Wellard

FY2017

Appendix 4E - Preliminary Final Report

Lodged with the ASX under Listing Rule 4.3A

Contents

Results for Announcement to the Market

This report covers Wellard Limited ABN 53 607 708 190 (**Wellard** or **Company**) and the entities it controlled during the financial year ended 30 June 2017 (**Wellard Group** or **Group** or **Consolidated Group**), for the financial year ended 30 June 2017 (**FY2017**).

The previous corresponding period is the year ended 30 June 2016 (**FY2016**).

The financial statements are presented in Australian dollars (unless otherwise stated).

Year ended 30 June	2017 $m	2016 $m	Growth %
Revenue	**498**	**574**	**(13%)**
Cost of sales	(470)	(485)	(3%)
Gross profit	28	89	(69%)
Total expenses	(89)	(102)	(12%)
Net finance costs	(10)	(16)	(38%)
Impairments on vessels	(13)	-	-
Net loss before tax	(75)	(31)	142%
Net loss after tax	**(77)**	**(23)**	**231%**
Operating cashflow	(20)	(20)	-
Net debt	159	168	(5%)
Net tangible assets per security (cps)	**28**	**49**	**(43%)**

Dividends

No dividend was declared or paid for the financial year ended 30 June 2017 (2016: nil).

Audit status

This report is based on accounts which are in the process of being audited. The 30 June 2017 financial report, when audited, is likely to contain an independent auditor's report which includes an emphasis of matter paragraph in regard to the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Additional disclosure has been included in note 1(c) to the preliminary financial statements.

Wellard

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.

Financial review

FY2017 was a challenging year with record high prices for livestock in Australia, the biggest sourcing market, impacting demand for livestock and livestock shipping space.

Total sales volumes decreased versus last year as customers in Indonesia and Vietnam reduced orders as a result of higher livestock prices in Australia, and increased competition from cheaper frozen meat, as well as lower than expected volumes from developing markets.

In FY2017, Wellard shipped:

- 304,208 head of cattle, a 29% decrease year on year; plus
- 80,143 head of sheep, a 24% increase year on year; and
- processed 248,821 head of sheep and 49,763 goats at Beaufort River Meats (**BRM**), a decrease of 17% year on year.

The decrease in revenue by 13% to $498 million was a result of reduced volumes, partially offset by higher sales prices.

Gross profit decreased 69% to $28 million as the Group was forced to accept negative margins on trading livestock, balancing the need to keep assets utilised in order to cover fixed costs, and maintain customer relationships to protect future trade.

Total expenses excluding depreciation and amortisation decreased 20% to $67 million as the Group commenced a restructuring and cost out program, the benefits of which will be primarily realised in FY2018 and beyond.

The consolidated net loss before tax increased 142% to $75 million due in summary to a $61 million reduction in gross margins offset by an $18 million saving in costs. The future income tax benefit arising from Australian consolidated tax losses has not been recognised in FY2017. Despite the increase in the net loss, operating cashflow was stable versus last year at an outflow of $20 million, due to tight working capital management and reduced debt.

Net debt reduced by $8 million during the year with working capital facilities repaid following the capital raise in April and June 2017. A further reduction of $16 million occurred when the loan balance outstanding on the MV Ocean Outback was fully repaid following the sale of the vessel in July 2017. All other finance facilities were amortised based on their normal schedule. The net debt to capital ratio increased to 55% at 30 June 2017 compared to 47% at 30 June 2016 due to the depletion in retained earnings and partly a result of asset write-offs and impairments.

As at 30 September 2016, 31 December 2016, 31 March 2017, and 30 June 2017, entities within the Group breached financial covenants and undertakings on the working capital facility and ship financing facilities. In respect of many of the breaches, Wellard has either remedied them or has received waivers from the relevant facility provider. In respect of those breaches that remain outstanding (i.e. they have not been remedied or waived), Wellard continues to work with the relevant facility provider in respect of waivers. The Group made all payments due under its working capital facility and ship financing facilities during the period.

The application of AASB 101 to the outstanding breaches of debt facility covenants and undertakings has meant that total loans and borrowings of $176 million (30 June 2016: $200 million) have been classified as current liabilities. If breaches in debt facility covenants and undertakings had not occurred as at 30 June 2017 and 30 June 2016, loans and borrowings of $138 million (30 June 2016: $169 million) would have been classified as non-current liabilities as they are due to mature beyond 12 months from balance date until 2026.

Preliminary Consolidated Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Continuing operations			
Revenue	3	497,851	573,773
Cost of sales	4(a)	(470,222)	(484,874)
Gross profit		**27,629**	**88,899**
Other gains (losses)	4(b)	(2,716)	(1,484)
Net finance costs	4(c)	(10,095)	(16,361)
Depreciation and amortisation expenses		(22,838)	(19,169)
Administration expenses	4(d)	(17,162)	(16,937)
Operating expenses	4(e)	(33,602)	(36,265)
Other expenses	4(f)	(15,744)	(29,474)
Loss from continuing operations before income tax		**(74,528)**	**(30,791)**
Income tax (expense) benefit	6	(2,733)	7,468
Net loss for the period after tax		**(77,261)**	**(23,323)**
Other comprehensive income (loss)			
Items that may be reclassified to profit or loss			
(Loss) gain from foreign currency translation	32	(5,839)	(10,698)
Other comprehensive income (loss) for the period, net of tax		**(5,839)**	**(10,698)**
Total comprehensive loss for the period		**(83,100)**	**(34,021)**

		Cents	Cents
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the company:			
Basic loss per share	7(a)	(18.4)	(6.4)
Diluted loss per share	7(b)	(18.4)	(6.4)

