



Livestock Funding Information 2020



INTRODUCTION

We understand access to capital is an industry wide issue in agriculture. We see this industry challenge as an opportunity. We believe our specialised funding platform driven by our team which has strong connections and expertise in the agricultural finance sector, will be able to help solve and capitalise on this challenge. Our aim is to focus on key industries, constantly developing our capital solutions to meet the growing needs of our customers across the supply chain.

In order to achieve this, we have partnered with technology professionals and key distributors to ensure we have the ability to meet the required scale and growth that aligns with our vision.

At a time when regulatory pressures are causing traditional finance sources to reduce their appetite for risk at the farmgate level; we see that there is a need for a specialised funding platform, driven by experts with deep knowledge and connections to the agricultural industry.

Agrifunder finishing finance is the first of our working capital solutions. The funding has been raised from investors who recognise the opportunity to fund appreciating assets (fattening livestock). It is designed so that both the working capital provider and Operator are able to benefit from the demand and growth of the global protein market.

The aim of this document is to provide an overview of the Agrifunder Finishing Finance Product. As part of this the following details have been included:

- Finance comparison
- Product snapshot
- Application process
- Purchases & sales
- Bookkeeping
- Livestock security - PPSR

For further information please contact us via:

- Phone: 1800 247 438
- Email: info@agrifunder.com.au
- Website: Agrifunder.com.au
- Postal Address: PO Box 247, East Melbourne, VIC, 8002

FINANCE COMPARISON

The growth in global demand for protein is causing an increase in demand for alternative ways to finance livestock. We see greater access to finance and a wider variety of finance options as important for sustaining the growth of the livestock industry in Australia. Below is a high level comparison of Agrifunder Finishing Finance compared to traditional finance options.

	100% Funding against Livestock?	Funding without Land Mortgage?	Fees & Charges	Repayment Schedule	Approval Turnaround in 2 Business Days?
Agrifunder Finishing Finance	✓	✓	<ul style="list-style-type: none"> • Establishment fee • One-off interest payment per placement • Late payment fee 	When the livestock are sold	✓
Bank Business Term loan	✗	✗	<ul style="list-style-type: none"> • Establishment fee • Compounded monthly or quarterly interest rate • Ongoing account keeping fees 	Monthly or quarterly	✗
Bank Business Overdraft	✗	✗	<ul style="list-style-type: none"> • Establishment fee • Compounded monthly interest rate charged on the amount of overdraft credit spent • Ongoing account keeping fees • Minimum repayment fees • Overdraft fee (if you exceed your overdraft credit limit) 	Monthly	✗

PRODUCT SNAPSHOT

100% funding for the purchase price of livestock - for selected customers who are finishing livestock for domestic and export markets.

Key criteria for an Operator credit limit application and/or placement application:

- Credit criteria must be met
- Appropriate insurances in place. (Insurance required may include Livestock, Trade Credit and Public Liability Insurance. At request, appropriate Certificate of Currency noting Agrifunder as interested party will be required)

Credit limit	\$100k-\$2m (larger funding requests will be reviewed on a case by case basis)
Maximum placement term*	Up to 12 months
Standard security	Agrifunder owns the livestock. Security is taken over the purchased livestock via PPSR PMSI** Appropriate guarantees are required, and additional security may apply
Interest rate	Market competitive interest rates apply. Funding costs are only charged on the GST exclusive amount.
Fees	Establishment fee covers the costs of all required searches and admin

*A placement refers to funding for a livestock trade. Once a farmer has been approved for funding by Agrifunder they will be given a limit within which they can apply for funding for livestock placements.

** Care must be taken where prior existing PPSR charges are noted for the borrower. Agrifunder may not fund sheep on a property where another financier owns/funds sheep unless Priority can be confirmed or RFID tags are used.



