Wellard

FY2018 ANNUAL REPORT

Wellard is meeting rising global demand for protein through the supply of quality livestock and value-added-product to consumers throughout the world. Our principal business is the supply of live cattle into Asia, providing an important link between producers of quality livestock and consumers.

Wellard

03 Message from the Chairman

FY2018

I am pleased to report that Wellard has delivered an improved financial result in FY2018. However, it is clear more work needs to be done by the Company to better position it to meet the current market challenges and deliver sustainable satisfactory returns for shareholders from our valuable assets.

Most pleasing was the $32.2 million improvement to the Company's EBITDA[1] which increased from a $22.3 million loss in FY2017 to earnings of $9.9 million for FY2018.

Net Profit After Tax (**NPAT**) improved by $38.9 million on the $75.3 million loss in FY2017 but was still a loss of $36.4 million for the financial year. A net loss remains unacceptable to the Board. Wellard's Board, management and staff will continue to put full focus and effort on achieving a return to profit.

The Board has completed a strategic review, and whilst the strategic themes of Wellard remain the same, during the rebuilding of the balance sheet the Company will continue with the current breeding and dairy trading operations, chartering of ships to third parties and will narrow its trading focus to Australian sourced cattle to South East Asia where Wellard has traditionally been a dominant player.

In refocusing the strategy, it was agreed that a new senior manager should lead its implementation, and on 3 August 2018 the Board announced executive management changes that have resulted in my taking over the operational management of the Company on an interim basis until a permanent replacement can be found.

The Board is acutely aware that we need to strengthen Wellard's balance sheet. Our net asset position has reduced to $101.5 million and as a result our debt to capital ratio has increased slightly. Whilst the ratio of our ship loans to their asset book values has reduced to 61.0%, they mature at a much faster rate compared with the expected earnings profile of those assets. As such, net debt levels of $136.6 million, and more specifically the lump sum principal repayments due within the next two years remain too high for the current market conditions. In conjunction with efficiently managing our vessel utilisation and shipping capacity, debt reduction and working capital will be management priorities in the coming year.

Furthermore, as a consequence of the FY2018 financial results triggering a breach of a number of our banking covenants, all of Wellard's long-term debt was required to be classified as being current. As in prior years, the Company is in discussions with respect to waivers of covenant breaches on its debt facilities.

The Company is currently in discussion with the Commonwealth Bank of Australia (**CBA**) in regards to the extension of a working capital facility beyond 31 October 2018. The CBA have provided notification that a waiver is unlikely to be issued in respect of the covenant breaches at 30 June 2018 until these discussions are finalised.

Wellard is working closely with its financiers and to date has maintained a good relationship while engaging with them to obtain the necessary waivers. As a result, the Company

[1] EBITDA equals loss from continuing operations before income tax, less depreciation and amortisation expenses, less net finance costs, less other gains/(losses) arising from other activities, less impairment expense.

Message from the Chairman

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.

Our FY2018 financial result was aided by an ongoing and effective cost cutting program. Following an extended period of increased input costs and reducing margins, Wellard previously identified the need to strip significant costs from the business so that it could become competitive in both charter and export markets, and better align with persisting challenging market conditions.

The 'cost-out' program we announced in FY2017 targeted a $10 million reduction in year on year operating and administration expenses in FY2018. That program has been very successful with total costs (excluding other gains/losses) reducing by 24.3% in FY2018 (which is on top of a 15.9% reduction in FY2017), so much so that operating and administration expenses reduced by $17.3 million in FY2018.

While disciplined cost control is important, the Board recognises that revenue growth is ultimately required to drive shareholder returns.

VALUES

I have recently been talking to Wellard's staff about our Company's values, and it is appropriate to also share these more widely in the context of this Annual Report.

We are a global leader in sourcing, handling and shipping cattle. We connect importers and exporters of cattle by efficiently moving stock from the farm to international importers and processors in a timely manner. We do it by utilisation of a purpose-built fleet of livestock carriers designed and built to improve animal health outcomes that can consistently and reliably deliver quality sourced livestock in a healthy stress-free condition to our customers.

Our values are:

Animal Welfare

We take care and responsibility for every animal that we handle and move on our ships.

Entrepreneurship

Our history is steeped in entrepreneurial endeavours and we foster the same spirit in all our people who act with professionalism, safety and take personal ownership of everything they do.

Simplicity

We aim to source and move livestock for our customers efficiently maintaining at all times a focus on excellence, continuous improvement and sustainability.

OUTLOOK FY2019

Wellard's operating and financial performance in the fourth quarter of FY2018 was encouraging, and with the revenue visibility afforded by long term charters of some of our vessels, we are expecting to start FY2019 in a better position than FY2018.

Drought conditions that have been expanding across Australia will impact upon the volume and price of livestock that will be available for purchase in Australia over the coming year. The severity of the drought is different across regions and hence its impact will vary depending upon location, animal type and weight.

In general, drought conditions result in a herd liquidation during which prices reduce and are then followed by a herd rebuild as growing

"We take care and responsibility for every animal that we handle and move on our ships"

conditions improve, during which prices increase. In a liquidation phase, heavier "ready for processing" cattle have a higher value, whilst in a rebuild phase lighter feeder cattle are priced at a premium.

It is likely that the current liquidation phase, particularly in Queensland, has helped increase live export volumes over the past several months. If the liquidation continues to build, then the price of lighter cattle may reduce and become more attractive for customers in Indonesia who prefer feeder cattle. Customers in countries which import heavy "ready for processing" cattle, such as in Vietnam and China, may be forced to pay higher prices during this liquidation phase. The opposite will be true as conditions revert to a rebuilding phase.

The Company's strategic refocus means the Company will actively seek charter opportunities for its vessels and we will refocus on the business we know best, that being the Australia to South East Asia live cattle market together with the trade of high quality breeding and dairy cattle. Managed with care and with good risk management practices, chartering can produce reliable earnings, supplemented by the incremental profit to be earned from cattle trading, particularly to Indonesia and Vietnam.

Wellard knows how to assemble, load and manage very large shipments of cattle to these markets successfully, and we consider this a core competency.

The Company's vessels have developed a reputation for performance and good animal welfare outcomes on long-haul routes, which aids demand and assists with the ability to levy premium charter rates.

As we enter FY2019, the team has already fixed external charters for a significant proportion of its shipping capacity for the first half of the financial year. As the first two quarters unfold, the team will place emphasis on securing contracts for the remainder of the year, with the objective of reducing risks on the bulk of the Company's shipments.

CONCLUSION

I wish to thank and acknowledge the hard work of all of Wellard's people in Singapore, Australia and in key markets across the world, our staff are doing business every day of the week. This is not a 9-to-5 business and I am constantly impressed with the dedication of Wellard's staff at all levels.

