).

For personal use only

04. Financial Information

The Directors note that care should be taken in interpreting each sensitivity. The estimated impact of changes in each of the assumptions has been calculated in isolation from changes in other assumptions, in order to illustrate likely impact on the forecast FY2016 pro forma NPBT. In practice, changes in assumptions may offset each other or be additive, and it is likely that management would respond to any adverse change in one item to seek to minimise the net effect on pro forma NPBT.

The impact of the sensitivities has been presented on a pre-tax basis. The tax impact will depend on the Wellard Group company affected by the respective sensitivity and that company's effective corporate tax rate applicable in the relevant jurisdiction of that company. Refer to Section 9.3 for an outline of the jurisdiction of each Wellard Group company and to Section 4.8.3.4 for further discussion regarding the FY2016 tax assumptions.

In addition to the above sensitivities, the Statutory Forecast Financial Information assumes an A\$:US\$ exchange rate of 0.75 for the repayment of debt of \$122.1 million (US\$93.75 million) as part of the Restructure, which equates to a realised FX loss of \$2.9 million (and is included in the FY16 Statutory Forecast). If the A\$:US\$ exchange rate were to fall to 0.70, then an additional \$8.9 million FX loss would be realised in the Statutory Forecast Financial Information (i.e. \$11.8 million aggregate realised FX loss).

4.10 Financial risk management framework

Wellard's activities expose it to a number of financial risks, including interest rate risk, foreign currency risk, fuel price risk, liquidity risk and credit risk. Further details of these risks and other key risks relevant to an investment in Shares are included in Section 5.

Wellard's financial risk management objective is to minimise the potential adverse effects on financial performance arising from changes in financial risk. Financial risks are managed centrally by Wellard's finance team under the direction of the Directors and the Board's Audit, Risk and Compliance Committee. The finance team regularly monitors Wellard's exposure to any of these financial risks and reports to the Board.

Wellard does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

4.11 Dividend policy

The payment of a dividend is at the discretion of the Directors. It is the intention of the Board to pay interim dividends in respect of half years ending 31 December and final dividends in respect of full years ending 30 June. Shares issued as a result of this Prospectus will rank equally with each other for dividend entitlements. The Directors expect to pay the first dividend post Completion of the Offer in respect of the six months ending 30 June 2016 (**First Dividend**).

The Directors currently intend to target a payout ratio over time of 30 to 50% of NPAT; however, the level of dividend payout ratio may vary depending on a range of factors including:

- general business and financial conditions;
- Wellard's cash position and cash flow;
- capital expenditure requirements and opportunities;
- Working Capital requirements;
- potential acquisition opportunities;
- taxation considerations; and
- other factors that the Directors consider relevant from time to time.

With respect to the First Dividend, and having regard to Wellard's access to funding, balance sheet position and pipeline of growth opportunities, the Directors expect to target the upper end of the payout ratio range outlined above.

04. Financial Information

The Directors intend to frank future dividends to the maximum extent possible, having regard to the level of Wellard's available franking credits at the time of the future dividend payment. The extent to which a dividend can be franked will depend upon Wellard's franking account balance (which will be nil at Completion of the Offer) and its level of distributable profits. Wellard's franking account balance will depend on the amount of Australian income tax paid by Wellard. The Directors' expect that the First Dividend will be partially franked.

To the extent that a dividend is unfranked or partially franked, the Directors intend to declare the unfranked portion to be conduit foreign income to the maximum extent possible, having regard to the level of Wellard's available conduit foreign income at the time of the future unfranked dividend payment. The extent to which an unfranked or partially franked dividend can be declared to be conduit foreign income will depend on Wellard's conduit foreign income balance (which will be nil at Completion of the Offer) and its level of distributable profits. Wellard's conduit foreign income balance will depend, among other things, on the amount of dividends received by Wellard from its non-Australian subsidiaries.

Investors who are not Australian tax residents and acquire Wellard shares may be subject to Australian withholding tax on dividends or other distributions paid in respect of the Shares. Prospective investors who are not Australian tax residents should consult with their own tax advisers regarding the application of Australian withholding or other taxes to their particular situations, as well as any additional tax consequences resulting from purchasing, holding or disposing of Wellard shares.

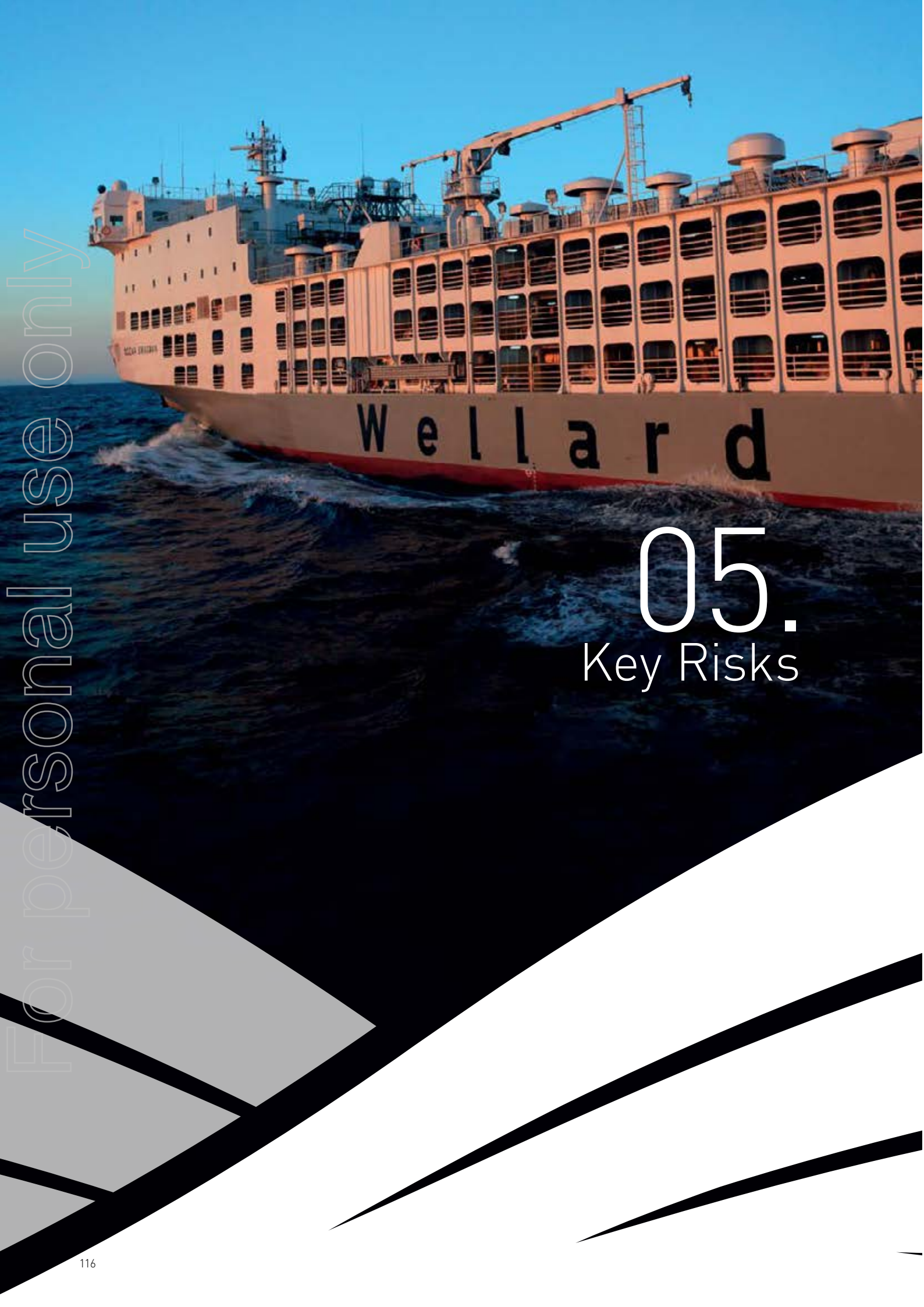
The Directors may establish a dividend reinvestment plan (**DRP**) post Completion of the Offer, under which shareholders may elect that the dividends payable to them by Wellard be reinvested (in whole or in part) in a subscription of Wellard shares at a price to be determined by the Board from time to time. While the Directors may establish a **DRP** at some time post Completion of the Offer, it has been assumed the **DRP** will not be activated during FY2016.

No assurances can be given by any person, including the Directors, about payment of any dividend and the level of franking or conduit foreign income on any such dividend.

A summary of certain Australian tax consequences of participating in the Offer and investing in Wellard shares is set out in Section 9.

For personal use only

For personal use only



05.

Key Risks

05. Key Risks

5.1 Introduction

Wellard is subject to risk factors that are both:

- specific to its business activities, including risks associated with its marketing and export activities, political and regulatory risks and operational and financing risks; and
- of a more general nature, applicable to many listed companies and to the ownership of shares.

Each of the risks set out below could, in isolation or in combination, if they eventuate, have a material adverse impact on Wellard's business, results of operations, financial condition, financial performance, prospects and share price. The selection of risks below has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. The assessment is based on the knowledge of the Directors as at the Prospectus Date, but there is no guarantee or assurance that the importance of risks will not change or other risks will not emerge. Investors should note that this Section does not purport to list every risk that may be associated with an investment in Shares now or in the future, and that the occurrence or consequences of some of the risks described in this Section are partially or completely outside the control of Wellard, its Directors and management. Where practicable, steps are taken to mitigate or manage certain business risks. While mitigation steps are taken, these steps will not remove the risk but are aimed at reducing its impact in the short and longer term.

Before applying for Shares, you should satisfy yourself that you have a sufficient understanding of these matters and should consider whether Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in Shares, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to invest.

5.2 Risks specific to an investment in Wellard

5.2.1 Key risks associated with Wellard's marketing and export activities

5.2.1.1 *Loss of major customers or reduction in demand for Wellard's products*

Although Wellard has diverse range of customers, a number of them are individually material and in many cases Wellard has no long-term contract in place with these customers (refer Section 3.2.1.2 for further information in relation to Wellard's key customers). There is a risk that Wellard may not continue to transact with one or more of its major customers or that the level of sales to Wellard's customers could decrease. The loss (wholly or partially) of a material customer could negatively impact Wellard's financial performance if Wellard were not able to replace any such customer. Wellard seeks to mitigate the impact of this risk by having a range of customers in numerous countries, the flexibility to change the destination of shipments by controlling its supply chain, strong customer relationship practices and a successful track record of maintaining and growing its customer base.

See also political and regulatory risks below which can impact Wellard's ability to transact with its customers.

There is a related risk that a change in economic conditions could cause consumers to reduce their consumption of meat and/or dairy products in favour of alternative to cheaper sources of proteins. Changes in consumer dietary preferences or sentiment towards red meat and dairy products could also result in lower demand for livestock and meat. Such lower demand could reduce Wellard's revenue and profitability.

5.2.1.2 *Political risk relating to animal welfare issues*

Should any animal welfare issues in Australian or overseas feedlots or processing facilities come to light in the future or should there be a change in the political or public perspectives on the livestock export industry, there is a possibility that new laws and regulations, stricter enforcement of existing laws, or imposition of new remediation requirements could require Wellard to incur material costs or become the basis for new or increased liabilities that will adversely affect Wellard's financial performance. Further, there is a possibility that the Australian Government may suspend livestock exports to a country where Wellard's customers are located. Any such ban on exports could have a material adverse effect on Wellard's business and financial performance.

05. Key Risks

It is possible that animal activists groups could target Wellard, the livestock export industry in general, Wellard's customers or its competitors. These activities could potentially impact regulations, or customers' willingness to do business with Wellard or be involved in the livestock export industry at all. Extreme groups could also block or sabotage Wellard's operations. This could have a detrimental effect in term of costs of defending such actions or re-diverting sales to other markets. This risk is mitigated through high security at Wellard operations.

Wellard seeks to mitigate the impact of these risks to the extent it is able to do so by its strong commitment to animal welfare in its business, further details of which are set out in Section 3.5. However, compliance with some of these practices depends in part on the preparedness of Wellard's customers to comply with contractual and statutory requirements.

5.2.1.3 *Insufficient supply of livestock*

There is a risk that Wellard may not be able to acquire sufficient quantities of livestock to meet the requirements of its customer base or to fully utilise its vessels and other assets. This risk might arise due to:

- the outbreak of disease or pests (refer Section 5.2.3.2);
- seasonal or environmental conditions (refer Section 5.2.1.4);
- lack of access to Working Capital by Wellard or its suppliers; or
- changes in health protocols or other regulations,

and other factors. If Wellard is unable to source and acquire sufficient livestock to meet its customers' requirements, this could materially negatively impact Wellard's customer relationships, asset utilisation and operational and financial performance. In FY2015, Wellard sourced over 80% of its livestock from Australia; however, it has diversified supply sources and stock delivery locations within Australia and is pursuing a strategy to diversify its supply base further, particularly in relation to South America.

5.2.1.4 *Seasonal and environmental conditions*

As Wellard is a marketer and exporter of livestock and meat products, there is a risk that Wellard could be exposed to a number of natural events such as droughts, floods, storms, fire and other adverse environmental conditions which may negatively impact Wellard's suppliers' operations and Wellard's own operations. Many of these events are beyond Wellard's control. The occurrence of unforeseen natural events may adversely affect Wellard's business and results of operations, resulting in reduced revenue. This risk is somewhat mitigated by the geographical distribution of Wellard's activities.

5.2.1.5 *Trade restrictions and offshore operations*

Wellard exports livestock and meat to and conducts operations in a number of countries, each of which has separate regulatory regimes. These regimes often include factors such as quota systems and other compliance issues, the imposition of tariffs and free trade agreements and health protocols which impact Wellard's international competitiveness and its access to key markets. A significant change in any of these, or a failure for new markets to open to import as anticipated or any delay in such opening, could prevent planned or potential future shipments of livestock or meat by Wellard and may have an adverse effect on Wellard's business, revenue and profitability. Indonesia temporarily reduced the quarterly import quotas for the July to September 2015 quarter for livestock from Australia and increased the quota to more normal levels the following quarter. Health protocols to allow cattle imports to Vietnam from Colombia are currently being negotiated and are expected to be finalised by December 2015.

In addition, Wellard may also face challenges with regard to the political relations between Australia and foreign countries. Trade sanctions, or changes to existing trade policies, may contribute to further changes to Wellard's export markets and may contribute to uncertainty in future sales.

Other risks that come with having a material presence in the countries where Wellard's major customers are located or where Wellard conducts business include:

- unexpected irregular changes in, or inconsistent application of, applicable foreign laws and regulatory requirements (including issues with enforcement of contractual rights);

05. Key Risks

- the intervention of foreign governments or regulatory bodies in industry dynamics and the implementation policies and regulations which may not be published until after a violation has occurred or which may be inconsistent with other internal policies and regulations;
- less sophisticated regulatory and technology standards;
- political instability; and
- possibility of bribery and corruption – refer to Section 6.5.3.5 for some details of Wellard's Code of Conduct and Fraud and Corruption Control Plan which are focused on mitigating the impact of this risk.

5.2.1.6 Regulatory compliance and change risk

Wellard is required to comply with a range of laws and regulations and requires a number of licences to operate its business. Regulatory areas which are of particular significance to Wellard include the AMSA system and ESCAS, animal welfare and quarantining, environment, employment, work health and safety, customs, and tariff and taxation laws. In addition, as Wellard will be considered to be foreign owned, Australian foreign investment rules and policies may impact its operations and access to capital (see further details below).

There is a risk that non-compliance with such regulations, changes in the interpretation of current regulations, loss or failure to secure renewal of permits, licences, awards or incentives, or the introduction of new laws or regulations may occur, which could lead to fines imposed on Wellard by the relevant regulatory authority or governmental body, revocation of permits, licences, awards, incentives, increased liabilities and compliance costs, or damage to Wellard's reputation. These events could cause a material adverse effect on Wellard's liabilities, costs, business model and competitive environment and therefore its future financial performance and position.

In addition, Wellard must renew the appropriate permits and licences required to operate its business. Wellard is subject to regular inspections, examinations and audits by governmental authorities to renew the various licences and permits. Wellard is also subject to periodic and spot inspections conducted by government authorities in order to maintain its operating licences. If serious or repeated findings of non-compliance did occur, there is a risk this would have a negative impact on Wellard's ability to renew its licences and have a materially adverse impact on its business operations and financial performance.

In addition, there is a risk that future changes to laws and regulations which apply to Wellard may increase the cost of operations or adversely affect Wellard's ability to conduct operations.

Wellard's shipping operations have been granted the MSI-AIS Award in Singapore, which provides Wellard with a Singapore tax exemption on qualifying shipping income for an initial period of 10 years. This initial 10 year period ends in April 2019, at which time an application to renew the award for a further period of 10 years can be made. Ship operators that meet certain qualifying conditions are eligible to apply for and maintain the MSI-AIS Award. In addition, some of the vessels operated by Wellard Ships are Singapore-Registered Ships and are automatically exempted from Singapore tax for certain types of shipping income under Section 13A of the Singapore Income Tax Act. Unlike the MSI-AIS Award, the Section 13A tax exemption does not need to be applied for. Non-renewal or loss of the MSI-AIS Award may increase the amount of tax paid by Wellard and could have a material adverse impact on Wellard's financial performance. The impact of the non-renewal or loss of the MSI-AIS Award may be reduced as a result of the Singapore tax exemption under Section 13A applying to some of Wellard's vessels (provided there are no changes to the Section 13A exemption or the criteria therein). Notwithstanding this, Wellard considers that its consistent and good performance and assuming continued consistent policy of the Singapore Government in this area, will likely result in the renewal of Wellard's MSI-AIS Award when it expires.

The OECD/G20 have recently undertaken a comprehensive review (with participation from a number of non-OECD/non-G20 economies) of various aspects of international/cross-border taxation and local tax regimes within the OECD/G20, and action plans have been developed to address perceived gaps in current international taxation rules. More work is planned in several areas. One aim of the current Base Erosion and Profit Shifting (BEPS) project is to review preferential tax regimes with a priority on improving transparency (including information exchange in respect of government rulings) and requiring substantial activity for any preferential regime. This review will likely be expanded to include non-OECD countries in the new few years, which may include Singapore and specifically a review of the MSI-AIS Award and Singapore's other shipping tax exemptions such as the Section 13A exemption. Whether such a review occurs and the outcomes thereof if it does (including impact on the policy of the Singapore Government in this area) are not known at this time.

05. Key Risks

5.2.1.7 *Price risk*

There is a risk that variations in domestic and international livestock prices, which are outside Wellard's control, or a mismatch between the price Wellard is able to sell its products to customers and its costs to deliver those products, will result in losses or reduced profitability on individual shipments and on Wellard's overall financial performance.

Wellard seeks to mitigate these risks through a combination of factors, including the terms of its contracts with customers which may permit some change in prices, its market knowledge and the structure of its business model which has minimal time between contracting to supply and purchasing livestock. Wellard also hedges its exchange rate risk and may also implement financial and physical hedges for the cost of fuel for its ships.

5.2.2 **Key transport and logistics risks**

5.2.2.1 *Delays and other scheduling issues*

Weather events, industrial action at ports, port congestion and other factors, including political and regulatory factors, may impact Wellard's ability to transport livestock and/or meat in a timely manner or to fully utilise capacity. Delays may cause Wellard to incur additional costs in the form of animal feed and other holding costs which reduces profitability and/or may result in damage to customer relationships that may materially adversely impact current and future financial performance and position.

5.2.2.2 *Vessel breakdown or damage*

The operation of an ocean-going vessel carries inherent risks. Wellard's vessels and their cargoes will be at risk of being damaged or lost because of events such as marine disasters, bad weather, mechanical failures, grounding, fire, explosions, collisions, human error, war, terrorism, piracy, mining of waterways, latent defects, force majeure and other circumstances or events.

If Wellard's vessels suffer damage, they may need to be repaired. The costs and timing of repairs may be substantial, partially due to their scale and need for specialised repair infrastructure. Wellard may have to pay repair costs that insurance does not cover in full. The loss of revenues while these vessels are being repaired, as well as the actual cost of these repairs, may adversely affect Wellard's business and financial condition and performance.

5.2.2.3 *Fuel and energy prices*

Fuel is a material operating expense for Wellard and is used across the business, including when transporting livestock:

- from suppliers to the feeding lots, procuring sites or ports;
- from supply markets to destination markets; and
- to processing facilities both in Australia and overseas.

The price and supply of fuel are unpredictable and fluctuate based on events outside Wellard's control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. There is a risk that there could be significant increases to fuel or energy prices. Such increases could significantly increase Wellard's cost of operations, including third party freight costs. These cost increases may not be able to be passed on to customers and may have a material adverse effect on Wellard's financial performance.

From time to time, Wellard utilises both financial and physical fuel price hedges. Wellard's strategy to mitigate fuel price risk is to adopt fuel hedging of approximately 33% of the expected fuel consumption for the next six months in both physical and financial hedging instruments, with the ability to increase this hedging rate to 50% of the expected fuel consumption if the prevailing fuel price is below Wellard's internal budget.

05. Key Risks

5.2.2.4 *Failure to adequately maintain the Wellard fleet of vessels*

If Wellard fails to adequately maintain its fleet of vessels, this may result in mechanical problems or failure to comply with safety regulation and Port State Control or loss of its Class Certificate, causing disruptions to business operations, higher operating costs or deterioration in Wellard's ability to provide transport to a standard which complies with relevant regulations to enable the movement of livestock commodities (see description in Section 2.4.4). These circumstances may materially and adversely affect Wellard's reputation, profitability and growth.

5.2.2.5 *Vessel construction risk*

Wellard currently has two new vessels being constructed or fitted out, with one scheduled for commencement of operations in FY2016 and one in FY2017. Any delays in delivery of these vessels (e.g. due to construction delays, poor construction techniques, shipbuilder insolvency or other issues) will result in a loss of forecast or potential additional earnings from their use for the period of any delay and may result in unrecoverable additional costs.

5.2.2.6 *Customs risks*

International marketing and export are subject to various security and customs inspection and related procedures in countries of origin and destination and transshipment points. Inspection procedures can result in the seizure of the cargo and/or vessels, delays in the loading, offloading or delivery and the levying of customs duties, fines or other penalties. There is a risk that personnel on Wellard's vessels could smuggle drugs or other contraband and this could lead to claims against Wellard or delays and consequential costs as a result of vessel impoundment by customs authorities. Wellard seeks to mitigate this risk by applying a high level of scrutiny to crew performance and strict security on access to ships while in port. Furthermore, changes to inspection procedures could also impose additional costs and obligations on Wellard and its customers and may, in certain cases, render the shipment of livestock uneconomical or impractical. Any such changes or developments may have a material adverse effect on Wellard's business, results of operations, cash flows and financial condition.

5.2.3 **Other specific risks**

5.2.3.1 *Key personnel*

Wellard's success to date has depended to a significant extent on its key personnel, in particular the senior management team led by Mauro Balzarini (described in Section 6.2). The loss of key members of senior management may adversely affect Wellard's ability to develop or implement its business strategies and may adversely affect its future financial performance.

There is also a risk that changes could occur that adversely affect Wellard's ability to retain key personnel or impede its ability to recruit or retain replacement or additional personnel, which could materially impact Wellard's business, operating results and financial performance.

5.2.3.2 *Disease and pests*

Under certain circumstances, disease and pests may affect livestock and the impact of disease and pests may result in reduced prices for the livestock and even export bans with, in the extreme, Australia losing its reputation for producing quality livestock. This could materially adversely impact Wellard's business and its financial performance. For Australian-sourced livestock, which is currently the source of most of Wellard's products, disease is mitigated by the isolation and distance of Australia from other countries, aided by Australia's strict biosecurity and quarantine regime, which reduces the risk of cross-border infections.

There is also a risk that disease and pests may affect livestock sourced from other countries. In the extreme, this could lead to a ban on the importation of animals originating from a country where there is a disease or pest outbreak. This risk is the rationale for Wellard maintaining supply centres in a number of different countries across multiple continents.

05. Key Risks

5.2.3.3 Potential deterioration in Wellard's competitive position

Wellard operates in competitive sectors where competitors comprise a number of national and international providers of similar and competing products and services. Competition is typically based on a range of factors including price, service capabilities, equipment and fleet availability, ability to comply with certain safety and operational standards and overall service quality. Increased competition, including the actions of existing competitors or the entry of new competitors, could result in reduced rates and revenues, contract losses, under-utilisation of personnel or equipment, reduced operating margins and cash flows and decreased market share and may materially and adversely impact Wellard's business, operating and financial performance.

5.2.3.4 Exposure to foreign exchange rates

Wellard's financial reports are prepared in Australian dollars. However, a substantial proportion of Wellard's sales revenue, debt, capital expenditure and cash flows are generated in various other currencies, including United States dollars. Further, as Wellard expands its operations, it is expected that it will be exposed to additional currencies. Any adverse exchange rate fluctuations or volatility in the currencies in which Wellard generates its revenues and cash flows, and incurs its costs, could have an adverse effect on its future financial performance and position.

Wellard's exposure to the risk of changes in foreign exchange rates relates primarily to Wellard's livestock marketing and export operations and its debt facilities that are denominated in United States dollars.

Wellard's livestock marketing and export operations are primarily exposed to foreign currency risk through the purchase of livestock in Australia in Australian dollars and the sale of these livestock to foreign customers in United States dollars (although there are other currencies). Wellard is only exposed for a short period whilst the stock for the shipment are procured and shipped. To hedge this risk Wellard typically enters into short term foreign exchange contracts at the time of fixing the sale contract for the length of the period until payment is received from the customer.

The depreciation or appreciation of the A\$ relative to the US\$ could result in a translation gain or loss, meaning the value of Wellard's debt facilities expressed in A\$ may rise or fall, which directly impacts NPAT.

5.2.3.5 Failure to comply with Australian or international safety regulations

If Wellard fails to comply with Australian work health and safety or international safety laws and regulations, Wellard may be subject to liability, which may adversely affect insurance coverage and may result in a denial of access to, or detention in, certain ports.

The operation of Wellard's vessels is affected by, among other things, the requirements set by the IMO's which includes Safety of Life At Sea and Maritime Pollution pertinent for its vessels and the trading areas. Other rules include the International Safety Management Code for safe operation and pollution prevention. The ISM Code requires shipowners, ship managers and bareboat charterers to develop and maintain a working "Safety Management System" that includes the adoption of safety and environmental protection policies setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. If Wellard fails to comply with the ISM Code, Wellard may be subject to increased liability or Wellard's existing insurance coverage may be invalidated or decreased for any affected vessels. Such failure may also result in a denial of access to, or detention in, certain ports.

In addition, Wellard's activities, like many other industrial activities, inherently involve a significant risk of harm to employees and contractors, particularly where they involve managing livestock. The occurrence of personal injury to employees or contractors, particularly if due to failure to comply with Australian and overseas work health and safety requirements, could result in significant reputational damage and liabilities to Wellard.

05. Key Risks

5.2.3.6 Brand and reputation risk

There is a risk that an incident whether within or beyond the control of Wellard could occur which would have the effect of reducing customer confidence or preferences for livestock export generally or Wellard products specifically. Such incidents could include:

- mistreatment of livestock or poor animal welfare practices by Wellard, or its charter operators or customers; or
- widespread loss of consumer confidence in the animal welfare practices in the livestock export industry as a whole.

The consequences of such an incident could be very significant for Wellard, with impacts potentially including reduced revenues.

5.2.3.7 Food safety and sanitation

Wellard operates a processing facility and proposes to operate a meat processing business as part of its Chinese Wellao JV [see details in Sections 3.6.2.1 and 9.4.8]. As with all food producers, Wellard is exposed to the risk of product contamination and product recalls. Such products may also be subject to processing and production defaults against specification. There is also a risk that a Wellard/Wellao product could cause a serious food poisoning incident as a result of an operational lapse in food safety or sanitation procedures or malicious tampering. The occurrence of a serious food poisoning incident could have significant reputational and financial consequences for Wellard.

There is also the risk that actions of Wellard's wholesale customers could compromise the hygiene and safety of Wellard products after they have left Wellard's processing facility. Contamination caused by a wholesale customer would not result in the closure of Wellard facilities or require a fine/compensation to be paid by Wellard; however, the potential for brand damage to Wellard remains.

5.2.3.8 Wellao Joint Venture

Wellard's proposed joint venture in China (see details in Sections 3.6.2.1 and 9.4.8) carries with it some additional level of risk.

The project team is developing detailed estimates of costs and revenues. Should there be significant variations in material items or the project returns not achieve the desired hurdle rate, the business case for the project may be reviewed or either party may not proceed with the project.

The health protocol for the export of slaughter cattle from Australia to China is a recent development. Some of the local regulations in China are still being formulated and may continue to be refined, which has the potential to add unexpected delays and cost to the business. Chinese regulatory intervention, potentially in the form of increasing quarantine requirements, restrictions on the type of livestock that may be imported, increasing health protocol requirements or the implementation of any other regulation may add significant cost or make the project unviable.

The economic or business interests of Wellard may not always be the same as those of its joint venture partner. Disagreements between Wellard and its joint venture partner may have a material adverse effect on the business, results of operations, financial condition and performance of Wellard in the future.

Although Wellard is experienced in exporting cattle and operating feedlots and processing facilities, the livestock and meat industry is a new line of business for the Fulida Group and it may not be successful in developing distribution channels for the Wellao JV's product. This risk will be mitigated by hiring local experienced people to oversee and perform these functions.

05. Key Risks

5.2.3.9 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to Wellard. Wellard is exposed to some counterparty credit risk arising from its operating activities, primarily from trade receivables.

The risk of non-payment by customers is an inherent risk of Wellard's business, due to sales typically involving individual high value shipments. Wellard seeks to mitigate the impact of this risk by building long-term relationships with its customers, obtaining partial payment before loading in some cases and requiring letters of credit to partially secure payment in a number of jurisdictions. In addition, trade receivable balances are monitored on a weekly basis.

5.2.3.10 Risks with finance facilities (including sale and leaseback arrangements)

On Completion of the Offer, Wellard and its subsidiaries will have various financing facilities in place, including a revolving facility (which will be undrawn at that time but may be drawn down in the future), vessel finance facilities and sale and leaseback arrangements (see details in Section 4.5.3). These facilities will include common financial and non-financial covenants which could limit Wellard's future financial flexibility. They will also include usual cross-default terms and, where the facility is with a subsidiary, a parent guarantee from Wellard. If Wellard's operating results deteriorate, for example due to the loss of a material customer contract, Wellard may be unable to meet its repayment obligations or the covenants governing its indebtedness, which may require Wellard to pay additional amounts to lenders, to seek amendments, waivers or alternative borrowing arrangements, or to reduce debt or attempt to raise additional equity. There is no assurance that Wellard's financiers would consent to an amendment or waiver, or that its financiers would not exercise their enforcement rights, including requiring immediate repayment. Such events could have a material adverse effect on Wellard's financial position and limit Wellard's flexibility in planning for or reacting to downturns in its business or could even result in Wellard becoming insolvent.

Under Wellard's sale and leaseback arrangements, Wellard has certain rights and obligations to buy back the relevant vessels. There is a risk that if the counterparty to those arrangements became subject to some form of external administration, for example due to insolvency, that Wellard's ability to buy back the relevant vessel could be restricted or removed due to the application of local insolvency and reconstruction law. This could have a material adverse effect on Wellard's financial position, operations and prospects.

5.2.3.11 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial asset or financial liability will change as a result of changes in market interest rates.

Wellard's exposure to market interest rate risk relates primarily to its borrowings, the majority of which are denominated in US\$.

Changes to interest rates will affect borrowings which bear interest at a floating rate. Any increase in interest rates will affect Wellard's cost of servicing these borrowings which may adversely affect its financial position.

5.2.3.12 Liquidity risk

Liquidity risk is the risk that Wellard will not have sufficient funds to meet its financial commitments as and when they fall due. Wellard's finance team manages liquidity risk through frequent and periodic cash flow forecasting and analysis.

Wellard's cash balance at Completion of the Offer is subject to certain adjustment mechanisms as set out in the Separation Agreement, including the required Working Capital and cash balance at Completion of the Offer (refer to Section 9.4.1.2). Should Wellard's Working Capital balance be higher at Completion of the Offer than as set out in the 30 June 2015 Carve-Out Historical Statement of Financial Position, Wellard's cash balance will be reduced by a corresponding amount, and vice versa.

05. Key Risks

5.2.3.13 Changes in foreign investment laws

As described in Section 9.6, where a single foreign person and its associates hold 15% or more of the voting power of Wellard (this is proposed to be increased to 20% under proposed amendments to the law – see below), or where two or more unassociated foreign persons hold 40% or more of the voting power of Wellard, any acquisitions made by Wellard will be subject to the Foreign Acquisitions and Takeovers Act 1975 (Cth) (**FATA**).

On Completion of the Offer, it is expected that WGH, a foreign person for the purposes of the FATA, will hold approximately 36.6% of Shares on issue (after the transfer of Shares to Wellard employees (including consultants and others not part of the Wellard Group)). Accordingly, any significant future acquisitions of land (including rural land), agribusinesses or other businesses or companies by Wellard in Australia may be subject to approval by the Treasurer of the Commonwealth of Australia under the FATA. Wellard has in the past acquired rural assets with approval under the FATA, although this is not a guarantee that approval will be granted in future.

The Commonwealth Government is considering the Foreign Acquisitions and Takeovers Amendment Bill 2015, which proposes substantial amendments to the FATA. See Section 9.6.1 for an explanation of the expected impact of those changes based on the information available at the date of this Prospectus.

The Australian Government has previously indicated it expects the changes to be implemented on or about 1 December 2015.

Given the status and level of review of the proposed amendments, there is some uncertainty about the content of the final amendments and the date by which those amendments will be implemented (if at all).

There is a risk that:

- future acquisitions of Shares by foreign investors that do not currently require approval under the FATA and the associated policy could require prior approval under the new foreign investment regime. For instance, as explained in Section 9.6.1, it is likely that Wellard would be considered to be an “agribusiness” for the purpose of the FATA and so in specified circumstances, acquisitions which increase the aggregate consideration paid for a foreign person’s interest in Wellard to more than A\$55 million, may require prior approval under FATA; and
- the foreign investment regime could make it more administratively burdensome for Wellard to acquire agricultural land in Australia or an interest in some Australian companies.

The need for foreign investment approval will depend on the law at that time and the particular facts or circumstances relevant to Wellard and the foreign investor and may differ from time to time and for each foreign investor. If in doubt, each prospective Shareholder who is a foreign investor is encouraged to seek professional advice in connection with any acquisition of Shares in Wellard and whether there is a need for prior foreign investment approval.

5.2.3.14 Potential for dividend paid by Wellard not to be franked or attach conduit foreign income

To the extent that Wellard pays any dividends, Wellard may not have sufficient franking credits in the future to frank dividends or sufficient conduit foreign income in the future to declare an unfranked dividend (or the unfranked portion of a partially franked dividend) to be conduit foreign income. Alternatively, the franking system and/or the conduit foreign income system may be subject to review or reform.

The extent to which a dividend can be franked will depend on Wellard’s franking account balance (which will be nil at Completion of the Offer) and its level of distributable profits. Wellard’s franking account balance will depend on the amount of Australian income tax paid by Wellard. A large part of Wellard’s operations are outside Australia, which may reduce Wellard’s ability to frank dividends.

The extent to which an unfranked or partially franked dividend can be declared to be conduit foreign income will depend on Wellard’s conduit foreign income balance (which will be nil at Completion of the Offer) and its level of distributable profits. Wellard’s conduit foreign income balance will depend, among other things, on the amount of dividends received by Wellard from its non-Australian subsidiaries.

The value and/or availability of franking credits and conduit foreign income to a Shareholder will differ depending on the Shareholder’s particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.

No assurances can be given by any person, including the Directors, about payment of any dividend and the level of franking or conduit foreign income on any such dividend.

5.3 General investment risks

5.3.1 Price of Shares

Once Wellard becomes a publicly listed company on the ASX, it will be subject to general market risks applicable to all securities listed on a stock exchange. This may result in fluctuations in the Share price that are not explained by the performance of Wellard.

The price at which Shares are quoted on the ASX may increase or decrease due to a number of factors, some of which may not relate directly or indirectly to Wellard's performance or prospects. These factors may cause the Shares to trade at prices below the Offer Price.

There is no assurance that the price of the Shares will increase following quotation on the ASX, even if Wellard's earnings increase.

Some of the factors which may affect the price of the Shares include:

- fluctuations in the domestic and international markets for listed stocks;
- general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices or 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 Wellard operates; and
 - general operational and business risks;
- variations in sector performance, which can lead to investors exiting one sector to prefer another; and
- initiatives by other sector participants which may lead to investors switching from one stock to another.

Deterioration of general economic conditions may also affect Wellard's business operations, and the consequent returns from an investment in Shares.

In the future, the sale of large parcels of Shares may cause a decline in the price at which the Shares trade on the ASX. The current escrow arrangements outlined in Section 7.6 contemplate the release of Shares from escrow on various dates.

5.3.2 Tax law and application

The application of and change in relevant tax laws (including income tax, goods and services tax (or equivalent), rules relating to deductible liabilities (refer below) and stamp duty), or changes in the way those tax laws are interpreted, will or may impact the tax liabilities of Wellard or the tax treatment of a Shareholder's investment. An interpretation or application of tax laws or regulations by a relevant tax authority that is contrary to Wellard's view of those laws may increase the amount of tax paid or payable by Wellard.

Both the level and basis of tax may change. Any changes to the current rate of company income tax (in Australia or other countries in which Wellard operates) and/or any changes in tax rules and tax arrangements (again in Australia or other countries in which Wellard operates) may increase the amount of tax paid or payable by Wellard, may also impact Shareholder returns and could also have an adverse impact on the level of dividend franking/conduit foreign income and Shareholder returns. In addition, an investment in Shares involves tax considerations which may differ for each Shareholder. Each prospective Shareholder is encouraged to seek professional tax advice in connection with any investment in Wellard.

On 14 May 2013, the Australian Government announced a proposal to amend the tax consolidation rules such that "certain deductible liabilities are not taken into account twice". Broadly, where an entity that has deductible liabilities joins a consolidated group, the head company would be required to include deductible current liabilities in its assessable income over 12 months and deductible non-current liabilities over 48 months. These proposals have not been enacted into law. If enacted, the changes are proposed to apply from the date of the original announcement (i.e. 14 May 2013) and could have an impact on the tax forecasts.

05. Key Risks

5.3.3 Force majeure events

Events may occur within or outside Australia that could impact upon global, Australian or other local economies relevant to Wellard's financial performance, the operations of Wellard and the price of the Shares. These 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 other man-made or natural events or occurrences that can have an adverse effect on the demand for Wellard's services and its ability to conduct business. Wellard has only a limited ability to insure against some of these risks.

5.3.4 Accounting standards

Australian Accounting Standards (AAS) are adopted by the AASB and are not within the control of Wellard and its Directors. The AASB may, from time to time, introduce new or refined AAS, which may affect the future measurement and recognition of key income statement and statement of financial position items. There is also a risk that interpretation of existing AAS, including those relating to the measurement and recognition of key statement of profit and loss or statement of financial position items may differ. Any changes to the AAS or to the interpretation of those standards may have an adverse effect on the reported financial performance and position of Wellard.

