Wellard

Appendix 4D

Wellard Limited

ABN 53 607 708 190

Half Year Report

Results for Announcement to the market
for the Half Year ended 31 December 2016

The information that is required by the Australian Securities Exchange Limited Listing Rules is as follows.

1. The reporting period and previous corresponding period are 31 December 2016 and 31 December 2015.

2. Results for announcement to the market

		% Change from prior period	$'000 Change from prior period	$'000 Current Period
2.1	Revenues from ordinary activities	up 2.3%	6,423	281,911
2.2	Loss from ordinary activities after tax attributable to members	down 24.9%	(5,940)	(17,926)
2.3	Net loss for the period attributable to members	down 24.9%	(5,940)	(17,926)
2.4	Dividends (distributions)	Nil	Nil	Nil

3. Net tangible assets per security

		December 2016 $	December 2015 $
3.1	Net tangible assets per ordinary security	0.42	0.46

4. Details of entities over which control has been gained or lost during the period
N/A

5. No dividends were paid during the period.

6. The Company does not have a dividend re-investment plan.

7. The Company does not have any new associates or joint venture entities.

The audited financial statements for the half year ended 31 December 2016 are attached to this Appendix 4D. The independent auditor's review report contains a material uncertainty related to going concern. For further information refer to Note 1 (c) in the interim report.

Wellard Limited

ABN 53 607 708 190

Interim report for the half-year ended 31 December 2016

Wellard Limited
31 December 2016

Wellard Limited
Directors' Report

The Board of Directors of Wellard Limited (the Group or Company) submits its report in respect of the half-year ended 31 December 2016.

The Directors of the Company in office during the half year and at the date of this report are:
- D C Griffiths (Chair)
- S L Warburton (ceased 26 August 2016)
- P Clausius
- M Balzarini
- G J Wheeler
- J Klepec (appointed 15 November 2016)

Y Broughton appointed Company Secretary on 9 February 2016, ceased on 17 October 2016.
M Silbert was appointed Company Secretary on 18 October 2016.

Significant events

Wellard Limited was incorporated on 10 September 2015.

The Group was admitted to the Official List of ASX Limited on 14 December 2015.

Review and results from operations

Financial review

The statutory net loss after tax of the group reduced 25% to $17.9 million (pcp: $23.9 million loss). The statutory results include one-off costs relating to the Initial Public Offering, the integration, restructuring of the group, and the impairment of assets. The financial performance of the group excluding these non-recurring factors has been presented under the heading "Other Financial Metrics".

Revenue increased 2% to $281.9 million (pcp: $275.5 million) due to commissioning of a new vessel, whilst record high cattle prices in Australia impacted on cost of sales which increased 18% to $265.6 million (pcp: $225.9 million) resulting in a 67% decrease in Gross profit to $16.3 million (pcp: $49.6 million).

Total expenses decreased 52% to $36.9 million (pcp: $76.4 million). The statutory results include one-off costs as noted above. Total expenditure excluding non-comparable costs and costs related to the establishment and operation of Wellard Limited (which was incorporated in December 2015) decreased 30% to $29.8 million (pcp: $42.4 million).

Net assets as at the end of the period were $172.7 million (30 June 2016: $188.7 million). The Group recognised a non-cash impairment charge of $0.7 million (30 June 2016: Nil) against the carrying value of its shipping fleet. In determining the impairment amount, consideration was given to the fair market value, less costs of disposal of the vessels at 31 December 2016, based on independent valuations provided by a specialist valuation consultant. Trade and other receivables decreased 43% to $40.0 million (30 June 2016: $70.5 million) due to seasonality, as well as amounts related to the restructuring of the group and the Initial Public Offering separation agreement amount being included in the prior period. Trade creditors reduced 61% to $23.4 million (30 June 2016: $59.4 million) similarly due to seasonality.

Net debt increased $17.2 million to $188.8 million (30 June 2016 drawn: $171.6 million) due to an increase in working capital debt plus reduced cash and cash equivalents partially offset by a reduction in ship and other asset debt. Due to reduced trading margins, the Group recorded a negative operating cash flow of $16.5 million (30 June 2016: $3.5 million) resulting in a $7.3 million increase in drawn working capital debt to $24.8 million (30 June 2016: $17.5 million). The drawn balance of ship and other asset debt facilities decreased $7.0 million to $179.0 million (30 June 2016: $186.0 million). Cash and cash equivalents available as at 31 December 2016 was $15.0 million (30 June 2016: $31.9 million). Undrawn working capital debt facilities secured against inventories and accounts receivables as at 31 December 2016 were $59.1 million (30 June 2016: $83.2 million).