In particular, I thank David Griffiths, the public Company's inaugural Chairman, for the rigour and fairness he brought to the role. David retired on 28 June 2018 and I know the Board joins me in extending its appreciation.

I wish to thank Wellard's extended network of supporters, including the farming families who supply us with premium quality livestock, the transport and logistics people who deliver that stock to us, the multitude of other suppliers, and naturally our customers. I believe that it is true to say that when these people begin to deal with Wellard, they begin a relationship which is profitable, professional and very often, long-lasting. Wellard is very proud of being at the centre of this.

My thanks also go to Wellard's shareholders, financiers and many other stakeholders who supported Wellard during the past 12 months as we implemented the changes that were necessary to improve the Company's performance. Recognising that we have more work to do, the entire Wellard team is committed to achieving high utilisation of its four ships by profitable chartering and trading at the lowest cost to deliver improved consistent financial results.

Yours sincerely

John Klepec

EXECUTIVE CHAIRMAN

07 Operations Report

The 2018 financial year was a period of significant change for Wellard as the Company worked through difficult trading conditions while preparing itself to seize opportunities as markets recovered. Our back-to-basics approach improved competitiveness through a cost-out program and by refocusing on serving key markets.

Wellard continues to be a global leader in the export of cattle. Some significant highlights in the past financial year include:

- Exporting the largest consignment of beef heifers ever shipped from Uruguay to China. A 99.9% success rate was achieved on the voyage, reflecting the quality of our purpose-built vessels and the expertise of our stockmen and crew;
- Completing the 100th voyage milestone for the MV Ocean Swagman. On those 100 voyages the vessel travelled 690,074 nautical miles (almost 1.3 million kilometres) which is equivalent to circumnavigating the world at the equator almost 30 times;
- The successful completion of the second shipment in a program to supply 20,000 dairy cattle to Sri Lanka; and
- Achieving improved vessel utilisation by successfully chartering our high-quality vessels to third parties in conjunction with Wellard's own livestock trading.

The main contributors to the improved earnings in the past year were a reduction in overhead costs, concentrating our focus on major markets, balancing a mix of internally-managed shipments and external charter voyages, and an easing in the price of cattle in Australia in the latter part of the 2018 financial year. As livestock markets improve, the team will focus on recovering better trading margins while continuing to concentrate on gaining further operational efficiencies through a continuous process improvement program, and by further refocussing our strategy to concentrate on core livestock and charter markets.

The Company's cost-out program achieved year-on-year savings of $17.3 million through reductions in external consulting expenses, the removal of non-core administrative roles, the closure of Wellard's offices in Italy and South America and associated significant reduction of employee numbers in South America. The objectives of our internal restructure were to improve efficiency, reduce overheads and maintain our core capabilities - people and assets that are critical to generating income from our major markets while reducing or closing locations least likely to produce long term value for the business. More importantly, the Company is continuously reviewing shifts in market demand so that resources can be optimally deployed.

To generate acceptable income while also mitigating trading risks, the Company actively managed its charter levels, chartering a higher percentage of its livestock shipping capacity to external companies. By way of comparison, 70.0% of Wellard's shipping capacity was chartered to third parties in FY2018, versus 15.6% in FY2017. The Company will remain responsive to market dynamics, and as markets recover and the risks associated with livestock trades diminish, the Company will reassess the proportion of internally managed voyages. In the near-term, however, chartering will be an important part of our revenue mix.

In FY2018, Wellard significantly

reduced its permanent operational and administrative footprint in South America, however the Company continues to participate in the trade from this location via the chartering of its vessels. The Company has also undertaken selected trading voyages from South America, coordinated by a small local and international Wellard team. For example, in June 2018 Wellard exported a cargo of 9,200 high-value Angus breeding heifers from Uruguay to China, which set a record for this type of shipment from the location. The shipment was made possible by Wellard's unique shipping assets and a team capable of successfully managing a consignment of this size and type. The one-month voyage achieved a success rate of 99.9%.

Vessel utilisation is a key performance indicator for Wellard. The Company's fleet utilisation in FY2018 was impacted by one charterer defaulting on a contract for three long-haul voyages which negatively impacted ship utilisation in the third quarter of FY2018.

During the 2017 calendar year approximately 670,000 head of cattle were exported from Brazil and Uruguay combined and some estimates expect this number to grow to 900,000 head during the 2018 calendar year, with the principal destination being Turkey. Due to the long journey times involved in shipping livestock from South America to the Mediterranean and the Middle East, this trade route has absorbed a significant proportion of the global livestock shipping capacity.

In the past two years, Turkey's live cattle imports have grown from 203,000 head in 2015 to 896,000 head in 2017.

At the time of writing, the Company has chartered one large vessel, the MV Ocean Shearer, until the end of the 2018 calendar year on successive South America to Turkey voyages, ensuring the vessel is fully utilised and providing Wellard with earnings visibility for that vessel for the first half of FY2019.

Our three remaining vessels are presently focussed on trade from Australia, where they are either being used to transport Wellard-exported cattle or are chartered to third party exporters.

Indonesia has been Australia's, and Wellard's, largest market for a decade, however margins have been pressured in the past two years by imported, frozen Indian buffalo meat substituting the sustained higher priced Australian sourced beef. In response, Wellard relocated both the MV Ocean Drover and the MV Ocean Swagman during the Northern Australian wet season when supply is traditionally tight and purchase prices high.

From May 2018 onwards it was evident that trading conditions were becoming more favourable so the MV Ocean Drover has returned to South East Asian routes and is currently undertaking the first of consecutive shipments of cattle to Indonesia. If prices remain subdued or soften, then there will be continued opportunities to export large volumes until the Northern Australian wet season begins to restrict numbers.

A falling Australian dollar, the decline in the number of cattle on feed in Indonesia and the return to a profitable trading environment for Indonesian cattle importers did provide import demand and therefore better live export margins in the last quarter of the financial year. That has however resulted in a price response for Australian light weight feeder cattle suitable for the Indonesian trade, with that class of animal now trading at about 300¢/kg liveweight, from Darwin, a 34¢/kg increase in the first two months of FY2019.

Throughout the first half of FY2018 the market conditions in Vietnam prompted Wellard's largest importer to reduce inventory, thereby limiting our Company's export opportunities. In the second half, increased exports of local Vietnamese cattle to neighbouring countries opened up space in the market for Australian cattle. This was aided by a drought-induced fall in Australian cattle prices and increased supply late in the half, which in turn assisted Wellard's volumes and trading margin. Wellard's commitment to animal welfare is reflected in its investment in the world leading ESCAS program, and in Vietnam the Company trades with long standing customers with fully controlled supply chains.