APPLICATION PROCESS

Your local Agrifunder distributor will provide you with an Agrifunder credit limit application to complete. Or you can start the process yourself by visiting: <https://www.agrifunder.com.au/apply>

As part of your credit limit application the following information is required:

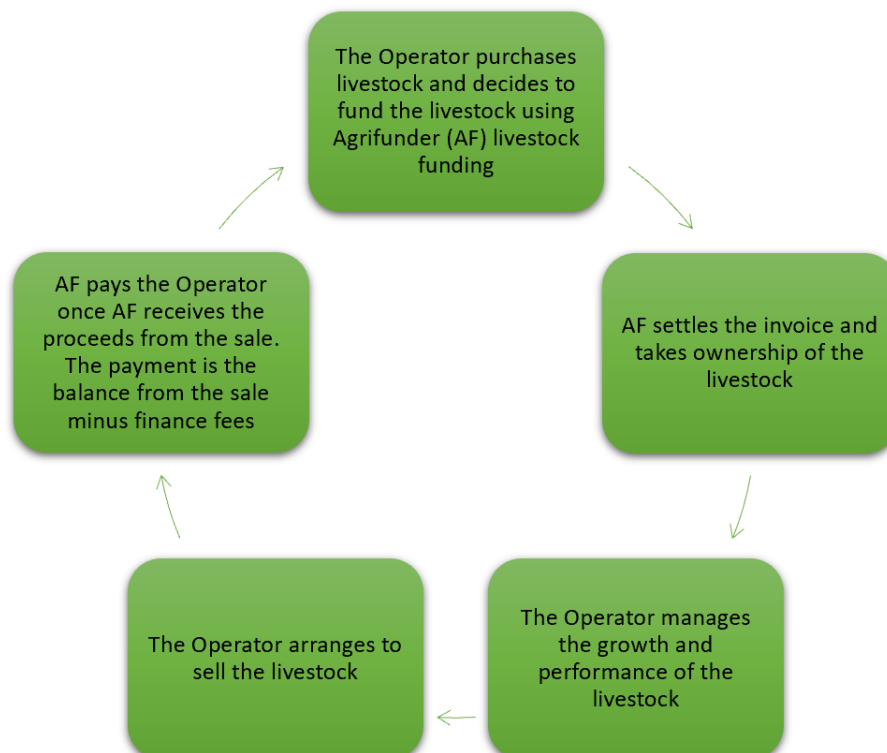
- Statement of Position (SOP) with livestock summary. (Dependent on your equity position some form of guarantor support may be required).
- Historical financial reports for a minimum of two consecutive years dated within 18 months. Must include Profit & Loss (with Livestock Trading Statement as available) and Balance Sheet).
- For each Individual/Director/Trustee/all Landholders a certified copy of driver's licence(s)
- A certified copy of the Trust Deed or Partnership Deed and Corporate Structure if relevant
- Rates notices

Once all information has been provided and your application has met the Agrifunder credit approval requirements approval can be provided within 2 business days.

You will be sent an operating contract via email for you to review and sign. We strongly recommend that you obtain independent legal and financial advice before signing this document, any related guarantee or collateral security.

You will also receive an email with a link to your Agrifunder online account where you can submit your invoices as part of your placement application for approval and funding.

Placement process:



PURCHASES & SALES

Purchase Invoice Settlement:

- The Operator negotiates for the purchase of livestock from a vendor
- The Operator receives the invoice and uploads the invoice (as part of their placement application) to their Agrifunder online account which is then reviewed, approved and scheduled for payment direct to the vendor:
 - Invoices are to be addressed: '[Operator] as Agent for Agrifunder Pty Ltd'
 - Include Agrifunder's ABN 52 622 246 486
- Provided that the transaction meets Agrifunder's requirements Agrifunder will settle the invoice
 - Settlement requirements:
 - Operator must adhere to their approved Agrifunder limit
 - NLIS tags/mob movement must be on the correct PIC where applicable (cattle and sheep)
 - The Operator must provide instruction for Agrifunder to settle their relevant invoices

Purchasing livestock through an Agent:

- Agrifunder does not hold credit accounts with livestock agents or livestock exchanges
- Accordingly, prior to purchasing livestock, the operator should have their own account in place with an Agent. The responsibility of the settlement of the invoice ultimately rests with the Operator (which is why it is advisable for a credit limit to be established with the Agent)
- In the event that an invoice doesn't meet our requirements we will work with all parties to seek a resolution
- Agents can contact Agrifunder (1800 247 438, info@agrifunder.com.au) prior to the purchase of livestock to confirm that the Operator has an active facility with limit availability. Agrifunder will respect the Operator's confidentiality and only release appropriate details for the Agent to meet the settlement requirements

