



ASX Announcement
27 September 2021

DISPATCH OF NOTICE OF MEETING

Wellness and Beauty Solutions Limited (ASX:WNB) (subject to deed of company arrangement) (**Wellness** or **Company**) is pleased to confirm that on Thursday, 23 September 2021, it completed dispatch of a notice for a meeting of its shareholders to be held on **Monday, 25 October 2021 at 11.00am**.

A copy of the Notice of Meeting accompanies this announcement.

This announcement has been authorised by the Company's board of directors.

For more information contact:
Mark Hayden Dinnison
mark.dinnison@brc.capital

**WELLNESS AND BEAUTY SOLUTIONS
LIMITED (ADMINISTRATORS APPOINTED)
ACN 169 177 833
NOTICE OF GENERAL MEETING**

Notice is given that a General Meeting of the members of Wellness and Beauty Solutions Limited (Administrators Appointed) ACN 169 177 833 (**Company**) will be held:

Date: 25 October 2021
Time: 11.00am (AEDT)
Venue: Online at
<https://us02web.zoom.us/j/87507137073?pwd=cXlMcZRCMnZYZWVGQkhkemRRb3FZZz09> (Meeting ID: 875 0713 7073 Passcode: 191085)
Voting: Login to the Lumi Voting Platform at www.web.lumiagm.com/385877259

The Extraordinary General Meeting will be held electronically. Shareholders are requested to participate in the Extraordinary General Meeting virtually via the Company's online platform, or by the appointment of a proxy. Please see page 4 for details outlining the process which Shareholders should follow to participate in the Extraordinary General Meeting electronically.

In accordance with *Treasury Laws Amendment (2021 Measures No.1) Act 2021*, the Company will not be mailing physical copies of this Notice of Meeting to Shareholders, and instead this Notice of Meeting will be sent electronically to Shareholders where the Company has a record of their email address, or will otherwise be made available to Shareholders where the Company does not have a record of their email address through a URL set out in a postcard sent to them by mail. Please see page 4 for further details regarding the despatch of this Notice of Meeting to Shareholders.

Certain terms and abbreviations used in this Notice of Meeting and the Explanatory Memorandum are defined in the Glossary to the Explanatory Memorandum.

1. RESOLUTION 1 – APPROVAL OF THE ISSUE OF PLACEMENT SHARES TO A RELATED PARTY OTHERWISE PROHIBITED BY THE TAKEOVER PROVISIONS

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

'That for the purposes of ASX Listing Rule 10.11, section 611 (item 7) and section 208 of the Corporations Act, and for all other purposes, approval is given for the Company to issue 68,000,000 Placement Shares to Heat Holdings on the terms and conditions set out in the Explanatory Memorandum.'

Independent Expert's Report

Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of Shareholder approval under section 611 (item 7) of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of

the issue of shares the subject of this Resolution to the non-associated Shareholders of the Company.

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution 1 by or on behalf of:

- Heat Holdings;
- any shareholders of Heat Holdings; and
- any other person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 1 is passed,

and any associates of those persons listed above.

However, this does not prevent the casting of a vote in favour of Resolution 1 if:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the +chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

EXPLANATORY MEMORANDUM

An Explanatory Memorandum in respect of Resolution 1 is **enclosed** with this Notice of Meeting. Expressions defined in the Explanatory Memorandum have the same meaning when used in this Notice of Meeting.

By Order of the Board



Mark Dinnison
Company secretary

VIRTUAL EXTRAORDINARY GENERAL MEETING

In accordance with *Treasury Laws Amendment (2021 Measures No.1) Act 2021*, the Company will not be mailing physical copies of this Notice of Meeting to Shareholders. This Notice of Meeting will be despatched to Shareholders in the following manner:

- if the Share Registry has a record of a Shareholder's email address, the Company will send an email to that Shareholder with this Notice of Meeting included as an attachment to that email; or
- if the Share Registry does not have a record of a Shareholder's email address, the Company will mail a physical postcard to that Shareholder's registered address, containing a URL website address by which that Shareholder can access and download a copy of this Notice of Meeting electronically.

Shareholders are requested to participate in the Extraordinary General Meeting virtually via our virtual Extraordinary General Meeting platform at:

<https://us02web.zoom.us/j/87507137073?pwd=cXlMcZRCMnZYZWVGQkhkemRRb3FZUz09> (Meeting ID: 875 0713 7073 Passcode: 191085).

At the same time (on another device) Shareholders should login to the Lum Voting Platform to vote at the Meeting:

www.web.lumiagm.com/385877259

We recommend logging in to our online platform at least 15 minutes prior to the scheduled start time for the Extraordinary General Meeting using the instructions below.

VOTING ENTITLEMENTS

In accordance with section 1074E(2)(g) of the Corporations Act and regulation 7.11.37 of the Corporations Regulations 2001 (Cth), persons holding shares at 7.00 pm (AEDT) on 23 October 2021 will be treated as Shareholders. This means that if you are not the registered holder of a relevant Share at that time you will not be entitled to attend and vote in respect of that Share at the meeting.

EXTRAORDINARY GENERAL MEETING CONSIDERATIONS AND SHAREHOLDER QUESTIONS

A discussion will be held on all items to be considered at the Extraordinary General Meeting.

All Shareholders will have a reasonable opportunity to ask questions during the Extraordinary General Meeting via the virtual Extraordinary General Meeting platform.

To ensure that as many Shareholders as possible have the opportunity to speak, Shareholders are requested to observe the following:

- all Shareholder questions should be stated clearly and should be relevant to the business of the Extraordinary General Meeting, and general questions about the performance, business or management of the Company;

- if a Shareholder has more than one question on an item, all questions should be asked at the one time; and
- Shareholders should not ask questions at the Extraordinary General Meeting regarding personal matters or those that are commercial in confidence.

Shareholders who prefer to register questions in advance of the Extraordinary General Meeting are invited to do so. A Shareholder question form is available on the Company's website.

The Company will attempt to address the more frequently asked questions in the Extraordinary General Meeting. Written questions must be received by the Company or the Share Registry, Computershare by 11.00am on 23 October 2021 and can be submitted online, by mail, by fax or in person.

ALL RESOLUTIONS BY POLL

The Chairman intends to call a poll on each of the Resolutions proposed at the Extraordinary General Meeting. Each Resolution considered at the Extraordinary General Meeting will therefore be conducted by poll, rather than a show of hands. The Chairman considers voting by poll to be in the interests of the shareholders as a whole, and to ensure the representation of as many shareholders as possible at the meeting.

HOW TO VOTE

Using the online platform

We recommend logging in to the online platform at least 15 minutes prior to the scheduled start time for the Extraordinary General Meeting using the instructions below:

- To listen and ask questions Shareholders will need to enter <https://us02web.zoom.us/j/87507137073?pwd=cXlMcZRCMnZYZWVGQkhkemRRb3FZZz09> (Meeting ID: 875 0713 7073 Passcode: 191085) into a web browser on your computer or online device;
- To lodge a vote Shareholders will need to login to the Lumi Voting Platform at www.web.lumiagm.com/385877259 in a web browser on your computer or online device;
- Shareholders will need their SRN or HIN and postcode/domicile code to access the Lumi Voting Platform; and
- To receive your unique username and password, please contact Computershare Investor Services on +61 3 9415 4024 during the online registration period which will open 1 hour before the start of the Meeting.
- .

Online voting will be open between the commencement of the Extraordinary General Meeting at 11.00am (AEDT)) on 25 October 2021 and the time at which the Chairman announces voting closure.

More information about online participation in the Extraordinary General Meeting is available in the online platform guide at www.computershare.com.au/onlinevotingguide [s](#).

Appointing a proxy

A member can appoint a proxy to attend the Meeting and vote on their behalf, using the enclosed Proxy Form. A member who is entitled to vote at the meeting may appoint:

- one proxy if the member is only entitled to one vote; or
- two proxies if the member is entitled to more than one vote.

Where the member appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one half of the votes, in which case any fraction of votes will be discarded. A proxy need not be a member of the Company.

If you require an additional Proxy Form, please contact Computershare at +61 1300 850 505.

The Proxy Form and the power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by the Share Registry, Computershare, no later than 11.00am (AEDT) at 23 October 2021 (that is, at least 48 hours before the meeting). Proxies received after this time will not be accepted.

Instructions for completing the Proxy Form are outlined on the form, which may be returned by:

- posting it in the reply-paid envelope provided;
- posting it: Computershare Investor Services Pty Limited, GPO Box 242 Melbourne VIC 3001 Australia;
- faxing it to Computershare on 1800 783 447 within Australia or +61 3 9473 2555 outside Australia
- lodging it online at www.investorvote.com.au in accordance with the instructions provided on the website. You will need your HIN or SRN and postcode/country code to lodge your Proxy Form online.

Proxy Forms from corporate shareholders must be executed in accordance with their constitution or signed by a duly authorised attorney.

A proxy may decide whether to vote on any motion except where the proxy is required by law or the Constitution to vote, or abstain from voting, in their capacity as a proxy. If a proxy directs how to vote on an item of business, the proxy may only vote on that item, in accordance with that direction. If a proxy is not directed how to vote on an item of business, a proxy may vote how he/she thinks fit.

The Constitution provides that where the appointment of a proxy has not identified the person who may exercise it, the appointment will be deemed to be in favour of the Chairman of the meeting to which it relates, or to another person as the Board determines.

If a shareholder appoints the Chairman of the meeting as the shareholder's proxy and does not specify how the Chairman is to vote on an item of business, the Chairman will vote, as a proxy for that shareholder, in favour of the item on a poll.

BODY CORPORATE REPRESENTATIVES

- A corporation, by resolution of its directors, may authorise a person to act as its representative to vote at the meeting.
- A representative appointed by a corporation may be entitled to execute the same powers on behalf of the corporation as the corporation could exercise if it were an individual shareholder of the Company.
- To evidence the authorisation, either a certificate of body corporate representative executed by the corporation or under the hand of its attorney or an equivalent document evidencing the appointment will be required.
- The certificate or equivalent document must be produced prior to the meeting.

FORWARD LOOKING STATEMENTS

This Notice of Meeting, including the Explanatory Memorandum, may contain certain forward looking statements. Forward looking statements are based on the Company's current expectations about future events. Any forward looking statements are subject to known and unknown risks, uncertainties and assumptions, some of which may be out of the control of the Company and the Directors, which may cause actual results, performance or achievements to differ from future results, performance or achievements expressed or implied by the use of forward looking statements.

Forward looking statements can be identified by the use of words including, but not limited to, 'anticipates', 'intends', 'will', 'should', 'expects', 'plans' or other similar words.

WELLNESS AND BEAUTY SOLUTIONS LIMITED (ADMINISTRATORS APPOINTED) ACN 169 177 833 EXPLANATORY MEMORANDUM

1. OVERVIEW OF DEED OF COMPANY ARRANGEMENT

1.1 Background

Administration

The Company is an Australian public company incorporated on 22 April 2014 and was admitted to the Official List of ASX on 14 January 2016.

The Company's securities were suspended from official quotation on 1 February 2021 as a consequence of not meeting its quarterly reporting obligations. The Company subsequently entered voluntary administration on 30 March 2021 and Laurence Fitzgerald of William Buck was appointed as the administrator of the Company (**Administrator**).

Deed of Company Arrangement

At a meeting of creditors held on 19 July 2021, creditors of the Company approved a proposal by BRC Collective Pty Ltd (**BRC**) for the Company to enter into a deed of company arrangement (**DOCA**) and approved the appointment of Laurence Fitzgerald of William Buck as deed administrator of the Company (**Deed Administrator**).

On 9 August 2021, the Company, the Deed Administrator and BRC entered into the DOCA.

Pursuant to the terms of DOCA, among other things, BRC's nominee, Heat Holdings Pty Ltd (**Heat Holdings**), is to be issued with 68,000,000 shares in the capital of the Company (**Placement Shares**) at an issue price of \$0.0063 per Placement Share in consideration of Heat Holdings providing a contribution of \$472,763.23 to the deed fund established by the DOCA (**Contribution**) to recapitalise the Company and facilitate the exit of the Company from voluntary administration (**DOCA Placement**). As a result of this transaction Heat Holdings will acquire 50.2% of the ordinary shares in the capital of the Company, and existing Shareholders of the Company will be diluted to 49.8%.

At the time of execution of the DOCA, it was the Deed Administrator's assessment that the Company had a negative net worth, and that creditors were highly unlikely to receive any substantive return in respect of their claims if the Company were to be wound up and liquidated.

Completion of the DOCA (and the requirement for BRC to pay the Contribution) is conditional on the Company obtaining Shareholders' approval for the Resolutions contemplated within this Notice of Meeting, and in particular the issue of the Placement Shares to Heat Holdings.

Back-Door Listing and future intentions of the Company

Completion of the DOCA and subsequent exit from external administration will not place the Company in a position to seek reinstatement of its securities to the Official List – the Company will first be required to re-comply with Chapters 1 and 2 of the Listing Rules.

