The livestock **specialist**

2015/16 ANNUAL REPORT

Wellard

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WELLARD 2015/16 ANNUAL REPORT

Wellard is an agribusiness that connects primary producers of cattle, sheep and other livestock to customers globally through a vertically integrated supply chain. Wellard sources livestock in markets globally where production is surplus to domestic requirements and sells livestock and meat to customers in markets where demand exceeds local production.

As the largest exporter of live cattle from Australia, Wellard's business accounts for approximately 27% of all cattle exports in FY2016 and a significant portion of exports from South America.

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

Passion, commitment and courage to **innovate**

Wellard is passionate about its commitment to innovation, strategic outcomes, community investment, animal welfare and the safety of its people.

WELLARD LIMITED
ABN 53 607 708 190

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2015/16 HIGHLIGHTS

WELLARD 2015/16 ANNUAL REPORT

DEBUTED ON
ASX
DEC 10, 2015

LARGEST
CATTLE EXPORTER
IN AUSTRALIA

ON-THE-GROUND
PRESENCE IN
TEN
COUNTRIES

LAUNCH OF M/V OCEAN
SHEARER INCREASED
CAPACITY BY 50%

36
YEARS
OPERATING
IN AUSTRALIA

PRO FORMA NET
PROFIT AFTER TAX
$14.8 MILLION

PURCHASED OVER
1,000
CATTLE AND
900 SHEEP
PER DAY

EXPANDED
OPERATIONS
INTO
SOUTH
AMERICA

GREW
MARKETS IN
TURKEY,
EGYPT &
ISRAEL

OVER 200
FULL TIME
STAFF
EMPLOYED

FOCUS ON ANIMAL
WELFARE &
TRACEABILITY

MESSAGE FROM THE CHAIRMAN

Dear Shareholders

On behalf of the Wellard Limited Board, I present to you the first annual report for Wellard since it listed on the Australian Securities Exchange, the 2016 Annual Report.

The Company has experienced a challenging start to life as a listed company.

Due to a convergence of factors, it did not achieve the forecasts outlined in its prospectus.

Despite these challenges, I am pleased with how the Company actively responded to the circumstances it could control, the profit we were able to achieve despite the headwinds we were confronted with, and the platform for growth that Wellard has been able to establish.

The Company reported pro forma net profit after tax of $14.8 million and EBITDA of $38.7 million.

This was supported by a near record number of cattle shipped by Wellard (almost 425,000 head), an increased presence in South America as part of our supply diversification strategy, and continued strong global demand for red meat.

Wellard's longer term business case and its value proposition remain strong, notwithstanding the current challenges.

In a period of cattle supply restrictions in Australia and record high Australian cattle prices, we have seen customer resistance to those high prices which caused margin compression as well as various operational and delivery difficulties for some of our vessels. However, we were still able to record a pro forma net profit after tax of $14.8 million.

Looking to FY2017 we have every expectation that

1. our shipping fleet will maintain its high utilisation rates,
2. we will begin to see a return to our target margins by geographically diversifying our supply mix (an advantage of the mobile assets that Wellard possesses); and
3. we will see over time the return of Australian supply to more normal conditions.

We are also looking forward to a full year of operations of the M/V Ocean Shearer. Its induction into the Wellard fleet boosts Wellard's shipping capacity by 50 per cent, however the vessel completed only one voyage during FY2016 due to its later than expected delivery. With a full year contribution in FY2017 we expect the vessel will be a significant contributor to Wellard's future financial results.

China remains a key market opportunity for Wellard. A number of feedlots and abattoirs are nearing the final stages of construction and will soon be ready to take Australian cattle, a market Wellard will be actively pursuing. Wellard will be looking to see the best way to find value from its own interest in Chinese facilities via its interest in the Wellard Joint Venture.

Wellard has now received all approvals for the construction of a new pre-export quarantine facility at Livingstone, near Darwin, Northern Territory. We anticipate it to be operational in FY2018. This purpose-built facility will provide a number of advantages to Wellard including improved performance when compared to our older, leased premises. This will include operational efficiencies from improved induction and load-out design; better environmental performance and also revenue from third party consigners who use the facility.

Wellard continues to invest in animal welfare enhancements through new assets and procedures. This can also enhance productivity for Wellard and our clients. One example of the impact we are having at a broader level is that a traceability app developed by Wellard for the export of livestock to Vietnam is now used by other industry participants, after being made freely available by the Company.

As a result of the recent tightened margins on cattle trading and the working capital demands of the South American-sourced trade, the board took the prudent decision not to declare a dividend.

Wellard has its finance team and advisors focused on finding the best solution to provide it with the working capital it requires to grow South American trade, completing a finance facility for the M/V Ocean Kelpie, and dealing with the breaches in its Australian working capital facility.

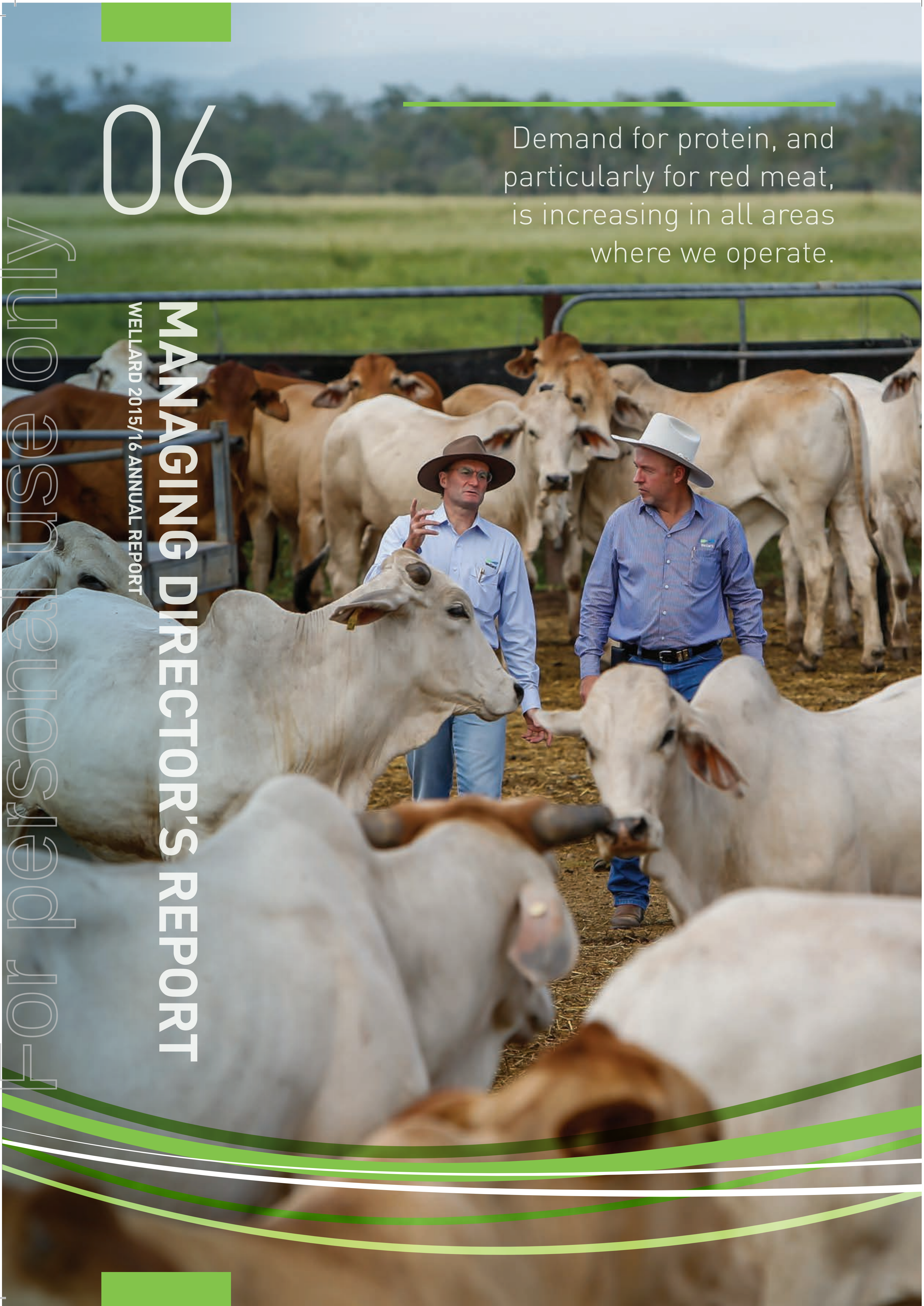
I would like to take this opportunity to thank Wellard's board, management and staff for their hard work during our inaugural year of listing. The team has navigated through a series of unanticipated challenges, such as margin compression, working capital needs, vessel breakdowns and late deliveries yet we continue to manage with vigour, diligence and professionalism. We expect to see progress in the upcoming year as we consolidate our assets and operational efficiencies. There is a lot to do and we look forward to delivering on our priorities for FY2017.

Yours sincerely,

David Griffiths
NON-EXECUTIVE CHAIRMAN

Wellard's longer term business case and its value proposition remain strong, notwithstanding the current challenges

MANAGING DIRECTOR'S REPORT



Demand for protein, and particularly for red meat, is increasing in all areas where we operate.

We have strived to be the best for more than 30 years. Things have not changed now that we are a listed company. We have always put integrity, passion and courage to innovate as our core values and all the team share this vision.

This is my first report as CEO of Wellard Ltd as a listed company on the ASX. In December 2015 we floated our family business on the Australian Stock Exchange. For me, the motivation for listing was, and it still is, to grow the business my father Emilio created more than 50 years ago and to bring it to the next level thanks to the support of a larger group of stakeholders.

Our first months as a listed company have been very challenging, far from what we wanted them to be and what we forecast. Unexpected events, such as the almost concurrent breakdowns of two of our ships (the M/V Ocean Outback and the M/V Ocean Swagman), a delay in the delivery of our new ship (the M/V Ocean Shearer) and record breaking cattle prices in Australia have created a "perfect storm" which the Wellard business has not experienced in the past 20 years.

In response, we maintained our focus on the future and worked through a number of the issues to deliver an inaugural pro forma Net Profit after Tax (NPAT) as a listed company of $14.8 million. This was driven by revenue of $573.8 million and proforma Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of $38.7 million.

As at 30 June 2016 Wellard possessed net assets of $188.7 million.

Despite our challenges, we have delivered on important strategic milestones, such as capable logistics and the expansion of our shipping capacity as we accepted delivery of the largest and newest purpose built livestock carrier in the world. We have developed our global supply network by significantly increasing our exports from South America to diversify from our previous reliance on Australian cattle.

Our volume has remained high with almost 425,000 cattle shipped and 384,291 sheep and goats processed or exported live. This is testament to our strong presence in the industry and the opportunities available which will bear fruit in the future when market conditions improve. We have recently increased our presence in Turkey, with the creation of a joint venture which will fatten cattle to enable Wellard to extract revenue further along the value chain. We have also expanded our footprint in some markets in the Middle East with a new marketing team and a larger number of exported animals.

The safety of our staff and contractors is extremely important to us. Wellard is committed to providing safe and healthy workplaces for our employees. To ensure we make real progress in delivering on this commitment we have commenced development of an integrated Health Safety and Environment (HSE) management approach. We measure safety by recording and analysing employee incidents and injuries with the goal of setting improvement initiatives and delivering safer outcomes. To assure progress in our safety performance improvement we have

also appointed an experienced HSE manager who will improve our workplace safety knowledge and capabilities.

I have been very fortunate to have had the privilege to work with our board of directors who have provided support during some difficult times and also enjoyed the support of all the producers around the world who have supplied cattle and sheep to Wellard during the year.

I would also like to congratulate our management, staff and crew, because they have demonstrated great enthusiasm for the changes we have implemented during the listing process and have continued to work tirelessly for the success of the company, with continued focus on animal welfare and operational efficiency.

OUTLOOK

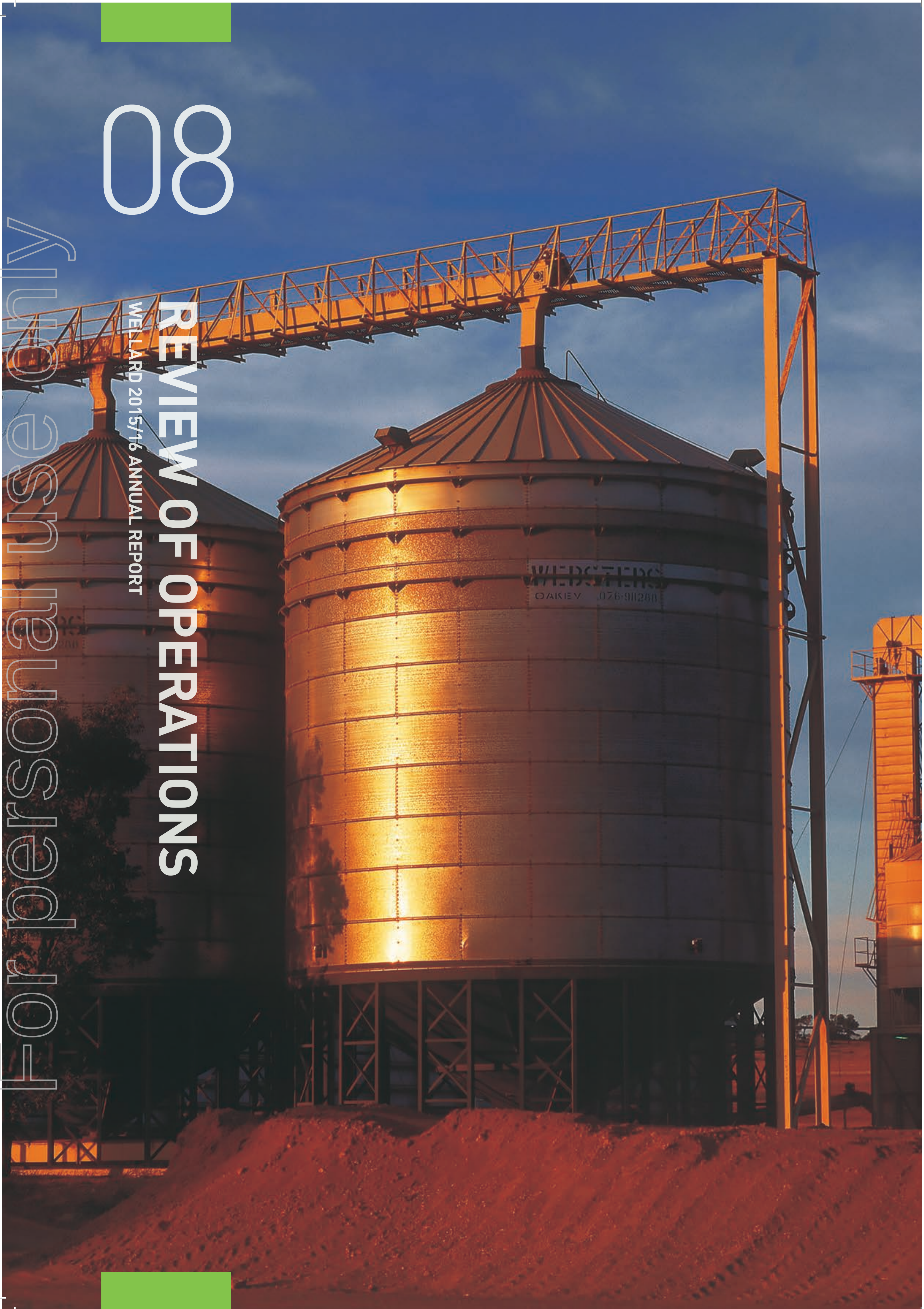
Demand for protein, and particularly for red meat, is increasing in all areas where we operate. With a larger fleet, the opening of new markets and expansion of existing customers, we are looking forward to the new financial year with optimism but mindful that market conditions are still challenging.

We are acutely aware of the difficulties created by the high prices of cattle in Australia and the impact they will have on our margins, especially in the first half of the year. Nevertheless, we have worked with our customers, including charterers of our ships, to maximise efficiency and returns.

There are signs that some significant events may happen in the next months which could have a positive influence on our business. These include the potential opening of new sourcing markets in South and Central America into South East Asia and the commencement of maritime export of live cattle for slaughter to China as the local importing facilities are being finished and certified for Australian cattle, including animal welfare requirements of ESCAS. This will have a positive effect on the supply and demand balance and hopefully re-establish good margins.

We have a very solid platform, tested by many years of operations, on which to base our growth and regain the confidence of our investors.

Mauro Balzarini
MANAGING DIRECTOR & CEO



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REVIEW OF OPERATIONS

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Wellard's report on operations should be read in conjunction with the Directors Report and Financial Statements.

our future

GROWING TO MEET FUTURE GLOBAL DEMANDS

Wellard is the largest exporter of cattle from Australia and a significant seaborne livestock exporter globally with a presence in ten countries. This scale means that we are a regular and ongoing buyer of livestock across a variety of species, breeds, ages and weights to meet the varying needs of our customers. This market presence and capacity to provide a "whole-of-production" solution is attractive to producers.

In FY2016, Wellard generated approximately 94% of revenue from Livestock Marketing and Export and 6% of revenue from Processed Meat Marketing and Export.

Wellard was listed on the Australian Stock Exchange in December 2015. During the reporting period, Wellard has faced difficulties including the breakdown of vessels, increased prices of cattle in Australia and a delay in the delivery of the M/V Ocean Shearer. Despite this, we have been able to respond and positively work through the issues resulting in pro forma net profit after tax of $14.8 million and EBITDA of $38.7 million for FY2016 from the export of almost 425,000 cattle; and 384,291 sheep and goats, most of which were processed by the Company's Beaufort River Meats sheep abattoir.

The Company also expanded its sourcing operations to Brazil, South America, in an effort to continue to meet growing global demand.

We have met all compliance and regulation standards and continue to be a leader in animal welfare initiatives.

Global demand for beef, sheep meat and dairy products has experienced consistent growth over the last decade and Wellard has strategies and objectives in place to ensure this demand is met.

Wellard has an experienced team of market-based relationship managers and livestock buyers. We own or control a number of strategically important assets. These include three pre-export quarantine facilities in Australia that are approved by the Department of Agriculture and Water Resources; and two pre-export facilities in Brazil located close to export ports. Our assets also include five livestock transport vessels and a ruminant feed mill capable of producing 65,000 tonnes per annum of high quality feed to supplement the feed required at Wellard's pre-export facilities and aboard Wellard's vessels.

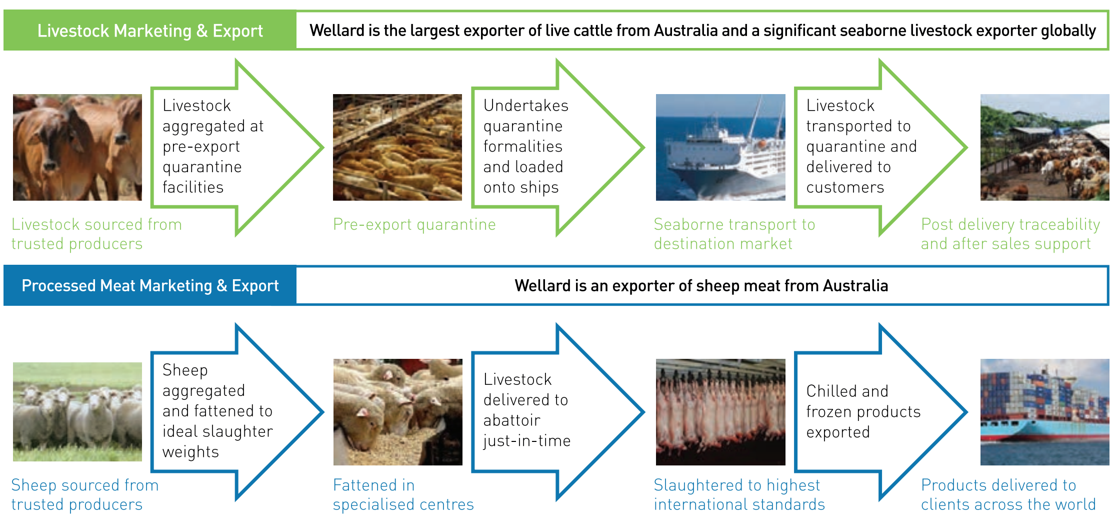
In order to meet the growing global demand for red meat, Wellard has entered into a contract to build a sixth purpose-built livestock vessel. Wellard is currently in discussions with lenders for a shipping loan. This vessel is expected to be delivered in 3Q FY2018 and will increase Wellard's shipping capacity at that time (measured in square metres) by approximately 18%. In addition, Wellard has a 50/50 joint venture partnership with Chinese owned Fulida group known as Wellao JV, which aims to deliver specialised cattle feedlots and processing in China.

DELIVERING QUALITY FROM A VERTICALLY INTEGRATED SUPPLY CHAIN

Wellard owns or controls critical and strategic infrastructure across its supply chain, including five pre-export quarantine facilities and its own fleet of livestock carrying vessels. Control of critical infrastructure within the supply chain provides Wellard with several advantages including limited reliance on third parties, flexibility to take advantage of changes in market conditions and higher margin marketing and export opportunities. We also have the ability to provide security of supply to customers and the ability to capture margins along the supply chain. Figure 1 demonstrates Wellard's live export and processed meat supply chains.

Figure 1

OVERVIEW OF WELLARD'S ACTIVITIES



STRATEGY

Wellard's vision is to strengthen our brand as an industry leader in agribusiness and livestock trading with a focus on animal welfare and creating a workforce for the future. We have developed four strategic imperatives to support our operational focus. These are:

1. Developing global supply
2. Secured Sourcing
3. Capable logistics, and
4. Growth in trade and processing

Wellard plans to grow its business both organically and through acquisitions. Our approach will be to expand and improve our logistics and trading capabilities. We will also secure livestock sources via strong supplier engagement. This will enable us to continue to develop global supply of livestock and partner with customers in Asia in downstream facilities to meet the growing demand in the region.

DEVELOPING GLOBAL SUPPLY

Wellard is continuing to build sourcing capabilities in chosen livestock exporting countries to effectively meet global demand. This will be done through building or acquiring pre-export quarantine facilities in chosen global sourcing markets, building sufficient inventory of quality livestock to ensure on-time delivery and efficient utilisation of Wellard's supply chain. This will enable us to continue to develop our customer base in key global importing destinations.

SECURED SOURCING

The Company secures sourcing of high quality livestock through strong engagement with suppliers and producers. This reduces the risk of supply interruptions. Our approach is to systematically review sourcing approaches to improve efficiency and secure supply arrangements with suppliers and producers. This builds capabilities to counter seasonal demand-supply imbalances. We do this against a backdrop of being a leader in animal welfare.

CAPABLE SUPPLY CHAIN

Wellard's capable supply chain is based on building and streamlining Wellard's whole-of-logistics capabilities to efficiently meet customer demand in an environmentally sustainable way. Delivery of this strategy involves improving co-ordination between Wellard's pre-export quarantine centres, shipping schedule, feed production and stock management. It aims to achieve cost efficiencies, remove logistics bottlenecks to increase the capacity across the entire supply chain, and reduce Wellard's environmental impact through improved efficiency, reduction of steaming on ships and to continue to develop new design with low emissions and consumption.

GROW MARKETING & EXPORT AND PROCESSING

Wellard is committed to assisting its customers to meet growing red meat demand and establish processing capabilities to support this. This growth strategy is underpinned by downstream livestock processing infrastructure, including feedlots for fattening and finishing animals prior to processing and state of the art processing facilities, potentially in partnership with customers in chosen markets. Participating in the downstream process supports customers to create sustainable demand and add profitability to the business.

BRAND AND STAKEHOLDER ENGAGEMENT

The Wellard business was established in 1980 in Fremantle, Western Australia, as a sheep exporter and then evolved into a vertically integrated livestock exporter. Wellard has long-standing relationships with many of our customers built on our on-the-ground presence, ability to assist customers with their sourcing requirements and consistency of supply. We have a marketing strategy to further develop our brand and support strong relationships with all key stakeholders. This assists in Wellard working towards the vision of being an industry leader in agribusiness across Australia and internationally.