The Group is working on strengthening its working capital position by negotiating improved trading terms with suppliers in line with seasonal trends, and is investigating asset disposals as well as progressing options to raise sufficient amounts of either debt and/or equity.

Entities within the group breached various debt facility covenants and undertakings as at 31 December 2016 (refer to note 1(c) for further information) which has resulted in loans and borrowings of $203.8 million (30 June 2016: $203.5 million) being classified as current liabilities. Loans and borrowings of $150.6 million in the normal course are due to mature beyond 12 months until 2026 (refer to note 9(a) for further information) despite their classification as current liabilities (30 June 2016: $168.9 million). As at the date of this report the group has remedied all bank undertakings and has either received or expects to receive waivers for all covenant breaches from the facility providers.

Loss per share for the period was 4.5 cents compared to 7.3 cents in the previous corresponding period. Net tangible asset value per share as at the end of the period was 42 cents compared to 46 cents in the previous corresponding period. Net tangible assets are defined as the Net Assets of the group excluding Intangible assets. The number of shares on issue at 31 December 2016 of 400 million remained unchanged during the period.

Other Financial Metrics

Wellard has provided the Underlying financial results to aid comparability from period to period and provide a better understanding of the group's financial performance. The Underlying financial results exclude items which are non-recurring in nature, such as Initial Public Offering related costs, integration costs, restructuring costs and impairment charges.

	2016 (A$m)	**2015 (A$m)**
Statutory net (loss) profit after income tax	**(17.9)**	**(23.9)**
Restructuring and integration costs	1.2	-
Correction of opening balance of inventory	1.3	-
Impairment of vessel fleet	0.7	-
Non-recurring other	0.2	-
Share based payment expense	-	18.7
Transaction costs	0.2	7.0
Debt restructuring	-	1.9
Realised foreign currency losses on debt restructuring	-	5.3
Withholding tax on sale of subsidiaries	-	0.8
Normalisation of interest expenses	-	8.2
Tax effect of IPO related costs	-	(4.5)
Underlying net (loss) profit after income tax	**(14.3)**	**13.5**

Wellard management uses a measure of earnings before interest, tax, depreciation and amortisation, adjusted to exclude the items which are non-recurring in nature (noted above), to better understand the performance of the group and its segments. Underlying EBITDA for the period reduced to a loss of $1.3 million (pcp: $26.9 million gain).

Underlying EBITDA reconciles to loss from continuing operations before income tax as follows:

	2016 (A$m)	2015 (A$m)
Loss from continuing operations before income tax	**(20.6)**	**(26.9)**
Net finance costs	4.4	10.8
Depreciation and amortisation	11.1	9.3
Withholding tax	-	0.8
Restructuring and integration costs	1.2	0.1
Correction of opening balance of inventory	1.3	-
Impairment of vessel	0.7	-
Non-recurring other	0.2	-
Share based payment expense	-	18.7
Transaction costs	0.2	7.0
Loan establishment costs	0.2	1.9
Foreign exchange losses due to restructure	-	5.2
Total underlying EBITDA (loss) gain	**(1.3)**	**26.9**

Operational review

The Group's financial results continue to be impacted by the scarcity of cattle available for sale in Australia resulting in record high cattle prices and historically low trading margins as the increase in cattle purchase prices was unable to be fully passed on to customers. Despite these difficult trading conditions, the group maintained its leading market position and longstanding relationships with key customers which is reflected in the 2% increase in revenue reported for the period. The South American operations have contributed to vessel utilisation, offsetting the slowdown in South East Asia and have offset fixed operating overheads. However, the cost of expanding operations in South America being higher than expected, coupled with volatility in the Turkish market and devaluation of the Egyptian pound has negatively impacted profitability.