To this end, post completion of the DOCA, Heat Holdings intends to facilitate the acquisition of The Heat Group Pty Ltd ACN 092 941 430 (**Heat**) by the Company, pursuant to which the vendors of Heat will be issued shares in the Company in exchange for the Company acquiring all of the shares in Heat (**Back-Door Listing**). The Back-Door Listing will be undertaken in conjunction with a public offer and application to ASX for re-admission of the Company to the Official List of the ASX. On completion of the Back-Door Listing, the shareholders and participating creditors of the Company will hold an equity interest in the Company.

Heat is a personal care company that supplies wellness, beauty and cosmetics products and services. Heat was incorporated in May 2000. From 2001 to 2021, Heat progressively built up a portfolio of distributed and owned brands in the wellness, beauty and cosmetics sector.

Heat has expertise in all touchpoints to develop, source, market and distribute consumer brands, with over 40 brands across beauty, healthy living and snack food segments. Heat's distribution network is vast with 7000 retailers in Australia.

Heat intends to expand its business in connection with its public offer by growing its portfolio of brands to focus on sustainable brands, products, packaging and new segments of everyday use products optimising its distribution infrastructure and expertise.

The proposed Back-Door Listing will be subject to, among other things, the Company obtaining all necessary shareholder approvals required under the Corporations Act and the Listing Rules and all requisite waivers and confirmations considered necessary to give effect to the acquisition of Heat, including ASX confirming that the Company has satisfied Chapters 1 and 2 of the Listing Rules and the Company receiving conditional approval from ASX for the reinstatement of its Shares to official quotation on conditions satisfactory to the Company.

There is no guarantee that negotiations regarding the proposed Back-Door Listing will eventuate in legally binding documentation being executed, or if executed, that it will be on the indicative terms described above. The Company will keep the market informed in the progress of negotiations in accordance with its continuous disclosure obligations.

1.2 DOCA

The key terms of the DOCA are as follows:

(a) Completion Date

The indicative completion date of the DOCA is 31 October 2021 (**Completion Date**).

(b) **Contribution**

The Contribution to be paid by BRC or its nominee under the DOCA to the deed fund established by the DOCA (**Deed Fund**) is \$472,763.23 comprising of:

- (i) \$125,000.00 (which was paid in full on or 16 August 2021); and
- (ii) \$347,763.23 payable on the Completion Date.

(c) **Conditions Precedent**

Completion of the DOCA is subject to and conditional on (**Conditions Precedent**):

- (i) Heat Holdings, being BRC's nominee, being issued with the Placement Shares to effect a 50.2% shareholding in the capital of the Company and the Company obtaining all required shareholder approvals to such issue of shares (including those contemplated in Resolutions 1 and 2 of this Notice of Meeting);
- (ii) the Company obtaining all approvals, consents or waivers required from ASIC and ASX in relation to the transactions contemplated by the DOCA;
- (iii) the Company issuing creditors of the Company (secured creditors and unsecured creditors) with convertible notes which convert to equity in the Company upon the successful completion of the Back-Door Listing;
- (iv) BRC (in conjunction with Heat) receiving in-principle advice from ASX that Heat is an appropriate and suitable business for the purposes of ASX readmitting the Company to listing on the official list of the ASX (i.e., preliminary approval from ASX to the subsequent intended Back-Door Listing of Heat by the Company) (**ASX AIP Approval**);
- (v) BRC being satisfied with its taxation due diligence of the Company, including as to any outstanding taxation obligations and losses; and
- (vi) no material adverse change having occurred in relation to the Company between the date of DOCA and the time of making payment of the final payment of the Contribution.

The Conditions Precedent are for the benefit of BRC, and can be waived at any time by BRC.

(d) **Management and Control**

As required by the DOCA, shortly after execution of the DOCA, the former Directors of Company resigned and nominees of BRC were appointed as new directors of the Company.

(e) Deed Fund

Pursuant to the terms of the DOCA, the Deed Administrator must pay and apply the Deed Fund (which includes the Contribution made by BRC) in the following order of priority:

- (i) first, in payment of any unpaid remuneration and expenses of the Administrator;
- (ii) second, in payment of any unpaid remuneration and expenses of the Deed Administrator;
- (iii) third, in payment of all the Company's unpaid entitlements of any employee of the Company that would be entitled to priority under sections 556, 560 and 561 of the Corporations Act, as if the Company had been wound up in insolvency under Part 5.4 of the Corporations Act and any superannuation entitlements of any employee of the Company; and
- (iv) last, the balance (if any) to the Company.

(f) Creditor arrangements

Pursuant to the terms of the DOCA, creditors of the Company (secured and unsecured) will not participate in a distribution of the Deed Fund. All creditors will be issued unsecured convertible notes from respective pools of convertible notes (one pool for secured creditors of \$100,000 and one pool for unsecured creditors of \$100,000). Creditors will participate in the respective pools on a pro rata basis based on admitted claims owed to them by the Company. The convertible notes will convert to equity in the Company upon the successful completion of the Back-Door Listing. If the convertible notes do not convert, and instead mature, their principal value will become due and payable by the Company to the noteholders.

(g) Completion of the DOCA

Following completion of the DOCA, the Company will be debt free, and no security will exist over any of its assets.

1.3 Independent Expert Report

In accordance with the requirements of *ASIC Regulatory Guide: 74 Acquisitions approved by members (RG 74)*, the Company engaged the Independent Expert to prepare and provide a report (**Independent Expert's Report**) which contains an opinion on whether the proposed issue of the Placement Shares to Heat Holdings is, in the Independent Expert's opinion, fair and reasonable to non-associated Shareholders (being Shareholders who are not associated with Heat Holdings).

The Independent Expert has assessed the issue of the Placement Shares to Heat Holdings and concluded that the proposed issue of the Placement Shares to Heat Holdings is fair and reasonable to the non-associated Shareholders of the Company.

A copy of the Independent Expert's Report is attached to this document as Schedule 1.

The Independent Expert has given, and not before the date of the Notice withdrawn, its consent to the inclusion of the Independent Expert's Report in Schedule 1 of this Notice and to the references to the Independent Expert's Report in the Explanatory Memorandum being made in the form and context in which each such reference is included.

1.4 Indicative capital structure

The current capital structure of the Company as at the date of this Notice is as follows:

Security	Number
Shares	67,409,259

If the Placement Shares are issued, then 68,000,000 Shares will be issued to Heat Holdings representing approximately 50.2% of the Company's issued share capital following the issue. This means that existing Shareholders' interests in the Company will be diluted to approximately 49.8% of the Company (in aggregate). Consequently, the Shares that current Shareholders will hold following implementation will represent a significantly lower proportion of the Company's issued share capital.

Upon completion of the issue of the Placement Shares, the Company's indicative capital structure will be as follows:

Security	Number currently on issue	Number on issue post-Placement Shares
Shares	67,409,259	135,409,259

The shareholdings in the Company following implementation of the Proposal will be as follows:

Shareholder	Number of Shares after completion	% interest
Existing Shareholders	67,409,259	49.8%
Heat Holdings	68,000,000	50.2%

Total Shares	135,409,259	100.00%
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1.5 Advantages of issuing the Placement Shares (and completing the DOCA)

The key advantages of passing the Resolutions and issuing the Placement Shares to Heat Holdings under the DOCA (subject to satisfaction or waiver of the Conditions Precedent specified in 1.2(c)) are as follows:

- (a) the Independent Expert has considered the issuance of the Placement Shares and has concluded that the issuance of the Placement Shares is fair and reasonable to Shareholders of the Company. The Independent Expert's Report is provided at Schedule 1 and you are encouraged to read in full;
- (b) if the Placement Shares are not issued, and in turn the DOCA does not complete, in the absence of an alternative proposal, the Company would likely be wound up. In this event, the Deed Administrator has estimated that on a liquidation basis that there would be insufficient funds to meet all creditors' claims. Therefore, in the event of liquidation, there will be no return to Shareholders; and
- (c) the Company will exit external administration following issuance of the Placement Shares and completion of the DOCA.

1.6 Disadvantages of issuing the Placement Shares (and completion the DOCA)

The key disadvantages of passing the Resolutions issuing the Placement Shares to Heat Holdings under the DOCA (subject to satisfaction or waiver of the Conditions Precedent specified in 1.2(c)) are as follows:

- (a) existing Shareholders will have their holdings significantly diluted to approximately 49.8% of the Company's total capital following the issue of the Placement Shares. Following the issue of the Placement Shares, Heat Holdings will have a shareholding in the Company of approximately 50.2%. Consequently, Heat Holdings will control the Company and will be able to influence the management and operations of the Company. Heat Holdings alone will be able to approve resolutions at general meetings without needing the support of other Shareholders (subject to any voting exclusions). For further details about Heat Holdings' future intentions for the Company and the intended Back-Door Listing of Heat, refer to section 1.1;
- (b) The Board will be comprised solely of Heat Holdings/BRC's nominees; and
- (c) Shareholders will continue to hold Shares in an entity which is suspended from trading on the Official List following issuance of the Placement Shares. While Heat Holdings intends to seek re-admission to the ASX's Official List at the time of conducting the Back-Door Listing, there is no guarantee that the Back-Door Listing will succeed or that

following the Back-Door Listing (should it be successful) the Shares will become liquid.

1.7 Action to be taken by Shareholders

Shareholders should read this Explanatory Memorandum carefully before deciding how to vote on the Resolutions set out in the Notice of Meeting.

All Shareholders are invited and encouraged to attend the Meeting. If Shareholders are unable to attend in person, the **attached** Proxy Form should be completed, signed and returned to the Company in accordance with the instructions contained in the Proxy Form and the Notice of Meeting. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person, but the person appointed as the proxy must then not exercise the rights conferred by the Proxy Form. If the Placement Shares are approved by Shareholders and then completed, the voting power of existing Shareholders will be diluted.

1.8 Disclaimer

No person is authorised to give any information or make any representation in connection with the Placement which is not contained in this Explanatory Memorandum. Any information which is not contained in this Explanatory Memorandum may not be relied on as having been authorised by the Company or the Board in connection with the Placement.

1.9 ASIC and ASX

A copy of the Notice of Meeting and Explanatory Memorandum has been lodged with ASIC and ASX pursuant to the Corporations Act and ASX Listing Rules. Neither ASIC, ASX nor any of their officers take any responsibility for the contents of the Notice of Meeting and Explanatory Memorandum.

1.10 Enquiries

All enquiries in relation to the contents of the Notice of Meeting or Explanatory Memorandum should be directed to the Company Secretary, Mark Dinnison at mark.dinnison@brc.capital.

2. RESOLUTION 1 – APPROVAL OF THE ISSUE OF PLACEMENT SHARES TO A RELATED PARTY OTHERWISE PROHIBITED BY THE TAKEOVER PROVISIONS

2.1 General

This Notice of Meeting has been prepared to seek shareholder approval for the matters required to complete the DOCA, including the issuance of the Placement Shares. Resolution 1 seeks Shareholder approval for the purposes of:

- (a) ASX Listing Rule 10.11;
- (b) section 611 (item 7) of the Corporations Act; and
- (c) section 208 of the Corporations Act,

for approval of the issue of the Placement Shares to a related party of the Company.

2.2 ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained, unless an exception in ASX Listing Rule 10.12 applies.

Related party

Heat Holdings is an Australian propriety company that was incorporated on 15 July 2019. The directors of Heat Holdings include Paul Eric Docherty (**Paul**), David Joseph Botta (**David**) and Mark Hayden Dinnison (**Mark**), who is also the company secretary.

By virtue of Paul and David being appointed as a Directors of the Company and Mark being appointed as secretary of the Company, Heat Holdings will be considered to be a related party of the Company by operation of sections 228(2), 228(4), 228(6) and 228(7) of the Corporations Act.

Requirement for shareholder approval

As a result of the above conclusion, the issuance of the Placement Shares to Heat Holdings will result in the issue of securities to a related party of the Company. The Company is therefore required to seek Shareholder approval under ASX Listing Rule 10.11.

2.3 Section 611 (Item 7) of the Corporations Act

Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in issued voting shares in a company if, as a result of the acquisition, that person or someone else's voting power in the company increases from less than 20% to more than 20%, or from a starting point that is above 20% and below 90% (**Section 606 Prohibition**).

The voting power of a person in a body corporate is determined under section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

Section 608 of the Corporations Act states that a person has a relevant interest in securities if they:

- (a) are the holder of the securities; or
- (b) have power to exercise, or control the exercise of, a right to vote attached to securities; or
- (c) have power to dispose of, or control the exercise of power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

There are various exceptions to the Section 606 prohibition, including under section 611 (item 7) of the Corporations Act. Section 611 (item 7) of the Corporations Act provides an exception to the Section 606 Prohibition, in circumstances where the shareholders of the company approve an acquisition of a relevant interest in the company at a meeting at which no votes are cast by the acquirer of the relevant interest and the person from whom the acquisition is to be made.