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

Preliminary Consolidated Statement of Financial Position

As at 30 June 2017

	Note	2017 $'000	2016 $'000
Current assets			
Cash and cash equivalents	9	33,027	31,930
Trade and other receivables	15	31,307	70,463
Inventories	12	8,091	13,343
Biological assets	13	3,453	38,672
Derivative financial assets	14	188	1,369
Other assets	16	5,425	15,422
Assets held for sale	17	33,489	-
Total current assets		**114,980**	**171,199**
Non-current assets			
Other assets	16	751	156
Property, plant and equipment	20	230,735	290,076
Intangible assets	21	8,587	4,562
Deferred tax assets		3,950	8,747
Total non-current assets		**244,023**	**303,541**
Total assets		**359,003**	**474,740**
Current liabilities			
Trade and other payables	18	24,470	59,397
Loans and borrowings	8	176,314	199,708
Provisions	22	1,503	1,272
Deferred revenue	19	10,173	21,104
Derivative financial liabilities	14	1,317	-
Liabilities directly associated with assets held for sale	17	15,836	-
Total current liabilities		**229,613**	**281,481**
Non-current liabilities			
Provisions	22	118	907
Deferred tax liabilities		-	3,597
Total non-current liabilities		**118**	**4,504**
Total liabilities		**229,731**	**285,985**
Net assets		**129,272**	**188,755**
Equity			
Issued capital	11	572,132	548,515
Reserves	32	(396,090)	(390,251)
Retained earnings (accumulated losses)	33	(46,770)	30,491
Total equity		**129,272**	**188,755**

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

Wellard

Preliminary Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

		Attributable to Owners					
	Note	Issued capital $'000	Retained earnings $'000	Share based payments Reserve $'000	Other reserves $'000	Common control Reserve $'000	Total $'000
Balance at 30 June 2015		**56,940**	**53,814**	**-**	**13,450**	**-**	**124,204**
Loss for the period	33	-	(23,323)	-	-	-	(23,323)
Other comprehensive loss	32	-	-	-	(10,698)	-	(10,698)
Total comprehensive loss for the period		**-**	**(23,323)**	**-**	**(10,698)**	**-**	**(34,021)**
Transactions with owners in their capacity as owners:							
Reverse existing capital resulting from restructure	11	(56,940)	-	-	-	-	(56,940)
Ordinary shares issued to existing shareholder	11	257,150	-	-	-	-	257,150
Ordinary shares issued	11	298,850	-	-	-	-	298,850
Costs relating to share issue net of tax	11	(7,485)	-	-	-	-	(7,485)
Share based payment reserve	32	-	-	18,014	-	-	18,014
Common control reserve from restructure	32	-	-	-	-	(411,017)	(411,017)
Balance at 30 June 2016		**548,515**	**30,491**	**18,014**	**2,752**	**(411,017)**	**188,755**
Loss for the period	33	-	(77,261)	-	-	-	(77,261)
Other comprehensive income (loss)	32	-	-	-	(5,839)	-	(5,839)
Total comprehensive (loss) income for the period		**-**	**(77,261)**	**-**	**(5,839)**	**-**	**(83,100)**
Transactions with owners in their capacity as owners:							
Ordinary shares issued	11	25,656	-	-	-	-	25,656
Costs relating to share issue net of tax	11	(2,039)	-	-	-	-	(2,039)
Balance at 30 June 2017		**572,132**	**(46,770)**	**18,014**	**(3,087)**	**(411,017)**	**129,272**

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

Preliminary Consolidated Statement of Cashflows

For the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		507,320	567,273
Payments to suppliers and employees (inclusive of GST)		(518,041)	(571,729)
Interest paid		(9,831)	(15,538)
Interest received		500	19
Income tax paid		(7)	(21)
Net operating cash flows	10	**(20,059)**	**(19,996)**
Cash flows from investing activities			
Purchase of property, plant & equipment		(15,711)	(99,889)
Purchase of intangible assets		(499)	(3,733)
Proceeds from sale of property, plant & equipment		82	339
Wellao acquisition cash acquired	26	331	-
Cash advances on duties prepaid		-	(7,624)
Net investing cash flows		**(15,797)**	**(110,907)**
Cash flows from financing activities			
Net proceeds from issue of shares		23,617	290,028
Proceeds of IPO returned to former parent entity		-	(188,228)
Amounts received from related parties		15,840	96,252
Proceeds from borrowings		131,464	275,430
Repayments of borrowings		(158,851)	(328,831)
Net proceeds from issue of convertible notes		26,493	-
Transfers to restricted cash		(642)	-
Net financing cash flows		**37,921**	**144,651**
Net increase in cash held		2,065	13,748
Cash at the beginning of the financial year		31,930	18,182
Effect of exchange rate changes on cash and cash equivalents		(968)	-
Cash at the end of financial year	9	**33,027**	**31,930**

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

Notes to the Preliminary Consolidated Financial Statements

1. Corporate information and basis of preparation

(a) Corporate information

This preliminary consolidated financial report relates to the Group, comprising Wellard Limited (**Company** or **Wellard**) and the entities that it controlled (**Group**) during the year ended 30 June 2017.

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 preliminary financial report does not include all the notes of the type normally included in the annual financial report.

The preliminary 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 preliminary consolidated financial statements, the Company is a for-profit entity.

(c) Going concern

The preliminary 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.

Market conditions have resulted in the Company trading at a loss for the 12 months ended 30 June 2017, resulting in operating cash outflows as well as a negative working capital position. Current liabilities exceed current assets as at 30 June 2017 due predominantly to the reclassification of loans and borrowings from non-current to current.

During FY2017 the Company has taken a number of steps to improve its financial position, including the raising of $51 million in combined equity and debt, which has enhanced its cash position and improved its financial flexibility with respect to working capital. Other actions undertaken include the commencement of a costs out program, the sale of one vessel, as well as the increase in external charters of the Company's remaining vessels.

The Company's performance is sensitive to Australian cattle prices and foreign exchange rates. Pricing for some categories such as heavy slaughter cattle suited for Vietnam have eased. Prices for other categories remain at or close to historical highs, notably the lighter steers that are exported to Indonesia, Wellard's largest market.

The Company has an existing working capital facility which was varied on 15 June 2017 to allow for the funding of overseas operations under certain conditions, particularly for some of the Group's South American subsidiaries. This facility variation also allowed for more effective utilisation of the facility within Australia. This working capital facility is used to fund a portion of the Group's livestock purchases in Australia, with the balance funded by internal cashflow. This facility is due to expire on 7 December 2017 and the Company is in discussions regarding its renewal.