Key milestones achieved and activities undertaken by the group during the period include:

- Executed a contract for the supply of dairy cattle in partnership with the Sri Lankan Government.
- Executed external voyage charter contracts to improve utilisation of the fleet.
- Centralised vessel management under a new in-house technical division in Singapore which will result in ongoing cost reductions and efficiencies in fleet management.
- Shipping mortality rates have continued to trend lower through a program of continuous improvement across all operational divisions.
- Acquired land in Victoria and commenced works to licence the property as a pre-export quarantine depot.
- Acquired land in Northern Territory to build a pre-export quarantine depot and finalised environmental and planning approval with local authorities.
- Enhanced safety policy rolled out across all operational divisions resulting in efficiency gains.
- Continued development of the Wellard ERM system to enhance performance management.
- Invested in business development activities in the Middle East, Mediterranean and China.
- Commenced a group wide cost rationalisation program resulting in structural changes that will produce savings in current and future periods.

Outlook

Trading conditions currently remain difficult and working capital requires strict management. Cattle supply numbers from Northern Australia are expected to remain low and therefore cattle purchase prices to remain high during the third quarter of this financial year. This is in line with normal seasonal trends. However, as more cattle become available during the dry season an increase in cattle is expected to be matched by an increase in customer demand resulting in a return to profitable trading for the group in the fourth quarter of this financial year. Given the herd rebuilding underway in Northern Australia matched with an expected growth in demand from China, we expect to return to full year profitability in the 2018 financial year.

Northern Australia in particular has experienced another excellent cattle growing season and there is an expectation of an increased supply of good condition cattle being available commencing in the fourth quarter of this financial year. There are signs of a downward trend in cattle prices and this is expected to continue in line with the usual seasonal supply periods. As prices ease the Group expects to see an increase in demand from the traditional live cattle export markets in South East Asia as well as an improvement in margins.

The new market for slaughter cattle in China is yet to generate material volumes however we expect to undertake our first shipment to external Chinese customers before the end of this financial year. As the China market grows we expect to see an increase in demand for our specialised vessels with resulting increases in margins.

Cattle purchase prices in South America are below current Australian prices and this provides a diversity of supply to the traditional Australian sources. Although, normal export markets including to the middle east have been volatile, we expect trading conditions to improve as stability returns to the region. We are currently restructuring our South American operations to better reflect the market volatility and opportunities.

The group has maintained its leading market position during these historically extreme industry wide trading conditions. Coupled with a cost rationalisation program the group is positioning itself for an expected recovery commencing in the fourth quarter of this financial year.

Rounding of amounts

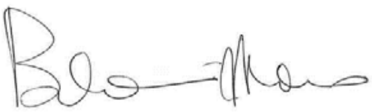
Wellard is an entity of the kind specified in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. In accordance with that legislative instrument, amounts in the financial report and Directors' report has been rounded to the nearest thousand dollars unless specifically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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

This report has been made in accordance with a resolution of the Directors.

D C Griffiths
Chairman



M Balzarini
Managing Director

Auditor's Independence Declaration

As lead auditor for the review of Wellard Limited for the half-year ended 31 December 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 review; and

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

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

Douglas Craig
Partner
PricewaterhouseCoopers

Perth
27 February 2017

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Wellard Limited
Statement of Comprehensive Income
For the half-year ended 31 December 2016

	Note	Consolidated Half-Year 2016 $'000	Consolidated Half-Year 2015 $'000
Continuing Operations			
Revenue	3	281,911	275,488
Cost of sales	4	(265,616)	(225,936)
Gross profit		16,295	49,552
Other gains (losses)	4	4,000	(7,083)
Finance costs	4	(4,445)	(10,804)
Depreciation and amortisation expenses		(11,097)	(9,298)
Administration expenses	4	(9,228)	(8,798)
Operating expenses	4	(13,615)	(12,593)
Other expenses	4	(2,482)	(27,839)
Loss from continuing operations before income tax		(20,572)	(26,863)
Income tax benefit	5	2,646	2,997
Net loss for the period after tax		(17,926)	(23,866)
Other comprehensive income (loss)			
Items that may be reclassified to profit or loss			
Gain (loss) from foreign currency translation		1,888	(7,291)
Other comprehensive income (loss) for the period, net of tax		1,888	(7,291)
Total comprehensive loss for the period		(16,038)	(31,157)
		Cents	**Cents**
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the company:			
Basic loss per share	13	4.5	7.3
Diluted loss per share	13	4.5	7.3