Upon the issue of the Placement Shares, there will be 135,409,259 Shares on issue in the Company. As a result, Heat Holdings will have a relevant interest in 68,000,000 Shares in the Company, representing 50.2% of the voting power in the Company.

This increase in voting power would breach the Section 606 Prohibition and for this reason, the Company is seeking Shareholder approval for the purposes of section 611 (item 7) of the Corporations Act to permit the Company to issue the Placement Shares.

2.4 Section 208 of the Corporations Act

Section 208 of the Corporations Act provides that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of the Placement Shares constitutes giving a financial benefit and Heat Holdings is a related party of the Company (as explained above).

It is the view of the Company that the exceptions set out in sections 210 to 216 of the Corporations Act do not apply in the current circumstances. Resolution 1 therefore requires the approval of the Company's Shareholders under section 208 of the Corporations Act.

2.5 Technical information required by Listing Rule 14.1A

If Resolution 1 is passed, the Company will be able to proceed with the issue of the Placement Shares to Heat Holdings.

If Resolution 1 is not passed, the Company will not be able to proceed with the issue of the Placement Shares to Heat Holdings.

2.6 Independent Expert's Report

In accordance with the requirements of *ASIC Regulatory Guide: 74 Acquisitions approved by members (RG 74)*, the Company engaged the Independent Expert to prepare and provide the Independent Expert's Report which contains an analysis of whether the proposed issue of the Placement Shares to Heat Holdings is, in the Independent Expert's opinion, fair and reasonable to non-associated Shareholders (being Shareholders who are not associated with Heat Holdings).

The Independent Expert's Report accompanying this Notice sets out a detailed independent examination of the issue of the Placement Shares to enable non-associated Shareholders to assess the merits and decide whether to approve Resolution 1.

The Independent Expert has concluded that the issuance of the Placement Shares is fair and reasonable to the non-associated Shareholders. Shareholders are urged to carefully read the Independent Expert's Report to understand its scope, the methodology of the valuation and the sources of information and assumptions made.

2.7 Technical information required by section 611 (item) of the Corporations Act, section 219 of the Corporations and ASX Listing Rule 10.13

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.13, section 611 (item 7) of the Corporations Act and ASIC Regulatory Guide 74, and section 219 of the Corporations Act and ASIC Regulatory Guide 76, the following information is provided in relation to Resolution 1:

ASX Listing Rule 10.13

- (a) The name of the party to whom the Company is issuing the securities is Heat Holdings.
- (b) Heat Holdings is a related party of the Company for the purposes of ASX Listing Rule 10.1.1.

- (c) Heat Holdings is to be issued 68,000,000 Shares in the Company, which are to be on the same terms as all other fully paid ordinary securities on issue in the Company.
- (d) The Placement Shares are to be fully paid ordinary securities in the same class and with the same terms as the existing Shares on issue in the Company.
- (e) The Placement Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
- (f) The Placement Shares will be issued for \$0.0063 per Placement Share, to BRC's nominee Heat Holdings.
- (g) The purpose of the issue of the Placement Shares is to satisfy the Company's obligations under the DOCA, and recapitalise the Company.
- (h) The material terms of the DOCA are set out in section 1.1 above.

Approval pursuant to ASX Listing Rule 7.1 is not required for the issue of the Placement Shares as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Placement Shares to Heat Holdings will not be included in calculations of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

Section 611 (item 7) and ASIC RG 74

The following information is provided in accordance with section 611 (item 7) of the Corporations Act and ASIC Regulatory Guide 74: Acquisitions approved by members (RG74).

- (i) Explanation of the reasons for the issue of the Placement Shares
Please refer to section 1 of the Explanatory Memorandum.
- (j) When the issue of the Placement Shares is to occur
Please refer to section 1 of the Explanatory Memorandum.
- (k) The material terms of the DOCA and issue of the Placement Shares
Please refer to section 1.2 of the Explanatory Memorandum.
- (l) Maximum extent of the increase in the recipient's voting power in the Company

The Company currently has 67,409,259 Shares on issue. Upon the issue of the Placement Shares, the Company will have 135,409,259 Shares on issue. The maximum extent of the increase in the recipient's voting power in the Company is illustrated in the following table:

Shareholder	Number of Shares after completion	% interest
Existing Shareholders	67,409,259	49.8%
Heat Holdings	68,000,000	50.2%
Total Shares	135,409,259	100.00%

- (m) The voting power the recipient would have as a result of the acquisition and the maximum extent of the increase in the voting power of each of the recipients' relevant associates that would result from the acquisition

Please refer to the table above.

- (n) The recipient's intentions regarding the future of the Company

As set out in section 1.1, the recipient intends to facilitate the proposed Back-Door Listing, which will:

- (i) change the business of the entity;
- (ii) inject further capital into the entity;
- (iii) alter the future employment of employees of the entity; and
- (iv) redeploy the fixed assets of the entity.

- (o) Any intention of the recipient to significantly change the financial or dividend distribution policies of the Company

As at the date of this Notice of Meeting, the recipient has no intention in this respect and the Board advises that a dividend is not presently paid by the Company and there is no foreseeable change to this policy.

- (p) Recommendation of each Director as to whether Shareholders should approve the Resolution

The Directors (other than David Joseph Botta and Paul Docherty who have material personal interests in this Resolution) recommends each Shareholder approve this Resolution.

- (q) An analysis of whether the Placement Shares (the subject of this Resolution) is fair and reasonable to the non-associated Shareholders.

The Independent Expert has concluded that the issuance of the Placement Shares is fair and reasonable to the non-associated Shareholders. Shareholders are urged to carefully read the

Independent Expert's Report to understand its scope, the methodology of the valuation and the sources of information and assumptions made.

(r) Other information

As outlined above, the proposed issue of the Placement Shares to Heat Holdings under the Placement would increase Heat Holdings' relevant interest in the Company from less than 20% to more than 20%, which is prohibited under section 606 of the Corporations Act unless an exemption applies.

However, such an issue would be permitted if prior Shareholder approval is granted for the issue of the Placement Shares to Heat Holdings, which is why Resolution 1 is being put to Shareholders for their approval at the Meeting.

Other information in relation to the DOCA and issue of the Placement Shares such as indicative timetable, advantages and disadvantages and risks can be found in section 1 of this Explanatory Memorandum.

Section 219 and ASIC RG 76

(s) The related party to whom the financial benefit will be given is Heat Holdings.

(t) The nature of the financial benefit is the issue of 68,000,000 Placement Shares to Heat Holdings.

The financial benefit is not capable of being valued. The definition of "financial benefit" in Chapter 2E of the Corporations Act is very broad and captures circumstances that might not otherwise be regarded as a benefit.

(u) Heat Holdings and its related entities currently hold nil Shares in the Company.

(v) If the Placement Shares are issued, this will increase the number of Shares on issue from 67,409,259 to 135,409,259 with the effect that the shareholding of existing Shareholders would be diluted by a maximum of 50.2%, as set out in in section 1.4 above and the table below:

Shareholder	Number of Shares after completion	% interest
Existing Shareholders	67,409,259	49.8%
Heat Holdings	68,000,000	50.2%
Total Shares	135,409,259	100.00%

- For personal use only
- (w) Paul Docherty declines to make a recommendation to Shareholders in relation to Resolution 1 due to his material personal interest in the outcome of the Resolution on the basis that he is a director (and indirect controller) of Heat Holdings who will be issued with the Placement Shares.
 - (x) David Joseph Botta declines to make a recommendation to Shareholders in relation to Resolution 1 due to his material personal interest in the outcome of the Resolution on the basis that he is a director of Heat Holdings who will be issued with the Placement Shares.
 - (y) Margaret Lyndsey Cattermole declines to make a recommendation to Shareholders in relation to Resolution 1 due to her material personal interest in the outcome of the Resolution on the basis that she indirectly controls Heat Holdings who will be issued with the Placement Shares.
 - (a) There are currently no alternative options to the issue of the Placement Shares pursuant to the DOCA available to the Company.
 - (b) The impact on the Company of the issue of the Placement Shares in general is set out in section 1.

3. GLOSSARY

ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ACN 008 624 691) or, where the context requires, the Australian Securities Exchange operated by ASX Limited
ASX Listing Rules	The Official Listing Rules of ASX
Board	Board of directors of the Company
BRC	BRC Collective Pty Ltd (ACN 634 867 780) as Trustee for the Incubator and Accelerator Fund ABN 28 892 593 329
Business Day	means a day other than a Saturday, Sunday or public holiday in Melbourne.
Chairman	means the person appointed to chair the Meeting convened by the Notice.
Company	Wellness and Beauty Solutions Limited (Administrators Appointed) ACN 169 177 833
Constitution	The constitution of the Company
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Deed Administrator	Laurence Fitzgerald. See section 1.1 of the Explanatory Memorandum
Director	A director of the Company
DOCA	The deed of company arrangement dated 9 August 2021 and entered into between the Company, BRC and the Deed Administrator. See section 1.1 of the Explanatory Memorandum
General Meeting	The general meeting of the Company to be held on 25 October 2021
Heat	The Heat Group Pty Ltd ACN 092 941 430
Heat Holdings	Heat Holdings Pty Ltd ACN 168 288 346
Independent Expert	BDO Corporate Finance Pty Ltd
Independent Expert's Report	The report of the Independent Expert in Schedule 1

Listing Rules	The Listing Rules of ASX
Notice of General Meeting	The notice of General Meeting to which this Explanatory Memorandum is attached
Official List	The official list of the ASX
Placement	means the proposed issue of fully paid ordinary Shares to Heat Holdings pursuant to the DOCA as contemplated by this Notice. See section 1.1 of the Explanatory Memorandum
Placement Shares	means the 68,000,000 fully paid ordinary Shares to be issued to Heat Holdings pursuant to the DOCA. See section 1.1 of the Explanatory Memorandum
Share	A fully paid ordinary share in the Company
Share Registry or Computershare	Computershare Limited, Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067
Shareholder	A person who holds Shares in the Company

SCHEDULE 1
INDEPENDENT EXPERT'S REPORT

WELLNESS AND BEAUTY SOLUTIONS LIMITED

Independent Expert's Report and Financial Services Guide

15 SEPTEMBER 2021

FINANCIAL SERVICES GUIDE

Dated: 15 September 2021

This Financial Services Guide ('FSG') helps you decide whether to use any of the financial services offered by BDO Corporate Finance (East Coast) Pty Ltd ('BDOCF', 'we', 'us', 'our').

The FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 247420
- Remuneration that we and/or our staff and any associates receive in connection with the financial services
- Any relevant associations or relationships we have
- Our complaints handling procedures and how you may access them.

FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice to retail and wholesale clients about securities and certain derivatives (limited to old law securities, options contracts and warrants). We can also arrange for customers to deal in securities, in some circumstances. Whilst we are authorised to provide personal and general advice to retail and wholesale clients, we only provide *general* advice to retail clients.

Any general advice we provide is provided on our own behalf, as a financial services licensee.

GENERAL FINANCIAL PRODUCT ADVICE

Our general advice is typically included in written reports. In those reports, we provide general financial product advice that is prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports. These fees are negotiated and agreed to with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. In this instance, the Company has agreed to pay us a fee based on time and costs for preparing the Report.

Except for the fees referred to above, neither BDO Corporate Finance, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of general advice.

All our employees receive a salary. Our employees are eligible for bonuses based on overall company performance but not directly in connection with any engagement for the provision of a report.

REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

ASSOCIATIONS AND RELATIONSHIPS

BDO Corporate Finance (East Coast) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The general financial product advice in our report is provided by BDO Corporate Finance and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

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 BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

COMPLAINTS RESOLUTION

Internal Complaints Resolution Process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. Complaints can be in writing, addressed to the Complaints Officer, BDO Corporate Finance, Level 11, 1 Margaret St, Sydney NSW 2001 or by telephone or email, using the contact details at the top of this FSG.

When we receive a complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

If a complaint relating to general advice to a retail client is not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ('AFCA'). AFCA is an independent company that has been established to impartially resolve disputes between consumers and participating financial services providers.

BDO Corporate Finance is a member of AFCA (Member Number 11843).

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly via the details set out below.

Australian Financial Complaints Authority
GPO Box 3
MELBOURNE VIC 3001
Toll free: 1800 931 678
Email: info@afca.org

COMPENSATION ARRANGEMENTS

BDO Corporate Finance and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDO Corporate Finance or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDO Corporate Finance satisfy the requirements of section 912B of the Corporations Act 2001.

CONTACT DETAILS

You may provide us with instructions using the details set out at the top of this FSG or by emailing - cf.ecp@bdo.com.au

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PART I: ASSESSMENT OF THE PROPOSED TRANSACTION

The Shareholders
Wellness and Beauty Solutions Limited (administrators appointed)
c/o Laurence Fitzgerald of William Buck
Level 20, 181 William Street
Melbourne VIC 3000
Australia

15 September 2021

Dear Shareholders

1.0 Introduction

BDO Corporate Finance (East Coast) Pty Ltd ('BDOCF', 'we', 'us' or 'our') has been engaged by Wellness and Beauty Solutions Limited ('Wellness', 'WNB' or the 'Company') c/o Laurence Fitzgerald of William Buck ('Administrator' or 'Deed Administrator') to prepare an independent expert's report ('Report' or 'IER') in relation to the proposed recapitalisation of Wellness ('Proposed Transaction') as outlined in the Deed of Company Arrangement ('DOCA') approved by the creditors of Wellness ('Creditors') on 19 July 2021.