Live slaughter and feeder cattle exports to China remain a work in progress. To be commercially sustainable and to provide the-economies of scale required to be competitive, exporters and importers require large-sized cattle shipments. The ability of the Chinese consumer market to absorb big numbers is unquestionable, however to date very strict import protocols, such as the requirement to slaughter all cattle from a shipment within 14 days of arrival, are limiting importers' ability to purchase large-sized cattle consignments.

Some conservatism in the creation and early application of the protocols was expected. The signing of an import protocol between Australia and China, to allow slaughter and feeder cattle imports, was a landmark agreement.

However, to date there has been little progress in efforts to seek an official review of the importing restrictions. Until that happens we are likely to see smaller, boutique shipments rather than a regular, commercially sustainable trade.

Wellard is also closely watching the escalating trade tariff tensions between the USA and China to determine any impact on its earnings.

Despite the drought that has enveloped much of Eastern Australia, slaughter cattle prices have remained relatively high, and this limits the potential of our trade in processor-ready cattle to Vietnam due to importers restricted ability to make a profit on such trades.

Despite high Australian cattle prices for the majority of the 2018 financial year, total live cattle export volumes from Australia increased by a modest 5% year on year (957,537 head exported) with the two largest live cattle markets, Indonesia and Vietnam, showing a 4% decline and a 5% increase in volume respectively against the previous financial year. Feeder and slaughter cattle exports in the June quarter of FY2018 were higher than in the corresponding period last year, with higher demand fuelled by lower prices in Australia and the more favourable AUD/USD foreign exchange rates.

According to Meat and Livestock Australia (**MLA**) industry projections for 2018 (April update), a relatively dry summer in Victoria and NSW saw an increase in the number of cattle slaughtered, driving the Eastern Young Cattle Indicator (**EYCI**) lower. This dry period has turned more recently into a drought in some areas, however dramatically lower cattle prices have not yet resulted from these regions. The development of seasonal conditions over the Australian

FY2018 Indonesia
15 Shipments

Operations Report

winter will influence future pricing but a largely neutral to dry weather outlook should avoid significant variations. MLA has predicted that the growing volume of exports from the US and South America will also keep downward pressure on the finished cattle market in Wellard's principal international live cattle export markets.

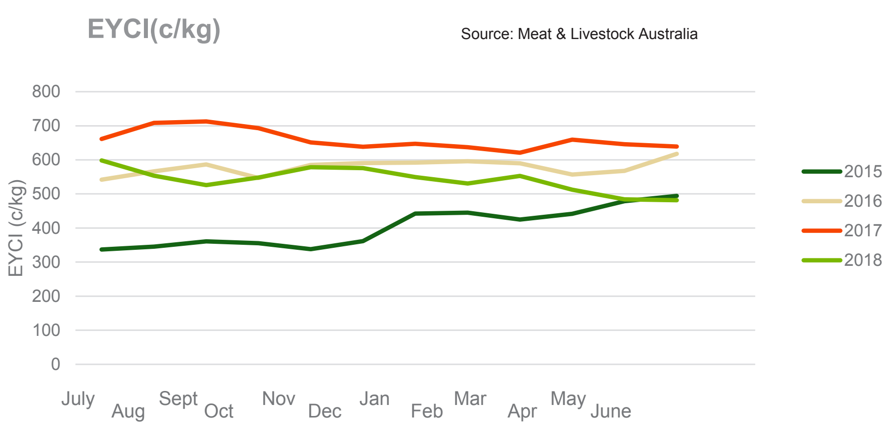
In May of 2018 the EYCI returned to below 500¢/kg cwt (carcase weight), a level not seen since May 2015. Although there is not a perfect correlation between the EYCI and live export cattle purchase prices, in the Company's experience such a price adjustment eventually flows through to other categories of cattle.

During the past year the Australian dollar has traded in the range of US73¢ to US81¢, and the lower pricing assisted in offsetting Australian cattle prices. This, combined with a decline in the price of Australian cattle in the last quarter of FY2018, stimulated higher demand from traditional Asian markets during that quarter.

As Australia exports a significant proportion of its processed beef to the USA and to Asian countries that are also supplied by the USA, the price of Australian beef and cattle are sensitive to production in the USA. Projections published by MLA forecast that US beef production in the coming year will increase by 5.0% in 2018, which is likely to moderate Australian cattle prices.

Wellard's FY2018 market share in Indonesia and Vietnam has reduced. Based on expected supply and pricing, Wellard will focus on its activities in these two markets having conceded ground due to the company's successful strategy to charter a higher proportion of its shipping capacity to third parties while trading conditions in South East Asia were less favourable.

Animal welfare in the live export trade came under the spotlight in Australia in 2018. An exposé on unacceptable shipboard practices on a non-Wellard vessel operated by a competitor exporting sheep to the Middle East in 2017 sparked an immediate



Federal Government review of shipping and live export standards with a consequent tightening of regulations to prevent similar issues recurring. There is also an ongoing federal review of Australian Maritime Safety Authority (**AMSA**) shipping regulations relating to live exports - still to be finalised. Wellard has for several years lobbied the Australian Government to improve shipping regulations relating to the transport of live animals and this most recent event, whilst unfortunate, was the catalyst for well-overdue changes. Tougher shipping regulations will reward the investment that Wellard has made in modern, technologically advanced vessels, which already meet the highest standards in the industry.

Wellard currently has little exposure to the Middle East live sheep market, so the interruption of sheep shipments into the region has not materially impacted the Company's results. The overall volume of live sheep exported to the Middle East may decrease, forcing a reduction in sheep prices in Western Australia as most sheep that are exported live are drawn from this State.

Lower sheep prices in Western Australia would benefit local sheep meat processors, particularly those that export to international markets, such as Wellard's abattoir, Beaufort River Meats (**BRM**). The BRM abattoir competes with processors based on Australia's East Coast and lower input (livestock) costs in Western Australia is likely to create a price advantage.

Historically, BRM's principal sheep meat customers are in China, Hong Kong, the Middle East and the United States.

DELIVERING QUALITY FROM A VERTICALLY INTEGRATED SUPPLY CHAIN

Wellard owns or controls critical and strategic infrastructure at important points across its supply chain, including 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.

STRATEGY

Wellard's vision is to be a global leader in the supply and transport of quality livestock across the globe, to the highest animal welfare standards, and utilising our world class fleet of purpose-built vessels. This vision will be delivered through a strategy refocused on prioritising vessel utilisation towards lower volatility charter earnings that are sustainable throughout the market cycle, supplemented by higher margin opportunistic trading activities where market and risk conditions are favourable.

