



Date: 28 September 2018

ASX/Media Announcement

### **Notice of General Meeting and Shareholder Booklet regarding divestment of Bengarang Limited**

Webster Limited has today despatched a Shareholder Booklet, including a Notice of Meeting, Explanatory Memorandum and Independent Expert's Report, to Shareholders regarding the proposed sale of Bengarang Limited.

Webster announced on 17 August 2018 that it had entered into a share purchase agreement to divest its wholly-owned subsidiary, Bengarang Limited incorporating the agricultural and water assets in northern NSW to an entity in the AFF JV group.

The total consideration payable to Webster under the Agreement is approximately \$132.7 million, subject to a working capital adjustment whereby Webster effectively retains the rights to the proceeds of the 2018 cotton crop recently harvested. The AFF JV group is a joint venture between PSP Investments and a Robinson family holding company.

Completion of the divestment is subject to approval by Webster Shareholders at a General Meeting (to be held on 31 October 2018 at the offices of Ernst & Young at 200 George St Sydney NSW 2000) and various other conditions precedent.

The Shareholder Booklet includes a report from an independent expert, PKF Corporate Finance (NSW) Pty Limited which has concluded that the transaction is fair and reasonable to Shareholders not associated with the Bengarang sale.

The Directors of Webster (other than Mr Joe Robinson who is associated with the Buyer) unanimously recommend that Shareholders vote in favour of the Resolution to approve the divestment at the General Meeting. As Joe Robinson is associated with the AFF JV group, he does not consider it appropriate to make a recommendation in relation to the Resolution.

Webster Chairman, Chris Corrigan, said the divestment of Bengarang represented a positive outcome for Webster Shareholders.

"The divestment will enable Webster to focus on its core horticultural, agricultural and grazing operations in the Riverina district, western NSW, South Australia and Tasmania. Proceeds from the divestment will strengthen Webster's financial position and provide additional funding capacity to invest and grow its core operations," he said.

#### **Enquiries:**

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CEO, Webster Ltd  
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Webster Limited ABN 23 009 476 000

# **Shareholder Booklet**

## **Extraordinary General Meeting regarding Bengerang Sale**

**A Notice of Meeting is included with this Booklet. A proxy form for the Meeting accompanies this Booklet.**

PKF Corporate Finance (NSW) Pty Limited as independent expert has concluded that the Bengerang Sale is fair and reasonable to Shareholders not associated with the Bengerang Sale.

**Your vote is important in determining whether the Bengerang Sale proceeds. This is an important document and requires your urgent attention.**

If you are in any doubt as to how to deal with this Booklet, please consult your legal, financial, taxation or other professional adviser immediately.

If you have recently sold all of your Shares, please disregard all enclosed documents.

# Important Notices

## General

You should read this Booklet in its entirety before making a decision on how to vote on the Resolution to be considered at the Meeting. The notice convening the Meeting is contained in this Booklet. A proxy form for the Meeting is enclosed.

## Defined terms

Capitalised terms in this Booklet are defined either in the Glossary in Section 8 of this Booklet or where the relevant term is first used.

References to **dollars** or **\$** are references to the lawful currency of Australia. Any discrepancies between the totals and the sum of all the individual components in the tables contained in this Booklet are due to rounding. All % figures have been rounded to 2 decimal places.

## Purpose of this Booklet

The purpose of this Booklet is to:

- explain the terms and effect of the Bengerang Sale;
- explain the terms and effect of the Resolution to Shareholders; and
- provide such information as is prescribed by the Corporations Act and the Listing Rules.

## ASX

A copy of this Booklet has been provided to ASX. Neither ASX nor any of its officers take any responsibility for the contents of this Booklet.

## Responsibility for information in this Booklet

Webster is responsible for the contents of this Booklet, other than, to the maximum extent permitted by law, the information below for which other persons are stated to be responsible. None of the Bengerang Purchaser, nor any of its related bodies corporate and their respective directors, officers, employees and advisers, assume any responsibility for the accuracy or completeness of the information in this Booklet.

The Independent Expert has prepared the Independent Expert's Report which accompanies this Booklet and is responsible for that report. None of Webster, the Bengerang Purchaser or any of their respective related bodies corporate and their respective directors, officers, employees and advisers assumes any responsibility for the accuracy or completeness of the information in the Independent Expert's Report except, in the case of Webster, in relation to information supplied by Webster to the Independent Expert.

## Investment decisions

This Booklet does not take into account the investment objectives, financial situation, tax position and requirements of any particular person. This Booklet should not be relied on as the sole basis for any investment decision in relation to Shares. Independent financial and taxation advice should be sought before making any decision to invest in Webster or in relation to the Resolution. It is important that you read the entire Explanatory Memorandum before making any voting or investment decision. In particular, it is important that

Shareholders consider the possible disadvantages of the Resolution

Shareholders should carefully consider the Resolution in light of their particular investment objectives, financial situation, tax position and requirements. If Shareholders are in any doubt on these matters, they should consult their legal, financial, taxation or other professional adviser before deciding how to vote on the Resolution.

## Forward looking statements

This Booklet includes certain prospective financial information which has been based on current expectations about future events. The prospective financial information is, however, subject to risks, uncertainties and assumptions that could cause actual results to differ materially from the expectations described in such prospective financial information. The assumptions on which prospective financial information is based may prove to be incorrect or may be affected by matters not currently known to, or considered material by, Webster.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement, and deviations are both normal and to be expected. None of Webster, the officers of Webster or any person named in this Booklet makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. You are cautioned not to place undue reliance on those statements.

The forward looking statements in this Booklet reflect views held only as at the date of this Booklet. Past performance is no indication of future performance.

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### Important dates and times

Date of this Booklet	28 September 2018
Last time and date by which the proxy form for the Meeting can be lodged	10am (Sydney time) Monday 29 October 2018
Time and date for determining eligibility to vote at the Meeting	7:00 pm (Sydney time) on Monday 29 October 2018
Meeting* to vote on the Resolution	10am (Sydney time) Wednesday 31 October 2018

Note: These dates are indicative only and may be changed as permitted by the Corporations Act and the Listing Rules.

\* The Meeting will be held at the offices of Ernst and Young, 200 George St Sydney NSW 2000



Webster Limited ABN 23 009 476 000

## Chairman's letter

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Dear Shareholder

It is my pleasure to invite you to attend and vote at a general meeting of Webster to consider the proposed sale of Bengering Limited. The Meeting will commence at 10am (Sydney time) on Wednesday 31 October 2018 at the offices of Ernst and Young, 200 George St Sydney NSW 2000.

The Meeting will consider a resolution to approve the sale of Bengering Limited to AFF Water Pty Ltd as trustee for the AFF Water Trust (or a nominated related body corporate) (**Bengering Purchaser**), an entity for a joint venture between Australian Food & Fibre Limited (**AFF**) and the Public Sector Pension Investment Board of Canada (**PSP Investments**).

### **Bengering Limited**

Bengering's assets include the aggregation at Garah, NSW, north-west of Moree and the Darling Farms aggregation at Bourke, NSW, together with associated water entitlements. The properties comprise 9,593 hectares of developed irrigation land. Bengering Limited was acquired by Webster in 2015 at an implied equity value of \$124 million.

Webster has entered into an agreement to sell all of the shares in Bengering for cash consideration of \$132 million, with a working capital adjustment.

The agreement to sell the Bengering Shares is subject to a number of conditions including Shareholder approval of the Bengering Sale.

### **Rationale for Bengering Sale**

There are a number of key reasons why the Board is undertaking this transaction.

The divestment will enable Webster to focus on its core horticultural, agricultural and grazing operations in the Riverina district, western NSW, South Australia and Tasmania. Proceeds from the divestment will strengthen Webster's financial position and provide additional funding capacity to invest and grow its core operations.

Webster has recently acquired additional land to expand its horticulture activities (comprising walnuts and almonds) in the Riverina and will continue its growth strategy in this area. The divestment will also enable Webster to continue to expand its water holdings in the Murrumbidgee and Murray rivers to align its water holdings with the demands of its planting ambitions in its horticultural and agricultural divisions.

### **Independent Expert's Report**

PKF Corporate Finance (NSW) Pty Limited was retained to provide a report in relation to the Bengering Sale. The expert concluded that the transaction is fair and reasonable to Shareholders not associated with the Bengering Sale. A complete copy of the expert's report is included with this Booklet.

## **Recommendation of Directors**

The Directors (other than Mr Joe Robinson) unanimously recommend that Shareholders vote in favour of the Resolution. As Joe Robinson is associated with AFF Water, he does not consider it appropriate to make a recommendation in relation to the Resolution.

## **Risks**

If the Bengerang Sale proceeds, no guarantee can be given in respect of the future earnings of Webster or the earnings and capital appreciation of Webster.

## **This Booklet**

This Booklet comprises a Notice of Meeting, a detailed Explanatory Memorandum, and an Independent Expert's Report. In addition, attached is a personalised Proxy Form.

## **What you need to do**

All Shareholders should carefully read the Booklet in full, and decide how to vote on the Resolution contained in the Notice of Meeting.

Your vote is important. If you would like to vote, you may either attend the Meeting in person or alternatively appoint a proxy to vote for you at the Meeting by using the attached Proxy Form. If you intend to appoint a proxy, please complete the Proxy Form and return it to us in accordance with the directions on the reverse side of the form by 10am (Sydney time) on Monday 29 October 2018.

## **Attendance**

If you wish to attend the Meeting please bring your Proxy Form with you to assist us to process your registration efficiently.

Your Directors look forward to welcoming you to the Meeting.

If you have any questions in relation to the Meeting, please contact Computershare on 1300 850 505.

Yours sincerely

A handwritten signature in black ink, appearing to read 'C Corrigan', with a stylized flourish at the end.

**Chris Corrigan**  
**Chairman**  
**Webster Limited**

## Part A: Notice of Meeting

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**Webster Limited**  
(ACN 009 476 000)

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### Notice of Meeting for the Meeting of Shareholders

To be held at 10 am (Sydney time) on Wednesday 31 October 2018 at the offices of Ernst and Young, 200 George St Sydney NSW 2000

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#### IMPORTANT INFORMATION

This is an important document that should be read in its entirety.

This Notice of Meeting is accompanied by an Explanatory Memorandum. The Explanatory Memorandum and its annexures have been prepared to assist Shareholders in determining whether or not to vote in favour of the Resolution set out in this Notice of Meeting.

The Explanatory Memorandum and its annexures should be read in conjunction with this Notice of Meeting.

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You are encouraged to attend the Meeting, but if you cannot, you are requested to complete and return the enclosed proxy form without delay to the Registry as follows:

➤ by post to:

Computershare Investor Services Pty Ltd  
GPO Box 242  
Melbourne  
Victoria Australia 3001

➤ or by facsimile to:

1800 783 447 or +61 3 9473 2555

#### **Items of business**

The business of the Meeting is to consider the following proposed resolution.

#### **1. Sale of Bengerang Shares**

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

*"That for the purposes of ASX Listing Rule 10.1 and for all other purposes, the sale of the Bengerang Shares to the Bengerang Purchaser as described in the Explanatory Memorandum is approved."*

This item is subject to voting exclusions – see 'Important notes' below.

## ***Important notes***

### *Voting exclusion statement*

In accordance with the Listing Rules, Webster will disregard any votes cast in favour of the Resolution by or on behalf of the Bengerang Purchaser or its associates.

However, Webster will not disregard a vote by the Bengerang Purchaser or any of its associates if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

The Chairman will vote all undirected proxies in favour of the Resolution. If you wish to vote “against” or “abstain” you should mark the relevant boxes in the attached proxy form.

### *Explanatory Memorandum*

Shareholders are referred to the Explanatory Memorandum accompanying and forming part of this Notice of Meeting.

### *Entitlement to vote*

The Directors have decided that for the purpose of determining entitlements to attend and vote at the Meeting, Shares will be taken to be held by the persons who are the registered holders at 7:00 pm (Sydney time) on Monday 29 October 2018. Accordingly, Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

### *How to vote*

Shareholders entitled to vote at the Meeting may vote:

- by attending the Meeting and voting in person;
- by appointing an attorney to attend the Meeting and vote on their behalf or, in the case of corporate shareholders or proxies, a corporate representative to attend the Meeting and vote on its behalf; or
- by appointing a proxy to attend and vote on their behalf, using the proxy form accompanying this Notice. A proxy may be an individual or a body corporate.

### *Voting in person (or by attorney)*

Shareholders or their proxies, attorneys or representatives (including representatives of corporate proxies) wishing to vote in person should attend the Meeting and bring a form of personal identification (such as their driver's licence).

To vote by attorney at this Meeting, the original or a certified copy of the power of attorney or other authority (if any) under which the instrument is signed must be received by Webster before 10:00 am (Sydney time) on Monday 29 October 2018 in any of the following ways:

- by post to:

Webster Ltd  
PO Box R453  
Royal Exchange  
NSW Australia 1225



- by facsimile to:

+61 2 6951 3001

- by email to:

corporate@websterltd.com.au

To vote in person, you or your proxy, attorney, representative or corporate proxy representative must attend the Meeting to be held at Ernst and Young, 200 George St Sydney NSW on Wednesday 31 October 2018 commencing at 10am (Sydney time).

A vote cast in accordance with the appointment of a proxy or power of attorney is valid even if before the vote was cast the appointor:

- died;
- became mentally incapacitated;
- revoked the proxy or power; or
- transferred the Shares in respect of which the vote was cast,

unless Webster received written notification of the death, mental incapacity, revocation or transfer before the Meeting or adjourned meeting.

#### *Voting by proxy*

Shareholders wishing to vote by proxy at this Meeting must:

- complete and sign or validly authenticate the proxy form, which is enclosed with this Booklet; and
- deliver the signed and completed proxy form by 10am (Sydney time) on Monday 29 October 2018 in accordance with the instructions below.

A person appointed as a proxy may be an individual or a body corporate.

#### *Submitting proxy votes*

Shareholders wishing to submit proxy votes for the Meeting must return the enclosed proxy form to the Registry in any of the following ways:

- by post to:

Computershare Investor Services Pty Ltd  
GPO Box 242  
Melbourne  
Victoria Australia 3001

- or by facsimile to:

1800 783 447 or +61 3 9473 2555

#### *Notes for proxies*

1. A Shareholder entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote at the Meeting on that Shareholder's behalf.
2. A proxy need not be a Shareholder.

3. A proxy may be an individual or a body corporate. A proxy that is a body corporate may appoint a representative to exercise the powers that the body corporate may exercise as the Shareholder's proxy.
4. If a Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half the votes.
5. A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on the Resolution. If an appointment directs the way the proxy is to vote on the Resolution:
  - if the proxy is the chair - the proxy must vote on a poll and must vote in the way directed; and
  - if the proxy is not the chair - the proxy need not vote on a poll, but if the proxy does so, the proxy must vote in the way directed.
6. If a proxy appointment is signed or validly authenticated by the Shareholder but does not name the proxy or proxies in whose favour it is given, the Chairman may either act as proxy or complete the proxy appointment by inserting the name or names of one or more of the Directors or Webster Secretary.
7. If:
  - a Shareholder nominates the Chairman of the Meeting as the Shareholder's proxy; or
  - the Chairman is to act as proxy if a proxy appointment is signed by a Shareholder but does not name the proxies in whose favour it is given or otherwise under a default appointment according to the terms of the proxy form,
 then the person acting as Chairman in respect of an item of business at the Meeting must act as proxy under the appointment in respect of that item of business.
8. Proxy appointments in favour of the Chairman of the Meeting, Webster Secretary or any Director, which do not contain a direction, will be voted in favour of the Resolution.

#### *Corporate representatives*

1. To vote in person at the Meeting, a Shareholder or proxy which is a body corporate may appoint an individual to act as its representative.
2. To vote by corporate representative at the Meeting, a corporate Shareholder or proxy should obtain an Appointment of Corporate Representative Form from the Registry, complete and sign the form in accordance with the instructions on it. The appointment should be lodged at the registration desk on the day of the Meeting.
3. The appointment of a representative may set out restrictions on the representative's powers.
4. The original form of appointment of a representative, a certified copy of the appointment, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.
5. The Chairman of the Meeting may permit a person claiming to be a representative to exercise the body's powers even if he or she has not produced a certificate or other satisfactory evidence of his or her appointment.

By order of the Board

A handwritten signature in black ink, appearing to read 'M. Felizzi', with a large, stylized circular flourish above it.

**Maurice Felizzi**  
**Chief Executive Officer**  
28 September 2018

## Part B: Explanatory Memorandum

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This Explanatory Memorandum contains information relating to the Bengerang Sale. Shareholder approval is required in order for Webster to proceed with this transaction and a Meeting has been called so Shareholders can vote on the proposed transaction.

### 1. Introduction

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#### 1.1. Overview

On 17 August 2018, Webster announced that it had entered into an agreement to sell all of the Bengerang Shares to AFF Water (or a nominated related body corporate) in consideration for a cash payment of \$132,744,015 subject to a working capital adjustment (the **Bengerang Sale**).

Bengerang includes the aggregation at Garah, NSW, north-west of Moree and the Darling Farms aggregation at Bourke, NSW, together with associated water entitlements. The properties comprise 9,593 hectares of developed irrigation land. Bengerang was acquired by Webster in 2015 at an implied equity value of \$124 million.

Further details regarding Bengerang are set out in Section 5.1.

Shareholders are now being asked to consider and vote on whether the Bengerang Sale should be implemented. This Booklet contains the details of the Resolution and information to enable Shareholders to assess the Bengerang Sale.

#### 1.2. Shareholder approval

The Bengerang Sale will only proceed if the Resolution to be considered at the Meeting is approved by Shareholders. The Resolution is described more fully in Section 6.

Shareholder approval is required under Listing Rule 10.1. The Resolution requires approval by a simple majority of votes cast by Shareholders at the Meeting.

The Resolution is subject to voting exclusions. These voting exclusions are set out in the Notice of Meeting.

#### 1.3. Director recommendations

The Directors, other than Mr Joe Robinson, consider that the Bengerang Sale is in the best interests of Shareholders and recommend that Non-Associated Shareholders vote in favour of the Resolution because:

- The Bengerang Sale represents a reasonable value for the assets represented.
- The sale proceeds will strengthen Webster's financial position and allow a rebalancing of its portfolio more in favour of permanent crops, which should, on balance, increase Webster's return on capital and somewhat reduce its earnings volatility.
- The sale will provide internal funding to further develop Webster's horticultural, agricultural and water assets in the Murrumbidgee and Murray valleys, which have more predictable water catchments.
- Whilst the transaction will increase the geographical and climatic concentration of Webster's activities, it will allow a greater focus of management resources.
- The Independent Expert has concluded that the Bengerang Sale is fair and reasonable to Shareholders not associated with the Bengerang Sale.

Mr Robinson is associated with AFF Water. Accordingly Mr Robinson does not consider it appropriate to make a recommendation in relation to the Resolution.

#### 1.4. Independent Expert Report

To assist Shareholders in their consideration of the Bengerang Sale, the Board commissioned PKF Corporate Finance (NSW) Pty Ltd to prepare an Independent Expert's Report containing a valuation of the Bengerang Shares, a discussion of the advantages and disadvantages of the Bengerang Sale and an opinion on whether the Bengerang Sale is fair and reasonable to Shareholders not associated with the Bengerang Sale.

The Independent Expert has concluded that the Bengerang Sale is fair and reasonable to Shareholders not associated with the Bengerang Sale.

A copy of the Independent Expert's Report accompanies this Booklet and should be read carefully by Shareholders. Webster will provide a hard copy of the Independent Expert's Report at no cost to a Shareholder on request. Please contact Christine Rademeyer on +61 2 6951 3300 to request a copy. A copy of the Independent Expert's Report can also be accessed on Webster's website at [www.websterltd.com.au](http://www.websterltd.com.au).

#### 1.5. Key conditions to Bengerang Sale

The Bengerang Sale is subject to a number of conditions precedent. The key conditions that must be satisfied or waived for the Bengerang Sale to proceed are as follows:

- Shareholders approve the Resolution.
- There are no legal restraints preventing completion of the Bengerang Sale.
- Completion of the Share Sale takes place simultaneously with completion of the Bengerang Sale.
- The PSP Investments nominee is appointed to the board of Webster and Mr Joe Robinson resigns as a director of Webster.
- Webster's financiers approve the Bengerang Sale.
- There is no material adverse change to Bengerang group or its financial or trading position or prospects.
- The Directors not associated with AFF Water do not change their recommendations relating to the Resolution set out in Section 1.3.
- All security interests, other than certain permitted security interests, over the assets of Bengerang are released.
- All financial indebtedness in respect of Bengerang group has been extinguished.

The above list is a summary only. See Section 5.1 for further details.

#### 1.6. Implementation and timetable

The timetable for the Meeting and, if approved, the Bengerang Sale is as follows:

Date	Event
17 August 2018	Bengerang Sale announced
28 September 2018	Booklet for Bengerang Sale despatched
10:00 am (Sydney time) on Monday 29 October 2018	Last time and date by which the proxy form for the Meeting can be lodged
7:00 pm (Sydney time) on Monday 29 October 2018	Time and date for determining eligibility to vote at the Meeting
10.00am Wednesday 31 October 2018	Meeting to be held Results of Meeting announced on ASX

5 November 2018

Bengerang Sale completed

Note: These dates are indicative only and may be changed as permitted by the Corporations Act and the Listing Rules.

### 1.7. What to do next

(a) *Read the remainder of this Booklet*

You should read and consider the remainder of this Booklet in full before making any decision on the Resolution.

(b) *Consider your options*

Shareholders should refer to Section 2 of this Booklet for further guidance on the expected advantages and possible disadvantages of the Bengerang Sale. However, this Booklet does not take into account the financial situation, investments objectives and particular needs of any particular Shareholder.

(c) *Vote at the Meeting*

The Board urges all Shareholders to vote at the Meeting. The Resolution affects your investment in Webster and your vote at the Meeting is important in determining whether the Bengerang Sale proceeds.

### 1.8. Summary of how to vote

(a) *General*

The Meeting will be held at Ernst and Young, 200 George St Sydney, on Wednesday 31 October 2018, commencing at 10am (Sydney time).

The notice convening the Meeting is contained in this Booklet. Your vote at the Meeting is important. If you are registered as a Shareholder by the Registry at the voting entitlement time (7:00 pm (Sydney time), Monday 29 October 2018), you will be entitled to vote at the Meeting, subject to the voting restrictions and exclusions set out in the Notice of Meeting in this Booklet. These voting restrictions and exclusions are set out in the Notice of Meeting.

(b) *Voting in person*

Shareholders wishing to vote in person should attend the Meeting on Wednesday 31 October 2018 and bring a suitable form of personal identification (such as a driver's licence).

Please arrive at the venue at least 15 minutes prior to the time designated for the commencement of the Meeting (10.00am Sydney time), if possible, so that your shareholding may be checked against the register of Shareholders and your attendance noted. Attorneys (see also paragraph (d) below) should bring with them the original or a certified copy of the power of attorney under which they have been authorised to attend and vote at the Meeting.

(c) *Voting by proxy*

Shareholders wishing to vote by proxy at the Meeting must complete and sign or validly authenticate the personalised proxy form which is enclosed with this Booklet.