As at 30 September 2016, 31 December 2016, 31 March 2017, and 30 June 2017, entities within the Group breached financial covenants and undertakings on the working capital facility and ship financing facilities. In respect of many of the breaches, Wellard has either remedied them or has received waivers from the relevant facility provider. In respect of those breaches which remain outstanding (i.e. they have not been remedied or waived), Wellard continues to work with the relevant facility provider in respect of waivers. While a breach remains outstanding, this allows the relevant financier to accelerate and enforce its facility. It may also allow Wellard's other financiers to accelerate and enforce their own facilities (by virtue of cross-default provisions in their own facilities, depending on the terms of these cross-default provisions). The Group made all payments due under its working capital facility and ship financing facilities during the period.

The application of AASB 101 to the outstanding breaches has meant a continued reclassification of borrowings of $138.2 million from non-current to current liabilities which results in a working capital deficiency of $114.6 million.

On 3 April 2017, the Company announced a fundraising initiative to raise approximately $51 million, comprising of a placement of 25 million new shares; a fully underwritten non-renounceable pro-rata entitlement offer on a 1-for-4 basis; and the issue of convertible notes. The fundraising initiative was completed on 6 June 2017. The funds raised were used for working capital purposes, as well as for the purchase of the remaining 50% stake of the Company's subsidiary in China.

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 obtain waivers for any outstanding covenant breaches, or otherwise that the Group's financiers will not take any acceleration or enforcement action in respect of any outstanding covenant breaches or in respect of any cross-defaults that arise as a result of those outstanding covenant breaches; and
- will be able to renew the working capital facility with the existing provider or a new provider on similar commercial terms; and
- will be able to raise sufficient amounts of either debt or equity or cash from asset sales if required.

This Preliminary 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.

2. Significant accounting policies and estimates

The significant accounting policies adopted in the preparation of the preliminary 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.

Non-financial assets
The carrying amounts of the Group's 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 Cash Generating Unit (**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 of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-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. 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.

(b) 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 and contracted predetermined rent increases under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(c) 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.

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

(e) Critical accounting estimates and judgements

The preparation of the consolidated preliminary 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 are found in the following notes:

Note number	Note name	Key accounting estimate and judgement
Note 6	Taxation	Deferred tax asset recognition
Note 13	Biological assets	Valuation of biological assets
Note 14	Derivative financial assets and liabilities	Valuation of convertible note derivative
Note 20	Property, plant & equipment	Impairment of assets
Note 20	Property, plant & equipment	Useful life and residual value of livestock carrying vessels
Note 31	Restructure event	Accounting for separation due to restructure

(f) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of new standards and interpretations is set out below:

Reference	Title	Summary	Application date 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. AASB 9 also introduces expanded disclosure requirements and changes in presentation. The Group is currently assessing the impact of this new standard.	1st January 2018	1st July 2018
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 new standard will result in expanded disclosure requirements. The Group intends to early adopt this standard from 1 July 2017. There would be no impact on the cut-off of revenue at 30 June 2017 as there were no shipments in transit at 30 June 2017.	1st January 2018	1st July 2017

Reference	Title	Summary	Application date standard	Application date for Group
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 standard will affect the accounting for the Group's operating leases. At 30 June 2017, the Group has non-cancellable operating lease commitments of $9.9 million (2016: $8.5 million), refer note 23. The Group has not yet determined to what extent these commitments will result in the recognition of an asset and a financial liability for future payments, and how this will affect the breakdown of profit and classification of cashflows. Some of the commitments will be covered by the exemption for low value and short-term leases and some commitments may relate to arrangements that may not qualify as leases under the new standard. The full impact on the Group is unknown at this stage.	1st January 2019	1st July 2019 At this stage the Group does not intend to adopt this new standard before its application date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. Revenue

	2017 $'000	2016 $'000
Revenue		
Sales revenue	478,675	526,893
Services and other revenue	19,176	46,880
	497,851	**573,773**

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 recognised.

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 the significant 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.

4. Expenses

	Note	2017 $'000	2016 $'000
(a) Cost of sales			
Livestock		388,483	391,499
Shipping		49,935	59,433
Processing and distribution		31,804	33,942
		470,222	**484,874**
(b) Other (gains) losses			
Net foreign exchange losses		1,499	6,636
Fair value losses (gains) on financial assets at fair value		977	(1,369)
Net gain from changes in fair value of inventories and biological assets		(92)	(3,763)
Net loss (gain) on disposal of property, plant and equipment		332	(20)
		2,716	**1,484**
(c) Net finance costs			
Interest income		(500)	(992)
Interest expense		9,947	14,710
Borrowing costs		648	2,643
		10,095	**16,361**
(d) Administrative expenses			
Consulting costs		4,963	3,815
Occupancy costs		4,675	3,995
General and administration costs		4,783	5,287
Travel expenses		2,741	3,840
		17,162	**16,937**
(e) Operating expenses			
Bad and doubtful debts expense		5,848	1,524
Labour expenses	4(g)	22,482	18,884
Motor vehicle expenses		950	677
Repairs and maintenance		4,322	15,180
		33,602	**36,265**
(f) Other expenses			
Restructuring and integration costs		1,379	1,736
Transaction costs		146	7,474
Share based payment expense		11	18,644
Impairment expense		13,993	1,620
Non-recurring foreign expenditure		215	-
		15,744	**29,474**

	Note	2017 $'000	2016 $'000
(g) Labour expenses			
Wages and salaries		18,276	14,841
Employee entitlements and on costs		2,032	1,925
Superannuation		1,255	895
Payroll tax		919	1,223
		22,482	**18,884**

Recognition and measurement

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred regarding 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 to deferred borrowing costs 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.

5. Segment information

The Group's management has considered the reportable segments in which the Group will report in this preliminary 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 are aggregated and classified as one segment. Meat processing and distribution as well as 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

(a) **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.

(b) **Other segments**: This segment consists of meat processing and distribution as well as corporate services. Meat processing and distribution operates abattoirs and markets the processed meat to domestic and 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 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.

