Wellard

2016/17 ANNUAL REPORT

The livestock **specialist**

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

As the largest exporter of live cattle from Australia, Wellard's business accounted for approximately 32% of all cattle exports in FY2017 and a significant portion of exports from South America.

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

03

2016/17 HIGHLIGHTS

"The Company continues to position itself in preparation for any sustained improvement in the Australian cattle market"

LARGEST
CATTLE EXPORTER
IN AUSTRALIA

SHIP DISTANCE TRAVELLED:
EQUIVALENT TO
15 X
AROUND THE WORLD

OVER 161
FULL TIME
STAFF
EMPLOYED

LIVESTOCK EXPORTED
304,208
CATTLE AND
80,143 SHEEP

ESCAS
FACILITIES
298

COUNTRIES
EXPORTED TO

OCEAN DROVER,
OCEAN SHEARER,
OCEAN SWAGMAN,
OCEAN UTE

44
INDIVIDUAL
VOYAGES

MAJOR ESCAS
INCIDENTS
NIL

37
YEARS OPERATING
IN AUSTRALIA

COUNTRIES
EXPORTED FROM

05 MESSAGE FROM THE CHAIRMAN

WELLARD 2016/17 ANNUAL REPORT

FY2017 has been a trying year for Wellard. The difficult market conditions experienced in Australia in the latter part of FY2016 continued throughout FY2017, forcing Wellard to shift from a growth strategy to one focussed on putting the Company in a position to weather the unusual and protracted period of high Australian cattle prices and low cattle availability.

Our key South-East Asia market remained under margin pressure as a result of record high cattle prices and a firm Australian dollar, which resulted in pricing that met buyer resistance in those markets. This development was compounded by herd rebuilding in Australia's north, which resulted in a 27% drop[1] in live cattle exports from Australia, while the Company's exports decreased by 28%. Wellard maintained its market share and therefore main customer relationships in its key Indonesian and Vietnamese markets.

In the wake of the trading conditions in its traditional markets, Wellard increased its presence in the South American to Middle East trade and recommenced the export of sheep into the Arabian Gulf. While these moves had some success, they did involve Wellard dealing with new suppliers, customers and regulations, which caused higher costs and lower margins than we would expect in our more mature South-East Asia markets, including one very difficult shipment that yielded a significant loss as described in our ASX releases (see ASX releases dated 18 July 2017 for further information).

Overall the unfavourable market conditions have compressed margins and led to assets that previously powered the Company's earnings to underperform, whilst the debt attaching to those assets continues to require servicing.

The outcome for the year was a Net Loss after Tax of $75.3 million (or $62.2 million before the impairment of the MV Ocean Outback), a result that was within the forecast range of $55 to $65 million (pre-tax and before non-cash vessel impairments) that Wellard provided to the market on 18 July 2017. This result was obviously very disappointing for our investors and for our staff, who have worked hard to overcome the enormous stress and pressure these unusual trading circumstances bring.

Nevertheless, I am pleased to note that during the financial year the Company reduced total expenses and finance costs year-on-year. Whilst

[1] Based on MLA LiveLink live export statistics July 2017.

a portion of this reduction is due to extraordinary costs in the prior year, we have recognised savings from a first-cut review of operating and finance structures. Management has committed to ongoing cost reductions in the current financial year, which the Board believes will generate further cost savings of approximately $10 million.

As a consequence of these financial results, a number of Wellard's financial covenants were in breach in FY2017. The Company has received waivers in relation to its working capital facility and a ship finance facility and expects to receive waivers on its remaining ship finance facilities. These breaches and the prospect of future breaches in FY2018 have caused all of Wellard's debt to be classified as current instead of non-current. Wellard is working closely with its financiers and expects to retain a good relationship while engaging with them to obtain the necessary waivers. As a result the Company does not expect all of its debt will be payable in the current financial year but rather as per the original maturity terms of the relevant agreements.

The financial result is clearly unacceptable to both Wellard and its shareholders and one that required the Company to act.

To address these issues Wellard commenced a cost out and restructure program, which has resulted in:

- The commencement of a 'Costs Out' program, which is targeting a $10 million reduction in overheads and to date the Company has seen average monthly overhead spend reduce 27% year-on-year.
- The raising of $25.7 million of equity and $26.9 million of convertible notes to replenish working capital.
- The restructure of our South American operations to significantly reduce costs and streamline management.
- Continued diversification of the business by:
  - recommencing the shipment of sheep into the Arabian Gulf and pursuing further business opportunities with customers carefully vetted for their adherence to Wellard's high commitment to animal welfare standards;
  - our first shipment of dairy heifers to Sri Lanka; and
  - the announcement of the Company's first shipment of beef cattle to China.
- The reduction of the current excess shipping capacity and improvement in the balance sheet with the sale of the MV Ocean Outback, which settled in July 2017, and resulted in a $15.6 million reduction in shipping debt, plus a $17.9 million contribution to cash reserves.
- The chartering of vessels to third parties to improve the utilisation of shipping capacity.
- The deferral of the delivery date of the MV Ocean Kelpie to November 2019 to reduce the cash costs from progress payments in the short term and to time the additional capacity the ship will provide to better suit the expected market cycle.
- The deferral of capital-intensive infrastructure spending related

to the development of Wellao (Wellard's planned feedlot and abattoir in China) to better suit the slower than expected development of the Chinese market.

- The restructure of our approach to the Chinese market to reduce cost and improve our exposure to this important developing market.
- Wellard's exit from the Wellana joint venture in Turkey.

On 21 September 2017, Wellard appointed Mr Fred Troncone as Executive Director – Operations, a role in which he will strengthen the management team and bring his considerable livestock export operating experience to improve the operating efficiency of the business.

Wellard has continued to maintain the high standards it has set for animal welfare across all markets. Our shipping success rates remain best practice and we were one of only two companies to unconditionally pass an intensive regulatory audit in Vietnam. Wellard received no investigations or non-compliances from livestock exported in FY2017.

In my speech at Wellard's Annual General Meeting in 2016, I nominated safety as being a core focus for Wellard in 2017. While acknowledging that dealing with livestock, particularly large animals that are not used to humans, and high speed cutting implements, comes with a certain degree of risk, our injury rates were too high.

The Board and Management have been working hard to bring those rates down, though the results of this focus are expected to be realised in FY2018.

Some of the Company's on-site initiatives include eliminating quad bikes – we are now ATV–free – and the installation of bandsaws at our Beaufort River Meats abattoir that immediately shutdown when fingers are detected too close to the blade.

At last year's Annual General Meeting, Wellard received a first strike on its Remuneration Report. Most of the votes cast against the Remuneration Report came from one shareholder who has since sold his shareholding. Notwithstanding that outcome, in response to the first strike the Board has talked to shareholders and looked at the pay structure and the demands we are putting on our staff as a result of the adverse trading conditions, considered Wellard's contractual arrangements with staff and considered the fact that no Short-Term or Long-Term Incentives were payable. As a result of this review Wellard opted to cut back on staff numbers and expenses rather than attempt to drop contractual rates and demotivate our hard-working staff. The results of that review are set out more fully in the 2017 Remuneration Report.

The Company continues to position itself in preparation for any sustained improvement in the Australian cattle market. Following FY2017, there has been some seasonal reduction in some Australian cattle prices, but to date these have been largely off-set by the rise in the value of the Australian dollar. We have seen some new customer trading and chartering opportunities, which, together with the benefits of our 'Costs Out' program, may see the FY2018 full year to be an improvement on FY2017. However, FY2018 is still expected to be a tough year, and any improvement will need to persist for substantive results to be realised.

Any material improvement towards more traditional margins may not be experienced until the next Northern Australian dry season, which usually commences in March.

While the market conditions will determine the Company's return to profit, we do expect the changes we are making and the cost controls we are implementing will better position Wellard for improvement across the price cycle.

Finally, can I say that while shareholders will be rightly disappointed with the financial results Wellard has reported this year, I am also very aware of the huge demands we have made on all who work at Wellard, along with our suppliers, bankers and advisers, who worked extraordinary hours under a great deal of pressure to steer the company through this difficult time. On behalf of the Board, I thank you all for your contributions.

Yours sincerely,

David Griffiths
NON-EXECUTIVE CHAIRMAN

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MANAGING DIRECTOR'S REPORT

WELLARD 2016/17 ANNUAL REPORT

2017 was one of the most difficult years in the 30 years I have been in the industry, and has seen the largest livestock trading losses I can recall. I would like to praise my team for their effort and dedication to respond to these unprecedented trading conditions.

As a result, 2017 has been a period where management has largely focussed on managing the business to maintain market share and carefully managing capital rather than focussing on growth. This will allow us to capitalise on opportunities when the commercial landscape improves.

This focus, our track record and the strategic assets we own and operate in the live export industry, enabled Wellard to raise $52.6 million ($25.7 million equity and $26.9 million convertible notes) in April 2017 and June 2017 from investors. That was important in achieving a cash balance of $33 million (FY2016: $31.9 million), which is supported by the free cash generated by the sale of the MV Ocean Outback subsequent to the financial year end, which added $17.9 million to the Company's cash balance.

During the year management concentrated on assessing the right fleet size for the new market reality, resulting in the decision to crystallise the value of a shipping asset as mentioned above and at the same time to improve efficiencies and reduce fixed costs as highlighted by our Chairman.

Management remains focussed on delivering further efficiencies in FY2018 and continues to implement a 'Costs Out' program from which Wellard will continue to benefit from in years to come. Key initiatives being implemented include a reduction in administrative head count, increased utilisation of technology and bringing technical management of our vessels in house. We also decided to delay certain growth initiatives such as the construction of our new vessel the MV Ocean Kelpie, which is now scheduled for November 2019 completion at the earliest and the development of the Pre Export Quarantine (PEQ) facility in Darwin, as well as implementing a low cost approach to the development of our new PEQ in Victoria that can be scaled up when market conditions improve.

High cattle prices in Australia have forced us to apply higher prices to our customers which significantly reduced our volumes as countries such as Indonesia and Vietnam are very sensitive to the price of beef as fewer people can afford the commodity and therefore they look for alternative cheaper product, such as frozen Indian Beef in Indonesia. Therefore the number of cattle we shipped fell from 424,972 cattle in the previous financial year to 304,208 cattle this year. This reduction is broadly in line with the general reduction across the industry. In FY2017 we paid an average of $3.15 a kilogram for slaughter and feeder cattle, compared to $2.84 a kilogram in FY2016.

To mitigate this situation we have actively sought to charter our vessels to external parties and this will remain a feature of Wellard's activities during FY2018.

We have continued to diversify supply by buying cattle in South America, mainly in Uruguay. We did encounter an issue with a single shipment, which has been addressed through a more stringent protocol to avoid its repeat. Our presence in South America facilitated the EBITDA positive charter of the MV Ocean Shearer which is contracted until the end of November 2017.

The return to the Middle East sheep market has been a highlight with a shipment to a new customer in Oman that is investing a significant amount of money in developing first class infrastructure. We are closely co-operating with our customer to develop this market by improving animal welfare and volumes.

Wellard's Kojonup abattoir, Beaufort River Meats, has become the first meat processor in Western Australia with the ability to receive electronic versions of National Vendor Declarations (eNVD) from sheep producers. The eNVD enables farmers to fill out and submit an eNVD using an app on their smart phone.

OUTLOOK

The Eastern Young Cattle Indicator (EYCI) has been in decline since April.

Although it's not a perfect correlation for live export prices, and the ongoing limited availability of live-export specification cattle remains an issue requiring careful management, it does indicate a trend towards a better balance between demand and supply ultimately leading to mean reversion in pricing.

However, it remains to be seen whether this price decline is sustained. In its July 2017 cattle industry projections Meat and Livestock Australia (MLA) has forecast that an increase in cattle turn-off would pressure cattle prices downwards in 2018 and into 2019. MLA also forecast that the number of Australian cattle exported in 2018 will match this year's figure, before rising in 2019 and again in 2020.

The market in South America remains strong which enabled us to contract a vessel to an external charterer for four voyages from Montevideo to Turkey. Our commercial partners in Turkey have indicated that they will continue to need live cattle for next year, so we will continue to monitor this market.

Seaborne cattle exports from Australia to China have been disappointing in terms of actual numbers exported, but we are very pleased to have announced on 19 September 2017 that we have contracted to ship our first 2,000 (approximately) head of cattle to China.

We continue to monitor the Chinese market and adapt our marketing strategy and the development of Wellao facilities to match the market demand.

I would like to thank all our suppliers, financers, and customers for the support shown to us during this financial year with all the related challenges. My team and I are very determined to do all in our power to produce the best return for all our stakeholders in FY2018 and beyond.

Yours sincerely,

Mauro Balzarini
MANAGING DIRECTOR & CEO

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REVIEW OF OPERATIONS

WELLARD 2016/17 ANNUAL REPORT

OUR FUTURE

POISED READY TO RESPOND TO A CHANGE IN MARKET CONDITIONS

Despite FY2017 being a difficult year, Wellard remains the largest exporter of cattle from Australia and a significant seaborne livestock exporter globally, with a presence in a number of countries including Australia, New Zealand, Singapore, Indonesia, Vietnam, China, Turkey, Jordan, Brazil and Uruguay. This scale means we are a regular and ongoing buyer of livestock across a variety of species, breeds, ages and weights to meet the varying needs of our customers. This market presence and capacity to provide a "whole-of-production" solution is attractive to producers.

The supply of Australian feeder cattle, which traditionally forms the bulk of Wellard's exports, continued to be restricted during FY2017 with competition from domestic re-stockers maintaining high saleyard prices. Consequently, Wellard has continued to meet price resistance from its customers in Vietnam and Indonesia, leading to a steady and significant erosion of the Company's margins for the financial year.

Industry statistics[2] reflect this trend, with overall live cattle exports from Australia down 27% in FY2017.

These challenging market conditions have been the primary contributor to the Company's Net Loss after Tax of $75.3 million (or $62.2 million before the impairment from the sale of the MV Ocean Outback).

Wellard has implemented several initiatives to put the Company in the best position possible to quickly respond to any improvement in market conditions. These include:

- The commencement of a 'Costs Out' program, which is targeting a $10 million reduction in overheads, and as at the end of FY2017 the Company had seen average monthly overhead spend reduce 27% year-on-year.
- In April 2017, the raising of $25.7 million of equity and $26.9 million of convertible notes to replenish working capital.
- The restructure of our international presence and operations in Europe and South America to significantly reduce costs and streamline management.
- Continued diversification of the business by:
  - recommencing the shipment of sheep into the Arabian Gulf and pursuing further business opportunities with customers carefully vetted for their adherence to Wellard's commitment to high animal welfare standards;
  - our first shipment of 2,000 dairy heifers to Sri Lanka, out of a total committed 20,000, in a nation-building project aimed at diminishing Sri Lanka's dependence on powdered and imported dairy products; and
  - continuing to build our capabilities and relationships in China, resulting in the announcement in September 2017 of the Company's first shipment of beef cattle to China.
- The reduction of the current excess shipping capacity and improvement in the balance sheet with the sale the MV Ocean Outback, which settled in July 2017, and resulted in a $15.6 million reduction in shipping debt, plus a $17.9 million contribution to cash reserves.
- The chartering of vessels to third parties to improve the utilisation of

[2] Based on MLA LiveLink live export statistics July 2017.

shipping capacity whilst covering financing and overhead costs.