Figure 2

LIVESTOCK EXPORT SUPPLY CHAIN

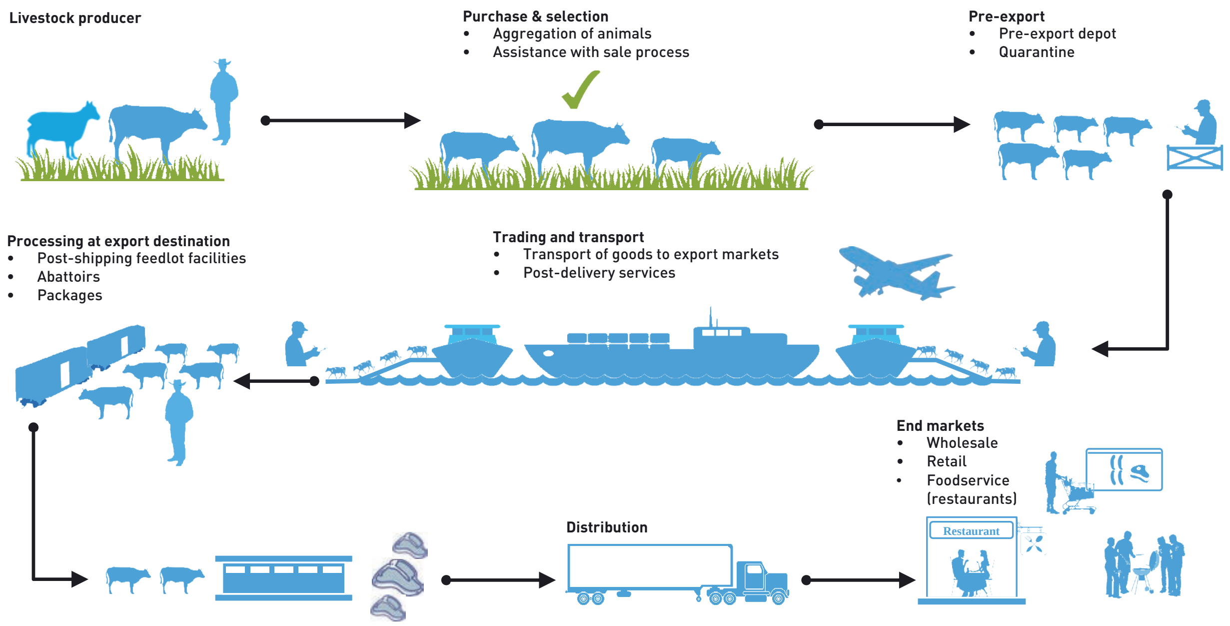
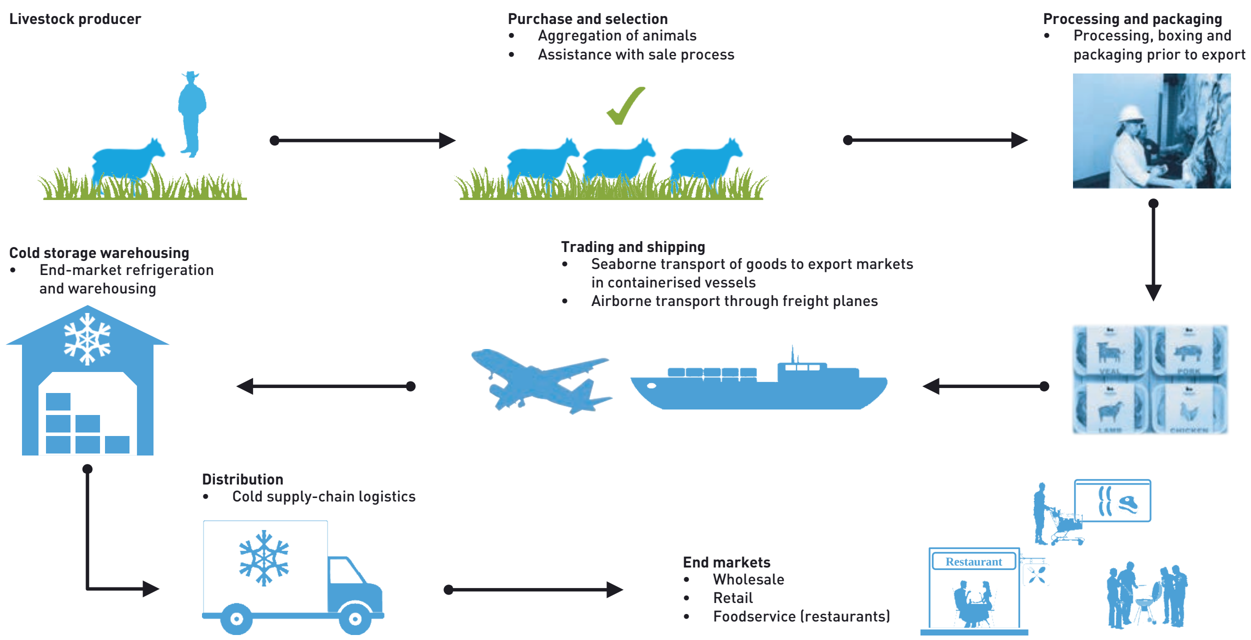


Figure 3

PROCESSED MEAT EXPORT SUPPLY CHAIN



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M/V OCEAN SHEARER


M/V OCEAN DROVER

M/V OCEAN UTE

M/V OCEAN OUTBACK & M/V OCEAN SWAGMAN

expansion of livestock carrying capacity

Delivering innovation and efficiency across the globe

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

All of Wellard's vessels have the highest class notation. All vessels, other than the M/V Ocean Shearer which has received interim certification, are fully certified by the Australian Maritime Safety Authority (AMSA) to carry livestock from Australia and all major exporting countries.

In order to meet growing demand, Wellard completed and took delivery of its fifth vessel, the M/V Ocean Shearer, which was built in Dalian (China) by Cosco Shipyard. The introduction of the M/V Ocean Shearer has increased Wellard's transport capacity by 50%. A sixth vessel, the M/V Ocean Kelpie, was commissioned in 2015 and it is currently under construction with delivery scheduled for 2018. Wellard is in discussions with lenders for a shipping loan in respect of the M/V Ocean Kelpie. Its addition will increase Wellard's carrying capacity by approximately a further 18%. For the proposed vessel specifications refer to figure 4.

Wellard's vessels incorporate a number of specific features aimed at improving the welfare of animals during the sea voyage including:

- Optimum distribution of pens among the decks to provide maximum livestock comfort and stockman accessibility
- Typical pen size for cattle of 10 to 13 animals per pen
- Suitable vessel stability to ensure animals are comfortable in all sea conditions
- A ventilation system which allows complete and even air circulation in spaces where livestock are carried
- Automatic distribution of fodder and fresh water in each pen through the cargo area
- Desalination of sea water through reverse osmosis systems to provide sufficient fresh water for livestock requirements
- Efficient washing systems to ensure vessels comply with strict quarantine requirements.

During times of high demand, Wellard has supplemented its owned or controlled capacity with third party chartered capacity. With the addition of the M/V Ocean Shearer, and proposed addition of the M/V Ocean Kelpie, this is expected to decrease.

Similarly, Wellard has occasionally chartered its vessels to third parties when the opportunity exists in order to increase utilisation, reduce positioning costs and improve the profitability of the fleet.

Figure 4

SHIPPING FLEET

M/V OCEAN SHEARER

Capacity to transport 20,000 cattle or 75,000 sheep, or a combination of both.

- 23,500 square metre capacity
- Fodder capacity: 3,000 tonnes
- Speed: 19 knots
- Suitable for long and short-haul operations

M/V OCEAN DROVER

Capacity to transport 18,000 cattle or 75,000 sheep, or a combination of both.

- 23,670 square metre capacity
- Fodder capacity: 2,700 tonnes
- Speed: 20 knots
- Suitable for long and short-haul operations

M/V OCEAN UTE

Capacity to transport 5,000 cattle or 20,000 sheep, or a combination of both.

- Livestock area: 7,268 sq metres
- Fodder capacity: 1,234.3 cbm
- Speed: 14 knots
- Suitable for short and long haul operations

M/V OCEAN OUTBACK & M/V OCEAN SWAGMAN

Capacity to transport 6000 cattle or 25,000 sheep, or a combination of both.

- 8,093 square metre capacity
- Fodder capacity: 1,500 tonnes
- Speed: 17 knots
- Suitable for long and short-haul operations

M/V OCEAN KELPIE

Capacity to transport 10,000 cattle or 40,000 sheep, or a combination of both.

- 12,500 square metre capacity
- Fodder capacity: 7,000 tonnes
- Speed: 16.5 knots
- Designed for China and South East Asia trade, but suitable for worldwide operation
- Due for completion FY2018

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REVIEW OF OPERATIONS

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animal welfare

Industry leaders in the promotion of animal welfare

Animal welfare is a critical element for success in any business involving livestock. Wellard provides leadership in the livestock export industry by implementing best practice animal welfare standards across the livestock supply chain. Key initiatives include design and implementation of livestock traceability systems, investment in animal welfare compliance in vessels, in-country training and research, and design of facilities to promote animal welfare.

Animal welfare includes ensuring that animals are not subject to cruelty or mistreatment. International standards on animal handling are dictated by the OIE (World Organization for Animal Health). In addition to being an ethical matter, animal welfare also has important economic implications. An animal in good health is more valuable because its weight gain is typically higher and meat yield is improved both in quantity and quality.

Wellard has always dedicated significant attention to animal welfare and has demonstrated compliance with all regulatory standards in the live export trade. Wellard is also actively involved in assisting the Australian Government in developing industry regulation, including ESCAS. Wellard's compliance with Australian regulatory standards is independently audited on at least an annual basis.

In line with ESCAS guidelines, Wellard has in place systems for all livestock exports out of Australia, that provide individual animal identification and traceability for cattle at all points through the supply chain, from the point of loading up to and including the point of slaughter in the importing country. Compliance with some of these practices depends, in part, on the preparedness of Wellard's customers to comply with contractual and statutory requirements and Wellard carefully assesses the customers' preparedness and capability to comply when deciding to do business. Figure 5 illustrates an example framework for the animal traceability system implemented by Wellard.

Examples of Wellard's animal welfare initiatives include:

- Material investment to build and improve our livestock carrying vessel fleet and upgrade our pre-export facilities
- Utilisation of Wellard's modern vessels that have been specifically designed and built for livestock transport
- Appointment of an experienced animal welfare officer to oversee each voyage
- Active consideration of animal welfare track record when selecting customers
- Initiatives in importing countries, such as the installation of closed circuit TV cameras in some customer facilities
- In-country representatives to monitor and assist companies with their animal welfare initiatives.

Figure 5

WELLARD TRACEABILITY SYSTEM

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

4–6. The data is sent to and aggregated in a centralised office and reconciled each day.

7. Any outlying data is automatically flagged to head office for investigation.

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REVIEW OF OPERATIONS

people & culture

Building a workforce for the future

Wellard is passionate about ensuring we have the right people, skills, diversity and structures to succeed in realising our vision, support expansion and preserve existing strengths and values. We are committed to the development of a strong and sustainable workforce in a growing environment. Wellard seeks to recruit and retain highly motivated and skilled individuals whose values are aligned with those of the Company.

Our vision is embedded within our Human Resources practises and is the driving factor behind the engagement of employees. This philosophy extends within our management of people and the development of staff.

Wellard recognises that ongoing training and development ensures we have the right people to maintain a strong, talented and dedicated workforce, allowing us to continue to deliver a quality product now and in the future.

As at 30 June 2016, Wellard employed 239 employees. This figure does not include vessel crew members who are directly employed by Wellard Ships' Technical Manager under contracts approved by the International Transport Federation (ITF). Figure 6 demonstrates an employee breakdown across roles and locations.

Wellard recognises that our people are our greatest asset.

WORKPLACE HEALTH AND SAFETY

Wellard places a high priority on a workplace free of accidents and injury. The safety of our staff and contractors is extremely important to us.

We operate in a challenging environment and have unfortunately witnessed work related incidents in our first year as a listed company. Seven incidents resulted in medical intervention and time away from work (Lost Time Injuries) while five required medical treatment (Medical Treatment Injuries).

Wellard is committed to improving its safety performance and has commenced development of an integrated Health Safety and Environment (HSE) management approach across our businesses in order to set common standards and have the ability to measure progress against improvement targets.

The primary measures for safety performance currently used by Wellard include lost time injury frequency rate (LTIFR), claims for compensation (cost and frequency) and results of a range of internal auditing and practical inspections.

Figure 6

EMPLOYEE BREAKDOWN

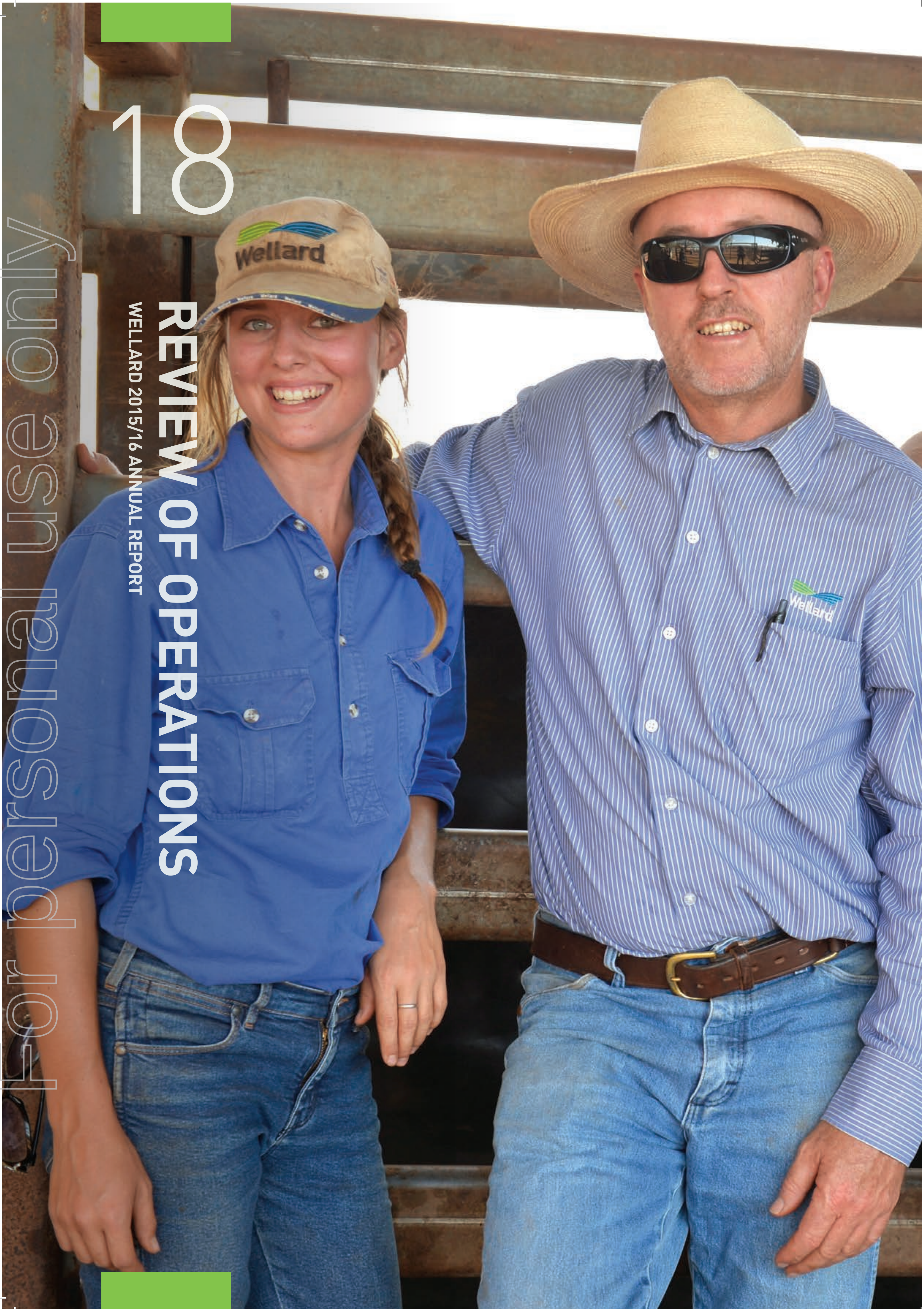
By Role	Count
Executive	9
Senior Management	9
General	221
Total	**239**

By Location	Count
Australia	167
Singapore	21
Other international offices	51
Total	**239**

INJURY INCIDENTS JANUARY – JULY 2016*

	Number	Frequency rate (per million work hours)
Lost Time Injuries (LTI)	7	56.8
Medically Treated Injuries (MTI)	5	21.3

*recorded and calculated per Australian Standard AS 1885.1–1990 Workplace injury and disease recording standard



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community

Delivering on a commitment to community

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

Wellard supports events and organisations which reflect the company's ethos and those that operate in communities in which we are involved. This ranges from sporting organisations, research projects, and promotion of agriculture and opportunities for young people. Each event we support aligns with our core values.

We are a committed supporter of a number charities and community and industry groups. In the past six years we have raised more than $600,000 from our Christmas Charity Auction for selected charities.

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

- Official sponsor of the Western Australian Pastoralist and Grazier's Association's Rural Achievement Award
- Livestock donations to hunger relief agency Foodbank, Western Australia
- Sponsorship of the Wellard/BRM/Yamaha junior motocross team and organisation of free motocross coaching days in local communities
- Ongoing support for a number of charities and institutions, including the Royal Flying Doctor Service, Children's Leukaemia and the Cancer Research Foundation, Alice Springs School of the Air, Wagin Woolorama, Youth Focus and Ronald McDonald House Charities
- Provision of facilities and livestock to tertiary research institutions

CONTRIBUTING TO AUSTRALIA'S AGRICULTURAL INDUSTRY

The livestock export trade is vital to provide marketing options for sheep and cattle producers and competition for their livestock. Australia's livestock export industry is an important component of the Australian agricultural sector and contributes an average of $1 billion in export earnings annually to the Australian economy. The industry employs over 13,000 people and has a significant impact on and supports the livelihood of many people in rural and regional Australia.

Wellard's growth strategy and continual commitment to strive to be an industry leader contributes to employment opportunities and economic development through rural and regional areas of Australia.

Live export provides an important market for many livestock producers and Wellard is proud to provide a link between agricultural producers and international markets around the world.

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CORPORATE GOVERNANCE STATEMENT

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Corporate Governance Statement

This section provides an overview of Wellard's corporate governance framework and key focus areas of the Board and its Committees in 2016.

Under ASX Listing Rule 4.10.3, ASX-listed entities are required to benchmark their corporate governance practices against the 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Principles**), which have been developed to promote investor confidence and to assist companies in meeting shareholder expectations.

During the 2016 financial year, Wellard's practices were compliant with the ASX Principles, except where noted in the table below.

The table below does not take into account events that occurred after the 2016 financial year, such as Ms Warburton's resignation.

	Corporate Governance Council recommendation	Comply Yes / No	Page Reference
Principle 1 – Lay solid foundations for management and oversight			**Page 26**
1.1	A listed entity should disclose:		
	a) The respective roles and responsibilities of its Board and management; and	Yes	
	b) Those matters expressly reserved to the Board and those delegated to management.	Yes	
1.2	A listed entity should:		
	a) Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and	Yes	
	b) Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.	Yes	
1.3	A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.	Yes	
1.4	The company secretary of a listed entity should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.	Yes	
1.5	A listed entity should:		
	a) Have a diversity policy which includes requirements for the board or a relevant committee of the board to set measureable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;	Yes	
	b) Disclose that policy or a summary of it; and	Yes	
	c) Disclose as at the end of each reporting period the measureable objectives for achieving gender diversity set by the Board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them, and either:	No	
	(i) The respective proportions of men and women on the Board, in senior executive positions, and across the whole organisation (including how the entity has	Yes	

	defined "senior executive" for these purposed); or (ii) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	n/a
1.6	A listed entity should: a) Have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes Yes

Principle 2 – Structure the board to add value **Page 28**

2.1	The Board of a listed entity should have a nomination committee which: a) Has at least three members, a majority of whom are independent directors; and b) Is chaired by an independent director. And should disclose: a) The charter of the committee; b) The members of the committee; and c) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings. If it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence, and diversity to enable it to discharge its duties and responsibilities effectively.	Yes Yes Yes Yes Yes n/a
2.2	A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.	Yes
2.3	A listed entity should disclose: a) The names of the Directors considered by the Board to be independent directors; b) If a director has an interest, position, association or relationship of the type described in Box 2.3 but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and c) The length of service of each Director.	Yes Yes Yes
2.4	A majority of the Board of a listed entity should be independent directors.	Yes
2.5	The chair of the Board of a listed entity should be an independent Director and, in particular, should not be the	Yes

	same person as the CEO of the entity.	
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Yes
Principle 3– Act ethically and responsibly		**Page 30**
3.1	A listed entity should:	
	a) Have a code of conduct for its directors, senior executives and employees; and	Yes
	b) Disclose that code or a summary of it.	Yes
Principle 4 – Safeguard integrity in corporate reporting		**Page 30**
4.1	The Board of a listed entity should have an audit committee which:	
	a) Has at least three members, all of whom are NED's and a majority of whom are independent directors; and	Yes
	b) Is chaired by an independent director, who is not the chair of the Board.	Yes
	And should disclose:	
	a) The charter of the committee;	Yes
	b) The relevant qualifications and experience of the members of the committee; and	Yes
	c) In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.	Yes
	If it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	n/a
4.2	The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes
Principle 5 – Make timely and balanced disclosure		**Page 31**
5.1	A listed entity should:	

	a) Have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and	Yes
	b) Disclose that policy or a summary of it.	Yes
Principle 6 – Respect the rights of security holders		**Page 31**
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Yes
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes
6.3	A listed entity should disclose the policies and processed it has in place to facilitate and encourage participation at meetings of security holders.	Yes
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes
Principle 7 – Recognise and manage risk		**Page 32**
7.1	A Board of a listed entity should have a committee or committees to oversee risk, each of which:	
	a) Has at least three members, a majority of whom are independent directors; and	Yes
	b) Is chaired by an independent director.	Yes
	And should disclose:	
	a) The charter of the committee;	Yes
	b) The members of the committee; and	Yes
	c) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meeting.	Yes
	If it does not have a risk committee or committees that satisfy a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	n/a
7.2	The Board or a committee of the Board should:	
	a) Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and	Yes
	b) Disclose, in relation to each reporting period, whether such a review has taken place.	Yes
7.3	A listed entity should disclose:	
	a) If it has an internal audit function, how the function is structured and what role it performs; or	n/a
	b) If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Yes
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability	Yes

	risks and, if it does, how it manages or intends to manage those risks.	
Principle 8 – Remunerate fairly and responsibly		**Page 32**
8.1	The Board of a listed entity should have a compensation committee which:	
	a) has at least three members, a majority of whom are independent directors; and	Yes
	b) is chaired by an independent director.	Yes
	And should disclose:	
	a) The charter of the committee;	Yes
	b) The members of the committee; and	Yes
	c) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.	Yes
	If it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	n/a
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive and the remuneration of executive directors and other senior executives.	Yes
8.3	A listed entity which has an equity-based remuneration scheme should:	
	a) Have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and	Yes
	b) Disclose that policy or a summary of it.	Yes

Governance Overview

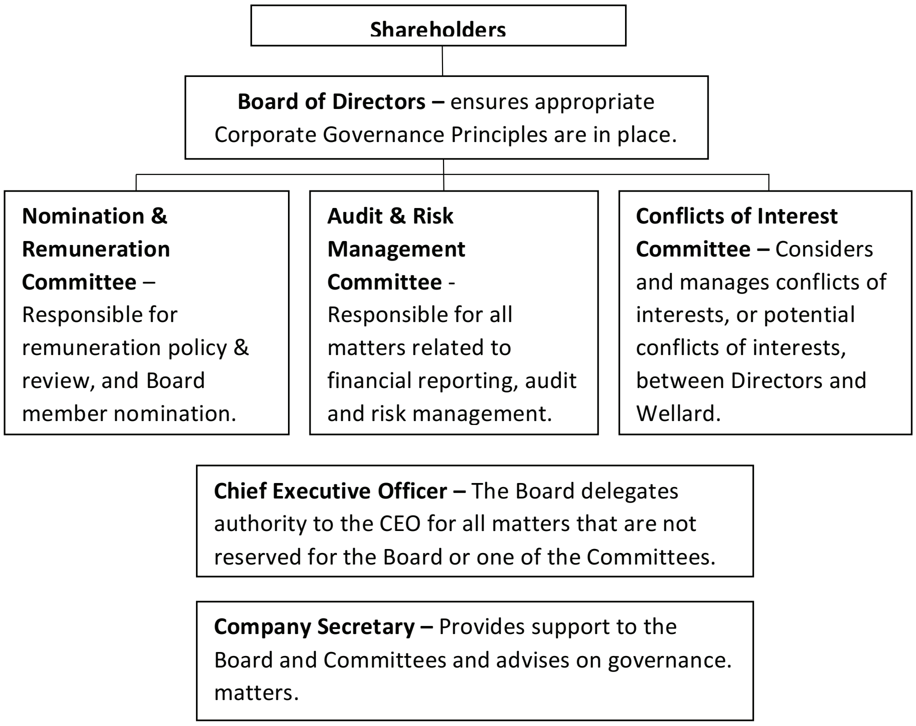
Effective corporate governance is a critical element contributing to the longer term success of Wellard. The Board and all levels of management are committed to a high standard of corporate governance practice and fostering a culture of compliance which values ethical behaviour, personal and corporate integrity, and accountability.

The cornerstone principles of corporate governance at Wellard are:

- **Transparency**: Being clear and unambiguous about the Company's structure, operations and performance, both externally and internally, and maintaining a genuine dialogue with, and providing insight to, legitimate stakeholders and the market generally.
- **Integrity**: Developing and maintaining a corporate culture committed to ethical behaviour and compliance with the law.
- **Corporate accountability**: Ensuring that there is clarity of decision making within the Company, with processes in place to ensure that the right people have the right authority to make effective and efficient decisions, with appropriate consequences delivered for failures to follow those processes.

- **Stewardship**: Developing and maintaining a company-wide recognition that the Group is managed for the benefit of its shareholders, taking reasonable account of the interests of other legitimate stakeholders.

Below is an illustration of Wellard's governance framework.



Copies of Wellard's Board Charter, Committee Charters and other corporate governance documents referred to in this Corporate Governance Statement can also be found in the corporate governance section of the website (http://www.wellard.com.au/home/additional-information/corporate-governance-policies.html).

Principle 1: Lay Solid Foundations for Management and Oversight

Role and Responsibility of the Board

The Board is responsible to the shareholders for the performance of the Company. The Board is also responsible for the interests of other stakeholders, including employees, customers, suppliers, Wellard's creditors, and the wider community. The Board's focus is to enhance and protect the interests of shareholders and other key stakeholders and to ensure that the Company is properly managed.