	Livestock marketing, export and transportation $'000	Other $'000	Total $'000
30 June 2017			
Revenue	461,725	36,126	497,851
Depreciation and amortisation expense	(21,997)	(841)	(22,838)
Net finance costs	(9,028)	(1,067)	(10,095)
Loss from continuing operations before income tax	(61,253)	(13,275)	(74,528)
Total segment assets	**343,338**	**15,665**	**359,003**
Total segment liabilities	**186,921**	**42,810**	**229,731**
30 June 2016			
Revenue	535,880	37,893	573,773
Depreciation and amortisation expense	(18,497)	(672)	(19,169)
Net finance costs	(15,538)	(823)	(16,361)
Profit (loss) from continuing operations before income tax	3,628	(34,419)	(30,791)
Total segment assets	**441,281**	**33,459**	**474,740**
Total segment liabilities	**269,534**	**16,451**	**285,985**

Revenues of approximately $171.3 million were derived from 3 external customers of the livestock marketing and export segment, which individually account for greater than 10% of total revenue (2016: revenue of approximately $149.4 million from 2 external customers)

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:

	Australia $'000	Singapore $'000	Uruguay $'000	Brazil $'000	Turkey $'000	Total $'000
30 June 2017	375,143	19,203	48,749	48,015	6,741	497,851
30 June 2016	483,063	40,676	37,540	12,494	-	573,773

The non-current assets of the Group (excluding deferred tax assets) are located across the following locations:

	Singapore $'000	Australia $'000	China $'000	Brazil $'000	Other $'000	Total $'000
30 June 2017	214,980	20,197	4,353	445	98	240,073
30 June 2016	277,682	16,396	-	660	56	294,794

6. Taxation

	2017 $'000	2016 $'000
(a) Income tax expense (benefit)		
Major components of income tax expense are:		
Current tax	(17,987)	(4,853)
Deferred tax	(311)	(2,615)
Under provision for deferred income tax in prior year	1,511	-
Current year losses not recognised	19,520	-
Income tax expense (benefit) reported in the income statement	**2,733**	**(7,468)**

(b) Numerical reconciliation

	2017 $'000	2016 $'000
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% (2016: 30%)	(22,358)	(9,236)
Add/(less) tax effect of:		
Other assessable items		
Attributable foreign income	1,990	2,266
Under provision for deferred income tax in prior year	1,511	-
Amortisation of client relationships	198	486
Current year losses not recognised	19,520	-
Other non-allowable items	281	3,804
Shared based payment	-	6,509
IPO costs	-	1,196
	1,142	**5,025**
Add/(less):		
Tax effect of:		
Other non-assessable items	-	1
Effect of different rates of tax on overseas profit	1,591	(12,494)
	1,591	**(12,493)**
Income tax expense (benefit) attributable to entity	**2,733**	**(7,468)**

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
Wellard Limited, and its Australian subsidiaries formed a tax consolidated Group with effect from 11 December 2015. The parent entity and subsidiaries in the tax consolidated Group have entered 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.

Key accounting estimate and judgement

Deferred tax asset recognition

Deferred tax assets include an amount of $1.9 million (2016: $3.6 million) 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 subject to satisfaction of the loss recoupment rules and have no expiry date. Deferred tax assets of $7.9m, relating to the tax losses of the Australian tax consolidated Group have not been recognised (2016: nil).

7. Earnings per share

	2017 Cents	2016 Cents
(a) Basic (loss) per share		
From continuing operations, attributable to the ordinary equity holders of the company	(18.4)	(6.4)
(b) Diluted (loss) per share		
From continuing operations, attributable to the ordinary equity holders of the company	(18.4)	(6.4)

	2017 Number	2016 Number
Weighted average number of ordinary shares used as the denominator	419,143,836	364,121,889

Recognition and measurement

Basic earnings per share is calculated by dividing:

- the profit (loss) 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.

Potential ordinary shares are only considered dilutive if the loss per share decreases on conversion to ordinary shares.

Convertible notes issued during the year are considered to be potential ordinary shares, however these have not been included in the determination of dilutive earnings per share from their date of issue because they are antidilutive in the current period. Details regarding the notes are set out in note 8(a).

The number of ordinary shares outstanding has been adjusted retrospectively back to 1 July 2015 for the capital reconstruction, which occurred on 11 December 2015, as described in note 31.

8. Loans and borrowings

	Note	2017 $'000	2016 $'000
Current			
Bank loans - secured		97,992	125,750
Finance leases - secured		55,471	69,963
Trade finance - unsecured		171	288
Other loans - unsecured		1,752	7,520
Convertible notes - unsecured	8(a)	24,169	-
Deferred borrowing costs		(3,241)	(3,813)
Total current		**176,314**	**199,708**

Bank loans consist of a working capital facility and two (2016: three) separate vessel finance agreements from financiers. One of the vessel finance agreements included in the 2016 comparatives has been classified as a liability directly associated with assets held for sale in 2017, refer note 17. 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 2017, $35,000,000 (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 2017 and in the prior year, 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 is entitled to buy back one of 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, events of default and early payment penalties 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.

For loans and borrowings, the fair values are not materially different to their carrying amounts since the interest payable on the loans and borrowings are close to the current market rates.

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	2017 $'000	2016 $'000
Secured bank loans	AUD	2018	15,000	10,000
Secured bank loans	USD	2026	69,087	79,046
Secured bank loans*	USD	2018	-	19,522
Secured bank loans	USD	2022	13,905	17,182
Unsecured loan	AUD	2016	-	4,586
Unsecured bank loans	USD	2017	1,752	2,934
Convertible notes	USD	2020	24,169	-
Trade Asset finance	USD	2019	40,623	50,102
Trade Asset finance	USD	2019	14,848	19,861
Trade Asset finance	AUD	2017	150	220
Trade Asset finance	BRL	2018	21	68
			179,555	**203,521**
Liabilities directly associated with assets classified as held for sale				
Secured bank loans*	USD	2018	15,836	-

*Secured bank loans of $15.8m have been reclassified to liabilities directly associated with assets held for sale as at 30 June 2017, refer to note 17.