5.3.5 Shareholder dilution

In the future, Wellard may elect to issue Shares in connection with fundraisings, including to raise proceeds for acquisitions. While Wellard will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such fundraisings.

5.3.6 Future acquisitions and joint ventures

From time to time, Wellard may undertake acquisitions or enter into joint ventures consistent with its stated growth strategy. The successful implementation of acquisitions or joint ventures will depend on a range of factors including funding arrangements, cultural compatibility and integration. To the extent acquisitions are not successfully integrated with Wellard's business, the financial performance or prospects of Wellard could be negatively affected. Depending on a range of factors at the time of any future acquisition or entry into a joint venture, including Wellard's share price, its financial position and performance and the nature of the acquisition, Wellard may decide that it is in the best interests of Wellard and its Shareholders to fund the acquisition through the issue of further Shares. If this were to occur, it may result in dilution of the ownership of Wellard's Shareholders.

The Australian Competition and Consumer Commission is responsible for administering Australia's competition laws. Equivalent regulators exist in many foreign jurisdictions in which Wellard has operations or material customers or suppliers. Potential acquisitions may be restricted if they would have, or would be likely to have, the effect of substantially lessening competition in a market. This may constrain Wellard's growth strategy from time to time.

Acquisitions, joint ventures or partnerships may have a significant impact on capital and operating expenditure, particularly in establishment or expansion phases. There may be a delay until any anticipated revenue for the acquisition or expansion impacts Wellard's financial input, so that expenditure has an adverse impact on results in the interim.

5.3.7 Failure of events to occur

Certain statements in this Prospectus constitute forward looking statements. Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements of Wellard to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Given these uncertainties, prospective Shareholders should not place undue reliance on such forward looking statements. In addition, under no circumstances should forward looking statements be regarded as a representation or warranty by Wellard, or any other person referred to in this Prospectus, that a particular outcome or future event is guaranteed.

5.3.8 Potential illiquidity in trading in Shares

There is currently no public market through which the Shares may be sold. There can be no guarantee that an active market in the Shares will develop or that the price of Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price that Shareholders paid.

5.3.9 Significant shareholdings

WGH has entered into voluntary escrow arrangements in relation to its Escrowed Shares. The escrow restrictions are subject to certain exceptions as set out in more detail in Section 7.6.

The absence of any sale of Escrowed Shares by WGH during the Escrow Period may contribute to limited liquidity in the market for the Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares. It is important to recognise that Shareholders may receive a market price for their Shares that is less than the price that the Shareholders paid.

Following the end of the Escrow Period, a significant sale of Shares by WGH or the perception that such sales might occur, could adversely affect the market price for the Shares. The Shares held by WGH are the subject of security granted to WGH's lender. If WGH defaults under its loan arrangement and WGH's lender exercises its security and sells the Shares, or if it appears likely that this may arise, there is a risk that this could adversely affect the market price for Shares.

Because of the retained interest in Wellard by WGH, it has the capacity to influence the election of Directors and the potential to influence the outcome of matters submitted to a vote of Shareholders. The interests of WGH may differ from the interests of Wellard and the interests of other Shareholders who purchase Shares under the Offer. Also, while WGH holds a large stake in Wellard, it will be able to influence and may be able to determine whether a takeover or similar change of control transaction is successful.

5.3.10 General economic and financial market conditions

The operating and financial performance of Wellard is influenced by a variety of general domestic and global economic and business conditions that are outside the control of Wellard. There is a risk that prolonged deterioration in general economic conditions may impact the demand for Wellard's products and negatively impact Wellard's financial performance, financial position, cash flows, dividends, growth prospects and share price.

For personal use only

06.

Directors, management and governance






06. Directors, management and governance

6.1 Board of Directors

6.1.1 Experience and background

The Directors bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience.

Director	Experience and background
 David Griffiths <i>Chairman Independent Non-Executive Director</i>	<p>David is a Non-Executive Director and Chairman of Automotive Holdings Group Limited. He also holds positions as Deputy Chairman of ThinkSmart Limited and Deputy Chairman of the Perth contemporary dance company, Co3. David was appointed as Non-Executive Chairman of Wellard on 19 November 2015.</p> <p>David has held a range of senior financial executive positions and has extensive experience in equity capital markets, mergers and acquisitions, and the corporate advisory sector. He is a former Divisional Director of Macquarie Bank Limited and Executive Chairman of Porter Western Limited.</p>
 Mauro Balzarini <i>Managing Director and CEO Executive Director</i>	<p>Mauro has been the CEO of the Business since May 2004.</p> <p>Mauro joined the family business in 1985 as a marine technical superintendent. He progressively moved through to an executive role and took over the management of the shipping arm in 1994.</p> <p>Mauro bought out the family interest in 2004 and has grown Wellard into the largest marketer and exporter of cattle in Australia and a significant seaborne livestock exporter globally.</p> <p>Mauro is a member of the Trade and Investment Policy Advisory Council, chaired by the Minister for Trade and Investment.</p> <p>Mauro will continue to be involved with WGH after Listing. Details regarding non-compete obligations under his employment contract are set out in Section 9.4.1.1.</p>
 Greg Wheeler <i>Finance Director and Company Secretary Executive Director</i>	<p>Greg has been the Finance Director of the Business since September 2011. He currently oversees the Group Finance, IT, HR and Media Relations functions and is Company Secretary of WGH.</p> <p>Greg joined WGH in 2011. Previously, he served as the Group Financial Controller for Austal Limited and has previously worked for PricewaterhouseCoopers and Westpac Bank.</p> <p>Greg will continue to be involved with WGH after Listing. Details regarding non-compete obligations under his employment contract are set out in Section 9.4.1.1.</p>

06. Directors, management and governance

Director

Experience and background



Sharon Warburton
*Independent
Non-Executive
Director*

Sharon is a Non-Executive Director, Chair of the Remuneration and Nominations Committee and member of the Audit and Risk Committee at Fortescue Metals Group. She is also a Director of Western Power, a part time member of the Takeovers Panel and an Executive Director (Strategy + Finance) at Brookfield Multiplex. Sharon was appointed as a Non-Executive Director of Wellard on 19 November 2015.

Sharon is a Graduate of the Australian Institute of Company Directors, a Chartered Accountant and has held a variety of senior executive roles with Brookfield Multiplex and senior finance roles with Citigroup and Rio Tinto. She currently sits on the board of Perth's Princess Margaret Hospital Foundation and is a Curtin University Business School Asia Business Centre Advisory Board member. Sharon is the 2014 WA Telstra Business Woman of the Year and a 2015 Financial Review Westpac 100 women of influence finalist.



Philip Clausius
*Independent
Non-Executive
Director*

Philip is the founder and managing partner of Transport Capital Pte Ltd. He currently serves as Director and CEO of Nordic Shipholding A/S, a company listed on the Nasdaq OMX. Philip is also a Non-Executive Director of BW Pacific and a member of the Advisory Panel of the Singapore Maritime Foundation. Philip was appointed as a Non-Executive Director of Wellard on 19 November 2015.

He was previously the co-founder and CEO of the FSL Group, a Singapore-based provider of leasing services to the international shipping industry.

The details of the Board's key corporate governance policies are set out in Section 6.5. Each Director above has confirmed to Wellard that he or she anticipates being available to perform his or her duties as a Non-Executive Director or Executive Director as the case may be without constraint from other commitments.

The Board will consider the opportunity to appoint one additional Independent Non-Executive Director prior to the end of FY2016.

6.1.2 Directors' disclosures

This section sets out information about any legal or disciplinary actions against a Director (or against companies that the Director was a Director of at the relevant time) that are less than 10 years old and any company that entered into a form of external administration because of insolvency during the time a Director was an officer of that company (or within a 12-month period afterwards).

David Griffiths resigned as a Director of Great Southern Limited (**GSL**) and other subsidiaries of GSL after they were placed into liquidation in 2009. GSL entered administration after the significant impact of the global financial crisis on finance and sales with contributing factors including the disruption of changes to government tax regulations adversely impacting the sector along with poor yields on early projects.

Mr Griffiths was a Director of Northern Iron Limited when ASIC served an infringement notice alleging the company had failed to comply with its continuous disclosure provisions in the Corporations Act and ASX Listing Rules in relation to its failure to immediately disclose information to the ASX, upon its ceasing to be confidential. Northern Iron elected to comply with the infringement notice and payment was made in 2012. Compliance with an infringement notice is not an admission of guilt or liability.

Mauro Balzarini is an executive Director of Omni Ships Pte Ltd and Omni SPA (the holding company of Omni Ships). Those companies, involved in the dry-bulk and tanker sectors, experienced significant net losses following defaults by multiple substantial industry counterparties arising out of the global financial

06. Directors, management and governance

crisis which seriously impacted the whole shipping industry. Those companies have successfully finalised compromises with creditors under procedures in Singapore and Italy which will be completed in 2015.

In each case set out above, the other Directors of Wellard do not believe that the above matter is material to the future performance of the relevant Director's duties as a Director of Wellard or the future performance of Wellard and its subsidiaries.

Mr Balzarini and Mr Wheeler are directors of WGH and WRE. The FY2014 and FY2015 statutory financial statements for those companies were lodged with ASIC after the due date for lodgement.

6.2 Senior Management

6.2.1 Experience and background

Management	Experience
Mauro Balzarini <i>Managing Director and CEO</i>	Refer Section 6.1.
Greg Wheeler <i>Finance Director and Company Secretary</i>	Refer Section 6.1.
Scot Braithwaite <i>COO</i>	<p>Scot is currently Wellard's COO and has responsibility for the commercial side of export operations from his base in Indonesia. Scot joined Wellard in 2004 as South East Asia Development Manager.</p> <p>Prior to joining Wellard, Scot spent the majority of his career within the cattle export industry in South East Asia and has worked for a number of large cattle producers as well as exporters including Austrex, SEAF and Austasia.</p>
Domenico Bazzoni <i>Head of Business Development – Europe & Americas</i>	<p>Domenico Bazzoni is Wellard's Head of Business Development, Europe & Americas and has overall responsibility for marketing and export in South America and the Middle East. Domenico has been involved with Wellard since 1990 and has over 30 years of experience in livestock and meat marketing and export in the Middle East.</p>
Paolo Triglia <i>Managing Director – Wellard Ships</i>	<p>Paolo was appointed Managing Director of Wellard Ships in 2009. Paolo has been involved with the Balzarini's livestock business since 1987 during which time he has held a number of general management positions.</p> <p>Paolo has a deep understanding of the shipping industry, with specific focus on vessel management combined with strong commercial acumen.</p>
Alessandro Polacco <i>Executive Director – Wellard Ships</i>	<p>Alessandro joined Wellard in 2008 and was appointed Executive Director of Wellard Ships in 2009.</p> <p>Prior to Wellard, Alessandro spent 28 years' in corporate and international banking, covering various executive positions as a branch or country head with major international institutions in the US, Europe, Japan, Hong Kong and China.</p>
George Nicholls <i>Group Financial Controller</i>	<p>George joined the business as Group Financial Controller in 2012.</p> <p>George has over 15 years' financial management experience in practice and across different industries. Prior to joining Wellard in 2012, George held positions at Exxaro, iiNet and began his career at PricewaterhouseCoopers.</p>

06. Directors, management and governance

Management	Experience
Kelly Whitehouse <i>General Manager</i> – Meat Processing, Marketing and Export	Kelly joined the Business in 2015 and was appointed General Manager – Meat Processing, Marketing and Export in 2015. Kelly has more than 20 years’ experience in the meat processing industry. Prior to commencing with Wellard, he worked at Taylor Preston, a New Zealand meat processor and exporter.
Brad Gosling <i>General Manager</i> – Planning	Brad joined the Business in 2014 and was appointed General Manager – Planning in 2014. Brad has more than 10 years’ experience in the agribusiness industry, having been involved across a number of roles including supply chain management, regulatory undertaking, trading risk and dispute resolution.
Colin Webb <i>General Manager</i> – Breeding and Dairy	Colin has been involved in the Business since 2007 and brings with him over 10 years’ experience in the livestock industry. Colin was appointed General Manager – Breeding and Dairy in 2014.
Bernie Brosnan <i>General Manager</i> – South East Asia	Bernie joined the Business in October 2013 and was appointed General Manager – South East Asia Bernie has over 10 years’ experience in the live export industry with a specific focus on the South East Asian market. Prior to joining Wellard, Bernie was CEO at the NT Livestock Export Association.
Harold Sealy <i>General Manager,</i> <i>Sheep</i>	Harold joined the Business in 2010 as General Manager – Animal Production and was appointed General Manager – Middle East in 2012. Harold brings over 15 years’ experience in the livestock industry, with a strong focus on the sheep and cattle market industries. Harold was been the State Livestock Manager for Wesfarmers Landmark and the National Livestock Manager for Farmworks Australia.
Andrea Bazzoni <i>General Manager,</i> <i>Middle East</i>	Andrea has over 5 years’ experience in the livestock industry and has been involved with Wellard since 2013. Andrea is responsible for sales and customer relationship management.

6.3 Interests and Benefits

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in this Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of Wellard;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of Wellard; or
- underwriter to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds as at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of Wellard;
- property acquired or proposed to be acquired by Wellard in connection with its formation or promotion of the Offer; or
- the Offer,

For personal use only

06. Directors, management and governance

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such person for services in connection with the formation or promotion of Wellard or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director of Wellard.

6.3.1 Interests of advisers

Wellard has engaged the following professional advisers in relation to the Offer and paid or agreed to pay the amounts set out below to the relevant advisers. In addition, further amounts may be paid to those advisers in accordance with their time-based charges for work after the date of this Prospectus:

- UBS and Deutsche Bank have acted as Joint Lead Managers and Underwriters of the Offer. Wellard has agreed to pay UBS and Deutsche Bank the fees described in Section 9.4.3 for these services;
- Corrs Chambers Westgarth has acted as Australian legal adviser to Wellard in relation to the Offer. Wellard has paid or agreed to pay approximately \$1.8 million (excluding disbursements and GST) for these services up until the Prospectus Date. Corrs Chambers Westgarth has been paid other fees in connection with corporate work undertaken for Wellard (not in connection with the Offer);
- PricewaterhouseCoopers Securities Ltd has acted as Investigating Accountant and has prepared the Investigating Accountant's Report included in this Prospectus in Section 8. Wellard has paid, or agreed to pay, approximately \$1.1 million (excluding disbursements and GST) for these services up until the Prospectus Date;
- Deloitte Touche Tohmatsu has provided corporate, financial, accounting and anti-corruption and bribery advice or assistance in preparation for the IPO. Wellard has paid, or agreed to pay, approximately \$1.0 million (excluding disbursements and GST) for these services up until the Prospectus Date;
- Deloitte Tax Services Pty Ltd has provided taxation due diligence services and other taxation advisory services in connection with the IPO and the Offer. Wellard has paid, or agreed to pay, approximately \$0.5 million (excluding disbursements and GST) for these services up until the Prospectus Date;
- Morgans Financial Limited has acted as Co-Lead Manager in relation to the Offer. It will be paid fees of 1.5% of the value of Shares allocated to clients of that Broker. Co-Lead Manager fees are payable by the Joint Lead Managers out of the fees payable to the Joint Lead Managers under the Underwriting Agreement. In addition, Morgans Financial Limited may receive a base fee of \$150,000 and a discretionary incentive fee of up to \$100,000; and
- CBA Equities Limited, UBS Wealth Management, Deutsche Craigs Limited and Wilson HTM Limited have acted as Co-Managers in relation to the Offer. Each Co-Manager will be paid fees of 1.5% of the value of Shares allocated to clients of that broker. Co-Manager fees are payable by the Joint Lead Managers out of the fees payable to the Joint Lead Managers under the Underwriting Agreement.

These amounts, and other expenses of the Offer, will effectively be borne by Wellard. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.1.2.

6.3.2 Directors' interests and remuneration

6.3.2.1 Chief Executive Officer remuneration

Refer to Section 6.3.3.1 for a description of the CEO's remuneration.

6.3.2.2 Non-Executive Director remuneration

Under the Constitution, the Non-Executive Directors will be remunerated for their services as a Director of Wellard by:

- an amount or value of remuneration each year (if any) as Wellard in a general meeting determines; or
- an aggregate amount or value of remuneration (if any) not exceeding the maximum amount or value as Wellard in a general meeting determines, to be divided among the Non-Executive Directors in such proportion and manner as they agree or if they do not agree, equally.

06. Directors, management and governance

Under the ASX Listing Rules, the total amount paid to all Non-Executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by Wellard's general meeting. Wellard has fixed the maximum amount at \$800,000 per annum.

Annual Directors' fees currently agreed to be paid by Wellard are \$200,000 to the Chairman, David Griffiths, and \$100,000 to each other Non-Executive Director. In addition, the Chair of the Audit, Risk and Compliance Committee will be paid \$25,000 annually and each member of this committee will be paid \$10,000 annually. The Chair of the Nomination and Remuneration Committee will be paid \$25,000 annually and each member of this committee will be paid \$10,000 annually. All Directors' fees are inclusive of statutory superannuation obligations.

6.3.2.3 Deeds of indemnity, access and insurance

Wellard has entered into deeds of indemnity, access and insurance with each Director, which contain rights of access to certain books and records of Wellard for a period of seven years after the Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven year period expires.

Pursuant to the Constitution, Wellard must indemnify Directors and officers, past and present, against liabilities that arise from their position as a Director or officer allowed under law. Under the deeds of indemnity, access and insurance, Wellard indemnifies each Director or officer against liabilities that may arise from their position as a Director of Wellard to the extent permitted by law. The deed of indemnity, access and insurance stipulates that Wellard will reimburse and compensate each Director for any such liabilities, including reasonable legal costs and expenses.

Pursuant to the Constitution, Wellard will arrange and maintain Directors' and officers' insurance for its Directors to the extent permitted by law. Under the deed of indemnity, access and insurance, Wellard must, so far as a Directors' and officers' policy is available on reasonable commercial terms, maintain or procure the maintenance of such insurance during each Director's period of office and for a period of seven years after a Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven year period expires.

6.3.2.4 Directors' interests in Shares and other securities

Directors are not required by the Constitution to hold any Shares.

The Directors are entitled to apply for Shares under the Offer. Final Directors' shareholdings will be notified to the ASX on Listing. The Directors' holdings (either personally or through entities associated with the Director) on Completion of the Offer (subject to any further acquisitions under the Offer) are outlined below:

- At Completion of the Offer, Mauro Balzarini is expected to have a direct or indirect interest in approximately 36.6% of Shares (based on the key offer assumptions set out in Section 7 and on the basis of completion of the transfer of Shares to Wellard employees as described in Section 6.3.3.4)
- At Completion of the Offer, Greg Wheeler is expected to have a direct or indirect interest in approximately 0.2% of Shares (based on the key offer assumptions set out in Section 7)

Some of the Non-Executive Directors will subscribe for Shares under the Offer.

6.3.2.5 Other information about Directors' interests and benefits

Directors may also be reimbursed for reasonable costs and expenses incurred in connection with attending to Wellard's affairs. If a Director performs extra services or makes any special exertions, he or she may be paid such special and additional remuneration as the Directors decide is appropriate, having regard to the value to Wellard of the extra services or special exertions. There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

The interests of Directors and managers are set out in Section 6.3.

06. Directors, management and governance

6.3.3 Executive remuneration

6.3.3.1 Chief Executive Officer

Term	Description
Employer	Mauro Balzarini is employed by Wellard.
Total fixed remuneration	Under the terms of his employment agreement, the CEO is entitled to annual total fixed remuneration (TFR) of US\$650,000 which includes base salary, statutory superannuation contributions and Directors' fees in relation to his Directorship of Wellard and/or any related body corporate. His salary is subject to annual review.
Employee Incentive Plan	The Board expects that the CEO would be entitled to participate in the proposed employee incentive plan (once adopted), which is discussed in Section 6.3.4.
Termination	<p>The CEO's employment may be terminated by either party upon giving three months' notice.</p> <p>His employment may also be terminated by Wellard without notice in circumstances including material breach and serious misconduct.</p> <p>Mr Balzarini is subject to non-compete restrictions, which continue for up to 12 months after his employment ceases. The enforceability of the restraint clause is subject to all usual legal requirements. The non-compete restrictions have a carve out to allow Mr Balzarini to continue to be a Director of WGH and its subsidiaries and to permit WGH Group to conduct its activities in the ordinary course (subject to the restrictions described in Section 9.4.10).</p> <p>Any amount payable upon termination of employment is subject to any limit under the Corporations Act or ASX Listing Rules.</p>

6.3.3.2 Finance Director/Company Secretary

Term	Description
Employer	Greg Wheeler is employed by Wellard.
Total fixed remuneration	Under the terms of his employment agreement, Mr Wheeler is entitled to annual TFR of \$350,000 which includes base salary, statutory superannuation contributions and Directors' fees in relation to his Directorship of Wellard and/or any related body corporate. His salary is subject to annual review.
Employee Incentive Plan	The Board expects that the Finance Director would be entitled to participate in the proposed employee incentive plan (once adopted), which is discussed in Section 6.3.4.
Termination	<p>Mr Wheeler's employment may be terminated by either party upon giving three months' notice.</p> <p>His employment may also be terminated by Wellard without notice in circumstances including material breach and serious misconduct.</p> <p>Mr Wheeler is subject to non-compete obligations, which continue for up to 12 months after his employment ceases. The enforceability of the restraint clause is subject to all usual legal requirements. The non-compete restrictions have a carve out to allow Mr Wheeler to continue to be a Director of WGH and its subsidiaries and to permit WGH Group to conduct its activities in the ordinary course (subject to the restrictions described in section 9.4.10).</p> <p>Any amount payable upon termination of employment is subject to any limit under the Corporations Act or ASX Listing Rules.</p>

06. Directors, management and governance

6.3.3.3 Senior management

Wellard employs certain of its senior management under individual employment agreements. These agreements establish an entitlement to TFR including base salary and statutory superannuation contributions in accordance with their service agreements. Certain members of senior management may also be eligible to participate in the proposed employee incentive plan (once adopted) at a specified target level based on annual fixed remuneration where performance on key metrics exceeds specified target levels (refer to Section 6.3.4).

Certain executives working outside Australia are engaged through consultancy arrangements. These arrangements include restraints and termination arrangements which are comparable to those applicable to those which apply to senior managers under employment agreements. These executives may also be eligible to participate in the proposed employee incentive plan (once adopted) at a specified target level based on annual fixed remuneration where performance on key metrics exceeds specified target levels (refer to Section 6.3.4).

Certain senior management are also eligible to participate in an existing employee incentive plan at specified target levels where performance on key metrics exceeds for FY2016 specified target levels.

6.3.3.4 One-off IPO bonus

It is intended that a number of employees, consultants and others not part of the Wellard Group (other than the Chief Executive Officer) will be entitled to receive a one-off IPO bonus from WGH in recognition of their contribution to the development of Wellard and the Listing. This one-off IPO bonus is provided by WGH, not Wellard, and the amount of the bonus granted to each participant will be determined by WGH.

The bonus will be provided by WGH at or around the time of Listing, and will be in the form of Shares and/or, in limited cases, the payment of cash amounts. The total amount of Shares the subject of this one-off IPO bonus is approximately 3.42% of the issued capital of Wellard. WGH is permitted to transfer the Shares for this purpose under the Voluntary Escrow Agreement.

The Shares allocated to key executives as part of this one-off IPO bonus include Greg Wheeler, Scot Braithwaite, Paolo Triglia and Domenic Bazzoni. These Shares will be subject to restrictions on dealing as described in Section 7.6.2.

6.3.4 Employee incentive arrangements post Completion of the Offer

The Board intends to put in place an appropriate employee incentive plan for senior management following Completion of the IPO.

Wellard proposes to establish various incentive arrangements to assist in the attraction, motivation and retention of its senior management (including the Chief Executive Officer, Chief Financial Officer and other members of senior management) and other employees. The employee incentive plan is expected to be established within six months of Listing.

The form of any incentive is to be determined after Listing, but is anticipated to include a long term incentive plan (**LTI Plan**) having the following characteristics:

- participation in the LTI Plan will be made at the Board's discretion to employees of Wellard or its related bodies corporate or any other person that the Board determines to be eligible;
- vesting of any equity based incentives (such as Shares, options or performance rights) will be subject to the satisfaction of performance conditions set by the Board;
- performance conditions for any LTI Plan will be tested over a performance period of at least three years; and
- performance conditions for any LTI Plan will be based on performance measures appropriate for the relevant executive and may include conditions based on the compound annual growth rate of Wellard's earnings per Share over the performance period.

Shareholder approval will be sought for the LTI Plan and the participation by executive directors in any LTI Plan adopted by Wellard.

6.3.5 Ongoing shareholding of existing Shareholders

The WGH IPO Subsidiaries are currently wholly-owned by WGH or its related entities. Mauro Balzarini, the CEO and Executive Director of Wellard, and his related entities, own approximately 79% of WGH's issued ordinary shares and is the ultimate controller of the entities which make up WGH. Refer to Section 6.3.2.4 for further details.

WGH will, as consideration for the sale of the IPO Subsidiaries, receive Shares in Wellard and cash raised through the Offer. WGH will receive Shares representing a 40%³⁰ Shareholding in Wellard, and the balance in cash. See Section 7.1.5 for further details of the Shareholding expected to be held by WGH after Completion of the Offer and Section 9.4.1.2 for details of the balance consideration.

The Shares held by WGH on Completion of the Offer will be subject to voluntary escrow arrangements, as outlined in Section 7.6.

6.4 WGH and Related Party Arrangements

Other than as disclosed in this Prospectus, Wellard is not party to any material related party arrangements.

Refer to Section 9.4 for a description of ongoing arrangements between Wellard and WGH and Section 6.3.3 in relation to the ongoing roles of Mauro Balzarini and Greg Wheeler as Directors of WGH and certain of its subsidiaries.

6.5 Corporate Governance

This Section 6.5 explains how the Board oversees the management of Wellard's business. The Board is responsible for the overall corporate governance of Wellard, including establishing and monitoring key performance goals. The Board monitors the operational and financial position and performance of Wellard, as well as overseeing its business strategy, including setting and monitoring strategic goals and approving annual budgets and business plans. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return and sustaining the growth and success of Wellard's business. In conducting Wellard's business with these objectives, the Board seeks to ensure that Wellard is properly managed to protect and grow Shareholder interests and that Wellard and its Directors, officers and personnel operate in an appropriate environment of corporate governance.

The Board is developing a framework for managing Wellard, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Wellard's business and which are designed to promote the responsible management and conduct of Wellard.

The ASX Corporate Governance Council has developed and released its third edition of the Corporate Governance Principles and Recommendations (**ASX Recommendations**) for Australian listed entities in order to promote investor confidence and to assist companies in meeting stakeholder expectations. The ASX Recommendations are guidelines not prescriptions.

Under the ASX Listing Rules, Wellard will be required to provide a corporate governance statement in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period. Where Wellard does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it.

The Board expects to comply with all of the ASX Recommendations.

Copies of Wellard's key policies and practices and the charters for the Board and each of its committees will be available at www.wellard.com.au during the Offer period. A copy of any of these documents will be sent to you if you request one during the Offer Period.

³⁰ Prior to the transfer of Shares to Wellard employees, consultants and others not part of the Wellard Group as permitted under the WGH voluntary escrow arrangements. Refer to section 7.6.1. After these transfers WGH will be a 36.6% Shareholder in Wellard.

6.5.1 The Board of Directors

6.5.1.1 *Composition of the Board*

The Board of Directors is comprised of the Non-Executive Chairman, the CEO, the CFO and two other Non-Executive Directors. Detailed biographies of the Board members on Listing are provided in Section 6.1. Wellard will consider the appointment of another Independent Non-Executive Director before the end of FY2016.

The Directors consider that the Board will be of an appropriate size and composition and that the Directors will have the skills and commitment to enable the Board to discharge its duties effectively.

6.5.1.2 *Independence of Directors*

The Board considers an independent Director to be a Non-Executive Director who is not a member of Wellard's management and who is free of any business or other relationship that could materially interfere with or reasonably be perceived to interfere with the independent exercise of their judgement. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time.

The board charter sets out factors relevant to assessing the independence of Directors in accordance with the ASX Recommendations. The Board will from time to time determine relevant materiality thresholds for the purposes of assessing the independence of Directors.

The Board considers that each of David Griffiths, Sharon Warburton and Philip Clausius are free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of the Director's judgement and is able to fulfil the role of an independent Director for the purposes of the ASX Recommendations.

On this basis, the Board will consist of a majority of independent Directors. The Board considers that each of the Non-Executive Directors (all of whom are regarded as being independent) brings an objective and independent judgement to the Board's deliberations and that each of the Non-Executive Directors makes a valuable contribution through the skills they bring to the Board and their understanding of Wellard.

6.5.1.3 *Board charter*

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

- the roles and responsibilities of the Board, including to provide overall corporate governance for Wellard, approval and oversight of senior management's implementation of strategic objectives, approval of Wellard's financial reports and capital management, the promotion and facilitation of effective disclosure of material information, along with compliance and risk management;
- the role and responsibilities of the Chair, CEO and company secretary;
- the delegations of authority of the Board to both committees of the Board and the CEO and other management of Wellard;
- the membership of the Board, including in relation to the Board's composition, size and skills, independence of Directors and conduct of individual Directors; and
- Board process, including how the Board meets.

6.5.2 Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established the Audit, Risk and Compliance Committee and the Nomination and Remuneration Committee. Other committees may be established by the Board as and when required to consider other matters of special importance.

6.5.2.1 *Audit, Risk and Compliance Committee*

The role of the Audit, Risk and Compliance Committee is to assist the Board to fulfil its responsibilities to oversee financial reporting, the internal control structure, risk managements systems and the external audit function, including overseeing and reviewing:

- the external reporting process;
- the adequacy, expertise and independence of Wellard's external auditors;
- the performance of the external audit function and review of their audits;
- the effectiveness of Wellard's system of risk management and internal controls; and
- Wellard's systems and procedures for compliance with applicable legal, regulatory and animal welfare requirements.

As required under the Audit, Risk and Compliance Committee charter, the Audit, Risk and Compliance Committee will comprise at least 3 members, all of whom will be Non-Executive Directors, and a majority of whom will be Independent Directors.

The members of the Audit, Risk and Compliance Committee are Sharon Warburton (Chair), David Griffiths and Philip Clausius.

Wellard will comply with the ASX recommendations set by the ASX Corporate Governance Council in relation to the operation of the Audit, Risk and Compliance Committee.

6.5.2.2 *Nomination and Remuneration Committee*

The role of the Nomination and Remuneration Committee is to assist and advise the Board on the following nomination and remuneration related matters:

- ensuring that the Board has an appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively;
- addressing Board and senior management succession issues; and
- setting the level and composition of remuneration for Directors and senior executives and ensuring it is appropriate and not excessive.

As required under the Nomination and Remuneration Committee charter, the Nomination and Remuneration Committee will comprise at least three members, a majority of whom will be Independent Directors.

The members of the Nomination and Remuneration Committee are David Griffiths (Chair), Sharon Warburton and Philip Clausius.

6.5.3 Key corporate governance policies

The Board adopted the following corporate governance policies, taking into account the Corporations Act, the ASX Listing Rules and the ASX Recommendations.

6.5.3.1 Diversity policy

Wellard has adopted a diversity policy which sets out Wellard's commitment to diversity and inclusion in the workplace. The diversity policy provides a framework to achieve Wellard's diversity goals and commitment to creating a diverse work environment where everyone is treated fairly and with respect and where everyone feels responsible for the reputation and performance of Wellard.

The Board, through the Nomination and Remuneration Committee, will oversee the implementation of the diversity policy and assess progress in achieving its objectives over time.

Wellard will report annually on the measurable objectives adopted to achieve diversity and on the progress towards achieving those objectives.

6.5.3.2 Disclosure and communication policy and communications with Shareholders

Once listed, Wellard will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, Wellard will be required to disclose to the ASX any information concerning Wellard 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. Wellard is committed to observing its disclosure obligations under the ASX Listing Rules and the Corporations Act. Copies of documents lodged with ASIC in relation to Wellard may be obtained from, or inspected at an ASIC office.

The Board's aim is to ensure that Shareholders are provided with sufficient information to assess the performance of Wellard and that they are informed of all major developments affecting the state of affairs of Wellard relevant to Shareholders in accordance with all applicable laws. Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with the ASX and publishing information on Wellard's website at www.wellard.com.au. In particular, Wellard's website will contain information about it, including media releases, key policies and the terms of reference of its Board committees. All relevant information will be posted on Wellard's website as soon as it has been released to the ASX.

Wellard has adopted a policy to take effect from Listing which establishes procedures which are aimed at ensuring that Directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information. Under the continuous disclosure policy, the Board will be responsible for managing Wellard's compliance with its continuous disclosure obligations.

6.5.3.3 Securities trading policy

Wellard has adopted a written policy to take effect from Listing for dealing in securities which is intended to explain the prohibited type of conduct in relation to dealings in securities under the Corporations Act and to establish a best practice procedure in relation to Directors', officers', employees', consultants', contractors' and their families and closely connected persons' dealings in Shares.

The securities trading policy sets out the restrictions that apply to dealing with Shares including "prohibited periods", during which certain persons are generally not permitted to deal with Shares along with a procedure under which certain persons are required to submit prior notification and obtain written confirmation prior to dealing in Shares outside "prohibited periods".

For personal use only

6.5.3.4 Related party transactions policy

Wellard is committed to responsible corporate governance, including compliance with laws and regulations governing related party transactions. Accordingly, a policy has been created to assist Wellard management and the Board in dealing with actual and/or potential related party transactions.

Wellard has adopted a written policy to take effect from Listing which establishes the formal processes for reporting, approving and recording deliberations in respect of related party transactions. All related party transactions notified to the Company Secretary (or, in the case of transactions involving WGH or other related parties of key executives, notified to the Chairman of the Board or the Chairman of the Audit, Risk and Compliance Committee) will be reviewed for compliance with this policy, applicable legal requirements and whether any material reputational issues for Wellard and the Board are expected now or in the future in relation to the related party transaction.

Refer to Section 9.4 for a description of ongoing arrangements between Wellard and WGH.

6.5.3.5 Code of Conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal code of conduct, to take effect from Listing, to be followed by all representatives of Wellard, including Directors, officers and employees of Wellard and contractors acting on behalf of Wellard. The key aspects of this code are:

- the creation of sustainable value for Shareholders and other stakeholders;
- compliance with the law;
- respect for local cultures;
- a healthy and safe workplace (see also Section 3.2.1.6 of this Prospectus);
- compliance with animal welfare standards;
- responsible environmental management; and
- integrity, fairness and respect in its interactions with others.

The code sets out Wellard's policies on various matters including conflicts of interest, use of Wellard's assets, giving or accepting gifts or giving or offering bribes, discrimination, harassment, health and safety, responsibility to Shareholders and other stakeholders, and insider trading obligations. The code also sets out the consequences for a breach of the code.

The Board has adopted a formal Fraud and Corruption Control Plan aligned with the Australian Standard for Fraud and Corruption Control (AS 8001:2008), the Australian Commonwealth Criminal Code Act No. 12 of 1995 and relevant international good practice standards.

The Code of Conduct and the Fraud and Corruption Control plan are supplemented with relevant policies and procedures that support the operation thereof, including an Anti-Bribery and Corruption Policy, Disciplinary Policy, Whistleblower Policy (including the appointment of an Independent Non-Executive Director to listen to and action any whistleblowing events) and Investigation Response Procedure.

Additionally, Wellard will launch an internal training and communications program aimed at creating awareness of and compliance with corporate practice and business conduct standards.

An external review of Wellard's compliance with the relevant legislation and policies has been conducted and no instances of non-compliance were discovered.

For personal use only



07.

Details of
the Offer

07. Details of the Offer

7.1 The Offer

This Prospectus relates to the Offer of 215.0 million new fully paid ordinary Shares in Wellard at an Offer Price of \$1.39 per Share (**Offer Price**). The Shares offered under this Prospectus will represent approximately 53.8% of the Shares on issue at Completion of the Offer. The Offer is expected to raise approximately \$298.9 million. The total number of Shares on issue at Completion of the Offer will be 400.0 million and all Shares issued pursuant to this Prospectus will, from the time they are issued, rank equally with each other. A summary of the rights attaching to the Shares is set out in Section 7.10.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1 Structure of the Offer

The Offer comprises:

- the **Broker Firm Offer** – open to Australian and New Zealand resident retail clients of Brokers who have received a firm allocation of Shares from their Broker;
- the **Priority Offer** – open to selected investors in Australia and New Zealand who have received an invitation; and
- the **Institutional Offer** – an invitation to bid for Shares made to Institutional Investors in Australia and in certain other eligible jurisdictions.

No general public offer of Shares will be made under the Offer. There are no options or convertible securities in existence.

Details of the Broker Firm Offer and the allocation policy under it are described in Section 7.3. Details of the Priority Offer and the allocation policy under it are described in Section 7.4. Details of the Institutional Offer and the allocation policy under it are described in Section 7.5. The allocation of Shares between the Broker Firm Offer, the Priority Offer and the Institutional Offer was determined by the Joint Lead Managers, in agreement with Wellard. The allocation policies for each of the Broker Firm Offer, the Priority Offer and the Institutional Offer are outlined in Sections 7.3.4, 7.4.6 and 7.5.2.

The Offer has been fully underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, is set out in Section 9.4.3.

7.1.2 Purpose of the Offer and use of proceeds

The purpose of the Offer is to:

- fund the acquisition by Wellard of the IPO Subsidiaries and repay certain external debt;
- provide Wellard with the financial flexibility to execute its identified growth initiatives and longer-term strategy;
- pay the costs of the Offer; and
- provide a liquid market for the Shares and an opportunity for others to invest in Wellard.

Figure 71 details Wellard's sources of funding (including the Offer) and the uses of those amounts, assuming Completion of the Offer occurs on Monday, 14 December 2015.

07. Details of the Offer

Figure 71: Sources and uses of funds³¹

Sources of funds	\$ million	%	Uses of funds	\$ million	%
Offer proceeds	298.9	100%	IPO costs	21.0	7%
			SCB/UOB/NFAL debt repayment	68.3	23%
			Cash to balance sheet	65.1	22%
			Cash paid to WGH ³²	144.5	48%
Total sources	298.9	100%	Total Uses	298.9	100%

7.1.3 Pro Forma Historical Statement of Financial Position

Wellard's Pro Forma Historical Statement of Financial Position following Completion of the Offer, including details of the pro forma adjustments, is set out in Section 4.5.

7.1.4 Capitalisation and indebtedness

Wellard's capitalisation and indebtedness as at 30 June 2015 and following the Completion of the Offer is set out in Section 4.5.2.

7.1.5 Shareholding structure

Details of the ownership of Shares on Completion of the Offer are set out in Figure 72 below:

Figure 72: Shareholding Structure

100.0%	Following Completion of the Offer (million Shares)	Following Completion of the Offer (% of issued Share capital)
WGH ³³	146.3	36.6%
Wellard Employees ³⁴	13.7	3.4%
SCPEL ³⁴	25.0	6.3%
Other Shareholders	215.0	53.8%
Total	400.0	100.0%

³¹ Based on the Pro Forma Historical Statement of Financial Position as at 30 June 2015 and subject to the principles under the Separation Agreement as set out in Section 9.4.1.1.