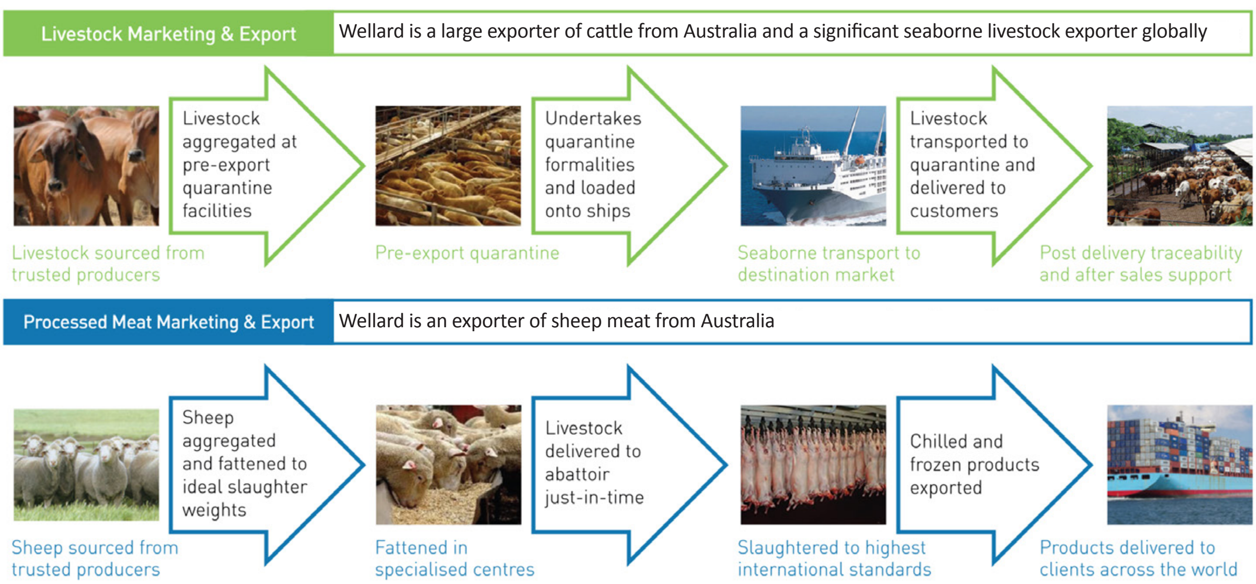
This will be achieved through:

World class assets

Wellard's fleet of technologically advanced, purpose-built livestock carriers attract a premium in the marketplace. The results that exporters achieve on our vessels in terms of weight gain, mortality and animal welfare, have stimulated repeat business, particularly on long-haul voyages from South America to the Mediterranean.

The performance of Wellard's vessels creates both charter demand and rate premiums and remains one of Wellard's competitive advantages in the global live export industry.

Overview of Wellard's activities



Operations Report

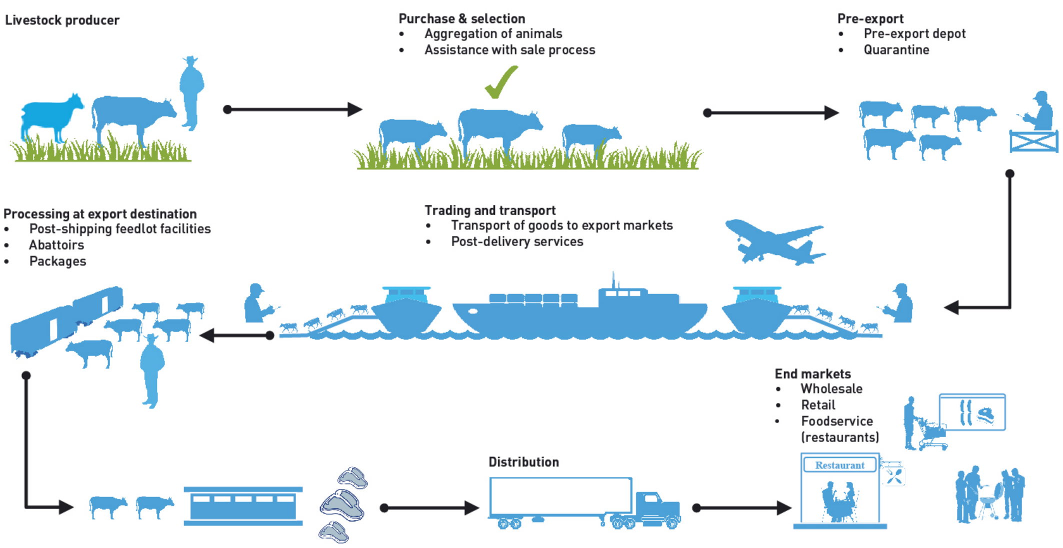
Proposed changes to the regulatory environment in Australia for livestock vessels (review of Marine Orders 43) have reinforced Wellard's market leading position. Vessels with superior ventilation systems will be approved to carry more animals per metre squared of deck area while vessels with inferior ventilation will incur stocking density restrictions.

Wellard's vessels belong in the former category, so are expected to provide exporters, whether Wellard or third parties, who use our vessels with better value for money in terms of charter rates paid versus number of livestock loaded as well as superior animal welfare outcomes.

Greater earnings consistency and reliability

With its previous focus on exporting cattle and sheep, Wellard has experienced considerable year to year earnings volatility as the vagaries of the weather, cattle and sheep prices, market access changes, currency fluctuations and fuel prices impacted on the revenues and costs associated with trading cattle, and to a lesser degree sheep.

The Company is seeking to reduce this earnings volatility by focussing on the vessel charter market, which can provide greater certainty and forward earnings visibility. The Company will then adopt a more opportunistic approach to trading cattle to South East Asia when market conditions in Australia and our customer markets



Livestock Export Supply Chain

"Financial returns to the Company are optimised when our expertise and assets are fully utilised"

enable a trading margin which is superior to the charter of our vessels.

This will also allow a cost base saving as a scaleable trading division model is implemented.

At the same time, it is important to note that Wellard has developed a loyal customer base in South East Asia, some of whom have been supplied by Wellard for approximately 20 years, and others who are more recent additions to the Wellard client base but possess an industry dominant position. These customers must continue to be serviced even when trading margins are less than charter-only margins, so they can provide volume opportunities when healthy trading margins can be achieved.

Wellard possesses incredible expertise in the safe and efficient export and transport of livestock.

Financial returns to the Company are optimised when our expertise and assets are fully utilised.