The secured bank loans are secured over property, plant and equipment with a carrying value of $230,735,741 (2016: $290,075,613) detailed in note 20.

(a) Convertible note

On 11 April and 6 June 2017, Wellard issued tranche 1 and tranche 2 convertible notes of US$7.35m and US$12.65m respectively, totalling US$20.0m. The term of the notes are 36 months from issue and interest is payable at 6% per annum. The notes are convertible into ordinary shares of the parent entity at the conversion price of US$0.21 per share, at the option of the holders, subject to conditions. The notes are redeemable by Wellard after 18 months, subject to conditions. On maturity, the notes will be repayable in cash unless redeemed or converted earlier. The notes are also subject to financial covenants which were complying at 30 June 2017, however the convertible note liability and derivative are classified as current liabilities as there is no unconditional right to defer payment for 12 months.

Movements in the convertible note are shown below:

	Note	2017 $'000	2016 $'000
Face value of convertible notes issued		26,895	-
Derivative liability on initial recognition	14	(1,520)	-
Transaction costs		(402)	-
		24,973	**-**
Interest expense[1]		188	-
Interest paid		(191)	-
Foreign exchange revaluation		(801)	-
Current liability		**24,169**	**-**

1. Interest expense is calculated by applying the effective interest rate of 8.13% for tranche 1 and 8.16% for tranche 2 to the liability component, net of transaction costs.

Recognition and measurement

Loans and borrowings

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.

Convertible note liability

On initial recognition the liability component of the convertibles notes is measured at the residual between the value of the financial instrument as a whole less the fair value of the embedded derivative. Directly attributable transaction costs relating to the issue of the note are allocated to the convertible note liability. After initial recognition, as with loans and borrowings, the liability component of the convertible note is measured at amortised cost using the effective interest method.

The convertible note liability and derivative are removed from the statement of financial position when the obligations in the contract are discharged. The convertible note liability and derivative are classified as current liabilities as there is no unconditional right to defer payment for 12 months.

9. Cash and cash equivalents

	2017 $'000	2016 $'000
Cash at bank and in hand	33,027	31,930

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.

10. Cash flow statement reconciliation

	2017 $'000	2016 $'000
(a) Reconciliation of net loss after tax to net cash flows from operating		
Loss after tax	**(77,261)**	**(23,323)**
Non-cash flows in loss:		
Depreciation and amortisation	22,838	19,169
Income tax benefit	2,726	(7,468)
Bad and doubtful debts	5,848	1,524
Net loss (gain) on disposal of property, plant and equipment	332	(20)
Net loss (gain) on fair value of derivatives	977	(1,369)
Share based payments expenses	-	18,014
Change in fair value of inventories and biological assets	(92)	(3,763)
Impairment expense	13,993	1,620
Write down of inventory	1,343	-
Amortisation of deferred borrowing costs	648	-
Finance costs and accrued interest	116	-
Realised foreign exchange losses on loans	-	12,861
Unrealised foreign exchange losses (gains)	832	(5,796)
Changes in assets and liabilities, net of the effects of purchase and of subsidiaries		
Change in trade, other receivables and other current assets	25,777	(174,348)
Change in trade, other receivables and current assets due to related parties	-	162,150
Change in inventories and biological assets	33,286	(33,161)
Change in net deferred tax assets/liabilities	(1,487)	1,922
Change in trade and other payables	(49,288)	(16,371)
Change in trade and other payables due to related parties	-	29,509
Change in provisions	(647)	(1,146)
	(20,059)	**(19,996)**

11. Issued capital

	2017 $'000	2016 $'000
Issued capital		
At beginning of reporting period	548,515	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	25,656	298,850
Costs related to issuing securities net of tax effect	(2,039)	(7,485)
At the end of reporting period	**572,132**	**548,515**

The Group has authorised share capital amounting to 531,250,312 (2016: 400,000,000) ordinary shares issued and fully paid.

Movements in ordinary shares:

	2017 '000	2016 '000
At the beginning of reporting period	400,000	-
Shares issued during year	131,250	400,000
At the end of reporting period	**531,250**	**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.

The following shares were issued during the 2017 Financial Year:

a) 25,000,000 placement shares were issued on 7 April 2017 to sophisticated and institutional investors;
b) 106,250,312 shares were issued on 15 May 2017 under the fully underwritten entitlement offer.

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.

12. Inventories

	2017 $'000	2016 $'000
Raw materials and stores	6,877	11,330
Finished goods	1,214	2,013
	8,091	**13,343**

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.

Write downs of inventory to net realisable value during the year were $1,343,000 (2016: Nil).

No inventory is pledged as security.

13. Biological assets

	2017 $'000	2016 $'000
Livestock		
Balance at beginning of the year	38,672	10,591
Purchases	339,149	355,787
Fair value adjustments	-	3,763
Sales	(374,368)	(331,469)
Balance at end of year	**3,453**	**38,672**

At balance date, the Group had 21,538 sheep (2016: 11,127) valued at $2,509,316 (2016: $1,228,123) and 783 cattle (2016: 38,608) valued at $943,845 (2016: $37,443,673) on hand.

Cattle and sheep are held for short term trading and feeding purposes and at the reporting date a fair value increment of $ nil measured in Level 2 and $ nil measured in Level 3 (2016: $915,188 level 2 & $2,847,851 level 3) 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.

The following table presents the biological assets measured and recognised at fair value at 30 June 2017 on a recurring basis.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2017				
Biological assets	-	3,453	-	3,453
	-	**3,453**	**-**	**3,453**
2016				
Biological assets	-	23,648	15,024	38,672
	-	**23,648**	**15,024**	**38,672**

Level 3 Biological assets are summarised as follows:

	2017 $'000	2016 $'000
Balance at beginning of the year	15,024	2,984
Purchases	28,503	9,416
Fair value adjustments	-	2,848
Sales	(43,527)	(224)
Balance at end of year	**-**	**15,024**

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 were valued at Level 3 in the prior year.