³² Variance between this figure and the cash payment to WGH as noted in Figure 53 relates to:

- SCB/UOB/NFAL debt repayment is up to US\$51.3 million contingent on final balances outstanding at Completion of the Offer. The balances outstanding as at 30 June 2015 and drawn down prior to Completion were US\$50.6 million, therefore there is a difference of US\$0.7 million (or \$1.1 million);
- Payroll tax on management incentive payments of \$(0.6) million;
- Separation Agreements adjustment mechanism applied against 30 June 2015 balances (resulting in an \$11.4 million difference).

³³ The number and percentage of Shares does not include the Shares to be transferred by WGH to Wellard employees, consultants and others not part of the Wellard Group, which will first be issued to WGH. SCPEL will receive Shares under the arrangements outlined in Section 7.6.3. Further, Fulida has the right to convert an investment in WGH into Shares at any time before 31 March 2016 by way of a transfer of Shares from WGH for up to US\$27.8 million worth of Shares at the Offer Price. Refer to Section 9.4.12.

³⁴ Wellard Employee Shares will be transferred by WGH to the employees (including consultants and others not part of the Wellard Group) shortly after the Completion of the Offer. The WGH Voluntary Escrow Agreement permits this transfer to occur. SCPEL will receive Shares under the arrangements outlined in Section 7.6.3.

7.1.6 Potential effect of the fundraising on the future of Wellard

The Directors believe that, on Completion of the Offer, Wellard will have sufficient funds available from the cash proceeds of the Offer and other available financing sources to fulfil the purposes of the Offer and meet Wellard's stated business objectives.

7.2 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in the capital of Wellard).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.10.
What is the consideration payable for each security being offered?	Successful Applicants under the Offer will pay the Offer Price, being \$1.39 per Share.
What is the Broker Firm Offer period?	<p>The Broker Firm Offer opens at 9:00am (AEDT) on Monday, 30 November 2015.</p> <p>The Broker Firm Offer closes at 5:00pm (AEDT) on Tuesday, 8 December 2015.</p> <p>The key dates, including details of the Offer period, are set out on page 3 of this Prospectus. This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in AEDT. Wellard, in consultation with the Joint Lead Managers, reserves the right to vary both of the above times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend any closing date, to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before settlement, in each case without notifying any recipient of this Prospectus or any Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.</p> <p>No securities will be issued on the basis of this Prospectus later than the expiry date of 13 months after the Prospectus Date.</p>
What are the cash proceeds to be raised?	Approximately \$298.9 million will be raised under the Offer.
Is the Offer underwritten?	Yes. The Joint Lead Managers have fully underwritten the Offer pursuant to the Underwriting Agreement. Details are provided in Section 9.4.
What is the minimum and maximum Application size under the Broker Firm Offer?	The minimum Application under the Broker Firm Offer is as directed by the Applicant's Broker.

07. Details of the Offer

Topic	Summary
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer, Priority Offer and the Institutional Offer will be determined by agreement between the Joint Lead Managers and Wellard, having regard to the allocation policy outlined in Sections 7.3.4, 7.4.6 and 7.5.2.</p> <p>For Broker Firm Offer participants, the relevant Broker will decide as to how they allocate Shares among their retail clients.</p> <p>The Joint Lead Managers, in conjunction with Wellard, have absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application, or allocate a lesser number of Shares than applied for. The Joint Lead Managers, in conjunction with Wellard, also reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person.</p>
When will I receive confirmation that my Application has been successful?	<p>It is expected that initial holding statements will be dispatched by standard post by Wednesday, 16 December 2015.</p>
When are the Shares expected to commence trading?	<p>It is expected that trading of the Shares on the ASX will commence on or about Thursday, 10 December 2015, initially on a conditional and deferred settlement basis.</p> <p>Trading will be on a conditional basis until Wellard has advised the ASX that the conditions of trading have been satisfied (including that the issue of Shares has completed, which is expected to have occurred on Monday, 14 December 2015). Trading will then be on an unconditional but deferred settlement basis until Wellard has advised the ASX that holding statements have been dispatched to Shareholders. Normal settlement trading is expected to commence on or about Tuesday, 17 December 2015.</p> <p>If settlement has not occurred within 14 days (or such longer period as the ASX allows) after the day Shares are first quoted on the ASX, the Offer and confirmations of allocations will be cancelled and of no further effect and all Application Monies will be refunded (without interest).</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. Wellard and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Wellard Offer Information Line, by a Broker or otherwise.</p>
Are there any escrow arrangements?	<p>Yes. Details are provided in Section 7.6.</p>
Has an ASIC relief or an ASX waiver been obtained or been relied on?	<p>Yes. Details are provided in Section 9.5.</p>
Are there any tax considerations?	<p>Refer to Section 9.7.</p>
Is there any brokerage, commission or stamp duty considerations	<p>No brokerage, commission or stamp duty should be payable by Applicants on acquisition of Shares under the Offer.</p>

For personal use only

Topic	Summary
What should I do with any enquiries?	<p>All enquiries in relation to this Prospectus should be directed to the Wellard Offer Information Line on 1800 187 991 (toll free within Australia) or +61 1800 187 991 (outside Australia) from 8:30am until 5:30pm (AEDT), Monday to Friday.</p> <p>All enquiries in relation to the Broker Firm Offer should be directed to your Broker.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether Shares are 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.</p>

7.3 Broker Firm Offer

7.3.1 Who may apply

The Broker Firm Offer is open to persons who have received a firm allocation of Shares from their Broker and who have a registered address in Australia or New Zealand. If you have received a firm allocation of Shares from your Broker, 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 you can receive an allocation of Shares from them under the Broker Firm Offer. The Broker Firm Offer is not open to persons in the United States.

7.3.2 How to apply

If you have received an allocation of Shares from your Broker and wish to apply for those Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions. Applicants under the Broker Firm Offer must not send their Application Forms or payment to the Share Registry. Applicants under the Broker Firm Offer should contact their Broker or the Wellard Offer Information Line on 1800 187 991 (toll free within Australia) or +61 1800 187 991 (outside Australia) to request a copy of this Prospectus and Application Form, or download a copy at www.wellard.com.au. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5:00pm (AEDT) on the relevant closing date or any earlier closing date as determined by your Broker.

If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received your firm allocation. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

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 an Application Form 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. Wellard, 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.

The Broker Firm Offer opens at 9:00am (AEDT) on Monday, 30 November 2015 and is expected to close at 5:00pm (AEDT) on Tuesday, 8 December 2015. Wellard and the Joint Lead Managers 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 or any part of it may be closed at any earlier time and date, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Contact your Broker for instructions.

7.3.3 Payment methods

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by that Broker.

07. Details of the Offer

7.3.4 Allocation policy under the Broker Firm Offer

Shares that have been allocated to Brokers for allocation to their Australian and New Zealand resident retail clients will be issued to the Applicants nominated by those Brokers. It will be a matter for each Broker as to how they allocate firm Shares among their retail clients, and they (and not Wellard or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received a firm allocation from them receive the relevant Shares.

7.3.5 Acceptance of Applications

An Application in the Broker Firm Offer is an offer by you to Wellard to apply for the amount of Shares specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement document) and the Application Form. To the extent permitted by law, an Application by an Applicant is irrevocable.

An Application may be accepted in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of Shares to successful Applicants.

The Joint Lead Managers, in agreement with Wellard, reserve the right to reject any Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Broker Firm Offer, or to waive or correct any errors made by an Applicant in completing their Application.

7.3.6 Application Monies

Application Monies received under the Broker Firm Offer will be held in a special purpose account until Shares are issued to successful Applicants. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will be mailed a refund (without interest) of all or part of their Application Monies, as applicable. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by Wellard.

7.4 Priority Offer

7.4.1 Who can apply

The Priority Offer is open to selected investors in Australia and New Zealand who have received an Invitation.

7.4.2 How to apply

If you have received an Invitation and you wish to apply for Shares, you should follow the instructions on how to apply in your personalised invitation.

Applications under the Priority Offer must be for a minimum of \$2,000 worth of Shares and in multiples of \$500 thereafter.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

7.4.3 How to pay

Applicants under the Priority Offer must pay by BPAY® following the instructions outlined in their personalised invitation and Priority Offer Application Form.

When completing your BPAY payment, please make sure to use the specific biller code and unique Customer Reference Number (CRN) provided to you on your online Priority Offer Application Form.

07. Details of the Offer

It is the Applicant's responsibility to ensure payments are received no later than 5:00pm (AEDT) on Tuesday, 8 December 2015. If you make a BPAY payment, your bank, credit union or building society may impose a limit on the amount that you can transact on BPAY and policies with respect to timing for processing BPAY transactions, which may vary between bank, credit union or building society. Neither Wellard nor the Joint Lead Managers take responsibility for any failure to receive Application Payments by BPAY before the end of the Offer Period arising as a result of, among other things, delays in processing of payments by financial institutions.

For more details, you should contact the Wellard Offer Information Line on 1800 187 991 (within Australia) or +61 1800 187 991 (outside Australia) from 8:30am to 5:30pm (AEDT), Monday to Friday (excluding public holidays).

7.4.4 Application Monies

Wellard reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Priority Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies provided by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down and any excess Application Monies refunded (without interest).

If the amount of your Application Monies that you pay is less than the amount specified on your Priority Offer Application Form, you may be taken to have applied for such lower Australian dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your Priority Offer Application Form) or your Application may be rejected.

7.4.5 Acceptance of Applications

An Application in the Priority Offer is an offer by an Applicant to Wellard to apply for Shares in the amount specified the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form (including the conditions regarding quotation on the ASX in Section 7.9). To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted by Wellard and the Joint Lead Managers in respect of the full number of Shares specified in the Application Form or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

7.4.6 Allocation policy under the Priority Offer

Applicants under the Priority Offer will receive a guaranteed allocation of Shares in the amount notified on their Invitation or such lesser amount validly applied for. Beyond this, the allocation of Shares to Applicants under the Priority Offer will be determined by the Joint Lead Managers and Wellard. Shares which have been allocated to Applicants under the Priority Offer will be issued to the Applicants who have received a valid allocation of Shares from Wellard (subject to the right of Wellard and the Joint Lead Managers to reject or scale back Applications which are for more than the guaranteed allocation).

The total size of the Priority Offer will be capped at \$500,000 at the Offer Price.

7.5 Institutional Offer

7.5.1 Invitations to bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares. The Joint Lead Managers separately advised Institutional Investors of the application procedures for the Institutional Offer.

7.5.2 Allocation policy under the Institutional Offer

The allocation of Shares among Applicants between the Institutional Offer was determined by the Joint Lead Managers in agreement with Wellard.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Joint Lead Managers. The allocation policy was influenced, but not constrained, by the following factors:

- the number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- Wellard's desire for an informed and active trading market following Listing;
- Wellard's desire to establish a wide spread of institutional Shareholders;
- the overall level of demand under the Broker Firm Offer and Institutional Offer;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long-term Shareholders; and
- any other factors that Wellard and the Joint Lead Managers considered appropriate.

7.6 Disposal restrictions on Shares

7.6.1 WGH voluntary escrow arrangements

Existing Shares held by WGH at Completion of the Offer will be subject to voluntary escrow arrangements.

Subject to the exceptions outlined below, WGH will be prevented from dealing in its Escrowed Shares from the Completion of the Offer to the business day after the date Wellard's results for FY2016 are released to the ASX and, in relation to 67% of the Escrowed Shares, for an additional period concluding on the business day after Wellard's results for FY2017 are released to the ASX (**Escrow Period**).

WGH and its controller, Mauro Balzarini, have entered into a voluntary escrow deed in respect of the Escrowed Shares. This deed will prevent them from dealing in the Escrowed Shares during the Escrow Period. The restriction on "dealing" is broadly defined and includes, among other things:

- disposing of, or agreeing or offering to dispose of, the Escrowed Shares, or any legal, beneficial or economic interest in any of those Shares; and
- doing, or omitting to do, any act if the act or omission would have the effect of transferring, directly or indirectly, effective ownership or control of any of the Escrowed Shares or any legal, beneficial or economic interest in those Shares, or agreeing to do any of those things.

This will include equivalent escrow restrictions to those noted above for Mauro Balzarini and entities he controls in relation to his controlling interests in WGH. The escrow restrictions do not prevent granting of security over the Escrowed Shares or the exercise of any rights by lenders under those security arrangements.

Further, WGH may deal in any of its Escrowed Shares if the dealing arises solely as a result of:

- the acceptance of a bona fide takeover bid in relation to its Escrowed Shares if holders of at least half of the Shares the subject of the bid that are not Escrowed Shares have accepted the takeover bid;
- the transfer or cancellation of the Escrowed Shares as part of a scheme of arrangement under Part 5.1 of the Corporations Act;
- a disposal of some or all of the Escrowed Shares to a company wholly owned by WGH;
- a disposal of some of the Escrowed Shares to provide a one-off IPO bonus to current and past employees, consultants and others not part of the Wellard Group for nil consideration to WGH, up to a maximum of 3.42% of the issued capital of Wellard (further details are set out in Section 6.3.3.4);
- a transfer to Fulida (or its nominee) of some of the Escrowed Shares to repay a loan owed to Fulida by WGH for up to US\$27.8 million worth of Shares at the Offer Price at any time before 31 March 2016 (further details are set out in Section 9.4.12); or
- a disposal of some of the Escrowed Shares under a loyalty scheme established to promote agricultural producers to supply livestock to Wellard, up to a maximum of 1.8% of the issued capital of Wellard,

07. Details of the Offer

or if the dealing in the Escrowed Shares is required by applicable law (including an order of a court of competent jurisdiction), provided that in the case of:

- an off-market bid, if the offer is conditional, Wellard and WGH agree that a holding lock will be applied for each share that is not bought by the bidder under the off-market takeover bid; and
- a merger by scheme of arrangement under Part 5.1 of the Corporations Act, WGH agrees in writing that a holding lock will be applied if the merger does not take effect.

In aggregate, 160.0 million Shares will be the subject of these escrow arrangements prior to the transfer of Shares from WGH to Wellard employees, consultants and others not part of the Wellard Group as permitted by the WGH voluntary escrow arrangements described in this Section 7.6.1.

7.6.2 Voluntary employee escrow arrangements

The Shares which Greg Wheeler, Scot Braithwaite, Domenico Bazzoni and Paolo Triglia will receive from WGH as part of the bonus and incentive scheme for current and past employees of the WGH Group will be subject to similar restrictions on dealing for the Escrow Period. Details of the bonus and incentive and incentive arrangements are described in Section 6.3.3.4.

The terms of these voluntary escrow agreements are materially the same to the WGH voluntary escrow agreement. However the exemptions to the escrow restrictions are limited to:

- the grant of security over the Escrowed Shares or the exercise of any rights by lenders under those security arrangements;
- the acceptance of a bona fide takeover bid in relation to its Escrowed Shares if holders of at least half of the Shares the subject of the bid that are not Escrowed Shares have accepted the takeover bid;
- the transfer or cancellation of the Escrowed Shares as part of a scheme of arrangement under Part 5.1 of the Corporations Act;
- a dealing in the Escrowed Shares required by applicable law (including an order of a court of competent jurisdiction),

provided that in the case of:

- an off-market bid, if the offer is conditional, Wellard and the shareholder agree that a holding lock will be applied for each share that is not bought by the bidder under the off-market takeover bid; and
- a merger by scheme of arrangement under Part 5.1 of the Corporations Act, the shareholder agrees in writing that a holding lock will be applied if the merger does not take effect.

7.6.3 SCPEL escrow arrangements

SCPEL is part of the private equity arm of Standard Chartered Bank.

SCPEL will receive 25 million Shares which form part of the Aggregate Purchase Price payable to WGH in part satisfaction of pre-existing obligations owed to it by WGH. SCPEL will, prior to Completion of the Offer, enter into a voluntary escrow deed in respect of those Shares. Under the terms of this deed, SCPEL will be prevented from dealing in such Escrowed Shares until the business day following the date that Wellard's results for FY2016 are released to the ASX.

SCPEL may deal in any of its Escrowed Shares if the dealing arises solely as a result of:

- a disposal of some or all of the Escrowed Shares to a company wholly-owned by SCPEL;
- a transfer of Escrowed Shares with the prior written consent of Wellard;
- a disposal under an equal access share buyback, capital return, capital reduction or similar pro rata re-organisation made in accordance with the Corporations Act;
- the acceptance of a bona fide takeover bid in relation to its Escrowed Shares if holders of at least half of the Shares the subject of the bid that are not Escrowed Shares have accepted the takeover bid;
- the transfer or cancellation of the Escrowed Shares as part of a scheme of arrangement under Part 5.1 of the Corporations Act;
- a dealing in the Escrowed Shares required by applicable law (including an order of a court of competent jurisdiction),

07. Details of the Offer

provided that in the case of:

- an off-market bid, if the offer is conditional, Wellard and the shareholder agree that a holding lock will be applied for each share that is not bought by the bidder under the off-market takeover bid; and
- a merger by scheme of arrangement under Part 5.1 of the Corporations Act, the shareholder agrees in writing that a holding lock will be applied if the merger does not take effect.

7.7 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia and New Zealand.

This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States or elsewhere outside Australia and New Zealand, unless it has attached to it the selling restrictions applicable in the jurisdictions outside Australia and New Zealand, and may only be distributed to persons to whom the Institutional Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States.

Each Applicant in the Broker Firm Offer and Priority Offer, and each person in Australia and New Zealand to whom the Institutional Offer is made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any State of the United States and may not be offered, sold or resold in the United States;
- it is not in the United States;
- it has not and will not send this Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia and New Zealand.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

7.8 Discretion regarding the Offer

In consultation with the Joint Lead Managers, Wellard may withdraw the Offer at any time before the issue of Shares to successful Applicants. In addition, Wellard may withdraw the Offer if the Restructure does not complete. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

Wellard and the Joint Lead Managers also reserve 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.

7.9 ASX listing, registers and holding statements, and conditional and deferred settlement trading

7.9.1 Application to the ASX for listing of Wellard and quotation of Shares

Wellard has applied to the ASX for admission to the official list of the ASX and quotation of the Shares on the ASX. Wellard's ASX code is expected to be WLD.

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit Wellard to its official list is not to be taken as an indication of the merits of Wellard or the Shares offered for subscription.

If permission is not granted for the official quotation of the Shares on the ASX within three months after the Prospectus Date (or any later date permitted by law), all Application Monies received by Wellard will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

Wellard will be required to comply with the ASX Listing Rules, subject to any waivers obtained by Wellard from time to time.

7.9.2 CHESS and issuer sponsored holdings

Wellard has applied to participate in the ASX's Clearing House Electronic Subregister System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, an electronic CHESS subregister or an issuer sponsored subregister. For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding. Certificates will not be issued. Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. Wellard and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.9.3 Conditional and deferred settlement trading and sale of Shares on market

It is expected that trading of the Shares on the ASX (on a conditional and deferred basis) will commence on or about Thursday, 10 December 2015.

If the Offer is withdrawn before Shares have commenced trading on an unconditional basis, all contracts for the sale of Shares on the ASX will be cancelled and any Application Monies will be refunded as soon as possible. Conditional and deferred settlement trading will continue until Wellard has advised the ASX that the Restructure has completed, which is expected to be on or about Monday, 14 December 2015.

If completion of the Restructure has not occurred by the end of the conditional and deferred settlement trading period, the Offer will not complete and all trades conducted during the conditional and deferred settlement trading period will be invalid and will not settle. All Application Monies will be refunded to Applicants. No interest will be paid on any Application Monies refunded as a result of the Offer not completing.

Following completion of the Restructure and issue of Shares under the Offer, trading on the ASX will then be on an unconditional but deferred settlement basis until Wellard has advised the ASX that holding statements have been dispatched to Shareholders. Normal settlement trading is expected to commence on or about Thursday, 17 December 2015.

It is the responsibility of each Applicant to confirm their holding before trading in Shares. If Shares are sold before receiving a holding statement, successful Applicants do so at their own risk. Wellard and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, if a Shareholder sells Shares before receiving a holding statement, even if the Shareholder obtained details of their holding from the Wellard Offer Information Line or confirmed their firm allocation through a Broker.

07. Details of the Offer

Shares are expected to commence trading on the ASX on a normal settlement basis on or about Thursday, 17 December 2015.

7.10 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

7.10.1 Introduction

The rights and liabilities attaching to ownership of Shares are:

- detailed in the Constitution which may be inspected during normal business hours at the registered office of Wellard; and
- in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not intended to be exhaustive and is qualified by the fuller terms of the Constitution. This summary does not constitute a definitive statement of the rights and liabilities of Shareholders.

All Shares issued pursuant to this Prospectus will, from the time they are issued, rank equally with all existing Shares.

7.10.2 Meeting of members

Each Shareholder is entitled to receive notice of and, except in certain circumstances, to attend and vote at general meetings of Wellard and receive all financial statements, notices and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules. At least 28 days' notice of a meeting must be given to Shareholders.

7.10.3 Voting at a general meeting

At a general meeting of Wellard, every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each Share held.

On a poll, every member (or his or her proxy, attorney or representative) is entitled to a vote for each Share held and in respect of each partly paid share, is entitled to a fraction of a vote equivalent to the proportion which the amount paid up (not credited) on that partly paid share bears to the total amounts paid and payable (excluding amounts credited) on that share. Amounts paid in advance of a call are ignored when calculating the proportion.

7.10.4 Dividends

Subject to the Corporations Act, the ASX Listing Rules, the Constitution and any special terms and conditions of issue, the Directors may, from time to time, pay, resolve to pay, or declare any interim, special or final dividend as, in their judgement, the financial position of Wellard justifies.

The Directors may fix the amount, time and method of payment of the dividends. The payment of a dividend does not require any confirmation by a general meeting.

Subject to any special rights or restrictions attached to any Shares or class of Shares, all dividends must be paid equally on all Shares and in proportion to the number of, and the amounts paid on, the Shares held.

7.10.5 Transfer of Shares

Subject to the Constitution and to the rights or restrictions attached to any Shares or class of Shares, a member may transfer all or any of the member's Shares by:

- a Proper ASTC Transfer (as that term is defined in the Regulations); or
- an instrument in writing in any usual form or in any other form that the Directors approve.

Wellard may decline to register a transfer of Shares in a number of situations including:

- in the circumstances permitted under the ASX Listing Rules or ASX Settlement Operating Rules, as applicable;
- where the transfer is not in registrable form; or
- where the refusal to register the transfer is otherwise permitted under the ASX Listing Rules or, except for a Proper ASTC Transfer (as that term is defined in the Regulations), under the terms of issue of the shares.

If the Directors decline to register a transfer, Wellard must give the party lodging the transfer written notice of the refusal and the reason for refusal.

Wellard must refuse to register a transfer of Shares if required to do so by the ASX Listing Rules. The Directors may suspend the registration of a transfer at such time and for such periods as they think fit as permitted by the Corporations Act, ASX Listing Rules and ASX Settlement Operating Rules.

7.10.6 Issue of further Shares

Subject to the Constitution, the ASX Listing Rules, the ASX Settlement Operating Rules and the Corporations Act, the Directors may issue Shares or grant options over unissued Shares to any person and they may do so at such times and on the conditions they think fit. The Shares may be issued with preferred, deferred or special rights, or special restrictions about dividends, voting, return of capital, participation in the property of Wellard on a winding up or otherwise as the Directors see fit.

7.10.7 Preference Shares

Wellard may issue preference Shares including those which are liable to be redeemed or convertible to ordinary Shares. The rights attaching to preference Shares are those set out in the Constitution unless other rights have been approved by special resolution of the members of Wellard.

7.10.8 Winding up

If Wellard is wound up, then subject to the Constitution and to the rights or restrictions attached to a class of Shares, any surplus assets must be divided among Wellard's members in proportion to the Shares held by them (irrespective of the amounts paid or credited as paid on the shares), less any amounts which remain unpaid on these Shares at the time of distribution.

7.10.9 Sale of non-marketable parcels

Provided that the procedures set out in the Constitution are followed, Wellard may sell the Shares of a Shareholder who holds less than a marketable parcel of those Shares. A marketable parcel of shares is defined in the ASX Listing Rules and is, generally, a holding of shares with a market value of not less than \$500.

7.10.10 Share buy-backs

Wellard may buy back Shares in itself in accordance with the provisions of the Corporations Act and, where applicable, the ASX Listing Rules.

7.10.11 Variation of class rights

Subject to the Corporations Act and the terms of issue of the Shares, wherever the capital of Wellard is divided into different classes of Shares, the rights attached to any class of Shares may be varied with:

- the written consent of the holders of at least three quarters of the issued shares in the particular class; or
- the sanction of a special resolution passed at a separate meeting of the holders of shares in that class.

7.10.12 Reduction of share capital

Subject to the Constitution, Corporations Act and ASX Listing Rules, Wellard may reduce its share capital in any way permissible by the Corporations Act.

7.10.13 Proportional takeover provisions

The Constitution contains provisions requiring Shareholder approval before any proportional takeover bid can proceed. The provision will lapse three years from the date of adoption of the Constitution unless it is renewed by special resolution of Shareholders in a general meeting of Wellard.

7.10.14 Dividend reinvestment plan

The Constitution contains a provision allowing Directors to implement a dividend reinvestment plan. It is not currently intended that a dividend reinvestment plan will be implemented.

7.10.15 Directors – appointment and removal

Under the Constitution, the minimum number of Directors is three and the maximum is seven, unless the Company in general meeting resolves otherwise.

Wellard may elect Directors by resolution. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who (other than the managing Director) will then hold office until the next annual general meeting of Wellard and is then eligible for election at that meeting.

No Director (other than the managing Director) may hold office without re-election after three years or beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected (whichever is later).

7.10.16 Directors – voting

Questions arising at a meeting of Directors will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chair of the meeting has a casting vote, unless there are only two Directors present or qualified to vote, in which case the proposed resolution is taken as having been lost.

7.10.17 Variation of the Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of members present and voting at a general meeting of Wellard. Wellard must give at least 28 days' written notice of its intention to propose a resolution as a special resolution.

7.10.18 Directors' and officers' indemnity

Wellard, to the extent permitted by law, indemnifies each person who is a current or former director, officer or secretary of Wellard or a subsidiary of Wellard against any losses or liability incurred by that person as a director, officer or secretary of Wellard or its subsidiary including, but not limited to, a liability for legal costs.

Wellard, to the extent permitted by law, may enter into and pay premiums on a contract insuring any person who is a current or former director, officer, or secretary of Wellard or a subsidiary of Wellard, against any liability incurred by the person as a director, officer or secretary of Wellard or its subsidiary including, but not limited to, a liability for legal costs.

Wellard has entered into deeds of indemnity, access and insurance with each director and secretary of Wellard. These are summarised in Section 6.3.



Personal use only

08.

Investigating Accountant's Report

08. Investigating Accountant's Report

8.1 Investigating Accountant's Report



The Directors
Wellard Limited
1A Pakenham Street
Fremantle WA 6160

20 November 2015

Dear Directors

Investigating Accountant's Report

Independent Limited Assurance Report on Wellard Limited historical and forecast financial information and Financial Services Guide

We have been engaged by Wellard Limited (the **Company** or **Wellard**) to prepare this report for inclusion in the prospectus dated on or about 20 November 2015 (**Prospectus**) and relating to the issue of ordinary shares in Wellard (the **Offer**).

Upon and conditional upon completion of the Offer, the Company will acquire the shares of each of the following entities from Wellard Group Holdings Pty Ltd (**WGH**):

- Wellard Rural Exports Pty Ltd (Australia) (**WRE**)
- Wellard Feeds Pty Ltd (Australia)
- Wellard Animal Production Pty Ltd (Australia)
- Wellard Ships Pte Ltd (Singapore), (**Wellard Ships**) inclusive of its wholly owned subsidiaries (the **Wellard Ships Subsidiaries**)
- Wellard NZ Limited (New Zealand); and
- Wellard Do Brazil Agronegocios Ltd (Brazil).

(collectively, the **WGH IPO Subsidiaries**).

The Wellard Ships Subsidiaries are comprised of:

- Ocean Drover Pte Ltd (Singapore);
- Niuyang Express Pte Ltd (Singapore); and
- Ocean Shearer Pte Ltd (Singapore).

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

For personal use only



Upon or following completion of the Offer, the Company will also acquire the shares of Portimor S.A. (Uruguay), to be renamed Wellard do Uruguay S.A. (**Wellard Uruguay**) from Mr Mauro Balzarini (the WGH IPO Subsidiaries and Wellard Uruguay collectively referred to herein as the **IPO Subsidiaries**).

Expressions and terms defined in the Prospectus have the same meaning in this report.

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. 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 1.

Background

Wellard was incorporated on 10 September 2015 and does not currently own the business which is conducted by the IPO Subsidiaries. Upon and conditional upon completion of the Offer, Wellard (or a subsidiary) will acquire the IPO Subsidiaries from WGH (in respect of the WGH IPO Subsidiaries) and Mr Mauro Balzarini (in respect of Wellard Uruguay) under the terms of the restructure/Offer as described in Section 9.4.1 of the Prospectus.

Scope

You have requested PricewaterhouseCoopers Securities Ltd to review the following historical financial information of the IPO Subsidiaries included in the Prospectus:

Historical Financial Information

- the Statements of Financial Performance of the IPO Subsidiaries for the years ended 30 June 2013, 30 June 2014 and 30 June 2015 as described in Appendix B of the Prospectus; and
- the Statement of Financial Position of the IPO Subsidiaries as at 30 June 2015 as described in Appendix B of the Prospectus

The historical financial information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

The historical financial information has been extracted from the financial reports of the IPO Subsidiaries for the years ended 30 June 2013, 30 June 2014 and 30 June 2015 as follows:

For FY2013:

- the general purpose statutory financial statements of WGH and the special purpose statutory financial statements of WRE, both of which were audited by Ernst & Young in accordance with Australian Auditing Standards and upon which unmodified audit opinions were issued;
- the management consolidation working papers underlying the audited general purpose statutory financial statements of WGH; and
- the audited statutory financial statements of Wellard Ships which were prepared in accordance with Singapore Financial Reporting Standards and audited by Ernst & Young LLP in accordance with Singapore Standards of Auditing and upon which an unmodified audit opinion was issued;



For FY2014:

- the general purpose statutory financial statements of WGH and the special purpose statutory financial statements of WRE, both of which were audited by PricewaterhouseCoopers, Australian Partnership, in accordance with Australian Auditing Standards. An unmodified audit opinion was issued in respect of WRE. PricewaterhouseCoopers issued an unqualified opinion with an emphasis of matter with respect to material uncertainty in relation to the ability of the WGH group and its subsidiaries to continue as a going concern being dependent on the group having sufficient funds available to repay convertible notes repayable in FY2016;
- the management consolidation working papers underlying the audited general purpose statutory financial statements of WGH; and
- the audited statutory financial statements of Wellard Ships which were prepared in accordance with Singapore Financial Reporting Standards and audited by PricewaterhouseCoopers LLP (Singapore firm), Public Accountants and Chartered Accountants, in accordance with Singapore Standards of Auditing and upon which an unmodified audit opinion was issued; and

For FY2015:

- the general purpose statutory financial statements of WGH and the general purpose statutory financial statements of WRE, both of which were audited by PricewaterhouseCoopers, Australian Partnership, in accordance with Australian Auditing Standards. PricewaterhouseCoopers issued an unqualified opinion with an emphasis of matter with respect to material uncertainty in relation to the ability of WGH to continue as a going concern due to WGH having a working capital deficiency of \$449.8 million at 30 June 2015 and the ability of WGH and its subsidiaries, prior to the Restructure, to continue as a going concern being dependent on the group having sufficient funds available to repay borrowings of \$267.5 million which are callable at balance date. PricewaterhouseCoopers issued an unqualified opinion with an emphasis of matter with respect to material uncertainty in relation to the ability of WRE to continue as a going concern due to WRE having a working capital deficiency of \$143.8 million at 30 June 2015 and it being dependent on having sufficient funds available to repay borrowings of \$120.3 million payable which are callable at balance date;
- the management consolidation working papers underlying the audited general purpose statutory financial statements of WGH;
- the audited statutory financial statements of Wellard Ships and its subsidiaries which were prepared in accordance with Singapore Financial Reporting Standards and audited by PricewaterhouseCoopers LLP (Singapore firm), Public Accountants and Chartered Accountants, in accordance with Singapore Standards of Auditing and upon which an unqualified opinion with an emphasis of matter with respect to material uncertainty in relation to the ability of Wellard Ships and its subsidiaries to continue as a going concern due to the Wellard Ships group having a working capital deficiency of US\$87.1 million at 30 June 2015 and capital commitments of US\$80.8 million. The Wellard Ships group has also issued a corporate guarantee of US\$107.0 million;
- the management consolidation working papers underlying the audited statutory financial statements of Wellard Ships; and

For personal use only



- the unaudited management accounts of Wellard Uruguay.

The 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 Australian 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 Statements of Financial Performance of the Company for the years ended 30 June 2013, 30 June 2014 and 30 June 2015;
- the pro forma Statement of Financial Position of the Company as at 30 June 2015;
- the pro forma Statements of Cash Flows of the Company for the years ended 30 June 2013, 30 June 2014 and 30 June 2015;

The pro forma historical financial information has been derived from the historical financial information of the IPO Subsidiaries, after adjusting for the effects of pro forma adjustments described in Sections 4.3.2, 4.5.1 and 4.6.2 (Figures 51, 52, 53, and 58) of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in Section 4.2 and Figures 51, 52, 53 and 58 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.

Forecast

- the forecast Statements of Financial Performance and Cash Flows of the Company for the year ending 30 June 2016, as described in Sections 4.3.1 (Figure 49) and 4.6.1 (Figure 57) of the Prospectus.

The directors' best-estimate assumptions underlying the Forecast are described in Section 4.8 of the Prospectus. The stated basis of preparation used in the preparation of the Forecast being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

Pro Forma Forecast

- the pro forma forecast Statements of Financial Performance and Cash Flows of the Company for the year ending 30 June 2016, described in Section 4.3.1 (Figure 49) and 4.6.1 (Figure 57) of the Prospectus.

The Pro Forma Forecast has been derived from the Company's Forecast, after adjusting for the effects of the pro forma adjustments described in Sections 4.3.1 (Figure 49), 4.3.2 (Figure 51 and 52) and 4.6.2 (Figure 58) of the Prospectus. The stated basis of preparation used in the preparation of the Pro Forma Forecast being the recognition and measurement principles contained in Australian Accounting Standards applied to the forecast and the events or transactions to which the pro forma adjustments relate, as described in Sections 4.2.3 and Figures 51, 52 and 58 of the Prospectus, as if those events or transactions had occurred as at 30 June 2015. Due to its nature, the Pro Forma Forecast does not represent the Company's actual prospective financial performance, and/or cash flows for the year ending 30 June 2016.



Directors' responsibility

The directors of the Company are responsible for the preparation of the 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 Historical Financial Information and included in the Pro Forma Historical Financial Information.

The directors of the Company are also responsible for the preparation of the Forecast, including its basis of preparation and the best-estimate assumptions underlying the Forecast. They are also responsible for the preparation of the Pro Forma Forecast, including its basis of preparation and the selection and determination of the pro forma adjustments made to the Forecast and included in the Pro Forma Forecast. 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 historical financial information, pro forma historical financial information, a forecast and a pro forma forecast that are free from material misstatement.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information, the Pro Forma Historical Financial Information, the Forecast and Pro Forma Forecast, the best-estimate assumptions underlying the Forecast and Pro Forma Forecast, and the reasonableness of the Forecast and Pro Forma Forecast themselves, based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagements 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

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 historical financial information of the IPO Subsidiaries, as described in Section 4.2.2.1 and disclosed in Appendix B of the Prospectus, and comprising:

- the Statements of Financial Performance for the years ended 30 June 2013, 30 June 2014 and 30 June 2015; and
- the Statement of Financial Position as at 30 June 2015;

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2.2.1 of the Prospectus being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

For personal use only



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 4.2.2.2 of the Prospectus, and comprising:

- the pro forma Statements of Financial Performance for the years ended 30 June 2013, 30 June 2014 and 30 June 2015 as disclosed in Section 4.3.1 (Figure 49);
- the pro forma Statement of Financial Position as at 30 June 2015 as disclosed in Section 4.5.1 (Figure 53);
- the pro forma Statements of Cash Flows for the years ended 30 June 2013, 30 June 2014 and 30 June 2015 as disclosed in Section 4.6.1 (Figure 57);

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2.2.2 of the Prospectus being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in Section 4.2.2.2 of the Prospectus, as if those events or transactions had occurred as at the date of the historical financial information.

Forecast

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the forecast Statements of Financial Performance as disclosed in Section 4.3.1 (Figure 49) and Cash Flows of the Company as disclosed in Section 4.6.1 (Figure 57) for the year ending 30 June 2016 do not provide reasonable grounds for the Forecast; and
- in all material respects, the Forecast:
 - is not properly prepared on the basis of the directors' best-estimate assumptions as described in Section 4.8 of the Prospectus; and
 - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies; and
- the Forecast itself is unreasonable.

Pro Forma Forecast

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the pro forma forecast Statements of Financial Performance as disclosed in Section 4.3.1 (Figure 49) and Cash Flows of the Company for the year ending 30 June 2016 as disclosed in Section 4.6.1 (Figure 57) do not provide reasonable grounds for the Pro Forma Forecast; and
- in all material respects, the Pro Forma Forecast:
 - is not properly prepared on the basis of the directors' best-estimate assumptions, as described in Section 4.8 of the Prospectus; and



- is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the company's adopted accounting policies, applied to the Forecast and the pro forma adjustments as if those adjustments had occurred as at the date of the forecast; and
- the Pro Forma Forecast itself is unreasonable.

Forecast and Pro Forma Forecast

The Forecast and Pro Forma Forecast have been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the year ending 30 June 2016. There is a considerable degree of subjective judgment involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast and Pro Forma Forecast since anticipated events or transactions frequently do not occur as expected and the variation may be material.

The directors' best-estimate assumptions on which the Forecast and Pro Forma Forecast are based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the directors' best-estimate assumptions on which the Forecast and Pro Forma Forecast are based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the Forecast and Pro Forma Forecast. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in Sections 4.9 and 5 of the Prospectus. The sensitivity analysis described in Section 4.9 of the Prospectus demonstrates the impact on the Forecast and Pro Forma Forecast of changes in key best-estimate assumptions. We express no opinion as to whether the Forecast or Pro Forma Forecast will be achieved.

The Forecast and Pro Forma Forecast have been prepared by the directors for the purpose of inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this report, or on the Forecast or Pro Forma Forecast to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Notice to investors outside Australia and New Zealand

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.

For personal use only



Restriction on Use

Without modifying our conclusions, we draw attention to Section 4.1 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 Prospectus 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 1 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

A handwritten signature in black ink, appearing to read 'D. Carton', is positioned above the printed name.