A person appointed as a proxy may be an individual or a body corporate. Completed proxy forms must be delivered to the Registry by 10.00am (Sydney time), Monday 29 October 2018, in any of the following ways:

➤ by post to:

Computershare Investor Services Pty Ltd  
GPO Box 242  
Melbourne  
Victoria Australia 3001

- or by facsimile to:

1800 783 447 or +61 3 9473 2555

(d) *Voting by attorney*

If a Shareholder executes or proposes to execute any document, or do any act, by or through an attorney which is relevant to their shareholding in Webster, that Shareholder must deliver the instrument appointing the attorney to the Registry for notation.

To vote by attorney at this Meeting, the original or a certified copy of the power of attorney or other authority (if any) under which the instrument is signed must be received by Webster before 10:00 am (Sydney time) on Monday 29 October 2018 in any of the following ways:

- by post to:

Webster Ltd  
PO Box R453  
Royal Exchange  
NSW Australia 1225

- by facsimile to:

+61 2 6951 3001

- by email to:

corporate@websterltd.com.au

(e) *Voting by corporate representative*

To vote in person at the Meeting, a Shareholder or proxy which is a body corporate may appoint an individual to act as its representative.

To vote by corporate representative at the Meeting, a corporate Shareholder or proxy should obtain a Certificate of Appointment of Corporate Representative form from the Registry, and complete and sign the form in accordance with the instructions on it. The appointment form should be lodged at the registration desk on the day of the Meeting.

(f) *Further information*

Please refer to the Notice of Meeting in this Booklet for further information on voting procedures and details of the Resolution to be voted on at the Meeting.

## **2. Relevant considerations for Shareholders**

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### **2.1. Introduction**

The purpose of this Section 2 is to identify significant issues for Shareholders to consider in relation to the Bengerang Sale.

Before deciding how to vote at the Meeting, Shareholders should carefully consider the factors discussed below, as well as the other information contained in this Booklet.

### **2.2. Rationale for the Bengerang Sale**

The divestment will enable Webster to focus on its core horticultural, agricultural and grazing operations in the Riverina district, western NSW, South Australia and Tasmania. Proceeds from the divestment will be used to further strengthen Webster's existing operations and provide additional funding capacity to invest in growth and development activities in its core operations.

This transaction will result in Webster having a more geographically concentrated portfolio of cropping operations at Darlington Point (Kooba) and Hay. Webster's irrigated cropping area will reduce from 24,500 hectares to 15,000 hectares. However, further development work at both Kooba and Hay is expected to increase Webster's irrigated cropping area back to 20,000 hectares in the 2019 year.

The proceeds will provide additional funding capacity for Webster's continued investment in activities across its core operations in horticulture, agriculture and water.

The transaction continues Webster's strategy to build a platform for growth to deliver sustainable returns to shareholders over the medium to longer term.

### **2.3. Why you should vote in favour of the Resolution**

Reasons why Shareholders may decide to vote in favour of the Resolution include the following:

- The Bengerang Sale represents a reasonable value for the assets represented.
- With a greater focus on its horticultural operations, Webster will seek to leverage its market-leading position as the southern hemisphere's largest walnut producer to grow its horticultural business further.
- Focused investment in Webster's horticultural operations (walnuts and almonds) has potential for higher returns compared to cropping activities in the assets to be divested.
- Investment returns from Webster's assets in the southern region have been generally more consistent compared to the assets proposed to be sold.
- Based on the current portfolio of Webster's water holdings, water reliability is generally higher in the southern region allowing Webster to have greater certainty of water flows to enable more accurate crop forecasting and greater earnings consistency and sustainability.
- While Webster's irrigated cropping area will initially reduce as a result of the divestment, Webster plans to maintain its scale of cotton activities with development work at both Kooba and Hay which is expected to increase Webster's irrigated cropping area back to 20,000 hectares in 2019.
- The proceeds of the sale will provide Webster with increased funding capacity for potential acquisitions and to further develop its existing land holdings as part of Webster's strategy to deliver sustainable earnings growth.
- Webster will maintain earnings diversity with operations in walnuts, almonds, livestock, cotton and water and geographical diversity by seeking to diversify into other areas either west or south of the Riverina district.
- The Independent Expert has concluded that the Bengerang Sale is fair and reasonable to Shareholders not associated with the Bengerang Sale.



**2.4. Why you may vote against the Resolution**

Shareholders may decline to approve the Resolution for a number of reasons. These may include the following:

- They do not agree with the Bengerang Sale.
- They prefer the current geographical and crop diversity with the inclusion of the Bengerang assets in the Webster portfolio.
- They do not agree with the conclusion of the Independent Expert.

**2.5. Key implications if the Resolution is not approved**

If the Resolution is not approved:

- The Bengerang Sale will not proceed.
- Webster will retain its existing interest in the land and water assets owned by Bengerang.

### 3. Information on Bengerang

#### 3.1. Overview of Bengerang

Bengerang, formerly named PrimeAg Australia Limited, was previously an ASX listed Australian agribusiness which owned and operated agricultural land and water assets in northern New South Wales and eastern Queensland. Its main crops included cotton, wheat, sorghum and chickpeas.

It divested most of its assets in 2012 and was subsequently privatised in 2013 in conjunction with the divestment of the remainder of its assets, other than its Lower Box, Dodds, Lakeland Downs and Kurrajong Hills properties.

The privatisation process was completed on 12 November 2013. Following the privatisation, Bengerang entered into a number of contracts to buy, sell and lease various properties.

On 27 February 2015, Webster announced that it had entered into an agreement to acquire Bengerang from Belfort Investment Advisers Limited, Verolot Limited and AFF. The consideration to be provided was the issue of 107,670,120 Shares in Webster which, at the time of the announcement, had a market value of \$1.15 per Share. The agreement attributed an equity value of \$124 million to Bengerang.

The Webster acquisition of Bengerang was approved by Shareholders on 25 May 2015 and the transaction was completed on 29 May 2015.

Bengerang currently owns the following properties:

- Bengerang Aggregation in Garah, New South Wales, comprising the properties known as Bengerang, Lower Box, Bullamon, Dodds and Rockless Park;
- Medgun at Garah, New South Wales; and
- Fort Bourke, Darling Farms, Carbuu and parts of Allambie in Bourke, New South Wales.

The following table summarises the property holdings and water entitlements of Bengerang:

Property	Hectares	Water entitlements (ML)
Bengerang aggregation, Garah, New South Wales	8,176	23,507
Fort Bourke, Darling Farms, Carbuu and parts of Allambie in Bourke, New South Wales	16,022	37,653
<b>Total</b>	<b>24,198</b>	<b>61,160</b>

#### 3.2. Historical financial performance

The financial performance of Bengerang for the 15 months ended 30 September 2017 and the 10 months to 31 July 2018 is summarised in the table below.

Summary income statement		
\$'000	15 months to 30 September 2017	10 months to 31 July 2018
Revenue	41,252	22,810
Gross Profit	<u>10,220</u>	<u>8,908</u>
Divisional profit/(loss)	<u>1,765</u>	<u>5,867</u>

Notes:

1. The column headed "15 months to 30 September 2017 " is drawn from the unaudited management accounts for Bengerang for the 15 months to 30 September 2017.
2. The column headed "10 months to 31 July 2018" is drawn from the unaudited management accounts for Bengerang for the 10 months to 31 July 2018.

More detailed information regarding the historical financial performance for Bengerang is set out in Section 5.2 of the Independent Expert's Report.

## 4. Impact of the Bengerang Sale on Webster

### 4.1. Overview

If the Bengerang Sale proceeds, Bengerang will cease to be a wholly owned subsidiary of Webster.

If the Bengerang Sale proceeds, Webster will hold the following:

- Over 146,000 ML of water entitlements representing one of the largest private portfolios of water entitlements in Australia.
- Walnut orchards in NSW and Tasmania with annual production of approximately 12,000 tonnes, reinforcing Webster's position as the largest walnut producer in Australia.
- Over 20,000 hectares of irrigation land for cotton and other annual crop farming operations.
- Over 350,000 hectares of grazing land for the dorper sheep business.
- Over 4,000 head of cattle operating in the Riverina and in excess of 25,000 breeding dorper ewes.

The key assets and operations of Webster following completion of the Bengerang Sale (based on land and water held as at 30 June 2018) is illustrated below.

Key Assets Operations	Current Position	Post-Sale of Bengerang
<b>Land (Hectares)</b>		
Irrigated Cropping	24,466	14,851
Planted Orchard	3,205	3,205
Land for Orchard Development	1,589	1,589
Dryland Cropping	2,039	0
Grazing	<u>398,724</u>	<u>386,180</u>
<b>Total Land</b>	<b><u>430,023</u></b>	<b><u>405,825</u></b>
<b>Water (Mega Litres)</b>		
High Security	14,568	14,568
General Security	97,006	79,376
Supplementary	28,861	22,982
Regulated	37,678	0
Ground Water	<u>18,528</u>	<u>18,528</u>
<b>Total Water</b>	<b><u>196,641</u></b>	<b><u>135,453</u></b>

#### 4.2. Webster intentions following the Bengerang Sale

Below is a summary of Webster's intentions with respect to the balance of its existing operations if the Resolution is passed and the Bengerang Sale is completed:

- Webster will focus on its core horticultural, agricultural and grazing operations in the Riverina district, western NSW, South Australia and Tasmania.
- Proceeds from the divestment will be used to further strengthen Webster's existing operations and provide additional funding capacity to invest in growth and development activities in its core operations.
- This transaction will result in Webster having a more geographically concentrated portfolio of cropping operations at Darlington Point (Kooba) and Hay. Webster's irrigated cropping area will reduce from 24,500 hectares to 15,000 hectares. Further development work at both Kooba and Hay is expected to increase Webster's irrigated cropping area back to 20,000 hectares in the 2019 year.
- The proceeds will provide additional funding capacity for Webster's continued investment in activities across its key core operations in horticulture, agriculture and water.

#### 4.3. Share Sale

PSP Investments is a Canadian Crown corporation established by the Canadian Parliament under the Public Sector Pension Investment Board Act to invest the employer and employee net contributions received since 1 April 2000, from the pension plans of the Canadian Federal Public Service, the Canadian Forces and the Royal Canadian Mounted Police and since 1 March 2007, from the pension plan of the Reserve Force.

PSP Investments manages a diversified global portfolio including stocks, bonds and other fixed income securities as well as investments in private equity, real estate, infrastructure, natural resources and private debt. PSP Investments' share capital is issued to the President of the Treasury Board of Canada to be held on behalf of Her Majesty in right of Canada.

AFF is the investment vehicle for the Robinson family, an Australian family. It holds extensive interests in agricultural land in NSW. Its business is based in Moree, NSW. AFF became an investor in Webster in December 2014. AFF also provided management services to Webster following the acquisition of the Kooba Aggregation in 2014 and the purchase of Bengerang in 2015.

In April 2017, PSP Investments and AFF established a joint venture (the **AFF JV**) to invest in certain agricultural assets and operations in Australia focused on irrigated cotton growing and other agricultural products. AFF contributed its existing agricultural investments and PSP Investments contributed equity funding.

The AFF JV comprises various trusts (and their subsidiaries), in each case that are wholly owned by AFF and PSP Investments. One of these trusts is the AFF Operations Trust, whose trustee (AFF Properties No 1 Pty Ltd (**AFFP**)) presently holds 65,319,154 Shares in Webster as trustee of the AFF Operations Trust. As a result of the AFF JV, each of AFFP, PSP Investments and AFF and their associates have voting power in Webster of 18.08% for the purposes of Chapter 6 of the Corporations Act. Certain shareholders in AFF and their associates (**AFF Parties**) hold a further 3,865,529 Shares giving the AFF Parties total voting power in Webster of 19.15% (including the Shares held by AFFP).

The AFF Parties, PSP Investments and AFFP have entered into a share sale agreement under which PSP Investments will acquire the aggregate 69,184,683 Shares held by AFFP and the AFF Parties (**Share Sale**). The Share Sale is conditional, among other things, on the conditions to completion of the Bengerang Sale being satisfied or waived. If the Share Sale is completed, AFFP and the AFF Parties will cease to have a substantial holding in Webster as their voting power in Webster will fall below 5%. PSP Investments will have voting power in Webster of 19.15%.

PSP Investments is expected to become the largest shareholder in Webster on completion of the Share Sale.

#### **4.4. PSP Investments Undertaking**

Given the significance of PSP Investments' substantial holding in Webster, the Board has sought an undertaking from PSP Investments regarding any potential for an increase in PSP Investments' voting power in Webster. Subject to completion of the Bengierang Sale, the Share Sale, and appointment of the PSP Investments nominee to the Board, PSP Investments will not, and will ensure that its associates do not, undertake certain transactions which would result in its voting power in Webster increasing beyond its voting power as at completion of the Bengierang Sale and the Share Sale (being 19.15%).

This commitment is subject to a number of exceptions including an increase in voting power as a result of a takeover offer or participation in a rights issue, placement, shareholder share purchase plan or dividend reinvestment plan.

A copy of the undertaking is included in Annexure B.

#### **4.5. Management of Webster**

In recognition of the proposed change in shareholding following the Share Sale, the Webster board has invited a nominee of PSP Investments to join the board. PSP Investments have nominated Ross Burling, CEO of Stahmann Farms while Marc Drouin, Head of the PSP Natural Resources team will act as alternate director.

Mr. Burling is an Executive Director, shareholder and CEO of Stahmann Farms, the largest vertically integrated Pecan and Macadamia Food business in the southern hemisphere. Ross Joined the board of Stahmann Farms in February 2010 and has lead the company as its Chief Executive Officer since March 2013. Ross has been in management leadership roles for over 25 years and is also a Director with Australian Certified Organic limited, a member of the Gwydir Valley irrigators association, and a graduate of the AICD Company director's course.

Marc Drouin is a Managing Director at PSP Investments and Head of its Natural Resources group, which invests globally in agriculture and timber. Marc is also currently a board member of Kaingaroa Timberlands (New Zealand) and TimberWest Forest Corp (Canada). Prior to joining PSP Investments in 2011, Marc had a career in investment banking and corporate development; he was formerly Head of Group Business Development, Americas for Anglo American plc, Vice President of Corporate Development at Alcan Inc. (Rio Tinto) and Director at Lazard.

Mr Burling will join the Webster board on completion of the Bengierang Sale and the Share Sale. Mr Joe Robinson will resign as a director of Webster at that time.

In conjunction with the acquisition of Bengierang in 2015, Webster engaged AFF and Mr Joe Robinson to provide management services on connection with Bengierang's operations. This management agreement will be terminated on completion of the Bengierang Sale and each party will be released from all further obligations and liabilities in respect of that management agreement.

There are presently 25 Webster employees who work exclusively or predominantly on Bengierang operations. These employees will be offered employment with Bengierang with effect from completion of the Bengierang Sale.

#### **4.6. Unaudited proforma statement of financial position**

The unaudited proforma statement of financial position of Webster set out below has been prepared to illustrate the financial position of Webster assuming that the Bengierang Sale had occurred as at 31 March 2018.

This proforma statement of financial position is intended to be illustrative and does not reflect the actual position and balances of Webster as at 31 March 2018 or at the date of completion of the Bengierang Sale.

The proforma statement of financial position is presented in summary form only and does not comply with the presentation and disclosure requirements of Australian Accounting Standards.

**Webster Limited**  
**Unaudited consolidated proforma statement of financial position**

<b>\$'000</b>	<b>Auditor Reviewed Webster 31-Mar-18</b>	<b>Unaudited Webster Pro-Forma 31-Mar-18</b>
<b>Current Assets</b>		
Cash and cash equivalents	5,222	5,211
Trade and other receivables	18,930	18,929
Inventories	100,422	86,651
Other assets	1,430	1,403
Total current assets	126,004	112,195
<b>Non-Current Assets</b>		
Property, plant and equipment	356,568	306,033
Investment	162	80
Intangibles - water rights	221,646	151,659
Intangibles - goodwill	25,896	26,071
Intangibles - other	1,701	1,701
Total non-current assets	605,973	485,544
<b>Total assets</b>	<b>731,977</b>	<b>597,739</b>
<b>Current Liabilities</b>		
Trade and other payables	18,022	15,342
Borrowings	62,271	62,271
Provisions	1,921	1,796
Other Liabilities	1,433	1,433
Total current liabilities	83,647	80,842
<b>Non-Current Liabilities</b>		
Borrowings	160,471	27,771
Net deferred tax liabilities	9,658	10,986
Provisions	152	130
Other Liabilities	0	(18,218)
Total non-current liabilities	170,281	20,669
<b>Total liabilities</b>	<b>253,928</b>	<b>101,511</b>
<b>Net assets</b>	<b>478,049</b>	<b>496,228</b>
<b>Equity</b>		
Issued capital	477,865	477,865
Reserves	(1,036)	(1,036)
Retained earnings	1,220	19,399
<b>Total equity</b>	<b>478,049</b>	<b>496,228</b>

**Notes**

1. The column headed "Auditor Reviewed Webster 31-Mar-18" reflects the auditor-reviewed consolidated statement of financial position of Webster as at 31 March 2018 as disclosed in the Appendix 4D Half-yearly Report released by Webster on ASX on 23 May 2018.
2. The column headed "Unaudited Webster Pro-Forma 31-Mar-18" reflects the information set out in the column headed financial position "Auditor Reviewed Webster 31-Mar-18" adjusted as if the following had taken place on 31 March 2018:

- (a) completion of the Bengerang Sale and receipt of net proceeds of approximately \$132.74 million in cash with no adjustment for working capital of Bengerang;
- (b) application of the proceeds of sale of the Bengerang Sale to reduce non-current secured debt;
- (c) payment of transaction costs of \$60,000.

#### 4.7. Gearing

Implementation of the Bengerang Sale would substantially reduce the gearing ratio of Webster. The gearing for Webster currently and on completion of the Bengerang Sale is set out below.

<b>Gearing Ratio<sup>1</sup></b>	
<b>Webster</b>	<b>Proforma</b>
<b>26.5%</b>	<b>12.5%</b>

Notes:

1. Gearing ratio comprises interest bearing debt net of cash divided by interest bearing debt net of cash plus net assets plus mark to market adjustment of the Webster Group water entitlements. These ratios are derived from the financial information set out in Section 4.6.

#### 4.8. No change to capital structure

As the consideration to be provided for the sale of Bengerang is cash, the Bengerang Sale has no impact on the capital structure of Webster.

#### 4.9. No impact on control

The Share Sale will result in PSP Investments holding voting power in Webster of 19.15%. It presently has voting power of 18.08%. AFF will cease to be a substantial shareholder of Webster. See Section 4.3 for details.



## 5. Summary of documents relating to Bengerang Sale

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### 5.1. Bengerang Sale

#### *Introduction*

Webster entered into a share purchase agreement with AFF Water on 17 August 2018. Under this agreement, Webster must sell all of the Bengerang Shares to AFF Water (or a nominated related body corporate) in consideration for the payment of \$132,744,015 subject to a working capital adjustment.

#### *Conditions precedent*

Completion of the Bengerang Sale is subject to a number of conditions precedent. These conditions include:

- Shareholders approve the Resolution.
- There are no legal restraints preventing completion of the Bengerang Sale.
- Completion of the Share Sale takes place simultaneously with completion of the Bengerang Sale.
- The PSP Investments nominee is appointed to the board of Webster and Mr Joe Robinson resigns as a director of Webster.
- Webster's financiers approve the Bengerang Sale.
- There is no material adverse change to Bengerang group or its financial or trading position or prospects.
- The Directors not associated with AFF Water do not change their recommendations relating to the Resolution set out in Section 1.3.
- All security interests, other than certain permitted security interests, over the assets of Bengerang are released.
- All financial indebtedness in respect of Bengerang group has been extinguished.

These conditions must be waived or satisfied on or prior to 31 December 2018 (or such other date agreed between the parties). If they are not, the Bengerang Sale agreement may be terminated.

#### *Consideration*

In consideration for the transfer of the Bengerang Shares, AFF Water must pay to Webster the sum of \$132,744,015.

Shortly following completion of the Bengerang Sale, the working capital of Bengerang (being current assets less current liabilities) will be determined. If there is positive working capital, AFF Water must pay that amount to Webster. If the determined working capital is a negative sum, Webster must pay that amount to AFF Water.

#### *Pre-completion obligations*

Pending completion Webster must procure that Bengerang conducts its business in the ordinary and usual course consistent with its usual business practices and does not make any significant change to the nature or scale of any activity comprised in the business.

Webster must also procure that Bengerang offers employment to certain employees, being those employees who are exclusively or predominantly involved in the conduct of Bengerang's business on the same terms as their current employment.

*Completion*

Completion of the Bengerang Sale will occur on the date that is 5 business days after the last of the conditions precedent is satisfied or waived. It is currently anticipated that completion will occur on or about 5 November 2018.

*Warranties and indemnities*

The agreement includes warranties by Webster for the benefit of AFF Water relating to various aspects of the Bengerang Shares, Bengerang, its business and its assets, including title and authority, solvency, shares and capital of Bengerang, the conduct of the business and compliance with law, ownership of the assets, historical financial information and pro forma financial information, contracts, properties, water entitlements, environmental matters, stock, intellectual property rights, business records, group structure, employees, insurance, litigation and disputes, superannuation, taxes and duty and accuracy of information provided by Webster.

Webster is also required to indemnify AFF Water for any tax liabilities relating to the period prior to completion that is not provided for in the working capital adjustment.

## **6. Regulatory information on the Resolution**

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### **6.1. Resolution - Sale of Bengerang Shares**

The Resolution approves the sale of the Bengerang Shares to AFF Water.

Listing Rule 10.1 provides that prior approval of an ASX-listed company's shareholders is required for a sale by the company of a substantial asset to certain persons, including: a related party; or a substantial holder in the company if the person and its associates have a relevant interest in at least 10% of the voting shares of the company.

An asset is a substantial asset if its value is 5% or more of the equity interests of the company set out in the latest accounts given to ASX under the Listing Rules. The Bengerang Shares comprise a substantial asset for these purposes.

AFF and AFF Water have a relevant interest in more than 10% of the issued Shares. As such, Shareholder approval is being sought under Listing Rule 10.1 to permit the sale of the Bengerang Shares to AFF Water.

As required by Listing Rule 10.10, a report on the Bengerang Sale from the Independent Expert is enclosed in this Booklet. The report is also available on Webster's website at [\[http://www.websterltd.com.au/corporate/shareholders\]](http://www.websterltd.com.au/corporate/shareholders).

The Resolution must be passed as an ordinary resolution.

## **7. Additional information**

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### **7.1. Introduction**

This Section includes additional information that Webster considers is material to the decision on how to vote on the Resolutions to be considered at the Meeting.

### **7.2. Company is a disclosing entity**

As a company listed on the ASX and a "disclosing entity" under the Corporations Act, Webster is subject to regular reporting and disclosure obligations which require it to announce price sensitive information as soon as it becomes aware of that information. Webster's most recent announcements are available from ASX's website. Further announcements concerning Webster will continue to be made available on ASX's website after the date of this Booklet.