The role of the Board is to approve the strategic direction of Wellard, guide & monitor the management of Wellard and its businesses in achieving its strategic plans, and oversee good governance practice.

The Board understands the critical importance of a strong and healthy working relationship between it and the executive management team and works hard to foster and grow that relationship.

The CEO has responsibility for the day-to-day management of the Group. However, the ultimate responsibility for governance and strategy rests with the Directors. The Board and its Committees specifically reserve certain matters for its decision. It delegates authority for all other matters that are necessary for the management of Wellard's business to management through the CEO, within authority limits approved from time to time.

The Board Charter sets out the Board's role and responsibilities and describes those matters expressly reserved for the Board and those matters delegated to management through the CEO.

The responsibilities reserved by the Board for its decision include:

- Appointing the Chair and CEO.
- Setting and monitoring strategic objectives.
- Approving and monitoring strategic and financial plans.
- Approving and monitoring annual budgets and business plans.
- Approving and monitoring major capital expenditure, capital management and all major corporate transactions, including the issue of securities.
- Approving financial reports and material external communications and reports in accordance with Wellard's continuous disclosure policy.
- Overseeing the integrity of accounting and corporate reporting systems, including the external audit.
- Appointing, re-appointing and removing external auditors and approving the auditor's remuneration, upon recommendation from the Audit, Risk and Compliance Committee.
- Determining dividend policy.

The Board Charter sets out the delegated authority of the CEO. The CEO remains accountable to the Board through those delegations for the performance of the Company. Whilst the CEO remains accountable to the Board, he is free to make whatever decisions he believes are appropriate for the business within the boundaries established by the Board. A key focus of Board meetings is the CEO Report were the decisions of the CEO are monitored by the Board.

Diversity

Wellard values diversity in all aspects of its business and is committed to creating a working environment which is inclusive of all people regardless of their differences. Wellard recognises that diversity enhances productivity, retention, creativeness and balance which in turn helps create sustainable shareholder value. We believe diversity will provide a more dynamic and enjoyable work environment for our people and through varied thinking styles and experiences, this can create new opportunities for Wellard.

Through its Diversity Policy, Wellard is committed to maintaining a diverse workforce and to create a workplace that is fair and inclusive, applies fair and equitable employment practices and provides a working environment that will allow all employees to reach their full potential. Diversity incorporates a number of factors, including gender, marital or family status, sexual orientation, age, race, cultural background and ethnicity, religious or political affiliations or opinions, family responsibilities and disability.

The Board did not set any measureable objectives for achieving gender diversity during the 2016 financial year. This was due to a busy transition period for the Company, transitioning from a private company to a publicly listed company, as well as challenging market conditions.

Details of female representation as at 1 October 2016 at Wellard are set out below:

Total Workforce 25.63%

Board of Directors 0%

Executive Management 11.1%

Senior Management 22.22%

Management 23.07%

Principle 2: Structure the Board to add value

Composition of the Board

Wellard is committed to ensuring that the composition of the Board continues to include directors who bring an appropriate mix of skills, experience, expertise and diversity to Board decision-making.

Under the Company's Constitution, the Board must have a minimum of three and a maximum of seven directors. No director, other than a Managing Director, may retain office without re-election for more than three years or past the third annual general meeting following the director's appointment, whichever is the longer. Additionally, any new director, with the exception of the Managing Director, appointed by the Board must retire and seek re-election at the next annual general meeting.

During the 2016 financial year, the Board was comprised of five Directors, three of whom were non-executive independent Directors. The Directors of Wellard during the 2016 financial were:

Director	Appointment Date	Qualifications
David Griffiths Non-executive Chairman	19 November 2015	Refer to Section 2 of the Directors Report.
Mauro Balzarini CEO & Managing Director	10 September 2015	Refer to Section 2 of the Directors Report.
Greg Wheeler Non-executive Director[1]	10 September 2015	Refer to Section 2 of the Directors Report.
Sharon Warburton Non-executive Director[2]	19 November 2015	Refer to Section 2 of the Directors Report.
Philip Clausius Non-executive Director	19 November 2015	Refer to Section 2 of the Directors Report.

1. Mr Wheeler served as Executive Finance Director from 10 September 2015 until 11 July 2016 until he moved to the role of Non-Executive Director.
2. Ms Warburton subsequently resigned as Director on 26 August 2016.

Following Ms Warburton's resignation on 26 August 2016, the Board is currently not comprised of a majority of independent Directors. The Board and Nomination and Remuneration Committee are currently searching for a suitable candidate to replace Ms Warburton.

Director Independence

Chairman

The Chairman is elected from the independent non-executive directors. The responsibilities of the Chairman are set out in the Board Charter. Mr David Griffiths is the present serving Chairman.

Directors

Directors are expected to bring views and judgement to Board deliberations that are independent of management and free of any business or other relationship or circumstance that could materially interfere with the exercise of objective, unfettered or independent judgement, having regard to the best interests of the company as a whole.

The Board regularly assesses and determines the independent status of each Director by taking into account the interests and information disclosed by each Director, including whether the Director:

- is a substantial shareholder of Wellard (holding a relevant interest in more than 5% of Wellard shares) or is otherwise directly associated with a substantial shareholder of Wellard;
- is employed, or has previously been employed in an executive capacity by Wellard or its subsidiaries, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a material professional adviser or consultant of Wellard;

- is a material supplier or customer of Wellard or is otherwise associated such parties;
- has a material contractual relationship with Wellard other than as a Director; or
- has been a Director for such a period that his or her independence may be compromised.

In accordance with the guidelines above, the Board considers that Mr Griffiths, Mr Clausius and Ms Warburton were all independent Directors during the financial year.

The Board considers Mr Balzarini and Mr Wheeler to be non-independent.

During the 2016 financial year, the Board was comprised of a majority of Independent Directors. Following Ms Warburton's resignation on 26 August 2016, the Board is not comprised of a majority of Independent Directors, with 50% of the Directors being classified as independent. Wellard is currently looking for suitable candidates to replace Ms Warburton's vacancy.

All Board committees are comprised only of non-executive Directors and each Chair of each committee or subcommittee is an independent Director.

Directors' Attendance at Meetings

For full details of each Director's attendance at Board meetings and Committee meetings during the 2016 financial year please refer to section 6 of the Directors Report contained in this Annual Report.

Nomination & Remuneration Committee

Wellard is committed to ensuring that the composition of the Board continues to comprise Directors who bring an appropriate mix of skills, experience, expertise and diversity to effectively govern Wellard's business.

The Board has established a Nomination & Remuneration Committee, which is responsible for:

- ensuring that the Board has an appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively;
- reviewing Board succession plans and working with the Chairman in evaluating performance of the Board and CEO; and
- setting the level and composition of remuneration for Directors and senior executives.

The Nomination & Remuneration Committee was comprised of three independent Non-executive Directors during the 2016 financial year, being Mr Griffiths, Mr Clausius and Ms Warburton. After Ms Warburton's resignation on 26 August 2016, the Committee only comprises two independent Non-executive Directors. Wellard is currently looking for suitable candidates to replace Ms Warburton's vacancy.

The Remuneration and Nomination Committee met once during the 2016 financial year with all members attending the meeting.

For additional details regarding the role and responsibilities of the Nomination & Remuneration Committee refer to its Charter published on Wellard's website.

Board Skills Matrix

The aim of the Board Skills Matrix is to set out the mix of skills that the Board currently has and is looking to achieve. It is a summary of the Company's internal assessments of the Board. Information is obtained from a review of skills and competencies completed for each Director.

The Board recognises that each Director will not necessarily possess experience in all areas relevant to the Company's operations so seeks to ensure that its membership includes an appropriate mix of directors with skills, knowledge and experience in agriculture, shipping, other relevant industry sectors, general management, legal and finance.

Set out below is the Board Skills Matrix which provides a summary of the skills and experience of each Director.

Skill/Knowledge/Experience	Total out of 4 directors

In addition to the skills and experience set out in the Board Skills Matrix, the Board considers that each Director has the following attributes:

- Honesty and integrity.
- A proven record of success.
- An appreciation of multiple cultures.
- A commitment to sustainability and social issues.
- Innovative thinking, preparedness to challenge and critique.
- Knowledge of corporate governance requirements and practices.

Principle 3 – A listed entity should act ethically and responsibly

The Board actively promotes ethical and responsible decision-making. The standard of ethical behaviour required of directors is set out in Wellard's Code of Conduct. The Board updates the Code as necessary, which ensures that it reflects an appropriate standard of behaviour and professionalism.

The Code requires all directors to uphold the highest levels of integrity, conducting their business in accordance with the policy.

A copy of the Code of Conduct can be found on Wellard's website.

Principle 4 – Safeguard integrity in corporate reporting

The Board has established an Audit & Risk Management Committee that operates under a Charter approved by the Board. The Audit & Risk Management Committee is responsible for assisting the Board in its responsibilities to oversee financial reporting, internal control structure, risk management systems, and the external audit function, and Wellard's systems for compliance with the Corporations Act, ASX Listing Rules and Corporate Governance Principles. With respect to internal controls, this includes controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The external auditor is appointed by the Board. The Audit & Risk Management Committee, is required to conduct a review, at least annually, in relation to the external auditor. The Audit & Risk Management Committee, amongst other things, reviews the independence of the auditor and the auditor's performance, in relation to the adequacy of the scope and quality of the annual statutory audit, half-year review, and the fees charged. Wellard's auditors have an ongoing policy of audit engagement partner rotation every five years.

The Audit & Risk Management Committee was comprised of three independent Non-executive Directors during the 2016 financial year, being Mr Griffiths, Mr Clausius and Ms Warburton. Following Ms Warburton's resignation on 26 August 2016, the Committee is only comprised of two independent Non-executive Directors. Ms Warburton was also the chair of the Committee. Following her resignation, Mr Clausius was appointed chair of the Committee. Wellard is currently looking for suitable candidates to replace Ms Warburton's vacancy.

Further details of the qualifications and experience of each member of the Audit & Risk Management Committee are disclosed in the Annual Report on page 30.

During 2016 financial year, the Audit & Risk Management Committee met 5 times. All members of the Committee attended each meeting. Other Board members attend meetings periodically. Management attend meetings as appropriate, with the CFO and Company Secretary attending as standing invitees.

Section 295A of the Corporations Act requires the CEO and CFO function to declare that, in their opinion, the financial records of the entity, for a financial year have been properly maintained and that the financial statements and the notes for the financial year comply with the accounting standards, and give a true and fair view of the financial position and performance of the entity. This declaration was made during the year.

The Company's external auditors, PricewaterhouseCoopers, attend Wellard's annual general meeting and are available to answer questions relevant to the audit from shareholders.

For additional details regarding the role and responsibilities of the Audit & Risk Management Committee refer to its Charter published on Wellard's website.

Principle 5: Make timely and balanced disclosure

Wellard's Continuous Disclosure Policy describes Wellard's continuous disclosure obligations and how they are managed by Wellard, as well as how Wellard communicates with financial markets. A copy of the Policy is published on Wellard's website.

The Continuous Disclosure Policy applies to all Directors, the Managing Director's direct reports, the Company Secretary and members of Senior Management.

In accordance with the Continuous Disclosure Policy, a Disclosure Committee comprising the CEO, CFO, Company Secretary and external legal counsel is responsible for administering the Continuous Disclosure Policy. The Disclosure Committee considers continuous disclosure matters and reports to the Board. Directors receive copies of all announcements immediately after notification to the ASX. All ASX announcements are signed off by the Company Secretary, Chairman and the Managing Director prior to transmittal to the ASX.

Principle 6: Respect the rights of shareholders

Wellard places significant importance on effective communication with shareholders and is committed to keeping them informed of all major developments that affect Wellard. This information is communicated via:

- Wellard's Annual Report and half yearly financial report;
- Quarterly cash flow reporting;
- Other Wellard announcements that comply with continuous disclosure obligations in accordance with ASX Listing Rules;
- Market briefings to assist shareholders and stakeholders to understand key issues;
- Postings on the Wellard's website;
- The Chairman's address at the annual general meeting;

- Shareholder meetings; and
- Investor relations presentation/roadshows.

Wellard's website has a dedicated Investors section that is updated regularly for the purpose of displaying all pertinent Wellard information including media releases and presentations.

Shareholders are encouraged to subscribe to the Wellard's electronic email alert that allows them to be updated with Company announcements at the same time the announcements are released to the ASX. Shareholders can access email alerts by providing their information on the "Email Alerts" page of the website.

Shareholders can contact Wellard directly via an email link and are also able to lodge an information request electronically via Wellard's website. Shareholders can receive communications from the Wellard's share registry, Link Market Services. Their contact details can be found within the "Shareholder Services" section of Wellard's website.

Wellard encourages the participation of shareholders at general meetings and all shareholders are encouraged to attend in person. Wellard will provide adequate opportunity for shareholders to post questions in advance of a meeting or ask questions at the end of each meeting.

Principle 7: Recognise and manage risk

A role of the Audit and Risk Committee is to oversee risk. See page 30 [Principle 4 commentary] of the Annual Report in relation to the composition, charter and meetings of the Audit and Risk Committee.

Wellard recognises the importance of identifying and managing business risks and ensuring appropriate control measures are in place. The Audit and Risk Committee undertook a review of Wellard's risk management plan to ensure it is appropriate.

The risk management plan defines Wellard's commitment to:

- Integrating risk & management with other business systems;
- Establishing a culture of risk & management to ensure benefits are realised;
- Developing people's knowledge and understanding of risk & management;
- Implementing actions to agreed standards and timeframes; and
- Utilising the risk & management program to achieve strategic objectives.

Wellard continues to develop a risk management culture within its departments to ensure Management apply the risk process to support decision making by linking risks to objectives and focussing time and resources towards significant and critical matters.

Wellard does not have an internal audit function.

Principle 8 – Remunerate fairly and responsibly

One role of the Nomination and Remuneration Committee is to review and assist the Board in developing Wellard's remuneration, recruitment, retention and termination policies. See page 28 [Principle 2 commentary] of the Annual Report in relation to the composition, charter and meetings of the Remuneration and Nomination Committee.

The Nomination and Remuneration Committee makes recommendations to the Board in relation to remuneration policies applicable to Directors and the executive leadership team, which are balanced and are aligned with the long term growth and success of Wellard.

The Managing Director attends the meetings of the Nomination and Remuneration Committee by invitation when required to report on and discuss on the performance of the executive leadership team, remuneration and other related matters, but is not present at meetings when his own performance or remuneration is discussed.

Wellard's remuneration structure distinguishes between non-executive Directors, Executive Directors (where applicable) and that of the Managing Director. A Remuneration Report required under Section 300A(1) of the Corporations Act is provided in the Annual Report on page 47.

The executive leadership team and the Managing Director did not have a long term incentive component as part of their total remuneration package during the 2016 financial year. However, the Board intends to establish a long term incentive plan in financial year 2017 which will be settled with equity based remuneration subject to performance hurdles being satisfied.

The executive leadership team and the Managing Director had short term remuneration incentives during the 2016 financial year that were subject to certain EBITOA hurdles being met. The hurdles were not met and no bonus was provided. The Board also intends to establish a short term incentive plan in financial year 2017 which will be settled in cash or equity or a combination of both.

The mix of the remuneration components and the measures of performance in the incentive plans have been chosen to ensure that there is link between remuneration and the achievement of targets, which lead to returns to shareholders.

Non-executive Directors do not receive equity based remuneration.

Wellard' Securities Trading Policy

Wellard's Securities Trading Policy sets out the circumstances in which Wellard's Directors, senior management and other employees may buy or sell securities in Wellard.

Wellard's Securities Trading Policy is available on its website. The Guidelines prohibit employees who are participants in any equity-based incentive plan established by Wellard from entering into transactions (whether through the use of derivatives or otherwise) that limit the economic risk of the securities or rights allocated under the plans during the period prior to vesting or the end of any restrictions imposed on the securities or rights or otherwise prior to the date of exercise of any securities.

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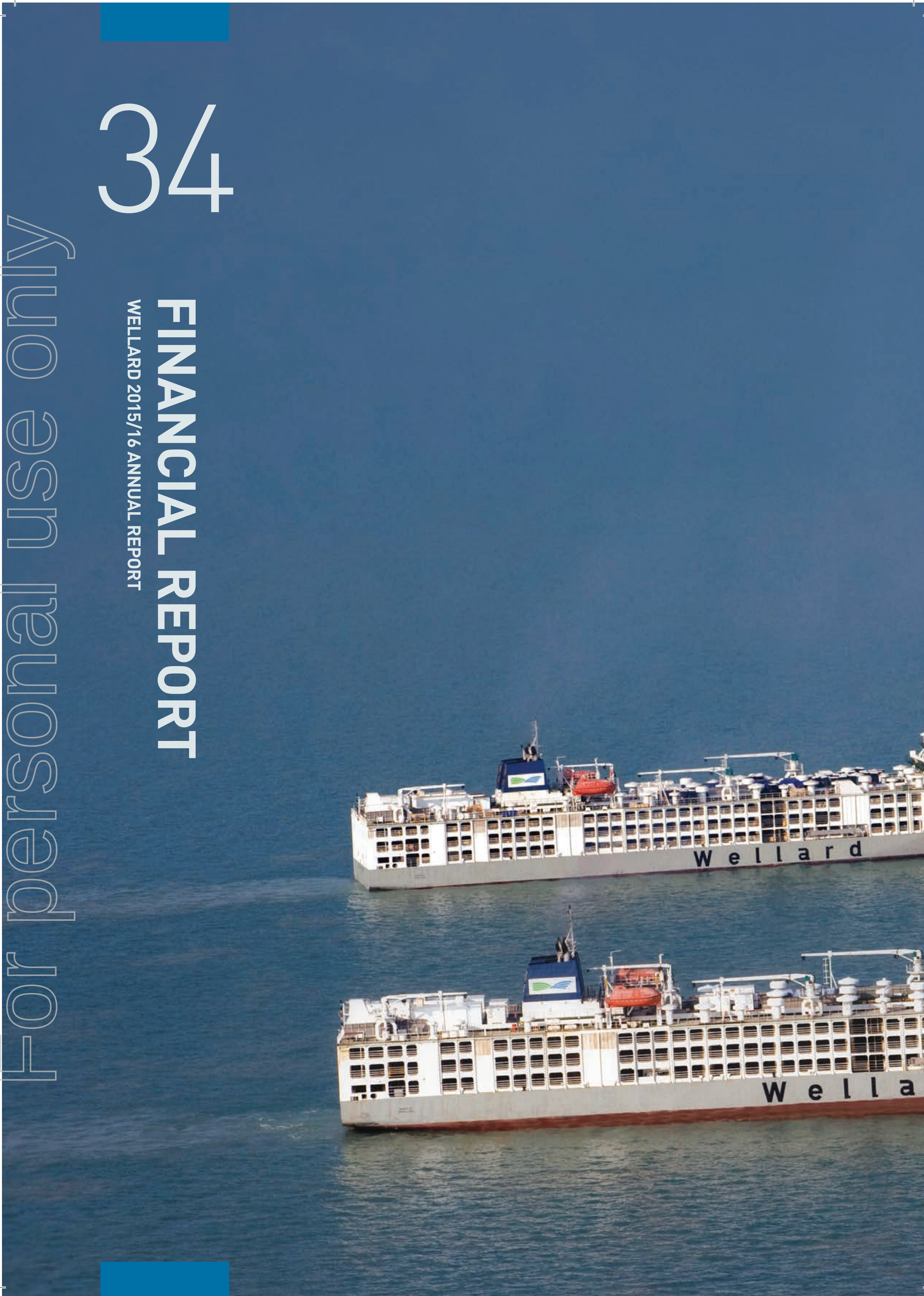
FINANCIAL REPORT

WELLARD 2015/16 ANNUAL REPORT




OCEAN OUTBACK
OCEAN SWAGMAN

DIRECTORS REPORT

The directors present their report together with the financial report of Wellard Limited (**Wellard** or **Company**) and the entities it controlled during the financial year ended 30 June 2016 (**Wellard Group** or **Group** or **Consolidated Group**), for the financial year ended 30 June 2016 **(FY 2016)** and the auditor's report thereon.

1. BACKGROUND

During the year, a restructure took place in preparation for the listing of the Wellard Group on the ASX. This resulted in a newly incorporated company, Wellard Limited, raising equity on the ASX to fund the purchase of several entities within the WGH Holdings Pty Ltd (**WGH**) (previously Wellard Group Holdings Pty Ltd) business that have previously operated together as a business. This Initial Public Offering (**IPO**) was completed and Wellard was admitted to the Official list of ASX Limited on 10 December 2015. The IPO Prospectus was dated 20 November 2015 (**Prospectus**). The IPO raised $298.9 million through the issuance of 215 million new fully paid ordinary shares in Wellard at an offer price of $1.39 per share.

2. DIRECTORS

The directors of the Company at any time during or since the end of the financial year were:

David Griffiths
Non-Executive Chairman
B.Ec (Hons)(UWA), M.Ec (ANU), D. Ec.(Hon), FAICD

David joined the Board and was appointed Non-Executive Chairman of Wellard on 19 November 2015. David is also a Non-Executive Director and Chairman of Automotive Holdings Group Limited. He also holds the position as Deputy Chairman of the Perth contemporary dance company Co3. He was Deputy Chairman of Think Smart Limited until August 2016.

David has held a range of senior financial executive positions and has extensive experience in equity capital markets, mergers and acquisitions, and the corporate advisory sector. He is a former Divisional Director of Macquarie Bank Limited and Executive Chairman of Porter Western Limited.

Mauro Balzarini
Managing Director and CEO

Mauro was appointed a Director of Wellard on 10 September 2015 and CEO on 19 November 2015. However, Mauro has been the CEO of WGH, the company that owned the Wellard business prior to its transfer to Wellard, since May 2004.

Mauro joined the family business in 1985 as a marine technical superintendent. He moved to an executive role and took over the management of the shipping arm in 1994. Mauro bought out the family interest in 2004 and has grown the Wellard business into the largest marketer and exporter of cattle in Australia and a significant seaborne livestock exporter globally.

Mauro was a founding member of the Trade and Investment Policy Advisory Council, chaired by the Minister for Trade and Investment.

Greg Wheeler
Non-Executive Director
BBus, ACA

Greg was appointed a Director and Company Secretary of Wellard on 10 September 2015 and Chief Financial Officer on 19 November 2015. Greg resigned as Company Secretary on 9 February 2016 and on 11 July 2016 he changed role to that of Non-Executive Director and stood down as Chief Financial Officer.

Prior to joining the Wellard business in 2011, Greg served as the Group Financial Controller for Austal Limited and has previously worked for PricewaterhouseCoopers and Westpac Bank.

Sharon Warburton
Non-Executive Director
CA, GAICD

Sharon was appointed as a Non-Executive Director of Wellard on 19 November 2015 and resigned on 26 August 2016.

Philip Clausius
Non-Executive Director
BA (Hons) Business Administration

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

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

Ennio Tavani

Non-Executive Director

Mr Tavani was appointed as a Director of Wellard on 10 September 2015 and resigned on 19 November 2015.

3. COMPANY SECRETARY

The directors of the Company at any time during or since the end of the financial year were:

Greg Wheeler

Greg was appointed a Director and Company Secretary of Wellard on 10 September 2015. Greg resigned as Company Secretary on 9 February 2016.

Yasmin Broughton
Group General Counsel and Company Secretary

Ms Broughton was appointed Company Secretary and General Counsel on 9 February 2016 and resigned on 26 August 2016. Ms Broughton will remain as Company Secretary and General Counsel until the earlier of 26 November 2016 and the appointment of her replacement.

4. PRINCIPAL ACTIVITIES

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

The Wellard Group is a trader and exporter of live cattle from Australia, New Zealand and South America and a supplier of seaborne transportation for livestock globally. The Wellard Group is also an exporter of live sheep and meat from Australia. Wellard sources livestock in markets where production is surplus to domestic requirements (including Australia, Brazil and Uruguay) and sells livestock and meat to customer markets where demand exceeds local production (including Indonesia, Vietnam, the Middle East, Turkey and China). Occasionally, Wellard charters its ships to third parties and earns freight income by carrying live animals on their behalf.

To support its operations, the Wellard Group owns or controls critical and specialist infrastructure at various stages of its supply chain including strategically located pre-export quarantine facilities, an abattoir, a feed mill and a fleet of purpose-built livestock transport vessels.

5. RESULTS

The statutory operating loss after tax of the Wellard Group for the financial year was $23.3 million (2015: $0.2 million).

The Pro Forma Net Profit after Tax (**NPAT**) for the financial year was $14.8 million – refer to section 6.2 below for further details.

6. OPERATING AND FINANCIAL REVIEW

6.1. OPERATIONAL OVERVIEW

Highlights

- Continue to be the No. 1 exporter of cattle from Australia with market leading positions in Indonesia and Vietnam;
- Expanded sourcing operations in South America;
- Grew new customer markets in Turkey, Egypt and Israel;
- Took delivery of a fifth livestock vessel, the M/V Ocean Shearer, in April 2016;
- Strong focus on animal welfare and traceability highlighted in recent Vietnam control and traceability audits and approved arrangements; and
- Remained profitabile with strategy development in difficult market conditions.