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

Wellard Limited
Statement of Financial Position
As at 31 December 2016

	Note	Consolidated 31 December 2016 $'000	30 June 2016 $'000
Current Assets			
Cash and cash equivalents	6	15,015	31,930
Trade and other receivables		39,999	70,463
Inventories		12,137	13,343
Biological assets		21,824	38,672
Derivative financial assets		313	1,369
Other assets		15,105	19,235
Total Current Assets		104,393	175,012
Non Current Assets			
Other assets		795	156
Property, plant and equipment	7	294,870	290,076
Intangible assets	8	4,475	4,562
Deferred tax assets		11,305	8,747
Total Non Current Assets		311,445	303,541
Total Assets		415,838	478,553
Current Liabilities			
Trade and other payables		23,403	59,397
Derivative financial liabilities		336	-
Loans and borrowings	9	203,799	203,521
Deferred revenue		10,173	21,104
Provisions		1,467	1,272
Total Current Liabilities		239,178	285,294
Non Current Liabilities			
Provisions		285	907
Deferred tax liabilities		3,658	3,597
Total Non Current Liabilities		3,943	4,504
Total Liabilities		243,121	289,798
Net Assets		172,717	188,755
Equity			
Issued capital	10	548,515	548,515
Reserves		(388,363)	(390,251)
Retained earnings		12,565	30,491
Total Equity		172,717	188,755

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

Wellard Limited

Statement of Changes in Equity

For the half-year ended 31 December 2016

	Issued Capital	Retained Earnings	Share Based Payments Reserve	Other Reserves	Common Control Reserve	Total
	$'000	$'000		$'000		$'000
Consolidated						
Balance at 1 July 2015	56,940	53,814	-	13,450	-	124,204
Loss for the period	-	(23,866)	-	-	-	(23,866)
Other comprehensive loss	-	-	-	(7,291)	-	(7,291)
Total comprehensive loss for the period	**-**	**(23,866)**	**-**	**(7,291)**	**-**	**(31,157)**
Transactions with owners in their capacity as owners:						
Reverse existing capital resulting from restructure	(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	(6,986)	-	-	-	-	(6,986)
Share based payments reserve	-	-	18,070	-	-	18,070
Common control reserve from restructure	-	-	-	-	(414,409)	(414,409)
Balance at 31 December 2015	549,014	29,947	18,070	6,159	(414,409)	188,782
Balance at 1 July 2016	548,515	30,491	18,014	2,752	(411,017)	188,755
Loss for the period	-	(17,926)	-	-	-	(17,926)
Other comprehensive income (loss)	-	-	-	1,888	-	1,888
Total comprehensive income (loss) for the period	**-**	**(17,926)**	**-**	**1,888**	**-**	**(16,038)**
Balance at 31 December 2016	**548,515**	**12,565**	**18,014**	**4,640**	**(411,017)**	**172,717**

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

Wellard Limited
Statement of Cash Flows
For the half-year ended 31 December 2016

		Consolidated Half-Year	
	Note	**2016**	**2015**
		$'000	**$'000**
Cash Flows from Operating Activities			
Receipts from customers (inclusive of GST)		286,495	258,395
Payments to suppliers and employees (inclusive of GST)		(298,631)	(249,477)
Finance costs		(4,897)	(12,466)
Interest received		487	12
Income tax paid		(1)	-
Net operating cash flows	11	(16,547)	(3,536)
Cash Flows from Investing Activities			
Proceeds from sale of property, plant & equipment		23	31
Purchase of property, plant and equipment		(6,564)	(55,549)
Cash advances on duties prepaid		-	(7,624)
Purchase of intangible assets		(381)	-
Net investing cash flows		(6,922)	(63,142)
Cash Flows from Financing Activities			
Net proceeds from issue of shares		-	290,028
Proceeds of IPO returned to investors		-	(188,228)
Balances settled by related parties		15,796	100,117
Proceeds from borrowings		71,732	124,877
Repayments of borrowings		(78,007)	(261,381)
Loans with related parties		(1,696)	-
Transfers to restricted cash		(1,258)	-
Lease liability payments		(30)	-
Net financing cash flows		6,537	65,413
Net decrease in cash held		(16,932)	(1,265)
Cash at the beginning of the financial year		31,930	18,182
Effect of exchange rate changes on cash and cash equivalents		17	-
Cash at the end of the financial year	6	15,015	16,917

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

Note 1. Basis of preparation and accounting policies

(a) Corporate information

The financial report of Wellard Ltd and its subsidiaries ("the Group") for the half-year ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 27 February 2017. The directors have the power to amend and re issue the financial report.