- The deferral of the delivery date of the MV Ocean Kelpie (now under construction) to November 2019 to reduce the cash costs from progress payments in the short-term and to time the additional capacity the ship will provide to better suit the expected market cycle.
- The deferral of capital-intensive infrastructure spending related to the development of Wellao (Wellard's feedlot and abattoir project in China) to better suit the slower than expected development of the Chinese market.
- The restructure of our approach to the Chinese market to reduce costs and improve our exposure to this important developing market.
- Wellard's exit from the Wellana joint venture in Turkey.

These initiatives are all intended to preserve the Company's capital and ensure its processes and assets are operated as efficiently as possible. This will leave the Company ready to quickly respond to and exploit opportunities arising when Australian livestock prices ease to levels that make exports competitive in our traditional markets.

Figure 1: Overview of Wellard's activities

DELIVERING QUALITY FROM A VERTICALLY INTEGRATED SUPPLY CHAIN

Wellard owns or controls critical and strategic infrastructure at important points across its supply chain, including five pre-export quarantine facilities and its own fleet of livestock carrying vessels. Control of critical infrastructure within the supply chain provides Wellard with several advantages, including priority access to pre-export quarantine facilities and shipping, scheduling livestock deliveries to match the Company's shipping operations to minimise costs and provide greater control over animal welfare practices while livestock are prepared for export and transported to their destination.

By controlling key assets that support the live export process, the Company has been able to respond to challenging market conditions, for example, by chartering Wellard vessels to third parties while livestock prices remain high and by providing agistment services to third parties in the Company's quarantine facilities. These initiatives generate income, minimise working capital requirements and contribute to covering fixed costs while trading conditions are unfavourable.

When trading conditions improve the Company will redirect the use of these assets to support its own export operations.

Figures 2 and 3 demonstrate Wellard's live export and processed meat supply chains.

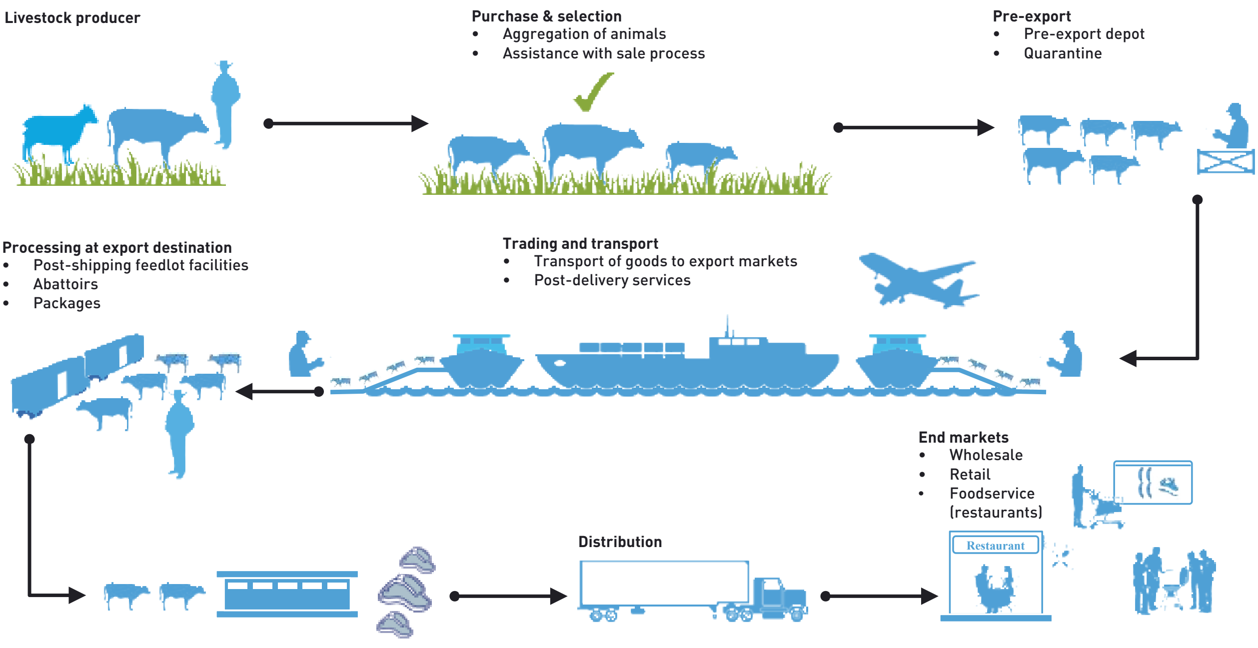
STRATEGY

Wellard's vision is to become a global leader in the supply of quality red meat. The Company's vision will be achieved by optimising and expanding its livestock trading and meat processing businesses and extending its reach through vertical integration opportunities. Four long-term operational imperatives are at the heart of the Company's strategy:

(a) Diversify global supply
(b) Secured Australian sourcing
(c) Capable logistics
(d) Global customer growth

Wellard's vision and strategic intents remain unchanged despite challenging market conditions during FY2017, however, some initiatives have been scaled back to conserve capital, optimise use of existing resources and reduce risk

Figure 2: Livestock export supply chain



by selecting safer transactions. An example of this is the chartering of Wellard vessels to third parties, which generally produces lower returns but carries less risk. This strategy is considered appropriate in the short-term, while livestock purchase prices remain high and demand from customers in our traditional markets is low.

By conserving its resources, trimming costs and streamlining its operations, the Company will be well positioned to respond to opportunities as market conditions improve.

DIVERSIFIED GLOBAL SUPPLY

Wellard is continuing to build sourcing capabilities in chosen livestock exporting countries to effectively meet global demand. In the short-term, this will be done by maintaining presence and relationships in our key markets. In the longer-term, this will be done through building or acquiring pre-export quarantine facilities in chosen global sourcing markets, building relationships with suppliers of quality livestock and efficient utilisation of Wellard's supply chain. This will enable us to continue to develop our customer base in key global importing destinations.

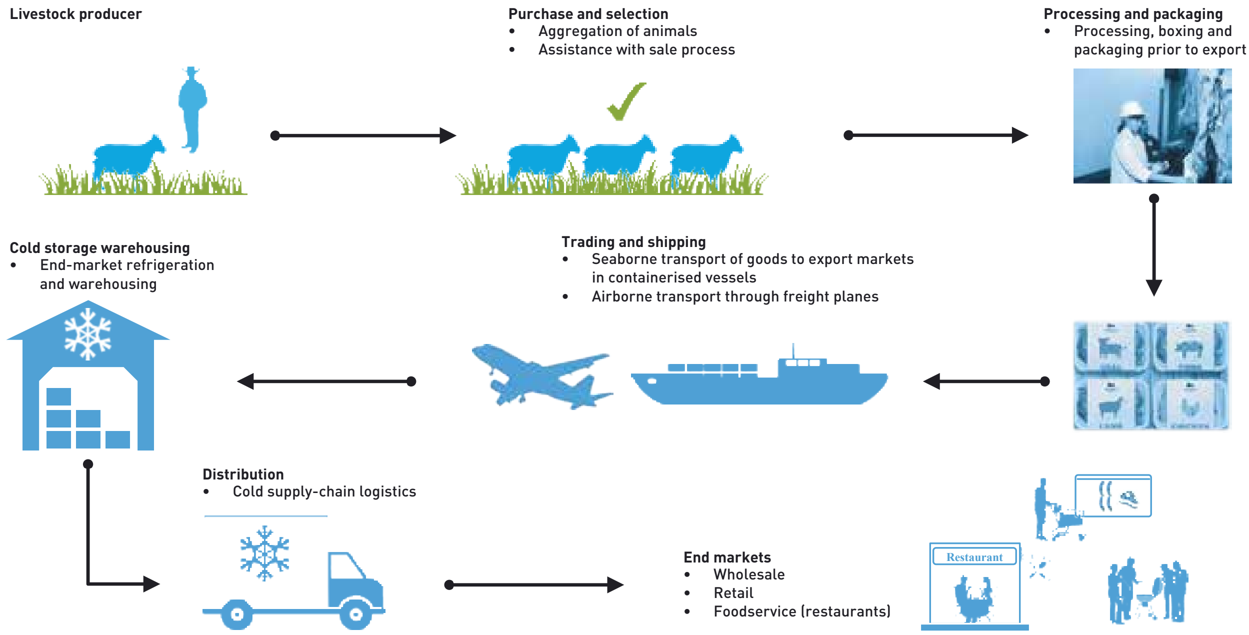
SECURED AUSTRALIAN SOURCING

The Company sources high quality livestock through strong engagement with suppliers and producers. This reduces the risk of supply interruptions. Our approach is to systematically review sourcing approaches to improve efficiency and secure supply arrangements with suppliers and producers. This builds capability within our business to counter seasonal demand-supply imbalances. As noted in this Annual Report, the existing demand-supply imbalance within Australia has been extreme in recent seasons, and exporters such as Wellard have found it difficult to secure supply of high quality livestock at economically attractive prices, notwithstanding its strong relationships with suppliers and producers.

CAPABLE LOGISTICS

Wellard's supply chain is based on building and streamlining Wellard's logistics capabilities to efficiently meet customer demand in an environmentally sustainable way. Delivery of this strategy involves improving co-ordination between Wellard's pre-export quarantine centres, shipping centres, shipping schedule, feed production and stock management. Wellard continues to see this as an area of continuous improvement, and we aim to achieve operational and cost efficiencies, remove logistic bottlenecks, and improve intra-company systems and processes to increase capacity across the entire supply chain. This reduces Wellard's environmental impact through improved efficiency, reduction of steaming time on ships and to continue to develop new design with low emissions and consumption.

Figure 3: Wellard's Distribution Channel



Wellard operates a mix of specialist medium and large-scale vessels to provide flexibility to service markets in Asia, the Middle East and Europe.

GLOBAL CUSTOMER GROWTH

Wellard is committed to assisting its customers to meet growing red meat demand and establish processing capabilities to support this. This growth strategy is underpinned by planning for downstream livestock processing infrastructure including feedlots for fattening animals and state of the art processing facilities, potentially in partnership with customers in selected markets. Participating in downstream processing demonstrates our commitment to maintaining a steady supply of livestock to our customers and allows the Company to capture some margins from those activities.

BRAND AND STAKEHOLDER ENGAGEMENT

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

LIVESTOCK CARRYING CAPACTY

All of Wellard's vessels have the highest-class notation. All vessels, are fully certified by the Australian Maritime Safety Authority to carry livestock from Australia and all major exporting countries.

It is common practice to continuously assess the size and composition of a shipping fleet, to commission the building of new vessels or sell other vessels from time-to-time. In the context of ongoing limited supply of feeder livestock at economic prices in Australian saleyards, and the challenging market conditions described elsewhere in this Annual Report, Wellard's FY2017 fleet review resulted in the Company:

(a) selling the MV Ocean Outback, a transaction which settled in July 2017 and resulted in a $15.6 million reduction in shipping debt, plus a $17.9 million contribution to cash reserves; and

(b) deferring the delivery date of the MV Ocean Kelpie (currently under construction) to November 2019 to reduce the demand for cash from progress payments in the short-term and time the additional capacity the ship will provide to better suit the expected market cycle.

Wellard is distinguished from most of its competitors due to its ownership of specialty ships, which comprises possibly the most modern and flexible livestock vessels in the industry. The Company's vessels incorporate specific features aimed at improving the welfare of animals during the sea voyage, including:

(c) optimum distribution of pens among the decks to provide maximum livestock comfort and stockman accessibility;

(d) typical pen size for cattle of only 10 to 13 animals per pen;

(e) optimal vessel stability to ensure animals are comfortable in all sea conditions;

(f) a ventilation system which allows complete and even air circulation in spaces where livestock are carried;

(g) automatic distribution of fodder and fresh water in each pen through the cargo area;

(h) desalination of sea water through reverse osmosis systems to provide an abundance of fresh water for livestock requirements; and

(i) efficient washing systems to ensure vessels comply with strict quarantine regulations.

None of Wellard's vessels contain the sub-optimal double-tiered configuration that are common elsewhere in the live sheep trade. Wellard believes that such vessels impair good ventilation, restrict pen access, limit proper visual inspection of livestock and ultimately lead to the possibility of negative animal welfare outcomes. Wellard is committed to working with State and Federal Government stakeholders to bring applicable laws and regulations (including Marine Order 43) regarding animal welfare on vessels up to the high standards Wellard meets within its own business.

During the currently difficult market conditions Wellard has chartered some of its vessels to third parties to increase utilisation, reduce positioning costs and improve the profitability of the fleet.

Following the sale of the MV Ocean Outback, Wellard's fleet composition is summarised in Figure 4 below.

Animal welfare is a critical success factor in any business involving livestock. Wellard provides leadership to the livestock export industry by implementing best

Figure 4: Wellard's Fleet Composition

M/V Ocean Shearer	M/V Ocean Drover	M/V Ocean Ute	M/V Ocean Swagman	M/V Ocean Kelpie
Capacity to transport 20,000 cattle or 75,000 sheep, or a combination of both	Capacity to transport 20,000 cattle or 75,000 sheep, or a combination of both.	Capacity to transport 5,000 cattle or 6,000 sheep, or a combination of both	Capacity to transport 6,000 cattle or 25,000 sheep, or a combination of both	Capacity to transport 10,000 cattle or 40,000 sheep, or a combination of both
• 23,500 square metre capacity • Fodder capacity: 3,000 tonnes • Speed: 20 knots • Suitable for long and short-haul operations	• 23,500 square metre capacity • Fodder capacity: 2,700 tonnes • Speed: 19 knots • Suitable for long and short-haul operations	• Livestock area: 7,000 square metres • Fodder capacity: 750 cbm • Speed: 14 knots • Suitable for long and short-haul operations	• 8,000 square metre capacity • Fodder capacity: 1,200 tonnes • Speed: 17 knots • Suitable for long and short-haul operations	• Due for completion FY2020 (at the earliest) • 12,500 square metre capacity • Fodder capacity: 7,000 tonnes • Speed: 17 knots • Designed for China and South East Asia trade, but suitable or worldwide operation

ANIMAL WELFARE

practice animal welfare standards across the livestock supply chain. Key initiatives include design and implementation of livestock traceability systems, investment in animal welfare optimisation in vessels, in-country training and research, and design of facilities to promote animal welfare.

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

As noted above, Wellard's ships are purpose designed and built to improve animal health outcomes, and to deliver stress-free animals at destination ports.

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

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

Examples of Wellard's animal welfare initiatives include;

(a) material investment to build and improve our livestock carrying vessel fleet and upgrade our pre-export facilities;

(b) utilisation of Wellard's modern vessels that have been specifically designed and built for livestock transport;

(c) appointment of an experienced animal welfare officer to oversee each voyage;

(d) active consideration of animal welfare track record when selecting customers;

(e) initiatives in importing countries, such as the installation of closed circuit TV cameras in some customer facilities; and

(f) in-country representatives to monitor and assist companies with their animal welfare initiatives.

As Animal Welfare Officers, Yudha Rahmadhani (left) and Gustiono Wijoyo (right) play a crucial role in Wellard's live export supply chain in Indonesia.

Both work at the Tapos abattoir, which is a local government facility about 50 kilometres south of Jakarta.

Their working day starts at 8pm and finishes around 3am, as they supervise the processing of about 20-30 cattle each night.

Mr Yudha has been performing this role since the introduction of ESCAS in 2011, while Mr Gustiono commenced two years ago.

Despite their policing role, Mr Yudha said there is respect for the work that the AWOs perform.

"The other abattoir workers are happy, because we help them, so it is easier for them to do their job," he said.

"Even though I've been doing this for six years now, you are continually getting more knowledge and experience and the trust from the company to do this job increases with it."


Wellard
Wellard

PEOPLE & CULTURE

Having an engaged, motivated and committed workforce is central to Wellard's ongoing success. The Company is committed to building, maintaining and developing a team with the right mix of skills and diversity to support the Company in realising its vision.