Key accounting estimate and judgement

Valuation of biological assets

Biological assets are measured on initial recognition and at each reporting date at their fair values 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.

14. Derivative financial assets and liabilities

	2017 $'000	2016 $'000
Current assets		
Commodity swaps	100	1,369
Foreign exchange contract	88	-
	188	**1,369**

	2017 $'000	2016 $'000
Current liabilities		
Convertible note derivative	1,317	-

Derivative financial assets

Derivative financial assets consist of bunker swap contracts and a foreign exchange contract entered into with a financial institution. These assets are designated to be measured at fair value in profit and loss as per AASB 139 as derivative financial instruments and are adjusted for directly attributable transaction costs.

Derivative financial liabilities

Derivative financial liabilities consist of an embedded derivative relating to the convertible notes, details of which are shown in note 8(a).

Movements in the convertible note derivative are shown below:

	Note	2017 $'000	2016 $'000
Recognition of convertible note derivative	8(a)	1,520	-
Fair value movement		(203)	-
Carrying amount at end of period		**1,317**	**-**

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.

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into one of the three levels prescribed under the accounting standards.

Level 2: The fair value of financial instruments that are not traded in an active market are determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific examples.

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 through the statement of comprehensive income. Fair value gains and losses and settlement gains and losses are recognised in other (gains) losses in the statement of comprehensive income.

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.

Convertible note derivative
The convertible note contains an embedded derivative that is indexed to both the share price denominated in AUD (equity price risk) and the AUD/USD exchange rate (foreign exchange risk). As these risks are interdependent and dissimilar they are bundled together and treated as a liability. The fair value at inception has been determined using a Black-Scholes model which takes into account the exercise price, the term of the option, Wellard's share price, the risk-free rate of interest (based on government bonds) and the expected volatility of the underlying share price.
The convertible note derivative is valued using a level 2 valuation technique.

Key accounting estimate and judgement
Valuation of convertible note derivative
Key inputs into the valuation of the convertible note derivative at fair value include the Wellard limited share price volatility and the USD to AUD FX forward curve.

15. Trade and other receivables

	2017 $'000	2016 $'000
Current		
Trade receivables	28,900	18,886
Provision for impairment	(4,387)	(1,710)
Trade receivables - related parties	182	18,264
Other receivables	6,612	34,689
Loan to other related entities	-	334
	31,307	**70,463**

Trade and other receivables are non-interest bearing and are on various terms depending on the market. Export customers have payment terms ranging from a percentage payable on load of vessel, to percentage payable 14 days after discharge of livestock. Non-export trading terms are generally 14 days. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired.

Due to the short-term nature of trade and other receivables, their carrying amount approximates fair value.

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 90 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 2017 there is a doubtful debt provision of $4,386,991 (2016: $1,710,455). For the year ended 30 June 2017, bad debts written down for trade receivables totalled $5,847,896 (2016: $1,523,881). This amount is recognised in operating expenses in the consolidated statement of comprehensive income.

16. Other assets

	2017 $'000	2016 $'000
Current		
Prepayments (a)	5,119	9,496
Other assets (b)	306	5,926
	5,425	**15,422**
Non-current		
Other assets	150	156
Restricted cash	601	-
	751	**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) For the year ended 30 June 2016, included in other assets is an amount of $4,019,293 which relates to a receivable from an entity controlled by WGH. This has been settled as part of the Wellao acquisition in the current year. Refer to note 26 for further information regarding this balance.

17. Assets held for sale

	2017 $'000	2016 $'000
Assets held for sale		
Property, plant & equipment - vessel	33,489	-
Liabilities directly associated with assets held for sale		
Borrowings	(15,836)	-
	17,653	**-**

Vessel held for sale
As announced to the ASX on 1 June 2017, Wellard signed a binding memorandum of agreement to sell one if its livestock vessels, the MV Ocean Outback, for US$26.0 million. As a result, an impairment of US$9.9 million (A$13.1 million) has been recognised to write down this asset to its fair value less costs to sell. The vessel was purchased by the nominee of Israeli company, Dabbah Slaughterhouse Limited. The sale of the mid-sized vessel, which was built in 2010, is part of Wellard's ongoing review of its fleet to match its shipping capacity to current market conditions and future fleet additions. Wellard completed the sale of the MV Ocean Outback on 17 July 2017.

Recognition and measurement
Assets held for sale are stated at the lower of fair value less costs to sell or carrying value.

18. Trade and other payables

	2017 $'000	2016 $'000
Current		
Trade payables	17,150	51,976
Trade payables - related parties	102	133
Sundry payables and accrued expenses	7,218	7,288
	24,470	**59,397**

Recognition and measurement

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. The amounts are unsecured and are usually paid within 14 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. Due to the short-term nature of trade and other payables, their carrying amount approximates fair value.

Trade and other payables are non-interest bearing and are normally settled on delivery to 14 day terms.

19. Deferred revenue

	2017 $'000	2016 $'000
Current		
Deferred revenue	10,173	21,104
	10,173	**21,104**

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.

20. Property, plant and equipment

	Freehold land at cost $'000	Sheds and buildings $'000	Plant and equipment $'000	Total $'000
Year ended 30 June 2017				
Opening net book amount	6,297	1,396	282,383	**290,076**
Additions	1,172	2,069	12,470	**15,711**
Wellao acquisition	-	-	1,387	**1,387**
Disposals	-	-	(414)	**(414)**
Impairment expense	-	(235)	(13,758)	**(13,993)**
Transfer to assets held for sale	-	-	(33,489)	**(33,489)**
Foreign exchange revaluation	-	-	(6,792)	**(6,792)**
Depreciation expense	(2)	(70)	(21,679)	**(21,751)**
Closing net book amount	**7,467**	**3,160**	**220,108**	**230,735**
Cost	7,497	3,652	309,015	**320,164**
Accumulated depreciation and impairment	(30)	(492)	(88,907)	**(89,429)**
Net book amount	**7,467**	**3,160**	**220,108**	**230,735**
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**

Property, plant and equipment with a carrying amount of $230,735,000 (2016: $290,076,000) are pledged as security for the current liabilities as disclosed in note 8.