Wellard Ltd is a company limited by shares incorporated and domiciled in Australia. The Company's shares are publicly traded on the Australian Securities Exchange (ASX).

Company Details

The registered office and principal place of business of the company is:
Wellard Ltd
1A Pakenham Street
Fremantle WA 6160

(b) Basis of preparation

This interim financial report for the half-year ended 31 December 2016 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This half-year report does not include all the notes of the type normally included in the annual financial report. It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Wellard Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

The same accounting policies and methods of computation have been applied by the consolidated Group and are consistent with those adopted and disclosed in the most recent annual financial report.

(c) Going concern

The interim 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.

As at 30 June 2016, entities within the group breached financial covenants and undertakings on the working capital facility and ship financing facilities. Wellard has remedied undertakings and has received waivers from the facility providers for all of those covenant breaches.

As at 31 December 2016, entities within the group breached financial covenants and undertakings on the working capital facility and ship financing facilities. Wellard has remedied undertakings and has received or expects to receive waivers from the facility providers for all of those covenant breaches.

The application of AASB 101 to the working capital and ship financing facilities breach has meant a reclassification of borrowings of $150.6 million (30 June 2016: $168.9 million) from non-current to current liabilities which results in a working capital deficiency of $134.8 million (30 June 2016: $110.3 million).

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 remedy the breaches within the remedy period; and
- will be able to raise sufficient amounts through debt or equity issues or asset sales.

This Interim 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) 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. 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:

i) Recoverability of goodwill

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

ii) 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 market capitalisation, 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. If the recoverable amount of an asset (or CGU) is estimated to be less than the carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

iii) Valuation of biological assets

Biological assets are measured on initial recognition and at each reporting date at their fair value less estimated point of sale costs. The fair value is determined based on the actual selling prices approximating those at year end less estimated point-of-sale costs.

iv) 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.

v) Accounting for separation due to restructure

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.

vi) Deferred tax assets

Deferred tax assets include an amount of $5,162,000 which relates to carried forward tax losses of the Wellard Limited Australian tax consolidated group. The Australian tax consolidated group has incurred losses over the last two financial years. The group has concluded that these deferred tax assets will be recoverable using estimated future taxable income. Losses can be carried forward indefinitely and have no expiry date.

Note 2. 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, the Group's management has determined that Livestock Marketing & Export represents the only reportable segment, including the marketing and export of cattle and sheep. These export activities have similar production and distribution channels, similar products and similar end customers, and as such are aggregated and classified as one segment.

Processed Meat Marketing & Export and corporate services are not considered to be reportable operating segments, however are presented in an 'other' segments column in this financial statement. This classification is in accordance with AASB 8 guidelines.

2 (a) Description of segments and principal activities

1) Livestock Marketing and Export – 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 – 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 functions to the rest of the Group.

Management primarily uses a measure of statutory net profit / loss before income tax to assess the performance of the operating segments. However, management also receives financial information about segment revenue, EBITDA, interest expense, assets and liabilities on a monthly basis.

2 (b) Segment result

	Consolidated half-year	
	2016	**2015**
	$'000	**$'000**
Livestock Marketing and Export	(15,863)	192
Other	(4,709)	(27,055)
Net (loss) profit before tax	(20,572)	(26,863)

Note 3. Revenue

	Consolidated half-year	
	2016	2015
	$'000	$'000
Revenue:		
Sales revenue	266,906	249,450
Services revenue	15,005	26,038
Total revenue	281,911	275,488