Wellard's recruitment processes follow the "like", "admire" and "trust" principles. We recruit people that we "like" because they share our values and beliefs and they have interests that are aligned with the Company's goals. We recruit people that we "admire" for the skills and experience that they bring into the Company, which we know will contribute to achieving our desired results. Lastly, we recruit people that we can "trust" to act honestly, ethically and in the interest of our stakeholders. When we hire, we look for people who are self-aware, resilient and accountable; these are qualities that are important in a business that is as diverse, fast-changing and challenging as ours.

Our workforce is culturally diverse with employees across four continents, who speak a multitude of languages and in some cases, work in vastly different environments. The common thread that runs through all of our locations is Wellard's values and high-performance culture that binds our global team together. Our people wear the Wellard shirt with pride, as they know that our brand stands for quality, fairness, honesty and an uncompromising focus on animal welfare.

Our Company focuses on growing the business because we know that this creates development opportunities for our people. Our people management processes involve understanding the career aspirations of our employees so that we can tailor training and development programs to maximise their potential personally and professionally.

As at 30 June 2017, Wellard employed 161 employees. This figure does not include contractors or vessel crew members who are directly employed by Wellard Ships' technical management contractor under contracts approved by the International Transport Federation.

FTE Employee Breakdown by Tier and Location

By Role	Count	By Location	Count
Executive	12	Australia	90
Senior Management	15	Singapore	24.5
General	134	Other offices	46.5
Total	**161**	**Total**	**161**

Injury incidents*

	Number	Frequency rate (per million work hours)
Lost Time Injuries (LTI)	13	8.8
Medically Treated Injuries (MTI)	14	9.4

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

COMMUNITY

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

Wellard supports events and organisations that reflect the Company's ethos and those that operate in communities in which we are involved. This ranges from sporting organisations, research projects, and promotion of agriculture and opportunities for young people. We always endeavour to align our support of organisations and events with our core values.

We are a committed supporter of several charities and community and industry groups.

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

(a) The Royal Flying Doctor Service;

(b) The Children's Leukemia and Cancer Research Foundation;

(c) Official Sponsor of the Pastoralists and Graziers Association of Western Australia Rural Achievement Award;

(d) Official Sponsor of the 2017 LIVEXchange Conference; and

(e) A range of sporting clubs in rural and regional Australia.

The livestock export trade is vital to provide marketing options for sheep and cattle producers and competition for their livestock. Australia's livestock export industry is an important component of the Australian agricultural sector and contributes an average of USD $1 billion[3] in export earnings annually to the Australian economy. The industry employs over 10,000 people[3] and has a significant impact on and supports the livelihood of many people in rural and regional Australia.

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

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

SRI LANKA

Wellard is especially proud of its involvement in the innovative project by the Sri Lankan Government, which is focussed on greater self-sufficiency for its dairy industry. In commercial partnership with the Sri Lankan government and Foresight Sri Lanka, Wellard's 20,000 dairy heifer export programme sits hand-in-hand with infrastructure and capacity-building for the nation's dairy farmers. The gradual build of Sri Lanka's dairy herd will allow it to decrease dependency on imported dairy products. It is already creating not just new dairy farms at the local level, but enabling the creation of associated business, from fodder supply through to local milk, yoghurt and associated dairy product production, marketing and sales initiatives.

Sri Lanka's population is predominantly Hindu and Buddhist, and therefore strongly vegetarian. Accordingly, Wellard is also looking at the possibility of re-exporting male progeny of the dairy herd as it grows.

[3] Based on MLA and LiveCorp statistics July 2017.

FINANCIAL REPORT

WELLARD 2016/17 ANNUAL REPORT

DIRECTORS REPORT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The directors present their report together with the financial report of Wellard Limited (ABN 53 607 708 190) (Wellard or the 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 (FY 2017) and the independent auditor's report thereon.

BACKGROUND

During the year, the Company has faced challenging market conditions that have significantly eroded the Company's margins and led to increased unused shipping capacity. Notwithstanding the reduced shipments completed by the Company, the Company is obliged to continue servicing the debt attaching to those shipping assets unabated. As a result, the Company has recorded a Net Loss after Tax of $75.3 million (or $62.2 million before the impairment of the MV Ocean Outback).

The Company has implemented a number of capital management initiatives to help weather the currently challenging market conditions, including completing a capital raising of $50 million (net of costs) in June 2017, and selling the MV Ocean Outback, which settled in July 2017, and resulted in a $15.6 million reduction in shipping debt, plus a $17.9 million contribution to cash reserves.

The Company continues to implement its 'Costs Out' program, which is targeting a $10 million reduction in overheads and to date has seen average monthly overhead spend reduce 27% year-on-year.

On 21 September 2017, Wellard appointed Mr Fred Troncone as Executive Director – Operations, a role in which he will strengthen the management team and bring his considerable livestock export operating experience to improve the operating efficiency of the business.

DIRECTORS

1. DAVID GRIFFITHS

Non-Executive Chairman

B. Ec (Hons) (UWA), M. Ec (ANU), D. Ec. (Hon), FAICD

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

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

Other directorships: Non-Executive Chairman of ASX-listed Automotive Holdings Group Limited

2. MAURO BALZARINI

Managing Director and CEO

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

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

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

3. PHILIP CLAUSIUS

Non-Executive Director

BA (Hons) Business Administration

Philip was appointed as a Non-Executive Director of Wellard on 19 November 2015. Philip is the founder and Managing Partner of Transport Capital Pte Ltd. He currently serves as a Director and CEO of Nordic Shipholding A/S, a company listed on the Nasdaq OMX Copenhagen. In addition to serving as a member on the Advisory Panel of Singapore Maritime Foundation, he is also a Non-Executive Director of BW Pacific and the Chairman of the Singapore War Risks Mutual and holds directorships in the Standard Club, Standard Asia and Bengal Tiger Line.

Other directorships: Director of Nasdaq OMX Copenhagen-listed Nordic Shipholding A/S.

4. JOHN KLEPEC

Non-Executive Director

B.Comm, CPA

John was appointed as a Non-Executive Director on 15 November 2016. John has had considerable public company experience, including, most recently, as a non-executive director of Ten Network Holdings Limited. John was the Chief Development Officer for Hancock Prospecting from 2010 to 2016, and prior to that held senior management positions with major Australian publicly listed companies, including BHP Billiton Limited, Mayne Group Limited and the BGC Group.

During his time at Hancock Prospecting, John was responsible for developing Hancock's substantial agricultural portfolio. John possesses considerable expertise in commercial management, business development and finance across a wide range of industry groups.

5. KANDA LU

Executive Director

B. Comm., M. International Relations

Kanda was appointed an Executive Director of Wellard on 12 May 2017. Kanda is the Managing Director of Wellard's wholly-owned Wellao business, and responsible for the development and growth of Wellard's entry into the Chinese livestock market.

Kanda's former positions include Head of Sales of Morgan Stanley Huaxin, Vice President (Institutional Clients) of Ping An Securities, Senior Manager (Institutional Asset Management) of Dacheng Fund, and Business Development Associate (NSW Branch) of Australian Finance Group. Kanda is also the Assistant to the Chairman of major Wellard shareholder, Fulida, and possess considerable expertise in Chinese commerce, distribution and marketing.

6. FRED TRONCONE

Non-Executive Director

B.Bus, GAICD, MBA

Fred was appointed as a Non-Executive Director on 26 June 2017. Fred is a former CEO of Wellard Rural Exports, with considerable experience in the live-export industry, as well as with digital strategies, organisational change and business transformation to leverage market conditions and business opportunities. Fred has sound international business credentials, and has business experience in Australia, South East Asia, China, the Middle East, Europe and Russia.

On 22 September 2017, Fred was appointed Executive Director - Operations.

SHARON WARBURTON

Non-Executive Director

CA, GAICD

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

GREG WHEELER

Non-Executive Director

BBus, ACA

Greg was appointed as an Executive Director of Wellard on 10 September 2015, and transitioned to become a Non-Executive Director of Wellard on 11 July 2016. Greg resigned his position as Non-Executive Director of Wellard on 12 May 2017.

COMPANY SECRETARY

MICHAEL SILBERT

General Counsel and Company Secretary

B.Juris, B. LLB, B.A.

Michael was appointed as General Counsel and Company Secretary on 17 October 2016. Michael has extensive experience in equity capital markets, mergers and acquisitions, banking and finance and general commercial matters. Michael has strong legal and company secretarial experience, having been general counsel and company secretary for a significant Western Australian and ASX-listed engineering and mining services business, an iron ore miner, and a listed winery business.

PRINCIPAL ACTIVITIES

The Wellard Group is an agribusiness that connects primary producers of cattle, sheep and other livestock to customers through a global and 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). Wellard charters its ships to third parties and earns freight income by carrying live animals on their behalf from time to time.

To support its operations, the Wellard Group owns and/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.

RESULTS

The statutory operating loss after tax of the Wellard Group for the financial year was $75.3 million (2016: $23.3 million) as detailed in the following sections.

OPERATING REVIEW

(A) MARKET

At a macro level, growth in the per capita income of large populations of people in South-East Asia, China, the Middle East, and Turkey continues to increase demand for higher protein diets. At the same time, the urbanisation of these populations is resulting in intensive farming operations and less arable land to produce crops and livestock.

This is being reflected in Wellard's key markets in Asia, however this opportunity has attracted a range of new proteins to compete with fresh Australian beef, including Indian Buffalo meat, imported offal and imported frozen cuts. These products provide a cheaper option for consumers for whom affordability is more important than quality, however, Asian and Middle Eastern supply chains continue to have little investment in cold storage supply chains. This is an ongoing capacity restriction for the cheaper imported frozen meat and this underwrites the demand for large volumes of locally processed fresh meat.

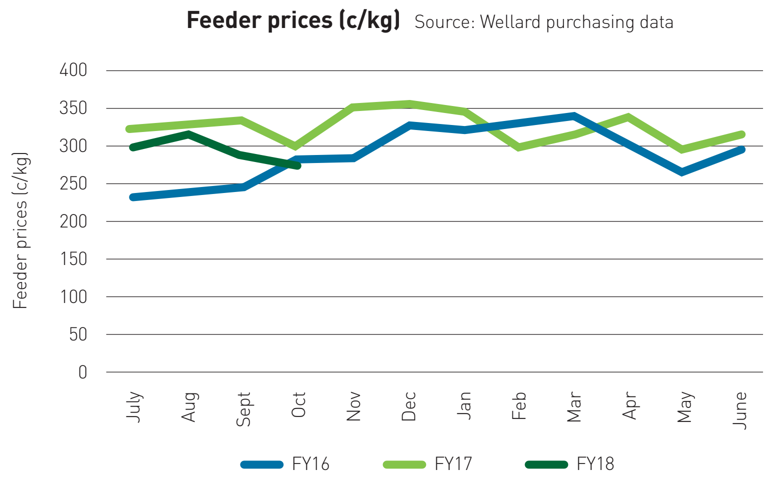
However it is the supply side of Wellard's business that is having the biggest impact on its operations.

Improved seasonal conditions through 2016 and 2017 have allowed many producers to cut back their sales of surplus cattle to restock their properties and add valuable weight to their livestock while pastures are readily available. Exacerbating this already tight supply from producers, Australian feedlotters and re-stockers have been competing with the live export industry for the reduced numbers of cattle coming onto market helped by the relative cheap grain conversion ratio. As a result, Northern Australia feeder livestock prices have been at all-time highs for the better part of the last 15 months.

The record high prices of feeder cattle placed pressure on Wellard to pass this extra cost to its clients in Asia, where business income is derived from purchasing lighter animals from Australia and utilising local low feed input costs to capitalise on weight gain conversion. High purchasing costs, an appreciating Australian dollar and foreign Government imposed ceiling prices for meat has reduced margins and therefore demand for Australian cattle.

As weather conditions normalised in May/June 2017, increasing numbers of cattle became available and livestock prices for certain categories retracted late in the financial year. Supply is also increasing in the Southern pastoral regions following a dry start to the winter, and global grain prices have put pressure on feedlotter margins.

Figure 5: Wellard Feeder Purchase Prices



However an excess of shipping capacity, created by the lower volumes of cattle being exported from Australia, has continued to have an impact on the Company's margins.

(B) ASSETS

In an effort to best respond to the current low demands for shipping transportation, Management has brought-forward some of the scheduled maintenance and upgrades on the Company's fleet in the FY2017 financial year to best ensure an uninterrupted service when the currently challenging market conditions improve.

Also, as a result of Management's continued assessment of its fleet size composition, and in light of the challenging market conditions in FY2016 and FY2017, Wellard identified an opportunity to right-size its shipping fleet by selling the MV Ocean Outback late in the 2017 financial year. The sale of the MV Ocean Outback has strengthened the Company's cash position, reduced overheads and associated debt payments and improved the Company's balance of available capacity against current demand.

Further, the Company has deferred the delivery date of the MV Ocean Kelpie to November 2019 to reduce the demand for cash from progress payments in the short term and time the additional capacity the ship will provide to better suit the expected market cycle.

(C) OPPORTUNITIES

Our traditional markets in South East Asia are still subdued, despite some signs of recovery. To have a sustainable recovery in the Company's business there still needs to be a fundamental correction in cattle prices in Australia so that our customers, who are all running very low in inventory at the moment, can regain confidence and begin to import cattle at prices that, once finished in their feedlots, can compete with other lower quality sources of protein. Our customer base and quality transportation methods, coupled with a further reduction of costs and increased efficiencies, will still allow us to take advantage of the turnaround once it happens.

The 2018 year has started with a significant amount of chartering activity, especially out of South America where the Company has arranged for several charters to utilise the ships and generate a lower margin but low-risk return while the more traditional South-East-Asian markets return to normality.

Other destinations for our charters were from New Zealand to China for dairy cattle, and it is interesting to note that also this sector shows some sign of vitality after a few years when the excessive production of milk, forced operators in China to destock just to find themselves now on the other side of the cycle.

Another pocket of demand is developing in markets that has traditionally been supplied from Africa. A severe drought in Africa has resulted in lower production and this has meant that markets in the Gulf, such as sheep export into Iraq and Egypt, could represent a potential opportunity for the Company.

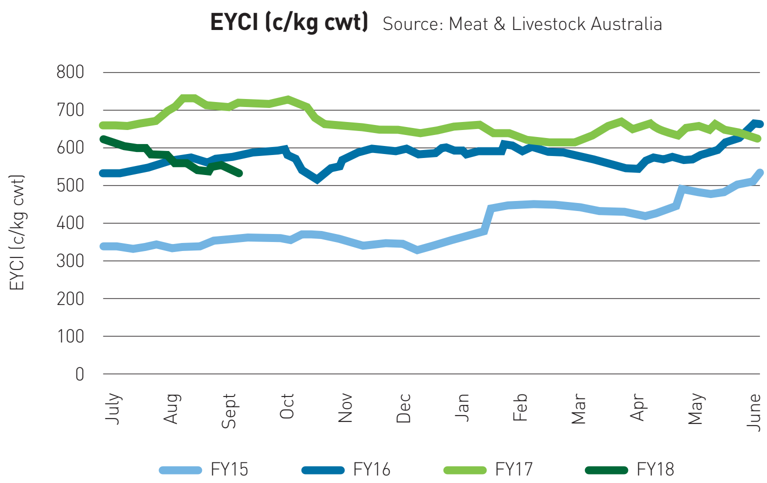
(D) CHINA

To date, the industry has seen only 1,200 Australian beef cattle exported from Australia into China by sea. This disappointing figure is largely a result of a very strict Chinese health protocol and historically high cattle prices in Australia. The recent softening in Australian cattle prices has stimulated some buy side activity for potential live cattle imports into China this calendar year.