Webster is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Webster may be obtained or inspected at ASIC offices.

## 8. Glossary

The following terms used in this Booklet (including the Notice of Meeting included with this Booklet) have the meanings given to them below, unless the context otherwise requires.

AFF	Moreton Pastoral Ltd (ACN 077 983 370) (previously named Australian Food & Fibre Limited)
AFFP	AFF Properties No 1 Pty Ltd as trustee of AFF Operations Trust
AFF Parties	Certain shareholders in AFF and their associates
AFF Water	AFF Water Pty Ltd (ACN 618 730 331) as trustee for the AFF Water Trust
ASIC	Australian Securities & Investments Commission
ASX	ASX Limited (ACN 008 624 691) or, as the context requires, the financial market conducted by it
Bengerang	Bengerang Limited (ACN 127 984 123)
Bengerang Purchaser	AFF Water
Bengerang Sale	the meaning given in Section 1.1.
Bengerang Shares	all of the fully paid ordinary shares issued in the capital of Bengerang
Board	the board of directors of Webster
Booklet	this booklet, comprising the Notice of Meeting, the Explanatory Memorandum and the Independent Expert's Report
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Director	a director of Webster
Explanatory Memorandum	the explanatory memorandum set out in Part B of this Booklet
Independent Expert	PKF Corporate Finance (NSW) Pty Ltd (ACN 097 893 957)
Independent Expert's Report	the report provided by the Independent Expert accompanying this Booklet
Listing Rules	the listing rules of ASX
Meeting	the meeting of Shareholders being convened by the Directors pursuant to the Notice of Meeting
Non-Associated Shareholders	Shareholders other than AFF Water and its associates
Notice of Meeting	the notice of meeting set out in Part A of this Booklet
PSP Investments	Public Sector Pension Investment Board of Canada
Registry	Computershare Investor Services Pty Limited (ACN 078 279 277)
Resolution	the resolution set out in the Notice of Meeting
Section	a section of the Explanatory Memorandum
Share	a fully paid ordinary share in the capital of Webster
Shareholder	a registered holder of Shares
Share Sale	the sale of 69,184,683 Shares from AFF and the AFF Parties to PSP Investments described in Section 4.3
Webster	Webster Limited (ACN 009 476 000)

**Annexure A**  
**Independent Expert's Report**

# **WEBSTER LIMITED**

## **Independent Expert Report**

21 September 2018

21 September 2018

The Directors  
Webster Limited  
Suite 2, Level 2  
13 – 15 Bridge Street  
Sydney NSW 2000

Dear Sirs,

## INDEPENDENT EXPERT'S REPORT AND FINANCIAL SERVICES GUIDE PART ONE – INDEPENDENT EXPERT REPORT

### Introduction

On 17 August 2018, Webster Limited ("**Webster**" or the "**Company**") announced that it had entered into an agreement to divest its 100% equity interest in Bengering Limited ("**Bengering**") ("**Bengering Shares**") to AFF Water Pty Ltd as trustee for AFF Water Trust ("**Buyer**") in exchange for:

- \$132.7 million in cash consideration ("**Completion Sum**"); plus
- working capital at completion calculated in accordance with the **Share Purchase Agreement** between Webster and the Buyer dated 17 August 2018 ("**Completion Adjustment Amount**") (Refer to **Section 1.2.1** of this Report for further details);

(together "**Purchase Price**") (the "**Proposed Transaction**").

We understand that the Buyer currently has a relevant interest in approximately 18.08% of the issued shares of the Company.

We further understand that the Proposed Transaction will be conditional upon, amongst other things, the following:

- Webster obtaining all necessary shareholder approvals pursuant to the Corporations Act and ASX Listing Rules or any other relevant law;
- the Buyer and its related parties transferring approximate 69 million shares in Webster to an entity controlled by Public Sector Pension Investment Board ("**PSP Investments**") in accordance with the relevant sale and purchase agreement ("**Webster Share Transaction**"); and
- all financial indebtedness of Bengering, other than permitted financial indebtedness which includes trade creditors, having been extinguished.

Further information on the Proposed Transaction is set out in the Notice of Meeting dated on or around 28 September 2018 issued by Webster to which this Report is attached ("**Notice of Meeting**").

The Directors of Webster ("**Directors**") (other than Mr Joe Robinson who is associated with the Buyer) requested PKF Corporate Finance (NSW) Pty Ltd ("**PKFCF**") to prepare an Independent Expert's Report ("**IER**") on behalf of the Webster Shareholders not associated with the Proposed Transaction ("**Non-Associated Shareholders**") setting out whether, in our opinion, the Proposed Transaction is fair and reasonable from the perspective of the Non-Associated Shareholders.

Further information on PKFCF as it pertains to the preparation of the IER is set out in **Section 8**. The PKFCF Financial Services Guide is contained in Part Two of this IER.

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For our office locations visit [www.pkf.com.au](http://www.pkf.com.au)



## Requirement for an IER

In the present circumstances, the Directors have requested that PKFCF prepare an IER for inclusion in the Notice of Meeting to satisfy the requirements of ASX Listing Rule 10.10.2. As such, an IER is required to be included in the notice of meeting under ASX Listing Rule 10.1 which prohibits acquisition or disposal of a substantial asset from/to a related party, a substantial holder or their associates without the prior approval of shareholders.

In preparing this IER, we have referred to guidance provided by ASIC. In particular, Regulatory Guide 111 'Content of Expert Reports' ("**RG 111**") which outlines the principles and matters it expects a person preparing an IER to consider when providing an opinion on whether a transaction is fair and reasonable.

Further details of the above regulatory requirements can be found in **Section 1.3** of this IER.

## Summary of Conclusions

In our opinion, the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders. Each aspect of our opinion is considered below.

### Fairness

In our opinion, the Proposed Transaction is fair. We have formed this opinion as in our view, the fair value of Bengenang Shares falls within the range of \$134m to \$147m. In comparison the Purchase Price is \$136.6m (refer **Section 7.3**). Accordingly, the Purchase Price is within the range of fair values we have determined for the Bengenang Shares.

### Reasonableness

In our opinion, the Proposed Transaction is reasonable. Pursuant to RG 111 if an offer is considered "fair" it is also "reasonable". However, we also note the advantages and disadvantages of the Proposed Transaction to the Non-Associated Shareholders in the table below:

**Table 1: Advantages & Disadvantages of the Proposed Transaction**

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• <b>Reduction in debt and interest expense</b> The sale proceeds will result in a near term reduction in debt and interest expense decreasing the leverage risk for Webster.</li> <li>• <b>Better access to capital for development plans</b> Webster currently has credit facilities of \$250 million of which \$218 million is drawn. The undrawn borrowing capacity of Webster will increase from about \$32 million to over \$165 million following the Proposed Transaction. This additional borrowing capacity will be available to fund development plans and further acquisition of water portfolios in priority regions.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Greater concentration risk</b> The Proposed Transaction may result in higher risk through dependence on a less geographically diversified portfolio.</li> <li>• <b>Overhead allocation</b> The Proposed Transaction will result in a <b>significant portion of the business of Webster being divested</b>. Webster's Fixed corporate overheads of ~\$6.5 million per annum are unlikely to change significantly other than a \$300k decrease attributable to corporate staff being transferred to Bengenang as part of the Proposed Transaction and reduction in IT expenditure.</li> <li>• <b>Reduction in water portfolio</b> Bengenang accounts for about 61,160 ML or over 30% of Webster's water entitlement. The completion of Proposed Transaction will result in decrease in Webster's water entitlement from over 200,000 ML to 146,000 ML.</li> </ul>

**Source:** PKFCF analysis

A more detailed analysis of the above advantages and disadvantages is set out in **Section 7.6** of this report.

## Other Matters

In forming our opinion, we have considered the interests of the Non-Associated Shareholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual Webster Shareholders. It is not practical or possible to assess the implications of the Proposed Transaction on individual Webster Shareholders as their financial circumstances are not known. The decision of the Non-Associated Shareholders as to whether or not to approve the Proposed Transaction is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual Webster Shareholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the Proposed Transaction may be influenced by his or her particular circumstances, we recommend that individual Webster Shareholders including residents of foreign jurisdictions seek their own independent professional advice.

This report has been prepared solely for the purpose of assisting the Non-Associated Shareholders in considering the Proposed Transaction. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Notice of Meeting to be sent to Webster Shareholders in relation to the Proposed Transaction, without the prior written consent of PKFCF as to the form and context in which it appears. PKFCF consents to the inclusion of this report in the form and context in which it appears in the Notice of Meeting.

Our opinion is based solely on information available as at the date of this report as set out in **Appendix 2** of this report. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information as set out in **Section 2** of this report.

Throughout this report, Australian dollars and United States dollars have been referred to as \$ and US\$ respectively. References to a financial year (i.e. the 12 months to 30 September) have been abbreviated to FY, and references to calendar years have been abbreviated to CY.

The Report was prepared in accordance with APES 225 *Valuation Services* issued by the Accounting Professional and Ethical Standards Board Limited.

This section sets out a summary of our Report and its conclusions. You should read our complete Report, which sets out in full the purpose, scope, sources of information, basis of evaluation, limitations, analysis and our findings.

Yours faithfully



**Andrew Jones**  
Director



**Nick Navarra**  
Director

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## 1. Overview of the Proposed Transaction

### 1.1. Background

On 17 August 2018, Webster Limited (“**Webster**” or the “**Company**”) announced that it had entered into an agreement to divest its 100% equity interest in Bengerang Limited (“**Bengerang**”) (“**Bengerang Shares**”) to AFF Water Pty Ltd as trustee for AFF Water Trust (“**Buyer**”) in exchange for:

- \$132.7 million in cash consideration (“**Completion Sum**”); plus
- working capital at completion calculated in accordance with the **Share Purchase Agreement** between Webster and the Buyer dated 17 August 2018 (“**Completion Adjustment Amount**”) (Refer to Section 1.2.1 of this Report for further details);

(together “**Purchase Price**”) (the “**Proposed Transaction**”).

We understand that the Buyer currently has a relevant interest in approximately 18.08% of the issued shares of the Company.

We further understand that the Proposed Transaction will be conditional upon, amongst other things, the following:

- Webster obtaining all necessary shareholder approvals pursuant to the Corporations Act and ASX Listing Rules or any other relevant law;
- Buyer and its related parties transferring approximately 69 million shares in Webster to an entity controlled by Public Sector Pension Investment Board in accordance with the relevant sale and purchase agreement (“**Webster Share Transaction**”); and
- all financial indebtedness of Bengerang, other than permitted financial indebtedness which includes trade creditors, having been extinguished.

Refer to **Section 5** of the Notice of Meeting for further details on the Proposed Transaction.

### 1.2. Purchase Price

In addition to payment of the Completion Sum to Webster from the Buyer, the consideration must include the Completion Adjustment Amount as follows:

- If the Completion Adjustment Amount is positive, it must be paid by the Buyer to Webster; and
- If the Completion Adjustment Amount is negative, it must be paid by Webster to the Buyer.

#### 1.2.1. Completion Adjustment Amount

The Completion Adjustment Amount is proposed to be calculated as the difference between current assets (including cash, trade debtors and other current assets) and current liabilities (including trade creditors and employee provisions) as at the date of completion of the Proposed Transaction.

In determining the Completion Working Capital Amount with respect to Other Current Assets, the following adjustments will be made:

- Biological Assets – Double Cropped and Biological Assets – Dry Land Next Year which relate to the Winter 2019 crop are deemed to have no value;
- Biological Assets – Irrigated Next Year (recorded value of \$2,090,509) and Water on Hand (recorded value of \$298,123) which relate to the Summer 2019 crop are deemed to have a value equal to 50% of the recorded value;
- Raw Materials – Other (recorded value of \$137,479), Raw Materials – Fuel Stocks (recorded value \$197,007) and Raw Materials – Seed (recorded value of \$117,746) have the values equal to 100% of the recorded value; and
- assets recorded in the Management accounts for Webster between the date of the agreement and the Completion Date as a result of expenditure incurred in respect of Biological Assets and Raw Materials by the manager under the Management Agreement are deemed to have the value equal to the cost incurred.

### 1.3. Regulatory Requirements

Our analysis of the various regulatory requirements applicable to the Proposed Transaction is set out below.

#### 1.3.1. ASX Listing Rule Requirements

##### *ASX Listing Rule 10*

ASX Listing Rule 10.1 prohibits an entity from acquiring or disposing of a substantial asset from/to a related party, a substantial holder or their associates without the prior approval of shareholders noting that:

- under Listing Rule 10.1.3, a person is a substantial holder if the person and the person's associates have a relevant interest in at least 10% of the shares of the company; and
- under ASX Listing Rule 10.2, an asset is substantial if its value, or the value of the consideration for it, is 5% or more of the equity interests of the entity.

In the present case, the Buyer currently has a relevant interest in approximately 18.08% of the issued shares of the Company.

ASX Listing Rule 10.10.2 requires that a notice of meeting under ASX Listing Rule 10.1 must include a report on the proposed transaction from an Independent Expert which states the experts' opinion as to whether the proposed transaction is "fair" and "reasonable" to the Non-Associated Shareholders.

## 2. Purpose, Scope & Reliance on Information

### 2.1. Purpose

This IER has been prepared at the request, of and for the benefit, of the independent directors of Webster to:

- assist the independent directors in fulfilling their obligation to provide Webster Shareholders with full and proper disclosure to enable them to assess the merits of the Proposed Transaction; and
- to decide whether to recommend to Webster Shareholders to accept or reject the Proposed Transaction.

This IER is also for the benefit of Non-Associated Shareholders of Webster and will accompany the Notice of Meeting to be provided to Webster Shareholders.

This IER was not prepared for any other purpose or for use by any other person. PKFCF does not accept any responsibility to any person other than the independent directors and Webster Shareholders or for the use of the IER outside the stated purpose without the written consent of PKFCF. Except in accordance with the stated purpose, no extract, quote or copy of this IER, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

PKFCF has provided its consent for this IER to accompany the Notice of Meeting. Apart from the IER, PKFCF is not responsible for the contents of the Notice of Meeting, or any other document or announcement associated with the Proposed Transaction. PKFCF acknowledges that its IER may be lodged with regulatory bodies.

Acceptance or rejection of the Proposed Transaction is a matter for individual Webster Shareholders based on their expectations as to various factors including the value and future prospects of Webster and Bengerang, the terms of the Proposed Transaction, market conditions and their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. Webster Shareholders should carefully consider the Notice of Meeting and this IER. Webster Shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their professional adviser.

## **2.2. Scope**

The scope of the procedures we undertook in forming our opinions were limited to those procedures we believe are required in order to form our opinion.

### **2.2.1. Sources of Information**

**Appendix 2** identifies the information referred to, and relied upon, by PKFCF during the course of preparing this IER and forming our opinion.

### **2.2.2. Reliance on Information**

The statements and opinions contained in this IER are given in good faith and are based upon PKFCF's consideration and assessment of information provided by Webster. PKFCF believes the information provided to be reliable, complete and not misleading, and we have no reason to believe that any material facts have been withheld.

The information provided has been evaluated through analysis, inquiry and review for the purpose of forming our opinion. The procedures adopted by PKFCF in forming our opinion may have involved an analysis of financial information and accounting records. This did not include verification work nor constitute an audit or review in accordance with Australian Auditing and Assurance Standards and consequently does not enable us to become aware of all significant matters that might be identified in an audit or review. Accordingly, we do not express an audit or review opinion.

It was not PKFCF's role to undertake, and PKFCF has not undertaken, any commercial, technical, financial, legal, taxation or other due diligence, or other similar investigative activities in respect of the Proposed Transaction. PKFCF understands that the Directors of Webster have been advised by legal, accounting and other appropriate advisors in relation to such matters, as necessary.

PKFCF does not provide any warranty or guarantee as to the existence, extent, adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by the Directors of Webster and/or their advisors.

An opinion as to whether a corporate transaction is "fair" and/or "reasonable" is in the nature of an overall opinion, rather than an audit or detailed investigation and it is in this context that PKFCF advises that it is not in a position, nor is it practical for PKFCF, to undertake a detailed investigation or extensive verification exercise.

It is understood that, except where noted, the accounting information provided to PKFCF was prepared in accordance with generally accepted accounting principles (including adoption of Australian Equivalents to International Financial Reporting Standards) and prepared in a manner consistent with the method of accounting used by Webster in previous accounting periods.

In accordance with normal practice, prior to finalising the IER, we confirmed facts with Webster. This was undertaken by means of providing Webster with a draft report. PKFCF obtained a representation letter from Webster confirming that, to the best knowledge of Webster, the information provided to, and relied upon by, PKFCF was complete and accurate, and that no significant information essential to the IER was withheld.

Webster has agreed to indemnify PKFCF and PKF and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided to PKFCF by Webster, which is false and misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

### 2.2.3. Forward Looking Financial Information

In preparing this Report, PKFCF had regard to certain prospective financial information in relation to Webster (**“forward looking financial information”**).

For the purposes of the Report, PKFCF understands and has assumed that the forward looking financial information:

- has been prepared fairly and honestly, on a reasonable basis and is based on the best information available to the Management and Directors of Webster and within the practical constraints and limitations of such information; and
- does not reflect any material bias either positive or negative.

We understand that the forward looking financial information has been based on assumptions concerning future events and market conditions and while prepared with due care and attention and the relevant Directors consider the assumptions to be reasonable, future events and conditions are not accurately predictable and the assumptions and outcomes are subject to significant uncertainties. Actual results are likely to vary from the forward looking financial information and any variation may be materially positive or negative.

Accordingly, neither the Directors of Webster nor PKFCF guarantee that the forward looking financial information or any other prospective statement contained in this Report or otherwise relied upon will be achieved.

For present purposes, PKFCF has not been engaged to undertake an independent review of the forward looking financial information in accordance with Australian Auditing or Assurance standards, and has not undertaken such a review. However, in order to disclose and to rely on the forward looking financial information in the Report, PKFCF is required to satisfy itself that the forward looking financial information has been prepared on a reasonable basis.

Whilst PKFCF has relied upon this forward looking financial information in preparing this report, Webster remains responsible for all aspects of this forward-looking financial information. Forecasts and projections, by nature, are based upon assumptions about events and circumstances which have not yet transpired. We have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information, however we have made sufficient enquiries to satisfy ourselves that such information has been prepared on a reasonable basis.

Notwithstanding the above, PKFCF cannot provide any assurance that the forward looking financial information will be representative of the results which will actually be achieved during the forecast period. Any variations in the forward looking financial information may affect our valuation and opinion.

### 2.2.4. Disclosure of Information

In preparing this report, PKFCF has had access to all financial information considered necessary in order to provide the required opinion. Webster has requested PKFCF limit the disclosure of some commercially sensitive information relating to Webster. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of Webster. As such the information in this report has been limited to the type of information that is regularly placed into the public domain in by Webster.

### 2.2.5. Valuation Date

The opinions expressed in this Report are made as at 31 July 2018 (**“Valuation Date”**).

### 2.2.6. Valuation

#### *Fair market value*

The assessment of whether the Proposed Transaction is “fair” and “reasonable” necessarily involves determining the “fair market value” of various securities, assets and interests.

For the purposes of our opinion, the term “fair market value” is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser, and a knowledgeable, willing, but not anxious vendor, acting at arm’s length.

By its very nature, the formulation of a valuation assessment necessarily contains significant uncertainties and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgement. Therefore, there is no indisputable value and we normally express our valuation opinion as falling within a likely range.

### ***Special value***

We have not considered special value in forming our opinion as to whether the Proposed Transaction is “fair”. Special value is the amount that a potential acquirer may be prepared to pay for an asset in excess of the fair market value. This premium represents the value to the particular potential acquirer of various factors that may include potential economies of scale, reduction in competition, other synergies and cost savings arising from the acquisition under consideration not available to likely purchasers generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchasers.

## **2.2.7. Current Market Conditions**

Our opinions are based on economic, market and other conditions prevailing at the Valuation Date. Such conditions can change significantly over relatively short periods of time. Changes in those conditions may result in any valuation or other opinion becoming quickly out dated and in need of revision. PKFCF reserves the right to revise any valuation or other opinion in the light of material information existing at the Valuation Date that subsequently becomes known to PKFCF.

## **2.2.8. Assumptions**

In forming our opinions, we made certain assumptions, including the following:

- other than as publicly disclosed, all relevant parties have complied, and will continue to comply, with all applicable laws and regulations and existing contracts are in good standing, and will remain so and there is no alleged or actual material breach of the same or dispute in relation thereto (including, but not limited to, legal proceedings), and that there has been no formal or informal indication that any relevant party wishes to terminate or materially renegotiate any aspect of any existing contract, agreement or material understanding;
- that matters such as retention of key personnel and ownership of assets are in good standing, and will remain so;
- any public information used in relation to Webster and any other publicly available information relied on by us, is accurate and not misleading and up to date;
- information in relation to the Proposed Transaction that is distributed to Webster Shareholders, or any information issued by a statutory body is complete, accurate and fairly presented in all material respects;
- the legal mechanisms proposed to implement the Proposed Transaction are valid and effective; and
- if the Proposed Transaction is approved, it will be implemented in accordance with the Notice of Meeting.



### 3. Basis of Assessment

#### 3.1. Approach

Generally, ASIC expects an expert who is asked to analyse a related party transaction to express an opinion on whether the transaction is ‘fair and reasonable’ from the perspective of non-associated members. This analysis is specifically required where the report is also intended to accompany meeting materials for member approval of an asset acquisition or disposal under ASX Listing Rule 10.1.

Where an expert assesses whether a related party transaction is ‘fair and reasonable’, this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is ‘fair’ and ‘reasonable’. An expert should not assess whether the transaction is ‘fair and reasonable’ based simply on a consideration of the advantages and disadvantages of the proposal, as we do not consider this provides members with sufficient valuation information.

##### *Fair*

Under RG 111.57, the Proposed Transaction will be ‘fair’ if the value of the financial benefit to be provided by the entity to the related party (Bengerang Shares) is equal to or less than the value of the consideration being provided to the entity (Purchase Price). This comparison should be made:

- assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length; and
- for control transactions, on the basis referred to in RG 111.11.

We do not believe that the Proposed Transaction is a control transaction (in the sense that the Proposed Transaction is not in relation to the equity of Webster) as envisaged in Corporations Act or RG 111 from the perspective of Webster’s Shareholders.

##### *Reasonable*

Under RG 111.60, the Proposed Transaction will be “reasonable” if it is “fair”. It might also be “reasonable” if, despite being “not fair”, the expert believes that there are sufficient reasons for security holders to approve the Proposed Transaction.

#### 3.2. Use of Technical Specialists

##### 3.2.1. General

RG 111 also notes that for technical matters beyond the expert’s expertise, an expert should retain a specialist to advise them (e.g. a geologist to provide an opinion on recoverable ore the subject of mining tenements, or a traffic forecast report in relation to a toll road).

##### 3.2.2. Agricultural Property Specialist

To assist in our valuation of the agricultural property and water entitlement assets held by Bengerang, we engaged a technical expert, CBRE Limited (“**CBRE**”) to provide a Technical Expert’s Report (“**CBRE Report**”) for use and reliance by us in the preparation of our IER.