Note 4. Expenses

	Note	Consolidated half-year	
		2016 $'000	2015 $'000
Cost of sales		265,616	225,936
Finance costs:			
Interest income		(487)	(12)
Interest expense		4,932	10,816
		4,445	10,804
Other (gains) losses:			
Net foreign exchange loss		366	7,409
Gain arising from change in fair value of biological assets		(4,378)	-
Loss (gain) on disposal of property, plant and equipment		12	(3)
Gain arising from insurance refund		-	(323)
		(4,000)	7,083
Operating expenses:			
Bad and doubtful debts expense		499	4
Employee benefits expense	4(a)	11,404	8,660
Motor vehicle expenses		519	346
Repairs & maintenance		1,193	3,583
		13,615	12,593
Administrative expenses:			
Consulting costs		2,048	1,870
Occupancy costs		2,904	2,886
General & admin costs		2,794	1,880
Travel expenses		1,482	2,162
		9,228	8,798
Other expenses:			
Loan establishment costs		145	1,872
Loss arising from writedown of assets		-	194
Impairment expense		660	-
Restructuring and integration costs		1,232	96
Non-recurring foreign expenditrure		215	-
Share based payment expense		11	18,700
Transaction costs		146	6,977
Withholding tax		73	-
		2,482	27,839
4(a) Employee benefits expense:			
Wages and salaries		10,057	7,814
Employee entitlements		151	87
Superannuation		677	423
Payroll tax		519	336
		11,404	8,660

Note 5. Taxation

	Consolidated half-year	
	2016	2015
	$'000	$'000
(a) Income tax (benefit)		
Major components of income tax expense are:		
Current tax	(1,006)	(3,860)
Deferred tax	(1,640)	863
Income tax (benefit) reported in the income statement	(2,646)	(2,997)
(b) Numerical reconciliation		
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income statement as follows:		
Prima facie tax payable on loss from ordinary activities before income tax at 30% (2015: 30%)	(6,172)	(8,059)
Add (less) tax effect of:		
Attributable foreign income	1,535	752
Other non-allowable items	(65)	1,789
Shared based payment	(242)	5,705
Transfer pricing adjustment	-	1,220
IPO costs	-	1,116
	(4,944)	2,523
Add (less):		
Tax effect of:		
Effect of different rates on tax on overseas profit	2,298	(5,520)
	2,298	(5,520)
Income tax (benefit) attributable to entity	(2,646)	(2,997)

Note 6. Cash and cash equivalents

	Consolidated	
	31 December 2015	30 June 2016
	$'000	$'000
Cash at bank and in hand	15,015	31,930
	15,015	31,930

Cash at bank and in hand excludes restricted cash held in bank accounts by the Group of $726,203 (30 June 2016: Nil) which has been included in current trade and other receivables and $641,874 (30 June 2016: Nil) which has been included in non-current other assets.

Note 7. Property, Plant & Equipment

Consolidated 31 December 2016				
	Freehold land at cost	Sheds and Buildings	Plant and Equipment	Total
Non current assets	**$'000**	**$'000**	**$'000**	**$'000**
Half-year ended 31 December 2016				
Opening net book amount	6,297	1,396	282,383	290,076
Additions	896	3	5,665	6,564
Disposals	-	-	(661)	(661)
Foreign exchange revaluation	-	-	10,166	10,166
Depreciation and impairment expense	(1)	(34)	(11,240)	(11,275)
Closing net book amount	7,192	1,365	286,313	294,870
Half-year ended 31 December 2016				
Cost	7,221	1,822	392,825	401,868
Accumulated depreciation and impairment	(29)	(457)	(106,512)	(106,998)
Net book amount	7,192	1,365	286,313	294,870

Consolidated 30 June 2016				
	Freehold land at cost	Sheds and Buildings	Plant and Equipment	Total
Non current assets	**$'000**	**$'000**	**$'000**	**$'000**
Half-year ended 30 June 2016				
Opening net book amount	5,136	1,294	252,174	258,604
Additions	1,161	135	40,000	41,296
Disposals	-	-	(320)	(320)
Foreign exchange revaluation	-	-	35	35
Depreciation expense	-	(33)	(9,506)	(9,539)
Closing net book amount	6,297	1,396	282,383	290,076
Half-year ended 30 June 2016				
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

Property, plant and equipment with a carrying amount of $294,869,572 (30 June 2016: $290,075,613) are pledged as securities for the current and non-current liabilities as disclosed in note 9.