Included in plant and equipment are assets under construction of $16,018,028 (2016: $9,591,729).

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.

Key accounting estimates and judgements
Impairment of assets
As per note 2(a), 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 indicators include market capitalisation, declining product or processing performance, technology changes, adverse changes in the economic or political environment or future product expectations. As such we have estimated the recoverable amount for the vessel fleet and processed meat CGUs using value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The discount rate used in the value-in-use calculations was 9.5%. Impairment of $13.1 million has been recognised in respect of the vessel fleet CGU and $0.9 million has been recognised in respect of the processed meat CGU.

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.

21. Intangible assets

	Goodwill $'000	Develop-ment costs $'000	Intellectual property $'000	Client relationships $'000	Software $'000	Total $'000
Year ended 30 June 2017						
Opening net book amount	40	-	-	663	3,859	**4,562**
Additions	-	-	-	-	499	**499**
Wellao acquisition	1,647	2,966	-	-	-	**4,613**
Foreign exchange revaluation	2	-	-	-	(2)	**-**
Amortisation expense	-	-	-	(663)	(424)	**(1,087)**
Closing net book amount	**1,689**	**2,966**	**-**	**-**	**3,932**	**8,587**
Cost	1,689	3,037	-	3,300	4,360	**12,386**
Accumulated amortisation	-	(71)	-	(3,300)	(428)	**(3,799)**
Net book amount	**1,689**	**2,966**	**-**	**-**	**3,932**	**8,587**
Year ended 30 June 2016						
Opening net book amount	1,620	3	182	1,320	-	**3,125**
Additions	44	-	-	-	3,949	**3,993**
Impairment expense	(1,620)	-	-	-	-	**(1,620)**
Foreign exchange revaluation	(4)	-	-	-	(87)	**(91)**
Amortisation expense	-	(3)	(182)	(657)	(3)	**(845)**
Closing net book amount	**40**	**-**	**-**	**663**	**3,859**	**4,562**
Cost	40	80	1,500	3,300	3,862	**8,782**
Accumulated amortisation	-	(80)	(1,500)	(2,637)	(3)	**(4,220)**
Net book amount	**40**	**-**	**-**	**663**	**3,859**	**4,562**

For further information on the Wellao acquisition please refer note 26.

The impairment of goodwill in the prior year relates to Beaufort River Meats.

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. This asset has been fully amortised as at 30 June 2017.

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 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.

22. Provisions

	2017 $'000	2016 $'000
Current		
Employee entitlements (a)	1,503	1,272
	1,503	**1,272**
Non-current		
Employee entitlements (a)	118	257
Deferred settlement (b)	-	650
	118	**907**

(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. This is discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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 $1,503,258 (2016: $1,272,386) 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.

	2017 $'000	2016 $'000
Current leave obligations expected to be settled after 12 months	620	642

(b) Deferred settlement of land and business acquisitions

Opening balance	650	2,200
Arising during the year	-	650
Amounts paid	(650)	(2,200)
Balance at end of the year	**-**	**650**

The deferred settlement of land and business acquisitions relates to Wellard Animal Processing Pty Ltd for the deferred settlement of the Beaufort River Meats abattoir purchased in February 2013. The final payment on the additional provision of $650,000 for the purchase of land which was recognised during the prior year, was settled in January 2017.

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.

23. Commitments

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

	2017 $'000	2016 $'000
Property, plant and equipment – vessel under construction	72,798	76,426
Property, plant and equipment – feedlot and PEQ facilities	2,425	2,250
	75,223	**78,676**

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

	2017 $'000	Restated 2016 $'000
Within 1 year	2,352	3,032
2 to 5 years	4,081	5,429
Greater than 5 years	3,452	-
	9,885	**8,461**
Operating lease expenses recorded within administrative and operating expenses in the consolidated income statement	**2,872**	**2,172**

The Group leases various offices, accommodation, feedlots, land and motor vehicles under non-cancellable operating leases expiring within one to twenty-eight years.

24. Contingent assets and liabilities

Contingent assets
During the year ended 30 June 2017 and at balance date, no events occurred that gave rise to any contingent assets.

Contingent liabilities
During the year ended 30 June 2017 and at balance date, no events occurred that gave rise to any contingent liabilities.

25. Subsequent events

Since the end of the financial year:

- Wellard completed the sale of the MV Ocean Outback vessel on 17 July 2017 for US$26.0 million, returning A$17.9 million in cash to the Company after retiring A$15.6 million in debt. An impairment expense of A$13.1 million on the Outback was recognised as at 30 June 2017.
- Wellard paid the final amount of US$2.11 million under the equity transfer agreement for the remaining shares in Wellao Agriculture Co. Ltd on 3 July 2017. Wellard recognised Wellao as a business combination on 14 June 2017 after accruing this final payment made on 3 July 2017.
- The delivery date and the majority of related financial commitments of the MV Ocean Kelpie has been delayed by 12 months until 30 November 2019.

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.

26. Business combination

Summary of acquisition

On 14 June 2017, the Wellard Group acquired control of 100% of the issued capital of Wellao Agri (Cangzhou) Co., Ltd, a feedlot and abattoir development project based in China which provides on-ground presence in a new market and is expected to complement Wellard's vertically integrated supply chain.

Wellao currently plans to build two state of the art feedlots and an abattoir to process Australian cattle. Wellao holds land and leases where the infrastructure will be built and is strategically located within 50kms of a port. Wellao also holds a business license and environmental impact assessment approval.

At 30 June 2017, the acquisition accounting balances are provisional due to ongoing work finalising valuations within 12 months of this recent acquisition which may impact acquisition accounting entries.

	2017 $'000
Details of the purchase consideration, the net assets acquired and goodwill are as follows:	
Purchase consideration:	
Loan receivable in settlement of shares transferred	3,903
Final Wellao acquisition settlement accrued	2,745
	6,648
The provisional fair values of assets and liabilities recognised as a result of the acquisition are as follows:	
Cash	331
Trade, other receivables and other assets – current	316
Property, plant & equipment – assets under construction	1,387
Intangible assets – rights for land use	2,966
Trade and other payables – current	1
Net identifiable assets acquired	**5,001**
Add: goodwill	1,647
Net assets acquired	**6,648**

The goodwill amount is provisional. It will not be deductible for tax purposes.