There has been significant investment into Chinese infrastructure that supports the importation of slaughter and feeder cattle into China. Wellard management sees this as a vote of confidence by Chinese importers on the potential of this trade and whilst the export of livestock has started slowly, management expects that if the recent downtrend in Australian slaughter cattle prices continues, demand from China will increase with Wellard well positioned to be a participant.

The Company announced on 19 September 2017 its first shipment of beef cattle to China. The Company intends to use this shipment as a pilot for ongoing trade and the development of long-term relationships with clients in China.

Figure 6: Eastern Young Cattle Indicator Prices



FINANCIAL REVIEW

A summary of the financial results and key financial items is set out in Figure 7 below.

(A) SUMMARY

Figure 7: Financial Results and Key Financial Items

Year ended 30 June	2017 ($m)	2016 ($m)	Growth (%)
Total revenue	497.9	573.8	(13)
Livestock cost of sales	(388.5)	(391.5)	(1)
Shipping cost of sales	(49.9)	(59.4)	(15)
Gross profit	27.6	88.9	(69)
Total expenses [1]	(89.3)	(101.8)	(12)
Finance costs	(10.1)	(16.4)	(38)
Net loss before tax	(74.5)	(30.8)	142
Net loss after tax	(75.3)	(23.3)	223
Operating cashflow	(20.1)	(20.0)	-
Capital expenditure	16.2	103.6	(84)
Net debt [2]	159.1	167.8	(5)
Net assets	131.2	188.6	(30)
Net tangible assets per security (cps)	27.4	49.2	(43)

Notes:

1. *Combined depreciation and amortisation, administration, operating and other expenses*
2. *Loans and borrowings plus liabilities associated with asset for sale less cash and cash equivalents*

(B) SALES AND REVENUE

Total sales volumes decreased compared to last year due to the increased purchasing costs forcing prices higher. This higher price caused reduced orders from clients and lower than expected volumes from developing markets.

In FY2017, Wellard:

(i) shipped 304,208 head of cattle, which is a 28% decrease year-on-year; plus

(ii) shipped 80,143 head of sheep, which is a 43% increase year-on-year; and

(iii) processed 248,821 head of sheep and 49,763 goats at Beaufort River Meats, which is a decrease of 17% year-on-year.

Given the Company's lower volumes, total revenue decreased 13% to $497.9 million, reflecting a:

(iv) 22% decrease in revenue from Australia to markets in South East Asia and China due to high livestock prices and limited supply;

(v) 53% decrease in revenue from Singapore, representing the decreased external charter of our fleet; and

(vi) 107% increase in revenue from the Mediterranean Basin and South America due to growing demand in Turkey for livestock supplied from Uruguay and Brazil.

Total revenue of $497.9 million by source and destination is set out in Figures 8 and 9 below.

Figure 8: Revenue by Destination

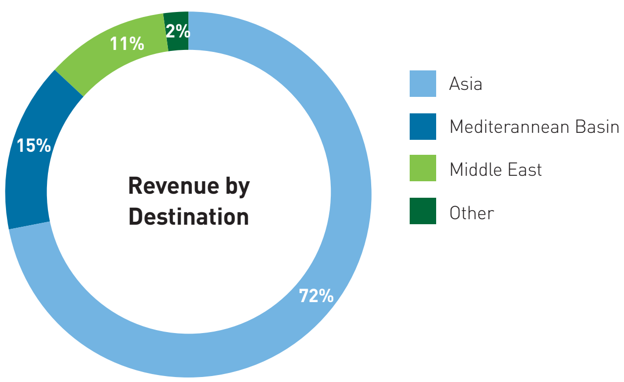
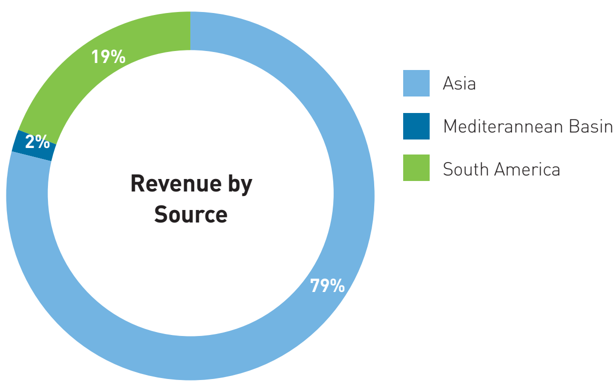


Figure 9: Revenue by Source



(C) COSTS, EXPENSES AND IMPAIRMENTS

The main factors influencing the Company's results has been the price paid for cattle, which is higher due to limited supply and the strengthening in the Australian currency, although mitigated by lower fuel cost as evidenced by:

(i) the average price paid for cattle having increased 11% year-on-year;

(ii) the average price paid for sheep having increased 23% year on year;

(iii) the average USD/AUD exchange rate having devalued 2% year-on-year; and

(iv) the average price paid for fuel having decreased 1% year on year.

The Company's gross profit decreased to $27.6 million (i.e. a 69% reduction year-on-year) 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.

The Company's total expenses, excluding depreciation and amortisation, decreased to $66.5 million (i.e. a 20% reduction year-on-year).

The Group commenced a restructuring and cost out program, the benefits of which will be primarily realised in FY2018 and beyond.

Management also note the following:

(v) the parent entity's prior year expenses are based on a 7-month period following the company's incorporation and listing on the ASX on 10 December 2015. FY2017 numbers reflect the parent entity's first full year of trading, which skews direct comparison to the prior year;

(vi) the current financial year costs include asset impairments and write offs totalling $19.8 million. In future, Management do not expect such impairments to be as high as experienced in 2017, during which trading conditions were well below average;

(vii) the Company's impairment expense comprises a $13.1 million loss as a result of the Company's sale of the MV Ocean Outback, realised in July 2017, as well as a $0.9 million general impairment on processing assets;

(viii) the Company's impairments for bad and doubtful trading debts recognised in FY2017 represents 1.2% of FY2017 revenue;

(ix) some shipping services previously outsourced by the Company were transferred to our Singapore subsidiary, Welltech Marine Pte Ltd, during the year. Operating expenses include $1.7 million related to these shipping services which, in the prior year, were charged as shipping cost of sales;

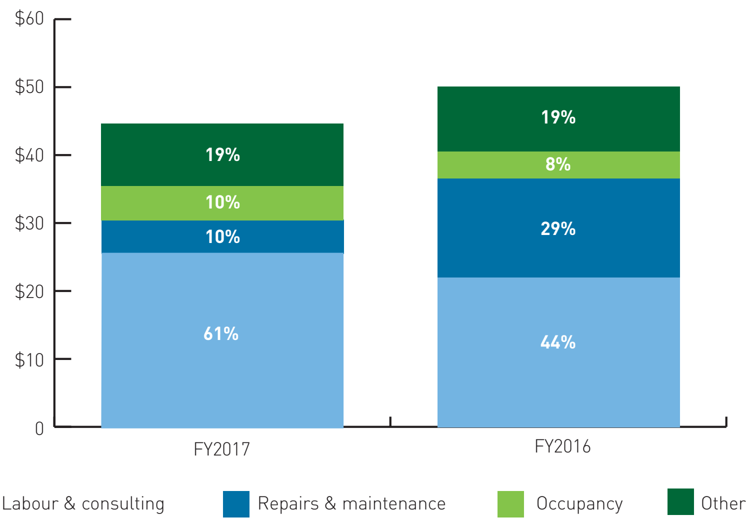
(x) repairs and maintenance reduced $10.9 million (i.e. a reduction of 72% year-on-year) and have returned to expected levels after an abnormal prior year, in which two breakdowns on vessels occurred;

(xi) the Company's consulting and governance costs during the period have remained abnormally high, but have now stabilised and are expected to reduce further in FY2018; and

(xii) the Company's general administration and travel expenses have reduced in line with volume.

The Company's operating and administrative expenses, excluding bad and doubtful debts, decreased to $44.9 million (i.e. a reduction of 13% year-on-year) and is comprised of the following:

Figure 10: Operating and Administration Expenses

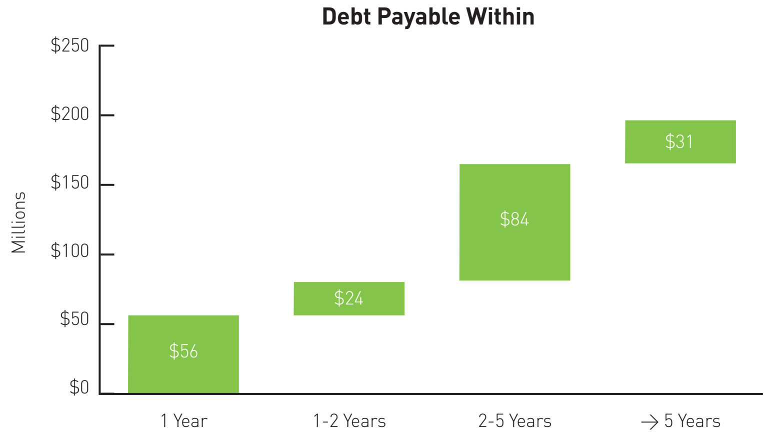


(D) LIABILITIES

The Company's net debt reduced by $8.7 million (i.e. a reduction of 5% year-on-year) with working capital facilities repaid following the Company's capital raising in April 2017. A further reduction of $15.6 million occurred in July 2017 when the loan balance outstanding in respect of the MV Ocean Outback was fully repaid following the sale of that vessel. All other finance facilities were amortised based on their normal schedule. The Company's net-debt-to-capital ratio increased to 55% at 30 June 2017, compared to 47% at the end of the prior financial year due to the depletion in retained earnings, which is due partly to asset impairments.

Given the Company has breached certain financial covenants and undertakings on its working capital facility and ship financing facilities, the application of AASB 101 to the outstanding breaches has meant a continued reclassification of loans and borrowings of $138.2 million from non-current to current liabilities.

Figure 11: Debt Payable



The maturity profile of the Company's gross debt in the absence of any acceleration by lenders due to breaches of covenants is as follows:

(E) TAX AND OTHER

The consolidated net loss before tax increased to $74.5 million (i.e. a 142% increase year-on-year) due in summary to a $61.3 million reduction in gross margins, off-set by a $17.5 million saving in costs. The future income tax benefit arising from tax losses has not been recognised in FY2017. Despite the increase in the net loss, operating cashflow is stable versus last year at negative $20.1 million, due to working capital management and reduced debt.

MATERIAL BUSINESS RISKS

Wellard is subject to risk factors that are both:

(a) specific to its business activities, including risks associated with its marketing and export activities, political and regulatory risks and operational and financing risks; and

(b) of a more general nature, applicable to many listed companies and to the ownership of shares.

The material business risks faced by the Wellard Group that are likely to have an effect on the prospects of the Wellard Group are set out in the Company's Offer Document for its fully underwritten non-renounceable pro rata entitlement offer of one new share for every four shares (Offer Document) dated 3 April 2017. A copy of this Offer Document is available on the Company's website available at http://www.wellard.com.au. The Directors consider the risks set out in the Offer Document continue to apply to the business and operations of the Company.

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

An investment in the Wellard Group may be considered highly speculative and carries no guarantee with respect to the payment of dividends or returns of capital. An investment in the Company is not risk free and the Directors strongly recommend that potential investors consult their professional advisers and consider the risks described in the Offer Document when making decisions relating to an investment in Wellard shares.

DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings (including meetings of Board committees) held during the year ended 30 June 2017, and the number of meetings attended by each Director:

Figure 12: Director meetings attended during 16/17 Financial Year

Director	Board		Nomination and Remuneration		Audit and Risk		Conflicts of Interest	
	Held	Present	Held	Present	Held	Present	Held	Present
D. Griffiths	23	23	5	5	4	4	8	8
M. Balzarini	23	23	-	-	-	-	-	-
P. Clausius	23	21	5	5	4	4	8	7
G. Wheeler[1]	21	21	-	-	-	-	-	-
J. Klepec[2]	10	10	4	4	2	2	-	-
K. Lu[3]	2	2	-	-	-	-	-	-
S. Warburton[4]	6	6	1	1	1	1	3	3
F. Troncone[5]	-	-	-	-	-	-	-	-

Notes:

1. *Mr Wheeler was appointed as a Non-Executive Director on 11 July 2016 and resigned from the Board on 12 May 2017.*
2. *Mr Klepec was appointed as a Non-Executive Director on 15 November 2016.*
3. *Mr Lu was appointed as an Executive Director on 12 May 2017.*
4. *Ms Warburton was appointed as a Non-Executive Director on 19 November 2015 and resigned from the Board on 26 August 2016.*
5. *Mr Troncone was appointed as a Non-Executive Director on 26 June 2017.*

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

DIRECTORS' INTERESTS IN SECURITIES OF THE GROUP

The interests of each director in the shares and options of the Wellard Group as notified by the directors to the ASX in accordance with Section 205G(1) of the Corporations Act as at the date of this report are as follows:

Figure 13: Directors' interests in Wellard shares

Director	Ordinary Shares Held
D. Griffiths	125,000[1]
M. Balzarini	80,000,001[2]
P. Clausius	-
J. Klepec	437,500[3]
K. Lu	-
F. Troncone	-

Notes:

1. *These shares are held by Darju Pty Ltd, a company in which Mr Griffiths has a voting power of greater than 20%.*
2. *These shares are held as follows: (1) 80,000,000 shares held by WGH Commodities, Land and Transport Pty Ltd; and (2) one share held by Camuna Pte Ltd. Mr Balzarini has a voting power of greater than 20% in both these companies.*
3. *These shares are held by Rezone Pty Ltd as trustee for the Kakulas-Klepec Superannuation Fund. Mr Klepec has a voting power of greater than 20% in this company and is a beneficiary of this superannuation fund.*

On 29 November 2016, shareholders approved the proposed issue of up to 500,000 options to Mr Balzarini under the executive share option plan approved by shareholders at the same meeting. However, these options were never issued by Wellard to Mr Balzarini.

Wellard does not currently have any rights or options over shares on issue.

INDEMNITIES AND INSURANCE

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

As permitted by Wellard's Constitution, the Company has entered into deeds of indemnity, access and insurance with each director, company secretary and officer. Wellard has also incurred against amounts that the Company may be liable to pay to directors, company secretaries and certain employees or that Wellard otherwise agrees to pay by way of indemnity. Wellard's insurance policy also insures directors, company secretaries and relevant employees against certain liabilities (including legal costs) they may incur in carrying out their duties. The directors of the Company are satisfied the terms of these insurances and agreements are standard for their type.

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

DIVIDENDS

The Company does not intend to pay any dividends in respect of the year ended 30 June 2017 (2016:Nil).

EQUITY ISSUES DURING THE YEAR

The Company was registered in Western Australia on 10 September 2015. At the time the Company was registered, 999 shares were issued to WGH Holdings Pty Ltd (WGH) and 1 Share was issued to Camuna Pte Ltd, resulting in 1,000 shares on issue in total.

The following shares were issued during FY2017:

(a) 12,650,000 convertible notes were issued to sophisticated and professional investors on 6 June 2017 (see the Company's Notice of General Meeting dated 26 April 2017);

(b) 49,325,291 shares were issued to underwriters of the Company's Capital Raising on 15 May 2017 (see ASX announcement dated 3 April 2017);

(c) 56,925,021 shares were issued to Shareholders under the Company's Entitlement Offer on 15 May (see ASX announcement dated 3 April 2017);

(d) 7,350,000 convertible notes were issued to sophisticated and professional investors on 11 April 2017 (see ASX announcement dated 3 April 2017); and

(e) 25 million shares were issued to sophisticated and professional investors on 7 April 2017 (see ASX announcement dated 3 April 2017).