Note 8. Intangible assets

Consolidated 31 December 2016						
Non current assets	Goodwill **$'000**	Development costs **$'000**	Intellectual property **$'000**	Client relationships **$'000**	Software **$'000**	Total **$'000**
Half-year ended 31 December 2016						
Opening net book amount	43	-	-	663	3,856	4,562
Additions	-	-	-	-	381	381
Foreign exchange revaluation	-	-	-	-	14	14
Amortisation and impairment charge	-	-	-	(330)	(152)	(482)
Closing net book amount	43	-	-	333	4,099	4,475
Half-year ended 31 December 2016						
Cost	43	-	-	3,300	4,337	7,680
Accumulated amortisation and impairments	-	-	-	(2,967)	(238)	(3,205)
Net book amount	43	-	-	333	4,099	4,475

Consolidated 30 June 2016						
Non current assets	Goodwill **$'000**	Development costs **$'000**	Intellectual property **$'000**	Client relationships **$'000**	Software **$'000**	Total **$'000**
Half-year ended 30 June 2016						
Opening net book amount	1,662	2	-	990	2,043	4,697
Additions	-	-	-	-	1,910	1,910
Foreign exchange revaluation	-	-	-	-	(93)	(93)
Amortisation and impairment charge	(1,619)	(2)	-	(327)	(4)	(1,952)
Closing net book amount	43	-	-	663	3,856	4,562
Half-year ended 30 June 2016						
Cost	43	80	1,500	3,300	3,859	8,782
Accumulated amortisation and impairments	-	(80)	(1,500)	(2,637)	(3)	(4,220)
Net book amount	43	-	-	663	3,856	4,562

Note 9. Loans and Borrowings

		Consolidated	
	Note	31 December 2016 $'000	30 June 2016 $'000
Current			
Bank loans - secured	9(a)	122,716	125,750
Finance leases - secured	9(a)	65,879	69,963
Trade finance - unsecured	9(a)	453	288
Other loans - unsecured	9(a)	14,751	7,520
		203,799	203,521

As at 30 June 2016 entities within the group breached financial covenants and undertakings on the working capital facility and ship financing facilities. Wellard has since received waivers from the facility providers for all of those covenant breaches and has remedied those breaches in undertakings.

As at 31 December 2016 entities within the group breached financial covenants and undertakings on the working capital facility and ship financing facilities. Wellard has since received or is in the process of receiving waivers from the facility providers for all of those covenant breaches and has remedied those breaches in undertakings.

9 (a) Terms and debt repayments schedule

Terms and conditons of outstanding loans were as follows:

			31 December 2016 $'000	30 June 2016 $'000
Name	**Currency**	**Year of maturity**	**Carrying amount**	**Carrying amount**
Secured bank loans	AUD	2018	10,000	10,000
Secured bank loans	USD	2026	77,826	79,046
Secured bank loans	USD	2022	34,890	36,704
Secured finance leases	USD	2019	65,879	69,963
Unsecured loan	AUD	2017	12,443	4,586
Unsecured bank loans	USD	2017	2,308	2,934
Trade asset finance	AUD	2021	244	220
Trade asset finance	BRL	2021	209	68
			203,799	203,521

The secured bank loans are secured over property, plant and equipment with a carrying value of $294,869,572 (30 June 2016: $290,075,613) detailed in Note 7.

Note 10. Issued Capital

	Consolidated	
	31 December 2016	30 June 2016
	$'000	$'000
Ordinary shares		
At beginning of reporting period	548,515	56,940
Restructure of Group:		
Reverse existing capital resulting from restructure	-	(56,940)
Ordinary shares issued to existing shareholder	-	257,150
Ordinary shares issued	-	298,850
Costs related to issuing securities	-	(7,485)
At the end of reporting period	548,515	548,515
Total issued capital	548,515	548,515

The Group has authorised share capital amounting to 400,000,000 (30 June 2016: 400,000,000) ordinary shares issued and fully paid.

Movements in ordinary shares:

	31 December 2016	30 June 2016
	Number	Number
	'000	'000
At the beginning of reporting period	400,000	-
Shares issued during year	-	400,000
At the end of reporting period	400,000	400,000

Terms and Conditions

Issued share capital consists of ordinary shares with equal voting rights.