Selling livestock:

- The Operator sells the livestock as Agent for Agrifunder and enters the details from the sale in their online account
- Once full proceeds for a livestock sale are received by Agrifunder and sale details are entered by the customer in their online account, Agrifunder will deduct the purchase price and funding costs and the remainder of the proceeds are paid to the Operator within 2 business days.
- Payments from Agrifunder to the Operator will be accompanied by a performance summary and relevant transaction details
- All trading profits and losses are on account of the Operator
- Sales Invoice / Kill Sheet is to be made out to '[Operator] as Agent for Agrifunder Pty Ltd'
 - The Sales Invoice must include Agrifunder's ABN 52 622 246 486
 - A copy should be sent to the Operator and Agrifunder at info@agrifunder.com.au
- **The full livestock proceeds must be sent from the Selling Agent/Processor direct to Agrifunder's proceeds account. It is the responsibility of the Operator to ensure that this happens**
- Agrifunder's proceeds account details are:
 - Name: AGRIFUNDER FINCO NO 1 PTY LTD
 - BSB: 062-692
 - ACC: 3731-0519

BOOKKEEPING

Ownership of the livestock, income and finance costs

- Agrifunder settles the invoice on behalf of the Operator and takes ownership of the livestock
- Agrifunder receives the total proceeds from the sale of the livestock which is then passed on to the Operator minus purchase price and finance costs
- The Operator receives the margin (balance) which is recorded as income

Accounting for the livestock

- Agrifunder owns the livestock therefore livestock are not recorded on the Operator's balance sheet
- There is also no livestock loan to account for or need to account for the value of the livestock or changes to those values in the Operator's accounts or tax returns
- During the finance term there is also no interest charge to account for
- Agrifunder will issue a Recipient Created Tax Invoice (RCTI) when the livestock are sold. This will account for the sale proceeds, original purchase price and any finance costs. This is the only piece of information (the RCTI) that the Operator should record on their accounting system

GST

- The operator margin for the placement (sale proceeds less purchase price less finance costs) is calculated exclusive of GST. If the producer is registered for GST then it is added to the payment
- In regards to the livestock invoice settled by Agrifunder – finance costs are only charged on the GST exclusive amount

Reporting for the Operator:

- The Operator will receive a transaction report with each purchase and sale of livestock. Additionally, the Operator can request annual or periodic reports to support general performance analysis and improvement of end of year accounts

Livestock mortality:

- Mortality of the animals is the responsibility of the Operator. Any deaths will be taken into account when calculating the payment of the Operator's margin

LIVESTOCK SECURITY - PPSR

Agrifunder owns the livestock as reflected by the correctly named invoice and settlement of that invoice. Security for the placement is further reflected by a specific livestock registration (Livestock PMSI¹) on the Personal Property Securities Register (PPSR).

- Agrifunder will commence the PPSR PMSI registration process on approval of any facility (or earlier by agreement).
- **The PPSR registration must be in place prior to any livestock moving onto the Operator's PIC to correctly record Agrifunder's interest in those assets. If livestock are present on the property as per the NLIS movement date prior to the PPSR registration date, funding may not be provided.**
- The preliminary steps of the Agrifunder application process will include conducting searches on the Operator's legal entities (ABN, ACN &/or Name) to identify any pre-existing registrations that may impede Agrifunder's PPSR priority. If any do exist, they may need to be fully discharged or amended upon further discussion with the Operator.
- Once Agrifunder's PPSR PMSI is in place, this will cover all livestock whether current or subsequently purchased. Any ongoing livestock purchases are automatically covered under this security interest without the need to register a purchase each time.
- A PPSR charge can be removed on the completion of all funding arrangements at the request of the Operator.

¹ <https://www.ppsr.gov.au/purchase-money-security-interests-pmsi>



DISCLAIMER: It is important that you consult qualified professional advisors to understand your legal and tax obligations. This document has been prepared as a general support document. It is not intended to replace professional advice. The information provided does not take account of your personal circumstances or financial situation. Lending criteria applies for all applications for credit or loans. Terms, conditions, fees and charges may apply. These details are available on application or by calling us on 1800 247 438. All information is subject to change. Products are issued by Agrifunder Pty Ltd ABN 52 622 246 486. AF210420.