Darren Carton
Authorised Representative of
PricewaterhouseCoopers Securities Ltd



PRICEWATERHOUSECOOPERS SECURITIES LTD
FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 20 November 2015

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) (**PwCS**) has been engaged by Wellard Limited (**Wellard**) to provide a report in the form of an **Investigating Accountant's Report** in relation to the historical financial information, pro forma historical financial information, forecast financial information and pro forma forecast financial information (**the "Report"**) for inclusion in the prospectus dated on or around 20 November 2015.

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 PwCS 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.

5. Fees, commissions and other benefits we may receive

PwCS charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwCS 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

For personal use only



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 \$1.1 million.

Directors or employees of PwCS, 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 PwCS may provide financial services to the issuer of a financial product in the ordinary course of its business. We note that PricewaterhouseCoopers is the auditor of Wellard.

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 Financial Ombudsman Service ("**FOS**"), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

8. Contact Details

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

Darren Carton
PwC Securities Ltd
GPO Box D198
PERTH WA 6840

For personal use only

For personal use only

09.

Additional
information



09. Additional information

9.1 Registration

Wellard was registered in Western Australia on 10 September 2015 as a public company limited by Shares. At the Prospectus Date, Wellard had not traded and had 1,000 Shares on issue held by WGH (999 Shares) and Camuna Pte Ltd (1 Share).

9.2 Company tax status

Wellard Limited will be taxed as an Australian tax resident company in Australia for the purposes of Australian income tax law. Wellard Limited will be subject to tax at the Australian corporate tax rate.

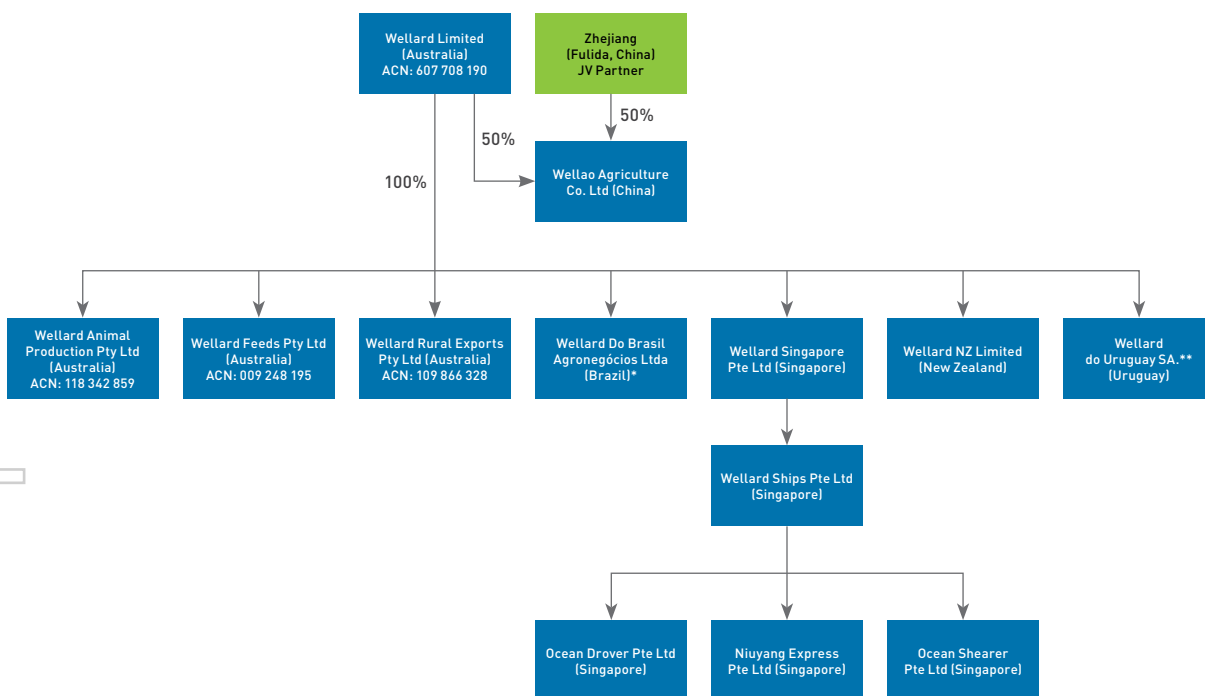
With effect from, or around, Completion of the Offer, Wellard Limited intends to form a new Australian income tax consolidated group with its wholly owned Australian tax resident subsidiaries. A full assessment of the income tax consolidation implications will be completed following Completion of the Offer.

Wellard's non-Australian tax resident subsidiaries will continue to be subject to the tax laws in their respective tax jurisdictions.

9.3 Corporate structure

Figure 73 reflects Wellard's proposed corporate structure following the Restructure.

Figure 73: Wellard's proposed corporate structure following the Restructure



* Wellard Limited will own 99.99% of Wellard do Brasil Agronegócios Ltda (Brazil) and WRE will hold 0.01%.

** Currently named Portimor S.A. (name to change).

09. Additional information

IPO Subsidiary	Nature of business
Wellard Feeds Pty Ltd (Australia)	Owner of feed mill and producer of feed and fodder for feedlot and exporting operations.
Wellard Rural Exports Pty Ltd (Australia)	Marketing and export entity that purchases and sells livestock and arranges export logistics.
Wellard Animal Production Pty Ltd (Australia)	Operator of the processing facility in the Great Southern region of Western Australia and processes sheep.
Wellard Singapore Pte Ltd (Singapore)	The holding company of Wellard Ships.
Wellard Ships Pte Ltd (Singapore)	The main operating entity for Wellard's livestock carrying vessels.
Ocean Drover Pte Ltd (Singapore)	The special purpose vehicle which owns the MV Ocean Drover.
Niuyang Express Pte Ltd (Singapore)	The special purpose vehicle which owns the MV Ocean Ute.
Ocean Shearer Pte Ltd (Singapore)	The special purpose vehicle which is intended to own the MV Ocean Shearer on implementation of the Ocean Shearer Facility.
Wellard do Brasil Agronegócios Ltda (Brazil)	Operating business in Brazil.
Wellard NZ Limited (New Zealand)	Operating business in New Zealand.
Wellard do Uruguay S.A. (current name Portimor S.A.)	Operating business in Uruguay, which is currently owned by Mauro Balzarini.

In addition, following the Completion of the Offer, WGH will transfer its 50% shareholding in the following entity to Wellard:

Other Entity	Nature of business
Wellao Agriculture Co., Ltd. (China)	The Joint Venture vehicle to be owned 50% each by Wellard and Fulida to fatten imported cattle at feedlot facilities for processing in a co-located processing facility in China.

For personal use only

9.4 Material contracts

The Directors consider that there are certain contracts which are significant or material to Wellard or of such a nature that an investor may wish to have particulars of them when making an assessment of whether to apply for Shares. The main provisions of each such contract are summarised below. These are only summaries and do not describe fully all the provisions of each such contract.

9.4.1 Restructure

9.4.1.1 Separation Agreement

Wellard has entered or will enter into a Separation Agreement with WGH under which the parties agree to give effect, and procure that their respective subsidiaries give effect, to necessary restructuring and separation issues to facilitate the Offer and the operation of Wellard and the businesses retained by WGH as standalone entities.

This includes commitments to enter into the Sale Agreements for the transfer to Wellard of the WGH IPO Subsidiaries and certain other assets related to the Business (refer to Section 9.4.1.2), a Transitional Services Agreement (refer to Section 9.4.2) and certain ongoing commercial arrangements such as the lease of a feedlot and the sharing of office premises (refer to Section 9.4.9). It also requires WGH to ensure Mauro Balzarini transfers his interest in Wellard Uruguay to Wellard for nominal consideration.

The Separation Agreement will be based on the overriding principle that, subject to a few limited exceptions, Wellard will be treated as if it has always owned the relevant IPO Subsidiaries and their assets so that all associated benefits and liabilities will be transferred to Wellard and that the relevant companies in the WGH Group will likewise be treated as if they had always owned the relevant assets relating to the businesses retained by WGH.

There will also be certain provisions which deal with the separation and operation of the businesses including:

- **carrying on business** – restrictions will be placed on WGH with regard to ensuring that the Business is carried on in the ordinary course; will have usual levels of Working Capital upon their acquisition by Wellard and does not take on material additional debt prior to Listing (see Section 4.5.3 for details of Wellard's debt facilities);
- **external debt restructure** – certain external debt facilities currently used by both the IPO Subsidiaries and the members of the WGH Group will be replaced so that each group has separate and distinct debt facilities;
- **release of guarantees, encumbrances and intra-group indebtedness** – provisions are included to ensure that, to the extent possible, all guarantees between the businesses retained by the WGH Group and the Business are released, to release encumbrances over members or assets of the WGH Group which secure obligations of the Business and encumbrances over members or assets of the IPO Subsidiaries which secure obligations of businesses retained by the WGH Group and to settle intra-group debt (other than intra group trading indebtedness incurred in the ordinary course);
- **contracts** – the agreements provide for the consents required under certain contracts to the relevant businesses and separation arrangements;
- **employees** – the agreements provide for the employees who work for the Business but who are currently employed by members of the WGH Group to be employed by Wellard prior to the Completion of the Offer;
- **Wellard name** – restrictions will be placed on the businesses retained by WGH using the Wellard name or logos except in the case of interim licences for the Transitional Services Agreement;
- **liabilities** – consistent with the overriding principle of the separation process, if there are unanticipated costs and expenses associated with or arising from the Restructure (including tax or duty), the entity which is liable for those costs at law will be responsible for them after the Restructure. Wellard is responsible for payment of the IPO costs. Limited indemnities have been provided by WGH for certain Australian and overseas tax matters; and
- **non-compete restrictions** – limited non-compete restrictions are included in the Separation Agreement. See Section 9.4.10 for more details.

09. Additional information

9.4.1.2 Acquisition of the IPO Subsidiaries

The Offer is being made partly to enable Wellard to acquire the IPO Subsidiaries.

Wellard will enter into certain agreements with WGH and certain of its subsidiaries and related entities before any Shares are issued under the Offer, under which it will agree to acquire the IPO Subsidiaries immediately prior to the issue of Shares under the Offer.

The amount payable by Wellard to WGH and its related entities for the IPO Subsidiaries and certain other assets used in the Business will be the amount calculated by applying the following formula, subject to certain adjustments which will occur after Listing:

$$\text{Aggregate Purchase Price} = \text{Value of Share Consideration} + \text{IPO Funds} - \text{Assumed Wellard Retentions} + \text{WGH Intercompany Balance}$$

where:

- “Value of Share Consideration” is the number of Shares to be issued to WGH multiplied by the issue price under the Offer;
- “Assumed Wellard Retentions” is the estimated amount required so that, after Completion of the Offer, Wellard has Working Capital (inclusive of cash and exclusive of short term debt) of \$66.5 million and drawn external debt of US\$87.4 million together with funds to pay the IPO costs and external debt of up to US\$51.3 million to SCB, NFAL and UOB; and
- “WGH Intercompany Balance” is the amount of intercompany debt which will be repaid using a promissory note.

The “Aggregate Purchase Price” will be adjusted 60 days after Listing for material variance between the amounts assumed in the Assumed Wellard Retentions and the actual amounts at the time of Completion of the Offer. These amounts relate to working capital, cash, IPO costs, the level of debt owed to SCB, NFAL and UOB, the level of external debt in Wellard after Listing, and the extent to which planned pre Listing capex has been expended. In essence, the adjustments are made so that Wellard is in an equivalent position to that it would have been if, at the time of issue of the Shares under the Offer (after repayment of IPO costs up to the estimated amount and repayment of external debt owed to SCB, NFAL and UOB), Wellard had:

- Working Capital inclusive of cash and exclusive of short term debt of approximately \$66.5 million;
- external drawn debt of US\$87.4 million; and
- the capex which is planned to be expended before issue of the Shares under the Offer has been expended or if not expended funds for that capex are retained.

WGH will receive part of the aggregate purchase price for the WGH IPO Subsidiaries in Shares, part in cash and part by the issue of a promissory note by Wellard. Refer to Section 7.1.5 for further details of the shareholding expected to be held by WGH after the issue of the Shares as part of the Aggregate Purchase Price.

The promissory note will be transferred by WGH to Wellard Rural Exports (an IPO Subsidiary) to satisfy certain intercompany debt owed by WGH to the IPO subsidiaries, and, as such, will not be an asset or liability of the Wellard Group on consolidation.

The acquisition agreements will not contain any warranties or indemnities from WGH or its subsidiaries concerning the operations or assets of the IPO Subsidiaries, subject to limited exceptions.

The underlying sale agreements for the transfer of WGH’s interests in the Chinese joint venture with Fulida known as Wellao Agricultural Co., Ltd. will contain, among other things, conditions relating to the requirement to obtain relevant regulatory requirements in China and the consent of Fulida. Similar requirements apply to the transfer of Wellard Uruguay. Whilst Wellard does not expect any difficulties in obtaining any required approvals, it is possible that these requirements will not be satisfied by the time of issue of the Shares under the Offer or at all. As a result it is possible that Wellard may not be able to acquire these interests until a later date (or at all). If this were to occur, the existing owners being WGH and Mr Mauro Balzarini will retain the relevant interests and the nominal consideration payable for the interests will be paid by Wellard only if and when the interests are transferred. Pending the approvals being received, to the extent permitted by law, WGH will act together with Wellard to seek to provide the benefits, responsibilities and liabilities associated with the relevant interests in those companies and in the proposed Wellao Joint Venture to Wellard. See sections 9.4.9 and 3.6.2.1 for details of the terms and status of the Wellao Joint Venture.

9.4.2 Transitional Services Agreement

Under the Transitional Services Agreement being entered into between Wellard and the WGH Group, information technology systems and services which have previously been shared by the Business and the businesses retained by the WGH Group will continue to be provided on an ongoing basis. The services will be provided on a full cost recovery basis (that is, the costs of providing the services including labour costs and direct overhead). The services will continue for an interim period not exceeding 12 months after the date of Listing and can be terminated on three months' notice or following an unremedied material breach. Liability of providing the services is limited to the amount received under the Transitional Services Agreement except for certain breaches (for example, death or personal injury). Liability for consequential loss is excluded.

9.4.3 Underwriting Agreement

The Offer is being underwritten by the Joint Lead Managers pursuant to an underwriting agreement, between Wellard, WGH and the Joint Lead Managers, as underwriters (Underwriting Agreement). Under the Underwriting Agreement, the Joint Lead Managers have agreed to arrange, manage and underwrite, and act as Joint Lead Managers, bookrunners and underwriters for, the Offer.

For the purpose of this Section 9, "Offer Documents" includes any of the following documents issued or published by, or on behalf of, and with the authorisation of, Wellard in respect of the Offer, and in the form agreed by the Joint Lead Managers:

- this Prospectus, the Application Forms and any supplementary or replacement prospectus;
- the pathfinder version of this Prospectus (including any cover email) that was provided to Institutional Investors and Brokers prior to lodgement of this Prospectus with ASIC; and
- the marketing, roadshow presentation and/or ASX announcement(s) used by or on behalf of Wellard, to conduct the Offer.

9.4.3.1 Commissions, fees and expenses

In accordance with the Underwriting Agreement Wellard must pay on the Settlement Date a financial advisor fee (payable to UBS) and a base fee (payable to the Joint Lead Managers) equal to, in aggregate, 2.75% of the gross proceeds raised under the Offer.

Wellard may, in its sole discretion, also pay on the Settlement Date an Incentive Fee (to the Joint Lead Managers) equal to, in aggregate, up to 0.75% of the gross proceeds raised under the Offer.

Wellard has agreed to reimburse the Joint Lead Managers for certain agreed costs and expenses incurred by the Joint Lead Managers in relation to the Offer.

9.4.3.2 Termination events

The Joint Lead Managers may terminate the Underwriting Agreement, at any time after the date of the Underwriting Agreement and on or before the date of Completion of the Offer by notice to Wellard if any of the following events, among others, occur:

- in the Joint Lead Managers' reasonable opinion, a statement in any of the Offer Documents is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required to be included is omitted from an Offer Document;
- there is a new circumstance that arises after the Prospectus is lodged with ASIC that would have been required to be included in the Prospectus if it had arisen before lodgement except a circumstance which would not have a material adverse effect on Wellard, the market price of Shares or the success of the Offer;
- Wellard issues, or in the reasonable opinion of the Joint Lead Managers, Wellard is required and fails to issue, a supplementary or replacement prospectus, in each case, to comply with section 719 of the Corporations Act, or Wellard fails to comply with certain related obligations in the agreement relating to any supplementary or replacement prospectus;

09. Additional information

- at any time the S&P/ASX 200 Index falls to a level that is 90% or less of its level as at the close of trading on the trading day immediately before the date of the Underwriting Agreement and is at or below that level at the close of trading (i) for at least two consecutive Business Days during any time after the date of the Underwriting Agreement and prior to the Completion of the Offer, or (ii) on the Business Day immediately prior to the date for Completion of the Offer or the settlement date for the Offer;
- any of the voluntary escrow arrangements referred to in this Prospectus are withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with;
- there are not, or there ceases to be, reasonable grounds in the reasonable opinion of the Joint Lead Managers for any statement or estimate in the Offer Documents which relate to a future matter, or any statement or estimate in the Offer Documents which relate to a future matter is, in the reasonable opinion of the Joint Lead Managers, unlikely to be met in the projected timeframe (including in each case financial forecasts);
- Wellard, WGH, Wellard's subsidiaries or any of their respective directors or officers engage, or have engaged since the date of the Underwriting Agreement, in any fraudulent conduct or activity whether or not in connection with the Offer;
- approval is refused or not granted, or approval is granted subject to conditions other than customary conditions, to: (i) Wellard's admission to the official list of ASX within the specified time, or (ii) the quotation of Shares on ASX or for the Shares to be traded through CHESS within the specified time, and in either case if approval is granted, that approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- any necessary ASIC modifications or ASX waivers obtained are withdrawn, revoked or amended without the prior written approval of the Joint Lead Managers;
- except in certain cases, notification is received of any actual or threatened claim or proceedings or any investigation, enquiry, order, action, suit, charge, investigation or other proceeding by ASIC, ASX or any governmental agency, in each case in relation to the Offer or, the Offer Documents including any circumstances where:
 - ASIC issues an order or indicates that it may issue an order (including an interim order) under section 739(2) of the Corporations Act;
 - ASIC holds or indicates that it may hold a hearing in connection with the Offer or Offer Documents;
 - an application is made by ASIC for an order under Part 9.5 of the Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Offer or an Offer Document or ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Offer or an Offer Document, or ASIC indicates that it may do so;
 - any person who has previously consented to the inclusion of its name in any Offer Document withdraws that consent;
 - any person gives a notice under section 730 of the Corporations Act in relation to an Offer Document; or
 - the New Zealand Registrar of Financial Service Providers or the New Zealand Financial Markets Authority contacts, or gives any notice to, Wellard in respect of a matter that has or is likely to have a materially adverse effect on the outcome of the Offer.
- Wellard withdraws an Offer Document or the Offer or indicates that it does not intend to proceed with the Offer or any part of the Offer;
- Wellard or any of its subsidiaries becomes insolvent or there is an act or omission that is likely to result in any of them becoming insolvent;
- except in certain cases, an event specified in the Offer timetable up to and including the date of Completion of the Offer is delayed by more than 1 Business Day;
- Wellard is prevented from allotting and issuing Shares within the time required by the Underwriting Agreement, the Offer Documents, the ASX Listing Rules, applicable laws, an order of a court of competent jurisdiction or a governmental authority;

For personal use only

09. Additional information

- Wellard, without the prior written consent of the Joint Lead Managers, except as contemplated in the Prospectus: (i) alters the issued capital of Wellard, or (ii) disposes or attempts to dispose of a substantial part of the business or property of Wellard;
- if any obligations of the relevant parties under any material contracts are not capable of being performed in accordance with their terms (in the reasonable opinion of the Joint Lead Managers) or if all or any part of any such contracts (i) is amended or varied without the consent of the Joint Lead Managers, (ii) is terminated, (iii) is breached, (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 effect, or its performance is or becomes illegal;
- if a regulatory body withdraws, revokes or adversely amends any regulatory approvals required for Wellard to perform its obligations under the Underwriting Agreement or for Wellard to carry out the transactions contemplated by the Offer Documents;
- there is an event or occurrence, including any statute, order, rule, directive or request (being one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any governmental agency which makes it illegal for the Joint Lead Managers to satisfy a material obligation under this agreement, or to market, promote or settle the Offer;
- a change in specified members of senior management or the Board occurs;
- Wellard varies any term of the Constitution except with the prior written consent of the Joint Lead Managers; or
- any of the following occur: (i) a Director or proposed Director named in the Prospectus is charged with an indictable offence, (ii) any governmental agency commences any public action against Wellard or any of its Directors in their capacity as a Director of Wellard, or announces that it intends to take action, or (iii) any Director or proposed Director named in the Prospectus is disqualified from managing a corporation under Part 2D.6 of the Corporations Act.

9.4.3.3 Termination subject to materiality

The Joint Lead Managers may terminate the Underwriting Agreement, at any time after the date of the Underwriting Agreement and on or before the date for Completion of the Offer by notice to Wellard, if any of the following events, among others, occurs and the Joint Lead Managers have reasonable grounds to believe that the event (i) has or is likely to have a material adverse effect on the success, settlement or marketing of the Offer or on the ability of the Joint Lead Managers to market, promote or settle the Offer or on the likely price at which the Shares will trade on ASX, or on the willingness of investors to apply for Shares, or (ii) will, or is likely to, give rise to a liability of the Joint Lead Managers under, or give rise to or result in a contravention by the Joint Lead Managers or their affiliates, or the Joint Lead Managers or their affiliates being involved in a contravention of, any applicable law:

- In the Joint Lead Managers' reasonable opinion, a statement in any public or other media statements in relation to the business or affairs of Wellard or its subsidiaries, WGH or the Offer (the **Public Information**) is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required to be included is omitted from any of the Public Information;
- the due diligence report or verification material or any other information supplied by or on behalf of Wellard or WGH to the Joint Lead Managers in relation to Wellard, its subsidiaries or the Offer is, or becomes, misleading or deceptive, including by way of omission;
- any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of Wellard and its subsidiaries (insofar as the position in relation to its subsidiaries affects the overall position of Wellard), including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of Wellard and its subsidiaries from those respectively disclosed in any Offer Document or in the Public Information;
- 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, or into the parliament of Indonesia or Vietnam, a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, including ASIC (or the equivalent in Indonesia or Vietnam), adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of this agreement);

09. Additional information

- any of the Offer Documents or any aspect of the Offer does not comply with the Corporations Act (and all regulations under the Corporations Act), the ASX Listing Rules or any other applicable law or regulation;
- a representation, warranty or undertaking or obligation contained in the Underwriting Agreement on the part of Wellard or WGH is breached, becomes not true or correct or is not performed;
- legal proceedings against Wellard or any of its subsidiaries or any of their respective Directors in their capacity as a Director is commenced, or any regulatory body commences a relevant enquiry or public action against Wellard or any of its subsidiaries;
- any governmental agency commences any other public action against Wellard or announces that it intends to take action;
- any information supplied (including any information supplied prior to the date of the Underwriting Agreement) by or on behalf of Wellard or its subsidiaries to the Joint Lead Managers in respect of the Offer or Wellard and its subsidiaries is, or is found to be, misleading or deceptive or likely to mislead or deceive (including, by omission);
- hostilities not presently existing commence (whether war has been declared or not) or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, Indonesia, the United Kingdom, the United States, Russia, the People's Republic of China, Singapore, Vietnam or a major terrorist act is perpetrated on any of those countries;
- a statement in any closing certificate is false, misleading, inaccurate or untrue or incorrect; or
- any of the following occurs: (i) a general moratorium on commercial banking activities in Australia, the United Kingdom or the United States is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries, (ii) any adverse effect on the financial markets in Australia, the United Kingdom or the United States, or in foreign exchange rates, or (iii) trading in all securities quoted or listed on ASX, New York Stock Exchange or London Stock Exchange is suspended or limited in a material respect for one day (or a substantial part of one day) on which that exchange is open for trading.

9.4.3.4 Conditions, warranties, undertakings and other terms

The Joint Lead Managers' obligations under the Underwriting Agreement are subject to certain common conditions precedent, which include the entry into a voluntary escrow deed by certain parties, the completion of the Restructure, the facility documentation for the New Banking Facilities having been executed by all relevant parties, certain material contracts having been entered into and not having been rescinded, terminated, altered or amended and ASX and ASIC granting the confirmations and modifications necessary to enable the Offer to proceed in accordance with the timetable

The Underwriting Agreement also contains certain standard representations and warranties by Wellard, WGH and the Joint Lead Managers. These relate to matters such as the conduct of Wellard, WGH and the Joint Lead Managers, their power, status and authorisations, validity of obligations and selling restrictions. Wellard and WGH also provide additional standard representations and warranties in connection with various matters including in relation to their activities and assets.

Wellard and WGH have also provided certain standard undertakings. These include that Wellard will not, during the period following the date of the Underwriting Agreement until 180 days after Shares have been issued under the Offer, allot (or agree to allot) any shares or other equity securities without the prior written consent of the Joint Lead Managers subject to certain exceptions.

In accordance with the Underwriting Agreement UBS is underwriting 71% of the gross proceeds raised under the Offer and Deutsche Bank is underwriting 29% of the gross proceeds raised under the Offer.

9.4.3.5 Indemnities

Subject to certain exclusions relating to, among other things, recklessness, gross negligence, fraud or wilful misconduct of an indemnified party, Wellard has agreed in the Underwriting Agreement to keep the Joint Lead Managers and certain affiliated parties indemnified from losses suffered in connection with the Offer and the Joint Lead Managers' appointment pursuant to the Underwriting Agreement.

09. Additional information

9.4.3.6 *Guarantee*

WGH has unconditionally and irrevocably guaranteed to the Joint Lead Managers the due and punctual performance by Wellard of its obligations under the Underwriting Agreement. This guarantee terminates on Completion of the Offer.

9.4.4 **Financing arrangements**

9.4.4.1 *Repayment of SCB Facilities*

Certain of the existing financing arrangements of WGH and its subsidiaries prior to Listing are being reorganised as part of the Restructure. At the time of the Restructure (at or around the time of Listing), the Existing SCB Facility will be repaid and any associated security interests will be released (subject to the WGH SCB Facility being reduced to US\$20 million or less as described below).

The existing financing arrangements include a facility with SCB held by Wellard Rural Exports with a principal amount of US\$85 million (**Existing SCB Facility**). The security for the Existing SCB Facility includes security over certain of the IPO Subsidiaries.

WGH has obtained credit approval from SCB for a new US\$50 million facility (WGH SCB Facility). The WGH SCB Facility will be available prior to Listing and will be drawn by WGH and funds advanced to Wellard Rural Exports to allow the Existing SCB Facility to be partially paid down. Wellard will then use proceeds of the IPO to advance an intercompany loan to Wellard Rural Exports to repay all other amounts owing to SCB under the Existing Facilities Agreement (being a principal amount of US\$35 million).

Upon repayment of the Existing SCB Facility and reduction by WGH of the WGH SCB Facility to US\$20 million or less, all security held by SCB over the WGH IPO Subsidiaries will be released. WGH will pay down the WGH SCB Facility using the cash component received from Wellard as part of the consideration received for the sale of the WGH IPO Subsidiaries to Wellard.

9.4.4.2 *Repayment of the NFAL Finance Arrangements*

Wellard Ships has, in effect, a fully drawn short term bridging finance arrangement with NFAL for US\$12 million in respect of the MV Ocean Shearer (**NFAL Finance Arrangements**). It is structured under various option agreements and undertakings under which, if Wellard Ships has not paid NFAL US\$12.1 million by 18 January 2016, NFAL may acquire the MV Ocean Shearer. The rights of NFAL are secured by a first ranking ship mortgage over the Ocean Shearer and guarantees from WGH and Mr Balzarini.

Wellard will pay the outstanding US\$12.1 million under the NFAL Finance Arrangements out of IPO proceeds, following which any associated security interests will be released.

9.4.4.3 *New and continuing facilities*

Details of the New Banking Facilities (which will apply after implementation of the Restructure) and existing financing arrangements of the Businesses comprise:

- the New Banking Facilities (see section 4.5.3.1 for details);
- the Sale and Leaseback Agreements (see section 4.5.3.2 for details);
- the Vessel Finance Agreements (see section 4.5.3.3 for details); and
- Fuel and oil Working Capital facility (see section 4.5.3.5 for details).

The WGH parent has granted guarantees in relation to the Sale and Leaseback Agreements and to the changes which will occur under the Restructure and Offer. In addition, the guarantees by WGH of the Sale and Leaseback Agreements and Vessel Finance Arrangements, Vessel Finance Agreements and the Fuel and oil working capital facility are to be replaced with guarantees from Wellard shortly after Completion of the Offer.

9.4.4.4 *Defaults, standstills and waivers*

The Offer and Restructure may give rise to certain events of default under the Existing SCB Facility, and Wellard Rural Exports has obtained a conditional standstill from SCB in relation to these events and certain existing events of default.

09. Additional information

Under the standstill arrangement, SCB agrees that, subject to certain conditions, it will not take any acceleration or other enforcement action in respect of the specified events of default. The conditions to the standstill are the non-occurrence of any other event of default and in respect of the standstill regarding any cross-default, the absence of any acceleration or other enforcement action by the other financier.

The subsisting events of default under the Existing SCB Facility include the failure to comply fully with the obligation to use the proceeds from the sale of a vessel to prepay a portion of the debt, failure to obtain SCB approval for certain ship refinancing transactions, failure to meet certain financial covenants on the relevant test dates, repayment of a portion of certain subordinated debts which was not authorised, failure to provide required collateral security and the failure of a number of administrative processes required under the Existing SCB Facility.

Wellard ships has obtained a waiver from the negative pledge requirement under its US\$4.2 million Fuel and oil working capital facility with United Overseas Bank for the grant of security over the Ocean Swagman and associated earnings.

Ruchira, NLB and UOB have each consented to the replacement of the WGH parent guarantees with guarantees from Wellard and to the changes which will occur under the Restructure and Offer.

The subsisting defaults under the Existing SCB Facility and the waived default under the facility with United Overseas Bank also cause cross defaults under Sale and Leaseback Agreements, WGH parent guarantees and the Vessel Finance Arrangements. In addition, there are cross-defaults under other facilities held by WGH and its subsidiaries. Wellard has obtained standstills and/or waivers in respect of the defaults and cross defaults. The standstills will continue until replacement of the parent company guarantees from WGH with guarantees from Wellard and then the subsisting defaults and cross defaults will be waived. The standstill will be conditional on the non-occurrence of any other event of default and the absence of any acceleration or other enforcement action by the other financier. The WGH guarantees will be replaced with guarantees from Wellard.

The subsisting defaults mentioned above also cause cross defaults under the NFAL Finance Arrangements. In addition, there are defaults under the guarantees from WGH for those arrangements. Wellard has obtained standstills in respect of the defaults and cross defaults, pending repayment as mentioned in clause 9.4.4.2 above.

9.4.5 Vessel management agreements

Wellard Ships has entered into vessel management agreements with Korkyra in respect of the four currently operational vessels. The agreements are based on the standard form BIMCO SHIPMAN 98 contract and cover the technical management of each vessel, including the maintenance, repairs, supplies and safety management systems. Crew management has been subcontracted to Astarte, a wholly owned subsidiary of Korkyra.

The aggregate annual management fees total US\$667,000 and the agreements are revised and renewed on an annual basis. Either party may terminate the agreements in the event of default.

9.4.6 MV Ocean Shearer acquisition

Wellard Ships has entered into a construction contract with the Chinese shipbuilder, COSCO, for the completion of the construction of the livestock carrier, the MV Ocean Shearer (see details of the vessel in Section 3.6.2.2). The contract price payable by Wellard is US\$7.95 million subject to agreed variation (increase or decrease) following delivery of up to 12.5%. Instalments of the contract price are payable by Wellard Ships at various milestones throughout the construction period. This amount excludes equipment that will be purchased separately from specific manufacturers.

Completion of construction is scheduled for 2 March 2016 (subject to permissible delays including a grace period of up to 30 days after 2 March 2016 before penalties apply for late delivery).

Wellard Ships has paid a sum of approximately US\$5.5 million to COSCO for depositing with the Chinese custom and tax authorities in relation to bonded construction materials imported by STX Dalian during the initial construction phase. The amount is expected to be repaid by COSCO to Wellard Ships in the event that duty is not payable on the vessel when it is delivered to Wellard provided certain procedural steps are followed. Upon exportation of the vessel, the amount is expected to be repaid by COSCO to Wellard Ships via a "reconciliation process" in which the custom and tax authorities are expected to verify that the goods

09. Additional information

imported under bonded status matches with the goods actually produced and exported. On delivery, the MV Ocean Shearer will be registered with the Singapore registry.

WSPL and STX Korea have entered into an agreement under which STX Korea relinquished any ownership claims it has against the MV Ocean Shearer. Wellard has paid an instalment of US\$4.5 million and a further instalment of US\$13.5 million is payable 14 calendar days from the delivery of the completed vessel from the shipyard to Wellard or 30 June 2016, whichever is earlier, unless extended by agreement.

Wellard Ships is seeking traditional shipping finance in respect of the outstanding amounts of the purchase price and discussions with potential financiers are ongoing. Wellard Ships is also considering entering into an export credit insurance agreement with Sinosure (a Chinese export credit insurance agency) to provide cover in respect of the entire acquisition and financing costs.

9.4.7 MV Ocean Kelpie Construction

Wellard Ships has entered into a shipbuilding contract with the Croatian shipbuilder, Uljanik, for the design, build, launch and equipping of a new livestock carrier, the MV Ocean Kelpie (see details in Section 3.6.2.2).

The purchase price payable by Wellard Ships for the MV Ocean Kelpie is approximately €50.25 million plus US\$8 million. Wellard Ships will pay an initial instalment of US\$6.5 million prior to Completion of the Offer. Further amounts are payable by Wellard Ships at various milestones throughout the build period. The second instalment is not due until July 2017 at the earliest.

Uljanik has agreed to provide Wellard Ships with a refund guarantee, issued by HBOR, which secures the deposit, and all additional instalments of the purchase price paid prior to delivery and which is payable, with interest, in the event the vessel is not delivered. Delivery is currently scheduled for 2H FY 2017. On delivery, the MV Ocean Kelpie will be registered with the Singapore Registry.

Wellard Ships is seeking traditional shipping finance in respect of the outstanding amounts of the purchase price and discussions with potential financiers are ongoing.

9.4.8 Wellao Heads of Agreement

WGH entered into a joint venture agreement with Zhejiang Aurora Agriculture Co., Ltd, a wholly owned subsidiary of the Fulida Group, in July 2015 (Wellao Heads of Agreement). The Wellao Heads of Agreement becomes effective on obtaining certain Chinese regulatory approvals and is akin to a heads of agreement given that it does not contain the level of detail required for the operation of the Wellao JV. The Wellao Heads of Agreement provides that each party will hold 50% of the Wellao JV. It contains certain high level obligations for the parties to establish a joint venture entity, obtain all required regulatory approvals and consents and work together to establish the Wellao JV to engage in the import and trading of cattle, including the processing of imported cattle, establishing cold supply chain distribution systems through China and developing a beef production and sales platform. More definitive documentation regulating the joint venture terms, operations and objectives are to be agreed.

The Wellao Heads of Agreement notes the intention that:

- each party is expected to contribute the sum of US\$15 million according to the needs of the joint venture, which are yet to be agreed;
- each party will appoint two Directors to the board of the Wellao JV; and
- Fulida will appoint the general manager of the Wellao JV.

The Wellao Heads of Agreement is subject to the laws of China.

Under the Wellao Heads of Agreement, the parties will have a right to terminate in certain circumstances, including material breach, significant trading losses, expropriation or force majeure.

The parties have now incorporated the Wellao JV entity and its business licence in China was issued on 24 September 2015.

The interests of WGH under the Wellao Heads of Agreement and related arrangements are to be transferred to Wellard, subject to all necessary Chinese regulatory consents and approvals being obtained and Fulida approval. Refer Section 9.5 above for more details.

09. Additional information

The parties are negotiating the more definitive documents and the terms will not be binding until signed (and any conditions satisfied). It is expected that the definitive documents will comprise a Shareholders agreement and a range of operational agreements, including the establishment of an exporter/importer agreement for animal welfare and traceability required by ESCAS regulations.

Subject to agreement of the definitive documents, Wellard anticipates that the parties' high level responsibilities for this project will include the following:

- Wellard: assisting with sourcing livestock, design of the feedlots and processing facility, technical assistance for the feedlots and processing facility and vessel capacity; and
- Fulida: facilitating debt financing for the Wellard JV (if feasible and necessary), the project and assisting with building the feedlots and processing facility, seeking relevant government approvals and concessions, and securing distribution channels for meat and meat products.

The actual responsibilities of the parties will be dependent on the final terms agreed by the parties.

9.4.9 Related party arrangements

9.4.9.1 Lease of Baldivis property

Wellard Rural Exports has entered into a lease with WGH Estates in relation to the existing sheep feedlot at Baldivis, Western Australia (see details of property at Section 3.2.1.4). Wellard Rural Exports will pay an annual market based rent of A\$420,000, payable in equal monthly instalments. The rent increases annually in proportion to increases in the consumer pricing index and is subject to a market based review upon exercise of each option. The initial term of the lease expires in December 2020 with 2 options for Wellard Rural Exports to extend the lease for a further 2 years each. The terms of the lease are otherwise generally market standard.

9.4.9.2 Sublease of premises

Wellard has entered into a sublease with WGH in relation to the Wellard headquarters in Fremantle, Western Australia. Wellard will pay an annual rent of A\$209,659 payable in equal monthly instalments, which is a market based rent. The rent is subject to review annually. The term of the lease expires in June 2020 with an option to extend for a further five years. The terms of the lease are otherwise generally market standard.

Mauro Balzarini also leases a small office in Italy to Wellard Rural Exports at an annual rent of €120,000. The initial term of the lease expires in 2021 and Wellard Rural Exports has an option to extend the lease for a further six years at the end of the initial term. The terms of the lease are otherwise generally market standard.

9.4.9.3 Aircraft spot charter

WGH Aviation Pty Ltd has agreed to make an aircraft available to Wellard on a spot charter basis for business travel purposes. Wellard has no obligation to utilise the aircraft and the arrangements can be terminated by written notice from either party at any time and without penalty. The spot charter rate is on arm's length commercial terms and consistent with the terms offered to other third party charterers. The terms are otherwise generally market standard. By way of example, in FY2015, the costs associated with use of the charter aircraft were approximately A\$1.8 million.

9.4.9.4 Other trading activities

As a large primary producer in Western Australia, the WGH Group may have a small level of trading with Wellard after Listing. For example, Giovi may provide a small percentage (currently less than 10%) of the raw materials used by Wellard Feeds; BRM may source a small percentage (currently less than 5%) of livestock from Giovi; and Giovi may supply livestock to Wellard for its livestock trading activities. There are no existing contractual commitments binding Wellard to transact with the WGH Group after Listing in relation to these activities. All trading activities between the groups after Listing will be on arm's length terms and will comply with Wellard's related party transactions policy and procedures.