The Proposed Transaction is one of a number of conditions required to be met before the DOCA can be executed. Under the Proposed Transaction, the Company will issue 68,000,000 new fully paid ordinary shares to BRC Collective Pty Ltd's ('BRC' or 'Deed Proponent') nominee, Heat Holdings Pty Ltd ('Heat Holdings'), with the effect Heat Holdings will acquire a shareholding in the Company of 50.2%, and existing shareholders of Wellness ('Shareholders') diluted to 49.8%.

Execution of the DOCA will allow the Company to exit administration. The following aspects of the DOCA are relevant to the assessment of the Proposed Transaction:

- ▶ The Deed Proponent will contribute \$473k to the deed of company arrangement fund ('Deed Fund'). These funds will be used to meet the:
 - Remuneration and expenses of the Administrator totalling \$141k ('Administrator Fees');
 - Remuneration and expenses of the Deed Administrator totalling \$60k ('Deed Administrator Fees');
 - The Company's unpaid employee entitlements totalling \$272k ('Priority Employee Entitlements'); and
 - Any balance to the Company (none expected).
- ▶ Creditors will be issued an estimated 104 convertibles notes with a face value of \$200k by the Company pro rata based on their admitted claims ('Convertible Notes') in exchange for forgiveness of outstanding claims against Wellness totalling \$6.5m (subsequent to secured claims distribution) ('Creditor Claims').

The Proposed Transaction requires approval from the Shareholders in accordance with item 7, section 611 of the Corporations Act.

In this Report we provide our opinion on whether the Proposed Transaction is fair and reasonable to the Shareholders of Wellness. Given the nature and interdependency of the Proposed Transaction and the DOCA, our Report has been prepared under the assumption that the DOCA will be executed as described if Shareholders approve the Proposed Transaction.

This Report, including Part I, Part II and the appendices, should be read in full along with all other documentation provided to the Shareholders, including the Notice of Meeting and additional documents prepared by Wellness.

2.0 Assessment of the Proposed Transaction

2.1 Basis of evaluation

Approval from the Shareholders of Wellness is sought pursuant to the following requirements of the Corporations Act 2001 (Cth) ('the Act'):

- ▶ The issue of shares (i.e. the new fully paid ordinary shares issued to the Deed Proponent) under section 611, item 7 of the Act (with Shareholders entitled to vote on this resolution).

In preparing our IER, we have considered the requirements of the following regulatory guides issued by the Australian Securities and Investments Commission ('ASIC'):

- ▶ Regulatory Guide 111: Content of expert reports ('RG 111');
- ▶ Regulatory Guide 112: Independence of experts ('RG 112'); and
- ▶ Regulatory Guide 74: Acquisition approved by members ('RG 74').

RG 111 establishes guidelines in respect of independent expert reports under the Act. This regulatory guide provides guidance as to what matters an independent expert should consider to assist shareholders to make informed decisions about transactions. RG 74 explains the disclosure requirements for seeking approval under item 7, section 611 of the Act.

RG 111 also states that there should be a separate assessment of fairness and reasonableness. Our assessment of the fairness and reasonableness of the Proposed Transaction is summarised below.

2.2 Basis of assessment

2.2.1 Fairness

RG 111.11 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer. The comparison must 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
- ▶ 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

For purposes of this Report and based on our interpretation of RG 111.11:

- ▶ The Proposed Transaction will be fair to the Shareholders if the post-transaction fair market value ('FMV') of a share in Wellness on a minority basis is greater than the pre-transaction FMV of a share in Wellness on a 100% controlling basis.

2.2.2 Reasonableness

In accordance with paragraph 60 of RG 111, an offer is 'reasonable' if it is 'fair'. It might also be 'reasonable' if, despite being 'not fair', the expert believes there are sufficient reasons to accept the offer.

When deciding whether an offer is 'reasonable', factors an expert might consider include:

- ▶ the financial situation and solvency of the entity;
- ▶ the alternative options available to the entity;
- ▶ the entity's bargaining position;
- ▶ whether there is selective treatment of any shareholder;
- ▶ whether there has been a change in the practical level of control; and
- ▶ any special value of the transaction to the purchaser.

2.3 Summary of opinion

We have concluded that:

- ▶ **The Proposed Transaction is fair and reasonable to all Shareholders.**

2.3.1 Fairness of Proposed Transaction

The result of our fairness analysis of the Proposed Transaction is summarised below.

Table 1: Fairness assessment - Proposed Transaction

Per share (\$)	Reference	Low	High
FMV of a share in Wellness before the Proposed Transaction (control basis)	Section 6.4	\$0.0000	\$0.0000
FMV of a share in Wellness after the Proposed Transaction (minority basis)	Section 7.1	\$0.0000	\$0.0018

Source: BDOCF Analysis

We have determined a range of values for a share in Wellness before and after the Proposed Transaction. In accordance with ASIC guidance, the fairness of the Proposed Transaction requires an assessment of the respective value ranges.

In general, where value ranges overlap and no point within the range is considered more appropriate than any other, this indicates that there is an equivalency of value at certain points within the valuation ranges. In such circumstances, an expert may opine that an offer is 'fair'.

However, where the valuation ranges before and after the transaction have been determined on a consistent basis, and the post-transaction valuation of the securities merely incorporate valuation adjustments to reflect the transaction itself, then it may be appropriate to conclude on fairness based on the relative valuation ranges and the respective highs and lows, given they are directly comparable.

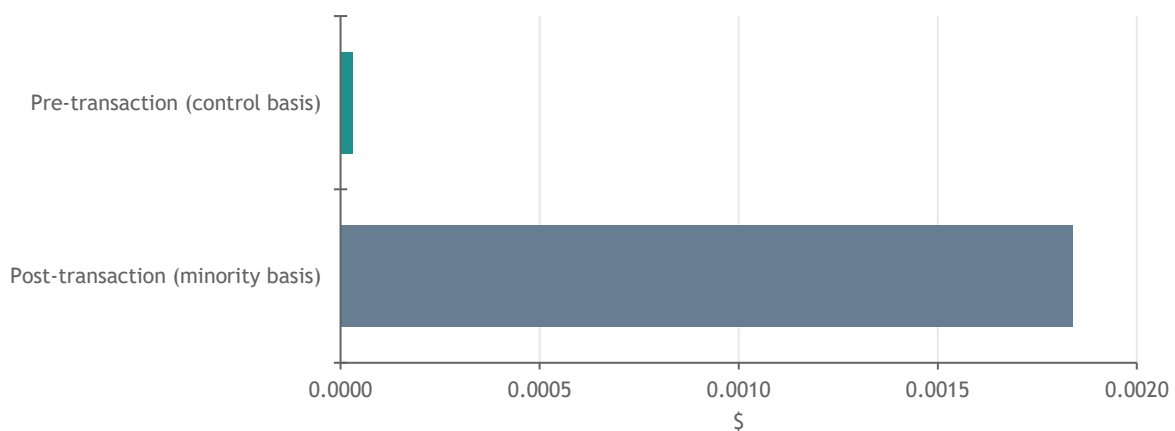
We have valued Wellness before and after the Proposed Transaction on a consistent basis. That is, we have valued Wellness using the net asset value approach both before and after the Proposed Transaction. Accordingly, we consider it appropriate to compare the value ranges, and the respective highs and lows, of Wellness before and after the Proposed Transaction.

On this basis, we note that the value of Wellness before the Proposed Transaction (on a control basis) is nil. This reflects the voluntary administration status of the Company, and in particular, the significant claims of the Creditors and Priority Employee Entitlements. The value of Wellness after the Proposed Transaction (on a minority basis) ranges from nil to \$0.0018 per share. The positive shift in value is a result of the forgiveness of Creditor Claims and payment of Priority Employee Entitlements under the DOCA, as well as the additional value associated with Wellness being a listed shell company (for the high end of the range only).

The value of Wellness after the Proposed Transaction (on a minority basis) is greater than the value of Wellness before the Proposed Transaction (on a control basis). Accordingly, the Proposed Transaction is considered fair to the Shareholders of Wellness.

A comparison of our assessed values is illustrated below.

Figure 1: Summary of fairness assessment - Proposed Transaction



Source: BDOCF Analysis

2.3.2 Reasonableness conclusion (Proposed Transaction)

In accordance with RG 111, an offer is reasonable if it is fair. As the Proposed Transaction is fair to the Shareholders it is also reasonable.

We have set out below a summary of reasonableness factors in relation to the Proposed Transaction.

Table 2: Summary of factors considered in the reasonableness assessment - Proposed Transaction

Advantages	Reference	Summary
Exit administration	9.1.1	Approval of the Proposed Transaction and execution of the DOCA will allow the Company to exit administration.
Re-quotations of shares on ASX	9.1.2	Once the Company has exited administration, there is the potential for the Company's shares to be re-quoted on the ASX. This will be subject to the ASX's re-listing rules. A re-listing would provide liquidity to Shareholders.
Ability to participate in future opportunities	9.1.3	Shareholders will retain a 49.8% ownership in the Company, giving them the ability to participate in any future opportunities that may arise. Heat Holdings has disclosed that it has the intention of using Wellness to complete a back-door listing of BRC's cosmetic and personal care distributor, The Heat Group Pty Ltd ('The Heat Group'). Approval of the Proposed Transaction gives Shareholders the opportunity to participate if the back-door listing transaction were to proceed.
Disadvantages	Reference	Summary
Dilution of Shareholder interests	9.2.1	The Shareholders will have their combined interest of 100% in Wellness diluted to 49.8% of the Company following approval of the Proposed Transaction and execution of the DOCA.
Other considerations	Reference	Summary
Risks if the Proposed Transaction does not proceed	9.3.1	If the Proposed Transaction is not approved by Shareholders, the DOCA will be unable to be executed. With no viable alternative to the DOCA, the Administrator is to recommend that the Company be liquidated. The Administrator expects that Shareholders will receive no return in the event of liquidation.

3.0 Important Information

3.1 Read this Report, and other documentation, in full

This Report, including Part I, Part II and the appendices, should be read in full to obtain a comprehensive understanding of the purpose, scope, basis of evaluation, limitations, information relied upon, analysis, assumptions underpinning our work and our findings.

Other information provided to the Shareholders in conjunction with this Report should also be read in full, including the Notice of Meeting and additional documents prepared by Wellness.

3.2 Shareholders' individual circumstances

Our analysis has been completed and our conclusions expressed at an aggregate level having regard to all Shareholders as a whole. BDOCF has not considered the impact of the Proposed Transaction on the particular circumstances of individual Shareholders. Individual Shareholders may place a different emphasis on certain elements of the Proposed Transaction relative to the emphasis placed in this Report. Accordingly, individual Shareholders may reach different conclusions as to whether or not the Proposed Transaction is fair and reasonable in their individual circumstances.

The decision of an individual Shareholder to vote in favour of or against the Proposed Transaction is likely to be influenced by their particular circumstances and accordingly, the Shareholders are advised to consider their own circumstances and seek their own independent advice.

Voting in favour of or against the resolutions is a matter for individual Shareholders based on their expectations as to the expected value and future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. The Shareholders should carefully consider the Notice of Meeting and additional documents prepared by Wellness. Shareholders who are in doubt as to the action they should take should consult their professional adviser.

3.3 Scope

This Report has been prepared for the sole benefit of Shareholders entitled to vote to assist them in their decision to vote in favour of or against the resolution. This Report is to accompany the Notice of Meeting and additional documents to be sent to Shareholders and was not prepared for any other purpose. Accordingly, this Report and the information contained herein may not be relied upon by anyone other than the Shareholders without our written consent. We accept no responsibility to any person other than the Shareholders in relation to this Report.

This Report should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of this Report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of this Report with the Notice of Meeting. Apart from this Report, we are not responsible for the contents of the Notice of Meeting prepared or any other document associated with the Proposed Transaction. We acknowledge that this Report may be lodged with regulatory authorities to obtain the relevant approvals prior to it being made available to Shareholders.

The scope of procedures we have undertaken has been limited to those procedures required in order to form our opinion. Our procedures did not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards. In preparing this Report we considered a range of matters, including the necessary legal requirements and guidance of the Corporations Act, ASIC regulatory guides and commercial practice.