CBRE has been engaged to prepare valuations of the agricultural property and water entitlement assets.

We have relied upon the work undertaken by CBRE in forming our valuation assessment. The CBRE Report conforms with the requirements of the Australian Property Institute Valuation and Property Standards and International Valuation Standards.

We are satisfied that:

- CBRE has appropriate qualifications, industry experience and competence to conduct its assessments;
- the methodologies used in its valuations are consistent with generally accepted industry practice; and

- the CBRE Report contains sufficient information to support the conclusions drawn.

We have also considered whether CBRE is suitably independent of Webster for the purposes of this assessment. We note that Webster has engaged CBRE and other valuation firms to undertake independent valuations of its assets in prior years and is hence familiar with the Company.

A summary of the CBRE Report ("**CBRE Summary Report**") is attached as **Appendix 4** of this IER and should be read in conjunction with this IER. A copy of the CBRE Report can be accessed by application to Webster and subject to accepting the terms of non-disclosure agreement with CBRE and/or Webster.

## 4. Profile of Webster

### 4.1. Background

Webster is engaged in the agriculture business and is headquartered in Australia. The Company has more than 40,000 hectares of irrigable fertile land, primarily producing walnut and cotton. It produces approximately 90% of Australia's walnut crop and has a capacity to produce more than 200,000 bales of cotton annually. WBA completed three acquisitions - Kooba, Bengarang and Tandou Limited ("**Tandou**"), in FY15, which helped it gain access to more than 200,000 mega litres ("**MLs**") of water entitlement. The Company also owns extensive pastoral grazing land that presently breeds 2,000 cattle and 30,000 lambs annually.

#### 4.1.1. Market Leadership in Australia

Webster has positioned itself as a leading agriculture company in Australia with market-leading cotton and walnut operations. Moreover, the Company owns one of the largest and most diversified private portfolios of water assets to support perennial farming operations.

#### 4.1.2. Geographical Sales Profile

Webster's goods are sold in domestic and international markets. It is the largest grower, processor and exporter of walnuts in the Southern Hemisphere. The Company enjoys a counter seasonal geographical supply positioning in the global market, which allows it to meet strong demand for walnuts in the Northern Hemisphere. A considerable portion of the Company's produce is sold in international markets, mainly Europe, Asia and the Middle East.

#### 4.1.3. Portfolio Mix

##### *Agriculture*

Webster, one of the largest irrigated farming producers in Australia, is primarily focused on cotton, with the capacity to produce about 200,000 bales of cotton annually. Moreover, it produces other crops such as corn, cereals and legumes, and breeds livestock. The Company has more than 40,000 hectares (Bengarang: 9,593 hectares) of irrigable prime fertile land across New South Wales.

Webster's livestock business consists of Dorper sheep in the Western division and cattle on its southern properties. It breeds 2,000 heads of cattle and 30,000 lambs annually.

**Table 2: Webster Agricultural Summary**

Agriculture	Description
Kooba and Hay – Cotton, New South Wales	These properties include 14,860 hectares of irrigation land. Development work, once fully completed, will increase the irrigable hectares by 8,100 from when the properties were acquired and also provide 30,000 ML of water storage.
Bengarang, New South Wales	The Bengarang aggregation includes 9,593 hectares of irrigation and 2,100 hectares of dry land cropping, with a primary focus on cotton and winter crops such as barley, chickpeas and wheat.
Livestock Operations	Livestock operations include 25,100 breeding ewes at Tandou, Kalabity and Packsaddle, and 2,000 breeding cows at Kooba.

Source: Webster website; S&P CapitalIQ; Webster Management

##### *Horticulture*

Webster, a completely vertically integrated walnut operation focused in Tasmania and New South Wales (Riverina), is one of the Southern Hemisphere's largest producer of premium in-shell and kernel walnuts. The Company accounts for approximately 90% of Australia's annual walnut crop and serves Australia, Europe, the Middle East and Asia. According to the Company's guidance, overall harvest in FY18 will total approximately 9,500 tonnes, resulting in the second highest production recorded in the Company's history.

**Table 3: Webster Horticulture Summary**

Horticulture	Description
Avondale West, New South Wales	Currently, 880 hectares are planted at Avondale West at various stage of maturity with commercial harvest expected to commence in 2018
Tabbita Orchard, New South Wales	It is Webster's largest walnut orchard in the portfolio spanning 900 hectares
Leeton Orchard, New South Wales	The orchard comprises 761 hectares of mature trees. A nursery was developed in 2017 and is capable of producing more than 100,000 tress annually.
Swansea, Tasmania	Walnut orchard in Tasmania spanning 391 hectares

Source: Webster website; S&P CapitalIQ; Webster Management

### **Recent Expansion**

- In March 2018, Webster acquired the Sandy Valley almond orchard for \$16.8 million. The property has 934.7 hectares of developable planting area;
- In January 2018, Webster acquired 1,000 hectares of a property to be developed as a walnut orchard (adjacent to the Avondale walnut orchard) for \$4.8 million. Development work commenced in 2018; and
- In January 2018, WBA acquired 150 hectares of a property to be developed as a walnut orchard (adjacent to the Leeton walnut orchard) for \$0.5 million. Development work will commence in 2019.

### **Water Holdings**

Webster owns a diverse portfolio of ~200,000 ML of water entitlements (Bengerang: ~61,000 ML), stretching from New South Wales to Northern Victoria.

#### **4.1.4. Board of Directors**

The current Directors of Webster as at the date of this Report are as follows:

**Table 4: Webster Board of Directors**

Directors	Experience
<b>Christopher Corrigan</b> (Executive Chairman)	Mr. Corrigan served as non-executive director from November 2007 to July 2010 and again from 15 October 2012. He was appointed Executive Chairman on 29 February 2016.  Mr. Corrigan was Managing Director of Patrick Corporation Limited, Australia's largest stevedore company with interests in rail transportation and aviation from March 1990 to May 2006. Prior to that, he worked at Bankers Trust for 20 years, including periods as Managing Director of Bankers Trust in Australia and for the Asia-Pacific region.
<b>David Cushing</b> (Non-Executive Director)	Mr. Cushing was appointed non-executive director on 31 October 2012. He is Executive Chairman of Rural Equities Limited, one of New Zealand's largest rural property companies, and is also Director of private investment company H & G Limited. Mr. Cushing was formerly an investment banker with National Australia Bank Limited's subsidiary Bank of New Zealand. He has considerable experience in the agricultural sector, having previously worked as Director of horticultural company Fruited Supplies Limited, rural services company Williams & Kettle Limited and New Zealand Farming Systems Uruguay Limited. He also acted as Alternate Director of rural services and seed company PGG Wrightson Limited for Chinese company Agria Corporation.
<b>David Fitzsimons</b> (Non-Executive Director)	Mr. Fitzsimons was appointed non-executive director on 30 April 2018. He has over 30 years of investment and finance experience, and has been a director of numerous companies in the UK and Australia in the media, publishing and retail sectors.
<b>Joe Robinson</b> (Non-Executive Director)	Mr. Robinson was appointed Director on 23 June 2016.  He has over 20 years of experience in irrigated and dry land farming. Mr. Robinson is Managing Director of Australian Food and Fiber Limited, prior to which he traded futures with Bankers Trust. He is currently Chairman of the Gwydir Valley Irrigators Association, Chairman of the Gwydir Valley State Water Customer Service Committee, Presiding Member of the Cotton Research and Development Corporation Selection Committee and a member of The Primary Industries Ministerial Advisory Council.
<b>Maurice Felizzi</b> (Chief Executive Officer / Company Secretary)	Mr Felizzi was appointed to the board on 24 April 2018. He joined Webster as Chief Financial Officer and Company Secretary in April 2016 and was subsequently appointed as Chief Executive Officer in December 2017. Mr Felizzi is a member of CA Australia, Institute of Chartered Secretaries and holds a Bachelor of Arts from the University of Canberra.

Source: Webster website; S&P CapitalIQ

## 4.2. Historical Income Statements

The historical consolidated income statements of Webster for the periods ended 30 June 2015, 2016, 30 September 2017 and 31 March 2018, are summarised in the table:

**Table 5: Webster Historical Consolidated Income Statements**

	12 Months to 30 June		15 Months to 30 September	6 Months to 31 March
	2015 (Audited)	2016 (Audited)	2017 (Audited)	2018 (Reviewed)
<b>\$'000</b>				
Revenue	58,320	119,782	166,087	20,315
Cost of sales	(37,843)	(91,655)	(136,318)	(16,230)
<b>Gross profit</b>	<b>20,477</b>	<b>28,127</b>	<b>29,769</b>	<b>4,085</b>
Other income	19,183	56,182	109,674	27,619
Acquisition expenses	(3,934)	-	-	-
Distribution expenses	(1,969)	(3,902)	(3,552)	(1,087)
Marketing expenses	(584)	(671)	(426)	(152)
Operational expenses	(13,922)	(51,473)	(51,315)	(20,377)
Administration expenses	(7,111)	(6,182)	(4,100)	(1,743)
Finance costs	(3,283)	(6,927)	(7,976)	(3,077)
Other expenses	(289)	(258)	(102)	(153)
Impairment loss	-	(96,450)	(22,913)	-
<b>Profit / (loss) before income tax expense</b>	<b>8,568</b>	<b>(81,554)</b>	<b>49,059</b>	<b>5,115</b>
Income tax benefit	(318)	885	9,225	(1,351)
<b>Net profit / (loss) for the period from continuing operations</b>	<b>8,250</b>	<b>(80,669)</b>	<b>58,284</b>	<b>3,764</b>
Loss for the period from discontinued operations	(2,491)	-	-	-
<b>Profit / (loss) for the period</b>	<b>5,759</b>	<b>(80,669)</b>	<b>58,284</b>	<b>3,764</b>

Source: Webster Limited audited annual reports for the years ended 30 June 2015 and 2016 and 30 September 2017, and Webster Limited reviewed half yearly report ended 31 March 2018; PKFCF analysis

We note the following in relation to table above:

- Significant increase in revenue since 2015 is driven by acquisition of Bengering and Tandou in 2015, driving growth in both Agriculture and Horticulture segments.
- Lower revenue in 6 months to March 2018 is representative of the seasonality of earnings being skewed to the second half of the year. At 31 March 2018, harvesting of Cotton had only commenced on one of the properties and Walnut harvesting although commenced on all properties was only partially complete.
- During the 15 months to 30 September 2017, 'Other Income' was significantly higher in comparison to other years, and consists primarily of income resulting from the sale of water entitlements at Lake Tandou during the period.

### 4.3. Historical Statements of Financial Position

The historical consolidated statements of financial position of Webster as at 30 June 2015 and 2016, 30 September 2017 and 31 March 2018 are summarised in the table below:

**Table 6: Webster Historical Consolidated Statements of Financial Position**

\$'000	Note	As at 30 June		As at 30 September	As at 31 March
		2015 (Audited)	2016 (Audited)	2017 (Audited)	2018 (Reviewed)
<b>Assets</b>					
Cash at bank		17,226	12,450	15,442	5,222
Receivables		37,057	26,286	24,593	20,752
Inventory		81,452	60,353	47,259	100,422
Other current assets		2,282	8,223	811	1,430
Property, Plant & Equipment	1	253,743	277,159	305,587	356,568
Loans		2,207	-	-	-
Investments		52	52	78	162
Intangibles		354,935	267,070	240,530	249,243
<b>Total assets</b>		<b>748,954</b>	<b>651,593</b>	<b>634,300</b>	<b>733,799</b>
<b>Liabilities</b>					
Accounts payable		26,480	15,231	14,229	19,845
Current borrowings	2	46,991	44,694	16,334	62,271
Current tax liability		-	1,038	3,796	-
Current provisions	3	2,499	1,296	1,583	1,921
Other current liabilities		620	-	1,433	1,433
Borrowings - non-current	2	149,743	152,257	103,608	160,471
Deferred tax liability		21,371	19,847	8,455	9,658
Provisions - non-current	3	159	374	85	152
<b>Total liabilities</b>		<b>247,863</b>	<b>234,737</b>	<b>149,523</b>	<b>255,751</b>
<b>Net assets</b>		<b>501,091</b>	<b>416,856</b>	<b>484,777</b>	<b>478,048</b>

Source: Webster Limited audited annual reports for the years ended 30 June 2015 and 2016 and 30 September 2017, and Webster Limited reviewed half yearly report ended 31 March 2018; PKFCF analysis

In relation to the financial position of Webster we note the following:

**Note 1: Property, Plant & Equipment**

Set out below is a breakdown of Property, Plant & Equipment across the historical periods:

**Table 7: Webster Property, Plant & Equipment**

	As at 30 June		As at 30 September	As at 31 March
	2015 (Audited)	2016 (Audited)	2017 (Audited)	2018 (Reviewed)
<b>\$'000</b>				
Freehold Land	88,392	123,672	122,763	134,290
Land Improvements	48,363	27,285	17,494	18,051
Buildings	28,195	34,618	27,011	27,666
Leasehold Improvements at Cost	254	-	-	-
Plant and Equipment at Cost	50,995	36,133	56,188	68,476
Capital Work in Progress	-	9,780	30,801	47,523
Equipment under Finance Lease at Cost	1,856	2,029	802	682
Walnut Orchards	35,688	43,642	50,528	59,880
<b>Total Property, Plant &amp; Equipment</b>	<b>253,743</b>	<b>277,159</b>	<b>305,587</b>	<b>356,568</b>

Source: Webster Limited audited annual reports for the years ended 30 June 2015 and 2016 and 30 September 2017, and Webster Limited reviewed half yearly report ended 31 March 2018; PKFCF analysis

**Note 2: Borrowings**

Set out below is a breakdown of borrowings across the historical periods:

**Table 8: Webster Borrowings**

	As at 30 June		As at 30 September
	2015 (Audited)	2016 (Audited)	2017 (Audited)
<b>\$'000</b>			
<b>Current</b>			
<b>Secured</b>			
Bank loans	46,110	43,887	16,088
Finance lease liabilities	881	807	246
<b>Total Current</b>	<b>46,991</b>	<b>44,694</b>	<b>16,334</b>
<b>Non-Current</b>			
<b>Secured</b>			
Bank loans	148,480	150,000	102,635
Finance lease liabilities	869	1,863	579
<b>Unsecured</b>			
Non-redeemable cumulative preference shares	394	394	394
<b>Total non-current</b>	<b>149,743</b>	<b>152,257</b>	<b>103,608</b>
<b>Total borrowings</b>	<b>196,734</b>	<b>196,951</b>	<b>119,942</b>

Source: Webster Limited audited annual reports for the years ended 30 June 2015 and 2016, and 30 September 2017; PKFCF analysis

During the half-year to 31 March 2018, Webster obtained a drawdown of \$102.8 million against its banking and finance facilities.

At 31 March 2018, Webster had a total of \$250 million committed credit facilities with external financial institutions. As at 31 March 2018, \$27.7 million of the facilities available to Webster was undrawn.

### Note 3: Provisions

Table 9: Webster Provisions

	As at 30 June		As at 30 September
	2015 (Audited)	2016 (Audited)	2017 (Audited)
<b>\$'000</b>			
<b>Current</b>			
Employee benefits	1,569	1,296	1,430
Quality claims	-	-	153
Export sales rebates	930	-	-
<b>Total Current</b>	<b>2,499</b>	<b>1,296</b>	<b>1,583</b>
<b>Non-Current</b>			
Employee benefits	159	374	85
<b>Total non-current</b>	<b>159</b>	<b>374</b>	<b>85</b>
<b>Total borrowings</b>	<b>2,658</b>	<b>1,670</b>	<b>1,668</b>
Source: Webster Limited audited annual reports for the years ended 30 June 2015 and 2016, and 30 September 2017; PKFCF analysis			

As at 31 March 2018, provisions total \$2.1 million and relate primarily to employee entitlements.

### Contingent Liabilities

There are no contingent liabilities as at 30 September 2017.

## 4.4. Ownership and Trading History

### 4.4.1. Ownership

As at 23 August 2018, Webster had 361,245,163 shares on issue. Set out below are the top four (4) shareholders of Webster.

Table 10: Top Four (4) Shareholders of Webster as at 23 August 2018

#	Shareholder	Number of Ordinary Shares	%
1	AFF Operations Trust	65,319,154	18.1%
2	Verolot Limited	32,215,862	8.9%
3	Belfort Investment Advisors Ltd	21,272,722	5.9%
4	K.D. Cushing Family Trust	20,244,413	5.6%
<b>Total Top 4 Shareholders</b>		<b>139,052,151</b>	<b>38.5%</b>
	Other Shareholders	222,193,012	61.5%
<b>Total Shareholders</b>		<b>361,245,163</b>	<b>100.0%</b>
Source: S&P CapitalIQ; PKFCF analysis			

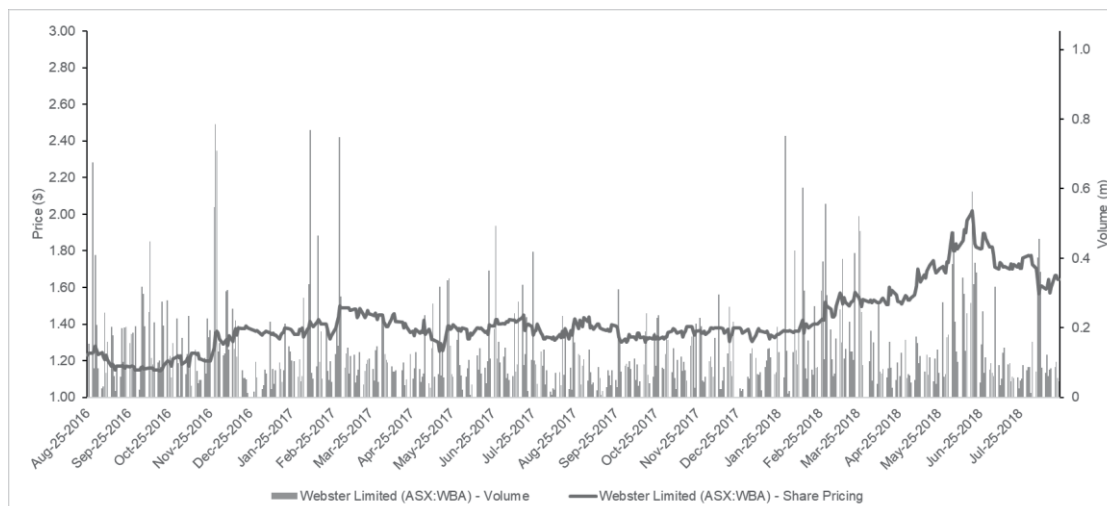
In relation to the above we note that Webster shares are moderately concentrated with the top four (4) shareholders holding 38.5% as at 23 August 2018. We further note that AFF Operations Trust is an entity related to the Buyer, and Verolot Limited, Belfort Investment Advisors Limited and K.D. Cushing Family Trust are related to Non-Executive Directors of the Company.



#### 4.4.2. Trading Analysis

Set out below is a chart setting out movements in the share price and trading volumes pertaining to the shares of Webster during the two (2) year period to 23 August 2018.

**Figure 1: Recent Webster Share Price and Trading Volumes**



Source: S&P CapitalIQ

Set out below is a summary of Webster's share volume weighted average price ("**VWAP**") and liquidity for the 12-month period to 31 July 2018:

**Table 11: Webster Share VWAP and Liquidity**

Period	Price (low) AUD	Price (high) AUD	Price VWAP AUD	Cumulative value AUD'000	Cumulative volume '000	% of issued Capital
1 week	1.7050	1.7750	1.7445	622.4	356.7	0.10%
1 month	1.7000	1.8200	1.7417	3256.9	1,870.0	0.52%
3 months	1.5300	2.0200	1.8056	16349.7	9,055.0	2.51%
6 months	1.3500	2.0200	1.6281	31852.8	19,564.7	5.42%
12 months	1.3000	2.0200	1.5179	49521.0	32,625.1	9.03%

Source: S&P Capital IQ

In relation to the above we note the following:

- over the 12-month period to 31 July 2018 the Company's share price ranged from \$1.30 to a high of \$2.02;
- more recently shares have traded within the range of \$1.70 to \$1.82 with a VWAP of \$1.74 for the 1 month to 31 July 2018; and
- liquidity in the shares has been relatively low with a share turnover of 9% for the 12 months to 31 July 2018.

## 5. Profile of Bengerang

### 5.1. Background

Bengerang owns and operates agricultural land and water assets in Northern NSW (Central and West). The Company primarily produces cotton and other soft commodities such as wheat and chickpeas. Its asset portfolio primarily comprises irrigated and dry land farming operations in Northern New South Wales.

Bengerang holds land and water entitlements, including the Bengerang Aggregation at Garah, New South Wales (North-West of Moree) and the Darling Farms aggregation at Bourke, together with associated water entitlements. The properties held by Bengerang comprise 9,593 hectares of developed irrigation land.

Bengerang, formerly PrimeAg Australia Limited, was an ASX listed Australian agribusiness. The Company was incorporated in 2007 and was based in Toowoomba, Australia. Bengerang was acquired by Webster in 2015 at an implied equity value of \$124 million. Bengerang operates as a subsidiary of Webster.

#### 5.1.1. Board of Directors

The current Directors of Bengerang as at the date of this Report are as follows:

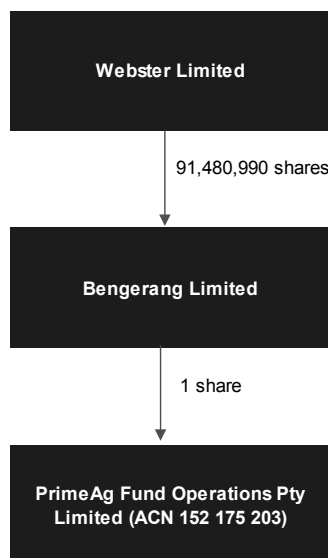
**Table 12: Webster Board of Directors**

Directors	Experience
<b>Joe Robinson</b>	Joe was appointed as a Director on 4 November 2013, and has over 20 years of experience in irrigated and dry land farming. Joe is Managing Director of Australia Food and Fibre Ltd, prior to which he traded futures with Bankers Trust. Joe is currently Chairman of the Gwydir Valley Irrigators Association, Chairman of the Gwydir Valley State Water Customer Service Committee, Presiding Member of the Cotton Research and Development Corporation Selection Committee and a member of the Primary Industries Ministerial Advisory Council.
<b>Maurice Felizzi</b>	Maurice joined Webster on 18 April 2016 and was appointed as a Director of Bengerang on 19 April 2016. He is a member of CA Australia, Institute of Chartered Secretaries and holds a Bachelor of Arts from the University of Canberra.
<b>Brendan Barry</b>	Brendan was appointed as a Director on 16 May 2016 and was previously Tandou's water manager prior to the acquisition by Webster. Brendan remained with the Company post acquisition and is in charge of water execution for the broader Company.
<b>Glenn Lok</b>	Appointed as a Director on 16 May 2016, Glenn has a wealth of experience in growing cotton and has been General Manager at Kooba since 1980. Glenn is responsible for Webster's cotton business at the Kooba and Hay operations which encompasses over 14,800 developed hectares.
<b>Source:</b> Australian Securities and Investments Commission (ASIC); PKFCF Analysis	

### 5.1.2. Group Structure

The group structure below as at the date of this Report shows that Bengerang is owned 100% by Webster, PrimeAg Fund Operations Pty Limited is a wholly-owned subsidiary of Bengerang.