The Board has identified three key areas where utilisation and return on investment are optimised:

- Chartering vessels to operate on long haul voyages, with some short haul for smaller vessels;
- Exporting slaughter and feeder cattle to South East Asia; and
- Exporting breeding (beef and dairy) cattle.

Wellard has conducted a cost benefit analysis of maintaining a large global presence to foster market development. The analysis found that in the current environment, there is a not a sufficient return on investment to support the continuation of this model.

As a result, the Company is simplifying its business model and removing an overhead cost in the process.

By focusing on its core markets, Wellard can streamline its operations and utilise its assets (staff and infrastructure) to the fullest extent possible.

LIVESTOCK CARRYING CAPACITY

All of Wellard's vessels have the highest-class notation. All vessels are fully certified by AMSA 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 the challenging market conditions described elsewhere in this Annual Report, as well as Wellard's focus on rebuilding its balance sheet, Wellard's FY2018 fleet review resulted in the Company commencing negotiations to either exit or delay the build contract for the MV Ocean Kelpie, which is contracted for delivery by 30 June 2019. As these negotiations continue it is possible the Company may breach future commitments under the contract. At this time, it is too early to determine the outcome of those negotiations, however the Company has chosen to fully impair the $13.8 million value it had on its balance sheet at 30 June 2018, reflecting advance payments made under the contract to date.

Wellard is distinguished from most of its competitors due to its ownership of specialty ships, which comprise some of 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:

- Optimum distribution of pens among the decks to provide maximum livestock comfort and stockman accessibility;
- Typical pen size for cattle of only 10 to 13 animals per pen;

Wellard's current fleet composition

	MV OCEAN SHEARER	MV OCEAN DROVER	MV OCEAN UTE	MV OCEAN SWAGMAN
CATTLE CAPACITY	20,000	20,000	6,000	7,000
SHEEP CAPACITY	75,000	75,000	22,000	26,000
CAPACITY M^2	23,500	23,500	7,000	8,000
FODDER CAPACITY	3,000 tonnes	2,700 tonnes	750 cbm	1,200 tonnes
SPEED	20 knots	19 knots	14 knots	17 knots
SUITABILITY	long and short-haul operations	long and short-haul operations	long and short-haul operations	long and short-haul operations

Numbers are rounded and may vary in different markets.

“Wellard has made significant investment in modern, technologically advanced vessels”

- Optimal vessel stability to ensure animals are comfortable in all sea conditions;
- A ventilation system which allows complete and even air circulation in spaces where livestock are carried;
- Automatic distribution of fodder and fresh water in each pen through the cargo area;
- Desalination of sea water through reverse osmosis systems to provide an abundance of fresh water for livestock requirements; and
- 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.

Ship distance travelled FY2018

equivalent to

8X

around the world

During FY2018 MV Ocean Swagman completed its 100th voyage

ANIMAL WELFARE

Animal welfare is at the heart of everything we do at Wellard.

As a global leader in the export of livestock, we are conscious of our leadership role in our sector, which is why our team is committed to achieving optimal animal welfare outcomes while livestock are under our care.

Our investment in technologically-advanced, modern livestock vessels reflects our animal welfare ethos.

In addition to our own strict standards, we constantly seek to improve regulatory standards which govern our industry.

For example, Wellard has long campaigned for regulatory reform for livestock vessels operating from Australia. Over the past decade our Company has met and corresponded with politicians from all parties, regulators and industry stakeholders to outline the need for shipping reform.

Recent issues with live sheep exports to the Middle East have placed a focus on various regulatory issues impacting the live export industry, including shipping standards.

As a result, AMSA, which sets and enforces livestock shipping standards under the Marine Orders 43 maritime regulations, has proposed the acceleration of three shipping key reforms by January 2020. These are consistent with the shipping reforms proposed by Wellard.

Other recent regulatory changes imposed on the live export sector include:

- Changes to stocking densities, particularly during the northern hemisphere summer;
- Independent animal welfare observers added on all live export voyages; and
- Improved auditing of vessel ventilation systems.

Wellard largely supports these reforms. It is our position that livestock can be safely exported in a manner that meets community expectations provided the right shipping regulations, on-board management practices, and levels of accountability are in place.

However, it is also vitally important that we continually scrutinise our own operations so that we implement practical measures to optimise animal welfare. Some real examples of how we are improving animal welfare in the past 12 months include:

- Establishing one of the first ESCAS supply chains in China;
- Adding a voluntary full vaccination dosage of Bovilis MH and IR into our China export protocol to prevent respiratory issues with cattle on-board and in-market;
- Choosing to administer Bovilis MH to cattle from northern properties where there is a history of respiratory issues upon arrival at Indonesian feedlots;
- Liaising closely with the Buffalo Council's revision of standard operating procedures for producers to aid education and improve standards of preparation for export;

- Being actively involved in research into adding certain mineral supplements in pre-export quarantine and on vessels and the effect on animal health;
- Providing continual on-the-ground support in all our ESCAS markets, including delivering training and advice to our clients;
- Working with Meat and Livestock Australia to host a sheep producer field day to improve preparation of livestock on-farm, before transport to pre-export quarantine; and
- Hosting an industry workshop to improve knowledge about scabby mouth in sheep and the correct administration of the vaccine, including OH&S and animal welfare requirements.

This is just a snapshot of the contribution and improvements Wellard makes as part of our continuous improvement program for animal welfare.

We strive for perfection, but we do not pretend to be perfect. Wellard addressed one animal welfare issue in FY2018.

In December 2017, a reportable mortality event occurred during the MV Ocean Ute's voyage to Vietnam carrying buffalo and cattle. It was the first time a reportable event had occurred on the vessel in its 40-plus voyages under Wellard ownership.

Nineteen of the 842 buffalo did not complete the voyage, representing a mortality rate of 2.25%.

This unacceptable buffalo success rate was well below that achieved by the bulk of the cargo, where 3,373 cattle travelled normally and recorded a mortality rate of 0.12% (i.e. four cattle), well-within Federal Government guidelines.

Wellard closely co-operated with the Department of Agriculture and Water Resource's investigation into the cause of the buffalo mortalities, and the issue was noted publicly on the Department's website.

As an immediate response Wellard developed and implemented a Buffalo Management Plan that established a number of proactive changes to the Company's pre-voyage protocols to minimise the likelihood of reoccurrence of reportable incidents with buffalo.

This includes minimum on-farm confinement at the vendor property and minimum pre-export quarantine duration to help buffalo, prior to boarding the vessel, become accustomed to the feed pellets provided during the voyage.

As similar issues were encountered by other exporters in the same period, Wellard is actively working with the live export industry, buffalo industry and MLA to conduct further research and development in this area.