EVENTS OCCURING AFTER THE REPORTING PERIOD

Since the end of the financial year:

- Wellard completed the sale of the MV Ocean Outback vessel on 17 July 2017 for US$26 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.
- On 19 September 2017, Wellard announced its first shipment of beef cattle to China.
- On 21 September 2017, Mr Fred Troncone was appointed Executive Director – Operations.

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.

ENVIRONMENTAL REGULATION AND PERFORMANCE

(A) ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company is committed to the protection of the environment and good environmental practice and performance. To deliver on this commitment, the Company seeks to comply with all applicable environmental laws and regulations.

Wellard operates and maintains four sites in Australia which include an abattoir, feed mill and two pre-export quarantine facilities, which are subject to environmental licencing with relevant State regulatory authorities and are subject to regular auditing and reporting.

The Company's subsidiaries, Wellard Ships Pte. Ltd. and WellTech Marine Pte. Ltd., operate four vessels internationally that conform to MARPOL (International Convention for the Prevention of Pollution from Ships, 1973 as modified by the Protocol of 1978) and ISM (International Safety Management) Code requirements for pollution prevention and environmental maritime protection.

(B) ENVIRONMENTAL PROSECUTIONS

The Company has not been involved with any environmental prosecutions this year.

ROUNDING

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

NON-AUDIT SERVICES

The Auditor's independence declaration has been included on page 38.

Details of the non-audit services undertaken by, and amounts paid to, the Auditor, are detailed in note 32 to the financial statements.

The total non-audit services fees of $16,524 (2016: $1,428,789) represent 2% (2016:74%) of the total fees paid or payable to the Auditor and related practices for the year ended 30 June 2017.

The directors have formed the view that the provision of non-audit services during the financial year ended 30 June 2017 is compatible with and does not compromise the general standard of auditor independence for the following reasons:

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

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

In accordance with Section 307C of the Corporations Act, the Auditors of the Company have provided a signed Auditor's Independence Declaration to the Directors in relation to the year ended 30 June 2017. This Auditor's Independence Declaration has been attached to the Independent Auditor's Report to the members of the Company.

CORPORATE GOVERNANCE STATEMENT

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

DIRECTORS' DECLARATION

In accordance with Section 298(2) of the Corporations Act, the Directors have provided a signed Directors' Declaration in relation to the year ended 30 June 2017. This Directors' Declaration is included on page 46 of this Annual Report.

On behalf of the Directors

Mr David Griffiths
Non-Executive Chairman

Mr Mauro Balzarini
Managing Director

CONTENTS

The following sections form the Remuneration Report for the Wellard Group for the financial year ended 30 June 2017. The information provided in the Remuneration Report has been audited as required by the Corporations Act 2001 (Cth) (Act) and forms part of the Directors' Report.

REMUNERATION REPORT OVERVIEW

This Remuneration Report has been prepared in accordance with section 300A of the Act.

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

This report focuses on the remuneration arrangements of the Wellard Group, including its remuneration policy and framework. This Remuneration Report also includes a response to the outcomes of the Company's 2016 Annual General Meeting, where a 'first strike' was received against the Company's 2016 Remuneration Report.

The table in Figure 14 below sets out details of those persons who were KMP of the Wellard Group during the financial year ended 30 June 2017.

Figure 14: Key Management Personnel

Name	Position(s) Held	KMP Term in FY 2017
Non-Executive Directors		
D. Griffiths	Non-Executive Chairman (19 November 2015 – present)	Full Year
P. Clausius	Non-Executive Director (19 November 2015 – present)	Full Year
J. Klepec	Non-Executive Director (15 November 2016 – present)	Part Year
F. Troncone	Non-Executive Director (26 June 2017 – present)	Part Year
S. Warburton	Non-Executive Director (19 November 2015 – 26 August 2016)	Part Year
Executive Directors		
M. Balzarini	Non-Executive Director (10 September 2015 – 18 November 2015) Managing Director & CEO (19 November 2015 – present)	Full Year
G. Wheeler	Executive Director and Chief Financial Officer (19 November 2015 – 11 July 2016) Non-Executive Director (11 July 2016 – 12 May 2017)	Part Year
K. Lu	Head of China Initiatives (24 November 2015 – present) Executive Director (12 May 2017 – present)	Part Year

Figure 14: Key Management Personnel (continued)

Name	Position(s) Held	KMP Term in FY 2017
Other KMPs		
A. Rule	Chief Financial Officer (11 July 2016 – 7 November 2016)	Part Year
J. Stevenson	Chief Financial Officer (7 November 2016 – present)	Part Year
B. Wade	Chief Operating Officer (25 April 2016 – 4 November 2016)	Part Year
B. Gosling	Chief Operating Officer (4 November 2016 – present)	Part Year
S. Braithwaite	Chief Operating Officer (10 December 2015 – 2 May 2016) Chief Business Development Officer (2 May 2016 – present)	Full Year
D. Bazzoni	Head of Business Development – Europe & Americas (10 December 2015 – present)	Full Year
P. Triglia	Managing Director - Wellard Ships Pte Ltd (18 November 2015 – present)	Full Year

RESPONSE TO 2016 REMUNERATION REPORT OUTCOMES

At the Company's 2016 Annual General Meeting, Wellard received a 'first strike' against its Remuneration Report. The only substantive issues relating to remuneration paid by the Company that were raised in the lead up to and at the Company's 2016 Annual General Meeting were set out in statements released to the media by Butt Nominees Pty Ltd (Butt Nominees), which held 14.4% of all shares at that time.

The issues raised by Butt Nominees were:

(a) a concern that the Company had engaged and employed an excess of senior and middle management; and

(b) a concern with the proposed executive share option plan and the proposed issue of options under that plan to the Managing Director.

In response to this outcome, Board members have had discussions with various shareholders regarding their views on remuneration and have taken those views into consideration. The Board understands the need for and is keen to ensure there is an alignment between the Company's performance and remuneration paid by the Company to the senior management group.

With that in mind, in the 2017 Financial Year the Company has adopted the following approach with regards to remuneration having regard to the Company's performance and the high workloads asked of its Board and Management:

(c) there has been no increase in the fees paid by the Company to Non-Executive Directors;

(d) there has been no increase in the fixed annual remuneration for senior management;

(e) out of all Executive Directors and other senior management, only one discretionary short-term incentive was awarded to a senior manager;

(f) the proposed issue of options to the Managing Director, which was approved by shareholders at the Company's 2016 Annual General Meeting, was never implemented and remains on hold; and

(g) total employee and contractor 'head-count' across the Company has been reduced by 13% from 2016 peak levels.

REMUNERATION GOVERNANCE

(A) NOMINATION AND REMUNERATION COMMITTEE

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

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

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

(i) D. Griffiths – Committee Chair;

(ii) P. Clausius – Committee Member; and

(iii) J. Klepec – Committee Member.

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

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

Mr Philip Clausius has been appointed Chair of the NR Committee commencing 1 July 2017.

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

(B) INDEPENDENT REMUNERATION CONSULTANTS

Deloitte Tax Services Pty Ltd (Deloitte) were engaged by the NR Committee during the financial year to provide independent advice to the NR Committee regarding remuneration and incentive plans for KMP. As a result of that engagement, the NR Committee has progressed the following initiatives:

(i) the Wellard Employee Salary Sacrifice Share Plan; and

(ii) the Wellard Long Term Incentive Plan.

No remuneration recommendation in the terms outlined by the Corporations Act were made by Deloitte.

REMUNERATION OF KMP

(A) REMUNERATION POLICY

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

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

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

(i) provides competitive rewards that attract, retain and motivate KMP of the highest calibre;

(ii) sets demanding levels of performance that are linked to KMP's remuneration;

(iii) structures remuneration at a level that reflects the KMP's duties and accountabilities and is competitive;

(iv) benchmarks remuneration against appropriate comparator groups;

(v) aligns KMP incentive rewards with the creation of value for shareholders; and

(vi) complies with applicable legal requirements and appropriate standards of governance.

(B) REMUNERATION FRAMEWORK

Wellard's KMP remuneration currently comprises two key components, being:

(i) total fixed annual remuneration; and

(ii) short term incentives.

(C) FIXED ANNUAL REMUNERATION

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

(D) SHORT-TERM INCENTIVES

Short-term incentives are awarded to senior managers on a discretionary basis and for exceptional performance only. The only short-term incentive awarded by the Company in the 2017 Financial Year was made to Paolo Triglia, which was an award of $47,192 in respect of Mr Triglia's efforts in securing finance for the Company's vessel, the MV Ocean Shearer.

(E) LONG-TERM INCENTIVES

There was no Long-Term Incentive Plan (LTIP) in place for the 2017 Financial Year. To ensure that the Company can continue to attract and retain the necessary talent to deliver its value proposition, an LTIP that focuses senior management on long-term outcomes and added shareholder value will be introduced in the 2017-18 Financial Year. This LTIP is expected to be in the form of a Zero-Priced Options Plan, which will be subject to substantial share price hurdles over a three-year period.

The share options to the Managing Director approved by Shareholders at the 2016 Annual General Meeting were not issued.

(F) KEY TERMS OF KMP AGREEMENTS

Remuneration and other terms of employment for each of the KMP are contained in contracts of employment or consultancy agreements as summarised in the table set out in Figure 15 below.

Figure 15: Key Management Personnel Agreements Summary

Name	KMP Term	Year	Total Fixed Remuneration [1]	Short Term Incentives	Long Term Incentives	Notice for Termination	Notice for Resignation
M. Balzarini [7]	19/11/15 to present	2016 2017	USD 680,000 USD 680,000	At the Board's discretion	Up to 20% of base salary	12 months	6 months
K. Lu	12/05/15 to present	2016 2017	178,840 -	At the Board's discretion	At the Board's discretion	4 weeks	4 weeks
G. Wheeler [3]	19/11/15 to 11/07/16	2016 2017	383,250 383,250	At the Board's discretion	At the Board's discretion	6 months	6 months
A. Rule	11/07/16 to 07/11/16	2016 2017	- 383,250	At the Board's discretion	Nil	1 month	1 month
J. Stevenson	07/11/16 to present	2016 2017	- 400,000	At the Board's discretion	Up to 20% of base salary	3 months	3 months
B. Wade	25/04/16 to 04/11/16	2016 2017	220,000 31,682	At the Board's discretion	At the Board's discretion	6 months	6 months
B. Gosling	04/11/16 to present	2016 2017	- 225,570	At the Board's discretion	At the Board's discretion	3 months	3 months
S. Braithwaite	10/12/15 to present	2016 2017	500,004 500,004	At the Board's discretion	Nil	6 months	6 months
D. Bazzoni [4]	10/12/15 to present	2016 2017	USD 300,000 €152,000 USD 300,000 €152,000	At the Board's discretion	Nil	6 months	6 months
P. Triglia [5]	18/11/15 to present	2016 2017	SGD 350,000 SGD 350,000	At the Board's discretion	At the Board's discretion	3 months	3 months

Notes:

1. *This is inclusive of superannuation payments.*
2. *This figure includes an amount paid in USD which has been converted to AUD using the exchange rate of 0.755.*
3. *These figures relate to Mr Wheeler's role as Executive Director and Chief Financial Officer only.*
4. *This figure includes an amount paid in Euro which has been converted to AUD using the exchange rate of 0.689.*
5. *This figure includes an amount paid in SGD which has been converted to AUD using the exchange rate of 1.050.*
6. *Due to an administrative oversight, the Euro denominated salary for D. Bazzoni was not included in the 2016 Remuneration Report. These costs were however captured in the overall labour expense reported in the 2016 Financial Report.*
7. *These figures are correct as of 30 June 2017. See announcement dated 22 September 2017 for summary of changes to Mr Balzarini's terms of employment made after FY2017.*

(G) 2016 KMP INFORMATION

During the course of the Company's 2017 audit, the Company discovered that certain information included within the Company's 2016 Remuneration Report was incorrect in that it did not adequately describe the full remuneration payable to a particular KMP. This was a result of an administrative oversight and has been corrected in this Remuneration Report (see note 6 in Figure 15 above).

(H) KMP REMUNERATION TABLE

The table in Figure 16 below sets out the remuneration received by Wellard KMP for FY2017 during the portion of the year for which KMP were employed by the Wellard Group. The table incudes the statutory disclosures required under the Act and in accordance with the Accounting Standards.

While the Total Fixed Remuneration for each KMP has not changed from the amounts reported in the 2016 Remuneration Report, fluctuations in the applicable exchange rates have resulted in the AUD equivalent amounts for some KMPs have increased or decreased year-on-year.

Figure 16: Key Management Personnel Remuneration Table

Name	Year	Short term Benefits Base Salary (AUD)	Short Term Benefits STI [1] (AUD)	Short Term Benefits Other [2] (AUD)	Long Term Benefits Accrued Annual Leave [3] (AUD)	Long Term Benefits Long Service Leave [4] (AUD)	Termination Benefits (AUD)	Post-Employment Benefits Super-annuation (AUD)	Share Based Payments Value of Shares Received (AUD)	Total Remun-eration (AUD)	% of Total Remun-eration "at-risk" (%)
Executive Directors											
M. Balzarini [5]	2016	820,812	-	5,818	36,742	7,992	-	34,952	-	906,316	-
	2017	849,987	-	2,952	66,226	5,587	-	33,540	-	958,291	-
G. Wheeler [6 7]	2016	353,837	-	2,725	18,942	5,854	-	29,414	1,334,400	1,745,172	-
	2017	10,219	-	-	828	-	233,333	23,134	-	267,514	-
K. Lu	2016	-	-	-	-	-	-	-	-	-	-
	2017	22,614	-	-	746	162	-	2,148	-	25,670	-
Senior Executives											
B. Wade	2016	31,682	-	7,807	2,856	621	-	3,010	-	45,976	-
	2017	70,320	-	9,025	4,876	-	-	6,680	-	90,901	-
B. Gosling	2016	-	-	-	-	-	-	-	-	-	-
	2017	135,485	-	1,232	(3,901)	647	-	12,871	-	146,335	-
A. Rule	2016	-	-	-	-	-	-	-	-	-	-
	2017	113,076	-	1,378	8,077	-	-	10,742	-	133,273	-
J. Stevenson	2016	-	-	-	-	-	-	-	-	-	-
	2017	230,572	-	33,928	8,806	3,747	-	15,582	-	292,635	-
S. Braithwaite [8 9]	2016	500,004	100,000	-	-	-	-	-	3,558,400	4,158,404	-
	2017	500,004	-	-	-	-	-	-	-	500,004	-
D. Bazzoni [5 10]	2016	596,766	-	22,418	-	-	-	15,903	1,112,000	1,747,087	-
	2017	617,843	-	30,748	-	-	-	15,927	-	664,519	-
P. Triglia [11 12 13]	2016	334,833	30,051	142,281	-	-	-	-	1,334,400	1,841,565	-
	2017	322,121	47,192	158,531	19,944	-	-	9,138	-	556,925	8.4%
TOTAL	**2016**	**2,637,934**	**130,051**	**181,049**	**58,540**	**14,467**	**-**	**83,279**	**7,339,200**	**10,444,520**	**-**
	2017	**2,872,241**	**47,192**	**237,794**	**105,602**	**10,142**	**233,333**	**129,763**	**-**	**3,636,067**	**-**

Notes on next page

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Notes:

1. This includes cash bonuses provided to KMP.
2. This includes short-term benefits such as parking, vehicle, travel, internet and accommodation.
3. This includes statutory leave for Executive Directors and other KMP.
4. Represents the net accrual movement for Long Service Leave (LSL) over the twelve-month period, which will only be paid if the KMP meets legislative service conditions. LSL has been separately categorised and is measured on an accrual basis and reflects the movement in the accrual over the twelve-month period.
5. Remuneration paid to Messrs Balzarini and Bazzoni in FY2017 includes a component paid in USD, and this figure has been converted to AUD using an exchange rate of 0.755.
6. Mr Wheeler ceased his role as Chief Financial Officer and Executive Director (and thus ceased acting as KMP) on 11 July 2016. Amounts shown include those amounts paid upon his termination from his executive role, which occurred in the 2016-17 financial year.
7. Mr Wheeler received 960,000 shares @ $1.39 per share, with (1) 100% escrowed until the day after the Company's FY2016 financial results were released to ASX; and then (2) 67% escrowed until the day after the Company's FY2017 financial results are released to ASX. Full details of these escrow arrangements are set out in section 7.6.2 of the Company's IPO Prospectus dated 20 November 2015 (IPO Prospectus).
8. Mr Braithwaite received 2,560,000 shares @ $1.39 per share, with (1) 100% escrowed until the day after the Company's FY2016 financial results were released to ASX; and then (2) 67% escrowed until the day after the Company's FY2017 financial results are released to ASX. Full details of these escrow arrangements are set out in section 7.6.2 of the IPO Prospectus.
9. Mr Braithwaite is paid as a consultant of the Wellard Group. Accordingly, he does not receive any leave entitlements or superannuation.
10. Mr Bazzoni received 800,000 shares @ $1.39 per share, with (1) 100% escrowed until the day after the Company's FY2016 financial results were released to ASX; and then (2) 67% escrowed until the day after the Company's FY2017 financial results are released to ASX. Full details of these escrow arrangements are set out in section 7.6.2 of the IPO Prospectus.
11. Mr Triglia received 960,000 shares @ $1.39 per share, with (1) 100% escrowed until the day after the Company's FY2016 financial results were released to ASX; and then (2) 67% escrowed until the day after the Company's FY2017 financial results are released to ASX. Full details of these escrow arrangements are set out in section 7.6.2 of the IPO Prospectus.
12. Mr Triglia is employed as an expatriate and pursuant to his employment contract he is not paid superannuation and receives additional benefits for accommodation, school fees and travel expenditure.
13. Remuneration paid to Mr Triglia includes a component paid in SGD, and this figure has been converted to AUD using an exchange rate of 1.050.
14. A portion of remuneration paid to Mr Bazzoni includes an amount paid in Euro which has been converted to AUD using the exchange rate of 0.689.
15. Remuneration paid to Mr Bazzoni in FY2016 includes a component paid in USD and Euro, and this figure has been converted to AUD using an exchange rate of USD: 0.653 and Euro: 0.664.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

(A) REMUNERATION POLICY AND ARRANGEMENTS

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

(i) offering market competitive remuneration to attract and retain high quality directors with the appropriate expertise and skillset to complement the Wellard Group business;

(ii) safeguarding the independence of Non-Executive Directors by limiting performance-related remuneration of Non-Executive Directors; and

(iii) having regard to the workload required and the circumstances of the Company.

No element of the Non-Executive Directors' remuneration is linked to the performance of the Company. However, to create alignment with shareholders, Non-Executive Directors are encouraged to hold equity securities in the Company. All Directors are subject to the Company's Security Trading Policy.

(B) AGGREGATE FEES

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

(i) an amount or value of remuneration each year as Wellard in a general meeting determines; or

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

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

(C) REMUNERATION REVIEW

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

A review of the remuneration of Non-Executive Directors was undertaken as part of the NR Committee's review of senior remuneration and the Company's operating budget for FY2018. This review identified the high number of Board and Board Committee meetings that took place in the financial year (see page 34 of this Annual Report for further information), as well as the complex matters the Company faced in the financial year, which have required a high degree of non-executive director involvement compared to other companies of a comparable market capitalisation. Following this review no change was made to Non-Executive Director fees, or fees paid to members of any Board Committee.

(D) NON-EXECUTIVE DIRECTOR FEES AND BENEFITS

Set out in Figure 17 below is a description of each component of total remuneration for Non-Executive Directors and how each component impacts remuneration.

Figure 17: Non-Executive Director Fees and Benefits Table

		2017		
Fees / Benefits	**Description**	**Fees ($)**	**Superannuation ($)**	**Included in Shareholder Cap?**
Board Fees	**Wellard Board**			
	Chairman	182,648	17,352	Yes
	Members	91,324	8,676	Yes
Committee Fees	**Audit & Risk Compliance Committee**			
	Chairman	22,831	2,169	Yes
	Members	9,132	868	Yes
	Nomination and Remuneration Committee			
	Chairman	22,831	2,169	Yes
	Members	9,132	868	Yes
STIs	Non-Executive Directors are not eligible to participate in any short-term incentive arrangements	N/A		N/A
LTIs	Non-Executive Directors are not eligible to participate in any long-term incentive arrangements	N/A		N/A
Other Group Fees	Non-Executive Directors are not paid additional fees for participation on the board of any of the Wellard Group's subsidiary companies	N/A		N/A
Termination Payments	Termination benefits are not payable to Non-Executive Directors	N/A		N/A
Other Benefits	Non-Executive Directors are entitled to reimbursement for business-related expenses, including travel expenses, and also receive the benefit of coverage under the Wellard Group's directors and officers insurance policy	N/A		N/A

(E) NON-EXECUTIVE DIRECTOR REMUNERATION

The fees paid or payable to the Non-Executive Directors in relation to the 2017 financial year are set out in Figure 18 below.

Figure 18: Fees Paid or Payable to Non-Executive Directors

Name	Year[1]	Short Term Benefits Board and Committee Fees ($)	Post-Employment Benefits Superannuation [2] ($)	Total ($)
D. Griffiths	2016	126,290	11,998	138,288
	2017	215,437	20,467	235,904
P. Clausius	2016	64,489	6,126	70,615
	2017	113,013	10,736	123,749
J. Klepec	2016	-	-	-
	2017	71,567	6,799	78,366
F. Troncone	2016	-	-	-
	2017	1,756	167	1,923
S. Warburton	2016	72,550	6,892	79,442
	2017	19,442	1,847	21,289
G. Wheeler	2016	-	-	-
	2017	80,973	1,335	82,308
TOTAL	**2016**	**263,329**	**25,016**	**288,345**
	2017	**502,188**	**41,351**	**543,539**

Notes:

1. *The Company was admitted to the official list of the ASX on 10 December 2015, and therefore figures for 2016 are not representative of full years.*
2. *Superannuation contributions are made on behalf of Non-Executive Directors in accordance with the Wellard Group's statutory superannuation obligations. Also included are any director's fees that have been sacrificed into superannuation.*

KMP SHAREHOLDING

(A) EQUITY BASED REMUNERATION

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

Since Wellard's admission to the official list of ASX, Wellard considers it appropriate to adopt an employee incentive plan to enable Wellard employees and directors to receive equity based remuneration. Wellard is seeking shareholder approval at its 2017 annual general meeting to allow Wellard to issue securities for this purpose. Note that at the Company's 2016 Annual General Meeting, Shareholders approved an issue of options to the Company's CEO and Managing Director, however these options were never issued. During the 2017 financial year, Wellard did not have in operation any employee incentive plans and did not issue any equity based remuneration.

The table in Figure 19 below sets out the number of shares held directly, indirectly or beneficially by current directors and KMP including their related parties, and shows the effect that departing directors and KMP have had on the aggregate balance of all shares held directly, indirectly or beneficially by directors and KMP when compared to the previous financial year.

Figure 19: Key Management Personnel Shares

Name	Balance at Year-Start	Change to Aggregate KMP Balance	Balance at Year-End
D. Griffiths	100,000	25,000[1]	125,000
P. Clausius	-	-	-
J. Klepec	-	437,500[2]	437,500
S. Warburton	50,000	(50,000)[3]	-
F. Troncone	-	-	-
M. Balzarini	146,320,000	(66,319,999)[4]	80,000,001
G. Wheeler	960,000	(960,000)[5]	-
K. Lu	-	-	-
B. Wade	-	-	-
B. Gosling [2]	-	400,000[6]	400,000
A. Rule	-	-	-
J. Stevenson	-	-	-
S. Braithwaite	2,560,000	-	2,560,000
D. Bazzoni	800,000	-	800,000
P. Triglia	960,000	-	960,000
TOTAL	**151,750,000**	**(65,817,499)**	**86,282,501**

Notes:

1. *Reflects those shares issued as a result of Mr Griffiths taking up his entitlements under the capital raising announced 3 April 2017.*
2. *Reflects the 400,000 shares Mr Klepec held upon his appointment (see Appendix 3X dated 17 November 2016) and those shares issued as a result of Mr Klepec taking up his entitlements under the capital raising announced 3 April 2017.*
3. *Reflects the shares Ms. Warburton held upon her resignation as a director (see Appendix 3Z dated 26 August 2016).*
4. *Reflects the shares Mr Balzarini transferred to Fulida Group Holdings Co Ltd on or about 22 September 2016 (see Appendix 3Y dated 28 September 2016).*
5. *Reflects the shares Mr Wheeler held upon his resignation as a director (see Appendix 3Z dated 16 May 2017).*
6. *Reflects the shares Mr Gosling held upon being appointed as Chief Operating Officer on 4 November 2016.*

(B) PROHIBITION ON HEDGING SHARES AND EQUITY INSTRUMENTS

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

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

TRANSACTIONS WITH KMP

At 30 June 2017, Mr Balzarini, a director of Wellard, had a 15.06% shareholding interest in Wellard. Details of all transactions with KMP and Related parties are set out in note 30 of the 2017 Annual Financial Report.

End of Remuneration Report.

DIRECTORS' DECLARATION

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

(a) the attached financial statements, notes and the additional disclosures included in the Directors' Report designated as audited of the Group are in accordance with the Corporations Act, including:

  (i) giving a true and fair view of the financial position and performance of the Group as at 30 June 2017 and of its performance for the year ended on that date; and

  (ii) complying with Accounting Standards and the Corporations Act 2001; and

(b) the financial statements and notes also comply with International Reporting Standards as disclosed in note 1; and

(c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act for the financial year ended 30 June 2017.

Signed in accordance with a resolution of the Directors.

Mr David Griffiths
Non-Executive Chairman

Mr Mauro Balzarini
Managing Director

Dated: 21 September 2017

Auditor's Independence Declaration

As lead auditor for the audit of Wellard Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Douglas Craig
Partner
PricewaterhouseCoopers

Perth
21 September 2017

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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	(809)	7,468
Net loss for the period after tax		(75,337)	(23,323)
Other comprehensive income (loss)			
Items that may be reclassified to profit or loss			
(Loss) gain from foreign currency translation	35	(5,839)	(10,698)
Other comprehensive income (loss) for the period, net of tax		**(5,839)**	**(10,698)**
Total comprehensive loss for the period		**(81,176)**	**(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)	(17.7)	(6.4)
Diluted loss per share	7(b)	(17.7)	(6.4)

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

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	21	230,735	290,076
Intangible assets	22	8,587	4,562
Deferred tax assets	6	5,874	8,747
Total non-current assets		**245,947**	**303,541**
Total assets		**360,927**	**474,740**
Current liabilities			
Trade and other payables	18	24,470	59,397
Loans and borrowings	8	176,314	199,708
Provisions	23	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	23	118	907
Deferred tax liabilities	6	-	3,597
Total non-current liabilities		**118**	**4,504**
Total liabilities		**229,731**	**285,985**
Net assets		**131,196**	**188,755**
Equity			
Issued capital	11	572,132	548,515
Reserves	35	(396,090)	(390,251)
Retained earnings (accumulated losses)	36	(44,846)	30,491
Total equity		**131,196**	**188,755**

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

Attributable to Owners

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	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	36	-	(23,323)	-	-	-	(23,323)
Other comprehensive loss	35	-	-	-	(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	35	-	-	18,014	-	-	18,014
Common control reserve from restructure	35	-	-	-	-	(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	36	-	(75,337)	-	-	-	(75,337)
Other comprehensive income (loss)	35	-	-	-	(5,839)	-	(5,839)
Total comprehensive (loss) income for the period		**-**	**(75,337)**	**-**	**(5,839)**	**-**	**(81,176)**
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**	**(44,846)**	**18,014**	**(3,087)**	**(411,017)**	**131,196**

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

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	27	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 consolidated statement of cash flow.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

(A) CORPORATE INFORMATION

This 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, were authorised for issue in accordance with a resolution of the Directors on 21 September 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 financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for:

- Biological assets – measured at fair value
- Derivative financial assets and liabilities – measured at fair value
- Share based payments – measured at fair value
- Assets held for sale – measured at fair value less costs to sell

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

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

(C) GOING CONCERN

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

Market conditions have resulted in the Company trading at a loss for the 12 months ended 30 June 2017 of $75.3 million after tax (2016: $23.3 million), resulting in operating cash outflows of $20.1 million (2016: $20.0 million) as well as a negative working capital position of $114.3 million (2016: $110.3 million). 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 $50.0 million (net of costs) 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 was due to expire on 7 December 2017 however the financier has waived existing covenant breaches and has approved an extension of the facility until 31 August 2018.

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 $50.0 million (net of costs), 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 settlement of the purchase consideration of the Company's subsidiary in China (refer note 27).

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 raise sufficient amounts of either debt or equity or cash from asset sales if required.

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

(D) COMPLIANCE WITH IFRS

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

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

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

(A) IMPAIRMENT

Financial assets measured at amortised cost

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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 financial report in conformity with AAS requires management to make judgements, 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 21	Property, plant & equipment	Impairment of assets
Note 21	Property, plant & equipment	Useful life and residual value of livestock carrying vessels
Note 34	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 the 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

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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 24. 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**

4. EXPENSES (CONTINUED)

	Note	2017 $'000	2016 $'000
(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**
(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 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	**344,911**	**16,016**	**360,927**
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**

5. SEGMENT INFORMATION (CONTINUED)

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)

Impairment expense of $13.1 million (2016: nil) has been recognised in respect of the livestock marketing, export and transportation segment, and impairment of $0.9 million (2016: $1.6 million) has been recognised in respect of the other segment. For further information refer note 21 and 22.