In forming our opinion, we have made certain assumptions and outline these in this Report including:

- ▶ Analysis on the basis that other conditions precedent to the DOCA are satisfied (i.e. by approving the Proposed Transaction the DOCA is executed as described);
- ▶ That matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed;
- ▶ All information which is material to the Shareholders' decision to vote on resolutions has been provided and is complete, accurate and fairly presented in all material respects;
- ▶ Publicly available information relied on by us are accurate, complete and not misleading;
- ▶ If the Proposed Transaction and DOCA are implemented, they will be implemented in accordance with the stated terms;
- ▶ The legal mechanisms to implement the Proposed Transaction and DOCA are correct and effective;
- ▶ There are no undue changes to the terms and conditions of the Proposed Transaction or DOCA, or complex issues unknown to us; and
- ▶ Other assumptions, as outlined in this Report.

Wellness has acknowledged that the Company's engagement of BDO is as an independent contractor and not in any other capacity including a fiduciary capacity.

The statements and opinions contained in this Report are given in good faith and are based upon our consideration and assessment of information provided by the Board, executives and management of all the entities.

3.4 Current market conditions

Our opinion and the analysis set out in this Report is based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time and may have a material impact on the results presented in this Report and result in any valuation or other opinion becoming quickly outdated and in need of revision.

In circumstances where we become aware of and believe that a change in these conditions, results in a material statement in this Report becoming misleading, deceptive or resulting in a material change in valuation, we will provide supplementary disclosure to Wellness. BDOCF is not responsible for updating this Report following the shareholders' meeting or in the event that a change in prevailing circumstance does not meet the above conditions.

3.5 Reliance on information

Wellness recognises and confirms that, in preparing this Report, except to the extent to which it is unreasonable to do so, BDOCF or any of the partners, directors, agents or associates (together 'BDO'), will be using and relying on publicly available information and on data, material and other information furnished to BDO by Wellness, its management, and other parties, and may assume and rely upon the accuracy and completeness of, and is not assuming any responsibility for independent verification of, such publicly available information and the other information so furnished.

Unless the information we are provided suggests the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether or not the Proposed Transaction is fair and reasonable.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or due diligence investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable and in the best interests is in the nature of an overall opinion rather than an audit or detailed investigation.

It is understood that the accounting information provided to us was prepared in accordance with generally accepted accounting principles.

Where we relied on the views and judgement of management the information was evaluated through analysis, inquiry and review to the extent practical. Where we have relied on publicly available information, we have considered the source of the information and completed our own analysis to assist us to determine the reliability of the information.

However, in many cases, the information we have relied on is often not capable of external verification or validation and on that basis we provide no opinion or assurance on the information.

The authorised representatives of Wellness represent and warrant to us, for the purpose of this Report, that all information and documents furnished by Wellness (either by management directly or through advisors) in connection or for use in the preparation of this Report do not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein. We have received representations from the authorised representatives of Wellness in relation to the completeness and accuracy of the information provided to us for the purpose of this Report.

Under the terms of our engagement, Wellness has agreed to indemnify BDO against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

3.6 Glossary

Capitalised terms used in this Report have the meanings set out in the glossary. A glossary of terms used throughout this Report is set out in Appendix D at the end of this Report.

All dollar ('\$') references in this Report are in Australian dollars unless otherwise stated.

3.7 APES 225 Valuation Services

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 Valuation Services ('APES 225'). A Valuation Engagement is defined by APES 225 as '*an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.*'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

3.8 Qualifications

BDOCF has extensive experience in the provision of corporate finance advice, including takeovers, valuations and acquisitions. BDOCF holds an Australian Financial Services Licence issued by ASIC for preparing expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

BDOCF and its related parties in Australia have a wide range of experience in transactions involving the advising, auditing or expert reporting on companies that have operations domestically and in foreign jurisdictions. BDO in Australia is a national association of separate partnerships and entities and is a member of the international BDO network of individual firms.

Stephen Seear and Tony Schiavello have prepared this Report with the assistance of staff members. Mr Seear and Mr Schiavello directors of BDO with extensive experience in corporate advice and the provision of professional services to a diverse range of clients. Both Mr Seear and Mr Schiavello are considered to have the appropriate experience and professional qualifications to provide the advice offered within this Report.

BDO Corporate Finance (East Coast) Pty Ltd



Stephen Seear
Director



Tony Schiavello
Director

PART II: INFORMATION SUPPORTING OUR OPINION ON THE PROPOSED TRANSACTION

1.0 Overview of the Proposed Transaction

This section is a summary only and should not be treated as a complete description of the Proposed Transaction. The Shareholders should refer to the Notice of Meeting prepared by Wellness for detailed and additional information relating to the Proposed Transaction and the key parties involved.

1.1 Proposed Transaction

The Proposed Transaction contemplates the issue of 68,000,000 new fully paid ordinary shares to Heat Holdings with the effect Heat Holdings will acquire a shareholding in the Company of 50.2%, and the Shareholders diluted to 49.8%.

The Proposed Transaction is a condition precedent to the execution of the DOCA. Execution of the DOCA will allow the Company to exit administration. The following aspects of the DOCA are relevant to the assessment of the Proposed Transaction:

- ▶ The Deed Proponent will contribute \$473k to the Deed Fund. These funds will be used to meet the:
 - Administration Fees;
 - Deed Administration Fees;
 - Priority Employee Entitlements; and
 - Any balance to the Company.
- ▶ Creditors will be issued an estimated 104 Convertible Notes with a face value of \$200k in exchange for forgiveness of the Creditor Claims totalling \$6.5m.

Our analysis of the Proposed Transaction has been completed under the assumption that if the Proposed Transaction is approved by Shareholders the DOCA will be executed as described (i.e. all other conditions precedent will be met).

1.2 Key conditions precedent to DOCA

Completion of the DOCA remains subject to the following key conditions precedent:

- ▶ Heat Holdings being issued with 68,000,000 shares in Wellness to effect a 50.2% shareholding and the Company obtaining all required Shareholder approvals;
- ▶ The Company obtaining all approvals, consents or waivers required from ASIC and ASX for the Proposed Transaction;
- ▶ The Company issuing the Convertible Notes to the Creditors;
- ▶ The Deed Proponent receiving in-principle advice from ASX that The Heat Group is an appropriate and suitable business for the purpose of ASX readmitting the Company to listing on the official list of the ASX (i.e. preliminary approval from ASX to the subsequent intended back-door listing of The Heat Group by the Company). For more details on The Heat Group see Section 3.1;
- ▶ The Deed Proponent being satisfied with its taxation due diligence of the Company, including as to any outstanding taxation obligations and losses; and
- ▶ No material adverse change having occurred.

1.3 Strategic rationale

1.3.1 Exit from administration

Approval of the Proposed Transaction and execution of the DOCA will allow the Company to exit Administration. Shareholders will retain some ownership but will be significantly diluted, decreasing from 100% pre-Proposed Transaction to 49.8% post-Proposed Transaction. If the DOCA is not executed the Company is likely to be liquidated.

2.0 Background of Wellness

2.1 Overview

Wellness was formerly known as Total Face Group Limited and first listed on the ASX in January 2016. After making a number of acquisitions the Company changed its name to Wellness and Beauty Solutions Limited in November 2018.

Wellness provides non-invasive and non-surgical cosmetic treatments in Australia. The Company operates through three segments; a network of clinics and spas that provide non-invasive medical aesthetic treatments and complementary wellness and beauty services ('Immersion Clinical Spas'), a consumer brands segment that develops, manufactures and sells various beauty products ('The Giving Brands Company'), and a brand distributor to clinics, salons and spas across Australia and New Zealand ('True Solutions'). Wellness also owns half of an incorporated joint venture company, Micro19 Pty Ltd ('Micro19'), which produces hand sanitiser. The Administrator has advised that they are not aware of any realisable assets held by Micro19.

In March 2020 the COVID-19 pandemic forced the closure of Immersion Clinical Spas. In order to address its capital structure following the effects of the pandemic, the Company:

- ▶ Issued 96m shares following the conversion of convertible notes worth c.\$1.5m;
- ▶ Raised c.\$1.3m via share placement with 163m shares issued;
- ▶ Amended maturity dates on outstanding convertible notes to October 2021;
- ▶ Raised c.\$222k through a share purchase plan; and
- ▶ Converted a c.\$191k loan to equity.

The Company entered into an agreement to sell Immersion Clinical Spas on 20 September 2020, however the transaction failed to complete and was eventually abandoned.

On 1 February 2021 it was announced to the market that the securities of Wellness would be suspended from trading following non-lodgement of its December 2020 quarterly report. It was also announced that the Company was in discussion with parties in relation to securing a funding agreement to provide additional working capital. On 30 March 2021 Wellness voluntarily appointed Laurence Fitzgerald of William Buck as Administrator.

2.2 Voluntary administration

Following the appointment by the Company, the Administrator conducted the following relevant tasks:

- ▶ Assumed control of the Company's business and available assets;
- ▶ Made the decision to cease trading immediately after conducting an urgent assessment of the Company's financing requirements to continue operations;
- ▶ Began the process of vacating the Immersion Clinical Spas owned by Wellness and preparing the property, plant and equipment for sale; and
- ▶ Liaised with interested parties regarding the potential recapitalisation or sale of the business and/or assets of the Company.

In total, 45 parties expressed interest in acquiring the business and/or assets of the Company. From these 45 parties, the Administrator received five final binding offers for purchase of the assets of the Company. Negotiations were conducted with an additional four parties regarding alternative proposals for a DOCA, none of which were acceptable to the Administrator. At the date of the second creditor meeting (13 May 2021) the sale of the business operations of the Company as going-concerns had not been possible. Therefore, the Administrator elected to proceed with the sale of surplus inventory, plant and equipment and intellectual property to various strategic buyers by way of auction and private sale.

Immediately prior to the second creditor meeting, the Administrator was approached by the Deed Proponent to allow more time before confirming the liquidation of Wellness so that the current DOCA proposal could be prepared. The Administrator agreed and adjourned the second meeting to negotiate the conditions of the DOCA.

On 19 July 2021, the Administrator recommended that Creditors vote to accept the proposed DOCA.

2.3 Equity structure

Wellness has one class of fully paid ordinary shares currently outstanding. As of 30 March 2021, the Company had 67,409,259 shares on issue, with the top 20 Shareholders owning 46.7% of the outstanding shares.

Table 3: Shareholder structure

Name	Shares	%
Top 20 shareholders	31,463,987	46.7%
Remaining	35,945,272	53.3%
Total	67,409,259	100.0%

Source: 210331_WNB_Share_Register

2.4 Historical financial information

This section sets out the historical financial information of Wellness. As this Report contains only summarised historical financial information, we recommend that any user of this Report read and understand the additional notes and financial information contained in the annual reports, including the full statements of profit or loss and other comprehensive income, statements of financial position and statements of cash flows.

In particular, we note that the Company voluntarily entered administration on 30 March 2021 after failing to lodge their December 2020 half year accounts.

2.4.1 Historical profit and loss (reported)

Table 4: Summarised historical profit and loss statement (reported)

\$'000	FY19	FY20
Revenue from continuing operations	9,932	10,682
Cost of goods sold	(4,105)	(5,894)
Gross profit	5,827	4,788
Gross profit margin (%)	58.7%	44.8%
Other income	-	281
Interest revenue	35	6
Contractor expenses	(1,515)	(1,157)
Occupancy expenses	(1,666)	(529)
Employee benefits expense	(5,153)	(4,800)
Depreciation and amortisation expense	(1,822)	(2,981)
Impairment of investments	(5,278)	(2,930)
Loss on disposal of assets	(209)	(309)
Advertising and promotion expense	-	(1,263)
Loss on deferred consideration	(28)	-
Consulting expenses	(819)	(637)
Other expenses	(2,023)	(1,809)
Finance costs	(590)	(581)
Net profit/(loss) before income tax expense from continuing operations	(13,241)	(11,921)
Income tax (expense)/benefit	(78)	135
Loss after income tax (expense)/benefit from continuing operations	(13,319)	(11,786)
Loss after income tax expense from discontinued operations	(233)	-

Source: Wellness FY20 Statutory Accounts, Wellness FY19 Statutory Accounts

With reference to the reported earnings summary above, we note the following:

- ▶ Revenue from continuing operations increased by 7.6% in FY20. This was however more than offset by the significant increase in cost of goods sold, resulting in a 17.8% decline in gross profit.
- ▶ Employee benefits expense is the largest of the Company's operating expenses. This decreased by 6.9% in FY20 relative to FY19, translating to a positive effect on operating profit margin.
- ▶ The Company recorded significant impairment of investments in each of FY19 and FY20. Both impairments are related to a write down of the carrying value of Immersion Clinical Spas, highlighting the ongoing troubles that have been facing this particular business segment, as well as the business as a whole.
- ▶ The significant net loss in each of the past two financial years shows the extent of the financial difficulty the Company has been facing. Further, we note that the Company has failed to record an operating profit in any financial period since listing on the ASX.