In FY 2016 the Wellard Group shipped:

- 424,972 head of slaughter, feeder and breeder cattle to customers in 9 countries;
- 23,204 head of sheep to customers in 3 countries; and
- 6,600 tonnes of sheep meat to customers in more than 12 countries.

In FY 2016 the Wellard Group:

- purchased 365,771 head of cattle and 23,204 head of sheep for live export;
- purchased 361,087 head of sheep and processed them through its processing facility Beaufort River Meats; and
- loaded and discharged 59 shipments of livestock.

Sales revenue increased 12% year-on-year in FY 2016 due mainly to higher volumes of cattle exported out of the Wellard Group's supply bases in Australia and South America and due to the depreciation in the Australian dollar against the United States dollar.

Supply

Unprecedented wet winter weather in northern Australia and consequently strong re-stocking by farmers have resulted in a significant tightening of supply of Australian cattle and prices reaching record highs. In light of these challenges Wellard has accelerated the expansion of South America as a secondary and larger supply base for exporting cattle from Brazil and Uruguay, significantly increasing the number of cattle exported from the region.

Infrastructure

Wellard's ability to service the increased demand for cattle highlights the mobile nature of its assets which can be deployed to supply areas where demand is highest and margin greatest. In FY 2016 Wellard increased its suite of livestock infrastructure assets taking delivery of a fifth vessel, the MV Ocean Shearer, in April 2016. Wellard also commenced construction of a sixth custom build livestock carrying vessel, the MV Ocean Kelpie, which has a scheduled completion date in the March quarter of 2018. Additionally, Wellard acquired parcels of land in Livingston, Northern Territory, and Condah, Victoria on which it plans to develop its own pre export quarantine facilities within the vicinity of the key Darwin and Portland ports.

Growing Trade & Processing

Wellard continues to offer high quality sheep meat processed at its Beaufort River Meats abattoir facility.

As part of the strategy to grow downstream, Wellard continues to explore new market opportunities and recently Wellard established a downstream business in Turkey for fattening imported cattle and signed on new customers in, Egypt, Israel and Jordan as it seeks to continually diversify its global customer base.

Animal Welfare

Wellard continues to support the positive impact from the Australian Governments' Export Supply Chain Assurance System (**ESCAS**) and has been working with customers to ensure their supply chains are robust and meet the required animal welfare standards. Importantly, many customers are witnessing positive results, such as improved efficiency, OH&S and meat eating quality, from working with Wellard's leading Traceability System.

Environmental Health and Safety (EH&S)

Wellard places a high priority on a workplace free of accidents and injury. Wellard maintains EH&S procedures that are intended to ensure employee's health and safety. Wellard aims to create uniformity across its operations, have site and vessel specific policies and procedures that seek to achieve the best:

- Lost time injury frequency rate (**LTIFR**);
- Claims for compensation (cost and frequency); and
- Results of a range of internal auditing and practical inspections.

6.2. FINANCIAL OVERVIEW

Profit and Loss Statement

The Prospectus contained financial forecasts. Set out below is a comparison of the Statutory Net Profit after Tax (**NPAT**) to the Prospectus Forecast Statutory NPAT for FY 2016:

	Statutory A$ million	Prospectus Forecast Statutory A$ million	Variance A$ million
Revenue	573.8	607.4	(33.6)
Cost of Sales	(484.9)	(494.0)	9.1
Gross Margin	**88.9**	**113.4**	**(24.5)**
Other gains/(losses)	(1.4)	-	(1.4)
Labour expenses and share based payments	(37.6)	(32.9)	(4.7)
Repairs and maintenance	(15.2)	(3.5)	(11.7)
Administration and other expenses	(31.0)	(34.4)	3.4
EBITDA	**3.7**	**42.6**	**(38.9)**
Depreciation and amortisation	(20.8)	(18.6)	(2.2)
EBIT	**(17.1)**	**24.0**	**(41.1)**
Net Interest expense	(13.7)	(12.7)	(1.0)
Net profit/(loss) before tax	**(30.8)**	**11.3**	**(42.1)**
Income tax benefit/(expense)	7.5	(2.3)	9.8
Net profit/(loss) after tax	**(23.3)**	**9.0**	**(32.3)**

The Gross Margin is below the Prospectus Forecast Gross Margin by $24.5 million due primarily to:

- Unprecedented wet winter weather in northern Australia and consequently strong re-stocking by farmers resulted in a significant tightening of supply of Australian cattle with prices reaching record highs in the second half of FY 2016. This combined with a reluctance from traditional South East Asian customers to accept substantial price increases significantly impacted revenue and gross margin. The impact was approximately $16.3 million;
- Actual sales volume below Prospectus forecast reduced Gross Margin by approximately $11.7 million with approximately $10.0 million due to the delay in commissioning of the MV Ocean Shearer and the impact of the twin crankshaft failures on the MV Ocean Swagman and MV Ocean Outback in FY 2016; and
- Depreciation in the Australian dollar against the United States dollar had a positive impact of approximately $3.1 million.

The Other gains/(losses) is made up of:

- Net foreign exchange losses of $6.6 million;
- Fair value gains on financial assets of $1.4 million; and
- Net gain from change in fair value of biological assets of $3.8 million.

The Labour expenses and share based payments is above the Prospectus Forecast Labour expenses and share based payments by $4.7 million due primarily to:

- $0.6 million payroll tax on the share based payment not included in the Prospectus figure; and
- $4.0 million increase in labour costs due to a higher headcount for Brazil, Singapore and Perth.

The Repairs and Maintenance expenses is above the Prospectus Forecast Repairs and Maintenance by $11.7 million due primarily to:

- $7.7 million for repairs arising from the twin crankshaft failures on the MV Ocean Swagman and MV Ocean Outback in FY 2016. This further impacted overall profitability by requiring the use of external vessels for several months to replace lost capacity, although both vessels successfully returned to normal operating capability in the final quarter of FY 2016. An insurance claim (excluding deductibles) has been submitted to the insurer; and
- Other repairs and maintenance on the vessel fleet above forecast by $4.0 million due to the inclusion of expenses that would otherwise have been treated as operating expenses in cost of sales and bringing forward scheduled maintenance to better fit within the vessel's port stoppage schedule.

The Administration and Other expenses is below the Prospectus Forecast Administration and Other expenses by $ 3.4 million due primarily to:

- Unrealised/realised foreign exchange impact of $ 0.4 million; and
- General reductions in admin expenses, consultants and lower IPO costs of approximately $3.0 million.

The Depreciation and amortisation is above the Prospectus Forecast Depreciation and amortisation by $2.2 million due primarily to:

- Foreign exchange impact on depreciation of $0.6 million; and
- Impairment of goodwill of $1.6 million.

The Net Interest expense is above the Prospectus Forecast Net Interest expense by $1.0 million due primarily to:

- Foreign exchange impact on interest expense of $0.4 million; and
- Increased interest cost of $0.6 million arising from earlier than forecast drawdown on debt facilities.

In the Prospectus, Wellard disclosed a number of abnormal and extraordinary items in its reconciliation of forecast Statutory to Pro forma NPAT for FY 2016. The Pro forma NPAT is non-IFRS. Set out below is a comparison of the Statutory NPAT to the Pro forma NPAT for FY 2016 for the Wellard Group:

	Statutory (Audited) A$ million	Adjustments A$ million	Pro forma (Unaudited) A$ million
Revenue	573.8	-	573.8
Cost of Sales	(484.9)	-	(484.9)
Gross Margin	**88.9**	**-**	**88.9**
Other gains/(losses)	(1.4)	-	(1.4)
Labour expenses and share based payments	(37.6)	18.7	(18.9)
Repairs and maintenance	(15.2)	-	(15.2)
Administration and other expenses	(31.0)	16.3	(14.7)
EBITDA	**3.7**	35.0	**38.7**
Depreciation and amortisation	(20.8)	-	(20.8)
EBIT	**(17.1)**	**35.0**	**17.9**
Net Interest expense	(13.7)	7.6	(6.1)
Net profit/(loss) before tax	**(30.8)**	**42.6**	**11.8**
Income tax benefit/(expense)	7.5	(4.5)	3.0
Net profit/(loss) after tax	**(23.3)**	**38.1**	**14.8**

Set out below are the pro forma adjustments incorporated in the reconciliation of Statutory NPAT to the Pro forma NPAT for FY 2016 for the Wellard Group:

	A$ million	Description
Statutory NPAT	**(23.3)**	
Share based payments	18.7	One-off share issue by WGH at IPO and associated taxes to management
IPO transaction costs	8.1	One-off IPO listing costs
Debt restructuring costs	1.9	Write-off for previously recognised debt established costs due to subsequent restructuring activities undertaken in connection with the IPO
Realised FX losses on debt restructuring	6.1	Realised foreign currency losses on debt restructuring activities undertaken in connection with the IPO
Stamp duty	0.2	Stamp duty incurred on sale of subsidiaries in connection with restructuring activities as part of the IPO
Interest expense	7.6	Adjustment to reflect the net interest expense reflecting the post IPO debt profile
Tax expense	(4.5)	The net tax effect of the Pro forma adjustments
Pro forma adjustments	**38.1**	
Pro forma NPAT	**14.8**	

Balance Sheet

At 30 June 2016 Wellard had breached an undertaking in the working capital facility but has obtained a waiver and extension to the remedy period to 14 October 2016 before it will become an event of default. Notwithstanding that the Wellard Group was not in default with any debt facility at 30 June 2016 and no cross defaults have occurred, the application of AASB 101 to the working capital breach has meant a reclassification of borrowings of $168.9 million from non-current to current liabilities which results in a working capital deficiency of $110.3 million.

The existing working capital facility was established when the Wellard operations were primarily focussed on sourcing cattle from Australia. With the increased cattle prices and reduced supply in Australia, Wellard has reduced its business in Australia and increased its business in South America. As a consequence, the working capital facility currently in place is of limited use for the South American operations as it only provides limited financial support to the South American operations. Wellard is currently seeking to establish a new working capital facility for its South American operations and to amend the existing working capital facility to improve its workability for its existing operations.

As a result of these matters the independent auditor’s report refers to a material uncertainty regarding continuation of the Group as a going concern. For further information, refer to the going concern disclosure in Note 1(c) of the financial statements together with the auditor’s report.

Working capital includes a receivable from WGH of $15.8 million which arose from the separation of Wellard and its subsidiaries from WGH at the IPO. Wellard and WGH entered into a Deferred Payment Deed whereby WGH had agreed to repay the amount owing by the end of September 2016. Refer to Events Occurring after the Reporting Period set out in section 12 of the Directors’ Report for further details relating to the payment of this amount on 21 September 2016.

Borrowings

Set out below is a summary of the net debt position at 30 June 2016:

	$ million
Borrowings	203.5
Less: Cash and cash equivalents	(31.9)
Net Debt	**171.6**
Net debt/(Net debt + equity)	48%

Included in total borrowings of $203.5 million is the new debt facility for MV Ocean Shearer of $79 million (U$59 million) which was finalised in the June quarter of FY 2016.

Net debt at 30 June 2016 was $171.6 million, a reduction from the previous period end of $235.6 million as a result of debt restructuring activities undertaken as part of the IPO but offset by the new debt facility for MV Ocean Shearer.

Refer to note 7 for further details about Borrowings.

Cash Flow – IPO Proceeds

The IPO was completed on 10 December 2015 and raised $298.9 million. These funds were utilised by Wellard as follows:

- purchase IPO subsidiaries from WGH for $188.8 million;
- repay debt of $70 million;
- pay JLA fees for the IPO of $8.8 million; and
- working capital of $31.3 million.

6.3. MATERIAL BUSINESS RISKS

Wellard is subject to risk factors that are both:

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

The material business risks faced by the Wellard Group that are likely to have an effect on the prospects of the Wellard Group are set out in the Prospectus. A copy of this Prospectus dated 20 November 2015 is available on the Company's website.

Each of the risks set out in the Prospectus could, in isolation or in combination, if they eventuate, have a material adverse impact on Wellard's business, results of operations, financial condition, financial performance, prospects and share price. The selection of risks in the Prospectus was based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. The assessment was based on the knowledge of the Directors as at the Prospectus date, but there is no guarantee or assurance that the importance of risks will not change or other risks will not emerge. The risks set out in the Prospectus do not purport to list every risk that may be associated with an investment in Wellard shares now or in the future, and that the occurrence or consequences of some of the risks described in the Prospectus are partially or completely outside the control of Wellard, its Directors and management.

6.4. OUTLOOK

Wellard expects that the tight supply conditions that exist in the Australian market will persist throughout most of FY 2017 but will ease in the following year as a return to normal weather conditions and the maturing of the herd rebuilding increases the supply of cattle and puts downward pressure on the record prices in Australia. This should allow Wellard to improve its volumes and margins towards the levels it would normally expect from this trade.

In the meantime, Wellard has successfully redeployed its assets to significantly increase its volumes from the South American market to new and existing clients in the middle east. The increase in this trade has led to some financial challenges as the longer stock retention cycle for these longer quarantine and shipping cycles requires more working capital and the existing working capital facility it holds is not suitable to finance this trade. Wellard is working to find a new facility that can better finance this trade. While it is confident it will do so, the growth in this important new trade may be constrained until this has been achieved.

Overall the demand for protein, and particularly for red meat remains strong and is expected to increase over time in all the areas where Wellard operates.

During FY 2017 Wellard expects to shortly re-commence supplying Sri Lanka with Australian dairy cattle under a contract with the Sri Lankan government. Wellard also expects to see the expansion of sourcing markets in South and Central America into South East Asia once the appropriate trade protocols are established and the commencement of maritime export of live cattle for slaughter to China as the local importing facilities are being finished and certified for Australian cattle, including animal welfare requirements of ESCAS. This will have a positive effect on the supply and demand balance and hopefully re-establish good margins.

During FY 2016 Wellard increased its shipping capacity by taking delivery of a fifth vessel, the MV Ocean Shearer, in May 2016. Wellard also commenced construction of a sixth custom build livestock carrying vessel, the MV Ocean Kelpie, which is scheduled for completion in the third quarter of 2018. In addition, Wellard acquired parcels of land in Livingston, Northern Territory, and Condah, Victoria on which it plans to develop its own pre export quarantine facilities within the vicinity of the key Darwin and Portland ports.

Wellard has grown its international footprint in particular in South America, sourcing large numbers of livestock to diversify its sourcing partners and mitigate the effects of high prices in Australia. Wellard expects to continue to take advantage of the large number of cattle available in Brazil and Uruguay to satisfy demand in customer markets where geography and price makes sourcing from this region preferable. The potential introduction of live export protocols for South America with Wellard's traditional South East Asian customer markets later in 2016 will further increase Wellard's commitment to its South American supply base and allow Wellard to take advantage of the large size of its ships that are more efficient on long haul and to better protect itself from supply conditions in any one area and changes in demand in any particular country.

Wellard has also secured and will continue to secure, profitable external charter when capacity availability allows, so that it can maximize the fleet utilization and maintain relations with existing customers.

Notwithstanding the strong adverse challenges Wellard has experienced in FY 2016 and will continue to experience for most of FY 2017, the Company has successfully managed the redeployment of its shipping assets to new markets, developed its longer term capacity and developed new markets to leave Wellard with a solid platform, tested by many years of operation, on which to base growth and regain its historical average profit margins over the medium term.

7. DIRECTORS MEETINGS

The following table sets out the number of directors' meetings (including meetings of Board committees) held during the year ended 30 June 2016 and the number of meetings attended by each director:

Column (A) = number of meetings eligible to attend
Column (B) = number of meetings attended

	Board		Audit & Risk		Nomination &		Conflicts of	
	(A)	**(B)**	**(A)**	**(B)**	**(A)**	**(B)**	**(A)**	**(B)**
D. Griffiths[1]	13	13	5	5	1	1	7	7
M. Balzarini[5]	16	16						
G. Wheeler[5]	16	16						
S. Warburton[2]	13	13	5	5	1	1	7	7
P. Clausius[3]	13	13	5	5	1	1	7	6
E. Tavani[4]	3	3						

Notes:

1. *Mr Griffiths was appointed Chairman on 19 November 2015.*
2. *Ms Warburton was appointed a Director on 19 November 2015 and resigned on 26 August 2016.*
3. *Mr Clausius was appointed a Director on 19 November 2015.*
4. *Mr Tavani resigned as a Director on 19 November 2015.*
5. *Mr Balzarini and Mr Wheeler were appointed as Directors on 10 September 2015.*

In addition to the above meetings, a number of matters were dealt with by way of circular resolution during the year.

8. DIRECTORS' INTERESTS IN SECURITIES OF THE GROUP

The interests of each Director in the shares and options of the Group as notified by the Directors to the ASX in accordance with S205G(1) of the Corporations Act 2001 as at the date of this report are as follows:

Director	Ordinary Shares
D. Griffiths	100,000[1]
M. Balzarini	146,320,000[2]
G. Wheeler	960,000
P. Clausius	Nil

Notes:

1. *All Shares are held by Darju Pty Ltd, a company in which Mr Griffiths has a voting power of greater than 20%.*

2. *146,319,999 Shares are held by WGH and 1 Share is held by Camuna Pte Ltd, both being companies that are controlled by Mr Balzarini. As announced on 19 September 2016, WGH has agreed to transfer 66,319,999 shares to Fulida Group Holdings Co Ltd and 80,000,000 shares to its wholly owned subsidiary WGH Commodities, Land and Transport Pty Ltd.*

Wellard does not currently have any rights or options over Shares.

As set out in the Prospectus, Wellard intends to adopt an employee incentive plan to offer equity based remuneration to employees. The Company will seek shareholder approval at its Annual General Meeting to issue securities under that plan to the Managing Director.

9. INDEMNITIES AND INSURANCE

Rule 18.1 of the Wellard Constitution requires Wellard to indemnify each Director and officer on a full indemnity basis and to the extent permitted by law against liability incurred by them in their capacity as an officer of any member company of the Wellard Group. The Directors, Company Secretary and Officers have the benefit of this indemnity (as do any individuals who may have formerly held one of those positions).

As permitted by Wellard's Constitution, Wellard has entered into Deeds of Indemnity, Access and Insurance with each Director, Company Secretary and Officers. Wellard have also insured against amounts that Wellard may be liable to pay to Directors, Company Secretaries and certain employees or that Wellard otherwise agree to pay by way of indemnity. Wellard's insurance policy also insures Directors, Company Secretaries and relevant employees against certain liabilities (including legal costs) they may incur in carrying out their duties.

No indemnity payment has been made under any of the documents referred to above during the financial year.

10. DIVIDENDS

The Company does not intend to pay any dividends in respect of the year ended 30 June 2016.

11. EQUITY ISSUES DURING THE YEAR

Wellard was registered in Western Australia on 10 September 2015 with 1,000 Shares being issued to WGH (999 Shares) and Camuna Pte Ltd (1 Share).

The following shares were issued during FY 2016:

a) 215,000,000 Shares on 14 December 2015 to subscribers under Wellard's IPO;

b) 159,999,000 Shares on 14 December 2015 to WGH in consideration for the transfer of the Wellard business and associated subsidiaries. 13,680,000 of these Shares were immediately transferred to current and past employees, consultants, and others not part of the Wellard Group as a one-off IPO bonus. This bonus was provided by WGH, not Wellard, and the amount of the bonus provided to each participant was determined by WGH; and

c) 25,000,000 Shares on 14 December 2015 to Standard Chartered Private Equity Limited (**SCPEL**). The Shares issued to SCPEL formed part of the purchase price payable to WGH in relation to the purchase of the Wellard business, which were issued in part satisfaction of pre-existing obligations owed to SCPEL by WGH. As detailed in the Prospectus, SCPEL's shares are subject to voluntary escrow from the date of completion of the IPO to the business day after Wellard's results for FY2016 are released to ASX. This means SCEPL's 25,000,000 ordinary shares will be released from escrow on 3 October 2016.

12. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Since the end of the financial year:

- Australian conditions remain weak as a result of the continued tightening of supply of Australian cattle. Cattle prices reached record highs in the second half of FY 2016. This combined with a reluctance from traditional South East Asian customers to accept further price increases continues to impact revenue and gross margin. Wellard has focused its attention on sourcing cattle in South America;
- Wellard has entered into a revised agreement to delay the delivery of the MV Ocean Kelpie to the third quarter of 2018 to better suit market conditions and changed the payment schedule to match the new delivery timetable;

- The Wellard Group has submitted its insurance claim (excluding deductibles) for the cost of repairs arising from the twin crankshaft failures on the MV Ocean Swagman and MV Ocean Outback during FY 2016;
- Ms Sharon Warburton resigned as a non-executive Director of Wellard on 26 August 2016;
- Ms Yasmin Broughton resigned as Company Secretary and General Counsel of Wellard on 26 August 2016 and is serving out her notice period;
- At 30 June 2016 Wellard had a receivable owing by WGH of $15.8 million. On 19 September 2016, WGH advised that they had entered into refinancing agreements (**WGH Refinancing**) to enable WGH to repay the $15.8 million (plus accrued interest of $0.5 million) owed to Wellard. This payment from WGH of $16.3 million was received in full on 21 September 2016. Refer to ASX announcements dated 19 and 21 September for further details; and
- Wellard reached agreement with the provider of the one of the secured loan facility providers to amend one of the financial covenants and waive another financial covenant such that there is no longer an anticipated breach of these covenants at 31 December 2016.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

13. ENVIRONMENTAL REGULATION AND PERFORMANCE

The activities of the Wellard Group are subject to environmental regulation by various authorities throughout Australia.

PRE EXPORT QUARANTINE FACILITIES

Wellard operates a number of pre-export quarantine facilities throughout Australia which have been approved by the Australian Department of Agriculture as Registered Premises **(RPs)** under the Export Control (Animals) Order 2004 (Cth). These facilities are subject to both state and local government environmental legislation, as well as animal welfare legislation.

There were no reports of any breach of any relevant Act, code of practice or accreditation scheme under which Wellard's pre-export quarantine facilities were approved or operated during the year ended 30 June 2016.

LIVE EXPORT SERVICES

Wellard is engaged in the export of livestock to international markets, namely the supply of feeder and slaughter cattle to Indonesia, Vietnam, Israel, Turkey and Egypt as well as supply of dairy and breeding cattle to Sri Lanka, China and the Philippines. Sheep are also exported to Israel by sea freight and China by airfreight.

All live export operations are subject to Australian Government regulations and standards including:

a) The Australian Standards on the Export of Livestock (ASEL version 2.3) which provides detailed standards on the sourcing, preparation, management and transportation of livestock throughout the supply chain, until disembarkation. The ASEL also requires exporters to comply with state, territory and local government regulations including animal welfare and environmental regulations.
b) The Exporter Supply Chain Assurance System (ESCAS) which requires exporters to have control and traceability throughout the supply chain up to and including the point of slaughter in the receiving country.
c) The Export Control (Animals) Order 2004 (Cth).

Apart from minor non-compliances of ESCAS (for which regulators took no adverse action against Wellard), there have been no breaches of environmental regulations or legislation by Wellard's live export business in the financial year to 30 June 2016.

LIVESTOCK CARRIER VESSELS

Wellard, through its subsidiary Wellard Ships in Singapore owns and operate 5 livestock carriers engaged in international trade. All vessels comply with their state flag regulation, IMO, Solas and Marpol requirement and all classed by IACS class society. All ships carry a valid ACCL, Australia Certificate for the Carriage of livestock.

REMUNERATION REPORT

14. CONTENTS

The following sections form the Remuneration Report for the Wellard Group for the financial year ended 30 June 2016. The information provided in the Remuneration Report has been audited as required by the Corporations Act 2001 (Cth) and forms part of the Directors' Report.

- Remuneration Report Overview
- Remuneration Governance
- Remuneration of Executive KMP (including the CEO)
- Remuneration of Non-Executive Directors
- KMP shareholding
- Transactions with KMP

15. REMUNERATION REPORT OVERVIEW

This Remuneration Report has been prepared in accordance with section 300A of the Corporations Act 2001 (Cth) (Act).

The disclosure in this Remuneration Report relates to the remuneration of the Wellard Group's key management personnel (**KMP**), being those people who have the authority and responsibility for planning, directing and controlling Wellard's activities, either directly or indirectly, including any Director.

On 14 December 2015, Wellard acquired its business in accordance with the separation of WGH and its subsidiaries' (**WGH Group**) as disclosed in Wellard's Prospectus. Under the separation transaction, Wellard acquired a number of its subsidiaries including Wellard Feeds Pty Ltd (Australia), Wellard Rural Exports Pty Ltd (Australia), Wellard Animal Production Pty Ltd (Australia), Wellard Singapore Pte Ltd (Singapore), Wellard Ships Pte Ltd (Singapore), Ocean Drover Pte Ltd (Singapore), Niuyang Express Pte Ltd (Singapore), Ocean Shearer Pte Ltd (Singapore), Wellard do Brazil Agronegócios Ltda (Brazil), Wellard NZ Limited (New Zealand), and Wellard do Uruguay S.A. (**Separation Subsidiaries**).

Prior to the completion of the IPO, a number of Wellard's KMP and employees were employed by members of the WGH Group who were then subsequently employed by Wellard or transferred across to the Wellard Group.

This report focuses on the remuneration arrangements of Wellard as a separate entity from WGH post-IPO, including Wellard's remuneration policy and framework. However, in order to provide shareholders with a full and complete picture, and to comply with applicable statutory requirements, the report also includes the remuneration arrangements and amounts paid by the WGH Group to the KMP that provided services to the Wellard business prior to the separation.