9.4.10 WGH Group and potential for competition

WGH will be restricted from conducting large-scale livestock marketing and export activities which directly compete with those of Wellard for a period of two years after WGH ceases to hold at least 10% of the issued capital of Wellard. For instance, WGH may not acquire livestock carriers or establish quarantine and processing facilities in China without Wellard's prior approval during that period.

The Separation Agreement does not contain any restrictions on Wellard competing with the businesses retained by WGH.

After the implementation of the Restructure, the WGH Group will continue to conduct a number of businesses including certain agribusinesses. The operations of the WGH Group are described below.

- **Giovi:** Giovi Limited is a large mixed farming land owner and operator specialising in the production of grains, legumes and livestock. It produces and supplies quality grain, sheep and cattle to numerous buyers and its Hyfield Poll Merino rams and The Grange Afrino rams to its customers. Giovi is a small-scale provider of grain, sheep and cattle to the Business and acquires feed from Wellard all on arm's length commercial terms.
- **WGH Estates:** WGH Estates Pty Ltd is engaged in property investment and has a portfolio of rural land. WGH Estate leases the Baldivis feedlot to Wellard.
- **WGH Aviation:** WGH Aviation Pty Ltd provides aircraft charter services to Wellard and other third party customers, on arm's length commercial terms.

Mauro Balzarini and Greg Wheeler will continue to be Directors of WGH and its subsidiaries after Listing. Mr Balzarini is the principal ultimate Shareholder and controller of the WGH Group.

The operations of the WGH Group do not currently directly compete with those of Wellard. As mentioned in Section 9.4.9, there are ongoing related party arrangements between the WGH Group and Wellard which are made on arm's length terms. There are no restrictions on the activities which can be conducted by Wellard and limited restrictions on WGH. It is possible that in the future Wellard and WGH will operate in areas which may result in some competition occurring.

Mr Balzarini and Mr Wheeler have non-compete obligations under their respective employment agreements with Wellard which continue for up to 12 months after their employment ceases. The non-compete restrictions have a carve out to allow Mr Balzarini and Mr Wheeler to continue to be Directors of WGH and its subsidiaries and to permit the WGH Group to conduct its current activities in the ordinary course.

9.4.11 Intellectual property

Wellard and its subsidiaries have registered various domain names and business names and has rights to a trade mark. Wellard believes that it and its subsidiaries own or have a licence to use the intellectual property required to undertake the Business.

9.4.12 Fulida Group conversion right

Fulida has the right to convert a debt owed to it by WGH into Shares at any time before 31 March 2016 by way of a transfer of Shares from WGH for up to US\$27.8 million worth of Shares at the Offer Price. The Voluntary Escrow Agreement made with WGH contains carve outs to permit these Shares to be transferred to Fulida for this purpose. For more details around the escrow arrangements, see Section 7.6.

9.5 Regulatory relief

Wellard has sought relief from ASIC so that:

- Wellard does not have a relevant interest in the Shares which are subject to the voluntary escrow arrangements described in Section 7.6;
- Wellard was permitted to brief employees and management regarding the Offer; and
- Wellard will be exempt from the operation of section 1020B(2) of the Corporations Act when trading on the ASX on a conditional and deferred settlement basis.

09. Additional information

Wellard has sought a number of standard confirmations from the ASX in connection with its application to be admitted to its official list.

9.6 Ownership restrictions

The sale and purchase of Shares in Wellard are regulated by Australian laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section 9.6 contains a general description of these laws.

9.6.1 Foreign Acquisitions and Takeovers Act 1975 (Cth) and proposed amendments

There may be relevant restrictions on the ability of non-residents to acquire and hold Shares under the Foreign Acquisitions and Takeovers Act 1975 (Cth) (**FATA**) and the Australia's Foreign Investment Policy 2015 (**Policy**).

The FATA and the Policy may limit the ability of investors to acquire Shares. Specifically, any acquisition by:

- **Foreign Person Acquisition Restriction:** a foreign person or associated foreign persons which would result in a holding of 15% (this is proposed to be increased to 20% under proposed amendments to the law – see below), or more of the issued Shares, voting power or potential voting power in Wellard requires notification, review and approval by the Treasurer of the Commonwealth of Australia;
- **Aggregate Foreign Person Acquisition Restriction:** non-associated foreign persons which would result in a holding by those persons (together with an associate or associates of any of them) of 40% or more of the issued Shares, voting power or potential voting power in Wellard can be the subject of certain orders (including prohibition) by the Treasurer of the Commonwealth of Australia if the Treasurer considers the result would be contrary to the national interest. After Completion of the Offer, WGH's shareholding in Wellard is expected to be approximately 36.6%³⁵ and SCPEL's shareholding in Wellard is expected to be 6.3%; or
- **Foreign Government Acquisition Restriction:** a foreign government or one of its related entities may also require notification, review and approval.

The Australian Government tabled the Foreign Acquisitions and Takeovers Amendment Bill 2015 (**Bill**), which proposes substantial amendments to the FATA, in the House of Representatives on 20 August 2015. The Bill was introduced in the Senate on 17 September 2015. The Bill was referred to the Senate Economics Legislation Committee on 20 August 2015 and the Committee released its report on 14 October 2015.

On 13 October 2015, the Australian Government Treasury released draft exposure regulations which contain important provisions, such as the definition of agribusiness, thresholds for approval and definitions and rules around foreign government investors.

If adopted in their current form, the impact of the Bill and regulations on Wellard is expected to be as follows:

- Wellard will not be an agricultural land corporation;
- Wellard will be an agribusiness at the time of Listing. Whether Wellard continues to be an agribusiness depends on the financial performance of its Australian agribusiness subsidiaries (currently, Wellard Animal Production Pty Ltd and Wellard Feeds Pty Ltd) and its Australian derived earnings as reported each year. Accordingly, Wellard may shift from being to not being an agribusiness based on its annual financial performance;
- if Wellard is an agribusiness, foreign persons will be required to obtain approval to acquire a direct interest in Wellard, where:
 - the foreign person acquires an interest which increases its holding in Wellard³⁶ to 10% and the total value of the foreign person's investment in Wellard after the acquisition is greater than \$55 million³⁷;

35 After the transfer of Shares to Wellard employees, consultants and others not part of the Wellard Group as permitted under the WGH voluntary escrow arrangements. Immediately after Completion of the Offer, and prior to these transfers, WGH will be a 40% Shareholder in Wellard.

36 The holding will include any holding by an associate of the foreign person

37 The value of the acquisition includes the total value of the consideration for the acquisition and the total value of other interests held by or acquired by that person and its associates in Wellard.

09. Additional information

- the foreign person has an existing legal arrangement with Wellard³⁸ and acquires an interest in 5% or more of Wellard and the total value of the foreign person's investment in Wellard after the acquisition is greater than \$55 million³⁹; or
- the foreign person is in a position to influence or participate in the central management or control of Wellard or influence or determine the policy of Wellard and the total value of the foreign person's investment in Wellard after the acquisition is greater than \$55 million⁴⁰;
- the Foreign Person Acquisition Restriction threshold (explained above) will be increased from 15% to 20% (see above for explanation); and
- the Aggregate Foreign Person Acquisition Restriction and Foreign Government Acquisition Restriction (both explained above) will continue to apply.

There is no guarantee that the amendments will be adopted in the form set out in the Bill or the regulations or at all and so persons who consider that they may be affected by the FATA, the amendments proposed in the Bill or the Policy should seek independent professional advice.

9.6.2 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply.

The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in Wellard, either themselves or through an associate.

9.7 Taxation considerations

This Section 9.7 provides a general overview of certain Australian tax consequences for investors who acquire Shares through the Offer. The comments in this Section 9.7 are based on the Australian taxation laws (including established interpretations of those laws) and understanding of the practice of the Australian Taxation Office (**ATO**) as at the Prospectus Date.

This Section 9.7 is general in nature and is not intended to be an authoritative or a complete statement of the Australian taxation laws. It should be noted that the Australian taxation laws are complex and the investor's own circumstances will affect the taxation outcomes of making an investment in Shares through the Offer. It is therefore recommended that investors seek independent professional advice, having regard to their own specific circumstances, in considering an investment in Shares through the Offer.

Deloitte Tax Services Pty Ltd, a registered tax agent, has provided the tax comments below. Deloitte Tax Services Pty Ltd is not licensed under Chapter 7 of the Corporations Act to provide financial product advice. Taxation issues, such as those covered by this Section 9.7, are only one of the matters you need to consider when making a decision about a financial product. You should consider taking advice from someone who holds an AFSL before making such a decision.

9.7.1 Dividends on a Share – Australian tax resident

Dividends may be paid to Shareholders in respect of their Shares. "Franking credits" may be attached to such dividends. Franking credits broadly represent the extent to which a dividend is paid out of profits that have been subject to Australian income tax. It is possible for a dividend to be fully franked, partly franked or unfranked.

38 No guidance is provided in relation to what this would include, but similar provisions apply in relation to investment by foreign governments and is expected to include preferential, special or veto voting rights; the ability to appoint directors or asset managers; contractual agreements including, but not restricted to, agreements for loans, provision of services and off take agreements; or building or maintaining a strategic or long-term relationship with a target entity.

39 The value of the acquisition includes the total value of the consideration for the acquisition and the total value of other interests held by or acquired by that person and its associates in Wellard.

40 The value of the acquisition includes the total value of the consideration for the acquisition and the total value of other interests held by or acquired by that person and its associates in Wellard.

09. Additional information

It should be noted that the concept of a dividend for Australian income tax purposes is very broad and can include payments that are made in respect of such things as off-market share buy-backs.

Australian tax resident Shareholders will be required to include dividends in their assessable income in the income year in which the dividends are paid. To the extent that the dividends are franked, subject to the comments below, the associated franking credits should also be included in the Australian tax resident Shareholder's assessable income (i.e. the dividends are required to be "grossed-up"). In such circumstances, Shareholders are subject to tax at their applicable rate of tax on the grossed-up dividends received (but may be entitled to a tax offset for the associated franking credits as discussed below).

To the extent that the dividends are unfranked, there is no gross-up (or tax offset) and Australian tax resident Shareholders should be subject to tax at their applicable rate of tax on the unfranked dividends received.

The distribution statement for the dividends paid should advise of the franking status of the dividends.

Generally, Australian tax resident Shareholders should be entitled to a "tax offset" equal to the amount of any franking credits received.

9.7.1.1 Australian resident individuals and complying superannuation entities

To the extent that the franking credits received by non-corporate Shareholders that are individuals and complying superannuation entities exceed the amount of tax payable, those Shareholders should be entitled to a refund from the ATO of any excess franking credits. Where the franking credits are less than the tax payable on the dividends, those Shareholders will need to pay an additional amount of tax.

9.7.1.2 Trusts and partnerships

In relation to non-corporate Shareholders that are trusts (other than trustees of complying superannuation entities or trusts treated as companies for tax purposes) or partnerships, such Shareholders should include any franking credits in determining the net income of the trust or partnership. The relevant beneficiary or partner may then be entitled to a corresponding tax offset, subject to certain requirements being satisfied.

In relation to trusts or limited partnerships, the rules surrounding the taxation of dividends are complex and advice should be sought to confirm the appropriate taxation considerations and treatment.

9.7.1.3 Corporate Shareholders

Shareholders that are companies (including those which are deemed to be companies) are also entitled to a tax offset equal to the amount of franking credits received; however, unlike non-corporate Shareholders, they are unable to claim refunds for excess franking credits. Where excess franking credits exist, a corporate Shareholder should be entitled to have the surplus credits converted into carry forward tax losses.

Corporate Shareholders (including those which are deemed to be companies) should also be entitled to a franking credit in their franking accounts equal to the franking credits received in respect of the dividends. A corporate Shareholder may be able to then use the credits to make franked distributions to its Shareholders.

9.7.1.4 Holding period rule

There are certain limitations imposed by the Australian taxation law which may prevent a Shareholder from obtaining the benefit of any franking credits. In this regard, Shareholders seeking to claim tax offsets for franking credits must be "qualified persons" in respect of the relevant dividends.

In broad terms, Shareholders who have held their Shares "at risk" for at least 45 days (excluding the dates of acquisition and disposal) should be qualified persons and should be able to claim a tax offset for the amount of franking credits received. Furthermore, individual Australian Shareholders whose total franking tax offsets (for all franked distributions received in the income year) do not exceed \$5,000 for the income year should generally be deemed to be qualified persons. Special rules also apply to arrangements which involve the making of related payments to pass on the benefit of any dividends paid, or in the context of franked dividends received via trusts or partnerships.

Investors should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

For personal use only

9.7.1.5 Dividend washing

Recently enacted legislation prevents taxpayers from obtaining a tax benefit from additional franking credits where dividends are received as a result of "dividend washing". Dividend washing is a practice through which taxpayers seek to claim two sets of franking credits by selling shares held on the ASX and then effectively repurchasing the same parcel of shares on a special ASX trading market. Shareholders should consider the impact of these provisions (and other dividend tax integrity provisions) having regard to their own personal circumstances.

9.7.2 Dividends on a Share – non-Australian tax resident

Generally, unfranked dividends paid to Shareholders that are non-Australian tax residents should be subject to dividend withholding tax. To the extent that distributions to non-residents include unfranked dividends which are not declared to be conduit foreign income, there is a requirement for the payer to withhold tax at the rate applicable to each non-Australian tax resident Shareholder. Australian dividend withholding tax is levied at a flat rate of 30% on the gross amount of the dividends unless a Shareholder is a tax resident of a country that has an applicable double tax treaty with Australia. In these circumstances, the withholding tax is generally limited to 15%, although in certain cases, depending on the Shareholder's country of residence and the size of their shareholding, the rate may be reduced further.

Fully franked dividends are not subject to Australian dividend withholding tax.

It is recommended that non-Australian tax resident Shareholders also consider the tax implications of receiving dividends in respect of shares under their respective local tax regimes, including if a credit is available for any dividend withholding tax.

9.7.2.1 Conduit foreign income

Australia has a system of "conduit foreign income" accounts, which allow Australian companies to pay unfranked dividends from conduit foreign income to non-Australian tax resident Shareholders free of non-resident withholding tax. Conduit foreign income is broadly foreign income paid to the Australian company where that foreign income is exempt from Australian income tax, such as certain dividends and interest.

To the extent that unfranked dividends are declared in the distribution statement for the dividends to be conduit foreign income, the unfranked dividends should not be subject to Australian dividend withholding tax. The distribution statement for the dividends paid should advise of the conduit foreign income status of the dividends.

Unfranked dividends declared to be conduit foreign income should be subject to tax in the same manner as other unfranked dividends for Australian tax resident Shareholders.

9.7.2.2 Dividend Reinvestment Plan (DRP)

The comments in this Section 9.7 do not consider the taxation implications of Shareholders participating in a DRP. If a DRP is activated at a future time, Shareholders are advised to seek advice prior to participating in the DRP.

9.7.3 Taxation of future Share disposals – Australian tax resident

Most Australian tax resident Shareholders will be subject to the Australian capital gains tax (CGT) regime on the future disposal of their Shares.

Australian tax resident Shareholders who hold their Shares on capital account will be required to consider the impact of the CGT provisions in respect of the disposal of their Shares.

Where the capital proceeds received on the disposal of the Shares exceed the CGT cost base of those Shares, Australian tax resident Shareholders will be required to recognise a capital gain. The CGT cost base of the Shares should generally be equal to the issue price or acquisition price of the Shares plus, among other things, incidental costs associated with the acquisition and disposal of the Shares. In respect of the CGT cost base of the Shares, this amount may be reduced as a result of receiving non-assessable distributions from Wellard, such as returns of capital.

09. Additional information

Conversely, Australian tax resident Shareholders may recognise a capital loss on the disposal of Shares where the capital proceeds received on disposal are less than the reduced CGT cost base of the Shares.

All capital gains and losses recognised by an Australian tax resident Shareholder for an income year are considered collectively. To the extent that a net gain exists, such Shareholders should be able to reduce the gain by any amount of unapplied net capital losses carried forward from previous income years (provided the relevant loss recoupment tests are satisfied). Any remaining net gain (after the application of any carried forward tax losses) will then be required to be included in the Australian tax resident Shareholder's assessable income (subject to comments below in relation to the availability of the CGT discount concession) and will be taxable at the Shareholder's applicable rate of tax. Where a net capital loss is recognised, the loss will only be deductible against capital gains. Capital losses are capable of being carried forward indefinitely, provided the relevant loss recoupment tests are satisfied.

Non-corporate Shareholders may be entitled to a concession which discounts the amount of capital gain that is assessed. Broadly, the concession is available where the Shares have been held for 12 months or more prior to disposal. The concession results in a 50% reduction in the assessable amount of a capital gain for an individual Shareholder or flow through trust Shareholder, and a one-third reduction of a capital gain for an Australian tax resident complying superannuation entity Shareholder. The concession is not available to corporate Shareholders.

In relation to trusts or limited partnerships, the rules surrounding capital gains and the CGT discount are complex, but the benefit of the CGT discount may flow through to relevant beneficiaries or partners, subject to certain requirements being satisfied.

Some Shareholders will hold Shares on revenue account, as trading stock or be subject to the Taxation of Financial Arrangements regime. Investors should seek professional advice to determine if Shares would be subject to the Taxation of Financial Arrangements regime (and the corresponding income tax implications should the regime apply).

Broadly, Australian tax resident Shareholders who acquire their Shares in the ordinary course of their business and/or hold their Shares on revenue account or trading stock should be required to include any gains made on the disposal of the Shares in their assessable income. Conversely, any losses made on the disposal of Shares in these circumstances should be deductible.

9.7.4 Taxation of future Share disposals – non-Australian tax resident

Non-Australian tax resident Shareholders who hold their Shares on capital account should not generally be subject to the Australian CGT regime upon disposal of their Shares except in limited circumstances; for example, where the Shares are used in the carrying on of a business through a permanent establishment in Australia or where the Shares are "indirect Australian real property interests" at the time of sale (and no double tax treaty relief is available). In this regard, the Shares should be indirect Australian real property interests to the extent that, broadly, the following two requirements are satisfied:

- Wellard is considered "land rich" for Australian income tax purposes (i.e. greater than 50% of the market value of the company's underlying assets is derived from Australian real property interests or certain interests in relation to Australian minerals); and
- the non-resident Shareholder has an associate-inclusive interest of at least 10% in Wellard.

It is noted that it is unlikely that Wellard is considered "land rich" for Australian income tax purposes but this analysis is required to be undertaken at the time of disposal.

Non-resident Shareholders who hold Shares on revenue account may need to include any Australian sourced profits recognised on the sale of the Shares in their Australian assessable income unless an applicable double tax treaty provides relief from Australian taxation. Conversely, non-resident Shareholders who make a loss on the disposal of the Shares in these circumstances may be entitled to claim the loss against other Australian assessable income, provided the loss was made in the course of deriving assessable income from Australian sources.

9.7.5 Tax file number (TFN) and Australian Business Number (ABN)

An Australian tax resident Shareholder is not obliged to quote a TFN, or where relevant, ABN, to Wellard. However, if a TFN or ABN is not quoted and no exemption is applicable, income tax is required to be deducted by Wellard at the highest marginal rate (currently 45%) plus Medicare levy of 2% and Temporary Budget Repair levy of 2% (latter only from FY2015 to FY2017 inclusive) from certain dividends paid. Australian tax resident Shareholders may be able to claim a tax credit/rebate (as applicable) in respect of any tax withheld on dividends in their income tax returns.

No withholding requirement applies in respect of fully franked dividends paid in respect of the Shares. Furthermore, no TFN/ABN withholding requirement applies to unfranked dividends paid to non-Australian tax residents (as described above, the dividend withholding tax regime should instead apply in this situation).

9.7.6 Stamp duty

No stamp duty should be payable by a Shareholder on the issue or acquisition of Shares pursuant to the Offer. Further, under current stamp duty legislation, stamp duty would not ordinarily be payable on any subsequent acquisition of Shares by a Shareholder provided Wellard remains listed on the ASX (and provided the acquisition is less than 90% of the Shares in Wellard).

9.7.7 Goods and services tax (GST)

Under current Australian GST law, GST would not be applicable to the issue, acquisition or transfer of Shares. As referenced elsewhere in this Prospectus, no brokerage fees are to be paid by Applicants. The ability of Shareholders to recover any GST incurred in relation to other costs associated with Wellard's Listing as an input tax credit would vary according to individual circumstances and as such this should be reviewed by Shareholders prior to making any claim.

No GST should be payable by Shareholders on receiving dividends distributed by Wellard.

9.8 Legal proceedings

Wellard may be involved from time to time, in disputes or other claims. These disputes or other claims may lead to legal and other proceedings, and may cause Wellard to suffer additional costs. As at the Prospectus date, the Directors are not aware of any current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which Wellard is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of Wellard.

9.9 Governing law

This Prospectus and the contracts that arise from acceptance of the Applications and bids under this Prospectus are governed by the laws applicable in Western Australia and each Applicant or bidder submits to the exclusive jurisdiction of the courts of Western Australia.

9.10 Consents to be named and statement of disclaimers of responsibility

Each of the parties referred to below (each a **Consenting Party**), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the Consenting Parties has given and has not, before the lodgement of the Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named. None of the Consenting Parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement is made in this Prospectus is based, other than as specified below:

09. Additional information

Name	Role	Statements
UBS	Joint Lead Manager and underwriter	None
Deutsche Bank	Joint Lead Manager and underwriter	None
Morgans Financial Limited	Co-Lead Manager	None
CBA Equities Limited	Co-Manager	None
UBS Wealth Management	Co-Manager	None
Deutsche Craigs Limited	Co-Manager	None
Wilson HTM Limited	Co-Manager	None
Corrs Chambers Westgarth	Australian legal adviser	None
Pricewaterhouse-Coopers Securities Ltd	Investigating Accountant in relation to the Financial Information	PricewaterhouseCoopers Securities Ltd has given consent to be named in this Prospectus as Investigating Accountant to Wellard and to the inclusion of its Investigating Accountant's Report on the Financial Information in this Prospectus in the form and context in which it appear in this Prospectus in Section 8.
Deloitte Tax Services Pty Ltd	Taxation services adviser for the IPO	Deloitte Tax Services Pty Ltd has given consent to the inclusion of Section 9.7 (Taxation considerations) in this Prospectus in the form and context in which it appears in this Prospectus.
Deloitte Touche Tohmatsu	IPO readiness and financial adviser	None
Ernst & Young	Auditor of WGH and WRE for FY2013	None
Ernst & Young LLP	Auditor of Wellard Ships for FY2013	None
Pricewaterhouse-Coopers Australian Partnership	Auditor of WGH and WRE for FY2014 and FY2015	None
Pricewaterhouse-Coopers LLP (Singapore firm)	Auditor of Wellard Ships for FY2014 and FY2015	None
WGH	Current owner of the WGH IPO Subsidiaries and the Business	Statements made by WGH or said in this Prospectus to be based on a statement by WGH.
Link Market Services Limited	Share Registry	None

For personal use only

9.11 Selling restrictions

This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this Prospectus may not be distributed to any person, and the Shares may not be offered or sold in any country outside Australia unless it is accompanied by the institutional offering memorandum as part of the Institutional Offer and to the extent permitted below.

9.11.1 China

The information in this Prospectus does not constitute a public offer of Shares, whether by way of sale or subscription, in the People's Republic of China (excluding, for the purposes of this paragraph, Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan). The Shares may not be offered or sold directly or indirectly in the People's Republic of China to legal or natural persons other than directly to "qualified domestic institutional investors".

9.11.2 Hong Kong

WARNING: This Prospectus has not been, and will not be registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (**SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

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.

9.11.3 Malaysia

No approval from, or recognition by, the Securities Commission of Malaysia has been or will be obtained in relation to any offer of Shares. The Shares may not be offered or sold in Malaysia except pursuant to, and to persons prescribed under, Part I of Schedule 6 of the Malaysian Capital Markets and Services Act.

9.11.4 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 persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (**SFA**), or as otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of Wellard's Shares, (ii) an "institutional investor" (as defined in the SFA), or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, return this Prospectus immediately. You may not forward or circulate this Prospectus to any other person in Singapore.

09. Additional information

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.

9.11.5 France

This Prospectus is not being distributed in the context of a public offering of financial securities (offer au public de titres financiers) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (Code monétaire et financier) and Articles 211-1 et seq. of the General Regulation of the French Autorité des marchés financiers (**AMF**). The Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This Prospectus and any other offering material relating to the Shares have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed (directly or indirectly) to the public in France. Such offers, sales and distributions have been and shall only be made in France to qualified investors (investisseurs qualifiés) acting for their own account, as defined in and in accordance with Article L.411-2-II-2, D.411-1, L.533-16, L.533-20, D.533-11, D.533-13, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation.

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the Shares cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

9.11.6 European Economic Area – Germany and Netherlands

The information in this Prospectus has been prepared on the basis that all offers of Shares will be made pursuant to an exemption under the Directive 2003/71/EC (**Prospectus Directive**), as amended and implemented in Member States of the European Economic Area (each a **Relevant Member State**), from the requirement to produce a prospectus for offers of securities.

An offer to the public of Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in the Relevant Member State:

- to any legal entity that is authorised or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000, (ii) annual net turnover of at least €40,000,000, and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, **MiFID**); or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID.

9.11.7 Norway

This Prospectus has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this Prospectus shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 29 June 2007.

The Shares may not be offered or sold, directly or indirectly, in Norway except to “professional clients” (as defined in Norwegian Securities Regulation of 29 June 2007 No. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

9.11.8 United Kingdom

Neither the information in this Prospectus nor any other document relating to the Offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Shares. This Prospectus is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the Shares may not be offered or sold in the United Kingdom by means of this Prospectus, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This Prospectus should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to Wellard.

In the United Kingdom, this Prospectus is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO, or (iii) to whom it may otherwise be lawfully communicated (together **relevant persons**). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Prospectus or any of its contents.

9.11.9 Switzerland

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (**SIX**) or on any other stock exchange or regulated trading facility in Switzerland. This Prospectus has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Shares may be publicly distributed or otherwise made publicly available in Switzerland. The Shares will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations.

Neither this Prospectus nor any other offering or marketing material relating to the Shares has been or will be filed with or approved by any Swiss regulatory authority. In particular, this Prospectus will not be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (**FINMA**).

This document is personal to the recipient only and not for general circulation in Switzerland.

9.11.10 United Arab Emirates

Neither this Prospectus nor the Shares have been approved, disapproved or passed on in any way by the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates, nor has Wellard received authorisation or licensing from the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates to market or sell the Shares within the United Arab Emirates. No marketing of any financial products or services may be made from within the United Arab Emirates and no subscription to any financial products or services may be consummated within the United Arab Emirates. This Prospectus does not constitute and may not be used for the purpose of an offer or invitation. No services relating to the Shares, including the receipt of applications and/or the allotment or redemption of Shares, may be rendered within the United Arab Emirates by Wellard.

No offer or invitation to subscribe for Shares is valid in, or permitted from any person in, the Dubai International Financial Centre.

09. Additional information

9.12 Other additional information

9.12.1 Cost of the Offer

The costs of the Offer are expected to be approximately \$21 million (excluding GST). These costs will effectively be borne by Wellard.

9.12.2 Privacy

By making an application for Shares, you are providing personal information to Wellard through Wellard's service provider, the Share Registry, which is contracted by Wellard to manage Applications. Wellard and the Share Registry on its behalf, collect, hold and use that personal information to process your Application or administer your investment. If you do not provide information requested, Wellard and the Share Registry may not be able to process or accept your Application.

By submitting an Application, each Applicant agrees that Wellard and the Share Registry may use the information provided by an Applicant (including in an Application Form) for the purposes of processing your Application, servicing your needs as a Shareholder, providing you with facilities or services you request and carrying out appropriate administration and Wellard and the Share Registrar may disclose it for those purposes to Wellard and Wellard's other related bodies corporate.

The other types of persons that may be provided with your personal information from time to time are:

- the Share Registry;
- other agents and service providers, including print service providers and mail houses;
- regulatory bodies, including the ATO and the ASX;
- future bidders for Shares in the context of takeovers; and
- authorised securities brokers, legal firms, accounting firms, auditors and other advisers (including the Joint Lead Managers),

for purposes relating to your investment or as otherwise required under the Privacy Act 1988 (Cth). If an Applicant becomes a Shareholder, the Corporations Act requires Wellard to include information about the Shareholder (including their name, address and details of their Shares held) in its public register of members. The information contained in Wellard's public register of members must remain there even if that person ceases to be a Shareholder.

An Applicant has a right to gain access to or correct information that Wellard holds about that person. A fee may be charged for access. Access requests must be made in writing to Wellard's Privacy Officer at privacyofficer@wellard.com.au or Attn Privacy Officer, Wellard Limited, 1A Packenham Street, Fremantle, WA 6160. Applicants can obtain a copy of Wellard's privacy policy in relation to Shareholders by visiting Wellard's website at www.wellard.com.au.

9.13 Statement of Directors

The issue of this Prospectus has been authorised by each Director. Each Director has consented to lodgement of this Prospectus with ASIC and issue of this Prospectus and has not withdrawn that consent.

Appendix A. Accounting policies



Appendix A. Accounting policies

A.1 Accounting Policies

A.1.1 Significant accounting policies

The significant accounting policies adopted in the preparation of the Financial Information in Section 4 are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

A.1.2 Basis of preparation

See Section 4.2 for details regarding the basis on which the Financial Information has been prepared.

The consolidated Financial Information has been prepared on a going concern basis and under the historical cost convention, except for revaluations to fair value for certain classes of assets and liabilities (derivatives) as described in the accounting policies below.

A.1.3 Basis of consolidation

A.1.3.1 Subsidiaries

Subsidiaries are entities controlled by Wellard. The Wellard Group controls an entity when the Wellard Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements of subsidiaries are included in the consolidated financial report from the date that control commences until the date that control ceases.

A.1.3.2 Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealised income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

A.1.4 Foreign currency translation and balances

A.1.4.1 Functional and presentation currency

The financial statements of each entity within the Wellard Group are measured using the currency of the primary economic environment in which that entity operates (**functional currency**). The consolidated financial statements are presented in Australian dollars which is Wellard's functional and presentation currency.

A.1.4.2 Transactions and balances

Transactions in foreign currencies of entities within the Wellard Group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the period.

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or restatement are recognised as revenues and expenses for the period.

Entities that have a functional currency different from the presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date;
- income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

A.1.5 Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to the Wellard Group and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognised:

A.1.5.1 Sale of goods

Revenue from sale of goods is typically recognised upon the delivery of goods to customers or when there has been a transfer of risks and rewards to the customer, and generally title has passed. This is deemed to have passed when the vessel containing livestock docks at the destination port.

A.1.5.2 Dividends

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint ventures are accounted for in accordance with the equity method of accounting.

A.1.5.3 Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

A.1.6 Income tax

Income tax expense comprises current and deferred tax. Current income tax expense or benefit is the tax on the current period's taxable income/taxable loss based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities. It is calculated based on tax laws that have been enacted or are substantially enacted by the end of the reporting period.

Current tax payable is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that Wellard will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to the income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Appendix A. Accounting policies

A.1.6.1 Tax consolidation

The parent entity Wellard, and its Australian subsidiaries intend to form a tax consolidated group with effect from, or around, Completion of the Offer. The parent entity and subsidiaries in the tax consolidated group intend to enter into a tax funding agreement such that each entity in the tax consolidated group recognises the assets, liabilities, revenues and expenses in relation to its own transactions, events and balances only. This means that:

- the parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- the subsidiaries recognise current or deferred tax amounts arising in respect of their own transactions, events and balances; and
- current tax liabilities and deferred tax assets arising in respect of tax losses, are transferred from the subsidiary to the parent entity as intercompany payables or receivables.

Adjustments may be made for transactions and events occurring within the tax consolidated group that do not give rise to a tax consequence for the group or that have a different tax consequence at the head entity level of the group.

The tax consolidated group also intends to enter into a tax sharing agreement to limit the liability of subsidiaries in the tax consolidated group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

The relevant aspects of the Financial Information in Section 4 are based on the Australian subsidiaries (together with Wellard), being a separate Australian tax consolidated group for the periods covered by the Financial Information (rather than members of the WGH tax consolidated group).

A.1.7 Borrowing costs

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings and foreign exchange losses net of hedged amounts on borrowings. Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset which are capitalised until the asset is ready for its intended use or sale.

Loan establishment costs have been capitalised and are amortised over the life of the loan facility. Borrowing costs relating to loans extinguished during the period have been expensed.

A.1.8 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment allowance. Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

A.1.9 Inventories

Inventories in the statement of financial position comprise bunker (fuel, oil, gasoline) raw materials and finished goods.

Bunker used for the operation of the vessels and with a high turnover rate is not written down to the net realisable value when the market price falls below cost if the overall shipping activity is expected to be profitable.

All other inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- fuel: purchase cost on a first in, first out basis;
- raw materials and consumables: purchase cost on a first in, first out basis; and
- finished goods and work in progress: cost of direct material and labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of production and the estimated costs necessary to complete the sale.

A.1.10 Biological assets

Biological assets in the statement of financial position comprise cattle and sheep and are measured on initial recognition and at each reporting date at their fair value less estimated point of sale costs. The fair value is determined on the actual selling prices approximating those at year end less estimated point of sale costs. Fair value increments or decrements are recognised in profit or loss.

Where fair value cannot be measured reliably, biological assets are measured at cost.

Net increments and decrements in the fair value of the biological assets are recognised as income or expense in profit or loss, determined as:

- the difference between the total fair value of the biological assets recognised at the beginning of the period and the total fair value of the biological assets recognised at the end of the period; and
- costs incurred in maintaining or enhancing the biological assets recognised at the beginning of the period and the total fair value of the biological assets recognised at the end of the period.

A.1.11 Financial instruments

A.1.11.1 Classification

Wellard classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of the financial instruments at initial recognition.

A.1.11.2 Derivative financial instruments

Derivatives are recognised initially at fair value; any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

A.1.11.3 Foreign exchange contracts

Wellard enters into foreign exchange contracts to hedge its exposure against foreign currency risk in line with the entity's risk management strategy.

A.1.11.4 Non-derivative financial instruments

Non-derivative financial instruments consist of investments in equity securities, trade and other receivables, cash and cash equivalents, borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value, plus directly attributable transaction costs (if any). After initial recognition, non-derivative financial instruments are measured as described below.

Appendix A. Accounting policies

A.1.11.5 Loans and receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method. Loan and receivables include trade receivables.

A.1.11.6 Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories and are measured at fair value. Unrealised gains and losses arising from changes in fair value, other than impairment losses, are recognised in other comprehensive income and presented in equity. The cumulative gain or loss is held in equity until the financial asset is derecognised, at which time the cumulative gain or loss held in equity is recognised in profit or loss.

A.1.11.7 Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties and loans from or other amounts due to Director related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal repayments and amortisation.

Financial liabilities are classified as current liabilities unless Wellard has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

A.1.12 Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and any accumulated impairment losses.

A.1.12.1 Vessels

Vessels are measured on a cost basis.

A.1.12.2 Land and buildings

Land and buildings are measured on a cost basis.

A.1.12.3 Plant and equipment

Plant and equipment are measured on a cost basis.

A.1.12.4 Improvements

Improvements are measured on a cost basis.

A.1.12.5 Depreciation

The depreciable amount of all fixed assets is depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Land owned by Wellard is freehold land and accordingly is not depreciated.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Class of fixed asset	Depreciation rates (per annum)	Depreciation basis
Vessels	4.0% to 5.0%	Straight line
Land and buildings	2.5% to 20.0%	Straight line
Plant and equipment	4.5% to 40.0%	Straight line
Improvements	6.0% to 11.2%	Straight line

Assets under construction are measured at cost and not depreciated until the assets are ready for use.

A.1.13 Impairment

A.1.13.1 Non-derivative financial assets

A.1.13.1.1 Financial assets measured at amortised cost

Wellard considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, Wellard uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causing the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

A.1.13.1.2 Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest rate method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

A.1.13.1.3 Equity accounted investments

An impairment loss in respect of an equity accounted investment is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the policy set out below in non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A.1.13.1.4 Non-financial assets

The carrying amounts of Wellard's non-financial assets, other than biological assets, equity accounted investments, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use, and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

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

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

A.1.14 Intangible assets

A.1.14.1 Goodwill

Goodwill is recognised initially at the excess over the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in the case of a step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.

Goodwill is not amortised, but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

A.1.14.2 Water rights

Water rights are measured initially at their cost of acquisition. Water rights are an indefinite life intangible asset as there is no expiry date associated with the underlying assets in terms of their generation of future economic benefits to Wellard, and are therefore tested for impairment annually. The carrying amount of water rights is supported by a value in use calculation.

A.1.14.3 Software

Software is measured initially at the cost of acquisition and amortised over the useful life of the software. Expenditure on software development activities is capitalised only when it is expected that future benefits will exceed the deferred costs, and these benefits can be reliably measured. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of the intangible asset over its estimated useful life (not exceeding seven years) commencing when the intangible asset is available for use. Other development expenditure is recognised as an expense when incurred.

A.1.14.4 Assets acquired separately or from a business combination

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets are capitalised when Wellard is certain that there are future economic benefits that will arise from these assets. Other internally generated intangible assets that do not fit this recognition criterion are charged against profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each period end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate.

The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the nature of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each period to determine whether indefinite life assessment continues to be supportable. If not, the change in useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

A.1.15 Trade and other payables

These amounts represent liabilities for goods and services provided to Wellard prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the end of the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

A.1.16 Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless Wellard has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

A.1.17 Provisions

Provisions are recognised if, as a result of a past event, Wellard has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A.1.18 Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement, so as to reflect the risks and benefits incidental to ownership.

A.1.18.1 Finance leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to Wellard are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in profit or loss. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that Wellard will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

A.1.18.2 Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

A.1.19 Employee benefits

A.1.19.1 Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave, long service leave and any other employee benefits expected to be settled within 12 months of the end of the period are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

A.1.19.2 Long-term employee benefit obligations

Liabilities arising in respect of long service leave and annual leave which are not expected to be settled within 12 months of the end of the period are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the end of the period.

Employee benefit obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the end of the period, regardless of when the actual settlement is expected to occur.

A.1.19.3 Bonus plan

Wellard recognises a provision when a bonus is payable in accordance with the employee's contract of employment, and the amount can be reliably measured.

A.1.19.4 Termination benefits

Termination benefits are payable when employment of an employee or group of employees is terminated before the normal retirement date, or when Wellard provides termination benefits as a result of an offer made and accepted in order to encourage voluntary redundancy. Wellard recognises a provision for termination benefits when the entity can no longer withdraw the offer of those benefits, or if earlier, when the termination benefits are included in a formal restructuring plan that has been announced to those affected by it.

A.1.20 Goods and services tax (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis.

A.1.21 Share capital

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

A.1.22 Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term and highly liquid cash deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. For the purposes of the statement of cash flows, cash includes cash on hand, demand deposits and cash equivalents.

A.1.23 Share-based payments

Share-based compensation benefits are provided to employees via a one-off management IPO bonus.

The fair value of shares granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the shares granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

A.1.24 Comparatives

Where necessary, comparative information is reclassified and restated for consistency with current period disclosures.