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	1,533	(4,853)
Deferred tax	(2,235)	(2,615)
Under provision for deferred income tax in prior year	1,511	-
Income tax expense (benefit) reported in the income statement	**809**	**(7,468)**

	2017 $'000	2016 $'000
(B) NUMERICAL RECONCILIATION		
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on loss from ordinary activities before income tax at 30% (2016: 30%)	(22,358)	(9,236)
Add/(less) tax effect of:		
Other assessable items		
Attributable foreign income	2,365	2,266
Under provision for deferred income tax in prior year	1,511	-
Amortisation of client relationships	198	486
Current year losses not recognised	11,767	-
Other non-allowable items	281	3,804
Shared based payment	-	6,509
IPO costs	-	1,196
	(6,236)	**5,025**
Add/(less):		
Tax effect of:		
Other non-assessable items	-	1
Effect of different rates of tax on overseas profit	7,045	(12,494)
	7,045	**(12,493)**
Income tax expense (benefit) attributable to entity	**809**	**(7,468)**

6. TAXATION (CONTINUED)

(C) DEFERRED TAX ASSET BALANCES

	Provisions and accruals $'000	Unrealised foreign exchange losses $'000	Borrowing costs $'000	Other $'000	Assessed tax losses carried forward $'000	Total $'000
Year ended 30 June 2017						
Opening amount	1,022	2,222	83	1,817	3,603	**8,747**
Movement in:						
Profit and loss	479	(2,222)	47	1,008	(1,912)	**(2,600)**
Total	**1,501**	**-**	**130**	**2,825**	**1,691**	**6,147**
Set-off of deferred tax liabilities pursuant to set-off provisions						(273)
Closing amount						**5,874**
Year ended 30 June 2016						
Opening amount	361	1,293	-	-	-	**1,654**
Movement in:						
Profit and loss	661	929	83	598	3,603	**5,874**
Equity	-	-	-	1,219	-	**1,219**
Closing amount	**1,022**	**2,222**	**83**	**1,817**	**3,603**	**8,747**

(D) DEFERRED TAX LIABILITY BALANCES

	Property, plant & equipment $'000	Unrealised foreign exchange gains $'000	Other $'000	Total $'000
Year ended 30 June 2017				
Opening amount	20	3,420	157	**3,597**
Movement in:				
Profit and loss	(20)	(3,147)	(157)	**(3,324)**
Total	**-**	**273**	**-**	**273**
Set-off of deferred tax assets pursuant to set-off provisions				(273)
Closing amount				-
Year ended 30 June 2016				
Opening amount	240	3	95	**338**
Movement in:				
Profit and loss	(220)	3,417	62	**3,259**
Closing amount	**20**	**3,420**	**157**	**3,597**

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

Management assesses the extent to which it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. Due to sufficient uncertainty in the South East Asian and Mediterranean markets, Management have decided not to recognise the current year deferred tax assets. The Group continues to carry forward the deferred tax assets as at 30 June 2016.

6. TAXATION (CONTINUED)

Deferred tax assets include an amount of $1.7 million (2016: $3.6 million) which relates to carried forward tax losses of the Wellard Limited Australian tax consolidated Group for FY16. The Group has concluded that these deferred tax assets will be recoverable using estimated future taxable income.

Deferred tax assets, tax effected, of $5.7m, relating to the tax losses of the Australian tax consolidated Group, $3.9m relating to Uruguay, $1.2m relating to Brazil and $1.0m relating to Singapore have not been recognised (2016: nil). There is no expiration date for these amounts other than a five-year limit for Uruguay.

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	(17.7)	(6.4)
(B) DILUTED (LOSS) PER SHARE		
From continuing operations, attributable to the ordinary equity holders of the company	(17.7)	(6.4)

	2017 Number	2016 Number
Weighted average number of ordinary shares used as the denominator	425,322,822	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 34.

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.

8. LOANS AND BORROWINGS (CONTINUED)

Terms and conditions of outstanding loans were as follows:

Name	Currency	Financial 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	2017	-	4,586
Unsecured bank loans	USD	2018	1,752	2,934
Convertible notes	USD	2020	24,169	-
Trade Asset finance	USD	2020	40,623	50,102
Trade Asset finance	USD	2020	14,848	19,861
Trade Asset finance	AUD	2019	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 21.

The maturity profile of principal repayments is set out in note 20(c).

(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, refer note 1(c). There are 20.0 million notes on issue, none of which have converted as at 30 June 2017.

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 ACTIVITIES		
Loss after tax	**(75,337)**	**(23,323)**
Non-cash flows in loss:		
Depreciation and amortisation	22,838	19,169
Income tax benefit	802	(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 34)	-	(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.

Refer to note 20(a)(i) for commodity price risk management.

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**

13. BIOLOGICAL ASSETS (CONTINUED)

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**	**-**

Refer to note 20(a)(ii) on risk management for the convertible note derivative.

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 27 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. Refer to note 30 for further information regarding related party transactions.

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. FINANCIAL RISK MANAGEMENT

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

(A) MARKET RISK

(i) Commodity price risk

Livestock

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

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

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

For the financial year ended 30 June 2017 $3.3 million (2016: $21.5 million) of livestock on hand was exposed to fluctuations in market prices.

Fuel

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

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Equity price risk

Wellard is exposed to equity price risk on the convertible note embedded derivative liability. The liability fluctuates with the Group's underlying share price until either the noteholders convert or the convertible notes are repaid. Wellard has no policy for mitigating potential adversities associated with its own equity price risk given its dependence on market fluctuations. For the financial year ended 30 June 2017 $1.3 million (2016: nil) of derivative liabilities were exposed to fluctuations in equity prices.

(iii) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency (i.e. Australian dollars).

The Group operates internationally and is exposed to foreign exchange risk arising predominantly from currency exposures to the US dollar which is the currency the Group's sales are mainly denominated in. The Group has operations in Singapore, which have a US dollar functional currency, and the balance sheet translation risk is managed by designating borrowings in US dollars. The US dollar borrowings of the Group act as a 'natural' hedge against movements in US dollar receivables from Australian sales. The purchase of livestock and related services in Australian dollars is subject to foreign exchange risk when sold to customers in US dollars. The Group may enter into short-term forward exchange contracts to manage the exposure.

The following table shows the foreign currency risk arising from the financial assets and liabilities, which are denominated in currencies other than the Australian dollar. The financial assets and liabilities consist of cash balances, trade receivables, accrued debtors, derivatives, restricted cash, trade payables, bank borrowings, convertible notes and intra-group loans. The table excludes loans to subsidiaries that are considered to be part of the net investment in a foreign operation, as exchange differences arising on these are recognised in the foreign currency translation reserve in other comprehensive income.

The Group's exposure to US dollar currency risk, expressed in Australian dollars was as follows:

	2017 $'000	2016 $'000
Functional currency of Group's entities:		
Australian dollars	13,547	32,184
Brazilian real	(18,775)	(28,528)
Uruguayan peso	(14,537)	(472)
Turkish lira	(25)	-
	(19,791)	**3,184**

Based on the Group's net financial assets (liabilities), a +/- 10% movement in the Australian dollar against the US dollar, with all other variables held constant, would increase/(decrease) profit before taxation and equity as follows:

	2017 $'000	2016 $'000
+10%	1,799	(289)
-10%	(2,199)	354

The Group's balance sheet exposure to other foreign exchange risk is not significant.

Amounts Recognised in Profit or Loss

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

	2017 $'000	2016 $'000
Realised foreign exchange loss	(667)	(12,432)
Unrealised foreign exchange (loss) gain	(732)	5,796
	(1,399)	**(6,636)**

(iv) Interest rate risk

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

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

Sensitivity:

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

	2017 $'000	2016 $'000
Current and non-current borrowings	99,915	128,972
Liabilities directly associated with assets held for sale	15,836	-
	115,751	**128,972**

A change of 10 basis points (0.1%) in interest rates of variable borrowings would have an impact of $115,751 (2016: $128,972) on the Group's pre-tax profit and loss. This analysis assumes that all other variables remain constant, including the AUD/USD exchange rate.

(B) CREDIT RISK

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

	2017 $'000	2016 $'000
1 to 3 months	25,436	14,045
3 to 6 months	302	1,292
Over 6 months	3,162	3,550
	28,900	**18,887**

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

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	2017 $'000	2016 $'000
US$	25,788	14,826
A$	1,958	3,615
Other	1,154	446
	28,900	**18,887**

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

	2017 $'000	2016 $'000
Balance at beginning of the year	1,710	-
Provision for impairment recognized during the year	2,897	1,956
Receivables written off during the year as uncollectible	(220)	(246)
	4,387	**1,710**

Impaired trade receivables

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

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

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

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

Management

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

Amounts recognised in profit or loss

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

	2017 $'000	2016 $'000
Impairment losses		
Individually impaired trade receivables	3,171	1,524
Net movement in provisions for impairment	2,677	-
	5,848	**1,524**

(C) LIQUIDITY RISK

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

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

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

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

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

Working capital facility

The Group had access to the following undrawn borrowing facilities at the end of the reporting period. The working capital facilities limit is $50,000,000 (2016: $50,000,000) and at 30 June 2017 was drawn to $15,000,000 (2016: $10,000,000). Subject to the continuance of satisfactory financial covenants with its financier, the working capital facilities may be drawn at any time in Australian Dollars, less an uncommitted amount of $10,000,000 (2016: Nil). The working capital facility was varied on 15 June to allow for the funding of overseas operations under certain conditions, particularly for some of the Group's South American subsidiaries. This facility was due to expire on 7 December 2017 however the financier has waived existing covenant breaches and has approved an extension of the facility until 31 August 2018.

Maturities of financial liabilities

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

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

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Contractual Maturities of Financial Liabilities	Less than 6 months $'000	6 - 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash $'000	Carrying amount $'000
At 30 June 2017							
Non-interest bearing	17,252	-	-	-	-	17,252	**17,252**
Fixed rate	8,555	8,416	16,971	56,493	-	90,435	**79,640**
Variable rate	39,646	7,011	13,634	37,909	33,686	131,886	**115,751**
	65,454	**15,427**	**30,605**	**94,402**	**33,686**	**239,573**	**212,643**
At 30 June 2016							
Non-interest bearing	52,109	-	-	-	-	52,109	**52,109**
Fixed rate	7,999	7,869	15,869	45,835	-	77,572	**69,963**
Variable rate	17,062	9,114	27,581	49,027	49,762	152,546	**133,558**
	77,170	**16,983**	**43,450**	**94,862**	**49,762**	**282,227**	**255,630**

(D) CAPITAL MANAGEMENT

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

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

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

The Group manages its capital through various means, including:

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

The Group has a number of borrowing facilities and convertible notes which have covenants that need to be satisfied. Refer to note 1(c) for further details on borrowings covenant and undertaking compliance.

21. 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).

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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%. No impairment has been recognised in respect of the vessel fleet CGU and $0.9 million has been recognised in respect of the processed meat CGU. In addition, an impairment of US$9.9 million (A$13.1 million) has been recognised to write down the MV Ocean Outback asset to its fair value less costs to sell. Refer to Note 17 for details.

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.

22. INTANGIBLE ASSETS

	Goodwill $'000	Develop-ment costs $'000	Intellectual property $'000	Client relation-ships $'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 27.

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.

22. INTANGIBLE ASSETS (CONTINUED)

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.

23. 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.

23. PROVISIONS (CONTINUED)

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.

24. 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.

25. 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.

26. 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 (A$33.2 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 (A$2.74 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.

27. 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.

28. 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 27 for further details.

29. 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 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 consolidated financial statements.

Foreign currency translation and balances

Functional and presentation currency

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

30. RELATED PARTY TRANSACTIONS

(A) SUBSIDIARIES

Interests in subsidiaries are set out in note 29.

(B) KEY MANAGEMENT PERSONNEL COMPENSATION

	2017 $'000	2016 $'000
Short term benefits	3,390,560	2,949,034
Long term benefits	115,744	73,007
Post employment benefits	129,763	83,279
Share based payments	-	7,339,200
	3,636,067	**10,444,520**

Detailed remuneration disclosures are available in the Remuneration Report in the 2017 Annual Report.

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(C) TRANSACTIONS WITH OTHER RELATED PARTIES

The following transactions occurred with related parties:

	2017 $'000	2016 $'000
Sales and purchases of goods and services:		
Sales to entities controlled by key management personnel *(d)*	8,132,296	5,260,534
Purchases from entities controlled by key management personnel *(d)*	(2,260,876)	(2,512,616)
Lease payments made to entities controlled by key management personnel *(d)*	(920,084)	(654,199)
Interest expense - to entities controlled by key management personnel	-	(67,700)
Interest income - from entities controlled by key management personnel	232,862	281,065
Other transactions:		
Payments and receipts on behalf of related parties	15,721,704	(151,710,863)
Separation agreement *(g)*	-	15,796,000

(D) PURCHASES FROM ENTITIES CONTROLLED BY KEY MANAGEMENT PERSONNEL

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

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

(E) OUTSTANDING BALANCES FROM SALES/ PURCHASES OF GOODS AND SERVICES

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

	2017 $'000	2016 $'000
Current payables (purchases of goods and services)		
Entities controlled by key management personnel	(101,745)	(132,992)
Current receivables (sales of goods and services)		
Entities controlled by key management personnel	182,146	2,467,674
Current receivables (Separation Agreement)		
Entities controlled by key management personnel	-	15,796,000

(F) LOANS/ TO FROM RELATED PARTIES

Loans to entities that are controlled by members of the Group's KMP

	2017 $'000	2016 $'000
Beginning of the year	4,093,589	151,785,159
Loans advanced	-	218,674,165
Loan repayments received	(74,296)	(366,365,735)
Wellao acquisition	(3,903,201)	-
Foreign exchange	(116,092)	-
End of year	**-**	**4,093,589**

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

The amount outstanding at 30 June 2016 includes $4,019,293 for a receivable relating to the Wellao Joint Venture. WGH had a 50% joint venture interest in the Wellao Joint Venture, this was transferred to the Wellard Group on 14 June 2017 for no cost. Refer note 27.

(G) TERMS AND CONDITIONS

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

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

An entity controlled by Mauro Balzarini also leases an office in Italy to Wellard Rural Exports at an annual rent of €114,192 (A$164,973). The initial term of the lease expires in 2020 and will be automatically renewed for a further six years at the end of the initial term unless terminated by either party. The terms of the lease were otherwise generally market standard at the time of execution.

For the year ended 30 June 2017, Giovi provided $989,270 (2016: Nil) of livestock used by the Wellard Group and $14,314 (2016: $1,480,848) of raw materials used by the Wellard Group. There are no existing contractual arrangements and all trading activities are on arm's length terms.

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

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

31. PARENT ENTITY

(A) SUMMARY FINANCIAL INFORMATION

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

	Parent	
	2017 $'000	2016 $'000
Balance sheet		
Current assets	139,611	94,077
Total assets	242,126	604,583
Current liabilities	83,718	69,267
Total liabilities	109,618	69,453
Shareholders' equity		
Issued capital	581,656	556,000
Share issue costs capitalised	(9,525)	(7,485)
Reserves		
Share based payment reserve	18,014	18,014
Common control reserve	-	-
Retained earnings / (accumulated losses)	(457,638)	(31,400)
Net equity	**132,508**	**535,129**
(Loss) for the period	**(426,237)**	**(31,400)**
Total comprehensive (loss)	**(426,237)**	**(31,400)**

(B) GUARANTEES ENTERED INTO BY THE PARENT ENTITY

At 30 June 2017, and in the prior year the parent entity had provided guarantees to support the three vessel finance facilities and the two finance lease arrangements set out in note 8.

(C) CONTINGENT LIABILITIES OF THE PARENT ENTITY

The parent entity did not have any contingent liabilities as at 30 June 2017 (2016: Nil).

(D) CONTRACTUAL COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

None.

(E) DETERMINING THE PARENT ENTITY FINANCIAL INFORMATION

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

As part of the restructure and Initial Public Offering of the Wellard Group in the prior year, Wellard Limited became the parent entity of several Wellard Group entities by acquiring all issued shares in the relevant entities from WGH Holdings Pty Ltd. The current subsidiaries information can be found in Note 29.

Recognition and measurement

Investment in subsidiaries are initially recognised at cost (fair value of consideration paid plus directly attributable costs). Costs incurred in investigating and evaluating acquisitions up to formal commitment are expensed as incurred. Where the carrying value of an investment exceeds the recoverable amount, an impairment charge is recognised in profit or loss which can subsequently be reversed in certain conditions.

Key accounting estimate and judgement

Impairment of investment in subsidiaries

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 based on the value in use of the subsidiaries. An impairment of $409.3 million has been recognised. This has been eliminated on consolidation in the Group accounts. The impairment of investment in subsidiaries is considered a critical accounting estimate for the parent entity only and not for the Group.