The table below sets out details of those persons who were KMP of the Wellard Group during the financial year ended 30 June 2016:

Name	Positions Held	Term as KMP during FY 2016
Non-Executive Directors		
D. Griffiths	Non-Executive Chairman (19 November 2015 – present)	Part Year
P. Clausius	Non-Executive Director (19 November 2015 – present)	Part Year
S. Warburton	Non-Executive Director (19 November 2015 – resigned on 26 August 2016)	Part Year
E. Tavani	Non-Executive Director (10 September 2015 – 19 November 2015)	Part Year
Executive Directors		
M. Balzarini	Non-Executive Director (10 September 2015 – 18 November 2015) Managing Director & CEO (19 November 2015 – present)	Full Year[1]

Name	Positions Held	Term as KMP during FY 2016
G. Wheeler[2]	Non-Executive Director (10 September 2015 – 18 November 2015) Executive Finance Director (19 November 2015 – 11 July 2016)	Full Year[1]
Other Executive KMPs		
B. Wade	Chief Operating Officer (2 May 2016 – present)	Part Year
S. Braithwaite	Chief Business Development Officer (2 May 2016 – present) Chief Operating Officer (1 July 2015 – 2 May 2016)	Full Year[1]
D. Bazzoni	Head of Business Development – Europe & Americas	Full Year[1]
P. Triglia	Managing Director - Wellard Ships Pte Ltd	Full Year[1]

Notes:

1. *Prior to the acquisition by Wellard of the Separation Subsidiaries and the associated business, these individuals were employed by the WGH Group to perform their existing roles for the Wellard business that was then owned and run by WGH. In this regard these individuals have been KMP of the relevant Wellard business for the full financial year whilst continuing to perform the same role throughout the year.*
2. *On 11 July 2016, Mr Wheeler's role changed from that of Executive Finance Director to Non-Executive Director and ceased to be the Chief Financial Officer. For the purpose of this report Mr Wheeler is considered an Executive Director for the financial year ended 30 June 2016. Mr Alan Rule was appointed interim CFO on 12 July 2016.*

16. REMUNERATION GOVERNANCE

NOMINATION AND REMUNERATION COMMITTEE

The Board is responsible for ensuring that the remuneration arrangements for the Wellard Group are aligned with its business strategy and shareholders' interests.

The Nomination and Remuneration Committee is delegated responsibility to advise the Board on Board composition (ensuring the Board has an appropriate balance of skills, knowledge, experience, independence and diversity), Board succession planning, and an appropriate level and composition of remuneration for Directors and senior executives.

The Nomination and Remuneration Committee was formed on 19 November 2015 and comprises the following independent Directors:

- D. Griffiths – Committee Chair;
- P. Clausius – Committee Member; and
- S. Warburton – Committee Member (resigned as a director on 26 August 2016).

The Board regards it as critical that the Committee is independent from management when making decisions affecting the remuneration of KMP and other senior employees. To safeguard the independence of remuneration-setting procedures, the Nomination and Remuneration Committee is comprised solely of Non-Executive Directors, all of whom are independent.

The Nomination and Remuneration Committee meets throughout the year as required and when necessary is briefed by management, but makes all decisions free of the influence of management. The Committee may, from time to time, seek independent advice from remuneration consultants, and in so doing will directly engage with the consultant without management involvement.

Further information regarding the objectives and role of the Nomination and Remuneration Committee is contained in its Charter, which is available on the Corporate Governance Policy section of the Company's website at www.wellard.com.au.

INDEPENDENT REMUNERATION CONSULTANT

Ernst & Young were engaged by the Nomination and Remuneration Committee during the financial year to provide independent advice to the Committee on incentive plan consideration. The advice was not finalised prior to 30 June 2016. The Nomination and Remuneration Committee intend to engage Ernst & Young to complete their independent advice during the financial year ending 30 June 2017. Ernst & Young were paid a total of $4,120 for these services to the Wellard Group for the 2016 financial year.

17. REMUNERATION OF KMP

REMUNERATION POLICY

The Board and Nomination and Remuneration Committee recognise that remuneration has an important role to play in supporting the implementation and achievement of Wellard's strategy and ongoing performance.

The Board is committed to driving alignment between the remuneration arrangements of its KMP with the expectations of Wellard's shareholders, its employees and the Company's sustainability.

Wellard's executive remuneration policy aims to reward KMP fairly and responsibly in accordance with the Australian and Singaporean market and ensure that Wellard:

- provides competitive rewards that attract, retain and motivate KMP of the highest calibre;
- sets demanding levels of performance which are linked to KMP's remuneration;
- structures remuneration at a level that reflects the KMP's duties and accountabilities and is competitive;
- benchmarks remuneration against appropriate comparator groups;
- aligns KMP incentive rewards with the creation of value for shareholders; and
- complies with applicable legal requirements and appropriate standards of governance.

REMUNERATION FRAMEWORK

Wellard's KMP remuneration currently comprises two key components:

- total fixed annual remuneration (**TFR**); and
- short term incentives (**STI**).

The table below provides a snapshot of Wellard's framework and the way in which each component of remuneration has been structured to support Wellard's business objectives and to align with the generation of shareholder wealth.

Component	Performance Measure	At Risk Weight	Objective
Fixed Annual Remuneration Salary and other benefits (including statutory superannuation) (**FAR**)	• Role and responsibility • Business and individual performance • Contribution, competencies and capabilities	Nil.	FAR is broadly aligned with salaries for comparable roles in companies of similar size, complexity and industry. KMP receive FAR that reflects each individual's responsibilities, location, skills, experience and performance. FAR will be reviewed annually considering benchmarking of comparable roles, changes in responsibility, and general economic conditions. A review was not undertaken this financial year as KMP were only appointed in November 2015.

Component	Performance Measure	At Risk Weight	Objective
Short Term Incentives Cash bonus	• EBITDA hurdles set out below • Discretionary bonus	Fixed amount paid subject to hurdles being met	The purpose of STI is to focus the KMP on the performance measures and outcomes that are priorities for the Wellard Group for the relevant financial year. The FY 2016 STI plan was established prior to the IPO. The Wellard FY 2016 plan STI comprises financial measures and a discretionary element which are set on the basis that they are expected to have a significant short-term impact on the success of the Wellard Group. The STI targets for FY 2016 are set out in the table below. The STI targets were not met in FY 2016 and no cash bonuses were paid under the plan as the EBITDA was below the USD 50 million threshold.
Total Remuneration	The remuneration components are designed to reflect the diversified and vertical nature of the Wellard business and is structured to reward Executives for performance at the Wellard Group level as well as at the individual performance level. The remuneration structure also seeks to align executive and shareholder interests through share ownership.		

FY2015-16 EBITDA hurdles for Wellard Rural Exports Pty Ltd only	Potentially Payable to each KMP	Potentially Payable to each General Manager	Total Potentially Payable
USD 50 million	0	0	0
USD 55 million	45,000	30,000	315,000
USD 60 million	90,000	60,000	630,000
USD 65 million or more	150,000	100,000	1,050,000

FIXED ANNUAL REMUNERATION

Each KMP receives a fixed salary. The quantum of salary reflects the individual's responsibilities, location, skills, experience and performance and is aligned with salaries for comparable roles in global companies of similar complexity, size, geographic footprint, listing jurisdictions, reach and industry.

The remuneration of KMP whom had executive roles with the WGH Group prior to the separation of the Wellard business was determined based on their historical remuneration arrangements put in place by the WGH Group. Executive fixed remuneration did not increase during the 2016 financial year. An increase was made to the Group Managing Director's fixed remuneration from 30 June 2016 as set out in the Key terms of KMP Agreements below.

SHORT TERM INCENTIVES

The short term incentive targets of EBITDA for FY 2016 were not met and no payment was made to KMP or employees in relation to those targets. A discretionary bonus was paid under the short term incentive plan to Scot Braithwaite in July 2015 totalling $100,000 and to Paolo Triglia of $30,051 in relation to FY 2015.

Wellard intends to adopt a new short term incentive plan for FY 2017, however at the date of this report, the terms of the plan have not been finalised.

LONG TERM INCENTIVE (LTI)

There was no long term incentive plan in place during the 2016 financial year.

ONE OFF IPO BONUS

A number of the Wellard's KMP, employees and consultants received a one-off IPO bonus from WGH in recognition of their contribution to the development of Wellard over time and the IPO listing. This one-off IPO bonus was provided by WGH, not Wellard, and the amount of the bonus granted to each participant was determined by WGH. However, due to the predecessor accounting policy adopted by Wellard, the expense has been recognised in the Wellard financial statements.

The bonus was provided in the form of Wellard shares transferred from WGH's shareholdings to the relevant individuals. The members of the KMP that participated in the IPO bonus provided by WGH were Greg Wheeler, Scot Braithwaite, Paolo Triglia and Domenico Bazzoni. Refer to page 53 for details of the shares issued to KMP under the IPO bonus.

KEY TERMS OF KMP AGREEMENTS

Remuneration and other terms of employment for the KMP disclosed in this Remuneration Report are contained in contracts of employment or consultancy agreements as summarised in the table below:

Executive	Agreement Commencement/ Termination Date	Total Fixed Remuneration[1]	STI	LTI (% of Base Salary)	Notice of Termination	Notice required for Resignation
M. Balzarini	19 November 2015	USD 680,000	At the discretion of the Board	If an LTI plan is in place, up to 20% of base salary	6 months	6 months
G. Wheeler[2]	19 September 2011 to 11 July 2016	$383,250	At the discretion of the Board	If an LTI plan is in place, up to 20% of base salary	6 months	6 months
B. Wade	25 April 2016	$220,000	At the discretion of the Board	If an LTI plan is in place, up to 20% of base salary	6 months	6 months
S. Braithwaite	December 2015	$500,000	At the discretion of the Board		6 months	6 months
D. Bazzoni	December 2015	USD 240,000	At the discretion of the Board		6 months	6 months
P. Triglia	18 November 2015	SGD 350,000	At the discretion of the Board	Discretionary Bonus (1 month salary/year service) Discretionary Performance Bonus	3 months	3 months

***Notes**:*

1. *This is inclusive of superannuation payments.*
2. *Effective from 11 July 2016, Mr Wheeler changed role from CFO/ Executive Director of Wellard to Non-Executive Director. Accordingly, Mr Wheeler's employment contract ceased effective from 11 July 2016.*

EXECUTIVE KMP REMUNERATION TABLE

The table below sets out the remuneration received by Wellard KMP for FY 2016 during:

- the portion of the year for which KMP were employed by the Wellard Group; and
- the portion of the year for which KMP were employed by the WGH Group to perform duties in respect of the Wellard business (which was subsequently transferred to Wellard).

No comparative information is provided for the financial year ended 30 June 2015 on the basis that this is the first year of the listing of the Wellard Group.

The following table sets out the statutory disclosures required under the Corporations Act 2001 (Cth) and in accordance with the Accounting Standards. The amounts shown reflect the remuneration for each KMP that relates to their service as a KMP of the Wellard Group (i.e. the period from their commencement as a KMP through to 30 June 2016):

	SHORT-TERM BENEFITS	SHORT-TERM BENEFITS	SHORT-TERM BENEFITS	LONG-TERM BENEFITS	LONG-TERM BENEFITS	POST EMPLOYMENT BENEFITS	SHARE-BASED PAYMENTS	TOTAL REMUNERATION	% OF REMUNERATION "AT-RISK"
	Base Salary	**STI**[1]	**Other**[2]	**Accrued Annual Leave**[3]	**Long Service Leave**[12]	**Superannuation**	**Value of shares received**[4]		
Executive Directors									
M. Balzarini	820,812[7]	Nil	5,818	36,742	7,992	34,952	Nil	906,316	0%
G. Wheeler	353,837	Nil	2,725	18,942	5,854	29,414	1,334,400[8]	1,745,172	0%
Senior Executives									
B. Wade[5]	31,682	Nil	7,807	2,856	621	3,010	Nil	45,976	0%
S. Braithwaite	500,004	100,000	Nil	Nil[6]	Nil	Nil	3,558,400[9]	4,158,404	0%
D. Bazzoni	367,475[7]	Nil	Nil	Nil[6]	Nil	Nil	1,112,000[10]	1,479,475	0%
P. Triglia	334,833	30,051	142,281[13]	Nil	Nil	Nil	1,334,400[11]	1,841,565	0%
TOTAL	**2,408,643**	**130,051**	**158,631**	**58,540**	**14,467**	**67,376**	**7,339,200**	**10,176,908**	**0%**

1. *This includes cash bonuses provided to KMP.*
2. *This includes short term benefits such as parking, vehicle, travel, internet and accommodation.*
3. *Includes statutory leave for Executive Directors and other KMP.*
4. *The figures in this column of the table represent the fair value of Wellard shares provided by WGH to KMP as a one-off IPO bonus at the IPO share issue price of $1.39.*
5. *Mr Wade commenced employment with Wellard as Chief Operating Officer on 2 May 2016.*
6. *Messrs Braithwaite and Bazzoni are paid as consultants of the Wellard. Accordingly, they do not receive any leave or superannuation entitlements.*
7. *Messrs Balzarini's and Mr Bazzoni's remuneration is paid in US dollars.*
8. *Mr Wheeler received 960,000 shares @ $1.39 with 100% escrowed until day after results for FY 2016 released to ASX. Then 67% escrowed to day after results for FY 2017 released to ASX. Full details of the escrow arrangements are set out in section 7.6.2 of the IPO Prospectus.*
9. *Mr Braithwaite received 2,560,000 shares @ $1.39 with 100% escrowed until the day after results for FY 2016 are released to ASX. Then 67% escrowed until the day after the results for FY 2017 are released to ASX. Full details of the escrow arrangements are set out in section 7.6.2 of the IPO Prospectus.*
10. *Mr Bazzoni received 800,000 shares @ $1.39 with 100% escrowed until the day after results for FY 2016 are released to ASX. Then 67% escrowed until the day after the results for FY 2017 are released to ASX. Full details of the escrow arrangements are set out in section 7.6.2 of the IPO Prospectus.*
11. *Mr Triglia received 960,000 shares @ $1.39 with 100% escrowed until the day after results for FY 2016 are released to ASX. Then 67% escrowed until the day after the results for FY 2017 are released to ASX. Full details of the escrow arrangements are set out in section 7.6.2 of the IPO Prospectus.*
12. *Represents the net accrual movement for Long Service Leave (**LSL**) over the twelve month period which will only be paid if the KMP meets legislative service conditions. LSL has been separately categorised and is measured on an accrual basis and reflects the movement in the accrual over the twelve month period.*
13. *Mr Triglia is employed as an expatriate and pursuant to his employment contract receives additional benefits for accommodation, school fees and travel expenditure.*

18. REMUNERATION OF NON-EXECUTIVE DIRECTORS

REMUNERATION POLICY AND ARRANGEMENTS

The Board considers the following policy objectives when determining its remuneration profile for Non-Executive Directors:

a) offering market competitive remuneration to attract and retain high quality directors with the appropriate expertise and skillset to complement the Wellard business;
b) safeguarding the independence of Non-Executive Directors by limiting performance-related remuneration of Non-Executive Directors; and
c) ensuring the Company is not paying excessive remuneration.

No element of the Non-Executive Directors' remuneration is linked to the performance of the Company. However, to create alignment with shareholders, Non-Executive Directors are encouraged to hold equity securities in the Company. At the date of this report a majority of the Non-Executive Directors hold some form of equity securities in the Company. All Directors are subject to the Company's "Security Trading Policy".

AGGREGATE FEES

Under the Constitution, the Non-Executive Directors will be remunerated for their services by:

a) an amount or value of remuneration each year as Wellard in a general meeting determines; or
b) an aggregate amount or value of remuneration not exceeding the maximum amount or value as Wellard in a general meeting determines, to be divided among the Non-Executive Directors in such proportion and manner as they agree, or if they do not agree, equally.

Wellard has currently fixed the maximum aggregate fee pool for Non-Executive Directors at $800,000 per annum.

REMUNERATION REVIEW

The Board will periodically review the level of fees paid to Non-Executive Directors, including seeking external advice were appropriate.

A review of the remuneration of Non-Executive Directors was not undertaken during the 2016 financial year as the Board did not believe it was necessary or appropriate given that the Non-Executive Directors were appointed on 19 November 2015. No change was made to Non-Executive Director fees, or the fees paid to members of any Board Committee. However, in March 2016 the Board established a new Board committee, the '*Conflict of Interest*' committee to assist the Board in ensuring that the consideration of matters by the Board is undertaken free from any actual influence or appearance of influence from persons with conflicts of interest or duty

NON-EXECUTIVE DIRECTOR FEES AND BENEFITS

Set out in below is a description of each component of total remuneration for Non-Executive Directors and how each component impacts remuneration.

Fees/benefits	Description	2016 ($) (incl. superannuation)	Included in Shareholder Cap
Board Fees	**Wellard Board**		
	Chairman	$200,000	
	Members	$100,000	Yes
Committee Fees	**Audit & Risk Compliance Committee**		
	Chairman	$25,000	
	Members	$10,000	Yes
	Nomination & Remuneration Committee		
	Chairman	$25,000	
	Members	$10,000	Yes
Superannuation	Compulsory superannuation payments are made in accordance with applicable laws from time to time.		Yes
STI and LTI	Non-Executive Directors are not eligible to participate in any STI or LTI arrangements.		N/A
Other Group Fees	Non-Executive directors are not paid additional fees for participation on the board of any of Wellard's subsidiary companies and are not directors of any subsidiary board's.		N/A
Termination Payments	Termination benefits are not payable to Non-Executive Directors.		N/A
Other Benefits	Non-executive Directors are entitled to reimbursement for business-related expenses, including travel expenses and also receive the benefit of coverage under Wellard's directors and officer insurance policy.		No

NON-EXECUTIVE DIRECTOR REMUNERATION

The fees paid or payable to the Non-Executive Directors in relation to the 2016 financial year are set out below:

	Short Term Benefits	Post-employment	
Non-Executive Director	**Board and Committee Fees $**	**Superannuation [1] $**	**Total $**
D. Griffiths	126,290	11,998	**138,288**
S. Warburton	72,550	6,892	**79,442**
P. Clausius	64,489	6,126	**70,615**
E. Tavani	41,965		**41,965**
Total	**305,295**	**25,016**	**330,311**

Notes:

1. *Superannuation contributions are made on behalf of Non-Executive Directors in accordance with Wellard's statutory superannuation obligations. Also included are any director's fees that have been sacrificed into superannuation.*
2. *Mr Griffiths, Ms Warburton and Mr Clausius were appointed Directors on 19 November 2015. Ms Warburton resigned on 26 August 2016.*
3. *Mr Tavani served as a Director of Wellard prior to the acquisition of the Separation Subsidiaries and associated business from WGH. Mr Tavani resigned as a Director on 19 November 2015 but remains a director of Wellard Feeds Pty Ltd and Wellard Rural Exports Pty Ltd.*

19. KMP SHAREHOLDING

The Board considers equity based remuneration an important element of the Wellard executive remuneration framework. The Board believes executive based remuneration helps align the interests of Wellard shareholders and senior executives and encourages executives to carefully consider the interests of Wellard shareholders while performing their duties as senior executives.

Since Wellard's admission to the official list of ASX, Wellard considers it appropriate to adopt an employee incentive plan to enable Wellard employees and directors to receive equity based remuneration. Wellard is seeking shareholder approval at its 2016 annual general meeting to allow Wellard to issue securities for this purpose. During the 2016 financial year, Wellard did not have in operation any employee incentive plans and did not issue any equity based remuneration.

A number of KMP and Wellard employees received Wellard shares as a one-off IPO bonus provided by WGH in recognition of their contribution to the development of Wellard and the IPO listing. The IPO bonus was provided by WGH, and the amount of the bonus granted to each participant was determined by WGH. Details of any IPO bonus shares issued to KMP are included in the table below.

Mr Wheeler, Mr Braithwaite, Mr Bazzoni and Mr Triglia (**IPO KMP**) have entered into voluntary escrow arrangements in respect of the shares they received as the one-off IPO bonus. The terms of these escrow arrangements are set out in the Prospectus. In summary, the voluntary escrow arrangements prevent the IPO KMP from dealing in the shares until the business day after Wellard's results for FY 2016 are released to ASX and in relation to 67% of the escrowed shares for an additional period concluding on the business day after Wellard's results for FY 2017 are released to the ASX.

The table below sets out the number of shares held directly, indirectly or beneficially by directors and KMP including their related parties.

Name	Balance at year-start [1]	Granted as remuneration [2]	Net Change	Balance at year-end	Number of unvested Shares
Non-executive Directors					
D. Griffiths	Nil	Nil	100,000	100,000	Nil
S. Warburton	Nil	Nil	50,000	50,000	Nil
P. Clausius	Nil	Nil	Nil	Nil	Nil
E. Tavani	Nil	160,000	Nil	160,000	Nil
Executive Directors					
M. Balzarini	Nil	Nil	146,320,000[3]	146,320,000	Nil
G. Wheeler	Nil	960,000	960,000	960,000	Nil
Other Executive KMPs					
B. Wade	Nil	Nil	Nil	Nil	Nil
S. Braithwaite	Nil	2,560,000	2,560,000	2,560,000	Nil
D. Bazzoni	Nil	800,000	800,000	800,000	Nil
P. Triglia	Nil	960,000	960,000	960,000	Nil

Notes:

1. *Wellard was incorporated on 10 September 2015 therefore no KMP had any interest in shares at the beginning of the financial year.*
2. *No equity based remuneration was provided by Wellard during the 2016 financial year. These shares were provided by WGH as a one-off IPO bonus.*
3. *146,319,999 of these shares were issued to WGH in consideration for the separation/acquisition of the Wellard business from WGH to Wellard. Full details of the separation transaction are set out in Wellard's IPO Prospectus.*

The Nomination and Remuneration Committee has approved the establishment of an Employee Share Acquisition Plan (**ESAP**) which will be implemented by December 2016. Employees, including KMP, will have the ability to acquire Wellard shares under the ESAP. Participation in the plan will be voluntary and enable employees to use their after-tax remuneration to acquire Wellard shares. Shares will be purchased on-market on a monthly basis (except during blackout periods) by the plan trustee and will be subject to a 12-month trading restriction, during which time the shares will be held by the plan trustee.

PROHIBITION ON HEDGING SHARES AND EQUITY INSTRUMENTS

KMP are not allowed to protect the value of any unvested or restricted equity awards allocated to them. KMP are also not permitted to use unvested or restricted equity awards as collateral in any financial transaction, including hedging and margin loan arrangements.

Any securities that have vested and are no longer subject to restrictions or performance conditions may be subject to hedging arrangements or used as collateral provided that the consent, notification and other restrictions on dealings set out in the Wellard Security Trading Policy are complied with in advance of the KMP entering into the arrangement.

20. TRANSACTIONS WITH KMP

At 30 June 2016, Mr Balzarini, a director of Wellard, had a 36% shareholding interest in Wellard. Details of all transactions with KMP and Related parties are set out in note 27.

End of Remuneration Report.

21. ROUNDING

Wellard is an entity of the kind specified in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. In accordance with that legislative instrument, amounts in the financial report and Directors' report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise. All amounts are in Australian dollars only, unless otherwise stated

22. NON AUDIT SERVICES

The auditor's independence declaration has been included on page 27.

Details of the non-audit services undertaken by, and amounts paid to, PwC are detailed in note 29 to the financial statements.

The total non-audit services fees of $1,428,789 represents 74% of the total fees paid or payable to PwC and related practices for the year ended 30 June 2016. These fees were in relation to the IPO.

The Directors have formed the view, that the provision of non-audit services during the financial year ended 30 June 2016 was compatible with, and did not compromise, the general standard of auditor independence for the following reasons:

a) the non-audit services provided do not involve reviewing or auditing the auditor's own work or acting in a management or decision-making capacity for the Company; and

b) all non-audit services were subject to the corporate governance procedures and policies adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not affect the integrity and objectivity of the auditor.

In accordance with the Corporations Act 2001 section 307C the Auditors of the Company, PwC have provided a signed auditor's independence declaration to the Directors in relation to the year ended 30 June 2016. This declaration has been attached to the independent audit report to the members of the Company.

23. CORPORATE GOVERNANCE STATEMENT

The Company will disclose its Company Corporate Governance Statement on the Wellard website at www.wellard.com.au at the same time it lodges its Annual Report with ASX.

This Directors' Report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001, in Perth, Western Australia on 30 September 2016.

On behalf of the Directors

Mr David Griffiths	**Mr Mauro Balzarini**
Chairman	Managing Director and Chief Executive Officer

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Wellard Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Wellard Limited and the entities it controlled during the period.

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
30 September 2016

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Wellard Limited we declare that:

1) In the opinion of the Directors:
   a. the attached financial statements, notes and the additional disclosures included in the Directors' Report designated as audited of the Group are in accordance with the *Corporations Act 2001*, including:
      i. giving a true and fair view of the financial position and performance of the Group as at 30 June 2016 and of its performance for the year ended on that date; and
      ii. complying with Accounting Standards and the *Corporations Act 2001*; and
   b. the financial statements and notes also comply with International Reporting Standards as disclosed in Note 1; and
   c. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;
2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2016.

Signed in accordance with a resolution of the Directors.