Figure 2: Group Structure



Source: Share Purchase Agreement between Webster and the Buyer

### 5.1.3. Employee Summary

Below is a summary of the current employee structure of Bengerang:

Table 13: Bengerang Employee Summary

Employee Summary			
Location	Employment	Number	Salaries (\$)
Corporate	Salaried Employees	3	254,800.00
Bourke	Permanent Employees*	8	330,000.00
Garah	Permanent Employees**	7	90,000.00
<b>Total</b>		<b>18</b>	<b>674,800.00</b>
<b>Note:</b> *3 employees are paid a salary, 5 are paid hourly rates			
<b>**1</b> employee is paid a salary, 6 are paid hourly rates			
<b>Source:</b> Share Purchase Agreement Schedule 7			

### 5.1.4. Properties Summary

Below is a summary of the properties owned by Bengerang:

Table 14: Bengerang Properties Summary

Aggregation	Property	Number
Bengerang	Lower Box	3
Bengerang	Dodds	2
Bengerang	Bullamon	4
Bengerang	Bengerang	15
Bengerang	Rockless Park	1
Bengerang	Medgun	3
<b>Total</b>		<b>28</b>
Bourke	Darling Farms	16
Bourke	Carbuu	4
<b>Total</b>		<b>20</b>
<b>Source:</b> Share Purchase Agreement Schedule 8		

### 5.1.5. Water Entitlements Summary

Below is a summary of the water entitlements owned by Bengierang:

**Table 15: Bengierang Water Entitlements Summary**

Category	WAL	Reference	Water Entitlements
Barwon-Darling A	33614	85AL753133	0
Barwon-Darling A	33636	85AL753130	0
Barwon-Darling A	33649	85AL753356	0
Barwon-Darling A	37045	85AL753613	4,135.50 units
Barwon-Darling A	33732	85AL753098	0
Barwon-Darling A	37523	85AL753677	0
Barwon-Darling B	33615	85AL753149	0
Barwon-Darling B	33708	85AL753016	0
Barwon-Darling B	33719	85AL753331	33,517.10 units
Barwon-Darling B	33727	85AL753036	0
Barwon-Darling B	33750	85AL753345	0
Barwon-Darling B	33793	85AL753171	0
Barwon-Darling B	40848	85AL753713	0
Barwon-Darling D&S	33771	85AL753422	120.00 megalitres per year
Warrego GW	15695	85AL751212	40.00 units
Gwydir D&S	13351	90AL804606	16.00 megalitres per year
Gwydir D&S	9348	90AL800352	48.00 megalitres per year
Gwydir GS	37392	90AL834032	17,630.00 units
Gwydir Supp	37422	90AL834033	5,879.61 units
<b>Total</b>			<b>61,386.21</b>
Barwon-Darling A			4,135.50 units
Barwon-Darling B			33,517.10 units
Barwon-Darling D&S			120.00 megalitres per year
Warrego GW			40.00 units
Gwydir D&S			64.00 megalitres per year
Gwydir GS			17,630.00 units
Gwydir Supp			5,879.61 units

Note:

WAL 37045 is subject to purchase of 25 ML from Hyland in progress

WAL 37045 will show 4,160.5 ML at registration which is expected at end of July 2018

**Source:** Share Purchase Agreement Schedule 9

## 5.2. Historical Income Statement

The historical income statement of Bengerang for the 12-month period ended 30 June 2016, 15-month period ended 30 September 2017 and 10-month period ended 31 July 2018, is summarised in the table below:

**Table 16: Bengerang Historical Income Statement**

\$'000	12 months to 30 June 2016			15 months to 30 September 2017			10 months to 31 July 18		
	Garah Actuals	Darling Farms Actuals	Total Actuals	Garah Actuals	Darling Farms Actuals	Total Actuals	Garah Actuals	Darling Farms Actuals	Total Actuals
Revenue									
Operating Revenue	10,380	12,908	23,287	25,888	15,364	41,252	7,515	15,294	22,810
Cost of Sales	(6,313)	(7,273)	(13,586)	(18,904)	(13,310)	(32,214)	(5,271)	(8,630)	(13,902)
<b>Gross Profit</b>	<b>4,067</b>	<b>5,635</b>	<b>9,702</b>	<b>6,984</b>	<b>2,054</b>	<b>9,038</b>	<b>2,244</b>	<b>6,664</b>	<b>8,908</b>
Other income	967	241	1,208	331	1,227	1,558	428	2,108	2,537
Repairs and Maintenance	(4)	(1,387)	(1,391)	(704)	(2,098)	(2,802)	(438)	(1,147)	(1,585)
Overheads	(2,369)	(1,607)	(3,976)	(2,843)	(3,187)	(6,030)	(1,685)	(2,309)	(3,993)
<b>Divisional Profit (Loss)</b>	<b>2,660</b>	<b>2,882</b>	<b>5,543</b>	<b>3,768</b>	<b>(2,003)</b>	<b>1,765</b>	<b>550</b>	<b>5,317</b>	<b>5,867</b>

Source: Management Accounts for 12 months ending 30 June 2016, 15 months ending 30 September 2017 and 10 months to 31 July 2018; PKFCF Analysis

We note the following in relation to the historical financial performance of Bengerang:

- Webster does not prepare separate financial statements for Bengerang. The information above has been extracted from Management accounts of Webster and represents the income and expenses for Bengerang Aggregation (Garah) and Darling Farms.
- Bengerang accounted for approximately:
  - 22.7% of revenue and 13.2% divisional profits for Webster for 10-month period ended 31 July 2018; and
  - 24.8% of revenue and 2.9% of divisional profits for Webster in 15-months ended 30 September 2017.
- Bengerang's revenue and profits have fluctuated over the years primarily driven by its dependence on water availability and weather conditions which can be very volatile.
  - The level of rainfall and water availability determines the size of the area planted each cropping season.
  - The weather conditions drive the crop yield which can have negative impact from excessive rain or hail as well as extremely hot weather conditions after the crop is planted.

We note that during the 2016 growing season:

- Garah suffered from a lack of water availability and conditions were unfavourable hence a small crop was planted with average yields produced; and
- Darling Farms had light availability of water but growing conditions were favourable, producing an average sized crop with good yield.

During the 2017 growing season:

- Garah had far greater access to water than 2016 and good growing conditions; and
- Darling Farms had very good availability of water however summer temperatures were extremely high impacting the yield.

During the 2018 growing season:

- Garah had low water availability but good yield due to favourable weather conditions.
- Darling farms had good water availability and the yield was in line with Management expectation.
- Revenue for Bengerang is also impacted by Australian cotton prices which are driven by the international cotton prices and can be volatile. Refer to our discussion on cotton pricing in **Section 6.4**.

### 5.3. Historical Statements of Financial Position

The historical consolidated statement of financial position of Bengerang as at 31 July 2018 is summarised in the table below:

**Table 17: Bengerang Historical Statements of Financial Position**

<b>\$'000</b>	<b>Notes</b>	<b>31-Jul-18</b>
<b>Current Assets</b>		
Cash and cash equivalents		9
Trade and other receivables		1
Inventories		4,823
Other assets	1	101
<b>Total current assets</b>		<b>4,935</b>
<b>Non-Current Assets</b>		
Property, plant and equipment		
Land		40,545
Buildings		2,904
Plant & Equipment	2	7,156
Investment	3	82
Deferred Tax Asset	4	4,090
Intangibles - water rights		70,025
Intangibles - goodwill		(175)
Intangibles - other		-
<b>Total non-current assets</b>		<b>124,626</b>
<b>Total assets</b>		<b>129,560</b>
<b>Current Liabilities</b>		
Trade and other payables		835
Borrowings		-
Current tax liability		-
Provisions	5	125
Other Liabilities		-
<b>Total current liabilities</b>		<b>960</b>
<b>Non-Current Liabilities</b>		
Borrowings		-
Deferred Tax Liability	4	2,762
Provisions	5	22
Other Liabilities	6	5,247
<b>Total non-current liabilities</b>		<b>8,031</b>
<b>Total liabilities</b>		<b>8,991</b>
<b>Net assets</b>		<b>120,569</b>
Source: Management Accounts as at 31 July 2018; PKFCF Analysis		

In relation to the above we note the following:

**Note 1: Other Assets**

Other assets include prepayments to suppliers.

**Note 2: Plant and equipment**

Plant and equipment include motorised plant and equipment (\$3.4 million), other agricultural equipment (\$1.5 million), motor vehicles (\$420k) and irrigation plant structures and pump sites ("Irrigation Assets") (\$1.8 million).

**Note 3: Investments**

Investments include 158,504 shares in Namoi Cotton Limited (ASX: NAM).

**Note 4: Deferred tax assets / liabilities**

We understand that the deferred tax assets and liabilities balances will be transferred to Webster prior to the completion of Proposed Transaction.

**Note 5: Provisions**

As at 31 July 2018 both current provisions and noncurrent provisions relate entirely to employee benefits.

**Note 6: Other liabilities**

Other liabilities include intercompany loans payable to Webster and its other subsidiaries net off any loans receivable. We understand that these will be settled as debt forgiveness prior to the completion of Proposed Transaction and no net payments will be made or received by Bengelang to settle these obligations.

**Contingent Liabilities**

There are no contingent liabilities as at 31 July 2018.

#### **5.4. Acquisition of Bengelang by Webster in 2015**

On 27 February 2015, Webster announced the proposed acquisition of 100% of the equity interest in Bengelang from Australian Food & Fibre Limited, Belfort Investment Advisors Limited and Verolot Limited for approximately \$124 million. Webster issued 107.7 million shares as consideration in exchange for 54.5 million shares of Bengelang. Bengelang then held contracts to purchase over 25,000 hectares of land as well as just under 58,000 ML of water entitlements.

Simultaneously, Webster entered into a merger implementation agreement to acquire Tandou for \$58.4 million via a scrip offer of one fully paid ordinary share in Webster for each 2.25 fully paid ordinary shares in Tandou. Tandou owned over 141,000 hectares of land and around 84,000 ML of water entitlements at the time.

The transactions closed on 29 May 2015 and 12 June 2015 respectively, following which Webster's asset base more than doubled and provided a platform for significant increase in revenue.

## 6. Industry Overview

### 6.1. Overview

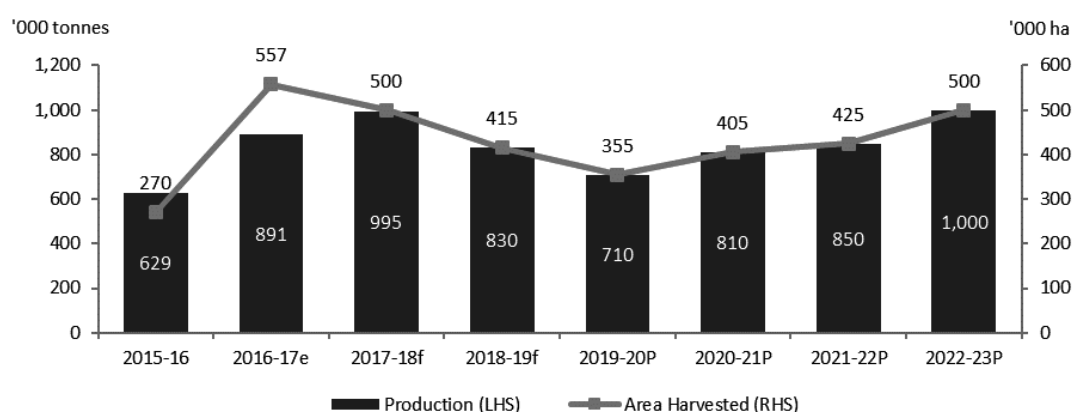
Webster is one of the largest irrigated farming producers in Australia with more than 40,000 irrigable hectares of prime fertile land holdings across NSW focusing on cotton, corn and other cereals and livestock. Webster, as well as Bengarang's, primary crop focus is on cotton, using technology and expertise to maximise yield and water efficiency, with capability to produce over 200,000 bales of cotton annually.

Cotton is the most used textile fibre across the globe and is known for its strength and versatility. For many years, cotton has been produced on a large scale, with over 100 countries currently growing cotton. Australia was first introduced to cotton in 1788; however, the country's modern cotton industry began in the 1960s, largely in the NSW region. Cotton is the major agricultural crop in many rural and remote regions of QLD and NSW, and is a valuable agricultural export commodity. Globally, Australia is not the largest cotton producer; only around 4% of the global cotton crop is grown within Australia on 1,436 farms across QLD (33%) and NSW (66%) and the rest in Victoria (VIC). Cotton is grown in 152 regional communities across QLD, NSW and VIC.

In 2017–18, Australian cotton production is forecast to increase to 995,000 tonnes from 891,000 tonnes (up by 12%), despite a fall in the area planted to cotton to 500,000 hectares in 2017–18, from 557,000 hectares in 2016–17. Low rainfall in most growing areas and crop damage caused by herbicide spray over an estimated 35,000 hectares primarily led to the mentioned reduction in the area planted to cotton.

The figure below indicates the respective cotton production and area harvested from 2015-16 (actual) to 2022-23 (projected).

**Figure 3: Cotton Production and Area Harvested**



**Source:** Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), March 2018

**Notes:** Period comprises July-June; (e) ABARES estimates; (f) ABARES forecast; (p) ABARES projection

Cotton production in Australia is expanding because of higher returns compared to other crops. However, the availability of water remains a constraint. In 2017–18, planting was reduced as the availability of irrigation water during the 2017 planting window (August to December) was lower than the same period in 2016. The average storage level of public irrigation dams catering to cotton-producing regions was around 43% on 29 January 2018, below 63% level in 2017, but above the average of 39% for the same date over the 10 years ended 2010.

Over 2020–21, cotton production in Australia is projected to grow 12% annually to 1.0 million tonnes in 2022–23, largely due to growing demand. Most of this expansion is expected from Southern NSW due to cotton displacing rice in irrigated farming systems in the region.



## 6.2. Shift from Rice to Cotton Production in NSW Murrumbidgee Region

In the recent past, cotton production expanded considerably in the NSW Murrumbidgee region. Prior to 2010–11, the area planted to irrigated cotton in this region was less than 5,000 hectares; however, the same increased to c.35, 000 hectares by 2015–16. Simultaneously, rice plantings decreased in the region to around 18,000 hectares in 2015–16 from 64,000 hectares in 2012–13. Traditionally, NSW Murrumbidgee has been a rice-growing region. However, due to financial returns from cotton farming exceeding those from alternative crops, including rice, improvements in technology, and increasing yields, record levels of cotton production were expected in 2016–17 and 2017–18.

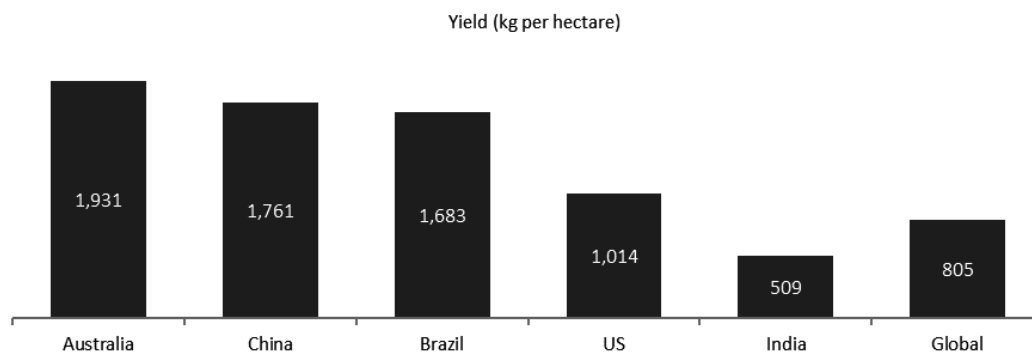
Increasing cotton production also brings along with it many challenges such as implications for water demand in the Murrumbidgee region and the water market in the southern Murray–Darling Basin. However, as per the ABARES economic model of the Southern Murray–Darling Basin, which projected changes in water demand between 2002–03 and 2016–17, at a notional water price of \$100 per mega litre, the volume of water used for cotton production was 385 giga litres higher in 2016–17 than in 2002–03. However, this was more than counterbalanced by declines in the volume of water used for rice (203 giga litres) and other irrigation activities in the region (519 giga litres). Hence, overall, the results suggest the recent change from rice to cotton production is not likely to have an upward impact on water market prices in this region. In 2017–18, the area planted to cotton in this region of NSW is forecast to double to around 70,000 hectares.

## 6.3. Increase Demand for Australian Cotton Exports

Australia is known for its highest yielding, supreme, cleanest, and greenest cotton in the world, mainly due to the prevalence of irrigation and the use of genetically modified varieties. Of the area planted to cotton crop in the country, 92% is irrigated.

The figure below shows the yields of top cotton-producing countries globally during 2017-18:

**Figure 4: Yields of Top Cotton Producers Globally 2017-18**



**Source:** United States Department of Agriculture (USDA), August 2018

In 2017, Australia, despite not being the largest cotton producer globally, was ranked the third largest exporter of cotton in the world, behind the US and India and just ahead of Brazil, with nearly 85% of the national crop exported. On average, the country generates \$1.9bn in export revenue annually. China, Bangladesh, Vietnam and India are the leading markets for Australian cotton exports.

In 2017–18, cotton exports from Australia were expected to rise to 887,000 tonnes (up 16% YoY) mainly due to increased cotton production in 2016–17 and 2017–18 and growing demand for high-quality Australian cotton in Asia. The value of Australian cotton exports was forecast at around \$2.1bn in 2017-18, up from around \$1.8 million in the previous year.

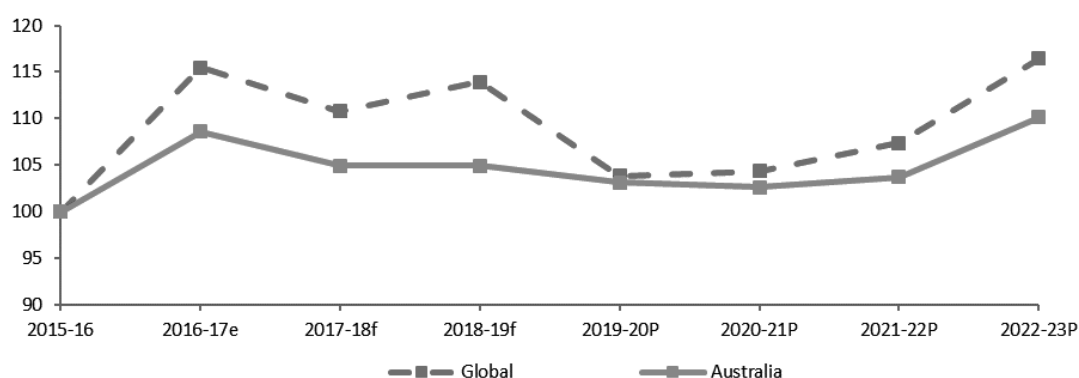
By 2022–23, Australian cotton exports are projected to reach 930,000 tonnes with export value forecast at around \$2.3bn in real terms. Most of the Australian cotton goes into high-quality yarn used in the woven and knitted apparel sector in the Asia-Pacific. As Australian cotton satisfies many of the spinners' quality and consistency requirements, it often commands a higher price in the global market.

#### 6.4. Australian Cotton Prices to Follow Trends of Global Cotton Prices

Australian cotton prices are expected to follow the trend of global cotton prices. Growing global demand for cotton is forecast to raise prices in 2018–19. Thereafter, global cotton prices are projected to decline in 2019–20 due to a projected rise in supply. Prices are then projected to gradually recover, rising 3.9% annually by 2022–23, primarily due to robust global demand as global economies improve in line with consumer incomes, mainly in countries with large textile and clothing markets.

In 2017–18, returns to Australian cotton growers at the gin-gate were expected to fall 1% to an average of \$600 per bale (227 kgs) of lint, including the value of cottonseed and net of ginning costs. In 2018–19, returns to growers are forecast to remain at similar levels in real terms due to abundant global production capacity keeping prices low. Returns to Australian cotton growers are projected to average \$630 per bale in real terms in 2022–23, driven by increasing global cotton prices.

**Figure 5: Cotton Price Index (2015-16 Prices Rebased to 100)**



**Source:** ABARES, March 2018

Note: (1) Global cotton price for 2015-16 was US\$73.1/lbale and period comprises August-July; Australian cotton price for 2015-16 was A\$572/bale and period comprises July-June (e) ABARES estimates; (f) ABARES forecast; (p) ABARES projection

## 7. Assessment of the Proposed Transaction

### 7.1. Approach

#### 7.1.1. Fair

The Proposed Transaction will be “fair” if the value of:

- the Purchase Price is greater than;
- the fair value of the Bengerang Shares.

#### 7.1.2. Reasonable

In order to assess whether the Proposed Transaction is “reasonable”, we have considered whether it is “fair” and if it is not, whether we believe that there are sufficient reasons for the non-associated Webster Shareholders to approve the Proposed Transaction.

This assessment has largely been undertaken by considering whether in our opinion, the advantages of approving the Proposed Transaction sufficiently outweigh the disadvantages for the non-associated Webster Shareholders as a whole.

### 7.2. Selection of Valuation Methodology

In selecting an appropriate methodology to estimate the fair market value of the Bengerang Shares, we have considered common market practice and the widely accepted valuation methodologies which are summarised in **Appendix 3**.

Our estimate of the fair market value of the Bengerang Shares has been undertaken using the sum-of-the-parts net asset backing method.

We are of the view that the net asset backing method is the most appropriate to apply in the case of Bengerang for the following reasons:

- Bengerang is an agribusiness with its value related to the agricultural property and water entitlement assets it holds. PKFCF has engaged CBRE as an independent specialist to provide an independent market valuation of the agricultural property and water entitlement assets of Bengerang; and
- Given the high level of dependence on weather it is not possible to value Bengerang using an earnings or cash flow based methods.

### 7.3. Valuation of Purchase Price

The consideration for the Proposed Transaction is the Purchase Price. That is, a cash payment of \$132.7 million for the acquisition of the Bengerang Shares, plus Completion Adjustment Amount assessed to be \$3.9 million as at 31 July 2018 based on calculations in the table below:

**Table 18: Bengerang Working Capital Adjustment**

Working Capital Adjustment	Amount \$'000
<b>Working Capital Assets</b>	
Cash	9
Trade Debtors	1
Other Current Assets	4,823
<b>Working Capital Liabilities</b>	
Trade Creditors	835
Employee Provisions	147
<b>Completion Working Capital Amount</b>	<b>3,851</b>
<b>Source:</b> Executed SPA reference calculation; PKFCF Analysis	

We understand that the final Completion Adjustment Amount will change depending on the movements in various components of working capital between Valuation Date and the date of completion of Proposed Transaction. However, given the locked box mechanism effected by the Sale Purchase Agreement prevents any leakage of funds from Bengerang, we believe that

there will be a corresponding movement in the valuation of Bengerang Shares discussed in **Section 7.4**. As such, our opinion is unlikely to change due to changes in Completion Adjustment Amount.