2.4.2 Historical statement of financial position

Table 5: Summarised historical statement of financial position

\$'000	30-Jun-19	30-Jun-20
Current assets:		
Cash & cash equivalents	1,043	1,041
Trade and other receivables	298	830
Inventories	2,188	3,749
Other current assets	714	136
Total current assets	4,243	5,756
Non-current assets:		
Property, plant and equipment	1,970	753
Right-of-use assets	-	2,107
Intangibles	7,846	4,275
Other non-current assets	376	267
Total non-current assets	10,192	7,402
Total assets	14,435	13,158
Current liabilities:		
Trade and other payables	(2,865)	(3,771)
Borrowings (current)	(2,473)	(1,641)
Lease liabilities (current)	-	(625)
Provisions (current)	(278)	(361)
Contract liabilities	(480)	(395)
Total current liabilities	(6,096)	(6,793)
Non-current liabilities		
Borrowings (non-current)	(1,481)	(947)
Lease liabilities (non-current)	-	(1,934)
Deferred tax	(371)	(292)
Provisions (non-current)	(174)	(72)
Total non-current liabilities	(2,026)	(3,245)
Total liabilities	(8,122)	(10,038)
Net assets	6,313	3,120
Equity:		
Issued capital	36,710	45,681
Reserves	-	57
Accumulated losses	(30,397)	(42,618)
Total equity	6,313	3,120

Source: Wellness FY20 Statutory Accounts, Wellness FY19 Statutory Accounts

With reference to the table above, we note the following:

- ▶ Inventory is the largest of the Company's current assets. Further, the proportion of inventories as a percentage of total assets has increased to 30 June 2020, reflecting shifting focus towards the products side of the business after the closure of Immersion Clinical Spas.
- ▶ Right-of-use assets reflect the adoption of AASB 16 and represent property leases only.
- ▶ Intangibles are the most significant assets on the balance sheet. The majority of the balance at 30 June 2020 is made up of goodwill, with the remainder comprised of development, website, trademarks and licenses, and formulations.
- ▶ Trade and other payables is the Company's most significant liability. Similar to inventories, the increase in FY20 reflects the shift towards the products side of the business.

- ▶ Other significant liabilities include both current and non-current borrowings, which reflect interest bearing debt, as well as current and non-current lease liabilities, which are the liability associated with the right-of-use assets under AASB 16.
- ▶ The significant accumulated losses balance of \$42.6m at 30 June 2020 reflects the historically poor operating performance of the Company.

2.4.3 Historical statement of cash flows

Table 6: Summarised cash flow statements

\$'000	FY19	FY20
Cash flow from operating activities:		
Receipts from customers	11,392	11,024
Payments to suppliers and employees	(18,055)	(15,721)
Interest received	14	5
Other revenue	-	150
Finance costs	(375)	(515)
Net operating cash flows	(7,024)	(5,057)
Cash flows from investing activities:		
Payments for investments	(8)	-
Payments for property, plant and equipment	(236)	(119)
Payments for intangibles	(147)	(15)
Payments for security deposits	-	(40)
Proceeds from disposal of business	1,400	-
Proceeds from disposal of property, plant and equipment	10	-
Proceeds from release of security deposits	-	150
Net cash acquired on business acquisition	66	-
Net investing cash flows	1,085	(24)
Cash flow from financing activities:		
Proceeds from issue of shares	8,391	7,528
Proceeds from borrowings	209	1,451
Proceeds from the issue of convertible notes	20	-
Share issue transaction costs	(422)	(438)
Repayment of borrowings	(1,450)	(2,837)
Repayment of lease liabilities	-	(625)
Net financing cash flows	6,748	5,079
Net cash flow changes	809	(2)
Cash and cash equivalents at the beginning of the financial year	234	1,043
Cash and cash equivalents at the end of the financial year	1,043	1,041

Source: Wellness FY20 Statutory Accounts, Wellness FY19 Statutory Accounts

With reference to the table above, we note the following:

- ▶ Wellness recorded a significant negative net operating cash flow in each of FY19 and FY20, highlighting the cash burn from the historical poor operating performance. Wellness has continually made payments to suppliers greater than its receipts from customers.
- ▶ Historically, the Company has relied on financing cash flows to fund the cash out flows from operations. In particular, the significant cash inflows from issuing shares and proceeds from borrowings show the reliance on external financing.

2.4.4 Latest management profit and loss (30 March 2021)

Table 7: Management trading summary

\$'000	YTD 30 March 2021
Revenue	4,422
Cost of goods sold	(2,623)
Gross profit	1,798
Gross profit margin (%)	40.7%
Other income	420
Employee benefits expense	(1,891)
Depreciation and amortisation	(1,032)
Finance costs	(450)
Contractor expenses	(1,079)
Occupancy expenses	(252)
Impairment	-
Other expenses	(1,749)
Net profit/(loss) before income tax expense	(4,233)

Source: Wellness and Beauty Solutions - Second Report to Creditors - 13 May 2021

With reference to the table above, we note the following:

- ▶ Gross profit margin has continued the negative trend evident in FY20, decreasing further to 40.7% YTD 30 March 2021, down on the 58.7% recorded in FY19 and 44.8% recorded in FY20.
- ▶ Employee benefits expense continued to be the most significant of the Company's operating expenses.
- ▶ Once again, Wellness recorded a significant net loss before tax, highlighting the financial difficulties facing the Company.

2.4.5 Latest management statement of financial position

Table 8: Management statement of financial position

\$'000	30-Mar-21
Current assets:	
Cash & cash equivalents	113
Trade and other receivables	321
Inventories	3,665
Other assets	201
Total current assets	4,300
Non-current assets:	
Property, plant and equipment	355
Right-of-use assets	1,828
Intangibles	4,283
Other non-current assets	563
Total non-current assets	7,029
Total assets	11,329
Current liabilities:	
Trade and other payables	(4,172)
Borrowings (current)	(3,398)
Lease liabilities (current)	(466)
Provisions (current)	(239)
Contract liabilities	(709)
Total current liabilities	(8,983)

\$'000	30-Mar-21
Non-current liabilities	
Borrowings (non-current)	(564)
Lease liabilities (non-current)	(1,730)
Deferred tax	(252)
Provisions (non-current)	(234)
Total non-current liabilities	(2,780)
Total liabilities	(11,763)
Net assets	(434)

Source: Wellness and Beauty Solutions - Second Report to Creditors - 13 May 2021

With reference to the table above, we note the following:

- ▶ The Company's cash position has declined markedly at 30 March 2021, dropping from \$1.0m at 30 June 2020 to \$113k.
- ▶ Total borrowings have increased significantly, as Wellness looked to finance their continued operating losses with debt.
- ▶ Net asset position has further declined on 30 June 2020, to a negative \$434k position. This highlights the size of the Company's liabilities relative to its assets, and is a key reason behind the appointment of the Administrator.

2.4.6 Administrator statement of financial position (subsequent to secured claims distribution)

Table 9: Administrator statement of financial position (subsequent to secured claims distribution)

\$'000	19-July-21
Total assets	-
Liabilities:	
Priority employee entitlements	(272)
Secured creditors	(2,576)
Unsecured creditors	(4,347)
Total liabilities	(7,195)
Net assets	(6,652)

Source: Wellness and Beauty Solutions - Second Supplementary Report to Creditors - 19 July 2021

In the Administrator's report to the Creditors a summary of the Company's remaining assets and outstanding liabilities has been prepared. This serves the purpose of estimating the returns available to Creditors under the DOCA scenario. We have relied upon the balances in the summary to prepare the statement of financial position above. All assets identified by the Administrator have been liquidated and used to partially pay the secured claims in the form of a distribution. It has been assumed that all other assets have either been sold or are considered to be worthless, and all other liabilities have been settled or are no longer owed by the Company.

With reference to the table above, we note the following:

- ▶ There are no assets remaining after the Administrator's efforts to sell or collect each asset to meet the secured claims.
- ▶ The majority of liabilities from the Management statement of financial position at 30 June 2020 have been settled or are no longer relevant.
- ▶ The remaining liabilities are listed in their order of payment priority.
- ▶ Priority Employee Entitlements comprise of amounts owed to employees and include superannuation, annual leave, long service leave, payment in lieu of notice and redundancy.
- ▶ Secured creditors primarily consist of the Company's lenders where debt is secured ('Secured Creditors'), while unsecured creditors are largely made up of lessors, professional services companies, as well as other unsecured lenders ('Unsecured Creditors').
- ▶ The significant negative net asset position reflects the administration status of the Company and the poor recoverability facing the Creditors.

2.5 Other items

2.5.1 Tax losses

Wellness has a significant accumulation of tax losses, totalling \$15.4m at 30 June 2020, which have the potential to be used to offset the tax payable on future profits. Historically, the Company has not recorded a tax loss asset on the balance sheet due to the significant uncertainty regarding its ability to earn profits in the future. For the accumulated losses to be of value, the Company will either need to prove it is capable of earning future profits while retaining the same majority ownership and control (unlikely given the current administration status), or pass the ATO's business continuity test following a transaction where there is a change in majority ownership and control.

3.0 Background of BRC

3.1 Overview

BRC is a venture capital/early stage private equity fund with offices in Melbourne and Sydney. The Company has a focus on early stage technology and novel ideas. BRC's portfolio includes the following companies:

- ▶ 3DMEDiTech;
- ▶ SmileStyler;
- ▶ Serkel;
- ▶ Premium Food Group;
- ▶ The Heat Group; and
- ▶ Hood Movetech

In the DOCA, BRC's nominee Heat Holdings has put forth its intention to complete a back-door listing of BRC's cosmetic and personal care distributor, The Heat Group. The Heat Group was founded in 2000 and is based in Melbourne. Heat Holdings has disclosed that it is the intention to complete the back-door listing transaction in the period following the execution of the DOCA. There is however no certainty that the transaction will take place.

4.0 Profile of Wellness (post-Proposed Transaction)

4.1 Ownership structure

The resulting ownership structure of Wellness (before and after the Proposed Transaction) is summarised below.

Table 10: Wellness ownership structure

	Pre-Proposed Transaction		Post-Proposed Transaction	
	Shares	%	Shares	%
Existing shareholders	67,409,259	100.0%	67,409,259	49.8%
BRC	-	0.0%	68,000,000	50.2%
Total	67,409,259	100.0%	-	0.0%

Source: Deed of Company Arrangement, 210331_WNB_Share_Register

The above ownership structure is based on the following assumptions, as per the DOCA and the Administrator's comments:

- ▶ 68,000,000 new fully paid ordinary shares are issued to Heat Holdings; and
- ▶ Creditors are issued an estimated 104 convertibles notes representing a total value of \$200k.

4.2 Financial position

The table below details the financial position of Wellness before and after the approval of the Proposed Transaction and assumed execution of the DOCA. The pre values reflect the Administrator statement of financial position as discussed in Section 2.4.6, while the post values adjust for the effect of the DOCA.

Table 11: Wellness financial position (pre and post Proposed Transaction/DOCA)

\$'000	Pre	Post
Total assets	-	-
Liabilities:		
Priority employee entitlements	(272)	-
Secured creditors	(2,167)	-
Unsecured creditors	(4,347)	-
Convertible Notes	-	(200)
Total liabilities	(6,786)	(200)
Net assets	(6,786)	(200)

Source: Wellness and Beauty Solutions - Second Supplementary Report to Creditors - 19 July 2021, BDO Analysis

With reference to the table above, we note the following:

- ▶ The Company's has no remaining assets following the distribution to the Secured Creditors to partially meet the secured claims.
- ▶ Priority Employee Entitlements are settled using the contribution to the Deed Fund made by the Deed Proponent.
- ▶ Secured and Unsecured Creditors agree to forgive the Creditor Claims in exchange for Convertible Notes. We have assumed that the Convertible Notes are classified as debt under AASB 9, given a fixed value and variable number of shares are to be issued, at their face value of \$200k.
- ▶ As a result of the payment of Priority Employee Entitlements the Company's net asset position increases from a negative \$6.8m position to a negative \$0.2m position.

5.0 Valuation Methodologies

5.1 Fairness assessment overview

For purposes of this Report and as mentioned in Section 2.2.1:

- ▶ The Proposed Transaction will be fair to the Shareholders if the post-transaction FMV of a share in Wellness on a minority basis is greater than the pre-transaction FMV of a share in Wellness on a 100% controlling basis.

The valuation methods commonly used for the above analyses are considered below.

5.2 Valuation methods

Details of common methodologies for valuing businesses and assets are included at Appendix B. The principal methodologies which can be used are as follows:

- ▶ Income approaches, i.e. discounted cash flow ('DCF')
- ▶ Capitalisation approaches (also known as 'relative' valuation approaches)
- ▶ Asset based methods, i.e. net asset value ('NAV')
- ▶ Quoted market prices ('QMP').

RG 111 does not prescribe which methodology should be used by the expert, but rather notes that the decision lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the securities or assets being valued.

Set out below is a discussion of the valuation methods we consider appropriate for the purposes of undertaking the required valuations for our fairness assessment.