Mr David Griffiths

Chairman

Mr Mauro Balzarini

Managing Director and Chief Executive Officer

Dated: 30 September 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Continuing Operations			
Revenue	2	573,773	512,106
Cost of sales	3(a)	(484,874)	(424,459)
Gross profit		**88,899**	**87,647**
Other gains/(losses)	3(b)	(1,442)	(6,348)
Finance costs	3(c)	(13,718)	(14,654)
Depreciation and amortisation expenses		(20,789)	(21,739)
Administration expenses	3(d)	(16,937)	(16,887)
Operating expenses	3(e)	(36,265)	(26,799)
Other expenses	3(f)	(30,539)	(3,419)
(Loss) from continuing operations before income tax		**(30,791)**	**(2,199)**
Income tax benefit	5	7,468	2,002
Net (loss) for the period after tax		**(23,323)**	**(197)**
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
(Loss)/gain from foreign currency translation		(10,698)	17,308
Other comprehensive profit/(loss) for the period, net of tax		**(10,698)**	**17,308**
Total comprehensive (loss)/profit for the period		**(34,021)**	**17,111**

	Note	Cents	Cents
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the company:			
Basic loss per share	6	(6.4)	(0.1)
Diluted loss per share	6	(6.4)	(0.1)

The accompanying notes form an integral part of this consolidated statement of comprehensive income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	2016 $'000	2015 $'000
Current Assets			
Cash and cash equivalents	8	31,930	18,182
Trade and other receivables	14	70,463	228,421
Inventories	11	13,343	8,262
Biological assets	12	38,672	10,591
Derivative financial assets	13	1,369	-
Other assets	15	19,235	3,168
Total Current Assets		**175,012**	**268,624**
Non-Current Assets			
Other assets	15	156	-
Property, plant and equipment	19	290,076	205,077
Intangible assets	20	4,562	3,125
Deferred tax assets	5	8,747	1,655
Total Non-Current Assets		**303,541**	**209,857**
Total Assets		**478,553**	**478,481**
Current Liabilities			
Trade and other payables	16	59,397	85,683
Loans and borrowings	7	203,521	45,206
Provisions	21	1,272	948
Deferred revenue	17	21,104	11,188
Total Current Liabilities		**285,294**	**143,025**
Non-Current Liabilities			
Loans and borrowings	7	-	208,538
Provisions	21	907	2,376
Deferred tax liabilities	5	3,597	338
Total Non-Current Liabilities		**4,504**	**211,252**
Total Liabilities		**289,798**	**354,277**
Net Assets		**188,755**	**124,204**
Equity			
Issued capital	10	548,515	56,940
Reserves	32	(390,251)	13,450
Retained earnings	33	30,491	53,814
Total Equity		**188,755**	**124,204**

The accompanying notes form an integral part of this consolidated statement of financial position

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Attributable to Owners					
	Issued Capital $'000	**Retained Earnings $'000**	**Share Based $'000**	**Other Reserves $'000**	**Common Control $'000**	**Total $'000**
Consolidated						
Balance at 30 June 2014	56,940	54,011	-	(3,858)	-	107,093
(Loss) for the period	-	(197)	-		-	(197)
Other comprehensive income	-	-	-	17,308	-	17,308
Total comprehensive income for the period	**-**	**(197)**	**-**	**17,308**	**-**	**17,111**
Balance at 30 June 2015	56,940	53,814	-	13,450	-	124,204
(Loss) for the period	-	(23,323)	-	-	-	(23,323)
Other comprehensive income	-		-	(10,698)	-	(10,698)
Total comprehensive income for the period	**-**	**(23,323)**	**-**	**(10,698)**	**-**	**(34,021)**
Reverse existing capital resulting from restructure (see note 31)	(56,940)	-	-	-	-	(56,940)
Ordinary shares issued to existing shareholder	257,150	-	-	-	-	257,150
Ordinary shares issued	298,850	-	-	-	-	298,850
Costs relating to share issue net of tax	(7,485)	-	-	-	-	(7,485)
Share based payment reserve	-	-	18,014	-	-	18,014
Common control reserve from restructure	-	-	-	-	(411,017)	(411,017)
Balance at 30 June 2016	**548,515**	**30,491**	**18,014**	**2,752**	**(411,017)**	**188,755**

The accompanying notes form an integral part of this consolidated statement of changes in equity

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Cash Flows from Operating Activities			
Receipts from customers inclusive of GST		567,273	514,959
Payments to suppliers and employees inclusive of GST		(571,729)	(462,406)
Finance costs		(15,538)	(12,347)
Interest received		19	53
Income tax paid		(21)	-
Net operating cash inflows/(outflows)	9	**(19,996)**	**40,259**
Cash Flows from Investing Activities			
Proceeds from sale of property, plant & equipment		339	158
Purchase of property, plant and equipment		(99,889)	(34,587)
Cash advances on duties prepaid		(7,624)	-
Purchase of intangible assets		(3,733)	-
Net investing cash (outflows)		**(110,907)**	**(34,429)**
Cash Flows from Financing Activities			
Net proceeds from issue of shares		290,028	-
Proceeds of IPO returned to former parent entity		(188,228)	-
Amounts received from/(paid) to related parties		96,252	(161,829)
Proceeds from borrowings		275,430	318,813
Repayments of borrowings		(328,831)	(154,971)
Net financing cash inflows		**144,651**	**2,013**
Net increase in cash held		13,748	7,843
Cash at the beginning of financial year		18,182	10,339
Cash at the end of financial year	8	**31,930**	**18,182**

The accompanying notes form an integral part of this consolidated statement of cash flow.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Basis of Preparation

(a) Corporate information

The consolidated financial statements of the Group, comprising Wellard Limited (**Company** or **Wellard**) and the entities that it controlled (**Group**) during the year ended 30 June 2016, were authorised for issue in accordance with a resolution of the Directors on 30 September 2016.

The Company is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of operations and principal activities of the Group is an agribusiness that connects primary producers of cattle, sheep and other livestock to customers globally through a vertically integrated supply chain.

The address of the registered office is 1A Pakenham Street, Fremantle Western Australia 6160.

(b) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for

- Biological assets – measured at fair value
- Derivative financial assets – measured at fair value

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (**$'000**) unless otherwise stated, under the option available to the Company under Australian Securities and Investment Commission (**ASIC**) Instrument 2016/191. The Company is an entity to which the instrument applies.

For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

(c) Going Concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The existing working capital facility was established when the Wellard operations were primarily focussed on sourcing cattle from Australia. With the increased cattle prices and reduced supply in Australia, Wellard has reduced its business in Australia and increased its business in South America. As a consequence, the working capital facility currently in place is of limited use for the South American operations as it only provides limited financial support to the South American operations. Wellard is currently seeking to establish a new working capital facility for its South American operations and to amend the existing working capital facility to improve its workability for its existing operations.

At 30 June 2016 Wellard had breached an undertaking in the working capital facility but has obtained a waiver and extension to the remedy period to 30 November 2016 before it will become an event of default. Wellard together with the working capital facility provider are currently in the process of remedying the breach by including a number of overseas subsidiaries as Obligors in the working capital facility agreement. Wellard expects that this will be finalised prior to 30 November 2016.

Subsequent to 30 June 2016 Wellard breached an undertaking in the working capital facility but has obtained a waiver and extension to the remedy period to 28 February 2017 before it will become an event of default. Wellard expects that this will be finalised prior to 28 February 2017.

Notwithstanding that the Wellard Group was not in default with any debt facility at 30 June 2016 and no cross defaults have occurred, the application of AASB 101 to the working capital breach has meant a reclassification of borrowings of $168.9 million from non-current to current liabilities which results in a working capital deficiency of $110.3 million.

In addition, it is likely that Wellard will breach certain financial covenants to be measured at 30 September 2016 and 31 December 2016 in the working capital facility. Wellard is currently in discussions with the working capital facility provider to seek amendment to the financial covenants. At 30 June 2016 and at the date of this report, only $10 million was outstanding under this working capital facility.

As a consequence of the above matters, a material uncertainty exists that may cast significant doubt as to whether Wellard will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts in this report. However, the Directors believe that there are reasonable grounds to believe that the use of the going concern basis remains appropriate as there is an expectation that the Group:

- will be able to establish a new working capital facility for its South American operations and to amend the existing working capital facility to improve its workability for its existing operations;
- will be able to remedy the breaches within the remedy period and the working capital facility provider will agree to amend the financial covenants; or
- will be able to raise sufficient amounts of either debt or equity.

This Annual Financial Report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Wellard Group not continue as a going concern.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its controlled entities. The financial statements of controlled entities are prepared for the same reporting period as the Company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Controlled entities are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a controlled entity, the consolidated financial statements include the results for the part of the reporting period during which the Company has control.

(e) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

(f) Foreign currency

The functional currency of the Company and its controlled entities is Australian dollars (**$**).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All such exchange differences are taken to the income statement in the consolidated financial report.

(g) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(h) Other accounting policies

Other significant accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

(i) Key accounting judgements, estimates and assumptions

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. Significant judgements and estimates which are material to the financial statements are provided throughout the notes to the financial statements.

2. Revenue

	Note	2016 $'000	2015 $'000
Revenue:			
Sales revenue		526,893	502,763
Services revenue		46,880	9,343
		573,773	**512,106**

Recognition and Measurement

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognized.

Sale of Goods

Revenue from sale of goods is recognised upon the delivery of goods to customers or when there has been a transfer of risks and rewards to the customer. Depending on the terms of the contract with the customer, the risks and rewards are deemed to have passed on completion of the loading of the vessel or when the vessel containing livestock docks at the destination port.

Vessel Chartering

Voyage charter revenue is recognised on a percentage of completion basis which is determined on a time proportion method of each individual voyage. Any demurrage and dispatch is recognised when considered probable.

3. Expenses

	Note	2016 $'000	2015 $'000
(a) Cost of Sales:			
Livestock		391,499	355,344
Shipping		59,433	42,691
Processing and distribution		33,942	26,424
		484,874	**424,459**
(b) Other (gains)/losses:			
Net foreign exchange (gains)/losses		6,636	6,836
Fair value gains on financial assets at fair value		(1,369)	-
Net gain arising from change in fair value of biological assets		(3,763)	(262)
Gain on disposal of property, plant and equipment		(62)	-
Gain on debt forgiveness		-	(226)
		1,442	**6,348**
(c) Net Finance costs:			
Interest income		(992)	(53)
Interest expense		14,710	14,707
		13,718	**14,654**
(d) Administrative expenses:			
Consulting costs		3,815	3,850
Occupancy costs		3,995	2,981
General & admin costs		5,287	6,166
Travel expenses		3,840	3,890
		16,937	**16,887**
(e) Operating expenses:			
Bad and doubtful debts expense		1,524	3,194
Labour expense	3(g)	18,884	16,503
Motor vehicle expenses		677	748
Repairs & maintenance		15,180	6,354
		36,265	**26,799**

	Note	2016 $'000	2015 $'000
(f) Other expenses:			
Restructuring costs		1,736	2,009
IPO transaction costs		7,474	-
Share based payment expense		18,644	-
Loan establishment costs		2,643	368
Loss on disposal of property, plant and equipment		42	1
Loss arising from write down of inventories		-	1,041
		30,539	**3,419**
(g) Labour expenses:			
Wages and salaries		14,841	13,302
Employee entitlements and on costs		1,925	1,740
Superannuation		895	824
Payroll tax		1,223	637
		18,884	**16,503**

Recognition and Measurement

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings and foreign exchange losses net of hedged amounts on borrowings. Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset which are capitalised until the asset is ready for its intended use or sale. Loan establishment costs have been capitalised and are amortised over the life of the loan facility. Borrowing costs relating to loans extinguished during the period have been expensed.

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

4. Segment Information

The Group's management has considered the reportable segments in which the Group will report in this financial statement and in the future.

As a result of this process, Wellard's management has determined that Livestock Marketing, Export and Transportation represents the only reportable segment, including the marketing and export of cattle and sheep. These export activities have similar production and distribution channels, similar products and similar end customers, and as such aggregated and classified as one segment. Processed Meat Marketing & Export and Corporate Services are not considered to be reportable operating segments, and have been presented in an 'other segments' column.

These classifications are in accordance with AASB 8 guidelines.

Description of segments and principal activities

1. **Livestock Marketing, Export and Transportation**: This segment is engaged in the business of buying livestock from multiple sources for export to international markets and includes all the logistics and transport required to supply livestock to its customers.
2. **Other Segments**: This segment consists of Processing and Distribution as well as Corporate Services. Processing and Distribution is in the business of operating abattoirs as well as marketing of processed meat for export to international markets. The processed meat is sourced from the Beaufort River Meats abattoir, which is owned and operated by the Group, or procured from external suppliers. Corporate Services

consists of a centralised support function which provides specialised services across several disciplines to the rest of the Group, including Human Resources, Finance and Payroll, Information Technology and Communication, Legal Services and the Board of Directors.

Management primarily uses a measure of earnings before interest, tax, depreciation and amortisation (**"EBITDA"**) to assess the performance of the operating segments. However, management also receives financial information about segment revenue, interest expense, assets and liabilities on a monthly basis.

	2016 $'000	2015 $'000
Revenue		
Livestock Marketing and Export	535,880	482,621
Other Segments	37,893	29,485
	573,773	**512,106**
EBITDA		
Livestock Marketing and Export	35,761	35,871
Other Segments	(32,051)	(1,677)
	3,710	**34,194**

Geographical Information

Wellard operates in several geographical locations around the world spanning multiple continents for both procurement and sales of livestock.

External Revenues based on the origin Country of sale are as follows:

	2016 $'000	2015 $'000
Australia	483,063	503,517
Singapore	40,676	7,995
Uruguay	37,540	-
Brazil	12,494	594
	573,773	**512,106**

The non-current assets of the Group are located across the following locations:

	2016 $'000	2015 $'000
Singapore	281,542	196,990
Australia	16,397	10,542
Brazil	660	653
Other	56	18
	298,655	**208,203**

5. Taxation

	2016 $'000	2015 $'000
(a) Income tax (benefit)		
Major components of income tax expense are:		
Current tax	(4,853)	1,125
Deferred tax	(2,615)	(1,235)
Prior year losses not previously brought to account	-	(1,892)
Income tax (benefit) reported in the income statement	**(7,468)**	**(2,002)**
(b) Numerical reconciliation		
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on loss from ordinary activities before income tax at 30% (2015: 30%)	(9,236)	(659)
Add/(less) tax effect of:		
Other assessable items		
Attributable foreign income	2,266	-
Under provision for income tax in prior year	-	(1,891)
Impairment of goodwill	486	-
Other non-allowable items	3,804	-
Shared based payment	6,509	283
IPO costs	1,196	-
	5,025	**(2,267)**
Add/(Less):		
Tax effect of:		
Other non-assessable items	(1)	3
Effect of different rates of tax on overseas profit	12,494	(268)
	12,493	**(265)**
Income tax (benefit) attributable to entity	**(7,468)**	**(2,002)**

(c) Deferred Tax Asset Balances

	Provisions and accruals $'000	Unrealised Foreign exchange losses $'000	Borrowing costs $'000	IPO costs $'000	Assessed tax losses carried forward $'000	Total $'000
Year ended 30 June 2016						
Opening amount	361	1,293	-	-	-	**1,654**
Movement in:						
Profit and loss	661	929	83	598	3,603	**5,874**
Equity	-	-	-	1,219	-	**1,219**
Closing amount	**1,022**	**2,222**	**83**	**1,817**	**3,603**	**8,747**
Year ended 30 June 2015						
Opening amount	318	-	-	-	-	**318**
Movement in:						
Profit and loss	43	1,293	-	-	-	**1,336**
Equity	-	-	-	-	-	**-**
Closing amount	**361**	**1,293**	**-**	**-**	**-**	**1,654**

(d) Deferred Tax Liability Balances

	Property, Plant & Equipment $'000	Unrealised Foreign exchange gains $'000	Other $'000	Total $'000
Year ended 30 June 2016				
Opening amount	240	3	95	**338**
Movement in:				
Profit and loss	(220)	3,417	62	**3,259**
Equity	-	-	-	**-**
Closing amount	**20**	**3,420**	**157**	**3,597**
Year ended 30 June 2015				
Opening amount	214	79	(56)	**237**
Movement in:				
Profit and loss	26	(76)	151	**101**
Equity	-	-	-	**-**
Closing amount	**240**	**3**	**95**	**338**

Deferred Tax Balances

Prior to the IPO, all Australian resident subsidiaries formed part of a separate tax consolidated group which was dissolved when Wellard Limited and its subsidiaries listed on the Australian Securities Exchange. Deferred tax assets and liabilities for these subsidiaries were carried forward from its original tax bases and no material adjustments were effected to the tax bases of these entities.

Recognition and Measurement

Income tax expense comprises current and deferred tax. Current income tax expense or benefit is the tax on the current period's taxable income/taxable loss based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities. It is calculated based on tax laws that have been enacted or are substantially enacted by the end of the reporting period.

Current tax payable is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to the income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax Consolidation

It is expected that the parent entity Wellard Limited, and its Australian subsidiaries will form a tax consolidated group with effect from 11 December 2015. The parent entity and subsidiaries in the tax consolidated group will enter into a tax funding agreement such that each entity in the tax consolidated group recognises the assets, liabilities, revenues and expenses in relation to its own transactions, events and balances only. This means that:

- the parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- the subsidiaries recognise current or deferred tax amounts arising in respect of their own transactions, events and balances; and
- current tax liabilities and deferred tax assets arising in respect of tax losses, are transferred from the subsidiary to the parent entity as intercompany payables or receivables.

Adjustments may be made for transactions and events occurring within the tax consolidated group that do not give rise to a tax consequence for the group or that have a different tax consequence at the head entity level of the group. The tax consolidated group will enter into a tax sharing agreement to limit the liability of subsidiaries in the tax consolidated group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

6. Earnings Per Share

	2016 Cents	2015 Cents
(a) Basic (Loss) Per Share		
From continuing operations attributable to the ordinary equity holders of the company	(6.4)	(0.1)
(b) Diluted (Loss) Per Share		
From continuing operations attributable to the ordinary equity holders of the company	(6.4)	(0.1)

	2016 Number	2015 Number
Weighted average number of ordinary shares used as the denominator	364,121,889	320,415,827

Recognition and Measurement

Basic earnings per share is calculated by dividing:

- The profit attributable to the owners of the company, excluding any costs of servicing equity other than ordinary shares,

by

- The weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares.

The number of ordinary shares outstanding has been adjusted retrospectively back to 1 July 2014 for the capital reconstruction, which occurred on 11 December 2015, as described in note 10. The comparative EPS balances have been recalculated accordingly.

7. Loans and Borrowings

	Note	2016 $'000	2015 $'000
Current			
Bank loans - secured		125,570	26,784
Finance leases - secured		69,963	10,430
Trade finance - unsecured		288	37
Other loans - unsecured		7,520	7,955
		203,521	**45,206**
Non-current			
Bank loans - secured		-	139,509
Finance Leases - secured		-	69,029
		-	**208,538**
Total Current and Non-Current		**203,521**	**253,744**

Bank loans consist of a working capital facility and three separate vessel finance agreements from financiers. The working capital facility is secured by a security interest granted by Wellard over all of its acquired property in Australia and shares in certain overseas subsidiaries. As at 30 June 2016, $40,000,000 of the working capital facility is undrawn. The vessel finance agreements are secured by the carrying amount of its pledged assets and are supported by a guarantee from the Company.

At 30 June 2016, the Group has two finance lease arrangements, structured as sale and leaseback agreements. The finance lease arrangements are secured by the carrying amounts of its pledged assets and are supported by a guarantee from the Company. At various stages throughout the lease term, the Group will be entitled to buy back the vessels for an agreed price. The agreed purchase price reduces over the term of the lease. The Group is obliged to buy back both of the vessels for an agreed price at the expiry of the lease. The sale and leaseback agreements also include other terms such as undertakings, prepayment and events of default typical for agreements of this nature. Any breach of these undertaking or representations, or occurrence of the events of default, may lead to the cancellation of the sale and leaseback agreements, and either immediate re-delivery to the financier, or the balance of all lease and buy-back payments falling due and payable.

Refer to note 1(c) for details about covenants and the classification of borrowings as a current liability.

Terms and conditions of outstanding loans were as follows:

Name	Currency	Year of Maturity	2016 $'000	2015 $'000
Secured bank loans	AUD	2018	10,000	-
Secured bank loans	USD	2026	79,046	-
Secured bank loans	USD	2018	-	120,275
Secured bank loans	USD	2022	19,522	22,098
Secured bank loans	USD	2022	17,182	19,482
Unsecured loan	AUD	2016	4,586	7,954
Unsecured bank loans	USD	2016	2,934	4,364
Trade Asset finance	USD	2019	50,102	55,918
Trade Asset finance	USD	2019	19,861	23,541
Trade Asset finance	AUD	2017	220	-
Trade Asset finance	BRL	2018	68	112
			203,521	**253,744**

The secured bank loans are secured over property, plant and equipment with a carrying value of $290,075,613 (2015: $205,077,011) detailed in Note 19.

The maturity profile of principle repayments is set out in note 18(c).

Recognition and Measurement

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

8. Cash and cash equivalents

	2016 $'000	2015 $'000
Cash at bank and in hand	31,930	18,182
	31,930	**18,182**

Recognition and Measurement

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term and highly liquid cash deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. For the purposes of the statement of cash flows, cash includes cash on hand, demand deposits and cash equivalents.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for carrying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

9. Cash Flow Statement Reconciliation

	2016 $'000	2015 $'000
Reconciliation of net profit after tax to net cash flows from operations:		
(Loss) after tax	**(23,323)**	**(197)**
(a) Non cash flows in profit:		
Depreciation & amortisation	20,789	21,739
Income tax benefit	(7,468)	(2,002)
Non-controlling interest	-	7
Bad and doubtful debts	1,523	2,968
Net loss/(gain) on disposal of property, plant and equipment	(20)	-
Net loss/(gain) on fair value of derivative	(1,369)	1
Share based payments expenses	18,014	-
Change in fair value of inventories and biological assets	(3,763)	(211)
Asset write down	-	1,041
Realised foreign exchange losses on loans	12,861	-
Unrealised foreign exchange (gains)/losses	(5,796)	4,748
(b) Changes in assets and liabilities, net of the effects of purchase and of subsidiaries		
Change in trade and other receivables	(158,125)	2,854
Change in trade and other receivables due to related parties	158,285	-
Change in inventories and biological assets	(33,161)	(327)
Change in other current assets	(16,223)	(1,676)
Change in other current assets due to related parties	3,865	-
Change in income tax receivable	(253)	78
Change in net deferred tax assets/liabilities	2,175	(1,369)
Change in trade and other payables	(26,286)	12,446
Change in trade and other payables due to related parties	29,509	-
Change in deferred revenue	9,916	-
Change in provisions	(1,146)	159
	(19,996)	**40,259**

10. Issued Capital

	2016 $'000	2015 $'000
Issued Capital		
At beginning of reporting period	56,940	56,940
Restructure of Group:		
Reverse existing capital resulting from restructure (see note 31)	(56,940)	-
Ordinary shares issued to existing shareholder	257,150	-
Ordinary shares issued	298,850	-
Costs related to issuing securities net of tax effect	(7,485)	-
At the end of reporting period	**548,515**	**56,940**

The Group has authorised share capital amounting to 400,000,000 ordinary shares issued and fully paid.

Movements in ordinary shares:

	2016 '000	2015 '000
At the beginning of reporting period	-	-
Shares issued during year	400,000	-
At the end of reporting period	**400,000**	-

Terms and Conditions

Issued share capital consists of ordinary shares only, with equal voting rights. Ordinary shares have no par value. Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

Wellard Limited was registered in Western Australia on 10 September 2015 with 1,000 Shares being issued to WGH (999 Shares) and Camuna Pte Ltd (1 Share).

The following shares were issued during the 2016 Financial Year:

a) 215,000,000 Shares on 14 December 2015 to subscribers under Wellard's IPO;

b) 159,999,000 Shares on 14 December 2015 to WGH in consideration for the transfer of the Wellard business and associated subsidiaries. 13,680,000 of these Shares were immediately transferred to current and past employees, consultants, and others not part of the Wellard Group as a one-off IPO bonus. This bonus was provided by WGH, not Wellard, and the amount of the bonus provided to each participant was determined by WGH; and

c) 25,000,000 Shares on 14 December 2015 to Standard Chartered Private Equity Limited (**SCPEL**). The Shares issued to SCPEL formed part of the purchase price payable to WGH in relation to the purchase of the Wellard business, which were issued in part satisfaction of pre-existing obligations owed to SCPEL by WGH.

Recognition and Measurement

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

11. Inventories

	2016 $'000	2015 $'000
Raw materials and stores	11,330	6,606
Finished goods	2,013	1,656
	13,343	**8,262**

Raw Materials and Stores and Finished Goods

Raw materials and stores and finished goods are reported at the lower of cost and net realisable value except for bunker fuel.

Recognition and Measurement

Bunker fuel used for the operation of the vessels and with a high turnover rate is not written down to the net realisable value when the market price falls below cost if the overall shipping activity is expected to be profitable.

All other inventories are measured at the lower of cost or net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- fuel: purchase cost on a first in, first out basis;
- raw materials and consumables: purchase cost on a first in, first out basis; and
- finished goods and work in progress: cost of direct material and labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of production and the estimated costs necessary to complete the sale.

During the current financial year, there were no write downs of inventory to net realisable value.

No inventory is pledged as security.

12. Biological Assets

	2016 $'000	2015 $'000
Livestock:		
Balance at beginning of the year	10,591	10,597
Purchases	382,835	327,435
Fair value adjustments	3,763	-
Sales	(358,517)	(327,441)
	38,672	**10,591**

At balance date the Group had 11,127 sheep (2015: 41) valued at $1,228,123 (2015: $18,217) and 38,608 cattle (2015: 12,256) valued at $37,443,673 (2015: $10,572,642) on hand.