32. 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 $'000	2016 $'000
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**

33. 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.

34. 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 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 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. Material related party transactions have been disclosed in note 30. 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.

35. 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 34 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.

36. RETAINED EARNINGS / (ACCUMULATED LOSSES)

	2017 $'000	2016 $'000
Retained profit at the beginning of the year	30,491	53,814
Net (loss)	(75,337)	(23,323)
	(44,846)	**30,491**
Dividends paid	-	-
Balance at the end of the year	**(44,846)**	**30,491**

INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report

To the members of Wellard Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Wellard Limited (the Company) and its controlled entities (together, the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2017
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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INDEPENDENT AUDITOR'S REPORT

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Material uncertainty related to going concern

We draw attention to Note 1(c) in the financial report, which states that the Group incurred a loss for the year ended 30 June 2017 amounting to $75.3 million, resulting in operating cash outflows of $20.1 million as well as a negative working capital position of $114.3 million. The note comments on the ability of the Group to continue as a going concern being dependent on the Group's financiers providing waivers for outstanding covenant breaches or otherwise not taking any acceleration or enforcement action in respect of those outstanding covenant breaches, and being able to renew the working capital facility on similar commercial terms. These conditions, along with other matters as set forth in Note 1(c) indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The Group is a trader and exporter of live cattle from Australia, New Zealand and South America to customers globally. The Group is also an exporter of live sheep and meat from Australia, and a supplier of seaborne transportation for livestock.

Materiality	Audit scope	Key audit matters
• For the purpose of our audit we used overall Group materiality of $3.7 million, which represents approximately 0.75% of the Group's total revenue.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Classification of borrowings – Revenue cut off for sale of goods

INDEPENDENT AUDITOR'S REPORT

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- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose revenue as the materiality benchmark rather than profit before tax due to the recent volatility in profit before tax. Revenues are reflective of the Group's operating activities in continued challenging market conditions, are relatively stable when compared to profit before tax and provide a level of materiality which, in our view, is appropriate for the audit having regard to the expected requirements of the users of the Group's financial report.
- We selected a 0.75% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

- The Group has operations in Australia, Singapore, Brazil, Uruguay, Turkey, New Zealand, and China.
- Component auditors, operating under our instructions, performed specified audit procedures over the Group's Singapore operations' financial information. These procedures, combined with the work performed by us, as the Group engagement team, provided sufficient and appropriate audit evidence as a basis for our opinion on the Group financial report as a whole.

  – Assessment of impairment of non-current assets
  – Material uncertainty related to going concern
- These are further described in the *Key audit matters* section of our report, except for the matter described in the *Material uncertainty related to going concern* section.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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Key audit matter	*How our audit addressed the key audit matter*
Classification of borrowings *(Refer to note 8) $176.3 million* At 30 June 2017, 77% of the Group's total liabilities consisted of borrowings classified as current liabilities. Entities within the Group breached certain financial covenants on the working capital facility and the ship financing facilities which had implications on the classification of borrowings as current or non-current liabilities. This was a key audit matter due to the magnitude of borrowings and the importance of classification of these borrowings in the financial report.	We performed the following audit procedures, amongst others: • read the most up-to-date agreements between the Group and its financiers to develop an understanding of the terms associated with the facilities • obtained confirmations directly from the Group's financiers to confirm the borrowings' balance • examined waivers for material breaches provided by some financiers • evaluated whether the disclosures were consistent with the requirements of Australian Accounting Standards
Revenue cut off for sale of goods *(Refer to note 3) $497.9 million* Revenue of $497.9m is comprised of two streams including: • Sale of goods of $478.7 million • Vessel chartering of $19.2 million Ensuring revenue from sale of goods is recorded in the correct financial period was a key audit matter due to the higher level of accounting complexity related to the recognition of revenue for shipments in transit at balance date and revenue associated with individual shipments being material to the financial report.	We performed the following audit procedures, amongst others: • assessed the Group's design and performed tests of the operating effectiveness of key controls over the recognition of revenue • tested a sample of revenue transactions recorded both before and after 30 June 2017 to supporting third party evidence to assess whether it was recorded in the correct period • evaluated the adequacy of the disclosures in light of the requirements of Australian Accounting Standards.
Assessment of impairment of non-current assets *(Refer to note 21) $230.7 million* At 30 June 2017 the Group had $230.7 million of property, plant and equipment. Due to reduced profitability during the year, the Group considered whether there were any indicators of impairment for any individual assets or cash	We performed the following audit procedures, amongst others: • assessed whether the division of the Group's property, plant and equipment and intangible assets into CGUs to assess impairment, which are the smallest identifiable groups of assets that can generate largely independent cash inflows, was consistent with our

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Key audit matter	How our audit addressed the key audit matter
generating units (CGU's). Where a CGU was performing below its forecast cash flows, the Group considered that there was an impairment indicator and performed an impairment assessment. Indicators of possible impairment were identified in relation the Group's vessel fleet and processed meat CGUs. Consequently, the Group prepared a value in use calculation for the vessel fleet and processed meat CGUs. These value in use calculations included significant judgements in relation to discount rates. Based on these value in use calculations, the Group concluded no impairment charge was required in relation to the vessel fleet CGU whereas $0.9m impairment charge was required in relation to the processed meat CGU. This was a key audit matter because of the significant judgement involved in considering impairment indicators, estimating the recoverable amounts of assets and CGUs, and the impact impairment on the financial report.	knowledge of the Group's operations and internal reporting • evaluated the Group's assessment of whether there were any indicators of asset impairment, by comparing the prior year cash flow forecasts to the actual results achieved in the current period. This lead us to focus in particular on the carrying value of the vessel fleet and processed meat CGUs given their financial performance was below forecast • in relation to the value in use calculations for the vessel fleet CGU and the processed meat CGU: o considered whether the discounted cash flow model used to estimate the 'value in use' (the impairment model) was consistent with the basis required by Australian Accounting Standards o tested whether forecast cash flows used in the impairment model were consistent with the most recent budget approved by the Directors o considered whether the forecast cash flows used in the impairment model were reasonable and based on supportable assumptions by: o comparing the forecasted cash flows to actual cash flows for previous years to assess the accuracy of the Group's forecasting o comparing foreign exchange rate and inflation rate assumptions in the impairment model to current economic forecasts o assessing the Group's discount rate calculations, including having regard to the inputs utilised in the Group's weighted average cost of capital, assisted by PwC valuation experts o Tested the internal mathematical accuracy of the impairment model's calculations

INDEPENDENT AUDITOR'S REPORT

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Key audit matter	*How our audit addressed the key audit matter*
	• assisted by PwC valuation experts, assessed the methodologies adopted in value in use calculations • evaluated the adequacy of the disclosures made in note 21, including those regarding the key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information included in the Group's annual report for the year ended 30 June 2017 comprises the Message from the Chairman, Managing Director's report, Directors report and the Corporate Directory (but does not include the financial report and our auditor's report thereon) which we obtained prior to the date of this auditor's report. We expect other information to be made available to us after the date of this auditor's report, including Highlights, Corporate Governance Statement, and ASX additional information.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

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Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 24 to 36 of the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Wellard Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
21 September 2017

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is accurate as at 21 September 2017.

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act are set out in Figure 20 below.

Figure 20

No.	Shareholder	Number of Shares Held	% of All Shares
1.	Hongkong Fulida International Trading Company Limited	130,094,894	24.49
2.	WGH Commodities Land and Transport Pty Ltd	80,000,000	15.06
3.	Heytesbury Pty Ltd	55,380,059	10.42
4.	Innovation Bloom Limited	36,871,666	6.94

SHARES ON ISSUE

The total number of shares on issue is 531,250,312 and these shares are held by a total of 2,626 registered shareholders.

DISTRIBUTION OF SHAREHOLDERS

The distribution of all shareholders is set out in Figure 21 below.

Figure 21

Range	Total Holders	Shares	% of All Shares
1 – 1,000	114	47,534	0.01
1,001 – 5,000	499	1,601,657	0.30
5,001 – 10,000	460	3,677,580	0.69
10,001 – 100,000	1,186	41,606,123	7.83
101,000 and over	310	484,317,418	91.17
Total	**2,569**	**531,250,312**	**100.00**

UNMARKETABLE PARCELS

The minimum parcel size at 21 September 2017 per unit is 3,030 shares.

There are 513 shareholders that hold unmarketable parcels.

TOP 20 SHAREHOLDERS

The top twenty registered shareholders of the Company are set out in Figure 22 below.

Figure 22

No.	Shareholder	Shares	% of All Shares
1.	Hongkong Fulida International Trading Company Limited	130,094,894	24.65
2.	WGH Commodities Land and Transport Pty Ltd	80,000,000	15.16
3.	Heytesbury Pty Ltd	55,380,059	10.49
4.	Innovation Bloom Limited	36,871,666	6.99

ASX ADDITIONAL INFORMATION

No.	Shareholder	Shares	% of All Shares
5.	Citicorp Nominees Pty Limited	29,181,035	5.53
6.	J P Morgan Nominees Australia Limited	15,354,662	2.91
7.	Vine Street Investments Pty Ltd	8,273,529	1.57
8.	Mrs Giovanna Boventi Faroni	5,405,405	1.02
9.	Heytesbury Pty Ltd	5,312,503	1.01
10.	J P Morgan Nominees Australia Limited	4,545,845	0.86
11.	Brazil Farming Pty Ltd	3,500,000	0.66
12.	HSBC Custody Nominees (Australia) Limited	3,386,773	0.64
13.	Dynamic Supplies Investments Pty Ltd	3,000,000	0.57
14.	Morizon Investments Pty Ltd	2,995,415	0.57
15.	HSBC Custody Nominees (Australia) Limited-GSI EDA	2,750,000	0.52
16.	NFDH Health Essentials PTY LTD	2,560,000	0.48
17.	Ms Xia Zhao	2,450,000	0.46
18.	Mr Steven Boyd Taylor	2,255,000	0.43
19.	Easytone Communications P/L	2,133,108	0.40
20.	Mr Zixiao Zhao	1,830,569	0.35
21.	Jastal Family Investments Pty Ltd	1,642,500	0.31
Total		**394,510,503**	**74.75**

CONVERTIBLE NOTES ON ISSUE

The total number of convertible notes on issue is 20,000,000 and these convertible notes are held by a total of 3 registered convertible note holders.

DISTRIBUTION OF CONVERTIBLE NOTE HOLDERS

The distribution of all convertible note holders is set out in Figure 23 below.

Figure 23

Range	Total Holders	Convertible Notes	% of All Convertible Notes
1 – 1,000	3	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
101,000 and over	3	20,000,000	100.00
Total	**3**	**20,000,000**	**100.00**

OPTIONS

The Company does not currently have any options on issue.

VOTING RIGHTS

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

CORPORATE DIRECTORY

DIRECTORS

David Griffiths
Non-Executive Chairman

Mauro Balzarini
Managing Director

Kanda Lu
Executive Director

Fred Troncone
Non-Executive Director

Philip Clausius
Non-Executive Director

John Klepec
Non-Executive Director

COMPANY SECRETARY

Michael Silbert

AUDITORS

PricewaterhouseCoopers

Level 15
125 St Georges Terrace
Perth WA 6000

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Facsimile: +61 8 9238 3999
Website: www.pwc.com.au

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Telephone: +61 8 9432 2800
Facsimile: +61 8 9432 2880
Website: www.wellard.com.au

SHARE REGISTRY

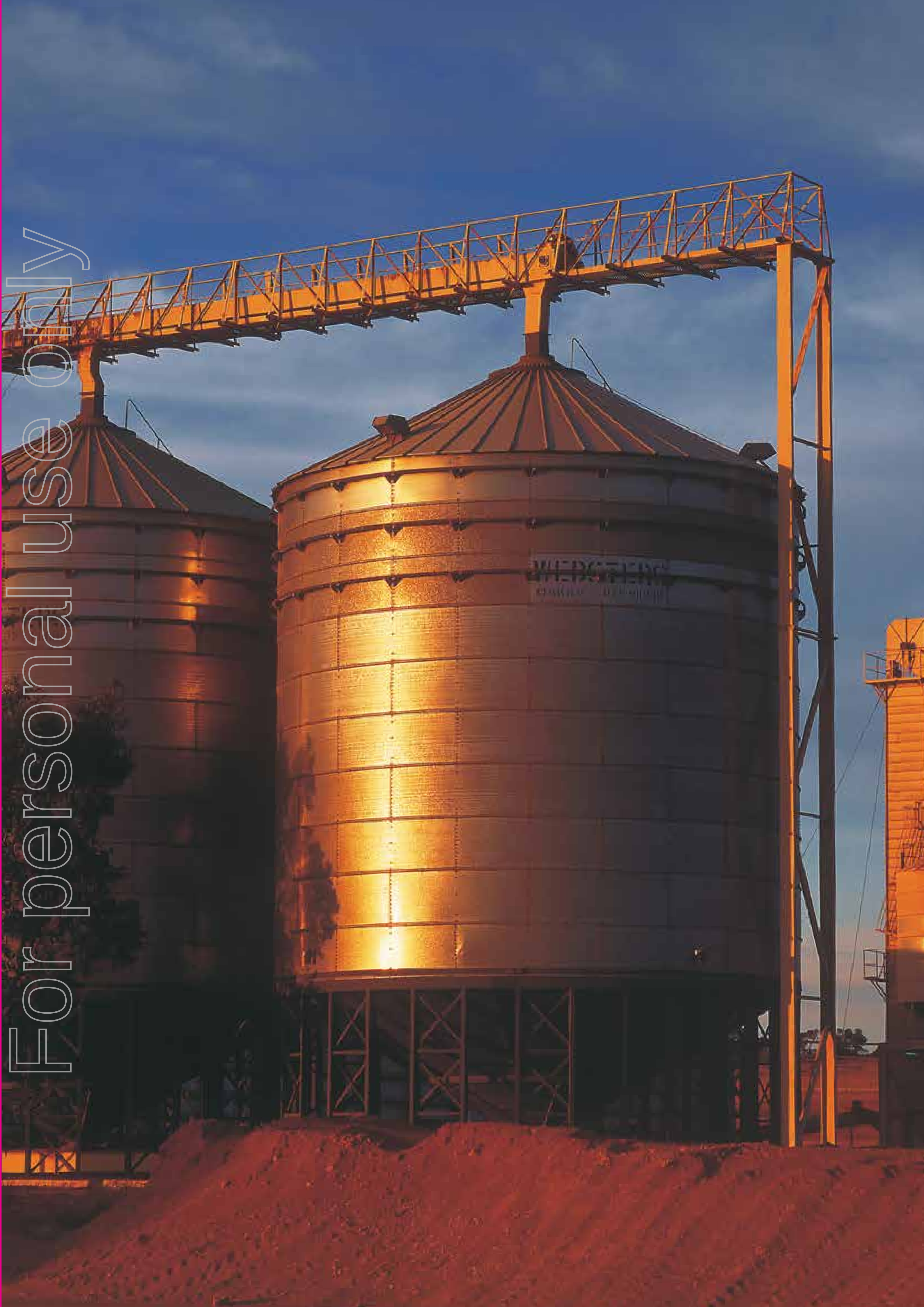
Link Market Services

Level 4
152 St Georges Terrace
Perth WA 6000

Telephone: +61 1300 554 474
Facsimile: +61 2 9287 0303
Website:
www.linkmarketservices.com.au

SECURITIES EXCHANGE LISTING

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



Wellard

www.wellard.com.au