Based on above, we have assessed the value of Purchase Price to be **\$136.6 million**.

## 7.4. Valuation of Bengerang Shares

We have adopted a net assets approach to the valuation of Bengerang. Accordingly, the value of the issued capital of Bengerang comprises the net assets employed in the business; adjusted for the independent values of the agricultural property and water entitlement assets and other items discussed in **Section 7.4.1**.

### 7.4.1. Net Assets of Bengerang

As set out in the table below, we have estimated the value of net assets of Bengerang as at 31 July 2018 to be in the range of \$134 million to \$147 million.

**Table 19: Bengerang Net Assets**

\$'000	Note	As at 31 July 2018		
		Low	Mid	High
<b>Reported Net Assets</b>	<b>Section 5.3</b>	<b>120,569</b>	<b>120,569</b>	<b>120,569</b>
<b>Pro Forma Adjustments</b>				
Less: Book Value of Land & Buildings	1	(43,449)	(43,449)	(43,449)
Less: Book Value of Water Rights	1	(70,025)	(70,025)	(70,025)
Less: Book Value of Irrigation Assets	1	(1,859)	(1,859)	(1,859)
Less: Book Value of Investments	2	(82)	(82)	(82)
Less: Book Value of Goodwill	3	175	175	175
Less: Deferred Tax Asset	4	(4,090)	(4,090)	(4,090)
Add: Deferred Tax Liability	4	2,762	2,762	2,762
Add: Other Liabilities	5	5,247	5,247	5,247
Add: CBRE Valuations of Bengerang Aggregation	1	78,935	83,089	87,244
Add: CBRE Valuations of Darling Farms	1	45,283	47,666	50,050
Add: Market Value of Investments	2	79	79	79
<b>Adjusted Net Assets</b>		<b>133,546</b>	<b>140,084</b>	<b>146,622</b>

Source: Webster Management Accounts; CBRE Report; S&P CapitalIQ; PKFCF Analysis

In relation to the above we note the following:

#### **Note 1: CBRE Valuation Adjustments**

We have replaced the carrying value of land and buildings, water rights and Irrigation Assets (refer **Section 5.3**) with the market value based on the CBRE Report. We have adopted a range of 5% around the point estimates provided in the CBRE Report to calculate the low and high ranges. Please refer to **Section 7.4.2** for further details on the CBRE Report.

We have assumed that the written down value of other plant & equipment approximates fair market value. We have sensitised our analysis to the value of plant & equipment and note that our opinion does not change even if the value of plant & equipment was 50% higher than the written down value, which in our view is highly unlikely.

#### **Note 2: Investments**

Carrying value of investment in 158,504 shares of Namoi Cotton replaced with market value based on closing share price of \$0.5 per share as at 31 July 2018.

#### **Note 3: Negative Goodwill**

Negative goodwill has been reduced to **nil**.

#### **Note 4: Deferred Taxes**

As Bengerang is part of the Webster consolidated tax group, the deferred tax assets and liabilities will be transferred to the parent entity (Webster) in line with the Tax Sharing and Funding agreements prior to completion of the Proposed Transaction.

In our opinion, a reasonable buyer would structure an acquisition in a way which would result in a tax consolidation of Bengerang and a subsequent resetting of the tax cost-bases of the assets and liabilities of Bengerang. Accordingly, we have assumed no additional deferred tax assets or liabilities need to be recognised.

#### **Note 5: Other Liabilities**

Includes intercompany loans settled as debt forgiveness prior to the completion of Proposed Transaction. We understand that no net payments will be made or received by Bengerang to settle these obligations.

### **7.4.2. The CBRE Report**

CBRE have been engaged to undertake an independent valuation of agricultural property and water entitlement assets of Bengerang as at 30 August 2018. CBRE note that:

- the values reported represent market value which is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion;
- they have also had regard to AASB13 Fair Value Measurement, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date;
- the fair value of a non-financial asset is based on its highest and best use to market participants;
- the highest and best use is defined in accordance with the Australian Property Institute Valuation and Property Standards as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued; and
- the agricultural property and water entitlement asset valuations are based on requirements of:
  - the Australian Property Institute Valuation Standards having regard to ANZVGN 8 Valuation for use in Offer Documents; and
  - International Valuation Standards.

CBRE note that their report is based on data, reports and all other relevant information as provided by Webster, supplemented by data obtained through publicly available sources and that CBRE have visited the properties.

In order to arrive at the assessments, CBRE have taken a direct comparison approach with reference to market sales activity. This involves the comparison of comparable sales on a rate per hectare of land area. The relative merits of each subject property and each of the sales are analysed and compared having regard to matters such as location, aspect, topography, the size of the land and the scale of development. This approach contains a high degree of value judgement when sites are not directly comparable in one or a number of variables.

In analysing the sale properties and applying said analysis to the subjects, CBRE have apportioned each sale into various land categories, being:

- Land (including structures) as used for large scale grazing properties and reflects a land rate inclusive of structures;
- Irrigation land which is developed for cropping and benefited by additional water infrastructure and entitlement;
- Dryland cropping land which can be used for the cultivation and growing of annual crops. CBRE's analysis recognises that while arable land can be used for both cropping and grazing, often "in use" cropping land achieves a higher price;

- Grazing land which is land considered suitable for the grazing of livestock;
- Timbered grazing land encompasses land suitable for the grazing of livestock, containing standing timber however still providing ground pasture growth;
- Remnant vegetation is deemed to have little productive value due to physical factors such as topography or the high density of trees; and
- Support land is deemed to have little productive value and usually comprises are under infrastructure and roads.

The following table summarises CBRE's valuation of Bengerah Aggregation and Darling Farms properties of Bengerah as determined using the direct comparison approach:

**Table 20: Values per the CBRE Report**

Summation Basis	Bengerang Aggregation	Darling Farms
Land	33,333	10,200
Water	47,601	35,367
Structures	2,155	2,100
<b>Point estimate</b>	<b>83,089</b>	<b>47,666</b>
<b>Low</b>	<b>78,935</b>	<b>45,283</b>
<b>High</b>	<b>87,244</b>	<b>50,050</b>
Source: CBRE Report; PKFCF Analysis		

We note that CBRE has:

- provided the point estimates of value presented above as at 30 August 2018 and have noted that the valuation opinion is unlikely to be different if the assets were valued at 31 July 2018 or our Valuation Date instead other than the value attributable to additional 25ML of water entitlement registered on or around 31 July 2018. We understand that these entitlements were already contracted and paid for as at the Valuation Date. As such, we do not believe that any adjustments are required for the purpose of our assessment;
- advised that a typical valuation range for such valuations is +/- 10% around the point estimates. As such, we have calculated and adopted the low and high ranges presented in the table above using a 5% range around the point estimates of CBRE, which in our view is more conservative.

A summary of CBRE Summary Report is attached to this IER at **Appendix 4**.

#### **7.4.3. Fair market value of the Bengerah Shares**

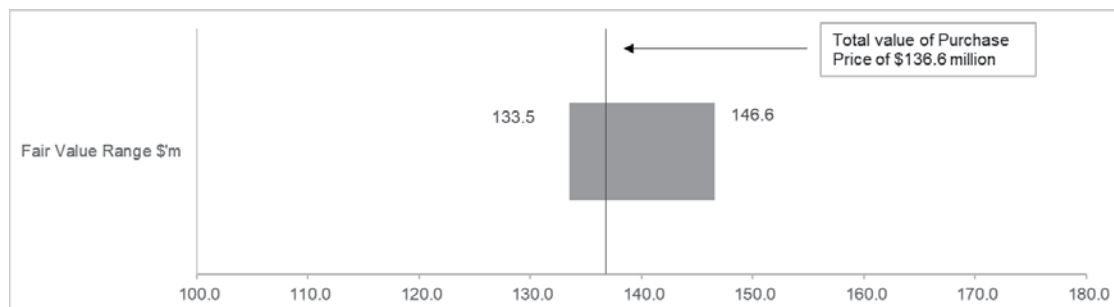
Based on the above, we have assessed the fair market value of the Bengerah Shares to be in the range of \$134m to \$147m with a point estimate of \$140m.

No additional premium for control has been taken into consideration for the purposes of arriving at our valuation of Bengerah on the basis that it is our view that the NTA of Bengerah already takes into account control.

## 7.5. Fairness of the Proposed Transaction

In our opinion the Proposed Transaction is fair having regard to the interests of the Non-Associated Shareholders, we have formed this opinion as the Purchase Price is within the range of fair values we have determined for the Bengierang Shares. The bottom of the value range represents the relevant threshold for fairness. Any price above the bottom of the range is, by definition, fair.

Figure 6: Dynamics of the Proposed Transaction



Source: PKFCF Analysis

## 7.6. Reasonableness of the Proposed Transaction

Pursuant to RG111, the Proposed Transaction is reasonable as it has been assessed as fair. Notwithstanding this, we have considered the various advantages and disadvantages of the Proposed Transaction to the Non-Associated Shareholders below.

### 7.6.1. Advantages of the Proposed Transaction

We note the following advantages of the Proposed Transaction:

- **Reduction in debt and interest expense:** The sale proceeds will result in a near term reduction in debt and interest expense decreasing the leverage risk for Webster.
  - Webster had borrowings of approximately \$120 million as at 30 September 2017 and \$220 million as at 31 March 2018. We have been advised that the borrowings as at 31 August 2018 were \$218 million.
  - Webster's interest expense was \$7.8 million for 15-months ended 30 September 2018 and \$3.1 million for 6-months ended 31 March 2018.
  - As noted in **Section 4.7** of the Notice of Meeting, the proforma gearing ratio for Webster assuming the completion of Potential Transaction would have been 12.5% instead of 26.5% as at 31 March 2018 (refer to **Section 4.6** Notice of Meeting for further details on the calculation).
  - Webster has advised that, after payment of transaction costs, 100% of proceeds will be used to repay debt.
- **Better access to capital for development plans:** Management has noted that the proceeds from the Proposed Transaction will increase funding capacity to invest in growth and development activities (refer **Section 2** of the Notice of Meeting for further details).
  - Webster has credit facilities of \$250 million of which \$218 million is drawn. Management has advised that the credit limits on its facilities will not be impacted by the Proposed Transaction as the remaining assets are sufficient to cover loan-to-value ratio covenants. As such, the undrawn borrowing capacity of Webster will increase from about \$32 million to over \$165 million following the Proposed Transaction assuming 100% of the proceeds are used to repay debt.
  - Webster plans to focus on its core horticultural, agricultural and grazing operations in the Riverina district, western NSW, South Australia and Tasmania. Webster has recently acquired additional land to expand its horticulture activities (comprising walnuts and almonds) in the Riverina.

- Webster also plans to expand its water holdings in the Murrumbidgee and Murray rivers (which have more predictable water catchments) to align its water holdings with the demands of its planting ambitions in its horticultural and agricultural divisions.

## 7.6.2. Disadvantages of the Proposed Transaction

We note the following disadvantages of the Proposed Transaction:

- **Greater concentration risk:** While concentration may provide greater focus on investment in core operations as noted in **Section 2** of the Notice of Meeting, this may also result in higher risk through dependence on a less geographically diversified portfolio.
- **Overhead allocation:** The rest of Webster's business will absorb all of the corporate overheads following the Proposed Transaction. Management has advised that Webster's fixed corporate overheads of approximately \$6.5 million per annum are unlikely to change significantly other than a reduction of approximate \$300k (or about 4.6%) attributable to corporate staff being transferred to Bengering as part of the Proposed Transaction (\$250k – refer **Section 5.1.3**) and reduction in IT expenditure (~\$50k).

We note that Bengering accounted for:

- 22.7% of revenue and 13.2% of divisional profits for Webster for 10-months ended 31 July 2018; and
- 24.8% of revenue and 2.9% of divisional profits for Webster in 15-months ended 30 September 2017.
- **Reduction in water portfolio:** Bengering accounts for about 61,160 ML or over 30% of Webster's water entitlement. The completion of Proposed Transaction will result in decrease in Webster's water entitlement from over 200,000 ML to 146,000 ML.

## 7.6.3. Other Matters

We also considered the following matters in our assessment of reasonableness of the Proposed Transaction:

- **Webster Share Transaction:** Following the Proposed Transaction PSP Investments will have significant shareholding of 19.15%. We have made inquiries with Management but are not aware of PSP Investments' plans regarding the investment in Webster. We however note that PSP Investments:
  - will have board representation post the Webster Share Transaction; and
  - will provide an undertaking not to increase their voting power any further subject to certain exceptions (refer to **Sections 4.3 and 4.4** of the Notice of Meeting for further details on PSP Investments).
- **Potential impact on earnings per share:** The potential impact of the Proposed Transaction on earnings per share ("EPS") of Webster includes loss of earnings from Bengering and potential interest savings due to debt reduction. The table below illustrates a high level pro forma impact on EPS assuming Potential Transaction for periods ended 30 June 2016, 30 September 2017 and 31 July 2018.

**Table 21: Webster EPS Impact from Proposed Transaction**

\$'000	Reference	12 months to June 2016	15 months to 30 September 2017	10 months to 31 July 2018
Webster Net Profit After Tax	Section 4.2	(80,669)	58,284	NA
<b>Less:</b>				
Bengering Divisional Profit	Section 5.2	5,543	1,765	5,867
Taxes @ 30%		(1,663)	(529)	(1,760)
<b>Plus:</b>				
Interest Savings		5,976	6,830	3,984
Taxes @ 30%		(1,793)	(2,049)	(1,195)
<b>Pro Forma Net Profit After Tax</b>		<b>(80,366)</b>	<b>61,830</b>	<b>NA</b>
Weighted Average Shares Outstanding		346,510	354,523	361,245
<b>EPS (cents / share)</b>		<b>(23.28)</b>	<b>16.44</b>	<b>NA</b>
<b>Pro Forma EPS (cents / share)</b>		<b>(23.19)</b>	<b>17.44</b>	<b>NA</b>
<b>Increase / (Decrease) (cents per share)</b>		<b>0.09</b>	<b>1.00</b>	<b>(0.36)</b>

Source: Webster annual report dated 30 September 2017; half yearly report dated 31 March 2018; Management Accounts; PKFCF Analysis



The table above is for illustrative purposes only and is based on high level assumptions including:

- Australian corporate tax rate of 30%;
- Average debt reduction of \$136.6 million in line with the Purchase Price; and
- Interest savings calculated using interest rates of 3.5% for periods ended 30 June 2016 and 31 July 2018 and 4% for period ended 30 September 2017. This is based on our high-level assessment of average interest rates for Webster.

As illustrated, the impact on EPS is highly dependent on performance of Bengelang and can vary across periods. As such, it is not possible to assess the potential future impact of the Potential Transaction. We do, however, note that proforma EPS impact on FY18 is likely to be negative given good performance for Bengelang. On balance, given the reduced borrowing levels the leverage risk on earnings will likely reduce in periods of low earnings following the Potential Transaction.

#### **7.7. Implications for Webster Shareholders of Rejecting the Proposed Transaction**

If the shareholders reject the Proposed Transaction –

- Bengelang will continue to operate as part of Webster; and
- There is no guarantee that the future earnings will be sufficient to compensate for the current offer that in our view is within the range of fair values.

#### **7.8. Overall Conclusion**

Having regard to our analysis of the Proposed Transaction, we are of the opinion that it is fair and reasonable from the perspective of the Non-Associated Shareholders.

## 8. Qualifications, Independence and Disclaimer

### 8.1. Qualifications

PKFCF is the licensed corporate advisory arm of PKF. PKFCF provides advice in relation to all aspects of valuations and its personnel have extensive experience in the valuation of corporate entities. This report has been prepared by Messrs Andrew Jones and Nick Navarra.

**Mr Andrew Jones** B.EC, CA is a Director of PKFCF. Mr Jones has over 25 years' experience in accounting, audit and corporate advisory activities including business, company and intangible asset valuations, due diligence reviews, capital raisings and the provision of advice in relation to merger, acquisition and divestment transactions.

**Mr Nick Navarra** B.Bus, CA is a Director of PKFCF. Mr Navarra was actively involved in the preparation of this Report.

Mr Navarra has over 17 years' experience in accounting, audit and corporate advisory activities including business, company and intangible asset valuations, the preparation of independent expert's reports, due diligence reviews, litigation support activities, capital raisings and the provision of advice in relation to merger, acquisition and divestment transactions.

Based on their experience, Messrs Jones and Navarra are considered to have the appropriate experience and professional qualifications to provide the advice offered.

### 8.2. Independence

PKFCF is not aware of any matter or circumstance that would preclude it from preparing this Report on the grounds of independence, either under regulatory or professional requirements. In particular, we had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

PKFCF does not have any shareholding in, or other relationship with Webster (including any of their related parties or associates) that could be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the proposals.

PKFCF considers itself to be independent in terms of ASIC Regulatory Guide 112 *Independence of Experts* ("RG 112"), issued by ASIC.

PKFCF will receive a fee based on the time spent in the preparation of this Report. PKFCF will not receive any fee contingent upon the outcome of the Proposed Transaction.

Drafts of this Report were provided to the Directors of Webster for review of factual accuracy. Certain changes were made to the Report as a result of the circulation of the drafts of the Report. However, our approach, valuation method and overall conclusions were not affected by the circulation of the draft reports.

### 8.3. Disclaimer

It is not intended that this report should be used or relied upon for any purpose other than as an expression of PKFCF's opinion as to whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders of Webster. PKFCF expressly disclaims any liability to any Webster shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

PKFCF has had no involvement in the preparation of the Notice of Meeting issued by Webster and has not verified or approved any of the contents of that Notice of Meeting. PKFCF does not accept any responsibility for the contents of the Notice of Meeting (except for this report).

## Appendix 1 Glossary of Terms

Set out below is a glossary of terms used in this report.

Table 22: Glossary

Term	Definition
<b>AFSL</b>	Australian Financial Services Licence.
<b>ASIC</b>	Australian Securities & Investments Commission.
<b>ASX</b>	Australian Securities Exchange.
<b>Bengerang</b>	Bengerang Limited
<b>Bengerang Shares</b>	Webster's 100% equity interest in Bengerang
<b>Buyer</b>	AFF Water Pty Ltd as trustee for AFF Water Trust
<b>CBRE</b>	CBRE Limited
<b>CBRE Report</b>	Technical Expert's Report
<b>CBRE Summary Report</b>	A summary of the CBRE Report
<b>CGU</b>	Cash generating unit
<b>Client</b>	Webster
<b>Company</b>	Webster Limited
<b>Completion Adjustment Amount</b>	Working capital at completion calculated in accordance with the Share Purchase Agreement
<b>Completion Sum</b>	\$132.7 million
<b>Corporations Act</b>	The <i>Corporations Act 2001</i>
<b>DCF</b>	Discounted cash flow
<b>Director(s)</b>	Director(s) of Webster (other than Mr Joe Robinson who is associated with the Buyer)
<b>EPS</b>	Earnings per share
<b>Forward looking financial information</b>	Prospective financial information in relation to Webster
<b>FOS</b>	Financial Ombudsman Service
<b>FSG</b>	Financial Services Guide
<b>GFC</b>	Global financial crisis.
<b>IBISWorld</b>	IBISWorld Pty Ltd
<b>IER</b>	Independent Expert's Report
<b>Irrigation Assets</b>	Irrigation plant structures and pump sites
<b>m</b>	million
<b>Management</b>	Management of Webster
<b>Meeting</b>	The general meeting of Webster Shareholders
<b>ML(s)</b>	Mega litres
<b>NAV</b>	Net asset value.
<b>Non-Associated Shareholder</b>	Webster Shareholders not associated with the Proposed Transaction
<b>Notice of Meeting</b>	Notice of Meeting dated on or around 28 September 2018 issued by Webster to which this Report is attached
<b>NPV</b>	Net present value

Term	Definition
<b>NTA</b>	Net tangible asset backing per share (post-tax).
<b>PKFCF, us, we or our</b>	PKF Corporate Finance (NSW) Pty Limited ACN 097 893 957 AFSL 295872
<b>Proposed Transaction</b>	The divestment of 100% equity interest in Bengerang to the Buyer in exchange for the Purchase Price
<b>PSP Investments</b>	Public Sector Pension Investment Board
<b>Purchase Price</b>	Completion Sum plus Completion Adjustment Amount
<b>Report</b>	This report dated 21 September 2018
<b>RG 110</b>	ASIC Regulatory Guide 110 <i>Transactions</i> .
<b>RG 111</b>	ASIC Regulatory Guide 111 <i>Content of Expert Reports</i> .
<b>RG 112</b>	ASIC Regulatory Guide 112 <i>Independence of Experts</i> .
<b>RG 76</b>	ASIC Regulatory Guide 76 <i>Related Party Transactions</i> .
<b>Section 257D</b>	Section 257D of the Corporations Act
<b>Share Purchase Agreement</b>	Share Purchase Agreement between Webster and the Buyer dated 17 August 2018
<b>Tandou</b>	Tandou Limited
<b>WAL</b>	Water Access Licence
<b>Webster Shareholders</b>	Shareholders of Webster
<b>Webster Share Transaction</b>	The Buyer and its related entities transferring approximate 69 million shares in Webster to an entity controlled by PSP Investments in accordance with the relevant sale and purchase agreement
<b>Valuation Date</b>	31 July 2018
<b>VWAP</b>	Volume weighted average price
<b>WACC</b>	Weighted average cost of capital
<b>Webster</b>	Webster Limited

## **Appendix 2 Sources of Information**

In preparing this Report we have had access to and relied upon the following principal sources of information:

- Annual Reports of Webster for the years ended 30 June 2015, 2016 and 30 September 2017;
- Management accounts of Webster for the period ended 31 July 2018;
- Management accounts of Bengenang for the period ended 31 July 2018;
- Other information published by Webster on the Australian Securities Exchange including various notices and announcements regarding the Proposed Transaction;
- Other information published by Webster on its website;
- The CBRE Report;
- Share purchase agreement entered into by Webster and the Buyer in relation to the Proposed Transaction;
- S&P Capital IQ;
- Notice of Meeting; and
- Other publicly available information.

In addition to the above, PKFCF has also had various discussions with the Management of Webster regarding the nature and prospects of businesses and financial position of Webster and Bengenang.

## Appendix 3 Valuation Methods

In conducting our assessment of the Proposed Transaction, the following commonly used valuation methods have been considered:

### Discounted Cash Flow Method

The discounted cash flow (“**DCF**”) method is based on the premise that the value of a business or asset is represented by the present value of its future cash flows. It requires two essential elements:

- the forecast of future cash flows of the business or asset for a number of years (usually five to 10 years); and
- the discount rate that reflects the riskiness of those cash flows used to discount the forecast cash flows back to net present value (“**NPV**”).

DCF is appropriate where:

- the businesses’ or assets’ earnings are capable of being forecast for a reasonable period (preferably five to 10 years) with reasonable accuracy;
- earnings or cash flows are expected to fluctuate significantly from year to year;
- the business or asset has a finite life;
- the business is in a ‘start up’ or in early stages of development;
- the business has irregular capital expenditure requirements;
- the business involves infrastructure projects with major capital expenditure requirements; or
- the business is currently making losses but is expected to recover.