Cattle and sheep are held for short term trading and feeding purposes and at the reporting date a fair value increment of $915,188 measured in Level 2 and $2,847,851 measured in Level 3 (2015: Nil) was recognised in the income statement.

Recognition and Measurement

Biological assets in the statement of financial position comprise cattle and sheep and are measured on initial recognition and at each reporting date at their fair value less estimated point of sale costs. The fair value is determined on the actual selling prices approximating those at period end less estimated point of sale costs. Fair value increments or decrements are recognised in profit or loss.

Where fair value cannot be measured reliably, biological assets are measured at cost. Net increments and decrements in the fair value of the biological assets are recognised as income or expense in profit or loss, determined as:

- the difference between the total fair value of the biological assets recognised at the beginning of the period and the total fair value of the biological assets recognised at the end of the period; and
- costs incurred in maintaining or enhancing the biological assets recognised at the beginning of the period and the total fair value of the biological assets recognised at the end of the period.

Livestock on hand that have not yet been sold at the reporting date are valued internally by the Group as there is no observable market for them. The value is based on the estimated price per kilogram and the changes for the weight of each animal class as it changes through natural biological transformation. The key factors affecting the value of each animal are price per kilogram and weight. Significant increases or decreases in any of the significant unobservable valuation inputs for livestock in isolation would result in significant lower or higher fair value measurement.

Valuation of Biological Assets

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its biological assets into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Refer to note 18 for commodity price risk management.

The following table presents the biological assets measured and recognised at fair value at 30 June 2016 on a recurring basis.

	2016			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Biological assets	-	23,648	15,024	38,672
	-	**23,648**	**15,024**	**38,672**

	2015			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Biological assets	-	7,607	2,984	10,591
	-	**7,607**	**2,984**	**10,591**

Level 3 Biological assets are summarised as follows:

	2016 $'000	2015 $'000
Balance at beginning of the year	2,984	245
Purchases	12,871	2,738
Fair value adjustments	2,848	-
Sales	(3,679)	-
	15,024	**2,984**

Level 2: The fair value of biological assets that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value biological assets are observable, the biological asset is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the biological asset is included in level 3.

Management determined that Level 2 is the most appropriate measurement for livestock on hand where the market data of unit prices are available and sales information can be referenced for valuation purposes. Where such information cannot be reliably determined, Level 3 measurement is used. The livestock in Brazil is valued at Level 3.

13. Derivative Financial Assets

	2016	2015
Commodity swap	1,369	-
	1,369	-

Derivative financial assets consist of a bunker swap contract entered into with a financial institution. This asset is designated to be measured at fair value in profit and loss as per AASB 139 as a derivative financial instrument and is adjusted for directly attributable transaction costs.

Refer to note 18 on risk management with the commodity swap.

Recognition and Measurement

Classification

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of the financial instruments at initial recognition.

Derivative Financial Instruments

Derivatives are recognised initially at fair value; any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Foreign Exchange Contracts

The Group enters into foreign exchange contracts to manage its exposure against foreign currency risk in line with the entity's risk management strategy.

14. Trade and Other Receivables

	2016 $'000	2015 $'000
Current		
Trade receivables	18,605	36,826
Provision for impairment	(1,710)	-
Trade receivables - WGH Group entities	18,545	3,466
Other receivables	34,689	11,588
Loan to other related entities	334	3,177
	70,463	**55,057**
Loans to WGH Group related parties		
Loan to WGH Rural Services Pty Ltd	-	80
Loan to WGH Holdings Pty Ltd	-	166,080
Loan to WGH International Pty Ltd	-	27
Loan to Giovi Limited	-	43
Loan to Wellard Philippines	-	7,134
	70,463	**228,421**

Trade and other receivables are non-interest bearing and are generally on 30 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired.

At 30 June 2015, included in loans to other related entities is AUD $3,177,166 receivable from an intergroup entity, Portimor S.A. This entity was acquired by the Group in July 2015.

The financial position and performance of Wellard Ltd was affected by the following events and transactions during the reporting period:

- Wellard Limited was incorporated on 10 September 2015 with a view to become the ultimate holding company of all the entities which formed part of the Wellard Group which listed on the Australian Securities Exchange (ASX) on 10 December 2015.
- Due to the December 2015 Initial Public Offering, the Group restructured and those companies that were not acquired by Wellard Limited Pty Ltd are listed under Loans to WGH Group entities above.

Recognition and Measurement

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment allowance. Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

An impairment is recognised when there is objective evidence that an individual trade receivable may not be collectible. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

For the year ended 30 June 2016 there is a doubtful debt provision of $1,710,455. For the year ended 30 June 2015 bad debts written down for trade receivables totaled $1,994,000 and for loan receivables totaled $1,200,000. These amounts are recognised in operating expenses in the Profit and Loss statement.

15. Other Assets

	2016 $'000	2015 $'000
Current		
Prepayments (a)	13,034	1,835
Debt establishment fees	275	-
Other assets (b)	5,926	1,333
	19,235	**3,168**
Non-current		
Other assets	156	-
	156	**-**

(a) For the year ended 30 June 2016, included in prepayments is an amount of $4,896,672 which relates to suppliers' advances in Brazil.

(b) Included in other assets is an amount of $4,019,293 which relates to a receivable from an entity controlled by WGH. Refer to note 27 for further information regarding this balance.

16. Trade and Other Payables

	2016 $'000	2015 $'000
Current		
Trade payables	51,976	44,676
Trade payables - WGH Group entities	133	178
Sundry payables and accrued expenses	7,288	11,142
Derivative liability	-	224
	59,397	**56,220**
Loan to other related parties:		
Loan to WGH Holdings Pty Ltd	-	29,463
	-	**29,463**
	59,397	**85,683**

Recognition and Measurement

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the end of the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Trade and other payables are non-interest bearing and are normally settled on 7 - 30 day terms. Refer to note 27 for further information regarding related party transactions.

17. Deferred Revenue

	2016 $'000	2015 $'000
Current		
Deferred revenue	21,104	11,188
	21,104	**11,188**

Recognition and Measurement

These amounts represent payments collected but not earned at the end of the reporting period. These payments are recognised as revenue when the goods are delivered or services are provided.

18. Financial Risk Management

Risk	Exposure arising from	Measurement	Management
Market risk - commodity price	Fluctuations in market price of commodities sold	Gross margin measurement	Shifting to markets where the cost of commodities is cheaper
Market risk - interest rate	Long-term borrowings at variable rates	Sensitivity analysis	None
Market risk - foreign exchange	Future foreign exchange conversions	Cash flow forecasting	Forward foreign exchange contracts
Credit risk	Trade receivables	Ageing analysis	Committed credit lines and prepaid orders
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecast	Availability of committed credit lines and borrowing facilities

a) Market Risk

(i) Commodity Price Risk

Livestock

Commodity price risk arises from fluctuations in domestic and international livestock market prices. These can be caused by a change in prices due to timing differences between entering into a sales contract and procuring the livestock required to fill its orders from customers or environmental factors in the countries the livestock is sourced from and can impact the number of livestock. This can result in losses or reduced profitability on individual shipments and on Wellard's overall financial performance.

Wellard manages this risk through a combination of business processes, including the terms of its contracts with customers who may permit some changes in prices, its market knowledge and the structure of its business model which reduces as much as possible the time between contracting to supply and purchasing of livestock. These risk management strategies reduce commodity price risk relating to the procurement of inventory but does not eliminate the risk.

Commodity price risk can be affected by environmental and geopolitical factors. Wellard has access to diversified international supply bases which reduces commodity price risk from environmental and geopolitical factors relating to the procurement of inventory.

For the financial year ended 30 June 2015 the exposure to commodity price risk relating to livestock was immaterial.

For the financial year ended 30 June 2016 $21.5 million of livestock on hand was exposed to fluctuations in market prices.

Fuel

Wellard is exposed to commodity price volatility for the fuel required to operate its fleet of vessels. Wellard management manages this risk with commodity swaps and physical hedge to partially hedge its exposure to fuel price volatility.

(ii) Foreign Exchange Risk

Wellard's reporting currency is Australian Dollars. However, a substantial proportion of Wellard's sales revenue, debt, capital expenditure and cash flows are generated in various other currencies, predominantly in United States Dollars. Any adverse exchange rate fluctuations or volatility in these currencies can have an adverse effect on its financial performance and position.

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

Wellard's livestock marketing and export operations are exposed to foreign currency risk through the purchase of livestock in Australia in Australian Dollars and the sale of these livestock to foreign customers in United States Dollars. Wellard is only exposed for a short period whilst the inventory for shipments are procured and shipped. This risk arises from the timing difference between incurring expenses related to a sale in Australian Dollars and receiving payment for the sale in US Dollars, during which time there could be an adverse movement in the exchange rate.

To manage the risk of exchange rate movements, Wellard enters into short-term foreign exchange contracts to sell United States Dollars for the costs incurred in Australian Dollars. The contracts are timed to mature when payments for major shipments are scheduled to be received.

Exposure

The group's exposure to US Dollar currency risk at the end of the reporting period, expressed in Australian Dollar, was as follows:

	2016 $'000	2015 $'000
Financial assets		
Cash and Cash equivalents	13,167	17,156
Trade and other Receivables	31,386	11,888
	44,553	**29,044**
Financial liabilities		
Trade and other Payables	37,775	42,612
Loans and Borrowings	188,648	245,678
	226,423	**288,290**

A change of 10 per cent in the Australian Dollar would have a net impact on the above financial assets and liabilities of $20.2 million (2015: $11.7 million), before the impact of taxation. This analysis assumes that all other variables remain constant.

Amounts Recognised in Profit or Loss and Other Comprehensive Income

During the year, the following foreign-exchange related amounts were recognised in profit and loss:

	2016 $'000	2015 $'000
Realised Foreign Exchange Gain (Loss)	(12,432)	(2,176)
Unrealised Foreign Exchange Gain (Loss)	5,796	(4,660)
	(6,636)	**(6,836)**

(iii) Interest rate risk

Wellard does not enter into interest rate swaps on debt instruments subject to floating interest rates.

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

Sensitivity:

The exposure of the Group's borrowings to variable interest rate changes at the end of the reporting period are as follows:

	2016 $'000	2015 $'000
Current and non-current borrowings	128,972	166,331

A change of 10 basis points (0.1%) in interest rates of variable borrowings would have an impact of $128,972 (2015: $166,331) on the Group's pre-tax profit and loss. This analysis assumes that all other variables remain constant, including the AUD/USD exchange rate.

b) **Credit Risk**

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

	2016 $'000	2015 $'000
1 to 3 months	13,763	36,366
3 to 6 months	1,292	(475)
Over 6 months	3,550	935
	18,605	**36,826**

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

Set out below is a summary of the concentration of receivables by currency:

	2016 $'000	2015 $'000
US$	14,826	33,608
A$	3,333	3,099
Other	446	119
	18,605	**36,826**

Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:

	2016 $'000	2015 $'000
Balance at beginning of the year	-	-
Provision for impairment recognized during the year	1,956	3,195
Receivables written off during the year as uncollectible	(246)	(3,195)
	1,710	**-**

Impaired Trade Receivables

Individual receivables which are known to be uncollectable are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that impairment has been incurred but not yet is been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment.

The Group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments (more than 90 days overdue).

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash. Impairment losses are recognised in profit or loss within operating expenses. Subsequent recoveries of amounts previously written off are credited against other expenses.

Management

Owing to the nature of long-term client relationships which relies on a shared commitment to continuing trade and future growth there has historically been a low number of debtor impairment provisions and bad debts expressed as a percentage of revenue. The timing of customer payments for shipments and the requirement to pay a deposit mitigates the risk of large debtor impairments.

Amounts Recognised in Profit or Loss

During the year, the following losses were recognised in profit or loss in relation to impaired receivables:

	2016 $'000	2015 $'000
Impairment losses		
- individually impaired trade receivables	1,524	1,994
- impaired other receivable previously recorded as loan receivable	-	1,200
	1,524	**3,194**

c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of cash and committed credit facilities to meet the financial obligations of the Group. Liquidity risk arises from the Group's financial liabilities and the subsequent ability to repay the financial liabilities as and when it falls due.

The Group's objective is to maintain a balance between continuity of funding for working capital and growth capital spend and flexibility through the use of a bank overdraft while minimising its interest expense.

Wellard manages its liquidity risk by monitoring and forecasting the total cash inflows and outflows expected on a weekly, monthly and semi-annual basis. This rolling forecast is updated weekly. The forecast includes projections of cash outflows from overhead and supplier payments, interest obligations, the repayment of debt facilities and capital expenditure when these fall due. These projected outflows are offset against the collection of debtors by foreign currency to determine the optimal foreign exchange hedging positions.

The Group has established liquidity risk reporting that reflect expectations of management of the expected settlement of financial assets and liabilities.

The below liquidity risk disclosures reflect all contractually fixed repayments and interest resulting from recognised financial liabilities and derivatives as at each reporting date. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

Working Capital Facility

The Group had access to the following undrawn borrowing facility at the end of the reporting period. The working capital facility limit is $50,000,000 (2015: Nil) and at 30 June 2016 was drawn to $10,000,000 (2015: Nil). Subject to the continuance of satisfactory financial covenants with its financier, the bank overdraft may be drawn at any time in Australian Dollars. The facility matures on 31 December 2017. The existing working capital facility was established when the Wellard operations were primarily focussed on sourcing cattle from Australia as it only provides limited financial support to the South American operations. With the increased cattle prices in Australia, Wellard has reduced its business in Australia and increased its business in South America. As a consequence, the working capital facility currently in place is of limited use for the South American operations. Wellard is currently seeking to establish a new working capital facility for its South

American operations and to amend the existing working capital facility to improve its workability for its existing operations.

Maturities of financial liabilities

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- All non-derivative financial liabilities;
- All trade payables; and

The amounts disclosed in the table are the contractual undiscounted cash flows:

Contractual Maturities of Financial Liabilities	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 30 June 2016							
Non-interest bearing	52,109	-	-	-	-	52,109	**52,109**
Fixed rate	7,999	7,869	15,869	45,835	-	77,572	**69,963**
Variable rate	17,062	9,114	27,581	49,027	49,762	152,546	**133,558**
	77,170	**16,983**	**43,450**	**94,862**	**49,762**	**282,227**	**255,630**
At 30 June 2015							
Non-interest bearing	44,854	-	-	-	-	44,854	**44,854**
Fixed rate	10,785	9,462	20,247	64,226	-	104,720	**79,459**
Variable rate	37,821	3,546	110,632	19,445	12,402	183,846	**174,285**
	93,460	**13,008**	**130,879**	**83,671**	**12,402**	**333,420**	**298,598**

d) Capital Management

The primary objective of the Wellard Group is a satisfactory return to its shareholders. The Group aims to achieve this objective by:

- improving returns on invested capital relative to that cost of capital; and
- ensuring a satisfactory return is made on any new capital invested.

Capital is defined as the combination of shareholders' equity, reserves and net debt. The Board is responsible for monitoring and approving the capital management framework within which management operates. The purpose of the framework is to safeguard the Group's ability to continue as a going concern whilst optimising its debt and equity structure.

The Group manages its capital through various means, including:

- adjusting the amount of ordinary dividends paid to shareholders;
- raising or returning capital; and
- raising or repaying debt for working capital requirements, capital expenditure and acquisitions.

The Group has a number of borrowing facilities which have covenants that need to be satisfied. Refer to note 7 for further details on borrowings covenant compliance.

19. Property, Plant & Equipment

	Freehold land at Cost $'000	Sheds and Buildings $'000	Plant and Equipment $'000	Total $'000
Year ended 30 June 2016				
Opening net book amount	389	1,308	203,380	**205,077**
Additions	5,908	148	88,574	**94,630**
Disposals	-	-	(352)	**(352)**
Foreign exchange revaluation	-	-	9,045	**9,045**
Depreciation expense	-	(60)	(18,264)	**(18,324)**
Closing net book amount	**6,297**	**1,396**	**282,383**	**290,076**
Cost	6,322	1,817	380,735	**388,874**
Accumulated depreciation and impairment	(25)	(421)	(98,352)	**(98,798)**
Net book amount	**6,297**	**1,396**	**282,383**	**290,076**
Year ended 30 June 2015				
Opening net book amount	391	1,164	139,861	**141,416**
Additions	-	197	101,050	**101,247**
Disposals	-	-	(56,538)	**(56,538)**
Transfers	-	-	261	**261**
Foreign exchange revaluation	-	-	36,798	**36,798**
Depreciation expense	(2)	(53)	(18,052)	**(18,107)**
Closing net book amount	**389**	**1,308**	**203,380**	**205,077**
Cost	414	1,669	285,030	**287,113**
Accumulated depreciation and impairment	(25)	(361)	(81,650)	**(82,036)**
Net book amount	**389**	**1,308**	**203,380**	**205,077**

Property, plant and equipment with a carrying amount of $290,076,000 (2015: $205,077,011) are pledged as securities for the current and non-current liabilities as disclosed in note 7.

Included in plant and equipment are assets under construction of $9,591,729 (2015: $52,798)

Recognition and Measurement

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Vessels

Vessels are measured on a cost basis. Depreciation rate: 4.0% - 5.0%, straight line basis after deducting expected scrap value of the vessel.

Land and Buildings

Land and buildings are measured on a cost basis. Depreciation rate: 2.5% - 20.0%, straight line basis.

Plant and Equipment

Plant and equipment is measured on a cost basis. Depreciation rate: 4.5% - 40.0%, straight line basis.

Improvements

Improvements are measured on a cost basis. Depreciation rate: 6.0% - 11.2%, straight line basis.

Depreciation

The depreciable amount of all fixed assets is depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Land owned by the Group is freehold land and accordingly is not depreciated.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Assets under construction are measured at cost and not depreciated until the assets are ready for use.

Useful life and residual value of livestock carrying vessels

Management reviews the appropriateness of the useful life and residual value of vessels at each balance date. Certain estimates regarding the useful life and residual value of vessels are made by management based on past experience and these are in line with the industry. Changes in the expected level of usage, scrap value of steel and market factors could impact the economic useful life and residual value of the vessels. When there is a material change in the useful life and residual value of vessels, such a change will impact both the depreciation charges in the period in which the changes arise and future depreciation charges.

20. Intangible Assets

	Goodwill $'000	Development costs $'000	Intellectual property $'000	Client relationships $'000	Software $'000	Total $'000
Year ended 30 June 2016						
Opening net book amount	1,620	3	182	1,320	-	**3,125**
Additions	-	-	-	-	3,993	**3,993**
Foreign exchange revaluation	-	-	-	-	(91)	**(91)**
Amortisation and impairment charge	(1,620)	(3)	(182)	(657)	(3)	**(2,465)**
Closing net book amount	**-**	**-**	**-**	**663**	**3,899**	**4,562**
Cost	-	80	1,500	3,300	3,902	**8,782**
Accumulated amortisation and impairments	-	(80)	(1,500)	(2,637)	(3)	**(4,220)**
Net book amount	**-**	**-**	**-**	**663**	**3,899**	**4,562**
Year ended 30 June 2015						
Opening net book amount	1,620	2,083	682	1,980	-	**6,365**
Additions	-	2	-	-	-	**2**
Revaluations	-	70	-	-	-	**70**
Foreign exchange revaluation	-	320	-	-	-	**320**
Amortisation and impairment charge	-	(2,472)	(500)	(660)	-	**(3,632)**
Closing net book amount	**1,620**	**3**	**182**	**1,320**	**-**	**3,125**
Cost	1,620	669	1,750	3,630	-	**7,669**
Accumulated amortisation and	-	(666)	(1,568)	(2,310)	-	**(4,544)**
Net book amount	**1,620**	**3**	**182**	**1,320**	**-**	**3,125**

In the 2013 financial year, the Group acquired Beaufort River Meats as a going concern and Goodwill of $1,620,000 was recognised. During the financial year ended 30 June 2016, the Group acquired Portimor SA and Goodwill of $40,100 was recognised. Goodwill is recognised initially at the excess over the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest, less the fair value of the identifiable assets acquired and liabilities assumed.

In July 2012 the Group acquired a business for $3,300,000 including the client relationships, existing compliance processes and protocols crucial to live export of cattle to China which was recognised as an intangible asset and amortised over five years.

Software consists of amounts spent on the implementation of an enterprise resource planning system since the selection phase was concluded and has been in use since May 2016. Software is amortised over ten years.

Recognition and Measurement

Goodwill is recognised initially at the excess over the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in the case of a step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.

Goodwill is not amortised, but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Software

Software is measured initially at the cost of acquisition and amortised over the useful life of the software. Expenditure on software development activities is capitalised only when it is expected that future benefits will exceed the deferred costs, and these benefits can be reliably measured. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of the intangible asset over its estimated useful life (not exceeding ten years) commencing when the intangible asset is available for use. Other development expenditure is recognised as an expense when incurred.

Assets Acquired Separately or from a Business Combination

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets are capitalised when the Group is certain that there are future economic benefits that will arise from these assets. Other internally generated intangible assets that do not fit this recognition criterion are charged against profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each period end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate.

The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the nature of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit (**CGU**) level.

Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each period to determine whether indefinite life assessment continues to be supportable. If not, the change in useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Recoverability of Goodwill

Goodwill is allocated to CGUs according to applicable business operations. The recoverable amount of a CGU is based on value in use calculations. These calculations are based on projected cash flows approved by management covering a period of ten years. Management's determination of cash flow projections and gross margins is based on past performance and its expectation for the future.

Recoverability of Non-Financial Assets other than Goodwill

All assets are assessed for impairment at each period end by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the Group. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment or future product expectations. If an indicator of impairment exists, the recoverable amount of the asset is determined.

21. Provisions

	2016 $'000	2015 $'000
Current		
Employee entitlements (a)	1,272	948
	1,272	**948**
Non-current		
Employee entitlements (a)	257	176
Deferred settlement (b)	650	2,200
	907	**2,376**

(a) Nature and Timing of Provisions

Provisions for Employee Entitlements

A provision has been recognised for employee entitlements related to annual and long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data.

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. A provision of $1,272,386 (2015: $947,597) is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

	2016 $'000	2015 $'000
Current leave obligations expected to be settled after 12 months	642	598

	2016	2015
(b) Deferred settlement of land and business acquisitions		
Opening balance	2,200	2,200
Arising during the year	650	-
Amounts paid	(2,200)	-
Balance at end of the year	**650**	**2,200**

A provision of $2,200,000 has been recognised in Wellard Animal Processing Pty Ltd for the deferred settlement of Beaufort River Meats abattoir purchased in February 2013. As at 30 June 2014, Wellard has made the first two payments totaling $2,900,000. Wellard Animal Processing Pty Ltd settled the remaining $2,200,000 as per the Agreement in August 2015, and it was paid in full during the year ended 30 June 2016. An additional provision of $650,000 for the purchase of land was recognised during the year, and it's due to be settled in February 2018.

Recognition and Measurement

Provisions are recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Short-term Employee Benefit Obligations

Liabilities arising in respect of wages and salaries, annual leave, long service leave and any other employee benefits expected to be settled within 12 months of the end of the period are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Long-term Employee Benefit Obligations

Liabilities arising in respect of long service leave and annual leave which are not expected to be settled within 12 months of the end of the period are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the end of the period. Employee benefit obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the end of the period, regardless of when the actual settlement is expected to occur.

Termination Benefits

Termination benefits are payable when employment of an employee or group of employees is terminated before the normal retirement date, or when the Group provides termination benefits as a result of an offer made and accepted in order to encourage voluntary redundancy. The Group recognises a provision for termination benefits when the entity can no longer withdraw the offer of those benefits, or if earlier, when the termination benefits are included in a formal restructuring plan that has been announced to those affected by it.

22. Commitments

Capital Commitments

Significant capital expenditure which consists of a vessel under construction due for completion by the third quarter of the 2018 contracted for at the end of the reporting period but not recognised as liabilities are as follows:

	2016 $'000	2015 $'000
Property, plant and equipment	78,676	105,259
	78,676	**105,259**

Commitments for non-cancelable leases

Commitments for non-cancelable leases contracted for at the end of the reporting period but not recognised as liabilities are as follows:

	2016 $'000	2015 $'000
Within 1 year	831	-
2 to 5 years	2,743	-
Greater than 5 years	-	-
	3,573	**-**

23. Contingent Assets and Liabilities

Contingent Asset

Subsequent to year end Group lodged a claim (excluding deductibles) with its insurers relating to the repairs arising from the twin crankshaft failures on the MV Ocean Swagman and MV Ocean Outback in FY 2016.

The insurance claim process is in progress and the final settlement amount has not been agreed however Management expects that an amount to be received from the claim of approximately $3.5 million is probable.