There are two key planks to Wellard's animal welfare strategy:

- Proactively identifying and preventing issues that could impact animal welfare outcomes on future voyages; and
- Analysing animal welfare performance to identify and address issues or trends which could lead to negative animal welfare outcomes.

Wellard acknowledges that it is a steward of the live export industry upon which many Australian sheep and cattle producers rely.

We must, therefore, be forever vigilant in our desire to achieve the best animal welfare outcomes for the livestock in our care.

PEOPLE AND 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

FTE Employee breakdown by tier and location

By role	Count
Executive	8.0
Senior management	10.5
General	132.1
Total	**150.6**

By location	Count
Australia	118.1
Singapore	20.0
Other offices	12.5
Total	**150.6**

Injury incidents*

	Number	Frequency rate (per million work hours)
Lost time injuries (LTI)	10	5.2
Medically treated injuries (MTI)	7	3.6

**Recorded and calculated per Australian Standards AS 1885.1-1990 Workplace injury and disease recording standard.*

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 2018, Wellard's employees totalled 151. 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.

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;

(e) Official Sponsor of Beef Australia; and

(f) 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 US$1 billion in export earnings annually to the Australian economy. The industry employs over 10,000 people 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 continuing 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.

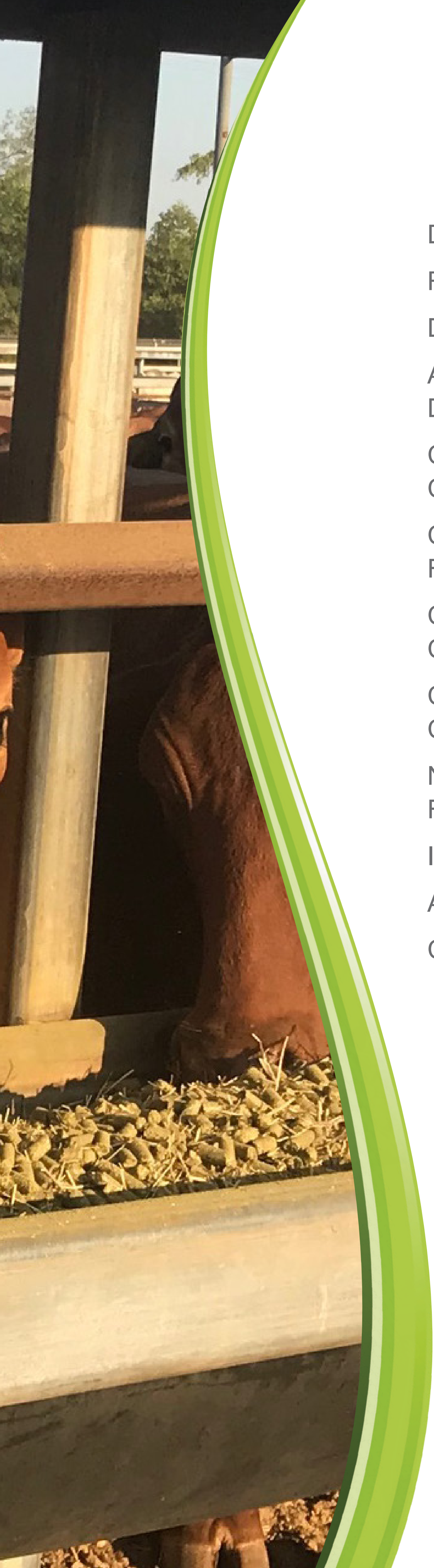
To date Wellard have exported 5,000 of the 20,000 cattle and are scheduled to deliver up to 5,000 in FY2019.

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 largely 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.

21

Financial Report



Director's Report

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 controlled during the financial year ended 30 June 2018 (**FY2018**) and the independent auditor's report thereon.

BACKGROUND

Wellard has delivered an improved financial result in FY2018.

Net Profit After Tax (**NPAT**) improved by $38.9 million on the $75.3 million loss in FY2017 but was still a loss of $36.4 million for the financial year.

The 'cost-out' program we announced in FY2017 targeted a $10 million reduction in year on year operating and administration expenses in FY2018. That program has been very successful with total costs (excluding other gains/losses) reducing by 24.3% in FY2018 (which is on top of a 15.9% reduction in FY2017), so much so that operating, and administration expenses reduced by $17.3 million in FY2018.

While disciplined cost control is important, the Board recognises that revenue growth is ultimately required to drive shareholder returns.

While Wellard's financial results are an improvement on the disappointing results of FY2017, Wellard is committed to a strategic refocus, to target our livestock and chartering business activities into areas that offer the highest returns for the lowest risk.

On 3 August 2018 it was agreed that a new senior manager should lead its implementation, and the Board announced executive management changes that have resulted in the appointment of Mr John Klepec as interim Executive Chairman.

DIRECTORS

John Klepec

Executive Chairman

B.Comm, MAICD

John possesses considerable expertise in business development, commercial management and finance across a wide range of industry groups including agriculture, logistics and commodities.

He has considerable public company experience, including, most recently, as a non-executive director and alternate director of Ten Network Holdings Limited for three years.

Mr Klepec manages his private agricultural developments and was previously 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 BHP Billiton Limited, Mayne Group Limited and with the BGC Group.

During his time at Hancock Prospecting he was responsible for developing Hancock's substantial agricultural portfolio, including the acquisition of 50% of Bannister Downs Dairy, three major Kimberley

Beef Pastoral Stations (Fossil Downs, Liveringa and Nerrima) and two premier Wagyu herds. He also led the sale of a 30% equity interest in Roy Hill to Japanese, Korean and Taiwanese interests for $3.5 billion; the rationalisation of Hancock's coal interests; and was integral to securing the $7 billion of project finance for Roy Hill.

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.

Philip Clausius

Non-Executive Director

BA (Hons) Business Administration

Mr Philip Clausius is the Founder and Managing Partner of Singapore based Transport Capital Pte. Ltd., an investment management and advisory firm focused on the global transport industry. Prior to this, he was Co-Founder and CEO of the FSL Group, a Singapore-based provider of leasing services to the international shipping industry where he oversaw the acquisition and financing of approximately US$1 billion in maritime assets as well as the IPO of FSL Trust in March 2007 which raised about US$330 million in equity proceeds in a globally marketed offering.

As well as a Non-Executive Director of Wellard, Philip currently serves as Director and CEO of Nasdaq OMX Copenhagen listed Nordic Shipholding. In addition to serving as a member on the Advisory Panel of the Singapore Maritime Foundation, he is also the Chairman of the Singapore War Risks Mutual and holds directorships in the Standard Club, Standard Asia, BW Tankers and Bengal Tiger Line.