5.3 Valuation method for Wellness before the Proposed Transaction

As summarised below, we consider an asset based method to be the most appropriate valuation method for Wellness before the Proposed Transaction. Our conclusion was reached given the Company is currently in administration, has no operating assets remaining and has not operated since the Directors voluntarily appointed the Administrator on 30 March 2021. We do not consider any other method to be appropriate for the purposes of cross-checking our valuation. Income and capitalisation approaches inherently assume that the business is trading or is capable of trading, while a QMP valuation is not relevant given the Company has been suspended from trading since 1 February 2021.

Table 12: Selected valuation methods for Wellness (before the Proposed Transactions)

Methodology	Appropriate?	Explanation
Capitalisation approach	×	The capitalisation approach typically involves applying a multiple to future maintainable earnings of the business. Wellness has not operated since the Administrator was appointed. Further, the unsuccessful sale process of the business as a going concern and subsequent sale of assets by the Administrator suggests that the Company is no longer capable of operating and generating the revenue/earnings required under the capitalisation approach.
Income approach (DCF)	×	The income approach requires a forecast of future earnings. As outlined above in the discussion of the capitalisation approach, the Company has no future operating prospects. Therefore, we do not consider the income approach to be appropriate for valuing Wellness.
Asset based valuation	✓	An asset based valuation approach is typically used where the subject company is loss making (or not making enough profit), not a going-concern, a holding company or it holds significant assets such that it is considered 'asset rich'. Wellness is in administration and not considered to be a going-concern. Therefore we consider an asset based valuation approach, and specifically a NAV approach to be the most appropriate, and only method, to value Wellness.
QMP valuation	×	The QMP methodology is only a relevant method for public companies, who are traded on a regulated and observable market. Wellness is a public company traded in an observable market, however the Company has been suspended from trading since 1 February 2021. At the time of being suspended, the significance of the financial troubles facing the Company weren't entirely clear to the market, with the securing of alternative financing a possibility. The Directors were unable to secure financing and subsequently appointed the Administrator on 30 March 2021.

5.4 Valuation method for Wellness after the Proposed Transaction

We have also valued Wellness after the Proposed Transaction using an asset based method, with the key differences between the two valuations being the additional shares to be issued under the Proposed Transaction, as well as the forgiveness of debt (Secured and Unsecured Creditor Claims) and payment of Priority Employee Entitlements.

We have also considered the value of Wellness as a listed shell company in our valuation. Following the Proposed Transaction and execution of the DOCA, Wellness is effectively a listed shell company. Listed shell companies can have notional value above what is reflected on their balance sheet due to potential cost savings associated with a back-door listing or similar transaction. The exact savings are transaction specific and dependent on the re-listing requirements, which we note have trended towards standard listing requirements, potentially reducing the listed shell benefits.

5.5 Other valuation considerations

5.5.1 Future events and synergies

We have considered the Wellness business that existed as at the date of this Report. Growth potential, which may result from new activities, business initiatives, acquisitions and the like (which are not capable of estimation), is not within the scope of our assessment. We have not considered special value in forming our opinion.

5.5.2 Minority discount

Undertaking the fairness assessment in accordance with relevant ASIC guidance requires that we compare the value of Wellness before the Proposed Transaction on a control basis with the value of Wellness after the Proposed Transaction on a minority basis.

In our assessment of an appropriate minority discount for Wellness, we have reviewed Australian public company acquisitions over the period 2012 to 2020. In particular, we have reviewed the average offer premium to the share price both one day before, and one month before the offer announcements. The minority discount is then calculated as the inverse of the determined premium.

Based on our analysis, we consider a minority discount of 17% to be appropriate for Wellness. Further detail and analysis is shown in Appendix C.

5.5.3 Tax losses

Wellness has a significant balance of tax losses (\$15.4m at the latest available 30 June 2020). Although these losses have the potential to offset tax payable on future profits, the current administration status of the Company and future outlook suggest that it is unlikely Wellness will be in a position to earn future profits under the current ownership structure.

Australian tax rules outline that losses can be carried forward indefinitely, provided the Company has maintained the same majority ownership and control. If majority ownership and control has changed then the Company must satisfy the ATO's business continuity test. Given the uncertainty of meeting the business continuity requirements we do not consider it appropriate to include a value attributed to the tax losses in either the pre or post Proposed Transaction valuation of Wellness. Further, the Company will only be able to utilise a portion of the tax losses based on the relative value of the Company before and after any transaction. We note that our opinion does not constitute tax advice and does not suggest that the Company will be unsuccessful in meeting the requirements to utilise existing tax losses in the future.

5.5.4 Valuation in accordance with APES 255

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services, as issued by the Australian Professional and Ethical Standards Board.

6.0 Valuation of Wellness before the Proposed Transaction

When valuing Wellness before the Proposed Transaction, we have undertaken the following:

- ▶ Considered the future trading possibilities of the Company as determined by the Administrator;
- ▶ Reviewed the Administrator's return to creditors under a DOCA scenario ('Return to Creditors') which details the financial position of the Company at the latest date prior to the DOCA date;
- ▶ Estimated the FMV of Wellness before the Proposed Transaction by determining the net asset value of the Company;
- ▶ Estimated the number of outstanding shares (on a diluted basis); and
- ▶ Estimated the FMV of a share in Wellness before the Proposed Transaction on a controlling basis.

6.1 Future trading possibilities

Upon appointment, the Administrator made the decision to cease trading immediately after conducting an urgent assessment of the Company's financing requirements to continue operations. The Administrator then conducted a sales process in an attempt to sell the business operations of the Company as going-concerns. This ultimately proved unsuccessful, with the Administrator electing to proceed with the sale of surplus inventory, plant and equipment and intellectual property. These facts, along with the Administrator's intended recommendation of liquidation if the DOCA does not proceed, suggests that Wellness has no future trading possibilities in its current state.

6.2 Financial position

Management accounts have not been maintained since the appointment of the Administrator. We have relied upon the Return to Creditors, which details the assets and liabilities that remain in the Company according to the Administrator, and the Administrator's statement of financial position as detailed in Section 2.4.6. Our adopted financial position for valuation purposes is shown below.

Table 13: Valuation financial position (pre-Proposed Transaction)

\$'000	Low	High
Total assets	-	-
Liabilities:		
Priority employee entitlements	(272)	(272)
Secured creditors	(2,167)	(2,167)
Unsecured creditors	(4,347)	(4,347)
Convertible Notes	-	-
Total liabilities	(6,786)	(6,786)
Net assets	(6,786)	(6,786)

Source: Wellness and Beauty Solutions - Second Supplementary Report to Creditors - 19 July 2021, BDOCF Analysis

With reference to the table above, we note the following:

- ▶ No assets remain in the company following the distribution to the Secured Creditors. The balances of the liabilities have been provided by the Administrator and are used in the DOCA. Therefore, we have adopted a range with the same low and high.

Having regard to the above, we have adopted an equity position of nil for purposes of our valuation of Wellness.

6.3 Number of shares on issue

As of 30 March 2021, Wellness had 67,409,259 fully paid ordinary shares on issue. We have assumed the total number of shares to be 67,409,259 (on a fully diluted basis).

6.4 Value summary

Our valuation of Wellness before the Proposed Transaction is summarised below.

Table 14: Valuation of Wellness before the Proposed Transaction

\$	Low	High
Net assets	(6,786,308)	(6,786,308)
Equity value	-	-
Number of shares	67,409,259	67,409,259
FMV of a share in Wellness (control basis)	-	-

Source: BDOCF Analysis

As shown above, we have estimated the FMV of a share in Wellness before the Proposed Transaction to be nil on a controlling basis.

7.0 Valuation of Wellness after the Proposed Transaction

We have valued Wellness after the Proposed Transaction using an asset based method, taking into account the following key changes resulting from the Proposed Transaction:

- ▶ Forgiveness of debt (Creditor Claims) and payment of Priority Employee Entitlements from the Deed Fund totalling \$6.8m;
- ▶ Notional value attributed to Wellness being a listed shell company following the Proposed Transaction and execution of the DOCA, estimated to range from nil to \$500k;
- ▶ Minority discount of 17%;
- ▶ A total number of shares (on a diluted basis) of 135,409,259 reflecting an additional 68,000,000 shares from the Proposed Transaction.

7.1 Financial position

Our adopted financial position for valuation purposes is shown in the table below. The liabilities show the effect of the forgiveness of Creditor Claims in exchange for Convertible Notes (assumed to be treated as debt), and the payment of Priority Employee Entitlements from the Deed Fund.

Table 15: Valuation financial position (post-Proposed Transaction)

\$'000	Low	High
Total assets	-	-
Liabilities:		
Priority employee entitlements	-	-
Secured creditors	-	-
Unsecured creditors	-	-
Convertible Notes	(200)	(200)
Total liabilities	(200)	(200)
Net assets	(200)	(200)

Source: Wellness and Beauty Solutions - Second Supplementary Report to Creditors - 19 July 2021, BDOCF Analysis

7.2 Valuation summary

Our valuation of Wellness after the Proposed Transaction is summarised below.

Table 16: Valuation of Wellness after the Proposed Transaction

\$	Low	High
Net assets	(200,000)	(200,000)
Add: listed shell company value	-	500,000
Adjusted net assets	(200,000)	300,000
Equity value	-	300,000
Number of shares	135,409,259	135,409,259
FMV of a share in Wellness (control basis)	-	0.0022
Minority discount	17%	17%
FMV of a share in Wellness (minority basis)	-	0.0018

Source: BDOCF Analysis

As shown above, we estimate the post-transaction FMV of a share in Wellness on a minority to be between nil and \$0.0018.

8.0 Assessment of Fairness

8.1 Fairness assessment

For purposes of this Report and based on our interpretation of RG 111.11, the fairness assessment is based on the following:

- ▶ The Proposed Transactions will be fair to the Shareholders if the post-transaction FMV of a share in Wellness on a minority basis is greater than the pre-transaction FMV of a share in Wellness on a 100% controlling basis.

8.1.1 Fairness of Proposed Transaction

The result of our fairness analysis of the Proposed Transaction is summarised below.

Table 17: Fairness assessment - Proposed Transaction

Per share (\$)	Reference	Low	High
FMV of a share in Wellness before the Proposed Transaction (control basis)	Section 6.4	\$0.0000	\$0.0000
FMV of a share in Wellness after the Proposed Transaction (minority basis)	Section 7.1	\$0.0000	\$0.0018

Source: BDOCF Analysis

We have determined a range of values for a share in Wellness before and after the Proposed Transaction. In accordance with ASIC guidance, the fairness of the Proposed Transaction requires an assessment of the respective value ranges.

In general, where value ranges overlap and no point within the range is considered more appropriate than any other, this indicates that there is an equivalency of value at certain points within the valuation ranges. In such circumstances, an expert may opine that an offer is 'fair'.

However, where the valuation ranges before and after the transaction have been determined on a consistent basis, and the post-transaction valuation of the securities merely incorporate valuation adjustments to reflect the transaction itself, then it may be appropriate to conclude on fairness based on the relative valuation ranges and the respective highs and lows, given they are directly comparable.

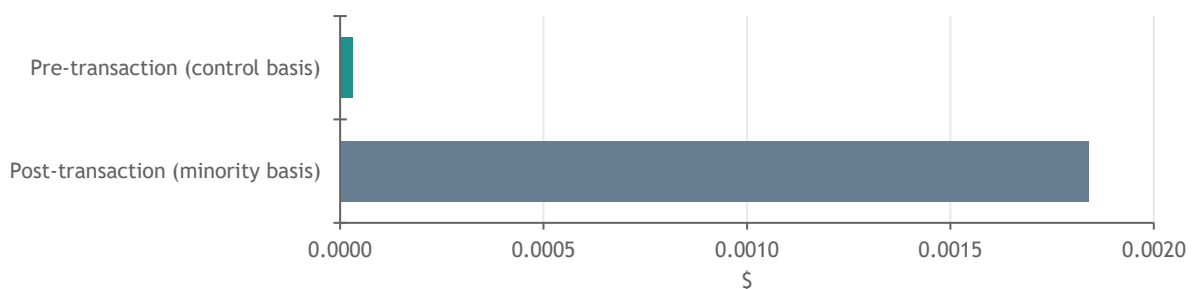
We have valued Wellness before and after the Proposed Transaction on a consistent basis. That is, we have valued Wellness using the net asset value approach both before and after the Proposed Transaction. Accordingly, we consider it appropriate to compare the value ranges, and the respective highs and lows, of Wellness before and after the Proposed Transaction.

On this basis, we note that the value of Wellness before the Proposed Transaction (on a control basis) is nil. This reflects the voluntary administration status of the Company, and in particular, the significant claims of the Creditors and Priority Employee Entitlements. The value of Wellness after the Proposed Transaction (on a minority basis) ranges from nil to \$0.0018 per share. The positive shift in value is a result of the forgiveness of Creditor Claims and payment of Priority Employee Entitlements under the DOCA, as well as the additional value associated with Wellness being a listed shell company (for the high end of the range only).

The value of Wellness after the Proposed Transaction (on a minority basis) is greater than the value of Wellness before the Proposed Transaction (on a control basis). Accordingly, the Proposed Transaction is considered fair to the Shareholders of Wellness.