The acquired business did not contribute any revenues to the Group for the period 14 June 2017 to 30 June 2017.

Purchase consideration – cash flows

	2017 $'000	2016 $'000
Cash consideration:		
Cash loan paid in prior year – April 2016	-	(3,903)
Add: Wellao acquisition cash acquired	331	-
Net cash inflow – investing activities	**331**	**(3,903)**
Final Wellao acquisition settlement accrued and paid on 3 July 2017	**(2,745)**	**-**

Directly attributable acquisition related costs of $147,672 are included in restructuring and integration costs in other expenses in the consolidated income statement and in operating cash flows in the consolidated statement of cash flows.

There were no business combinations in the prior year ending 30 June 2016.

Recognition and measurement

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. Cost is measured as the fair value of the assets acquired and liabilities assumed or shares issued at the acquisition date. Transaction costs are expensed as they are incurred, except if they relate to the issue of debt or equity securities.

27. Significant items

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

- Wellard undertook a fundraising initiative during the year raising $52.6 million before costs comprising:
  - A placement share issue of 25,000,000 shares totalling $6.0 million on 7 April 2017.
  - A entitlement rights issue of 106,250,312 shares totalling $19.7 million on 15 May 2017.
  - Two convertible note issues totalling US$20.0 million (A$26.9 million) on 11 April 2017 and 6 June 2017.
- As announced to the ASX on 1 June 2017 Wellard signed a binding memorandum of agreement to sell one of its livestock vessels, the MV Ocean Outback, refer note 17 for further details.
- Wellao Agri (Cangzhou) Co., Ltd was recognised as a business combination on 14 June 2017, refer note 26 for further details.

28. Controlled entities

Interests held in controlled entities is set out below:

	Country of incorporation	Percentage owned (%)* 2017	2016
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	100
Ocean Drover Pte Ltd	Singapore	100	100
Ocean Shearer Pte Ltd	Singapore	100	100
Niuyang Express Pte Ltd	Singapore	100	100
Welltech Marine Pte Ltd	Singapore	100	100
Ocean Kelpie Pte Ltd **	Singapore	100	-
Wellard do Brasil Agronegocios Ltda	Brazil	100	100
Portimor SA	Uruguay	100	100
Wellana Uluslararasi Hayvancilik Anonim Sirketi	Turkey	50	50
Best Hayvancilik Sanayi Ticaret AŞ *	Turkey	100	-
Wellao Agri (Cangzhou) Co., Ltd ***	China	100	-

* Best Hayvancilik Sanayi Ticaret AŞ was acquired on 25 July 2016.
** Ocean Kelpie Pte Ltd was incorporated on 24 August 2016.
*** Wellao Agri (Cangzhou) Co., Ltd share transfers and filings completed and the company acquired on 14 June 2017.

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 preliminary financial report from the date that control commences until the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group, refer 26.

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.

Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealised income and expenses arising from intercompany transactions, are eliminated in preparing the preliminary 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 preliminary consolidated financial statements are presented in Australian dollars which is Wellard'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.

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:

	2017 $	2016 $
PricewaterhouseCoopers Australia and Singapore		
(i) Audit and other assurance services		
Audit and review of financial statements	828,298	511,700
Other assurance services	16,093	-
Total remuneration for audit and other assurance services	**844,391**	**511,700**
(ii) Taxation services		
Tax compliance services	6,120	-
Total remuneration for taxation services	**6,120**	**-**
(iii) Other services		
IPO assistance (non-audit)	-	1,428,789
Advisory services	10,404	-
Total remuneration for other services	**10,404**	**1,428,789**
Total remuneration of PricewaterhouseCoopers Australia	**860,915**	**1,940,489**

30. Share based payments

During the prior 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. The fair value of the shares at the grant date was $1.39 per share. The fair value of the shares was 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.

	2017 $'000	2016 $'000
Vested	-	10,731
Subject to a deed of escrow	-	7,339
	-	**18,070**

Voluntary employee escrow arrangements
67% of the ordinary shares issued under voluntary escrow arrangements to executives of Wellard as part of the bonus and incentive scheme in the prior year will remain under escrow until 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 in the prior financial year. 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 prior 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 preliminary 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 would not be 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 preliminary 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 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. Immaterial transactions operating under agreed commercial terms have not been disclosed. Commercial terms have been agreed for leases of certain property.

Key accounting estimate and judgement

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.

32. Reserves

	Common control reserve $'000	Share based payments reserve $'000	Foreign currency translation reserve $'000	Total reserves $'000
Year ended 30 June 2017				
Opening balance	(411,017)	18,014	2,752	(390,251)
Current year movement	-	-	(5,839)	(5,839)
Closing balance	**(411,017)**	**18,014**	**(3,087)**	**(396,090)**
Year ended 30 June 2016				
Opening balance	-	-	13,450	13,450
Current year movement	(411,017)	18,014	(10,698)	(403,701)
Closing balance	**(411,017)**	**18,014**	**2,752**	**(390,251)**

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.

33. Retained earnings

	2017 $'000	2016 $'000
Retained profit at the beginning of the year	30,491	53,814
Net (loss)	(77,261)	(23,323)
	(46,770)	**30,491**
Dividends paid	-	-
Balance at the end of the year	**(46,770)**	**30,491**

Corporate Directory

DIRECTORS

David Griffiths
Non-Executive Chairman

Mauro Balzarini
Managing Director

Kanda Lu
Executive Director

Philip Clausius
Non-Executive Director

John Klepec
Non-Executive Director

Fred Troncone
Non-Executive Director

COMPANY SECRETARY

Michael Silbert

AUDITORS

PricewaterhouseCoopers

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SECURITIES EXCHANGE LISTING

Shares in Wellard Limited are listed on the Australian Securities Exchange (ASX: WLD)