### Capitalisation of Future Maintainable Earnings Method

This method involves the capitalisation of estimated future maintainable earnings by an appropriate multiple. Maintainable earnings are the assessed sustainable profits that can be derived by the vendor’s business and excludes any one off profits or losses. An appropriate earnings multiple is assessed by reference to market evidence as to the earnings multiples of comparable companies.

This method is suitable for the valuation of businesses with indefinite trading lives and where earnings are relatively stable or a reliable trend in earnings is evident.

### Value of Assets

Asset based valuations involve the determination of the fair market value of a business based on the net value of the assets used in the business.

Valuation of net assets involves:

- separating the business or entity into components which can be readily sold, such as individual business units or collection of individual items of plant and equipment and other net assets; and
- ascribing a value to each based on the net amount that could be obtained for this asset if sold.

The value of the net assets can be determined on the basis of:

- *orderly realisation*: this method estimates fair market value by determining the net assets of the underlying business including an allowance for the reasonable costs of carrying out the sale of assets, taxation charges and the time value of money assuming the business is wound up in an orderly manner. This is not a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value;
- *liquidation*: this is a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value; or
- *going concern*: the net assets on a going concern basis estimates the market value of the net assets but does not take into account any realisation costs. This method is often considered appropriate for the valuation of an investment or property holding company. Adjustments may need to be made to the book value of assets and liabilities to reflect their going concern value.

The value of a trading company's net assets will generally provide the lowest possible value for the business. The difference between the value of the company's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is usually attributable to intangible assets such as goodwill.

The value of net assets is relevant where a company is making sustained losses or profits at a level less than the required rate of return, where it is close to liquidation, where it is an asset holding company, or where all its assets are liquid. It is also relevant to businesses that are being segmented and divested and to value assets that are surplus to the core operating business. The net assets value methodology is also used as a check for the value derived using other methods.

These approaches ignore the possibility that the company's value could exceed the value of its net assets.

### **Security Market Trading History**

The application of the price that a company's shares trade on the ASX is an appropriate basis for valuation where:

- the shares trade in an efficient market place where 'willing' buyers and sellers readily trade the company's shares; and
- the market for the company's shares is active and liquid.

### **Constant Growth Dividend Discount Model**

The dividend discount model works best for:

- firms with stable growth rates;
- firms which pay out dividends that are high and approximate free cash flow to equity;
- firms with stable leverage; and
- firms where there are significant or unusual limitations to the rights of Investors.

### **Special Value**

Special value is the amount that a potential acquirer may be prepared to pay for a business in excess of the fair market value. This premium represents the value to the potential acquirer of potential economies of scale, reduction in competition or other synergies arising from the acquisition of the asset not available to likely purchases generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchases.

## **Appendix 4   CBRE Summary Reports**

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# Summary Letter

"Bengerang Aggregation", 6149 Carnarvon Highway, Garah, NSW 2405

CBRE Valuations Pty Limited  
ABN 15 008 912 641  
Level 34  
8 Exhibition Street  
Melbourne VIC 3000  
T 61 3 8621 3333  
F 61 3 8621 3330  
[tim.mckinnon@cbre.com.au](mailto:tim.mckinnon@cbre.com.au)  
[www.cbre.com.au](http://www.cbre.com.au)

30 August 2018

Mr Andrew Jones (Director)  
PKF Corporate Finance (NSW) Pty Limited.

Via Email: [ajones@pkf.com.au](mailto:ajones@pkf.com.au)

Dear Sir,

## Summary of Valuation Report

**Property – "Bengerang Aggregation", 6149 Carnarvon Highway, Garah, NSW 2405**

### INSTRUCTIONS

CBRE Valuations Pty Limited ("CBRE") accepted instructions dated 31 August 2018 to prepare a Fair Value Valuation for the interest in the aggregation listed above. The Valuation is to be relied upon for Independent Expert Report purposes only and is specifically addressed for use and reliance upon, by the parties named above. The Valuation is prepared in accordance with the Australian Property Institute Australia and New Zealand Valuation and Property Standards, having regard to ANZVGN 8 Valuations for use in Offer Documents. The instructions specifically request us to provide our opinion of the Fair Value of the holding which CBRE undertook as at 30 August 2018 on the following basis:

#### 1. Fair Value

We have also had regard to the requirements of the Australian Accounting Standards Board. In particular, we have considered AASB13 Fair Value Measurement, which adopts the following definition of Fair Value:

"Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

The fair value of a non-financial asset is based on its highest and best use to market participants.

CBRE has been instructed to provide a full Valuation Report in addition to this Summary Letter which is included in the Independent Expert Report document. In accordance with ANZVGN 8, our Valuation Report draws attention to the key issues and considerations impacting value and the report details our Critical Assumptions, General Assumptions, Disclaimers, Limitations, Qualifications and Recommendations. As commercial investments of this nature are inherently complex and the market conditions have changed and/or have been uncertain in recent times, it is considered prudent to consider the entire contents of our Valuation Report. Therefore, we recommend that this Summary Letter be read and considered together with the Valuation Report. We accept no responsibility for reliance upon the Summary Letter. **We refer the reader to Webster Limited to obtain a copy of our Valuation Report.**

## BRIEF DESCRIPTION OF THE AGGREGATION

"Bengerang Aggregation" is located 10 radial kilometres south-west of Garah, 50 radial kilometres north-west of Moree, 385 radial kilometres south-west of Brisbane and 555 radial kilometres north-west of Sydney.

The aggregation comprises a total area of 8,177 hectares and has been developed to approximately 4,460 hectares of irrigation – laser levelled row crop, 2,039 hectares of dryland cropping, 545 of area under storage with the balance 1,133 hectares considered suitable for grazing.

The aggregation is benefited by access to 17,630 megalitres of Gwydir River - General Security entitlements and 5,878 megalitres of supplementary water entitlements.

## MARKET MOVEMENT

The valuation within the valuation report, referred to above represents the value of the aggregation as at the date of valuation only (30 August 2018). The value assessed may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property or particular property sector). CBRE is not liable for losses arising from any subsequent changes in value.

## CRITICAL ASSUMPTIONS AND RELIANCE ON INFORMATION PROVIDED

A summary of select Critical Assumptions noted in the full Valuation Report are noted as follows:

- |                                 |  |
|---------------------------------|--|
| <b>Information Relied Upon</b>  | <ul style="list-style-type: none"><li>▪ The assessments of value are reliant upon information provided by <i>Websters Limited</i> with our instructions.</li><li>▪ We have assumed such information is accurate and that all information and facts that may affect our valuation have been provided. We have not verified the information provided except to the extent specifically noted in this report. A summary of this information is outlined as follows:<ul style="list-style-type: none"><li>– Summary for the respective properties; namely Title details, land types, paddock/water/development maps and historical livestock records.</li></ul></li><li>▪ We have reconciled the areas supplied with Title searches undertaken by CBRE and the on-site inspection appeared in line with areas supplied.</li></ul>                    |
| <b>Title</b>                    | <ul style="list-style-type: none"><li>▪ The land is not subject to any encroachments or restrictions on title.</li></ul>   |
| <b>Identification</b>           | <ul style="list-style-type: none"><li>▪ All structures have been erected within the title boundaries of the site and there are no encroachments on or by the subject land.</li><li>▪ We note that in regard to rural properties, it is common for fencing to encroach either way between boundaries. Given that it is not practical to verify the status of boundaries due to the sheer size and scale of rural properties, we assume there to be no impact on productivity, marketability, or value.</li></ul>  |
| <b>Contamination Conditions</b> | <ul style="list-style-type: none"><li>▪ Unless stated otherwise, we have assumed that each aggregation is free of elevated levels of contaminants. Our visual inspection is an inconclusive indicator of the actual condition of the site. We make no representation as to the actual environmental status of the subject aggregation. If a test is undertaken at some time in the future to assess the degree, if any, of contamination of the site and this is found to be positive, this valuation must not be relied upon before first consulting CBRE to reassess any effect on the valuation.</li><li>▪ We do note the existence of chemical stores, above and below ground fuel tanks and cattle spraying areas, but advise that these facilities are common on rural properties and present localised contamination risk only.</li></ul> |
| <b>Objective Information</b>    | <ul style="list-style-type: none"><li>▪ Any objective information, data or calculations set out in the Valuation will be accurate so far as is reasonably expected from a qualified and experienced valuer, reflecting due skill, care and diligence</li></ul>   |
| <b>Notifiable Diseases</b>      | <ul style="list-style-type: none"><li>▪ We have not been made aware of any notifiable diseases associated with the portfolio or the livestock thereon. As such we have made our assessments of value assuming no detrimental effect from notifiable or otherwise harmful diseases</li></ul>  |

# Summary Letter

"Bengerang Aggregation", 6149 Carnarvon Highway, Garah, NSW 2405

Water Entitlements	<ul style="list-style-type: none"><li>▪ The water entitlements utilised on the aggregation are an integral part of its ongoing market value. Any change in the entitlements referred to in this report may result in a change in value.</li></ul>
Land Class Apportionment	<ul style="list-style-type: none"><li>▪ In an effort to apportion the land class areas of the subject aggregation, we have relied upon information provided by <i>Websters Limited</i> in obtaining the appropriate areas. We have reconciled the areas provided by Google Earth Pro Mapping Software where possible.</li><li>▪ If any of the information is found to be incorrect, we reserve the right to review the valuation.</li></ul>
Irrigation Infrastructure	<ul style="list-style-type: none"><li>▪ Via information obtained and through our aggregation inspections, we have been advised that the irrigation infrastructure to be included in this valuation is in adequate working order. Therefore, for the purpose of the valuations we have assumed that the pumps and limited irrigation infrastructure are in sound working order.</li><li>▪ The irrigation equipment that we have been advised to include in the valuations is capitalised into the associated land value.</li></ul>
Water Supply Works and Water Use	<ul style="list-style-type: none"><li>▪ It is an express assumption that the Water Supply Works and Water Use Approvals are current for all of the associated irrigation properties.</li><li>▪ Should this not be the case, associated valuations should not be relied upon.</li></ul>
Capital Works Expenditure	<ul style="list-style-type: none"><li>▪ We understand that <i>Websters Limited</i> has undertaken significant capital works expenditure within the subject portfolio since acquisition. The capital works expenditure predominantly entailed soil amelioration and earthwork activities for the purpose of land class development and the construction / renovation of new and existing improvements.</li><li>▪ Subject to the foregoing, we reserve the right to review associated valuations if this information is deemed to be incorrect.</li></ul>
Certificates of Title	<ul style="list-style-type: none"><li>▪ We have not been provided with current Certificates of Title and associated Plan searches for all properties within the portfolio, therefore as per instructions we have relied upon a title schedule provided by the client.</li><li>▪ It is an express assumption that associated Certificates of Title and associated plans have not been adversely impacted by any encumbrances / registrations. Further, we assume there has been no change in ownership.</li><li>▪ We reserve the right to review an associated valuation if any of the information provided is found to be incorrect.</li></ul>
Photos	<ul style="list-style-type: none"><li>▪ Photos utilised throughout the report are, where possible, current as of 30 August 2018 inspection, however in the absence we have utilised photos taken during our inspection on 21 March 2018.</li></ul>

## RECOMMENDATIONS

Prior to relying on the report, the Reliant Party is to obtain the following information/additional advice:

Asbestos Report	<ul style="list-style-type: none"><li>▪ Asbestos Report – refer to Asbestos Risk section for further details.</li></ul>
Land Areas	<ul style="list-style-type: none"><li>▪ Some Title areas were not displayed on Certificates of Title, we have reconciled the land areas using CBRE Earth, RP Data and Land &amp; Property Information software programs. Refer to Land Identification (Verification Source).</li></ul>

# Summary Letter

"Bengerang Aggregation", 6149 Carnarvon Highway, Garah, NSW 2405

We have relied upon information provided by *Websters Limited*.

Our valuation is based upon the most current information available at the time the valuation was prepared. CBRE accepts no responsibility for subsequent changes in information as to market conditions.

In the current market, it is our view that a 3-6 month marketing period may be required to effect a disposal of the interest in the asset assuming a professional marketing campaign.

## REPORT CONTENT

Our Valuation Report, in addition to the content noted earlier, contains detailed information and description pertaining to: Instructions; Use and Reliance; Site Details including Location, Legal, Environmental and Town Planning; and Building Improvements. This is followed by a comprehensive Agriculture and Water Market Overview and details of the sales evidence regarded. Finally, the report considers the value and marketability of the aggregation. We again refer the reader of this letter to our Valuation Report for detail in respect of the above items.

## VALUATION METHODOLOGY

In arriving at our opinion of market value in accordance with the instructions, we have placed primary emphasis on the Direct Comparison approach.

# Summary Letter

"Bengerang Aggregation", 6149 Carnarvon Highway, Garah, NSW 2405

## VALUATION SUMMARY

In accordance with the instructions, we summarise our valuation conclusions for the subject holding as at 30 August 2018 is as follows:

### 1. Fair Value

SUMMATION BASIS				
Land	Area (ha)		Rate \$/ha	Value
Irrigation - Laser Levelled Row Crop	4,460.00	@	\$4,500	\$20,070,000
Dryland Cropping	2,039.00	@	\$3,500	\$7,136,500
Grazing Land	1,677.76	@	\$1,000	\$1,677,763
Area Under Storage (18,157MI @ \$245/MI)				\$4,448,465
SubTotal	8,176.76			\$33,332,728
Water	MI		Rate \$/MI	Value
Gwydir River Regulated - General Security	17,630	@	\$2,300	\$40,549,000
Gwydir River Regulated - Supplementary	5,877	@	\$1,200	\$7,052,400
SubTotal	23,507			\$47,601,400
Structures				Value
<b>Lower Box</b>				
Homestead		Say		\$200,000
Cottage		Say		\$150,000
Machinery Shed		Say		\$40,000
Sundry Shedding		Say		\$20,000
<b>Dodds</b>				
Machinery Shed		Say		\$10,000
<b>Bullamon</b>				
Dwelling		Say		\$120,000
Cottage		Say		\$75,000
Machinery Shed 1		Say		\$25,000
Shedding		Say		\$20,000
<b>Bengerang</b>				
Homestead		Say		\$500,000
Managers Dwelling		Say		\$150,000
Cottages x 4		Say		\$250,000
Machinery Sheds / Storage / Stables /yard		Say		\$250,000
<b>Rockless Park</b>				
Homestead		Say		\$100,000
Machinery Shed		Say		\$20,000
<b>Medgun</b>				
Homestead		Say		\$150,000
Shedding		Say		\$75,000
SubTotal				\$2,155,000
Total				\$83,089,128
TOTAL (rounded)				\$83,100,000

"Bengerang Aggregation"

\$83,100,000, (Eighty Three Million, One Hundred Thousand Dollars) exclusive of GST.

## CONSENT

CBRE provides its consent for the inclusion of this Summary Letter within the Independent Expert Report *Websters Limited* subject to *Webster Limited* making recipients of the Independent Expert Report aware of the following liability disclaimers.

## LIABILITY DISCLAIMER

- (a) CBRE is not operating under an Australian Financial Services Licence when providing the full Valuation Report or this Summary Letter and those documents do not constitute financial product advice. Investors should consider obtaining independent advice from their financial advisor before making any decision to invest in/with *Websters Limited*.
- (b) CBRE disclaims any liability to any person in the event of an omission from, or false and misleading statements included in the Independent Expert Report, other than in respect to this Summary Letter and the full Valuation Report.
- (c) The Valuation Report and this Summary Letter are strictly limited to the matters contained within those documents, and are not to be read as extending, by implication or otherwise, to any other matter in the Independent Expert Report. Without limitation to the above, no liability is accepted for any loss, harm, cost or damage (including special, consequential or economic harm or loss) suffered as a consequence of fluctuations in the real estate market subsequent to the date of valuation.
- (d) CBRE has prepared the full Valuation Report and this Summary Letter relying on and referring to information provided by third parties including financial and market information ("Information"). CBRE assumes that the Information is accurate, reliable and complete and it has not tested the information in that respect.
- (e) References to the Holding's value within this Summary Letter or the Independent Expert Report have been extracted from CBRE's Valuation Report. The Valuation Report draws attention to the key issues and considerations impacting value and provides a detailed assessment and analysis as well as key critical assumptions, general assumptions, disclaimers, limitations, qualifications and recommendations. As commercial investments of this nature are inherently complex and the market conditions have changed and/or have been uncertain in recent times, CBRE recommends that this Summary Letter and any references to value within the Independent Expert Report must be read and considered together with the Valuation Report. This Summary Letter is to be read in conjunction with our full Valuation Report dated 30 August 2018 and is subject to the Assumptions, Limitations, Disclaimers and Qualifications contained therein. We refer the reader to *Websters Limited* to obtain a copy of the Full Valuation Report.
- (f) No responsibility is accepted for any loss or damage arising as a result of reliance upon this Summary Letter and the Full Valuation Report.
- (g) Neither this Summary Letter nor the full Valuation Report may be reproduced in whole or in part without prior written approval of CBRE.
- (h) CBRE charges a professional fee for producing valuation reports, and the fee paid by *Websters Limited* for the Valuation Report and this Summary Letter was \$14,000 inclusive of GST.

# Summary Letter

"Bengerang Aggregation", 6149 Carnarvon Highway, Garah, NSW 2405

- (i) We confirm that the valuer does not have a pecuniary interest that would conflict with a proper valuation of the interest in the aggregation.
- (ii) This document is for the sole use of persons directly provided with it by CBRE. Use by, or reliance upon this document by anyone other than those parties named above is not authorised by CBRE and CBRE is not liable for any loss arising from such unauthorised use or reliance.

Yours sincerely  
CBRE Valuations Pty Limited



Tim McKinnon  
Certified Practising Valuer  
Senior Director - Agribusiness  
Valuation & Advisory Services

Liability limited by a scheme approved under Professional Standards Legislation.

# Summary Letter

"Darling Farms", Bourke-Hungerford Road, Bourke, NSW 2840

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[www.cbre.com.au](http://www.cbre.com.au)

30 August 2018

Mr Andrew Jones (Director)  
PKF Corporate Finance (NSW) Pty Limited.

Via Email: [ajones@pkf.com.au](mailto:ajones@pkf.com.au)

Dear Sir,

## **Summary of Valuation Report Property – "Darling Farms", Bourke-Hungerford Road, Bourke, NSW 2840**

### **INSTRUCTIONS**

CBRE Valuations Pty Limited ("CBRE") accepted instructions dated 31 August 2018 to prepare a Fair Value Valuation for the interest in the aggregation listed above. The Valuation is to be relied upon for Independent Expert Report purposes only and is specifically addressed for use and reliance upon, by the parties named above. The Valuation is prepared in accordance with the Australian Property Institute Australia and New Zealand Valuation and Property Standards, having regard to ANZVGN 8 Valuations for use in Offer Documents. The instructions specifically request us to provide our opinion of the Fair Value of the holding which CBRE undertook as at 30 August 2018 on the following basis:

#### **1. Fair Value**

We have also had regard to the requirements of the Australian Accounting Standards Board. In particular, we have considered AASB13 Fair Value Measurement, which adopts the following definition of Fair Value:

"Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

The fair value of a non-financial asset is based on its highest and best use to market participants.

CBRE has been instructed to provide a full Valuation Report in addition to this Summary Letter which is included in the Independent Expert Report document. In accordance with ANZVGN 8, our Valuation Report draws attention to the key issues and considerations impacting value and the report details our Critical Assumptions, General Assumptions, Disclaimers, Limitations, Qualifications and Recommendations. As commercial investments of this nature are inherently complex and the market conditions have changed and/or have been uncertain in recent times, it is considered prudent to consider the entire contents of our Valuation Report. Therefore, we recommend that this Summary Letter be read and considered together with the Valuation Report. We accept no responsibility for reliance upon the Summary Letter. **We refer the reader to Webster Limited to obtain a copy of our Valuation Report.**



## BRIEF DESCRIPTION OF THE AGGREGATION

"Darling Farms" is located approximately 5 radial kilometres north-west of Bourke, 355 radial kilometres north-west of Dubbo and 655 radial kilometres north-west of Sydney. "Darling Farms" comprises the aggregation of "Darling Farms" and "Carbuu Station" with a total area of 16,691 hectares.

The aggregation has been developed to approximately 4,701 hectares of irrigation – laser levelled row crop, 321 hectares of irrigation – lateral move; 150 hectares of irrigation – not used, 1,117 hectares of area under storage with the balance 10,402 hectares considered native grazing.

The aggregation is benefited by access to 4,161 megalitres of Barwon Darling Unregulated River Water – A Class, 33,517 megalitres of Barwon Darling Unregulated River Water – B Class, 40 megalitres of Warrego Groundwater and 120 megalitres of Stock and Domestic Barwon Darling water.

## MARKET MOVEMENT

The valuation within the valuation report, referred to above represents the value of the aggregation as at the date of valuation only (30 August 2018). The value assessed may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property or particular property sector). CBRE is not liable for losses arising from any subsequent changes in value.