Philip graduated from the European Business School, Germany in 1992 with the 'Diplom-Betriebswirt' degree.

Kanda Lu

Executive Director -

Business Development Manager China

B. Comm., M. International Relations

Kanda possesses considerable expertise in Chinese commerce, distribution and marketing.

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. He graduated from Macquarie University, where he obtained a Master's degree in International Relations with the degree of Master of International Trade and Commerce Law, and a Bachelor's degree in Commerce.

In addition to his Executive Director role, as Business Development Manager Kanda is responsible for the development and growth of Wellard's entry into the Chinese beef cattle market.

John Stevenson

Executive Director -

Chief Financial Officer

FCA, GAICD, BBus.

John was appointed Chief Financial Officer on 7 November 2016, and an Executive Director on 6 August 2018. John has lived and worked in various countries throughout the Asian region, with over 30 years' experience in the agribusiness, consumer goods, automotive and related consumer financing sectors.

John has previously held senior management and financial positions with some of Australia's largest cattle producers and live-exporters, including Consolidated Pastoral Company Pty Ltd and Heytesbury Beef Pty Ltd. He has also previously worked for Jardine Matheson Ltd, Deloitte and PwC. John is a chartered accountant (Fellow in Australia), a CPA in Singapore, and a graduate of the Australian Institute of Directors program.

Fred Troncone

Executive Director - Operations

B.Bus, GAICD, MBA

Fred was appointed Non-Executive Director of Wellard on 26 June 2017 and Executive Director - Operations on 21 September 2017. Fred resigned effective 3 August 2018.

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 trades and exports live cattle from Australia, New Zealand and South America, and is a supplier of seaborne transportation for livestock globally.

The Group also exports meat from Australia.

Wellard sources livestock in markets where production is surplus to domestic requirements (including Australia, Brazil and Uruguay) and sells livestock and chilled and frozen 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.

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

Wellard's financial results for FY2018 demonstrate a considerable improvement on the previous financial year. The net loss after tax of $36.4 million is a $38.9 million improvement on the $75.3 million loss in FY2017. Nevertheless, a net loss remains unacceptable to the Board. Wellard's Board, management and staff will continue to put full focus and effort on achieving a return to profit.

OPERATING REVIEW

OPERATIONS

The 2018 financial year was a period of significant change for Wellard as the Company worked through difficult trading conditions while preparing itself to seize opportunities as markets recovered. Our back-to-basics approach improved competitiveness through a cost-out program and by refocusing on serving key markets.

The main contributors to the improved earnings in the past year were a reduction in overhead costs, balancing a mix of internally-managed shipments and external charter voyages, and an easing in the price of cattle in Australia in the latter part of the 2018 financial year.

The Company 'cost-out' program achieved year-on-year savings in operating and administration expenses of $17.3 million through reductions in external consulting expenses, the removal of non-core administrative roles, the closure of Wellard's offices in Italy and South America and the associated significant reduction of employee numbers.

To generate acceptable income while also mitigating trading risks, the Company actively managed its charter levels, chartering a higher percentage of its livestock shipping capacity to external companies. By way of comparison, 70.0% of Wellard's shipping capacity was chartered to third parties in FY2018, versus 15.6% in FY2017.

Indonesia has been Australia, and Wellard's, largest market for a decade, however margins have been pressured in the past two years by imported, frozen Indian buffalo meat substituting the sustained higher priced Australian sourced beef. In response, Wellard relocated both the MV Ocean Drover and the MV Ocean Swagman outside of Australia during the Northern Australian wet season. From May 2018 onwards it was evident that trading conditions were becoming more favourable so the MV Ocean Drover has returned to South East Asian routes.

Wellard significantly reduced its permanent operational and administrative footprint in South America in FY2018, however the Company continues to participate in the trade from this location via the chartering of its vessels to other livestock exporters. The Company has also undertaken selected trading voyages from South America.

A falling Australian dollar, the decline in the number of cattle on feed in Indonesia and the return to a profitable trading environment for Indonesian cattle importers did provide import demand and therefore better live export margins in the last quarter of FY2018.

Throughout the first half of FY2018 the market conditions in Vietnam prompted Wellard's largest importer to reduce inventory, thereby limiting our export opportunities. In the second half of FY2018, increased exports of local Vietnamese cattle to neighbouring countries opened up space in the market for Australian cattle. This was aided by a drought-induced fall in Australian cattle prices and increased supply late in the half, which in turn assisted Wellard's volumes and trading margin.

Live slaughter and feeder cattle exports to China remain a work in progress. To be commercially sustainable and to provide the-economies of scale required to be competitive, exporters and importers require large-sized cattle shipments. The ability of the Chinese consumer market to absorb big numbers is unquestionable, however to date very strict import protocols are limiting importers' ability to purchase large-sized cattle consignments.

ASSETS

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

The Company continuously assesses the size and composition of its shipping fleet and may commission the building of new vessels or sell other vessels from time-to-time. In the context of the challenging market conditions described elsewhere in this Annual Report, as well as Wellard's focus on rebuilding its balance sheet, Wellard's FY2018 fleet review resulted in the Company commencing negotiations to either exit or delay the build contract for the MV Ocean Kelpie, which is contracted for delivery by 30 June 2019. As these negotiations continue it is possible the Company may breach future commitments under the contract. At this time, it is too early to determine the outcome of those negotiations, however the Company has chosen to fully impair the $13.8 million value it had on its balance sheet at 30 June 2018, reflecting advance payments made under the contract to date.

OPPORTUNITIES

Wellard's operating and financial performance in the fourth quarter of FY2018 was encouraging. With the revenue visibility afforded by committed multiple charters of some of our larger vessels, we are expecting to start FY2019 in a better position than FY2018.

The Company's strategic refocus means the Company will actively seek charter opportunities for its vessels.

We will also refocus on the business we know best, that being the Australia to South East Asia live cattle market together with the trade of high quality breeding and dairy cattle.

Managed with care and with good risk management practices, chartering can produce reliable earnings, supplemented by the incremental profit to be earned from cattle trading, particularly to Indonesia and Vietnam.

As livestock markets improve, the South East Asia trading team will focus on improving margins and volume while continuing to concentrate on gaining further operational efficiencies through a continuous process improvement program.

The Company will remain responsive to market dynamics, and as markets recover and the returns associated with livestock trades improve, the Company will reassess the proportion of internally-chartered voyages. In the near-term, however, chartering will be an important part of our revenue mix.