Note 11. Cash Flow Statement Reconciliation

	Consolidated	
	2016	**2015**
	$'000	**$'000**
Reconciliation of net profit/(loss) after tax to net cash flows from operations:		
(Loss) after tax	(17,926)	(23,866)
(a) Non cash flows in loss:		
Depreciation & amortisation	11,097	9,298
Income tax benefit	(2,647)	(2,997)
Finance costs and accrued interest	34	-
Bad and doubtful debts	499	4
Net loss (gain) on disposal of property, plant and equipment	11	(3)
Amortisation of deferred borrowing costs	145	-
Change in fair value of inventories and biological assets	(4,378)	-
Share based payments expense	-	18,700
Realised foreign exchange losses on loans	-	12,861
Unrealised foreign exchange gains	(1,355)	(7,747)
Write down of inventory	1,343	-
Impairment of vessel	660	-
Derivative losses	1,056	-
(b) Changes in assets and liabilities, net of the effects of purchase and disposal of subsidairies:		
Change in trade, other receivables and other current assets	21,292	(13,630)
Change in inventories and biological assets	15,877	7,271
Cash advances on duties prepaid	-	7,624
Change in net deferred tax assets/liabilities	(1,047)	(164)
Change in trade and other payables	(40,783)	(8,908)
Change in provisions	(425)	(1,979)
	(16,547)	(3,536)

Note 12. Commitments

12 (a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	Consolidated	
	31 December 2016	30 June 2016
	$'000	$'000
Property, plant and equipment	73,800	78,676
	73,800	78,676

Note 13. Earnings per share

	Consolidated half-year	
	2016	2015
	Cents	Cents
(a) Basic loss per share		
From continuing operations attributable to the ordinary equity holders of the company	4.5	7.3
(b) Diluted loss per share		
From continuing operations attributable to the ordinary equity holders of the company	4.5	7.3

	Consolidated half-year	
	2016	2015
	Number	Number
Weighted average number of ordinary shares used as the denominator	400,000,000	328,243,778

Note 14. Contingent assets and liabilities

As disclosed in the 30 June 2016 financial report the 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.

Although the insurance claim settlement is still under negotiation, an advance payment of US$1.0 million has been received in February 2017. Management expects to reach a formal settlement agreement of up to US$2.1 million in March 2017.

During the half-year ended 31 December 2016 and at balance date, no events occurred that gave rise to any contingent liabilities.

Note 15. Subsequent events

On 9 January 2017 Wellard finalised the $2.5 million purchase of a property near Condah in Victoria, Australia. Wellard intends to develop the property as a pre-export quarantine facility. The property is 60km from the port of Portland, Victoria.

Note 16. Related party transactions

All transactions with related parties are recorded on an arms-length basis at commercial terms and conditions.

Wellard Limited received the separation agreement amount of $15.8 million in full plus $0.5 million in interest from its former parent entity WGH Holdings Pty Ltd on the 21 September 2016. The separation agreement amount relates to the adjustment to complete financial settlement between WGH Holdings Pty Ltd and Wellard Limited. The separation agreement amount was recognised as a receivable in the prior year.

Directors' Declaration

In accordance with a resolution of the directors of Wellard Ltd, we state that:

In the opinion of the directors:

(a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and
(ii) Complying with the Australian Accounting Standards (including the Australian Accounting Interpretations), Corporations Regulations 2001, and other mandatory professional reporting requirements.

(b) There are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board

D C Griffiths
Chairman
Perth
Date: 27 February 2017

M Balzarini
Managing Director
Perth
Date: 27 February 2017

Independent auditor's review report to the shareholders of Wellard Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Wellard Limited (the Company), which comprises:

- the consolidated statement of financial position as at 31 December 2016
- the consolidated statement of comprehensive income for the half-year then ended
- the consolidated statement of changes in equity for the half-year then ended
- the consolidated statement of cash flows for the half-year then ended
- selected explanatory notes
- the directors' declaration for Wellard Limited (the consolidated entity).

The consolidated entity comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Wellard Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

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

Material uncertainty related to going concern

We draw attention to Note 1 (c) in the financial report, which comments on the consolidated entity being in net current asset deficiency of $134.8 million as at 31 December 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 that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Wellard Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
27 February 2017