A.1.25 Critical accounting estimates and judgements

The preparation of the consolidated financial report in conformity with AAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. In preparation of the FY2015 consolidated financial report, management has determined that there have been no changes in critical accounting estimates and judgments in the current period (FY2015) other than the extension of the useful life of the vessels in Wellard Ships as compared to the previous reporting period (FY2014).

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in future years include:

A.1.25.1 Recoverability of goodwill

Goodwill is allocated to CGUs according to applicable business operations. The recoverable amount of a CGU is based on value in use calculations. These calculations are based on projected cash flows approved by management covering a period of three years. Management's determination of cash flow projections and gross margins is based on past performance and its expectation for the future. In FY2015, management's determination of the present value of future cash flows has been calculated using an average growth rate of 2.0% per annum (FY2014: 2.0%) for cash flows post FY2018, a terminal value growth rate of 2.0% (FY2014: 3.0%) and a pre-tax discount rate of 12.5% per annum (FY2014: 12.5%) to determine value in use.

A.1.25.2 Recoverability of non-financial assets other than goodwill

All assets are assessed for impairment at each period end by evaluating whether indicators of impairment exist in relation to the continued use of the asset by Wellard. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment or future product expectations. If an indicator of impairment exists, the recoverable amount of the asset is determined.

A.1.25.3 Valuation of biological assets

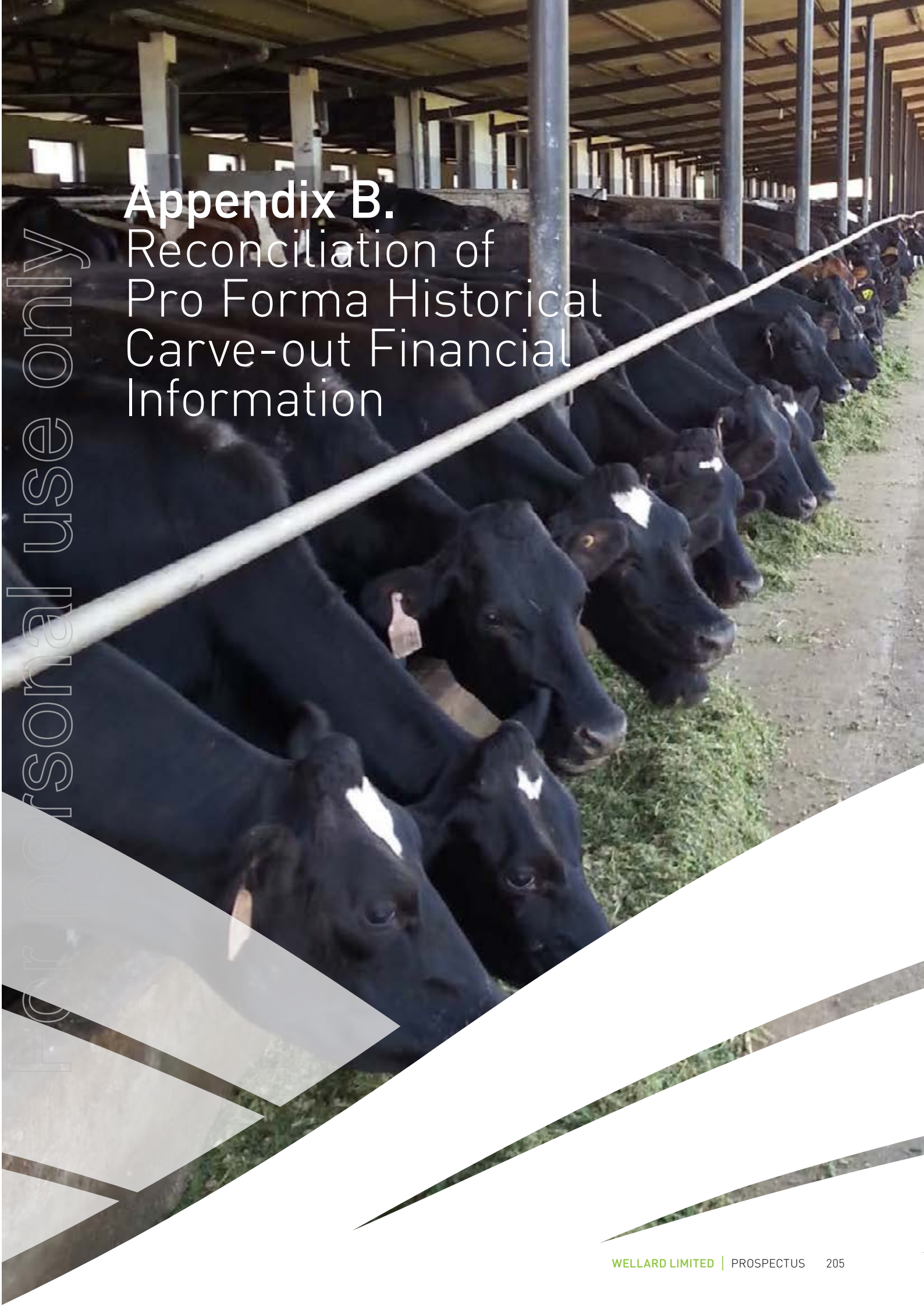
Biological assets are measured on initial recognition and at each reporting date at their fair value less estimated point of sale costs. The fair value is determined based on the actual selling prices approximating those at year end less estimated point-of-sale costs.

A.1.25.4 Useful life and residual value of livestock carrying vessels

Management reviews the appropriateness of the useful life and residual value of vessels at each balance date. Certain estimates regarding the useful life and residual value of vessels are made by management based on past experience and these are in line with the industry. Changes in the expected level of usage, scrap value of steel and market factors could impact the economic useful life and residual value of the vessels. When there is a material change in the useful life and residual value of vessels, such a change will impact both the depreciation charges in the period in which the changes arise and future depreciation charges.

For personal use only

Appendix B. Reconciliation of Pro Forma Historical Carve-out Financial Information



Appendix B. Reconciliation of Pro Forma Historical Carve-out Financial Information

B.1 Reconciliations of the Pro Forma Historical Carve-out Financial Information

Figure 74: Reconciliation of FY2013 Pro Forma Carve-out Historical Result to the underlying audited or unaudited financial information of the IPO Subsidiaries

June 2013 A\$'000	Audited		Extracted from the consolidation underlying the WGH audited financial information		Pro Forma Carve-out
	Wellard Ships ^{(1), (2)}	Wellard Rural Exports	Other entities	Other entities ⁽²⁾	
Revenue	60,417	258,096	15,919	(61,051)	273,380
Expenses	(36,722)	(269,131)	(15,175)	61,051	(259,977)
EBITDA	23,695	(11,034)	744	-	13,404
Depreciation and Amortisation	(11,069)	(1,145)	(195)	-	(12,409)
EBIT	12,626	(12,180)	549	-	995
Interest	(2,199)	(1,194)	23	-	(3,371)
NPBT	10,426	(13,374)	572	-	(2,376)
Tax	(1)	4,023	(131)	-	3,890
NPAT	10,425	(9,351)	441	-	1,514

Notes:

1. Wellard Ships was audited as an individual entity in FY2013.
2. The results for Wellard Ships, Wellard Brazil and Wellard New Zealand included in the Other entities column above have been presented in A\$ translated at the exchange rates used in the underlying consolidated trial balances of the WGH Group. The average A\$:US\$ exchange rate applied in FY2013 was 1.0271.

Figure 75: Reconciliation of FY2014 Pro Forma Carve-out Historical Result to the underlying audited or unaudited financial information of the IPO Subsidiaries

June 2014 A\$'000	Audited		Extracted from the consolidation underlying the WGH audited financial information		Pro Forma Carve-out
	Wellard Ships ^{(1), (2)}	Wellard Rural Exports	Other entities ⁽²⁾	Inter company eliminations	
Total Revenue	83,565	359,933	79,526	(90,527)	432,497
Expenses	(59,389)	(344,989)	(76,317)	90,527	(390,169)
EBITDA	24,176	14,944	3,209	-	42,328
Depreciation and Amortisation	(13,012)	(978)	(676)	-	(14,665)
EBIT	11,164	13,966	2,533	-	27,663
Interest	(1,985)	(843)	57	-	(2,771)
NPBT	9,179	13,123	2,590	-	24,892
Tax	(3)	(4,385)	(419)	-	(4,806)
NPAT	9,176	8,738	2,171	-	20,085

Notes:

1. Wellard Ships was audited as an individual entity in FY2014.
2. The results for Wellard Ships, Wellard Brazil and Wellard New Zealand included in the Other entities column above have been presented in A\$ translated at the exchange rates used in the underlying consolidated trial balances of the WGH Group. The average A\$:US\$ exchange rate applied in FY2014 was 0.9187.

Appendix B. Reconciliation of Pro Forma Historical Carve-out Financial Information

Figure 76: Reconciliation of FY2015 Pro Forma Carve-out Historical Result to the underlying audited or unaudited financial information of the IPO Subsidiaries

June 2015 A\$'000	Audited		Extracted from the consolidation underlying the WGH audited financial information			Unaudited	
	Wellard Ships ^{(1), (2)}	Wellard Rural Exports	Other entities ⁽²⁾	Inter company eliminations	Elimination of BWM	Wellard Uruguay	Pro Forma Carve-out
Total Revenue	93,076	473,033	33,547	(84,158)	(3,230)	-	512,269
Expenses	(65,510)	(464,275)	(35,490)	84,158	3,718	(82)	(477,480)
EBITDA	27,566	8,759	(1,943)	-	488	(82)	34,788
Depreciation and Amortisation	(19,914)	(983)	(1,713)	-	2,758	-	(19,851)
EBIT	7,652	7,776	(3,656)	-	3,247	(82)	14,937
Interest	(9,213)	(6,861)	(206)	-	1,513	-	(14,768)
NPBT	(1,561)	915	(3,862)	-	4,760	(82)	170
Tax	(21)	1,380	643	-	-	-	2,002
NPAT	(1,582)	2,294	(3,219)	-	4,760	(82)	2,171

Notes:

- Wellard Ships was audited as a consolidated group in FY2015. The balances above disclose the group result with the result for Big Wheel Marine Pte Ltd. Big Wheel Marine is then eliminated as shown above as it will not form part of the Wellard Group post the Restructure.
- The results for Wellard Ships, Wellard Brazil and Wellard New Zealand included in the Other entities column above have been presented in A\$ translated at the exchange rates used in the underlying consolidated trial balances of the WGH Group. The average A\$:US\$ exchange rate applied in FY2015 was 0.8382.

For personal use only

Appendix B. Reconciliation of Pro Forma Historical Carve-out Financial Information

Figure 77: Reconciliation of Pro Forma Carve-out Historical Statement of Financial Position as at 30 June 2015 to the underlying audited or unaudited financial information of the IPO Subsidiaries

June 2015 A\$'000	Audited		Extracted from the consolidation underlying the WGH audited financial information			Unaudited	
	Wellard Ships	Wellard Rural Exports	Other Entities	Inter company eliminations	Elimination of BWM	Wellard Uruguay	Pro Forma Carve-out
Cash and cash equivalents	2,657	14,400	351	-	(385)	1,159	18,182
Inventories	3,230	1,489	3,295	-	(593)	3,824	11,245
Biological assets	-	7,607	-	-	-	-	7,607
Other assets	4,523	513	409	-	(132)	-	5,313
Trade and other receivables	40,496	40,648	6,069	(27,654)	-	-	59,559
Current assets	50,906	64,656	10,125	(27,654)	(1,110)	4,983	101,907
Property, plant & equipment	217,302	3,546	9,242	-	(21,888)	-	208,202
Receivables from WGH Group	-	179,041	15,466	(21,144)	-	-	173,363
Other non-current assets	977	1,608	(929)	-	-	-	1,656
Non-current assets	218,279	184,195	23,779	(21,144)	(21,888)	-	383,221
Total assets	269,186	248,851	33,904	(48,799)	(22,998)	4,983	485,127
SCB term loan	-	120,275	-	-	-	-	120,275
Other short-term borrowings	125,404	-	111	-	-	-	125,515
Short-term provisions	-	794	154	-	-	-	948
Finance lease liabilities	1,240	-	-	-	(1,240)	-	-
Payables to WGH Retained Entities	16,624	-	-	-	-	-	16,624
Trade and other payables	21,040	87,425	506	(27,998)	(751)	1,806	82,029
Current liabilities	164,308	208,494	772	(27,998)	(1,991)	1,806	345,391
Deferred tax liability	-	71	247	-	-	-	319
Long-term provisions	-	148	2,228	-	-	-	2,376
Payables to WGH Group	-	16,572	19,510	(21,144)	(5,325)	3,227	12,839
Finance lease liabilities	22,933	-	-	-	(22,933)	-	-
Non-current liabilities	22,933	16,791	21,985	(21,144)	(28,258)	3,227	15,533
Total liabilities	187,241	225,284	22,757	(49,142)	(30,249)	5,033	360,925
Net assets	81,944	23,567	11,147	343	7,251	(50)	124,203

Notes:

Wellard Ships was audited as a consolidated group in FY2015. The balances above disclose the group result with the result for Big Wheel Marine Pte Ltd. Big Wheel Marine is then eliminated as shown above as it will not form part of the Wellard Group post the Restructure.

For personal use only

Appendix C. Market profiles

Appendix C. Market profiles

C.1 Market profiles

This Section provides further detail on the key import markets of most relevance to Wellard.

C.1.1 China



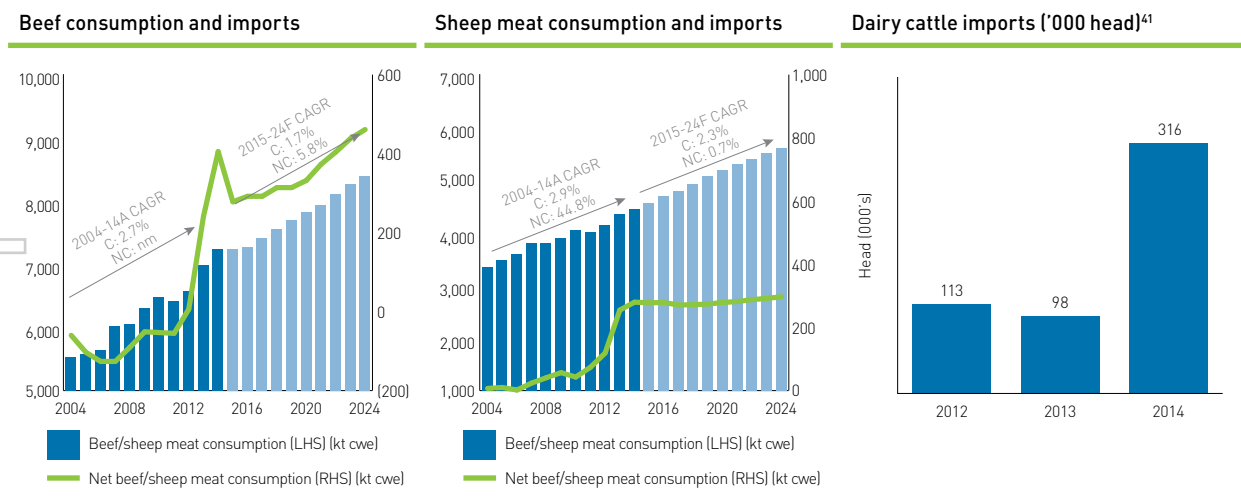
Import industries relevant to Wellard: beef cattle; sheep; dairy cattle

Population (m)	Population growth CAGR (2014 – 2020F)	GDP/capita (US\$)	GDP/capita growth CAGR (2014 – 2020F)
1,368	0.5%	7,589	7.1%

	Domestic production (kt) (cwe)	Consumption (kt) (cwe)	Consumption/capita (2014) (kg)	Net consumption (kt) (cwe)
Beef	6,837	7,242	5.3	405
Sheep meat	4,170	4,450	3.3	280
Dairy products	1,541	2,587	1.9	1,046

Key processed meat and dairy product import markets	
Beef	Australia, New Zealand, Uruguay
Sheep meat	Australia, New Zealand, Uruguay
Dairy products	Australia, New Zealand

Key live import trade partners	
Beef cattle	Australia
Sheep	Australia
Dairy cattle	Australia, New Zealand, Uruguay, Chile



Source: OECD – FAO Agricultural Outlook 2015 – 2024 USDA and GTIS

⁴¹ Includes both dairy and breeder cattle.

Appendix C. Market profiles

Key consumption drivers

- Disposable income growth
- Urbanisation of population
- Trend in consumer preferences towards red meats
- Increased westernisation of diet, including increased demand for protein
- Increased focus on product quality



Left: Australian Federal Minister for Trade and Investment, The Hon Andrew Robb AO, MP, upon signing the China–Australia Free Trade Agreement (ChAFTA) which reduces and eventually removes tariffs on the import of Australian cattle, beef and sheep meat. A health protocol between the two countries was also ratified in August 2015 which positions Australia as the first country able to export slaughter cattle to China.

Beef supply dynamics

China is forecast to be the second largest consumer of beef globally by 2030, and the single largest contributor to the growth in global beef consumption over this period.

Against this backdrop, China's domestic herd has fallen by approximately 18% since 2000. This has been driven by low productivity, environmental limitations and the shift in population from rural areas to urban centres.

Processed beef

As a result of the declining herd and the increasing consumption of beef, China became a net importer of beef in 2012, predominantly importing processed beef. Australia has been the biggest exporter of processed beef to China in recent times, with New Zealand and Uruguay also large suppliers.

The United States was suspended from exporting beef to China since an outbreak of mad cow disease in 2003. Brazil was also suspended from exporting to China in 2012 due to an outbreak of the same disease, however a suspension of the embargo was announced in 2015.

Cattle imports

Cattle importation has so far been primarily focused on improving beef and dairy cattle genetics, with Australia and New Zealand the major beneficiaries of this market.

Key free trade agreements and health protocols

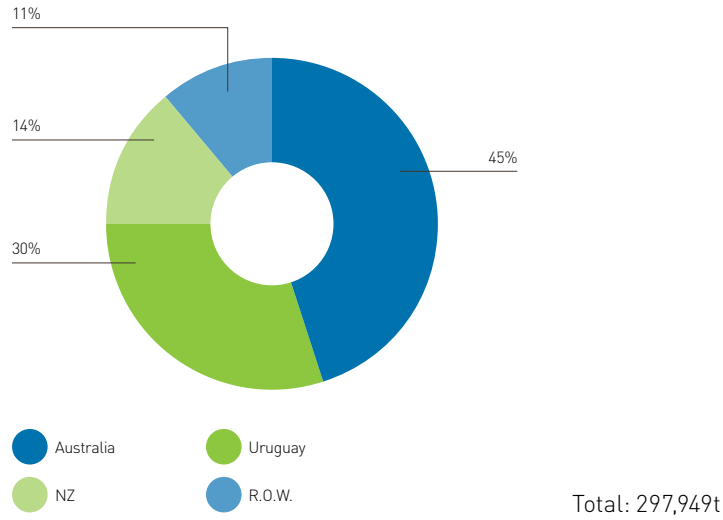
Since October 2008 New Zealand exporters have had the benefit of a free trade agreement with China that eliminates tariffs on beef.

In August 2015, the Chinese Government ratified Australia's cattle health protocol agreement. This agreement establishes the animal health certification requirements for Australian feeder and slaughter cattle to be exported to China, positioning Australia as the first country to export these types of cattle to China.

Additionally, in mid-2015 Australia and China signed the ChAFTA. The ChAFTA delivers improved access for Australian agricultural products, including livestock and meat to the Chinese market, including:

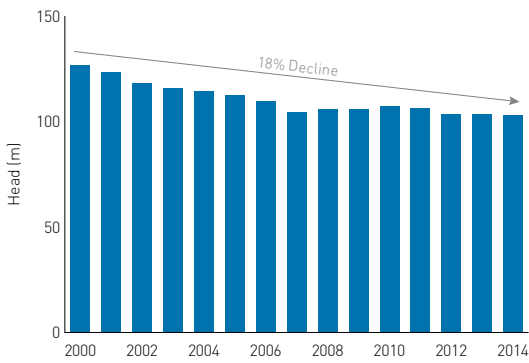
- elimination of tariffs (currently 10%) on imports of cattle and sheep from Australia within four years of the ChAFTA coming into force; and
- elimination of tariffs (currently ranging from 12 to 25%) on imports of beef from Australia within nine years.

Chinese processed beef imports (2014)



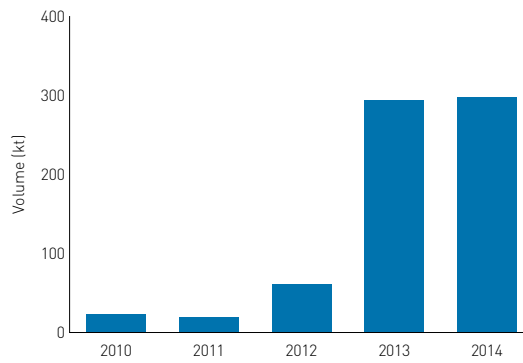
Source: International Trade Centre (United Nations)

Chinese cattle herd



Source: USDA Production, Supply and Distribution Database

Chinese processed beef and veal imports



Source: OECD-FAO database

Appendix C. Market profiles

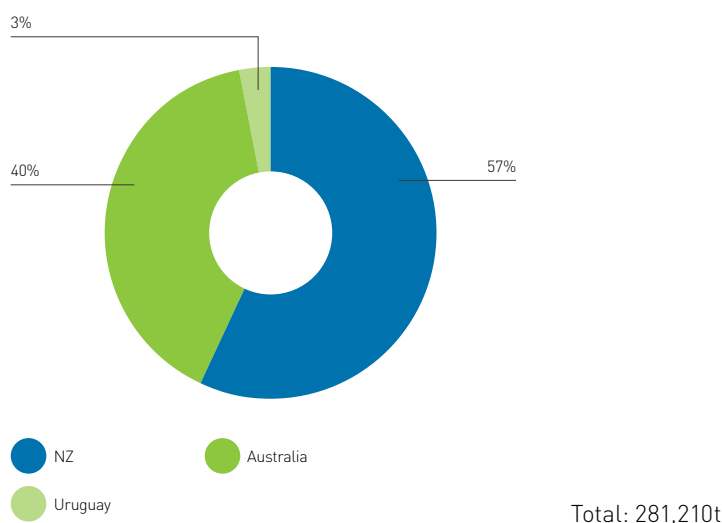
Sheep meat supply dynamics

Despite having its own sheep population of approximately 130 to 150 million head, China has been experiencing high levels of slaughter, thus increasing demand for sheep meat imports.

In 2014, total Chinese imports of sheep meat reached a record 281kt, up from approximately 254,000t in 2013.

China is Australia's largest sheep meat export market despite China currently imposing tariffs ranging from 12 to 23%; under ChAFTA, China will eliminate tariffs on Australian imported sheep meat within eight years.

Chinese processed sheep meat imports (2014)



Source: International Trade Centre (United Nations)

Dairy supply dynamics

Increased costs in Chinese milk production resulting from increased feed, labour and land prices has resulted in stagnating growth in domestic milk production. This resulted in the Chinese dairy herd size reducing by approximately 10% in 2013.

China has historically imported significant quantities of dairy cattle and products from Australia and New Zealand, given their reputations as high quality suppliers. The importation of top genetics from Australia, New Zealand, Chile and Uruguay is a faster way to increase dairy herds and per head milk production, rather than with organic growth through progeny.

Australia and New Zealand have benefited from the strict health requirements necessary to gain access to the Chinese market, positioning both countries as key suppliers. Following a depressed period, export numbers have again increased, with China being a significant cattle export market for Australia.

C.1.2 Vietnam



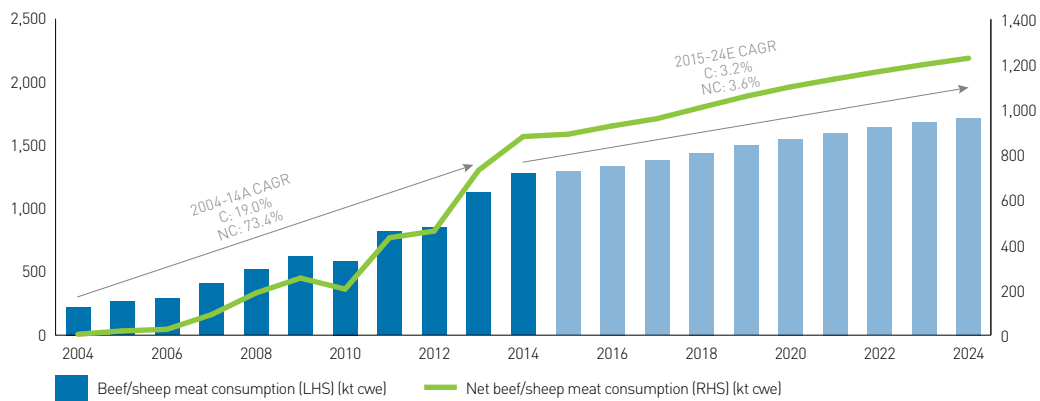
Import industries relevant to Wellard: beef cattle

Population (m)	Population growth CAGR (2014 – 2020F)	GDP/capita (US\$)	GDP/capita growth CAGR (2014 – 2020F)
91	1.0%	2,053	7.8%

	Domestic production (kt) (cwe)	Consumption (kt) (cwe)	Consumption/capita (2014) (kg)	Net consumption (kt) (cwe)
Beef	395	1,275	14.1	880

Key processed meat and dairy product import markets	Beef: India, USA, Australia, New Zealand
Key live import trade partners	Beef cattle: Australia, Thailand, Laos, Cambodia

Beef consumption and imports



Source: OECD – FAO Agricultural Outlook 2015 – 2024

Key consumption drivers

- Disposable income growth
- Reliance on beef for traditional cuisines and food consumption habits (e.g. soups) – primarily sourced through the wet market distribution channel
- Lack of refrigeration and efficient cold supply chains increases the difficulty of conserving frozen meat
- Consumer preferences broadening beyond pork and poultry, which have historically accounted for the majority of protein consumption
- Growth in the foodservice (restaurant) segment as a result of a growing volume of mid-scale western, Japanese and Korean restaurants

Beef supply dynamics

Vietnam has historically imported cattle from Thailand, Laos and Cambodia; however, in recent years cattle from these markets has increasingly been diverted to China to satisfy growing demand in that market.

Historically, a significant amount of beef imported into Vietnam has been re-exported into other markets, including unofficial “grey channels” which are difficult to monitor and estimate trading volumes.

Appendix C. Market profiles

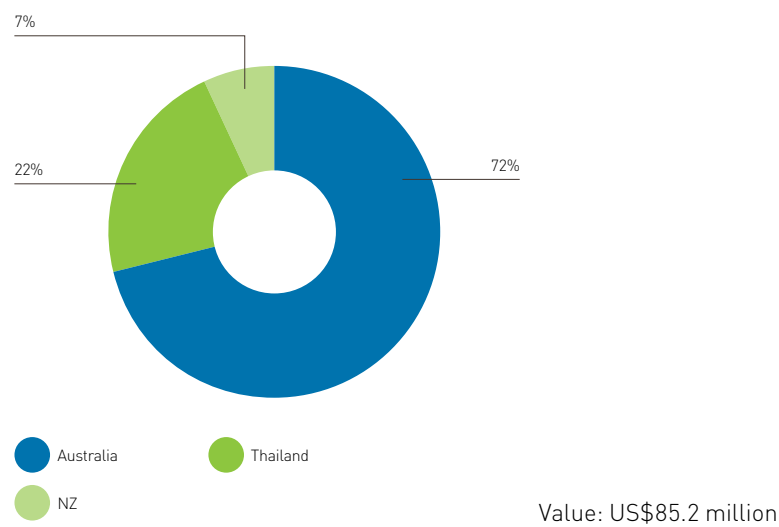
The Vietnamese mass market has historically been accessed through wet market channels, however there is also an expanding retail sector with many supermarkets and other retail outlets selling beef products.

Trade agreements

Benefitting from its free trade agreement with Vietnam, Australia has significantly increased its export of cattle to Vietnam in recent years.

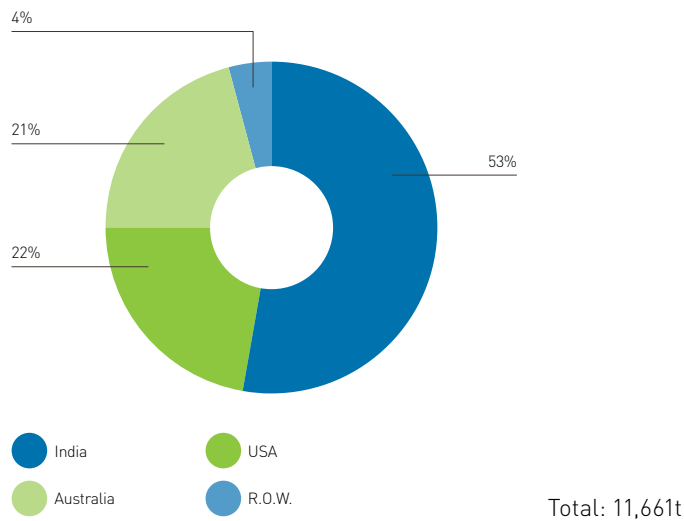
In contrast, the United States beef exports are restricted to product derived from cattle less than thirty months of age, with significant tariffs on particular cuts.

Vietnamese cattle imports (2013)



Source: International Trade Centre (United Nations)

Vietnamese processed beef imports (2013)



Source: International Trade Centre (United Nations)

For personal use only

C.1.3 Indonesia



Import industries relevant to Wellard: beef cattle

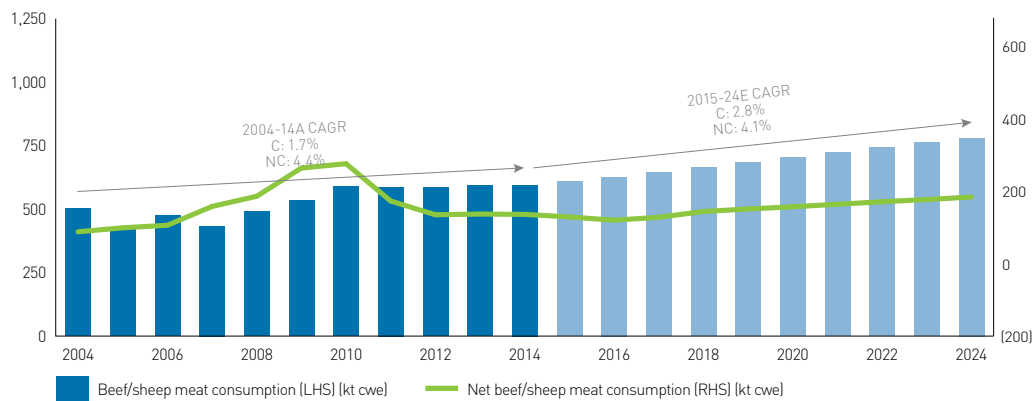
Population (m)	Population growth CAGR (2014 – 2020F)	GDP/capita (US\$)	GDP/capita growth CAGR (2014 – 2020F)
251	1.4%	3,534	5.1%

	Domestic production (kt) (cwe)	Consumption (kt) (cwe)	Consumption/capita (2014) (kg)	Net consumption (kt) (cwe)
Beef	460	595	2.4	136

Key processed meat import markets	Beef: Australia, New Zealand
------------------------------------------	------------------------------

Key live import trade partners	Beef cattle: Australia, Thailand, Laos, Cambodia
---------------------------------------	--------------------------------------------------

Beef consumption and imports



Source: OECD – FAO Agricultural Outlook 2015 – 2024

Key consumption drivers

- Disposable income growth
- Cost efficient importation of cattle for fattening can occur given abundance of animal feedstock (derived from human food byproducts) and advanced, low-cost feedlot sector
- Reduction of local herd and geographical limits on increased production capability
- Reliance on fresh beef due to its cultural importance in traditional cuisine and food consumption habits (Baksa meat balls which preferably requires fresh meat) – primarily sourced through the wet market distribution channel
- Increasing tourism levels supports the foodservice (restaurant) channel
- Potential to export beef breeder cattle to create breeding operation under palm oil plantation

Appendix C. Market profiles

Beef supply dynamics

Indonesia has historically sought to balance developing its domestic beef industry with importing sufficient beef to supply domestic consumption.

Since 2010, the Indonesian Government has targeted varying levels of beef self-sufficiency, and applied a range of different mechanisms including:

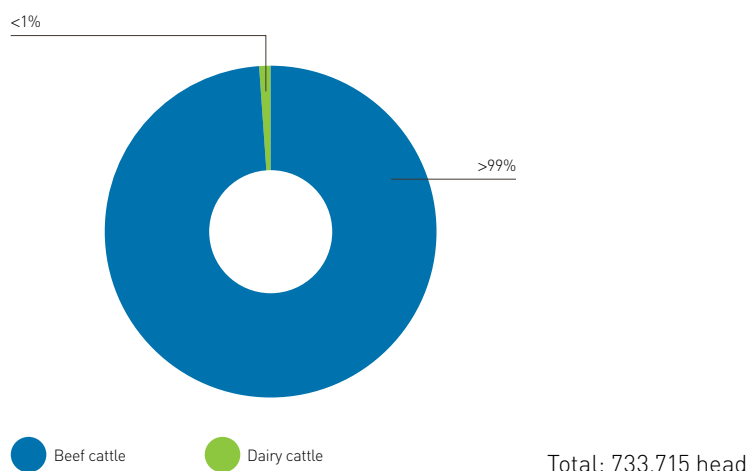
- quarterly import quotas;
- maximum weight limitations on imported cattle; and
- setting benchmark prices.

Efforts to reduce imported beef have contributed to rising beef prices in Indonesia and have in turn resulted in a significant increase of local cattle being slaughtered thus a decline to the local herd. Additionally, the supply deficits resulting from abrupt import restrictions have historically caused price spikes, and have resulted in backlash among domestic meat sellers and consumers. Nevertheless, the policy of self-sufficiency has been confirmed by current President Joko Widodo, who has expressly noted the target of complete self-sufficiency by 2019.

Australia has historically been the primary supplier of cattle to Indonesia, and as a result has been impacted by these Indonesian Government interventions at various times. Over calendar year 2014, Australia exported approximately 730,000 cattle to Indonesia.

Wet markets are the primary beef outlet in Indonesia; however, income growth is expected to see increased beef volumes through the retail and foodservice channels.

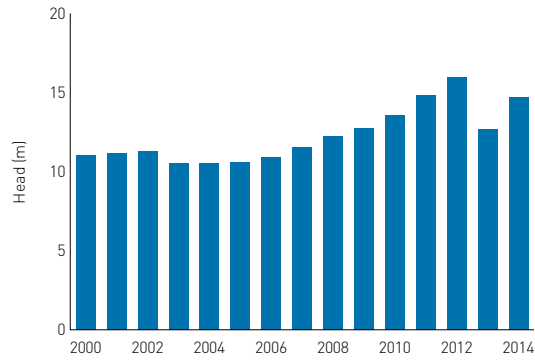
Indonesian cattle imports (2014)



Source: Livecorp

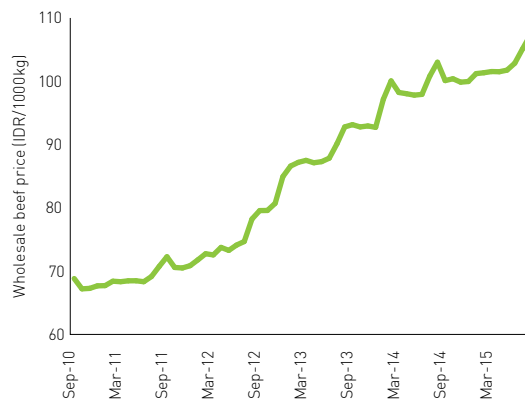
Note: the vast majority of beef cattle imports are slaughter cattle, however there is a view that health protocols for beef breeder cattle are currently being negotiated.

Indonesian cattle population



Source: Indonesian Central Bureau of Statistics

Indonesian wholesale beef price



Source: Ministry of Trade of the Republic of Indonesia, 2014

C.1.4 Philippines



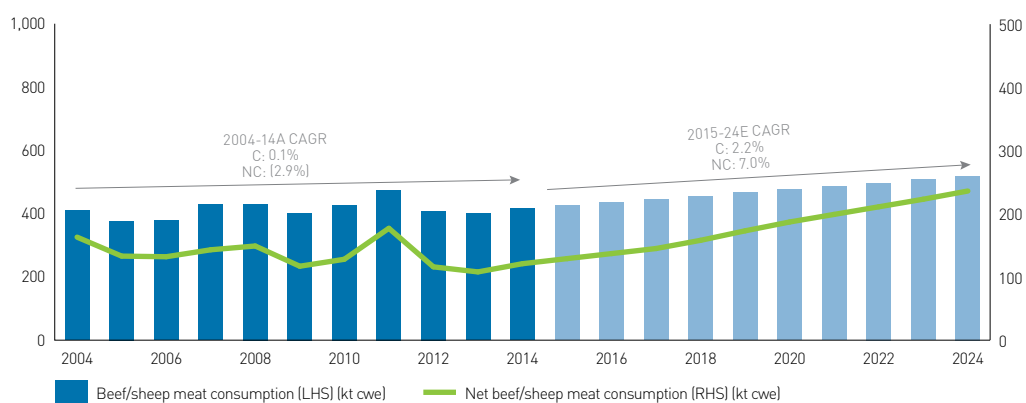
Import industries relevant to Wellard: beef cattle

Population (m)	Population growth CAGR (2014 – 2020F)	GDP/capita (US\$)	GDP/capita growth CAGR (2014 – 2020F)
99	2.0%	2,865	8.0%

	Domestic production (kt) (cwe)	Consumption (kt) (cwe)	Consumption/capita (2014) (kg)	Net consumption (kt) (cwe)
Beef	294	416	4.2	121

Key processed meat import markets	Beef: India, Australia, Brazil
Key live import trade partners	Beef cattle: Australia, Italy, Brazil, Malaysia

Beef consumption and imports



Source: OECD – FAO Agricultural Outlook 2015 – 2024

Key consumption drivers

- Despite traditional Filipino consumer preferences being skewed towards pork and chicken, beef is playing an increasing role in the Filipino diet
- Growing middle class driving GDP and disposable income growth
- Increased urbanisation
- Growing halal meat market, with ethnic Muslims accounting for approximately 5% of the population
- Opportunity to export large number of breeding cattle to improve local genetics

Beef supply dynamics

The domestic beef cattle industry is relatively underdeveloped, characterised by low breeding rates, poor herd management and the dominance of relatively small backyard enterprises.

The Filipino beef import market is dominated by frozen processed products for the following primary reasons:

- the Tariff Rate Quota makes it more viable for an importer to bring in frozen beef than alternative forms; and
- the price of frozen beef is normally cheaper than that for fresh meat.

For personal use only

Appendix C. Market profiles

The Philippines is also highly vigilant regarding the importation of livestock from countries that may be susceptible to foot and mouth disease.