## CRITICAL ASSUMPTIONS AND RELIANCE ON INFORMATION PROVIDED

A summary of select Critical Assumptions noted in the full Valuation Report are noted as follows:

- |                                 |  |
|---------------------------------|--|
| <b>Information Relied Upon</b>  | <ul style="list-style-type: none"><li>▪ The assessments of value are reliant upon information provided by <i>Websters Limited</i> with our instructions.</li><li>▪ We have assumed such information is accurate and that all information and facts that may affect our valuation have been provided. We have not verified the information provided except to the extent specifically noted in this report. A summary of this information is outlined as follows:<ul style="list-style-type: none"><li>– Summary for the respective properties; namely Title details, land types, paddock/water/development maps and historical livestock records.</li></ul></li><li>▪ We have reconciled the areas supplied with Title searches undertaken by CBRE and the on-site inspection appeared in line with areas supplied.</li></ul>                    |
| <b>Title</b>                    | <ul style="list-style-type: none"><li>▪ The land is not subject to any encroachments or restrictions on title.</li></ul>   |
| <b>Identification</b>           | <ul style="list-style-type: none"><li>▪ All structures have been erected within the title boundaries of the site and there are no encroachments on or by the subject land.</li><li>▪ We note that in regard to rural properties, it is common for fencing to encroach either way between boundaries. Given that it is not practical to verify the status of boundaries due to the sheer size and scale of rural properties, we assume there to be no impact on productivity, marketability, or value.</li></ul>  |
| <b>Contamination Conditions</b> | <ul style="list-style-type: none"><li>▪ Unless stated otherwise, we have assumed that each aggregation is free of elevated levels of contaminants. Our visual inspection is an inconclusive indicator of the actual condition of the site. We make no representation as to the actual environmental status of the subject aggregation. If a test is undertaken at some time in the future to assess the degree, if any, of contamination of the site and this is found to be positive, this valuation must not be relied upon before first consulting CBRE to reassess any effect on the valuation.</li><li>▪ We do note the existence of chemical stores, above and below ground fuel tanks and cattle spraying areas, but advise that these facilities are common on rural properties and present localised contamination risk only.</li></ul> |
| <b>Objective Information</b>    | <ul style="list-style-type: none"><li>▪ Any objective information, data or calculations set out in the Valuation will be accurate so far as is reasonably expected from a qualified and experienced valuer, reflecting due skill, care and diligence</li></ul>   |

# Summary Letter

"Darling Farms", Bourke-Hungerford Road, Bourke, NSW 2840

Notifiable Diseases	<ul style="list-style-type: none"><li>▪ We have not been made aware of any notifiable diseases associated with the portfolio or the livestock thereon. As such we have made our assessments of value assuming no detrimental effect from notifiable or otherwise harmful diseases</li></ul>
Water Entitlements	<ul style="list-style-type: none"><li>▪ The water entitlements utilised on the aggregation are an integral part of its ongoing market value. Any change in the entitlements referred to in this report may result in a change in value.</li></ul>
Land Class Apportionment	<ul style="list-style-type: none"><li>▪ In an effort to apportion the land class areas of the subject aggregation, we have relied upon information provided by <i>Websters Limited</i> in obtaining the appropriate areas. We have reconciled the areas provided by Google Earth Pro Mapping Software where possible.</li><li>▪ If any of the information is found to be incorrect, we reserve the right to review the valuation.</li></ul>
Irrigation Infrastructure	<ul style="list-style-type: none"><li>▪ Via information obtained and through our aggregation inspections, we have been advised that the irrigation infrastructure to be included in this valuation is in adequate working order. Therefore, for the purpose of the valuations we have assumed that the pumps and limited irrigation infrastructure are in sound working order.</li><li>▪ The irrigation equipment that we have been advised to include in the valuations is capitalised into the associated land value.</li></ul>
Water Supply Works and Water Use	<ul style="list-style-type: none"><li>▪ It is an express assumption that the Water Supply Works and Water Use Approvals are current for all of the associated irrigation properties.</li><li>▪ Should this not be the case, associated valuations should not be relied upon.</li></ul>
Capital Works Expenditure	<ul style="list-style-type: none"><li>▪ We understand that <i>Websters Limited</i> has undertaken significant capital works expenditure within the subject portfolio since acquisition. The capital works expenditure predominantly entailed soil amelioration and earthwork activities for the purpose of land class development and the construction / renovation of new and existing improvements.</li><li>▪ Subject to the foregoing, we reserve the right to review associated valuations if this information is deemed to be incorrect.</li></ul>
Certificates of Title	<ul style="list-style-type: none"><li>▪ We have not been provided with current Certificates of Title and associated Plan searches for all properties within the portfolio, therefore as per instructions we have relied upon a title schedule provided by the client.</li><li>▪ It is an express assumption that associated Certificates of Title and associated plans have not been adversely impacted by any encumbrances / registrations. Further, we assume there has been no change in ownership.</li><li>▪ We reserve the right to review an associated valuation if any of the information provided is found to be incorrect.</li></ul>
Photos	<ul style="list-style-type: none"><li>▪ Photos utilised throughout the report are, where possible, current as of 30 August 2018 inspection, however in the absence we have utilised photos taken during our inspection on 21 March 2018.</li></ul>

## RECOMMENDATIONS

Prior to relying on the report, the Reliant Party is to obtain the following information/additional advice:

Asbestos Report	<ul style="list-style-type: none"><li>▪ Asbestos Report – refer to Asbestos Risk section for further details.</li></ul>
Land Areas	<ul style="list-style-type: none"><li>▪ Some Title areas were not displayed on Certificates of Title, we have reconciled the land areas using CBRE Earth, RP Data and Land &amp; Property Information software programs. Refer to Land Identification (Verification Source).</li></ul>

# Summary Letter

"Darling Farms", Bourke-Hungerford Road, Bourke, NSW 2840

We have relied upon information provided by *Websters Limited*.

Our valuation is based upon the most current information available at the time the valuation was prepared. CBRE accepts no responsibility for subsequent changes in information as to market conditions.

In the current market, it is our view that a 3-6 month marketing period may be required to effect a disposal of the interest in the asset assuming a professional marketing campaign.

## **REPORT CONTENT**

Our Valuation Report, in addition to the content noted earlier, contains detailed information and description pertaining to: Instructions; Use and Reliance; Site Details including Location, Legal, Environmental and Town Planning; and Building Improvements. This is followed by a comprehensive Agriculture and Water Market Overview and details of the sales evidence regarded. Finally, the report considers the value and marketability of the aggregation. We again refer the reader of this letter to our Valuation Report for detail in respect of the above items.

## **VALUATION METHODOLOGY**

In arriving at our opinion of market value in accordance with the instructions, we have placed primary emphasis on the Direct Comparison approach.

# Summary Letter

"Darling Farms", Bourke-Hungerford Road, Bourke, NSW 2840

## VALUATION SUMMARY

In accordance with the instructions, we summarise our valuation conclusions for the subject holding as at 30 August 2018 is as follows:

### 1. Fair Value

SUMMATION BASIS				
Land	Area (ha)		Rate \$/ha	Value
Irrigation - Laser Levelled Row Crop	4,701.00	@	\$1,100	\$5,171,100
Irrigation - Lateral Move	321.00	@	\$1,100	\$353,100
Native Grazing	11,669.39	@	\$75	\$875,204
Area Under Storage (50,670MI @ \$75/MI)				\$3,800,250
SubTotal	16,691.39			\$10,199,654
Water	MI		Rate \$/MI	Value
Barwon Darling Unregulated - A Class	4,161	@	\$1,250	\$5,201,250
Barwon Darling Unregulated - B Class	33,517	@	\$900	\$30,165,390
SubTotal	37,678			\$35,366,640
Structures				Value
Total Structures			Say	\$2,100,000
SubTotal				\$2,100,000
Total				\$47,666,294
TOTAL (rounded)				\$47,650,000

"Darling Farms"

\$47,650,000, (Forty Seven Million, Six Hundred and Fifty Thousand Dollars) exclusive of GST.

## CONSENT

CBRE provides its consent for the inclusion of this Summary Letter within the Independent Expert Report *Websters Limited* subject to *Webster Limited* making recipients of the Independent Expert Report aware of the following liability disclaimers.

## LIABILITY DISCLAIMER

- (a) CBRE is not operating under an Australian Financial Services Licence when providing the full Valuation Report or this Summary Letter and those documents do not constitute financial product advice. Investors should consider obtaining independent advice from their financial advisor before making any decision to invest in/with *Websters Limited*.
- (b) CBRE disclaims any liability to any person in the event of an omission from, or false and misleading statements included in the Independent Expert Report, other than in respect to this Summary Letter and the full Valuation Report.
- (c) The Valuation Report and this Summary Letter are strictly limited to the matters contained within those documents, and are not to be read as extending, by implication or otherwise, to any other matter in the Independent Expert Report. Without limitation to the above, no liability is accepted for any loss, harm, cost or damage (including special, consequential or economic harm or loss) suffered as a consequence of fluctuations in the real estate market subsequent to the date of valuation.
- (d) CBRE has prepared the full Valuation Report and this Summary Letter relying on and referring to information provided by third parties including financial and market information ("Information"). CBRE assumes that the Information is accurate, reliable and complete and it has not tested the information in that respect.
- (e) References to the Holding's value within this Summary Letter or the Independent Expert Report have been extracted from CBRE's Valuation Report. The Valuation Report draws attention to the key issues and considerations impacting value and provides a detailed assessment and analysis as well as key critical assumptions, general assumptions, disclaimers, limitations, qualifications and recommendations. As commercial investments of this nature are inherently complex and the market conditions have changed and/or have been uncertain in recent times, CBRE recommends that this Summary Letter and any references to value within the Independent Expert Report must be read and considered together with the Valuation Report. This Summary Letter is to be read in conjunction with our full Valuation Report dated 30 August 2018 and is subject to the Assumptions, Limitations, Disclaimers and Qualifications contained therein. We refer the reader to *Websters Limited* to obtain a copy of the Full Valuation Report.
- (f) No responsibility is accepted for any loss or damage arising as a result of reliance upon this Summary Letter and the Full Valuation Report.
- (g) Neither this Summary Letter nor the full Valuation Report may be reproduced in whole or in part without prior written approval of CBRE.
- (h) CBRE charges a professional fee for producing valuation reports, and the fee paid by *Websters Limited* for the Valuation Report and this Summary Letter was \$14,000 inclusive of GST.

# Summary Letter

"Darling Farms", Bourke-Hungerford Road, Bourke, NSW 2840

- (i) We confirm that the valuer does not have a pecuniary interest that would conflict with a proper valuation of the interest in the aggregation.
- (ii) This document is for the sole use of persons directly provided with it by CBRE. Use by, or reliance upon this document by anyone other than those parties named above is not authorised by CBRE and CBRE is not liable for any loss arising from such unauthorised use or reliance.

Yours sincerely  
CBRE Valuations Pty Limited



Tim McKinnon  
Certified Practising Valuer  
Senior Director - Agribusiness  
Valuation & Advisory Services

Liability limited by a scheme approved under Professional Standards Legislation.

## PART TWO – FINANCIAL SERVICES GUIDE

21 September 2018

### What is a Financial Services Guide?

This Financial Services Guide ("**FSG**") is an important document the purpose of which is to assist you in deciding whether to use any of the general financial product advice provided in the form of an independent expert report by PKF Corporate Finance (NSW) Pty Limited (ABN 65 097 893 957) ("**PKFCF**"). The use of "we", "us" or "our" is a reference to PKFCF as the holder of Australian Financial Services Licence ("**AFSL**") No. 295872.

The contents of this FSG include:

- who we are and how we can be contacted;
- what services we are authorised to provide under our AFSL;
- how we (and any other relevant parties) are remunerated in relation to any general financial product advice we may provide;
- details of any potential conflicts of interest; and
- details of our internal and external dispute resolution systems and how you can access them.

### Information about us

#### What financial services are we licensed to provide?

The AFSL we hold authorises us to provide the following financial services to both retail and wholesale clients:

Provide financial product advice for the following classes of financial products:

- securities;
- interests in managed investment schemes excluding investor directed portfolio services; and
- deposit and payment products limited to;
  - basic deposit products;
  - deposit products other than basic deposit products; and
  - debentures, stocks or bonds issued or proposed to be issued by a government.

#### Our responsibility to you

We have been engaged by the Directors (other than Mr Joe Robinson who is associated with the Buyer) of Webster ("**Client**") to prepare an Independent Expert's Report providing our opinion as to whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders of Webster (the "**Report**"). Details of the Proposed Transaction are set out in the notice of meeting which this Report accompanies. You are not the party or parties who engaged us to prepare the Report. We are not acting for any person other than the party or parties who engaged us. We are required by law to give you an FSG because the Report is being provided to you.

The liability of PKFCF is limited to the contents of this FSG and the Report referred to in this FSG.

#### Information about the general financial product advice we provide

The financial product advice provided in the Report is known as "general advice" because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in the Report is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is being provided to you in connection with the acquisition or potential acquisition of a financial product issued by another party, we recommend you obtain and read carefully the relevant offer document provided by the issuer of the financial product. The purpose of the offer document is to help you make an informed decision about the acquisition of a financial product. The contents of the offer document will include details such as the risks, benefits and costs of acquiring the particular financial product.

PKF Corporate Finance (NSW) Pty Limited  
ABN 65 097 893 957  
AFSL 295 872

Sydney  
Level 8, 1 O'Connell Street  
Sydney NSW 2000 Australia  
GPO Box 5446 Sydney NSW 2001  
p +61 2 8346 6000  
f +61 2 8346 6099

Newcastle  
755 Hunter Street  
Newcastle West NSW 2302 Australia  
PO Box 2368 Dangar NSW 2309  
p +61 2 4962 2688  
f +61 2 4962 3245

PKF Corporate Finance (NSW) Pty Limited is member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member of correspondent firm or firms.

For our office locations visit [www.pkf.com.au](http://www.pkf.com.au)

## **Associations and relationships**

PKFCF provides services primarily in the area of corporate finance and is partly owned by partners of the Sydney and Newcastle partnership of PKF, Chartered Accountants ("**PKF**"). PKF and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services. Our directors may be partners in the partnership of PKF. The financial product advice in the Report is provided by PKFCF and not by the partnership of PKF.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and the partnership of PKF (and its related bodies corporate) may from time to time provide professional services to financial product issuers in the ordinary course of business.

## **How are we and our employees remunerated?**

We charge fees for providing Reports. Fees are agreed with the party or parties who actually engage us, and we confirm our remuneration in a written letter of engagement to the party or parties who actually engage us. Our fees are usually determined on an hourly basis. However they may be a fixed amount or derived using another basis. We may also seek reimbursement of any out-of-pocket expenses incurred in providing the services. The estimated fee for the Report is \$30,000 (exclusive of GST and out-of-pocket expenses).

Neither PKFCF, nor its directors and officers, receive any commissions or other benefits arising directly from providing Reports to you. The remuneration paid to our directors and staff reflects their individual contribution to the company and covers all aspects of performance. We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

## **What should you do if you have a complaint?**

If you have any concerns regarding the Report, you may wish to advise us. Our internal complaint handling process is designed to respond to your concerns promptly and equitably. Please address your complaint in writing to:

AFS Compliance Manager  
PKF Corporate Finance (NSW) Pty Limited  
GPO Box 5446  
SYDNEY NSW 2001  
Telephone: +61 2 8346 6000 Fax: +61 2 8346 6099

If you are not satisfied with the steps we have taken to resolve your complaint, you may contact the Financial Ombudsman Service ("**FOS**"). FOS provides free advice and assistance to consumers to help them resolve complaints relating to members of the financial services industry. Complaints may be submitted to FOS at:

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
Telephone: (03) 9613 7366 Fax: (03) 9613 6399  
Internet: <http://www.fos.org.au>

The Australian Securities and Investments Commission ("**ASIC**") regulates Australian companies, financial markets, financial services organisations and professionals who deal and advise in investments, superannuation, insurance, deposit taking and credit. Their website contains information on lodging complaints about companies and individual persons and sets out the types of complaints handled by ASIC. You may contact ASIC as follows:

Info line: 1 300 300 630  
Email: [info@asic.gov.au](mailto:info@asic.gov.au)  
Internet: <http://www.asic.gov.au/asic/asic.nsf>

## **Contact details**

You may contact us using the details located below.

PKF Corporate Finance (NSW) Pty Limited  
Level 8  
1 O'Connell Street  
SYDNEY NSW 2000  
  
GPO Box 5446  
SYDNEY NSW 2001  
Telephone: +61 2 8346 6000 Fax: +61 2 8346 6099



**Annexure B**  
**Standstill Undertaking**

[To be printed on PSP letterhead]

[date] 2018

The Directors  
Webster Limited  
148 Colinroobie Road  
Leeton, NSW 2705

Dear Sirs

### Standstill undertaking

This document sets out the intentions of the Public Sector Pension Investment Board (**PSP**) with respect to Webster Limited (**Webster**) and includes undertakings given for the benefit of Webster.

Unless otherwise expressly defined, terms defined in the *Corporations Act, 2001 (Cth)* (**Corporations Act**), have the same meaning in this document.

### Background

Prior to the Proposal, AFF Properties No.1 Pty Limited as trustee for the AFF Operations Trust (**AFFP**) holds 65,319,154 fully paid ordinary shares in Webster (**Webster Shares**). As a result of the joint venture between PSP and Australian Food & Fibre Limited (**AFF**) in relation to AFFP, each of AFFP, PSP and AFF has voting power in Webster of 18.08% for the purposes of Chapter 6 of the Corporations Act. Certain shareholders in AFF and their associates (**AFF Parties**) hold a further 3,865,529 Webster Shares giving them total voting power in Webster of 19.15% (including the Webster Shares held by AFFP).

### Proposal

Certain of the AFF Parties, PSP, AFFP and Webster have entered into arrangements (**Proposal**) which involve the following elements:

- (a) an affiliate of AFFP will acquire agricultural assets of subsidiaries of Webster through the acquisition of shares in Bengerang Limited for a cash payment of approximately \$132.7 million (**Property Transaction**);
- (b) PSP will acquire the aggregate 69,184,683 shares in Webster held by AFFP and the AFF Parties (**AFF Shares**) (**Share Transaction**); and
- (c) Webster directors will appoint a PSP nominee to the Board of Webster (**Director Appointment**).

If the Proposal is implemented, AFFP and the AFF Parties will cease to have a substantial holding in Webster as their voting power in Webster will fall below 5%. PSP will have voting power in Webster of 19.15%.

The Proposal is subject to a number of conditions including approval of the Property Transaction by shareholders of Webster under the ASX Listing Rules.

### Undertaking

Given the significance of PSP's substantial holding in Webster, the board of Webster has sought an undertaking from PSP regarding any potential for an increase in PSP's voting power in Webster.

PSP provides the following undertaking:

1. Subject to the following, conditional only on implementation of the Proposal and the appointment of a PSP nominee director to the Webster Board, PSP will not, and will ensure that its associates do not, in any manner:

- (a) acquire, purchase, or offer or agree to acquire or purchase any securities (or direct or indirect rights, warrants or options to acquire any securities or any relevant interest in any securities) of Webster which results in the voting power of PSP in Webster increasing above the Permitted Maximum;
  - (b) enter into any relevant agreement with a third party or otherwise engage in any conduct or otherwise becomes an associate of a third party, which results in the voting power of PSP in Webster increasing above the Permitted Maximum; or
  - (c) enter into any derivative instrument or other financial product (including any cash-settled equity swap) affording PSP an economic exposure to Webster or to movements in the price of any securities of Webster which, when aggregated with PSP's current voting power in Webster results in an increased economic exposure to Webster.
2. In paragraph 1 **Permitted Maximum** is the higher of:
- (a) the voting power of PSP as at the date of this document (being 19.15%); and
  - (b) the voting power of PSP immediately following a Permitted Transaction (as defined in paragraph 3).
3. The restrictions set out in paragraphs 1(a) and 1(b) do not apply to an increase in voting power as a result of the following:
- (a) an acquisition that results from the acceptance of a takeover bid undertaken by PSP or its associates made in respect of all Webster Shares;
  - (b) an acquisition of a relevant interest in the circumstances set out in section 611 item 2 of the Corporations Act;
  - (c) an acquisition of a relevant interest previously approved by a resolution passed at a general meeting of Webster which satisfies the requirements of section 611 item 7 of the Corporations Act;
  - (d) an acquisition of a relevant interest in the circumstances set out in section 611 item 17 of the Corporations Act;
  - (e) an issue of Webster Shares resulting from participation in a rights issue in the circumstances set out in section 611 items 10 of the Corporations Act;
  - (f) an issue of Webster Shares resulting from participation in a Webster dividend reinvestment plan in the circumstances set out in section 611 items 11 of the Corporations Act;
  - (g) an issue of Webster Shares by way of placement;
  - (h) an issue of Webster Shares in accordance with a shareholder share purchase plan implemented by Webster from time to time;
  - (i) an issue of Webster Shares resulting from underwriting or sub-underwriting a Webster share issue in the circumstances set out in section 611 items 13 of the Corporations Act;
  - (j) an increase in voting power resulting from a buyback authorised by section 257A of the Corporations Act;
  - (k) an association arising in relation to undertaking a proposed transaction of the type set out in paragraphs 3(a) to 3(d) and only for the purpose of undertaking the proposed transaction and for no other purpose,
- (each a **Permitted Transaction**).
4. The restrictions set out in paragraph 1 terminate on the first to occur of the following:

- (a) any person other than PSP and its associates announces or undertakes a takeover bid to acquire at least 50% of the Webster Shares then on issue and the Webster directors recommend that holders of Shares accept the offer;
  - (b) any person other than PSP or its associates increases their voting power in Webster beyond the then current Permitted Maximum;
  - (c) Webster announces or proposes a scheme of arrangement under section 411 of the Corporations Act which, if implemented, would result in Webster becoming under the control of a person who is not in control of Webster prior to implementation of that scheme of arrangement;
  - (d) any director of Webster or their associates increases their voting power by more than 1% above the voting power it held as at the date of this document, other than as a result of:
    - (i) a Permitted Transaction involving an issue of Webster Shares referred to in paragraphs 3(c) or 3(e) - 3(i) in which PSP was offered the opportunity to participate on a pro-rata basis; or
    - (ii) an issue or transfer of Webster Shares, options or performance rights to an executive director of Webster and the vesting or exercise of any such Shares, options and performance rights in accordance with the Webster Executive Long Term Incentive Plan and any replacement executive incentive plan adopted by the board of Webster from time to time;
  - (e) the date 6 months after PSP ceases to have a representative on the board of Webster; or
  - (f) the PSP representative on the Board is removed by Webster shareholders.
5. The undertaking set out in paragraph 1 operates as a deed poll given by PSP for the benefit of Webster.
  6. PSP acknowledges that Webster will release a copy of this document to the market through ASX and that Webster, shareholders of Webster and third parties will act in reliance on the undertaking given by PSP in this document, provided that Webster may in its discretion waive compliance by PSP with all or any part of the undertaking at any time.
  7. Nothing in this document limits or is intended to limit in any way the ability of PSP or any other party to exercise any voting rights with respect to, or to dispose of any interest in Webster Shares.
  8. This document is intended to be legally binding on PSP. This document is governed by the laws of the State of New South Wales. PSP irrevocably submits to the non-exclusive jurisdiction of the Courts of the State of New South Wales.

Yours sincerely

**[Name]**  
**[Office held]**  
**Public Sector Pension Investment Board**

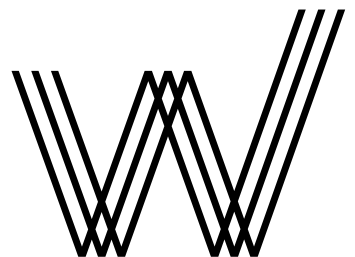
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[corporate@websterltd.com.au](mailto:corporate@websterltd.com.au)





ABN 23 009 476 000

WBA

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Lodge your vote:



Online:

[www.investorvote.com.au](http://www.investorvote.com.au)



By Mail:

Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

## For all enquiries call:

(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

## Proxy Form

XX



### Vote and view the Notice of Meeting online

- Go to [www.investorvote.com.au](http://www.investorvote.com.au) or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

### Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I999999999

PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



**For your vote to be effective it must be received by 10.00am (AEDT) Monday, 29 October 2018**

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

#### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### Signing Instructions for Postal Forms

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
or turn over to complete the form →**

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

☐

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

## Proxy Form

Please mark ☒ to indicate your directions

### STEP 1

#### Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Webster Limited hereby appoint

☐

the Chairman  
of the Meeting **OR**



**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Extraordinary General Meeting of Webster Limited to be held at the offices of Ernst and Young, 200 George Street, Sydney NSW 2000 on Wednesday 31 October 2018 at 10.00am (AEDT) and at any adjournment or postponement of that Meeting.

### STEP 2

#### Items of Business



**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

Item 1 That for the purposes of ASX Listing Rule 10.1 and for all other purposes, the sale of the Bengerang Shares to the Bengerang Purchaser as described in the Explanatory Memorandum is approved

For

Against

Abstain

☐☐☐

### SIGN

#### Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact  
Name

\_\_\_\_\_

Contact  
Daytime  
Telephone

\_\_\_\_\_

Date / /

WB A

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Computershare +