A comparison of our assessed values is illustrated below.

Figure 2: Summary of fairness assessment



Source: BDOCF Analysis

9.0 Assessment of Reasonableness

We set out below the other considerations we consider relevant to the Proposed Transaction.

9.1 Advantages

9.1.1 Exit administration

Approving the Proposed Transaction and execution of the DOCA allows the Company to exit administration. The Deed Proponent will contribute funds to the Deed Fund to meet the Administrator Fees, Deed Administrator Fees, Priority Employee Entitlements, with any remaining funds going to the Company. Creditors will forgive their Creditor Claims in exchange for Convertible Notes.

9.1.2 Re-quotation of shares on ASX

Once the Company has exited administration, there is the potential for the Company's shares to be re-quoted on the ASX. This will be subject to the ASX's re-listing rules. A re-listing would provide liquidity to Shareholders.

9.1.3 Ability to participate in future opportunities

Retaining an ownership in Wellness allows the Shareholders to participate in future opportunities that may arise, albeit at a significantly diluted ownership. Heat Holdings has disclosed that it has the intention of using Wellness to complete a back-door listing of BRC's cosmetic and personal care distributor, The Heat Group. Approval of the Proposed Transaction gives Shareholders the opportunity to participate if the back-door listing transaction were to proceed.

9.2 Disadvantages

9.2.1 Dilution of shareholder interests

The Shareholders will have their combined interest of 100% in Wellness diluted to 49.8% of the Company following approval of the Proposed Transaction and execution of the DOCA.

9.3 Other considerations

9.3.1 Risks if the Proposed Transaction does not proceed

If the Proposed Transaction is not approved by Shareholders, the DOCA will be unable to be executed. With no viable alternative to the DOCA, the Administrator is to recommend that the Company be liquidated. The Administrator expects that Shareholders will receive no return in the event of liquidation.

9.4 Conclusion on reasonableness

In accordance with RG 111, an offer is reasonable if it is fair. As the Proposed Transaction is fair to the Shareholders, it is also reasonable.

APPENDIX A: Sources of Information

This Report has been prepared using information obtained from sources including the following:

- ▶ Deed of Company Arrangement dated 19 July 2021;
- ▶ Wellness Annual Reports for FY19 and FY20;
- ▶ Intrepid Management Accounts for YTD 30 March 2020;
- ▶ Wellness and Beauty Solutions - Initial Report to Creditors - 1 April 2021;
- ▶ Wellness and Beauty Solutions - Second Report to Creditors - 13 May 2021;
- ▶ Wellness and Beauty Solutions - Supplementary Report to Creditors - 3 June 2021;
- ▶ Wellness and Beauty Solutions - Second Supplementary Report to Creditors - 19 July 2021;
- ▶ 210331_WNB_Share_Register;
- ▶ Tax Return Data (Ashfords);
- ▶ Capital IQ;
- ▶ IBISWorld;
- ▶ Mergermarket;
- ▶ Other research publications and publicly available data as sourced throughout this Report; and
- ▶ Discussions and correspondence with Wellness, Administrator, BRC and their advisers.

APPENDIX B: Common Valuation Methodologies

Discounted cash flow

The DCF approach calculates the value of an entity by adding all of its future net cash flows discounted to their present value at an appropriate discount rate. The discount rate is usually calculated to represent the rate of return that investors might expect from their capital contribution, given the riskiness of the future cash flows and the cost of financing using debt instruments.

In addition to the periodic cash flows, a terminal value is included in the cash flow to represent the value of the entity at the end of the cash flow period. This amount is also discounted to its present value. The DCF approach is usually appropriate when:

- ▶ An entity does not have consistent historical earnings but is identified as being of value because of its capacity to generate future earnings; and
- ▶ Future cash flow forecasts can be made with a reasonable degree of certainty over a sufficiently long period of time.

Any surplus assets, along with other necessary valuation adjustments, are added to the DCF calculation to calculate the total entity value.

Capitalisation approach

The capitalisation approach involves identifying a maintainable earnings stream for an entity and multiplying this earnings stream by an appropriate capitalisation multiple. Any surplus assets, along with other necessary valuation adjustments, are added to the capitalisation approach calculation to calculate the total entity value. For early stage technology business that are not yet profitable but are forecast to be, a capitalisation approach can be applied to revenues, in place of earnings.

A capitalisation approach can be applied by assessing multiples with reference to market evidence as to multiples of comparable companies for a number of measures, including: earnings, revenues, assets and various other operating metrics, etc.

Adjustments are made to the applicable measure for any non-commercial, abnormal or extraordinary items.

The capitalisation multiple typically reflects issues such as business outlook, investor expectations, prevailing interest rates, quality of management, business risk and any forecast growth not already included in the calculation of the applicable measure. While this approach also relies to some degree on the availability of market data, the multiple is an alternative way of stating the expected return on an asset.

The capitalisation approach has broad application (e.g. for profitable and loss-making companies) and is usually considered appropriate when relevant comparable information is available.

Asset based valuations

An ABV (also known as Net Asset Value) is used to estimate the fair market value of an entity based on the book value of its identifiable net assets. The ABV approach using a statement of financial position alone may ignore the possibility that an entity's value could exceed the book value of its net assets. However, when used in conjunction with other methods which determine the value of an entity to be greater than the book value of its net assets, it is also possible to arrive at a reliable estimate of the value of intangible assets including goodwill.

Alternatively, adjustments can be made to the book value recorded in the statement of financial position in circumstances where a valuation methodology exists to readily value the identifiable net assets separately and book value is not reflective of the true underlying value. Examples of circumstances where this type of adjustment may be appropriate include when valuing certain types of identifiable intangible assets and/or property, plant and equipment.

The ABV approach is most appropriate where the assets of an entity can be identified and it is possible, with a reasonable degree of accuracy, to determine the fair value of those identifiable assets.

Quoted market prices

A QMP methodology determines a value for an entity by having regard to the value at which securities in the entity have recently been purchased. This approach is particularly relevant to:

- ▶ Entities whose shares are traded on an exchange. The range of share prices observed may constitute the market value of the shares where a sufficient volume of shares is traded and the shares are traded over a sufficiently long period of time; and/or
- ▶ Entities for which it is possible to observe recent transactions relating to the transfer of relatively large parcels of shares (e.g. recent capital raisings).

For listed entities, the range of share prices observed may constitute the market value of the shares in circumstances where sufficient volumes of shares are traded and the shares are traded over a sufficiently long period of time. Share market prices usually reflect the prices paid for parcels of shares not offering control to the purchaser.

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APPENDIX C: Control Premium Analysis

Investment fundamentals dictate that the value of 100% of an entity is normally greater than the sum of values attributable to the individual shares of that company based on transactions in minority share holdings. The difference between the value of 100% of a company and the total value of minority share holdings is referred to as a “premium for control” taking into account control and synergistic benefits for the acquirer.

Control of a company by a shareholder gives that shareholder rights to which minority shareholders are not entitled, including control of the company’s policies and strategies, and use of cash flows of the company.

A premium for control is applicable when an acquisition would give rise to benefits such as:

- ▶ the ability to realise synergistic benefits;
- ▶ access to cash flows;
- ▶ access to tax benefits; and
- ▶ control of the board of directors of the company.

Therefore, a transaction premium would typically include a premium for control as well as potential buyer specific synergies.

The level of premium for control paid in a takeover bid will vary across industries and is dependent upon the specifics of the company being acquired. In arriving at an appropriate premium for control to apply, we note that buyers would generally assess the following considerations:

- ▶ level of liquidity in the trade of the target’s securities;
- ▶ synergistic value;
- ▶ nature and magnitude of non-operating assets;
- ▶ nature and magnitude of discretionary expenses;
- ▶ perceived quality of existing management;
- ▶ nature and magnitude of business opportunities not currently being exploited; and
- ▶ ability to integrate the target into the acquirer’s business.

In our assessment of an appropriate control premium for Intrepid, we have reviewed Australian public company acquisitions over the period 2012 to 2020. In particular, we have reviewed the average offer premium to the share price one day and one month before the offer announcements. Displayed in the tables below are the average control premiums categorized by transaction size.

Table 18: Average Australian public company control premiums (transaction size less than \$200 million)

Year	Number of Transactions	Average Deal Value (\$m)	Average control premium 1-Day before (%)	Average control premium 1-Month before (%)
2020	5	86	37%	53%
2019	16	71	54%	48%
2018	17	78	34%	35%
2017	14	81	15%	23%
2016	16	83	57%	66%
2015	18	92	40%	46%
2014	21	68	28%	36%
2013	22	77	30%	32%
2012	26	91	34%	43%
Mean		80	36%	41%
Median		77	31%	35%

Source: Mergermarket and BDOCF analysis

Table 19: Average Australian public company control premiums (all transaction sizes)

Year	Number of Transactions	Average Deal Value (\$m)	Average control premium 1-Day before (%)	Average control premium 1-Month before (%)
2020	17	453	39%	54%
2019	38	758	33%	33%
2018	43	1,304	33%	38%
2017	27	1,059	22%	24%
2016	35	888	41%	46%
2015	33	662	31%	36%
2014	40	1,074	21%	30%
2013	29	152	29%	30%
2012	48	495	35%	42%
Mean		790	31%	37%
Median		200	25%	30%

Source: Mergermarket and BDOCF analysis

Having considered the market evidence of transaction premiums, we note the following:

- ▶ average control premiums across all transaction sizes 1-day prior to the announcement generally fall within a range of 21% to 41%;
- ▶ a higher range of 24% to 54% is observed for average control premiums 1-month prior to the announcement;
- ▶ smaller transactions (deal value less than \$200 million) exhibit higher average control premiums;
- ▶ there have been fewer transactions in 2020 compared to prior years due to global pandemic, which increases the susceptibility to bias by outliers (therefore, the median values across a wider range of years is considered more meaningful); and
- ▶ Acquirers typically pay premiums for two main reasons: 1) the value of control and 2) the value of synergies. Hence, it is not unreasonable to assume that the observed premiums as presented in Table 18 and Table 19 include both the element of control and the value of synergies.

BRC will own a 98% interest in the ordinary equity of Wellness as a result of the Proposed Transaction. This level of ownership constitutes majority control. Any additional raising of capital may result in the Shareholders stake being diluted further than the 2% ownership following the Proposed Transaction.

Based on the above, we consider a control premium of 20% (at the lower end of the range) to be appropriate for Wellness, this is the equivalent of a 17% minority discount.

APPENDIX D: Glossary

Reference	Definition
\$ or AUD	Australian Dollars
Administrator Fees	Remuneration and expenses of the Administrator
Administrator, or Deed Administrator	Laurance Fitzgerald of William Buck
AFCA	Australian Financial Complaints Authority
APES 225	Australian Professional & Ethical Standards Board standard 225 Valuation Services
ASIC	Australian Securities and Investments Commission
BDO, BDOCF, we, us, our	BDO Corporate Finance (East Coast) Pty Ltd
BRC, or the Deed Proponent	BRC Collective Pty Ltd as trustee for the Incubator and Accelerator Fund
Convertible Notes	Convertibles notes to be issued to the Creditors in exchange for the forgiveness of Creditor Claims
Creditor Claims	Secured and unsecured outstanding claims against Wellness
Creditors	Creditors of Wellness, both secured and unsecured
c.	Circa, or approximately
DCF	Discounted cash flow
Deed Administrator Fees	Remuneration and expenses of the Deed Administrator
Deed Fund	Deed of company arrangement fund
DOCA	Deed of company arrangement
FMV	Fair Market Value
FSG	Financial Services Guide
FYXX	Financial year ending 30 June 20XX
Heat Holdings	Heat Holdings Pty Ltd
Immersion Clinical Spas	Wellness business segment; network of clinics and spas that provide non-invasive medical aesthetic treatments and complementary wellness and beauty services
Micro19	Incorporated joint venture company, Micro19 Pty Ltd, which produces hand sanitiser
NAV or ABV	Net asset value
Priority Employee Entitlements	The Company's unpaid employee entitlements
Proposed Transaction	Proposed recapitalisation of Wellness
QMP	Quoted market price
Reference	Definition
Report, or IER	Independent Expert's Report
Return to Creditors	Administrator's estimates of the return to Creditors if the DOCA is executed
RG 111	Regulatory Guide 111: Content of expert reports
RG 112	Regulatory Guide 112: Independence of experts
RG 74	Regulatory Guide 74: Acquisition approved by members
Secured Creditors	Creditors of Wellness with secured debt outstanding
Shareholders	Any person holding shares in Wellness
the Act	Corporations Act 2001 (Cth)
The Giving Brands Company	Wellness business segment; consumer brands segment that develops, manufactures and sells various beauty products
The Heat Group	The Heat Group Pty Ltd
True Solutions	Wellness business segment; brand distributor to clinics, salons and spas across Australia and New Zealand
Unsecured Creditors	Creditors of Wellness with debt outstanding without security
Wellness, WNB or the Company	Wellness and Beauty Solutions Limited

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