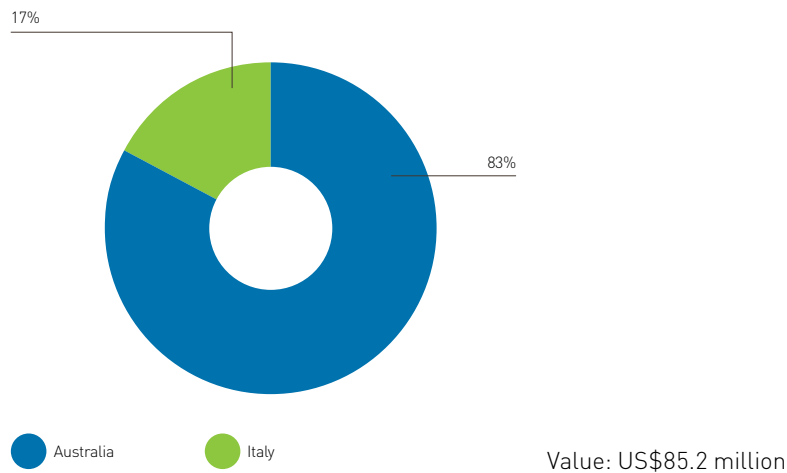
Industrial meat market

Within the Filipino industrial meat market, beef is used as a raw material in the manufacture of canned and processed meats, however, large and medium-scale meat processors also import cheaper alternatives to beef such as Indian buffalo meat and offal. India has been the largest supplier of frozen beef to the Philippines for more than 15 years, with low-cost buffalo meat servicing this segment of the market.

Premium meat market

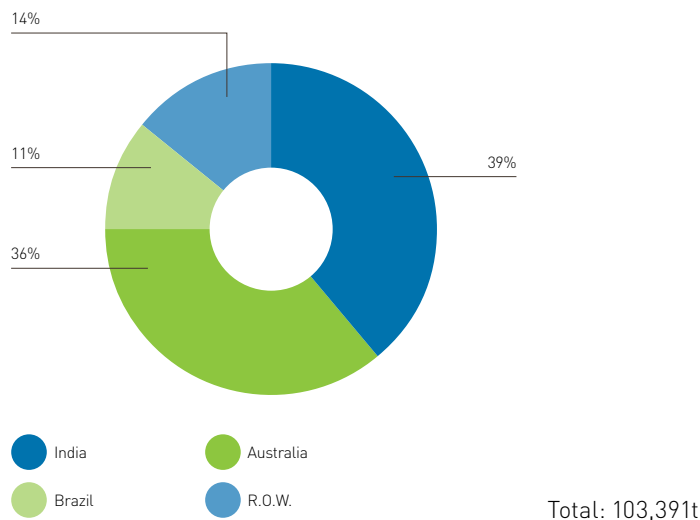
The USA is the key supplier of premium cuts of beef, however US beef is subject to a 10% duty under the Most Favoured Nation tariff. In contrast, Australian beef enters the Filipino market duty free under the ASEAN-Australia-New Zealand Free Trade Agreement.

Filipino cattle imports (2014)



Source: International Trade Centre (United Nations)

Filipino processed beef imports (2014)



Source: International Trade Centre (United Nations)

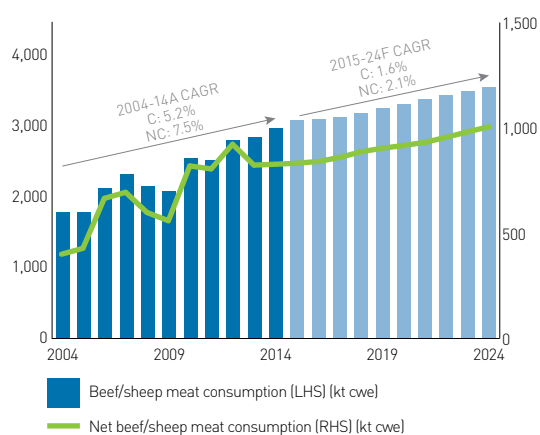
Appendix C. Market profiles

C.1.5 Middle East⁴²

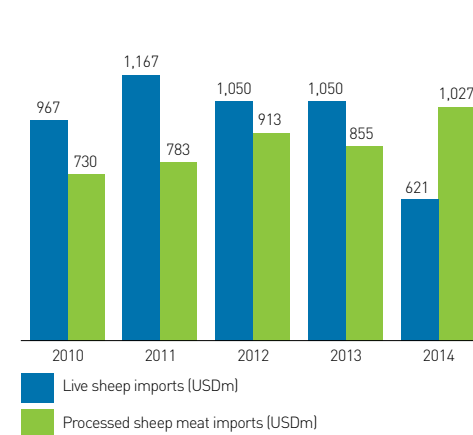
Import industries relevant to Wellard: beef cattle; sheep

Population (m)	Population growth CAGR (2014 – 2020F)	GDP/capita (US\$)	GDP/capita growth CAGR (2014 – 2020F)	
375.9	1.9%	10,105.4	0.2%	
	Domestic production (kt) (cwe)	Consumption (kt) (cwe)	Consumption/capita (2014) (kg)	Net consumption (kt) (cwe)
Beef	2,141	2,969	10.6	827
Sheep meat	826	980	3.5	154
Key processed meat import markets	Beef: Australian – Gulf Cooperation Council (GCC) Sheep meat: Australia, New Zealand, India			
Key live import trade partners	Beef cattle: Brazil, Vietnam, Hungary, Somalia, Australia Sheep: Australia, Jordan, Romania, Sudan			

Beef consumption and imports⁴³



Sheep meat imports



Source: OECD – FAO Agricultural Outlook 2015 – 2024, International Trade Centre (United Nations)

Key consumption drivers

- Middle Eastern countries have historically had a preference for live sheep imports rather than processed sheep meat, driven by factors including:
 - religious preferences, primarily for halal slaughter; and
 - a lack of cold-chain infrastructure in some of the poorer countries, limiting the ability to import processed sheep meat

⁴² For the purposes of the population and GDP regional summary, the Middle East is taken to consist of: Turkey, the United Arab Emirates, Saudi Arabia, Israel, Egypt, Iran, Iraq, Kuwait, Qatar, Oman, Jordan, Lebanon, Bahrain and Yemen. Palestine and Syria were excluded due to difficulties associated with obtaining data. For the purposes of the domestic sheep meat production, consumption, per capita consumption and net consumption data, the Middle East dataset is taken to consist of: Saudi Arabia, Turkey, Iran, Israel and Egypt, as limited by availability of data.

⁴³ Consists of combined data for Israel, Turkey, Egypt, Iran and Saudi Arabia.

Appendix C. Market profiles

- Nevertheless, there is also a preference in some markets for veal, which can be substituted for lamb or mutton in a wide range of cuisines
- Growth in disposable incomes
- Westernisation of cultures
- High-end foodservice sector is likely to grow in line with increasing tourism due to events such as the FIFA World Cup 2022 in Qatar and significant hotel development within the region. These events are likely to increase demand for higher value protein demand among consumers and also cheaper protein among expatriate labour forces

Beef supply dynamics

Halal certification is an import entry requirement in most Middle Eastern countries. Additionally, there are significant technical barriers to trade which relate to shelf life of chilled product. GCC countries have a limit of 40 days for vacuum packed meat to enter the country, and a maximum expiry of 70 days.

Key exporting countries

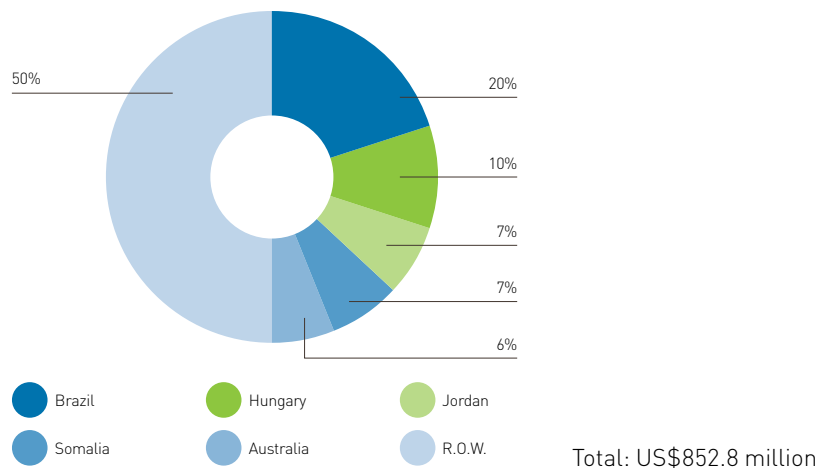
India is the largest source of buffalo meat in the region. India has a satisfactory halal processing system which meets religious requirements, allowing Indian beef to be distributed widely in the region.

Historically, Brazil was a significant beef supplier to the region. In recent years, Saudi Arabia has suspended Brazilian imports due to outbreaks of disease such as Foot and Mouth Disease and Mad Cow disease.

At at May 2015, the United States is also currently suspended from exporting beef to Saudi Arabia.

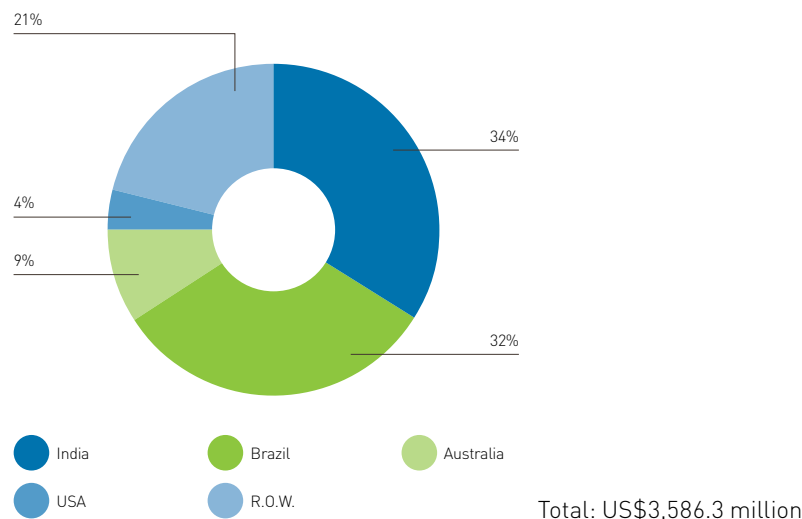
South American exporters such as Argentina, Paraguay and Uruguay have a large presence in Israel.

Middle Eastern cattle imports (2014)



Source: International Trade Centre (United Nations)

Middle Eastern processed beef imports (2014)



Source: International Trade Centre (United Nations)

Sheep meat supply dynamics

The Middle Eastern sheep flock is predominantly concentrated in Iran and Syria, with Yemen, Iraq and Saudi Arabia also possessing domestic flocks.

Domestic production is constrained by difficult climates and expensive costs of feed, which is largely imported. As a result, the Middle East is a significant importer of sheep, in both live and processed form.

Imports

Imports of live sheep into the region declined from approximately 13 million head in 1993 to 8.3 million head in 2010. Over the same period, processed sheep meat imports increased from approximately 85,000 tonnes to 160,000 tonnes. One contributing factor to this shift was a decline in live sheep imports by Saudi Arabia and the United Arab Emirates following an outbreak of Rift Valley fever in Sudan, which had historically served as a key supplier to those countries.

Nevertheless, as a whole, the region has consistently remained a significant importer of live sheep, with approximately 8.5 million head imported in 2011. The key importing countries were Saudi Arabia, Kuwait, Bahrain and Qatar, with Saudi Arabia being the biggest importer of live sheep in the world.

Key exporters

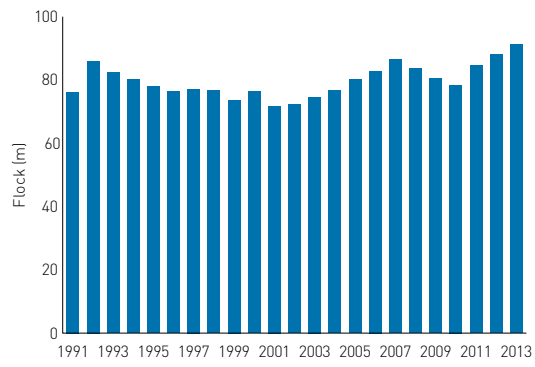
Australia is a key exporter of both live sheep and sheep meat to the Middle East. In 2013, Australia exported 1.9 million head of sheep to the Middle East, representing 98% of Australia’s total live sheep exports and approximately 22% of total Middle Eastern live sheep imports.

Additionally, processed sheep meat exports from Australia to the Middle East were 96,000 tonnes in 2013, representing approximately 60% of total sheep meat imports in the region (on a value basis).

Other key exporters to the region are countries in Africa and Europe as well as intra-regional trade from countries with larger inventory flocks than others.

For personal use only

Middle Eastern sheep flock



Source: FAOSTAT

For personal use only

C.1.6 Turkey



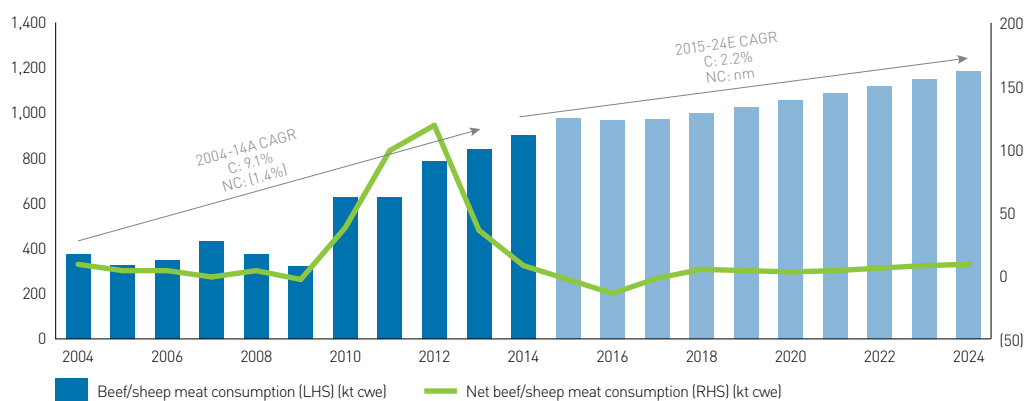
Import industries relevant to Wellard: beef cattle; dairy cattle

Population (m)	Population growth CAGR (2014 – 2020F)	GDP/capita (US\$)	GDP/capita growth CAGR (2014 – 2020F)
77	1.0%	10,482	2.8%

	Domestic production (kt) (cwe)	Consumption (kt) (cwe)	Consumption/capita (2014) (kg)	Net consumption (kt) (cwe)
Beef	892	900	11.7	8
Dairy products	392	383	5.0	(9)

Key processed meat and dairy product import markets	Beef: Bosnia and Herzegovina, Germany, France, Poland Dairy products: New Zealand, UK, USA, Germany, France
Key live import trade partners	Breeder and feeder cattle: USA, Australia, Brazil (feeder only), Hungary, Estonia, Latvia, Lithuania, France, Austria

Beef consumption and imports



Source: OECD – FAO Agricultural Outlook 2015 – 2024

Key consumption drivers

- Disposable income growth
- Health consciousness and the demand for clean meat
- Price of beef relative to other protein rich meats such as poultry
- Large Muslim population with a preference for local halal meat as compared to imported halal

Beef supply dynamics

Historically, Turkey had banned all processed beef, slaughter and feeder cattle imports. Since 2010, it has occasionally lifted this restriction for short periods of time. 80,000 breeding cattle head were imported in 2011, but this number dropped to approximately 24,000 in 2014.

For personal use only

Appendix C. Market profiles

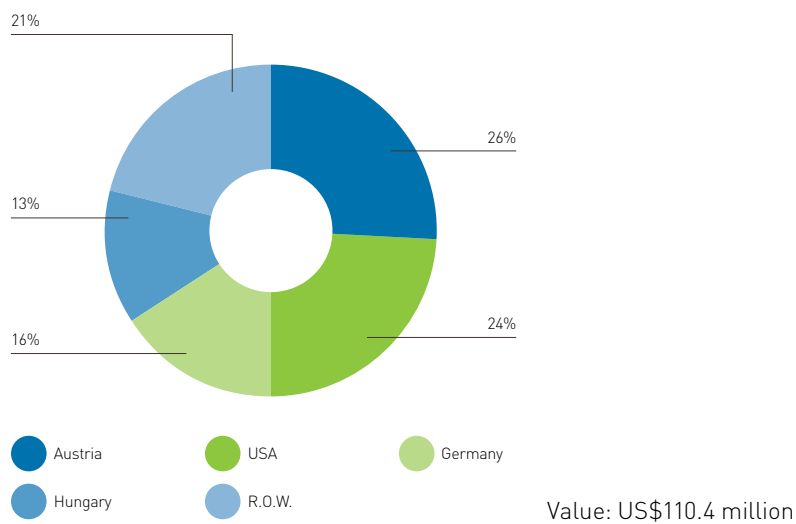
Tariffs and authorisation

Turkey is comparatively inefficient at cattle production and has been focused on improving genetics for the production of main breeds.

Turkey imposes significant tariffs on the importation of cattle (excluding breeders) and processed beef. With respect to breeder and feeder cattle, only countries with authorization are able to export to Turkey.

Breeder cattle authorisation is currently limited to 15 countries (which includes Australia, but not Brazil, New Zealand or Uruguay). Feeder cattle authorization is currently limited to 14 countries (which includes Australia, but not New Zealand or Uruguay).

Turkish cattle imports (2014)



Source: International Trade Centre (United Nations)

Turkish cattle and processed beef import tariffs

	01.01.2010	2011	2012	01.01.2013	2014
Beef	225%	30% – Jan. 45% – March 60% – May 75% – July	100% – Oct.	100% (carcass) 225% (boneless)	100% (carcass) 225% (boneless)
Live Cattle	135%	30% – Jan. 30% – July	15% – Jan. 30% – July 40% – Oct.	0% – for breeding 135% – for slaughtering 40% – for slaughtering up to 400kg.	0% – for breeding 135% – for slaughtering 40% – for slaughtering up to 400kg.

Source: USDA

C.1.7 Sri Lanka



Import industries relevant to Wellard: dairy cattle

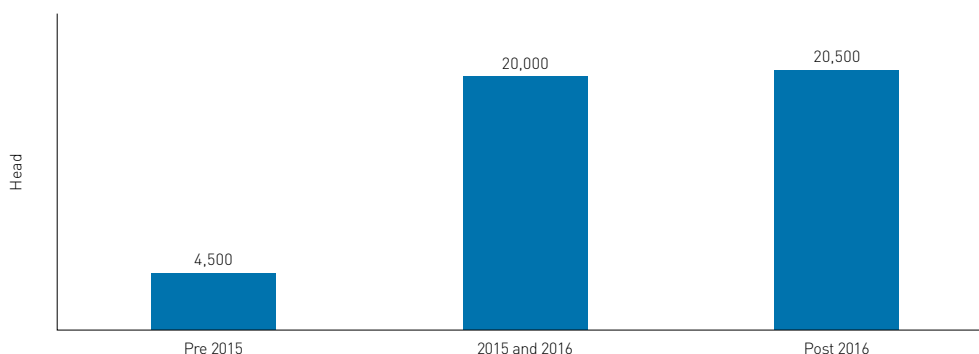
Population (m)	Population growth CAGR (2014 – 2020F)	GDP/capita (US\$)	GDP/capita growth CAGR (2014 – 2020F)
21	0.7%	3,558	8.1%

	Domestic production (kt) (cwe) (2012)	Consumption (kt) (cwe) (2012)	Consumption/capita (2012) (kg)	Net consumption (kt) (cwe)
Dairy products	326	412	19.6kg	86

Key dairy product import markets Dairy products: Australia, New Zealand

Key live import trade partners Dairy cattle: Australia

Dairy cattle imports (head)



Source: Livestock Research Wageningen UR, Wellard

Key consumption drivers

- GDP per capita growth
- Growing demand for protein
- Limited domestic dairy herd, milk yields and production capability

Dairy supply dynamics

Currently, Sri Lanka produces only 35% of its milk requirements domestically, with the annual import trade estimated to be approximately \$350 million.

Despite moderate increases in the size of the dairy herd, domestic production is constrained by various factors including, inefficient production processes and small average herd sizes.

These domestic production constraints have necessitated a reliance on imports, both dairy products and live dairy cattle. Currently, the majority of imported dairy products are in the form of milk powder from New Zealand.

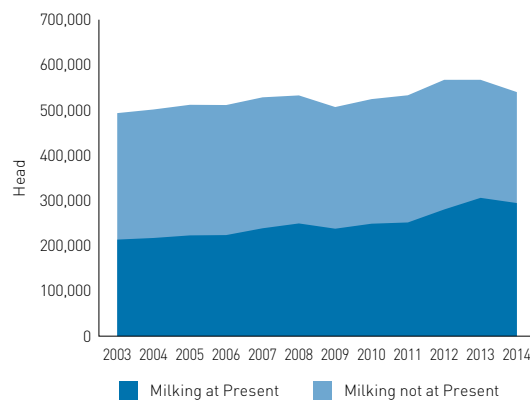
For personal use only

Self-sufficiency

Given the significant import cost, the Sri Lankan Government has undertaken various initiatives aimed at achieving 100% self-sufficiency by 2020, which will require the production of an additional 600 million litres of milk per annum. The self-sufficiency regime is targeted at reducing the reliance on milk powder imports, increasing the size of the domestic dairy herd and creating a more sustainable local dairy industry.

The most prominent example of such an initiative is the Sri Lankan National Livestock Development Board's import of 45,000 dairy heifers from Australia. Of this 45,000, 4,500 will be managed as nucleus breeding herds to guarantee a stable supply of new heifers for dairy farmers, with the remainder directly distributed to selected dairy farmers. The first 20,000 will be imported in several batches in 2015 and 2016 and will be supplied by Wellard.

Sri Lankan dairy cattle herd



Source: AESD



Left: Scot Braithwaite, Chief Operating Officer of Wellard, upon signing of the agreement with Sri Lanka

C.2 Select major export markets

C.2.1 Australia



Export industries relevant to Wellard: beef cattle; sheep; dairy cattle

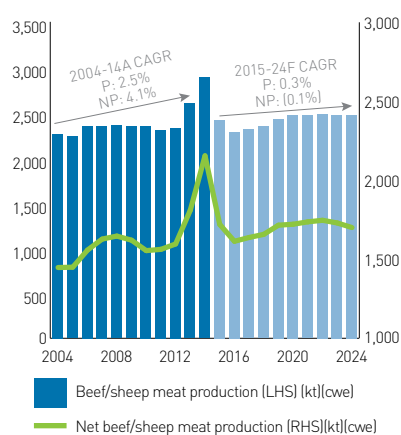
Population (m)	Population growth CAGR (2014 – 2020F)	GDP/capita (US\$)	GDP/capita growth CAGR (2014 – 2020F)
24	1.2%	61,220	(0.7%)

	Domestic production (kt) (cwe)	Consumption (kt) (cwe)	Net production (kt) (cwe)	Herd size (m)	% of turn-off exported
Beef	2,884	728	2,155	27	12%
Sheep meat	709	241	468	72	7%
Dairy products	765	434	331	1.7	n/m

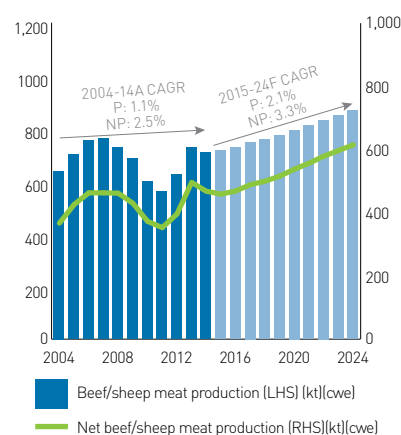
Key processed meat and dairy product export markets
 Beef and sheep meat: China, Japan, Korea, Thailand, Indonesia, Malaysia, Philippines, Vietnam, Chile, USA
 Dairy products: China, Sri Lanka

Key live export markets
 Beef cattle: China, Indonesia, Vietnam
 Sheep: Kuwait, Qatar, Jordan, Bahrain
 Dairy cattle: China, Sri Lanka

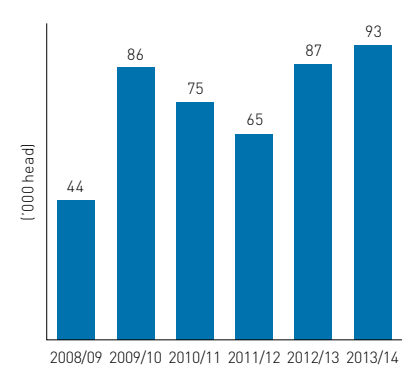
Beef production and exports



Sheep meat production and exports



Dairy cattle exports ('000 head)



Source: OECD – FAO Agricultural Outlook 2015 – 2024

Key production drivers

- Big land mass and relatively low human population, allow for surplus production of many agriculture products.
- Very good health status with freedom from major diseases, and a string biosecurity system.
- Variety of climates ranging from temperate to tropical allow diversity in livestock production.
- Efficient production methods and “clean and green” reputation drive strong demand for Australian cattle, sheep, beef and sheep meat

For personal use only

Appendix C. Market profiles

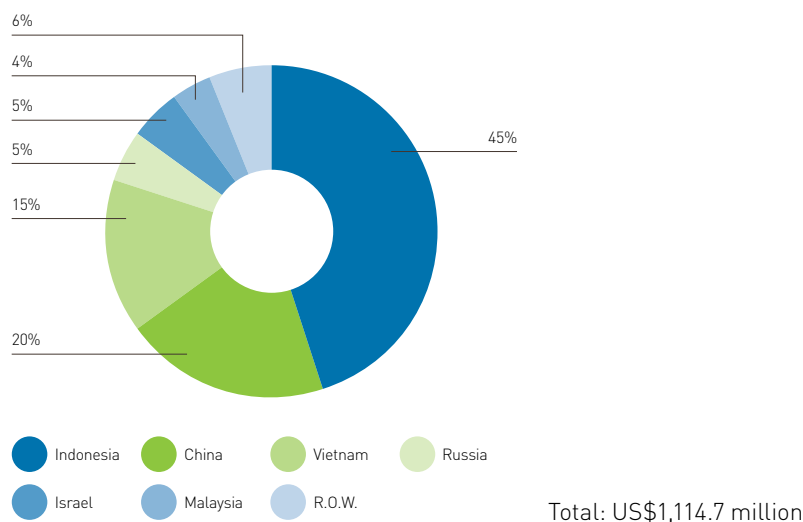
- Temperate climates in major dairy production regions ensured significant growth in the dairy industry through the 1990s.
- However, the major drought of 2002/03 constrained water storage levels on dairy farms, significantly impacting production.
- Farm productivity and production has increased after stronger rainfall in more recent years.

Beef export market dynamics

Australia's global reputation as a disease-free producer, and proximity to Asian markets, serve as competitive advantages over other exporting countries. Australia's disease-free status is upheld by one of the strictest biosecurity systems in the world which includes the National Livestock Identification System (NLIS) that allows for electronic identification of cattle and tracking throughout the supply chain, aiding the identification of disease.

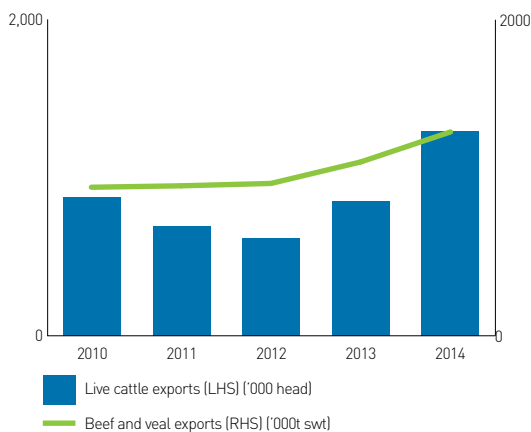
In addition to its disease-free reputation, Australia also trades on its strong reputation for animal welfare, underpinned by its ESCAS and ASEL regulatory regimes detailed in Section 2.4. Its large land mass allows for production of livestock at a reasonably low price compared with other countries.

Australian cattle exports (2014)



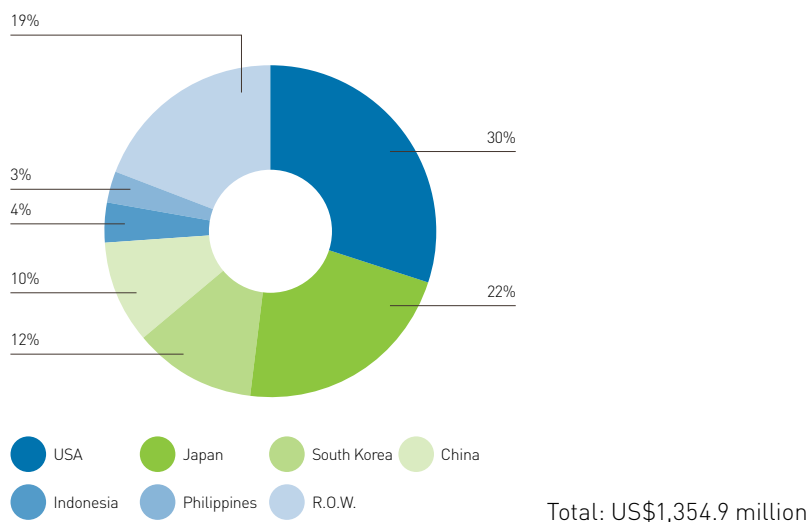
Source: International Trade Centre (United Nations)

Australian cattle and processed beef exports



Source: ABS and DA

Australian processed beef exports (2014)



Source: International Trade Centre (United Nations)

Sheep meat export market dynamics

Australia is a significant exporter of processed sheep meat, and is the world’s second largest live sheep exporter. Australian sheep meat is preferred in several countries, including China and those within the Middle East, because of its disease-free status.

Historically, Australia has predominantly exported sheep to the Middle East. In 2013, Australia exported 1.9 million head to the region, representing 98% of Australia’s total live sheep exports. Additionally, during 2014 it exported approximately 115,000 tonnes of processed sheep meat to the region, representing 23% of Australia’s total processed sheep meat exports.

Australia’s live sheep export trade to the Middle East has declined as a result of the introduction of regulatory regimes such as ESCAS, discussed in further detail in Section 2.4.

Despite this reduction in live sheep exports to the Middle East, processed sheep meat trade to the region has increased substantially, growing by almost 100 % between 1992 and 2010. The significant increase in processed sheep meat exports during 2007 and 2008 coincided with a decrease in live sheep imports by particular Middle Eastern

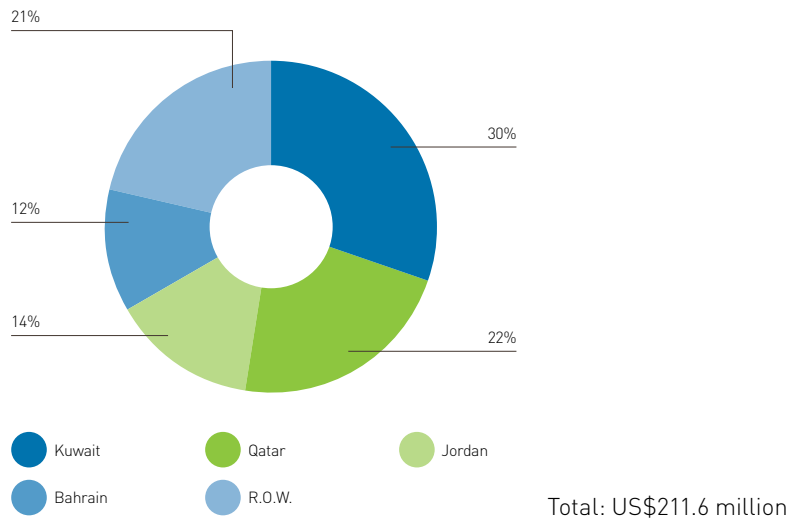
For personal use only

Appendix C. Market profiles

countries following the outbreak of Rift Valley Fever in Sudan – historically a key supplier to Saudi Arabia and the United Arab Emirates. This drove the decision by Wellard to enter the sheep meat production and export sector.

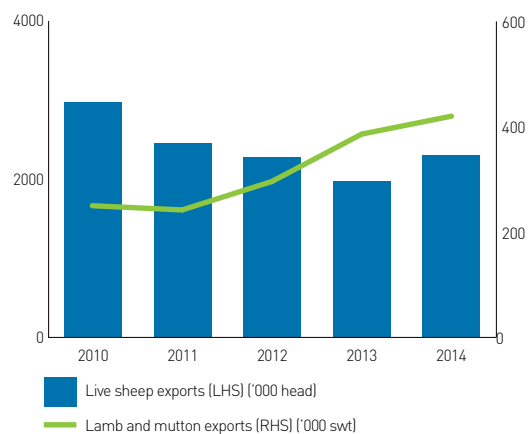
In 2013–14, growth in Chinese demand saw it become Australia's largest market for processed sheep meat, with China taking approximately 110,000 tonnes of Australian export in 2014.

Australian live sheep exports (2014)



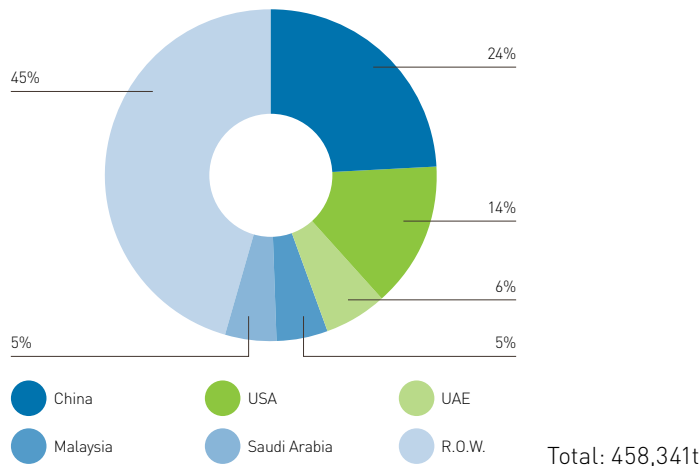
Source: International Trade Centre (United Nations)

Australian live sheep and processed sheep meat exports



Source: ABS, DA

Australian processed sheep meat exports (2014)



Source: International Trade Centre (United Nations)

Dairy export market dynamics

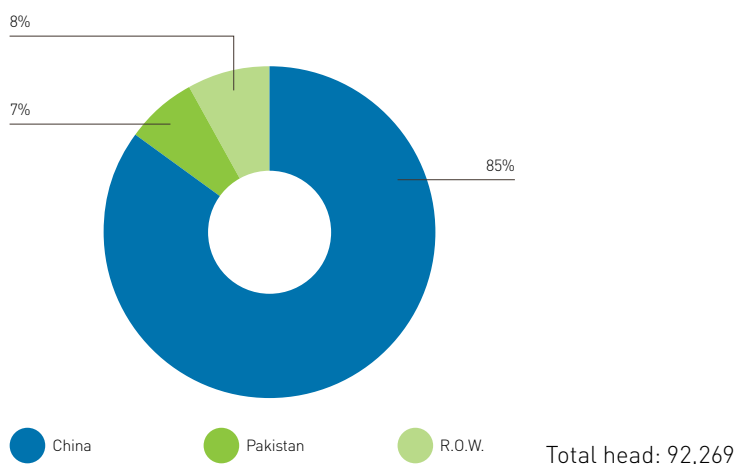
China has consistently been the most frequent export destination for Australian dairy cattle and is Australia's top dairy export market. This relationship is built through Australia's reputation as a high-quality dairy supplier. Currently, other key competitors for dairy exports are New Zealand, the European Union and the United States

The impact of ChAFTA

The ChAFTA reduces and eliminates tariffs on dairy products (including liquid milk, milk powder, butter, cheese and infant formula), improving Australia's competitiveness against New Zealand, which currently enjoys preferential access for dairy products through its free trade agreement. Increased demand for milk and milk products has implications for the export of cattle through its impact on the price, quality and reputation of Australian milk.

The ChAFTA also eliminates all tariffs on live animal exports within four years (including the current 10% tariff on cattle), which provides greater incentive for the export of dairy cattle.

Australia live dairy cattle exports by country (2014)



Source: MLA

For personal use only

C.2.2 Brazil



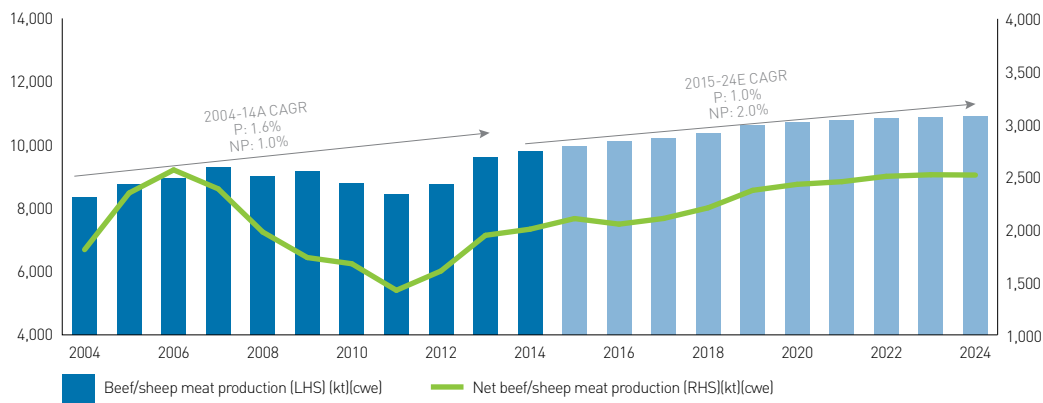
Export industries relevant to Wellard: beef cattle

Population (m)	Population growth CAGR (2014 – 2020F)	GDP/capita (US\$)	GDP/capita growth CAGR (2014 – 2020F)
203	0.8%	11,604	[0.7%]

	Domestic production (kt) (cwe)	Consumption (kt) (cwe)	Net production (kt) (cwe)	Herd size (m)	% of turn-off exported
Beef	9,794	7,791	2,003	213	2%

Key processed meat and dairy product export markets	Beef and sheep: China, Japan, Korea, Thailand, Indonesia, Malaysia, Philippines, Vietnam, United States Dairy: China, Sri Lanka
Key live export markets	Beef cattle: Mercosur ⁴⁴ , Lebanon, Jordan

Beef production and exports



Source: OECD – FAO Agricultural Outlook 2015 – 2024

Key production drivers

- Brazil is the second largest beef producer and was the third largest exporter of beef in the world in 2014 (by volume)
- Brazilian beef production is expected to increase through improvements in animal genetics, better management of forage plants and improved feed efficiency

Beef export market dynamics

The Brazilian beef export industry has historically been impacted by periods of disease. Its status as currently being free from Foot and Mouth Disease due to vaccination is not widely accepted.

As a result of disease concerns, in 2012:

- China embargoed Brazilian beef, with the ban lasting until 2015; and
- Saudi Arabia, another historically important market for Brazilian beef, also banned Brazilian imports.

⁴⁴ Mercosur member nations consist of Argentina, Brazil, Paraguay, Uruguay and Venezuela.