24. Subsequent Events

Since the end of the financial year:

- Australian conditions remain weak as a result of the continued tightening of supply of Australian cattle. Cattle prices reached record highs in the second half of FY 2016. This combined with a reluctance from traditional South East Asian customers to accept further price increases continues to impact revenue and gross margin. Wellard has focused its attention on sourcing cattle in South America;
- Wellard has entered into a revised agreement to delay the delivery of the MV Ocean Kelpie to the third quarter of 2018 and changed the payment schedule to match the new delivery timetable;
- The Wellard Group has submitted its insurance claim (excluding deductibles) for the cost of repairs arising from the twin crankshaft failures on the MV Ocean Swagman and MV Ocean Outback during FY 2016;
- Ms Sharon Warburton resigned as a non-executive Director of Wellard on 26 August 2016;
- Ms Yasmin Broughton resigned as Company Secretary and General Counsel of Wellard on 26 August 2016 and is serving out her notice period;
- At 30 June 2016 Wellard had a receivable owing by WGH of $15.8 million. On 19 September 2016, WGH advised that they had entered into refinancing agreements (**WGH Refinancing**) to enable WGH to repay the $15.8 million (plus accrued interest of $0.5 million) owed to Wellard. This payment from WGH of $16.3 million was received in full on 21 September 2016. Refer to ASX announcements of 19 and 21 September for further details; and
- Wellard reached agreement with the provider of the one of the secured loan facility providers to amend one of the financial covenants and waive another financial covenant such that there is no longer an anticipated breach of these covenants at 31 December 2016.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

25. Significant Items

The financial position and performance of the Group was affected by the following events and transactions during the reporting period:

- Wellard Limited was incorporated 10 September 2015 with a view to be the ultimate holding company of all the entities which formed part of the Wellard Group which listed on the Australian Securities Exchange (**ASX**) on 10 December 2015.
- The acquisition of all subsidiaries listed in note 14 as part of the Group restructure which gave rise to the common control reserve set out in note 32.

26. Controlled Entities

Interests held in controlled entities is set out below:

	Country of incorporation	Percentage Owned (%)*	
		2016	2015
Parent Entity:			
Wellard Limited	Australia		
Subsidiaries of Wellard Ltd:			
Wellard Feeds Pty Ltd	Australia	100	100
Wellard Rural Exports Pty Ltd	Australia	100	100
Wellard Animal Production Pty Ltd	Australia	100	100
Wellard NZ Ltd	New Zealand	100	100
Wellard Ships Pte Ltd	Singapore	100	100
Wellard Singapore Pte Ltd	Singapore	100	-
Ocean Drover Pte Ltd	Singapore	100	100
Ocean Shearer Pte Ltd	Singapore	100	-
Niuyang Express Pte Ltd	Singapore	100	100
Welltech Marine Pte Ltd	Singapore	100	-
Wellard do Brasil Agronegocios Ltda	Brazil	100	100
Portimor SA	Uruguay	100	-
Wellana Uluslararasi Hayvancilik Anonim Sirketi	Turkey	50	-

Subsidiaries

Subsidiaries are entities controlled by Wellard Limited. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements of subsidiaries are included in the consolidated financial report from the date that control commences until the date that control ceases.

Restructuring of the Wellard Group due to Initial Public Offering

The Group has elected to account for the acquisition of its entities and net assets as common control transactions. As a consequence, no acquisition accounting in the form of a purchase price allocation was undertaken and therefore the assets and liabilities have not been remeasured to fair value nor has any goodwill arisen. All the assets and liabilities acquired by the Group as a result of the restructure were recognised at values consistent with the carrying value of those assets and liabilities immediately prior to the restructure.

As required for statutory reporting purposes, the financial information in this financial report has been presented for the year ended 30 June 2016 and its comparative results. In this regard, the Group statutory financial information includes only the results of the current Group's operations, including reporting dates in this report which relates to periods prior to the current Group being formed on 12 December 2015.

Transactions Eliminated on Consolidation

Intercompany balances and transactions, and any unrealised income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Foreign Currency Translation and Balances

Functional and Presentation Currency

The financial statements of each entity within the Group are measured using the currency of the primary economic environment in which that entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is Wellard Limited's functional and presentation currency.

Transactions and Balances

Transactions in foreign currencies of entities within the Group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the period.

Except for certain foreign currency transactions, all resulting exchange differences arising on settlement or restatement are recognised as revenues and expenses for the period.

Entities that have a functional currency different from the presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date;
- income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- All resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

27. Related Party Transactions

(a) Subsidiaries

Interests in subsidiaries are set out in note 0.

(b) Key Management Personnel Compensation

	2016 $	2015 $
Short term benefits	2,697,325	1,142,735
Long term benefits	73,007	38,878
Post employment benefits	67,376	27,495
Share based payments	7,339,200	-
	10,176,908	**1,209,108**

Detailed remuneration disclosures are provided in the Remuneration Report on pages 47 to 57.

(c) Transactions with other Related Parties

The following transactions occurred with related parties:

	2016 $	2015 $
Sales and purchases of goods and services:		
Key management personnel *(d)*	5,260,534	587,867
Controlled by key management personnel *(d)*	(2,512,616)	745,156
Lease payments made to entities controlled by key management personnel *(d)*	654,199	975,722
Interest expense - to entities controlled by key management personnel	(67,700)	(150,743)
Interest income - to entities controlled by key management personnel	281,065	-
Other transactions:		
Payments and receipts on behalf of related parties	151,451,245	162,360,671
Separation agreement (see *(g)* below)	15,796,000	-

(d) Purchases from Entities Controlled by Key Management Personnel

The Group acquired the following goods and services from entities that are controlled by members of the Group's key management personnel:

- rental of office buildings in Italy and Australia
- rental of feedlot premises
- charter of aircraft
- purchases of bulls, calves and heifers
- purchases of sheep and lambs
- purchases or lupins, grains and feedstock

(e) Outstanding Balances from Sales/ Purchases of Goods and Services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2016 $	2015 $
Current payables (purchases of goods and services)		
Entities controlled by key management personnel	132,992	178,285
Current receivables (sales of goods and services)		
Entities controlled by key management personnel	2,467,674	3,466,222
Current receivables (Separation Agreement)		
Entities controlled by key management personnel	15,796,000	-

(f) Loans/ to from related parties

Loans to entities that are controlled by members of the Groups KMP

	2016 $	2015 $
Beginning of the year	151,785,159	(10,575,512)
Loans advanced	218,902,798	224,483,445
Loan repayments received	(366,334,950)	(62,122,774)
End of year	**4,353,207**	**151,785,159**

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

The amount outstanding at 30 June 2016 includes $4,019,293 owing by the Wellao Joint Venture. WGH has a 50% joint venture interest in the Wellao Joint Venture. It is the intention that this 50% interest in the Wellao Joint Venture will be transferred from WGH to Wellard at no cost in FY 2017.

(g) Terms and Conditions

The Separation Agreement noted in (c) above relates to the adjustment to complete financial settlement between WGH and Wellard Limited, and includes adjustments as evidenced by the Separation Agreement and WGH Share Sale Agreement including adjustments in working capital, drawn debt and planned capital expenditure plus interest on the outstanding amount in order to deliver the Wellard balance sheet in accordance with the Prospectus. This balance is secured by a personal guarantee by Mr Balzarini. As set out in note 24 – Subsequent Events, the Settlement Agreement amount outstanding at 30 June 2016 was repaid in full on 21 September 2016.

Wellard Rural Exports has entered into a lease with WGH Estates (a subsidiary of WGH) in relation to the existing sheep feedlot at Baldivis, Western Australia. The annual market based rent of $545,454 (excluding GST) payable in equal monthly instalments. The rent increases annually in proportion to increases in the consumer pricing index and is subject to a market based review upon exercise of each option. The initial term of the lease expires in December 2020 with 2 options for Wellard Rural Exports to extend the lease for a further 2 years each.

Wellard Limited has entered into a sublease with WGH in relation to the Wellard headquarters in Fremantle, Western Australia. Wellard Limited will pay an annual rent of $209,659 (excluding GST) payable in equal monthly instalments, which is a market based rent. The rent is subject to review annually and Wellard Limited must pay 62.56% of the rent and outgoings payable by WGH under the head lease agreement. The term of the lease expires in June 2020.

Mauro Balzarini also leases a small office in Italy to Wellard Rural Exports at an annual rent of €120,000. The initial term of the lease expires in 2021 and Wellard Rural Exports has an option to extend the lease for a further six years at the end of the initial term. The terms of the lease are otherwise generally market standard.

For the year ended 30 June 2016, Giovi provided $192,051 (2015: $596,267) of raw materials used by Wellard Feeds and $1,288,797 (2015: $144,555) used by Wellard Animal Processing. In addition, Giovi provides livestock to the Wellard Group for its livestock trading activities. There are no existing contractual arrangements and all trading activities are on arm's length terms.

During the financial year, WGH Aviation Pty Ltd made an aircraft available to Wellard Limited on a spot charter basis for business travel purposes. The spot charter rate was on an arm's length commercial term and consistent with the terms offered to other third party charterers. This aircraft charter service from WGH Aviation Pty Ltd was discontinued in April 2016.

All other outstanding balances, aside from the Separation Agreement are unsecured and are repayable in cash.

28. Parent Entity

(a) Summary Financial Information

The individual financial statements for the parent entity (Wellard Limited) show the following aggregate amounts:

	Parent 2016 $'000	Parent 2015 $'000
Balance sheet		
Current assets	91,218	-
Total assets	601,723	-
Current liabilities	10,091	-
Total liabilities	56,875	-
Shareholders' equity		
Issued capital	556,000	-
IPO Costs Capitalised	(7,485)	-
Reserves		
Share Based Payment Reserve	18,014	-
Retained earnings	(31,400)	-
Net equity	**535,129**	-
(Loss) for the period	**(31,400)**	-
Total comprehensive (loss)	**(31,400)**	-

(b) Guarantees Entered into by the Parent Entity

At 30 June 2016, the parent entity had provided guarantees to support the three vessel finance facilities and the two finance lease arrangements set out in note 7.

(c) Contingent Liabilities of the Parent Entity

The parent entity did not have any contingent liabilities as at 30 June 2016.

(d) Contractual Commitments for the Acquisition of Property, Plant and Equipment

None.

(e) Determining the Parent Entity Financial Information

The financial information of the parent entity has been prepared on the same basis as the consolidated financial statements.

As part of the restructure and Initial Public Offering of the Wellard Group, Wellard Limited became the parent entity of several Wellard Group entities by acquiring all issued shares in the relevant entities from WGH Holdings Pty Ltd. The current subsidiaries information can be found in Note 0.

29. Auditors' Remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2016 $	2015 $
PricewaterhouseCoopers Australia and Singapore		
(i) Audit and other assurance services		
Audit and review of financial statements	511,700	145,321
Other assurance services	-	-
Total remuneration for audit and other assurance services	**511,700**	**145,321**
(ii) Other services		
IPO assistance (non audit)	1,428,789	-
Total remuneration for other services	**1,428,789**	-
Total remuneration of PricewaterhouseCoopers Australia	**1,940,489**	**145,321**

30. Share Based Payments

During the financial year ended 30 June 2016 Wellard issued 13,000,000 ordinary shares to its executives and senior employees with a market value of $18,070,000 upon the IPO of Wellard on the Australian Securities Exchange. Fair value of the shares at the grant date was $1.39. The fair value of the shares is derived using the IPO price. Except for those issued shares subject to an escrow deed below, all other issued shares vested with the executives and employees at the issue date and carried full dividend and voting rights. Refer to the remuneration report for further information on shares issued to employees and executives.

	2016 $'000	2015 $'000
Vested	10,731	-
Subject to a deed of escrow	7,339	-
	18,070	**-**

Voluntary Employee Escrow Arrangements

Ordinary shares issued under voluntary escrow arrangements to executives of Wellard as part of the bonus and incentive scheme will remain under escrow for the period from the date of issue to the business day after the date Wellard's results for FY 2016 are released to the ASX and, in relation to 67% of the escrowed shares, for an additional period concluding on the business day after Wellard's results for FY 2017 are released to the ASX.

Recognition and Measurement

Share-based compensation benefits were provided to employees via a one-off management IPO bonus. The fair value of shares granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the shares granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

31. Restructure Event

During the year, a restructure took place in preparation for the listing of the Group on the ASX. This resulted in a newly incorporated company, Wellard Limited, raising equity on the ASX to fund the purchase of several entities within the WGH Holdings Pty Ltd (previously Wellard Group Holdings Pty Ltd) business that have previously operated together as a business.

The Directors elected to account for the restructure as a capital re-organisation rather than a business combination. In the Directors' judgment, the continuation of the existing accounting values are consistent with the accounting that would have occurred if the assets and liabilities had already been in a structure suitable to IPO and most appropriately reflects the substance of the restructure.

As such, the consolidated financial statements of Wellard Limited have been presented as a continuation of the pre-existing accounting values of assets and liabilities of the entities acquired as a result of the IPO process. Those entities being:

- Wellard Rural Exports Pty Ltd
- Wellard Animal Processing Pty Ltd
- Wellard Feeds Pty Ltd
- Wellard NZ Ltd
- Wellard Ships Pte Ltd
- Wellard Singapore Pte Ltd
- Ocean Drover Pte Ltd
- Niuyang Express Pte Ltd
- Wellard do Brasil Agronegocios Ltda
- Portimor SA
- Ocean Shearer Pte Ltd

The Directors believe that this presentation is consistent with that of other similar IPO transactions in the Australian market. The international accounting standard setters (International Accounting Standards Board) may review accounting for common control transactions. If any changes are made and are required to be applied retrospectively, there remains the risk that the accounting treatment may need to be amended from that currently adopted. Acquisition accounting would require Wellard's identifiable assets and liabilities to be fair valued by the new parent at the acquisition date in accordance with AASB 3 Business Combinations.

If the accounting treatment selected by the Directors had been acquisition accounting, the impact of the acquisition cannot be accurately determined at this time, as a formal purchase price allocation has not been carried out. Nevertheless, it would likely result in:

- a material increase in property, plant and equipment due to potential uplift to fair value and subsequent increased depreciation;
- intangible asset balances and subsequent amortisation charges in the consolidated income statements of the Group; and
- goodwill balances and the resulting potential risk and quantum of goodwill impairment charges in future periods.

The balance of any increase in net assets would be recorded as goodwill and not subject to amortisation. In addition, tax accounting is also likely to be materially different as a result of acquisition value accounting. The impact of acquisition accounting, should this subsequently be required by the IASB, is non-cash in nature and will not impact future cash flows. In addition, acquisition accounting in the consolidated financial statements of the Company should not impact the ability of the Group to pay future dividends, as the overall financial position of the parent entity, the Company, will be the determinant of whether or not dividends are able to be paid in future financial periods.

In addition to the purchase price, as the above entities were exiting the WGH Holdings Pty Ltd consolidated group, repayments of intercompany loans were facilitated. Material related party transactions have been disclosed in note 27. Immaterial transactions operating under agreed commercial terms have not been disclosed. Commercial terms have been agreed for leases of certain property.

32. Reserves

	Common control reserve	Share based payments reserve	Foreign currency translation reserve	Total reserves
	$'000	$'000	$'000	$'000
Year ended 30 June 2016				
Opening balance	-	-	13,450	**13,450**
Current year	(411,017)	18,014	(10,698)	**(403,701)**
Closing balance	**(411,017)**	**18,014**	**2,752**	**(390,251)**
Year ended 30 June 2015				
Opening balance	-	-	(3,858)	**(3,858)**
Currency translation differences: current year	-	-	17,308	**17,308**
Closing balance	**-**	**-**	**13,450**	**13,450**

Common control reserve

The acquisition of all subsidiaries as part of the Group Restructure Event set out in note 31 gives rise to the common control reserve. Common control reserve is the difference between the purchase consideration and the carrying value of the net assets acquired is recorded directly in equity in a separate reserve.

Foreign currency reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of, see accounting policy note 0 for details.

33. Retained Earnings

	2016	2015
	$'000	$'000
Retained profit at the beginning of the year	53,814	54,011
Net (loss)	(23,323)	(197)
Balance at the end of the year	**30,491**	**53,814**
Dividends paid	**-**	**-**
Balance at the end of the year	**30,491**	**53,814**

34. Additional Accounting Policies

The significant accounting policies adopted in the preparation of the financial statements are set out below each disclosure note. These policies have been consistently applied to all the periods presented, unless otherwise stated. In addition to these accounting policies, the following policies and critical accounting estimates were applied:

(a) Impairment

Financial Assets Measured at Amortised Cost

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causing the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Equity Accounted Investments

An impairment loss in respect of an equity accounted investment is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the policy set out below in non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Non-financial Assets

The carrying amounts of the Group non-financial assets, other than biological assets, equity accounted investments, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use, and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement, so as to reflect the risks and benefits incidental to ownership.

Finance Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Group are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in profit or loss. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Group will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Operating Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight line basis over the term of the lease. Lease incentives received under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

(b) Goods and Services Tax (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(c) Comparative Information

Where necessary, comparative information is reclassified and restated for consistency with current period disclosures.

(d) Critical Accounting Estimates and Judgements

The preparation of the consolidated financial report in conformity with AAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. In preparation of this consolidated financial report, management has determined that there have been no changes in critical accounting estimates and judgments in the current period other than the extension of the useful life of the vessels in Wellard Ships as compared to the previous reporting period.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in future years include:

As part of the restructure of the Group which resulted from the IPO, management relied on estimates available at the reporting date to account for the deconsolidation and net loan positions of the Group.

(e) Bonus Plan

The Group recognises a provision when a bonus is payable in accordance with the employee's contract of employment, and the amount can be reliably measured.

(f) Compliance with IFRS

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 9	AASB 9 *Financial Instruments*	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. There is no material impact on the Group.	1st January 2018	Group is currently assessing whether it should adopt AASB 9 before its mandatory date.
AASB 2014-3	AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for acquisitions in joint operations	In August 2014, the AASB made limited scope amendments to AASB 11 Joint Arrangements to explicitly address the accounting for the acquisition of an interest in a joint operation. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. There is no material impact on the Group.	1st January 2016	1st January 2016
AASB 15	AASB 15 Revenue from Contracts with Customers	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The impact on the Group is unknown.	1st January 2018	1st January 2018
AASB 2014-10	AASB 2014-10 Amendments to Australian Accounting Standards – Sales or contributions of non-monetary assets between an investor and its associates or joint ventures	The AASB has made amendments which resolve a current inconsistency between AASB 10 and AASB 128 regarding the recognition of a gain or loss on the sale or contribution of assets to an associate or a joint venture. Once adopted, the accounting treatment will depend on whether the assets that are sold or contributed constitute a business. The full gain or loss will be recognised where the investor has sold or contributed a business to an associate or joint venture. Where the assets do not constitute a business, the investor will only recognise a gain or loss to the extent of the other investors' interests. The impact on the Group is unknown.	1st January 2018	1st January 2018
AASB 2015-1	*AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-*	In January 2015 the AASB approved a number of amendments to Australian Accounting Standards as a result of the annual improvements project. There is no material impact on the Group.	1st January 2016	1st January 2016

	2014 Cycle			
AASB 2015-2	*AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101*	In January 2015, the AASB made various amendments to AASB 101 as part of the Disclosure Initiative which explores how financial statement disclosures can be improved. The amendments clarify guidance in AASB 101 on • materiality and aggregation, • presentation of subtotals, • structure of financial statements and • disclosure of accounting policies. The impact on the Group is unknown.	1st January 2016	1st January 2016
AASB 1057	*AASB 1057 Application of Australian Accounting Standards*	AASB 1057 moves the application paragraphs from individual standards to this new, separate standard. There is no material impact on the Group.	1st January 2016	1st January 2016
AASB 16	*AASB 16 Leases*	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The impact on the Group is material but unknown at this stage.	1st January 2019	At this stage, the group does not intend to adopt the standard before its operative date. 1st January 2019
AASB 2016-1	*AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of deferred tax assets for unrealised losses*	In February 2016, the AASB clarified the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. In particular, the AASB confirmed that in estimating future taxable profit, an entity can assume that it will recover assets for more than their carrying amount. The impact on the Group is unknown.	1st January 2017	1st January 2017
AASB 2016-2	*AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure initiative: Amendments to AASB 107*	Following the amendments entities will need to explain changes in liabilities arising from financing activities, including changes as a result of cash flows and non-cash changes. The impact on the Group is unknown.	1st January 2017	1st January 2017

Independent auditor's report to the members of Wellard Limited

Report on the financial report

We have audited the accompanying financial report of Wellard Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2016, the statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Wellard Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(e), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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pwc

Auditor's opinion

In our opinion:

(a) the financial report of Wellard Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1(e).

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion, we draw attention to Note 1(c) in the financial report which indicates that the Group had a working capital deficiency of $110.3 million at 30 June 2016. The note comments on the ability of the Group to continue as a going concern being dependent on the Group having sufficient funds available to continue normal business operations and remedy banking covenant breaches.

These conditions, along with other matters as set forth in Note 1(c) indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in pages 47 to 57 of the financial report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Wellard Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
30 September 2016

ASX Additional Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 5 October 2016.

(A) SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified Wellard in accordance with section 671B of the Corporations Act 2001 are:

	Number of ordinary shares held	% Holding
Mauro Balzarini and WGH Holdings Pty Ltd[1]	83,537,601	20.88%
Theta Asset Management Ltd[2]	67,500,000	16.94%
Fulida Group Holdings Co	66,319,999	16.58%
Tariq Butt and Butt Nominees Pty Ltd[3]	57,770,907	14.44%

Notes:

1. WGH and Mr Balzarini have a relevant interest in any shares in which Wellard has a relevant interest by virtue of section 608(3)(a) of the Corporations Act. Wellard has a relevant interest in 3,537,600 shares by virtue of the fact that Wellard has entered into voluntary escrow arrangements with other third parties which gives Wellard the right to control the disposal of shares.
2. Theta Asset Management Ltd (Theta) is not the registered holder of these shares but has been appointed security trustee to manage the security interest granted by WGH Commodities Land and Transport Pty Ltd in respect of these shares.
   In this regard Theta has a relevant interest in these shares as it has a power to control voting and disposal of the securities in the event of default under the security documents.
3. 2,235,750 of these shares are held indirectly by WGH Commodities, Land and Transport Pty Ltd which are subject to a deed of mortgage which grants Mr Butt and Butt Nominees Pty Ltd a right of disposal in respect of the shares.

(B) ORDINARY SHARES

The total number of shares on issue is 400,000,000 held by 2,954 registered shareholders. A total of 3,537,600 ordinary shares are placed in voluntary escrow until no later than 4.15pm the business day after Wellard releases its audited financial results for FY2017.

DISTRIBUTION OF SHAREHOLDERS

RANGE	Total Holders	Units	% of issued capital
1–1,000	111	65,427	0.02%
1,001–5,000	622	1,982,307	0.50%
5,001–10,000	578	4,630,988	1.16%
10,001–100,000	1,413	46,367,909	11.59%
101,000 and over	230	346,953,369	86.74%
Total	**2,954**	**400,000,000**	**100**

UNMARKETABLE PARCELS

The minimum parcel size at $0.24 per unit is 2084 shares. No shareholders hold unmarketable parcels.

TOP TWENTY SHAREHOLDERS

The top twenty registered shareholders of Wellard are set out in the table below:

Shareholder Name	Quantity	% of Total
1. WGH Commodities, Land and Transport Pty Ltd	80,000,000	20.00%
2. Fulida Group Holdings Co	66,319,999	16.58%
3. Butt Nominees Pty Ltd	53,907,719	13.48%
4. Standard Chartered Private Equity Limited	25,000,000	6.25%
5. Citicorp Nominees Pty Limited	21,651,693	5.41%
6. HSBC Custody Nominees (Australia) Limited	6,683,273	1.67%
7. Vine Street Investments Pty Ltd	5,700,000	1.42%
8. Pershing Australia Nominees Pty Ltd	3,021,000	0.76%
9. Dynamic Supplies Investments Pty Ltd	3,000,000	0.75%
10. NFDH Health Essentials Pty Ltd	2,560,000	0.64%
11. Mr Trevor Yuen	2,291,145	0.57%
12. HSBC Custody Nominees (Australia) Limited-GSI EDA	2,200,000	0.55%
13. Brazil Farming Pty Ltd	2,000,000	0.50%
14. Ms Xia Zhao	2,000,000	0.50%
15. ABN Amro Clearing Sydney Nominees Pty Ltd	1,944,706	0.49%
16. JP Morgan Nominees Australia Limited	1,629,468	0.41%
17. Mr Zixiao Zhao	1,400,000	0.35%
18. Mrs Xiuling Sun	1,231,590	0.31%
19. Mr Songnan Huang	1,200,000	0.30%
20. Black Gold Nominees Pty Ltd	1,095,000	0.27%
Top Twenty Total	**284,835,593**	**71.21%**

(C) OPTIONS

Wellard does not currently have any Options on issue.

(D) VOTING RIGHTS

All ordinary shares (whether fully paid or not) carry one vote per share without restriction. There are no voting rights attaching to any other class of security.

(E) STOCK EXCHANGE QUOTATION

The company's ordinary shares are listed on the Australian Securities Exchange. The Home Exchange is Perth.

Corporate Directory

DIRECTORS

David Griffiths
Non-Executive Chairman

Mauro Balzarini
Managing Director and Chief Executive Officer

Phillip Clausius
Non-Executive Director

Greg Wheeler
Non Executive Director

COMPANY SECRETARY AND GENERAL COUNSEL

Michael Silbert

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

1A Pakenham Street

Fremantle WA 6160

Telephone: (08) 9432 2800

Facsimile: (08) 9432 2880

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SHARE REGISTRY

Link Market Services Limited

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Perth WA 6000

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Facsimile: (02) 9287 0303

AUDITORS

PricewaterhouseCoopers

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Perth WA 6000

Telephone: (08) 9238 3000

Facsimile: (08) 9238 3999

SECURITIES EXCHANGE LISTING

Wellard Ltd shares are listed on the Australian Securities Exchange Ltd (ASX Code: WLD)

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