Appendix C. Market profiles

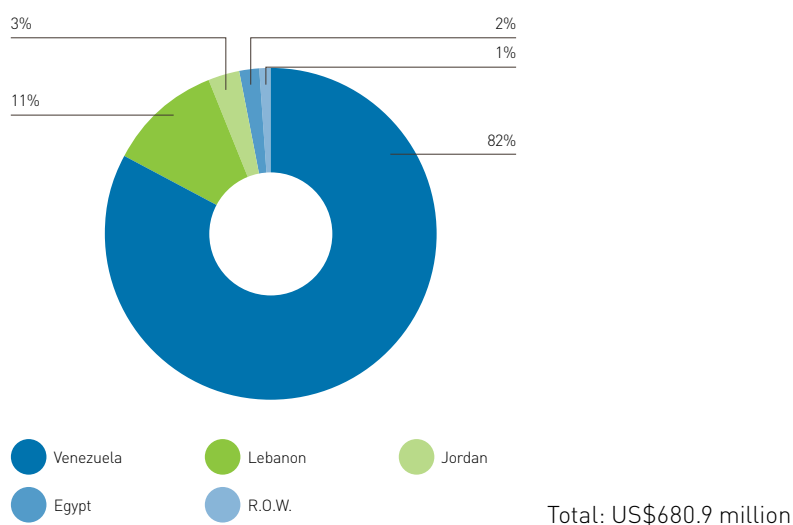
Despite the World Organisation of Animal Health now ranking Brazil as having “negligible” risk of mad cow disease, countries such as Japan and Saudi Arabia have historically maintained an embargo on Brazilian beef during particular periods.

Nevertheless, these negative impacts have been offset by significant depreciation of the Brazilian Real.

Livestock export

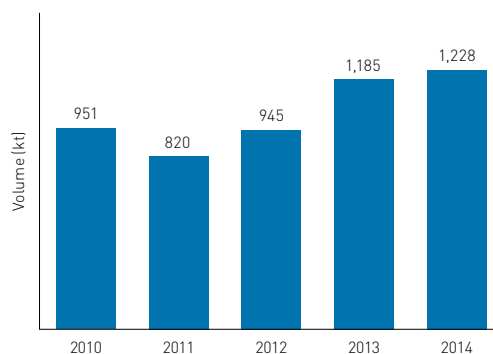
Brazil is a relatively new re-entrant in the livestock export market; however, its significant herd size provides a strong base for potential growth.

Brazilian cattle exports (2014)



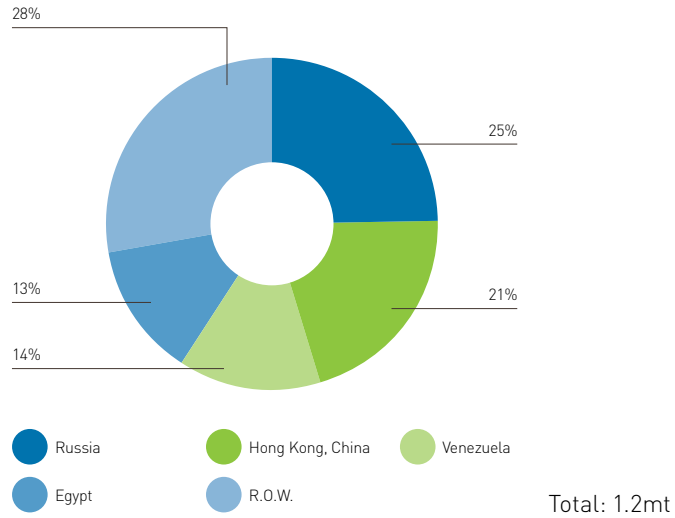
Source: International Trade Centre (United Nations)

Brazilian processed beef exports (kt)



Source: International Trade Centre (United Nations)

Brazilian processed beef exports (2014)



Source: International Trade Centre (United Nations)

For personal use only

Appendix C. Market profiles

C.2.3 Uruguay



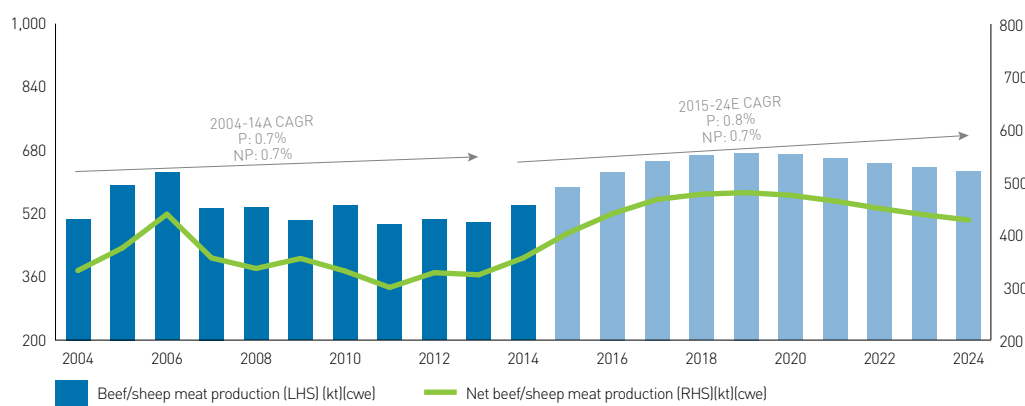
Export industries relevant to Wellard: beef cattle; dairy cattle

Population (m)	Population growth CAGR (2014 – 2020F)	GDP/capita (US\$)	GDP/capita growth CAGR (2014 – 2020F)
3.5	0.3%	16,199	4.7%

	Domestic production (kt) (cwe)	Consumption (kt) (cwe)	Net production (kt) (cwe)	Herd size (m)	% of turn-off exported
Beef	541	185	356	12.1	7%
Dairy products	189	84	105	0.4	n/m

Key processed meat export markets	Beef: Mercosur ⁴⁵ , China, USA, Russia Dairy: Mercosur, China
Key live export markets	Beef cattle: Egypt, China, Mercosur

Beef production and exports



Source: OECD – FAO Agricultural Outlook 2015 – 2024

Key production drivers

- Although only the world's fifteenth largest beef producer, Uruguay is a significant net exporter, ranking as the world's sixth largest processed beef exporter and eighth largest cattle exporter
- Beef plays a central role in the Uruguayan economy, with beef product exports accounting for approximately 14% of total export revenues in 2014
- Increasing domestic production efficiencies as a result of technological improvements have driven production growth (dairy-specific)
- Government price support establishes a beneficial regime for exports (dairy-specific)

Beef export market dynamics

Uruguay's role as a key beef exporter is aided by its disease-free reputation and focus on cattle traceability. All Uruguayan cattle can be individually traced with an electronic tag and the country has been recognised by the OIE as

⁴⁵ Mercosur member nations consist of Argentina, Brazil, Paraguay, Uruguay and Venezuela.

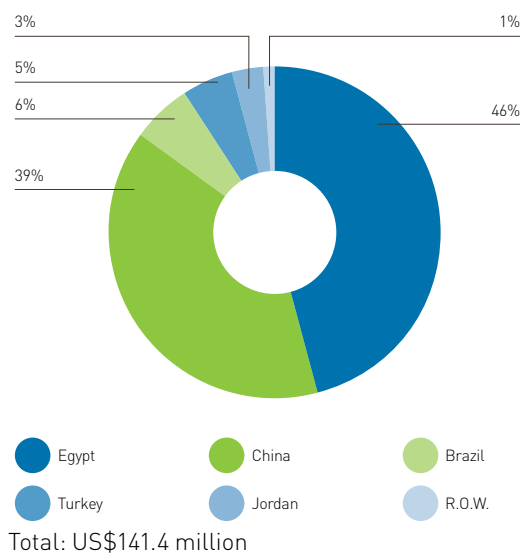
For personal use only

Appendix C. Market profiles

being free of Foot and Mouth Disease and of minimal risk for mad cow disease. As such, Uruguay is able to export beef to approximately 120 countries worldwide.

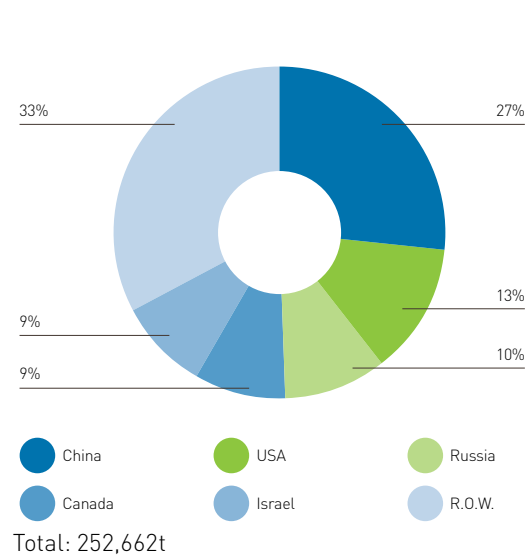
China has become a key export market for Uruguayan beef and dairy cattle in recent years. China represented 3% of total Uruguayan processed beef (by volume) and 18% of total cattle exports in 2011 (by value) before rising to account for 27% and 39% in 2014. Export volumes to Russia have declined through this period, from 34% of total Uruguayan processed beef exports (by volume) in 2012 to 10% in 2014.

Uruguayan cattle exports (2014)



Source: International Trade Centre (United Nations)

Uruguayan processed beef exports (2014)



Source: International Trade Centre (United Nations)

Dairy export market dynamics

Chinese imports of dairy cows from Uruguay are to bolster domestic milk production.

Uruguay has historically been the only South American country permitted to export living dairy cows to China; however, this has recently changed with Chile also being granted that right.

During 2010 to 2013, Chinese imports of cattle increased from 87,990 head to 102,245 head. During this time, only Australia, New Zealand and Uruguay supplied mainland China. Australia had the dominant market share (average c.60% by value), New Zealand had c.26% market share and Uruguay had 14% market share.

Appendix C. Market profiles

C.2.4 New Zealand



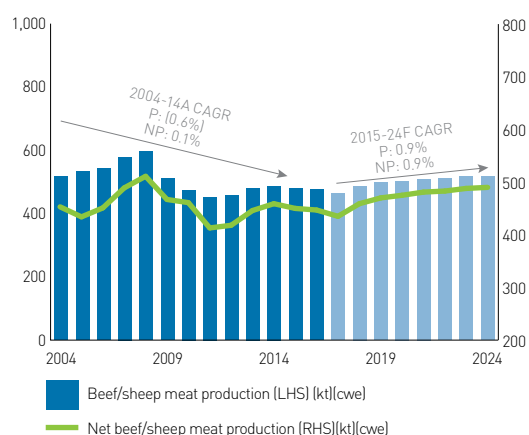
Export industries relevant to Wellard: sheep; dairy cattle

Population (m)	Population growth CAGR (2014 – 2020F)	GDP/capita (US\$)	GDP/capita growth CAGR (2014 – 2020F)
5	0.8%	43,841	2.4%

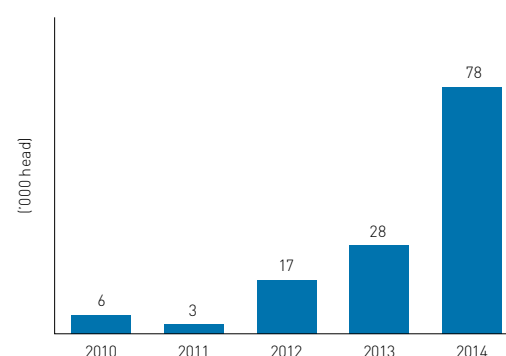
	Domestic production (kt) (cwe)	Consumption (kt) (cwe)	Net production (kt) (cwe)	Herd size (m)	% of turn-off exported
Sheep meat	487	29	459	29.6	n/m
Dairy products	2,719	258	2,462	6.7	n/m

Key processed meat and dairy product export markets	Sheep meat: China, UK, USA, France, Germany Dairy products: China, United Arab Emirates, Malaysia, Philippines
Key live export markets	China

Sheep meat production and exports



Dairy cattle exports ('000 head)



Source: OECD – FAO Agricultural Outlook 2015 – 2024

Key production drivers

- As at 30 June 2014, the New Zealand sheep flock stood at approximately 30 million, its lowest level in over 70 years and down approximately one million versus that for the previous year.
- Despite this decrease in herd size, production significantly outweighs domestic consumption, positioning New Zealand as a key net exporter.
- Co-operative ownership of processing facilities improves cost efficiency and is a key driver of farming system productivity (dairy-specific)
- Low feed cost dairy farming system based on intensive grazing reduces input costs (dairy-specific)
- Additionally, the temperate climate ensures availability of feeds year round (dairy-specific)
- International milk prices are a key driver of production as New Zealand exports 95% of its milk produce (dairy-specific)

For personal use only

Sheep meat export market dynamics

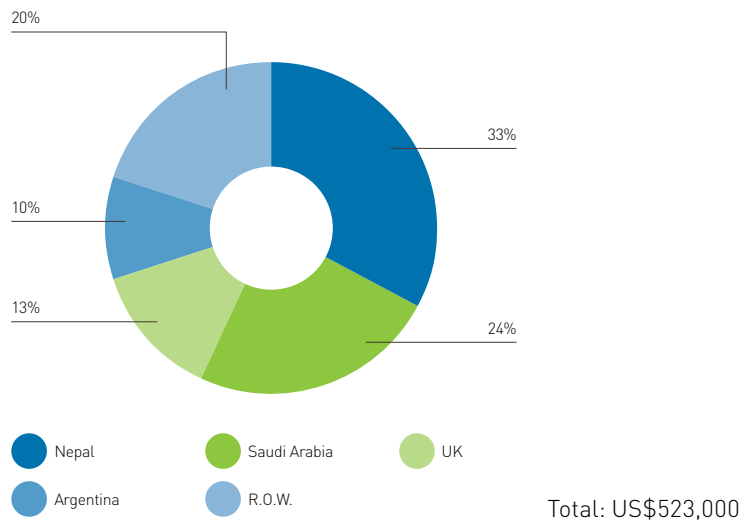
New Zealand and Australia are the world's largest sheep meat exporters, together accounting for nearly 70% of global processed sheep meat exports (by value).

However, unlike Australia, New Zealand has not exported live animals for slaughter since the 2007 Customs Export Prohibition Order was put in place. As such, New Zealand's entire sheep meat export market consists of chilled and frozen processed sheep meat.

New Zealand has traditionally been China's largest supplier and enjoys a competitive advantage due to its Free Trade Agreement with China. China has been New Zealand's biggest sheep meat export market in recent times, taking more than twice the volume of the United Kingdom, which is New Zealand's second-biggest export market.

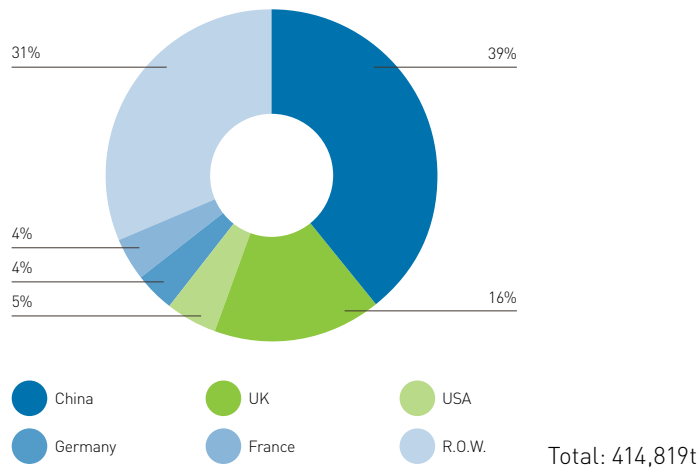
North America has also been a significant export market for New Zealand sheep meat, with two-thirds of North American exports going to the United States and the remaining one-third to Canada. Volumes exported to the Middle East also decreased during 2013.

New Zealand live sheep exports (2014)



Source: International Trade Centre (United Nations)

New Zealand processed sheep meat exports (2014)



Source: International Trade Centre (United Nations)

Appendix C. Market profiles

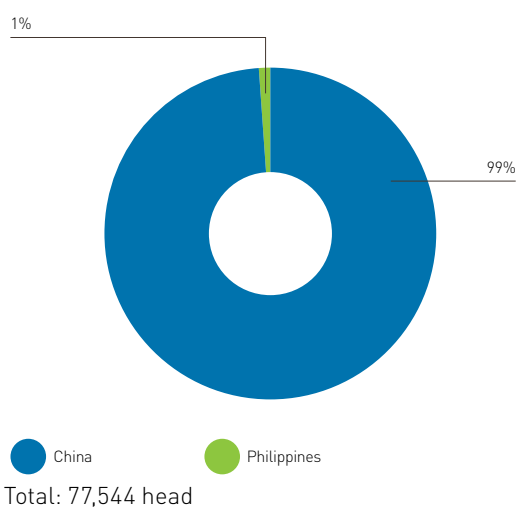
Dairy export market dynamics

The New Zealand – China free trade agreement (entered into in 2008) provides preferential access to the Chinese market and has established New Zealand's presence in China; since 2010, New Zealand's dairy exports to China have grown by approximately US\$2,300 million.

New Zealand's reputation as a high quality supplier of dairy products positions it strongly within the Chinese market

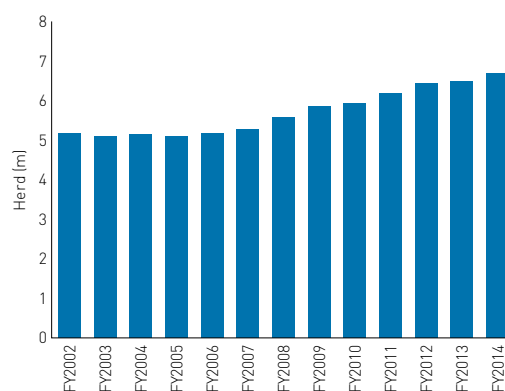
China has been the biggest recipient of New Zealand dairy cattle. There are entrenched supply chains in China, with companies such as Fonterra operating Chinese feedlot farms using New Zealand dairy cattle with protected genetic intellectual property.

New Zealand dairy cattle exports by destination (2014)



Source: Statistics New Zealand

New Zealand dairy cattle herd



Source: Statistics New Zealand

Note: FY reflects 30 June year end

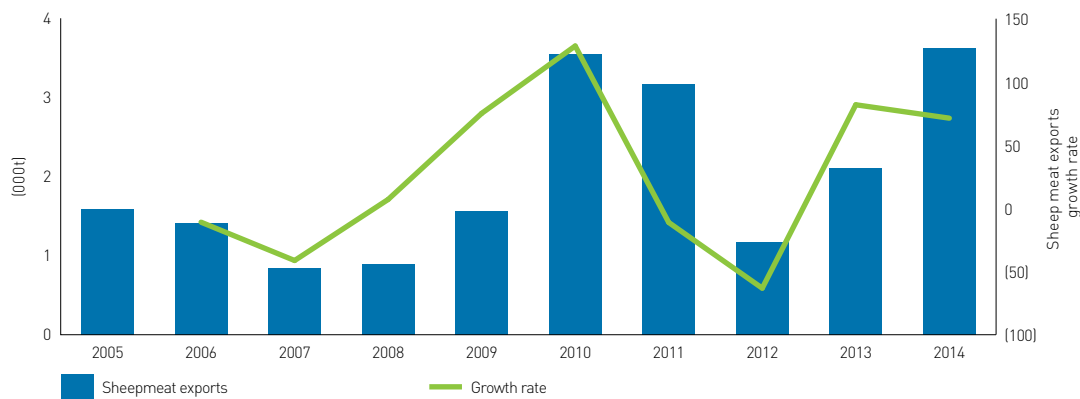
For personal use only

C.2.5 Romania



Export industries relevant to Wellard: sheep

Population (m)	Population growth CAGR (2014 – 2020F)	GDP/capita (US\$)	GDP/capita growth CAGR (2014 – 2020F)	
20	(0.5%)	10,035	5.7%	
		Live exports (2013) ('000 head)	Herd size (m) (2014)	% of turn-off exported
Sheep meat		1,913	c.9.5	n/a
Key processed meat export markets		Sheep meat: Italy, Greece, Jordan, Croatia		
Key live export markets		Sheep: Libya, Jordan, Greece, Italy		
Sheep meat exports				



Source: OECD – FAO Agricultural Outlook 2015 – 2024

Key production drivers

- Romanian livestock numbers declined in the years following the collapse of the Soviet Union. However, since 2001 flock numbers have grown substantially
- Breeding stock were imported from the UK to improve local genetics and as a result of such investments, flock numbers have increased by a CAGR of 2% over the period from 2001 to 2013 to approximately 10 million head

Sheep meat export market dynamics

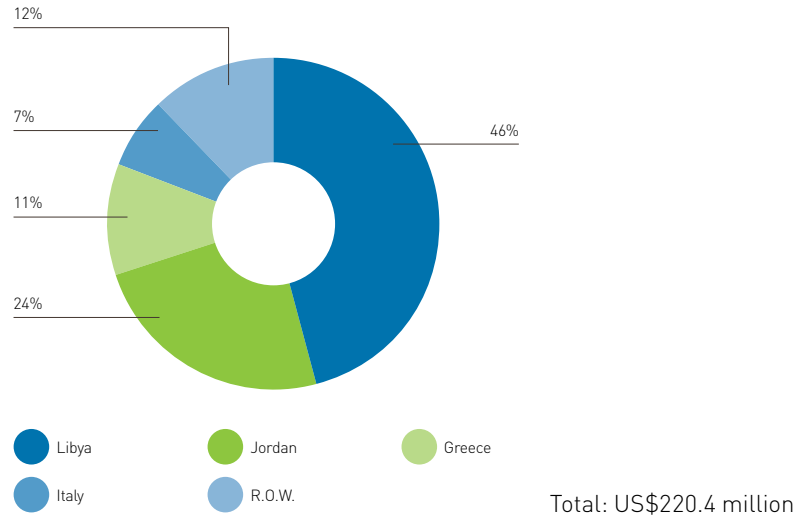
Although Romania is an exporter of both live sheep and processed sheep meat, the live sheep export channel is significantly larger than the processed market.

Following the collapse of the Gaddafi regime in Libya, Romanian live exports to Libya increased significantly and have become the country's major export market, at the expense of trade to the European Union.

Additionally, Romania has consistently exported a large volume of live sheep to Jordan since 2010. These volumes have increased following decreased competition from Australia as a result of the impact of ESCAS regulations on the export of Australian live sheep to Jordan.

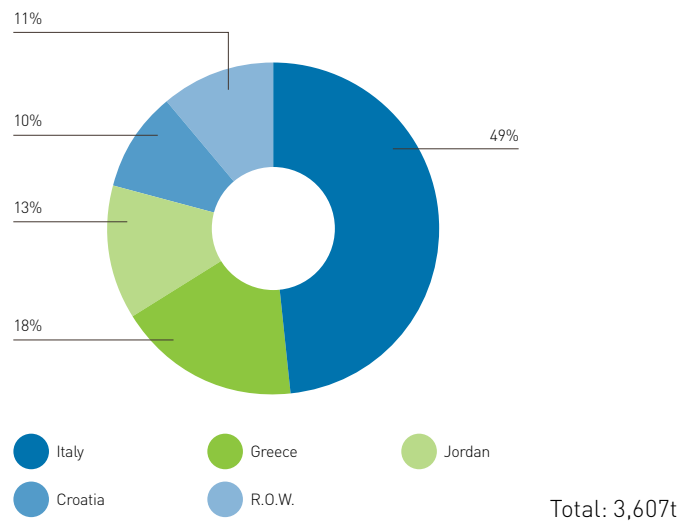
Appendix C. Market profiles

Romanian live sheep exports (2014)



Source: International Trade Centre (United Nations)

Romanian processed sheep meat exports (2014)



Source: International Trade Centre (United Nations)

For personal use only

For personal use only

Appendix D. Glossary



Appendix D. Glossary

Term	Description
2H FY2015, 2H FY2016, 2H FY2017	Half years ended 30 June 2015, 2016 and 2017
A\$	Australian Dollar
A\$'000	Australian Thousand Dollars
AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
ABN	Australian Business Number
ABS	Australian Bureau of Statistics
ACN	Australian Company Number
AEDT	Australian Eastern Daylight Savings Time
AFSL	Australian Financial Services Licence
AMSA	Australian Maritime Safety Authority
Applicant	A person who submits an Application
Application	An application to subscribe for Shares offered under this Prospectus
Application Amount or Application Monies	The amount accompanying an Application Form submitted by an Applicant
Application Form	An application form made available with a copy of this Prospectus, being a Broker Firm Application Form or Priority Offer Application Form
ASIC	Australian Securities and Investments Commission
Astarte	Astarte Maritime Inc (Liberia)
ASX	Australian Securities Exchange
ASX Listing Rules	The rules of the ASX that govern the admission, quotation and removal of securities from the ASX official list
ASX Recommendations	Revised in 2014, the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition)
ASX Settlement Operating Rules	The settlement rules of the ASX as amended, varied or waived from time to time
ATO	Australian Taxation Office
Audit, Risk and Compliance Committee	The committee described in Section 6.5
Auditors	PricewaterhouseCoopers, Australian Partnership and PricewaterhouseCoopers LLP (Singapore firm)
Australian Government	The Commonwealth Government of Australia

For personal use only

Appendix D. Glossary

Term	Description
BBSY	Bank Bill Swap Bid Rate
B&D	Breeding & Dairy
Board	The board of Directors of Wellard
BPAY®	Registered by BPAY Pty Ltd ABN 69 079 137 518. The payment mechanism used to pay Application Payments online
BRM	Beaufort River Meats, a business of Wellard
Broker	Any ASX participating organisation selected by the Joint Lead Managers and Wellard to act as a Broker to the Offer, and includes the Co-Lead Manager and Co-Managers
Broker Firm Application Form	The Application Form made available with a copy of this Prospectus, identified as the Broker Firm Offer Application Form
Broker Firm Offer	The offer of Shares under this Prospectus to Australian and New Zealand resident retail clients of Brokers who receive an allocation of Shares from their Broker provided that such retail clients are not in the United States
Business	The Livestock Marketing and Export businesses, and Processed Meat Marketing and Export businesses, which will be held by Wellard following the Restructure
CAGR	Compound annual growth rate
Carrying Coefficient	Measure of vessel carrying capacity defined as vessel size (square metres) multiplied by vessel speed (knots)
Cash Advance Facility	The cash advance facility described in Section 4.5.3.1.1
CBA	Commonwealth Bank of Australia
CBA Facilities	The new bank facilities, as described in Section 4.5.3.1.1
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGT	Capital gains tax
ChAFTA	China-Australia Free Trade Agreement
Chartered Accountant	Member of the Institute of Singapore Chartered Accountants
CHESS	ASX's Clearing House Electronic Sub-register System
Co-Lead Manager	Morgans Financial Limited (ABN 49 010 669 726)
Co-Managers	CBA Equities Limited (ACN 003 485 952), UBS Wealth Management Australia Limited (ACN 005 311 937), Deutsche Craigs Limited (New Zealand Company Number 4677299) and Wilson HTM Limited (ACN 010 529 665)
Completion of the Offer	Completion in respect of the issue of Shares pursuant to the Offer under the Underwriting Agreement
Consenting Party	Each of the parties referred to in Section 9.10

Appendix D. Glossary

Term	Description
Constitution	The constitution of Wellard
COO	Chief Operating Officer
Corporations Act	Corporations Act 2001 (Cth)
COSCO	COSCO (DALIAN) Shipyard CO., LTD (China)
Cwe	Carcass weight equivalent. A term used to demonstrate an estimate of the carcass weight of a live animal.
DAWR	The Australian Commonwealth Department of Agriculture and Water Resources
Deutsche Bank	Deutsche Bank AG, Sydney Branch
Director	Each of the Directors of Wellard
DRP	Dividend Reinvestment Plan
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Enterprise Value	The sum of the market capitalisation of Wellard at the Offer Price on Completion of the Offer and pro forma net debt as at 30 June 2015
ESCAS	Exporter Supply Chain Assurance System
Escrow Period	With respect to WGH and the escrowed executives, the period from the date of Completion of the Offer to the business day after the date Wellard's results for FY2016 are released to the ASX and, in relation to 67% of the Escrowed Shares, for an additional period concluding on the business day after Wellard's results for FY2017 are released to the ASX. With respect to SCPEL, the period from the date of Completion of the Offer to the business day after the date Wellard's results for FY2016 are released to the ASX
Escrowed Shares	The Shares subject to voluntary escrow arrangements, as set out in Section 7.6
Existing SCB Facility	The facility from SCB to WRE which will not continue after Completion of the Offer and is described in section 9.4.4.1
Exposure Period	The seven day period after the Prospectus Date, which may be extended by ASIC for up to an additional seven days
Financial Information	The Pro forma Financial Information and the Forecast Financial Information
First Dividend	The dividend in respect of the six months ending 30 June 2016
Forecast Financial Information	The Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information
Forecast Period	Financial year FY2016, ending 30 June 2016
Fuel and oil working capital facility	The Fuel and oil working capital facility described in section 4.5.3.3

Appendix D. Glossary

Term	Description
Fulida	Fulida Group Holdings Co., Ltd and where the context requires includes its subsidiary, Zhejiang Aurora Agriculture Co., Ltd
FX	Foreign Exchange
FY2013, FY2014 and FY2015	Financial years ended 30 June 2013, 2014 and 2015
FY2016	Forecast financial year ending 30 June 2016
GDP	The total value of goods and services provided in a country during one year
Giovi	Giovi Limited (ACN 133 835 766)
GST	Goods and services tax
HBOR	HBOR Croatian Bank for Reconstruction and Development
Historical Financial Information	The Statutory Historical Financial Information and the Pro Forma Historical Financial Information
IFRS	International Financial Reporting Standards, as issued by the International Accounting Standards Board
IMO	International Maritime Organisation
Institutional Investors	Investors who are: <ul style="list-style-type: none"> • persons in Australia who are either “professional investors” or “sophisticated investors” under sections 708(11) and 708(8) respectively of the Corporations Act; or • investors in certain other jurisdictions, to whom, in the absolute discretion of the Joint Lead Managers, offers of Shares may lawfully be made without the need for any prospectus, registration, qualification, filing or other formality (except one with which Wellard is willing to comply with).
Institutional Offer	The invitation to Institutional Investors under this Prospectus to acquire Shares, as described in Section 7.5
Investigating Accountant	PricewaterhouseCoopers Securities Limited
Investigating Accountant's Report	The report prepared by the Investigating Accountant, a copy of which is included in Section 8
Invitation	An invitation to a person to participate in the Priority Offer
IPO	Initial Public Offering
IPO Subsidiaries	The entities listed as IPO Subsidiaries in Section 9.3
Joint Lead Managers	UBS and Deutsche Bank
Korkyra	Korkyra Shipping d.o.o (Croatia)
LIBOR	The London Interbank Offered Rate
Listing	Admission of Wellard to the official list of the ASX

Appendix D. Glossary

Term	Description
Livestock Export Review	A report commissioned by the Australian Federal Minister for Agriculture and Fisheries in 2003 concerning issues of animal welfare within the livestock export trade
Livestock Marketing and Export	Business segment which captures the marketing and export of cattle and sheep
MLA	Meat & Livestock Australia Limited
MSI-AIS	Maritime Sector Incentive – Approved International Shipping Enterprise
NFAL	New Findley Assets Limited of Tortola British Virgin Islands
NFAL Finance Arrangement	The finance arrangements defined in Section 9.4.4.2
Niuyang	Niuyang Express Pte Ltd
New Banking Facilities	The New Banking Facilities described in Section 4.5.3.1
Nomination and Remuneration Committee	The committee described in Section 6.5
NPAT	Net profit after tax
OECD	The Organisation for Economic Co-operation and Development
Offer	The offer under this Prospectus of Shares by Wellard
Offer Period	From Monday, 30 November 2015 to Tuesday, 8 December 2015
Offer Price	The price per Share that all successful Applicants will pay for Shares under the Offer, being \$1.39 per Share
OIE	World Organisation for Animal Health
Priority Offer	An offer of Shares to persons who receive an invitation to participate in the Offer from Wellard and who have a registered address in Australia, as described in Section 7.4
Priority Offer Application Form	The online Application Form identified as the Priority Offer Application Form, made available with a copy of this Prospectus to persons invited to participate in the Priority Offer
Pro Forma Financial Information	The Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information
Pro Forma Forecast Financial Information	The Statutory Forecast Financial Information, Pro Forma Forecast Results, and the Pro Forma Forecast Cash Flows
Pro Forma Forecast	Pro forma forecast income statement for FY2016F
Pro Forma Historical Cash Flows	Pro forma historical cash flows for FY2013, FY2014 and FY2015
Pro Forma Historical Financial Information	The Pro Forma Historical Results, Pro Forma Historical Cash Flows and Pro Forma Historical Statement of Financial Position

For personal use only

Appendix D. Glossary

Term	Description
Pro Forma Historical Results	Pro forma historical results for FY2013, FY2014 and FY2015
Pro Forma Historical Statement of Financial Position	Pro forma historical statement of financial position as at 30 June 2015
Processed Meat Marketing and Export	Business segment which captures the marketing and export of processed meat
Prospectus	This document dated 20 November 2015 (including the electronic form of this Prospectus)
Prospectus Date	The date on which the Original Prospectus was lodged with ASIC, being 20 November 2015
Public Accountant	A person who is registered or deemed to be registered in accordance with the Accountants Act of Singapore, Chapter 2 as a public accountant
PwC	PricewaterhouseCoopers, Australian Partnership
PwC LLP	PricewaterhouseCoopers (Singapore firm)
Q1, Q2, Q3, Q4	Quarters ended 30 September, 31 December, 31 March and 30 June respectively
Regulations	Corporations Regulations 2001 (Cth)
Restructure	The restructuring of WGH and Wellard in accordance with the Separation Agreement and other related agreements, as described in Section 9.4. Completion of the Restructure means completion of the transfer of the WGH IPO Subsidiaries to Wellard or a subsidiary of Wellard
Ruchira	Ruchira Ships Ltd
S&P/ASX 200 Index	Standard & Poor's stock market index comprising the 200 largest and most liquid stocks listed on the ASX
Sale Agreement	Each sale agreement in relation to the sale and purchase of the IPO Subsidiaries and other assets to be transferred to Wellard or a wholly owned subsidiary as part of the Restructure
Sale and Leaseback Agreement	The Sale and Leaseback Agreements described in Section 4.5.3.2
SCB	Standard Chartered Bank
SCPEL	Standard Chartered Private Equity Limited
Separation Agreements	The agreements setting out the separation arrangements between the businesses retained by WGH and the Business and includes the Sale Agreements
Share	A fully paid ordinary share in the capital of Wellard
Share Registry	Link Market Services Limited
Shareholder	A holder of a Share
Sinosure	China Export & Credit Insurance Corporation

Appendix D. Glossary

Term	Description
Statutory Forecast Cash Flows	Statutory forecast cash flows for FY2016F
Statutory Forecast Income Statement	Statutory forecast income statement for FY2016F
Statutory Forecast Financial Information	The Statutory Forecast Income Statement and Statutory Forecast Cash Flows
Steaming days	The number of days that a vessel is travelling between ports
STX Dalian	STX (Dalian) Shipbuilding Co, Ltd
STX Korea	STX Offshore and Shipbuilding
TFN	Tax file number
TFR	Total fixed remuneration
Transitional Services Agreement	The agreement setting out the transitional service arrangements between the businesses retained by WGH and the Business
TSR	Total Shareholder return
UBS	UBS AG, Australia Branch
Uljanik	Uljanik d.d. (Croatia)
Underwriting Agreement	The agreement dated 20 November 2016 between UBS, Deutsche Bank and Wellard (as described in Section 9.4.3)
United States	The United States of America
UOB	United Overseas Bank
US\$	United States Dollar
USDA	U.S. Department of Agriculture
Vessel Finance Agreements	The Vessel Finance Agreements described in section 4.5.3.3
Wellao Heads of Agreement	The meaning given in Section 9.4.8
Wellao JV	Wellao Agriculture Co., Ltd (China)
Wellard	Wellard Limited (ACN 607 708 190). In addition, where the context requires, references to Wellard include any of its subsidiaries and references to the Wellard Group relate to Wellard together with all of its subsidiaries
Wellard Group	Wellard Limited and its subsidiaries
Wellard Rural Exports	Wellard Rural Exports Pty Ltd (ACN 109 866 328)
Wellard Offer Information Line	Within Australia: 1800 187 991 Outside Australia: +61 1800 187 991 8:30am until 5:30pm (AEDT) Monday to Friday

Appendix D. Glossary

Term	Description
Wellard Ships	Wellard Ships Pte Ltd
Wellard Uruguay	Wellard do Uruguay S.A. (current name Portimor S.A.)
WGH	Wellard Group Holdings Pty Ltd (ACN 009 263 423)
WGH Estates	WGH Estates Pty Ltd (ACN 008 933 551)
WGH Group	WGH and its subsidiaries after the Restructure
WGH IPO Subsidiaries	The IPO Subsidiaries being acquired from WGH, i.e. the IPO Subsidiaries excluding Wellard Uruguay (refer to Section 9.3)
Working Capital	Working capital as defined in Section 4.7.1.5
WRE	Wellard Rural Exports Pty Ltd

Corporate Directory

Issuer's registered office

Wellard Limited

1A Pakenham Street
Fremantle WA 6160, Australia

Joint Lead Managers

UBS AG, Australia Branch

Level 16, Chifley Tower, 2 Chifley Square
Sydney NSW 2000, Australia

Deutsche Bank AG, Sydney Branch

Level 16, Deutsche Bank Place, corner of Hunter and
Phillip Streets
Sydney NSW 2000, Australia

Co-Lead Manager

Morgans Financial Limited

Level 29, 123 Eagle Street
Brisbane QLD 4000, Australia

Co-Managers

CBA Equities Limited

Ground Floor, Tower 1, 201 Sussex Street
Sydney NSW 2000, Australia

UBS Wealth Management Australia Limited

Level 16, Chifley Tower, 2 Chifley Square
Sydney NSW 2000, Australia

Deutsche Craigs Limited

Level 36, Vero Centre, 48 Shortland Street
Auckland 1140, New Zealand

Wilson HTM Limited

Level 14, 99 Elizabeth Street
Sydney, NSW, 2000, Australia

Australian legal adviser

Corrs Chambers Westgarth

Woodside Plaza, 240 St Georges Terrace
Perth, WA 6000, Australia

Auditor

PricewaterhouseCoopers, Australian Partnership

Brookfield Place, 125 St Georges Terrace
Perth, WA 6000, Australia

PricewaterhouseCoopers LLP (Singapore firm)

PWC Building, 8 Cross Street #17-00
Singapore 048424, Singapore

Investigating Accountant

PricewaterhouseCoopers Securities Ltd

Brookfield Place, 125 St Georges Terrace
Perth, WA 6000, Australia

Share Registry

Link Market Services Limited

Level 12, 680 George Street
Sydney NSW 2000, Australia

Wellard Offer Information Line

Within Australia

1800 187 991

Outside Australia

+61 1800 187 991

8:30am until 5:30pm (WST) Monday to Friday during the
Offer period

Offer website

www.wellard.com.au

For personal use only



Wellard

www.wellard.com.au

PO Box 796
Fremantle
Western Australia 6959
Phone + 61 8 9432 2800

For personal use only