FINANCIAL REVIEW

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

Financial results and key financial items

FOR THE YEARS ENDED JUNE	AUD	2018	2017	Movement %
Total revenue	**($m)**	**291.1**	**497.9**	**(41.5)**
Trading and charter revenue	($m)	249.3	461.8	(46.0)
Processing revenue	($m)	41.8	36.1	15.8
Trading and charter revenue	**($m)**	**249.3**	**461.8**	**(46.0)**
Sales revenue[1]	($m)	198.9	440.1	(54.8)
Charter revenue[2]	($m)	46.5	16.7	178.4
Gross profit	**($m)**	**40.0**	**27.6**	**44.9**
Trading and charter gross profit	($m)	36.9	23.4	57.7
Processing gross profit	($m)	3.1	4.3	(27.9)
Gross margin	**%**	**13.7**	**5.5**	**149.1**
Trading and charter gross margin	%	14.8	5.1	192.1
Processing gross margin	%	7.4	11.9	(37.7)
Expenses	**($m)**	**(76.4)**	**(102.2)**	**25.2**
Operational expenses[3]	($m)	(36.3)	(49.3)	26.4
Administrative expenses	($m)	(11.4)	(15.7)	27.4
Impairment expenses	($m)	(13.9)	(14.0)	0.7
EBITDA[4]	**($m)**	**9.9**	**(22.3)**	**144.4**
Loss from operations before tax	**($m)**	**(36.4)**	**(74.5)**	**51.1**
Trading and charter loss	($m)	(26.4)	(60.5)	56.4
Processing loss	($m)	(1.5)	(3.4)	55.9
Net loss after tax	**($m)**	**(36.4)**	**(75.3)**	**51.7**
Operating cashflows before interest	($m)	7.7	(10.7)	172.0
Current ratio (adjusted)[5]	times	1.0	1.3	(22.5)
Interest cover[6]	times	1.0	(2.2)	145.8
Net debt[7]	($m)	136.6	143.3	4.7
Debt to capital ratio[8]	%	58.8	57.3	2.6
Net tangible assets	($m)	93.1	122.6	(24.1)
Net tangible assets per security	(cps)	17.5	23.1	(24.1)

Notes:

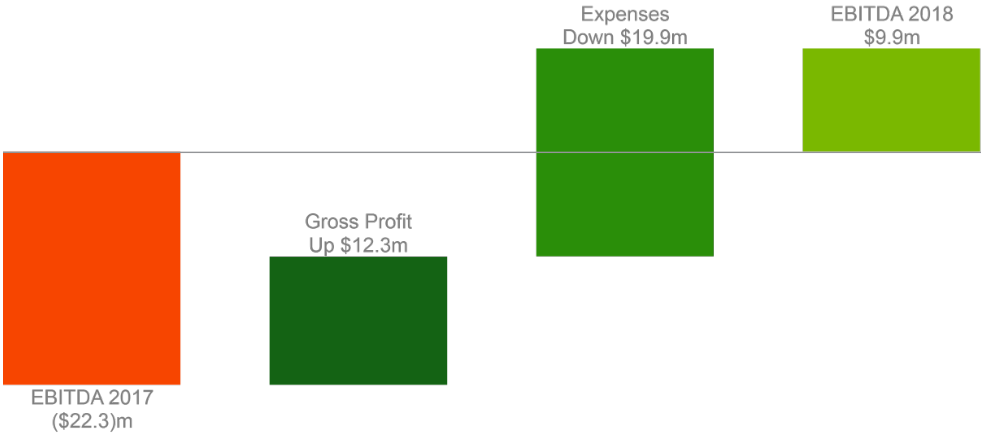
1. *Trading sales is generated from the buying and selling of livestock including related logistics.*
2. *Charter revenue is generated from the sale of space on the Company's vessels for the carriage of cargo owned by third parties.*
3. *Operational expenses include operating expenses and other expenses.*
4. *EBITDA equals loss from continuing operations before income tax, less depreciation and amortisation expenses, less net finance costs, less other gains/(losses) arising from other activities, less impairment expense.*
5. *Current Ratio (adjusted) equals current assets divided by current liabilities (adjusted by deducting loans and borrowings classified as current, although their scheduled due date is after 12 months from balance date).*
6. *Interest Cover equals EBITDA divided by net finance costs.*
7. *Net debt equals loans and borrowings less cash and cash equivalents.*
8. *Debt to capital ratio equals loans and borrowings divided by total equity plus loans and borrowings.*

HIGHLIGHTS

EBITDA of $9.9 million is a $32.2 million improvement on last year's result.

Leading to an $18.4 million increase in **OPERATING CASH FLOWS** and a $38.9 million reduction in **NET LOSS** after tax.

Improvement in EBITDA



REVENUE decreased by 41.5% due to reduced trading activity and increased chartering of vessels.

Resulting in a 149.1% improvement in **GROSS MARGIN**.

Supported by a 25.2% reduction in **EXPENSES**.

NET DEBT was reduced by $6.7 million.

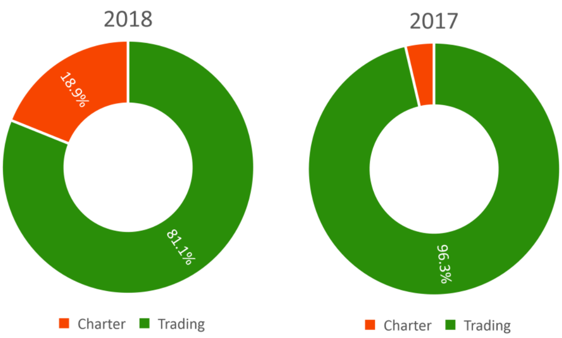
With the **SHIP LOAN TO BOOK VALUE** ratio equal to 61.0%.

And **DEBT TO CAPITAL** ratio at 58.8%.

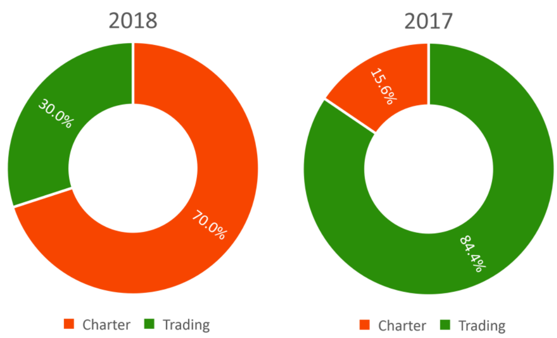
SALES AND REVENUE

Total revenue decreased 41.5% due to a shift away from trading activity into charter activity. Revenue from trading transactions includes the value of cargo plus freight and by its nature is considerably larger than charter revenue which incorporates freight only. Of the Company's internal shipping capacity 70.0% was utilised on charter voyages in FY2018 compared to 15.6% in FY2017.

Revenue by type



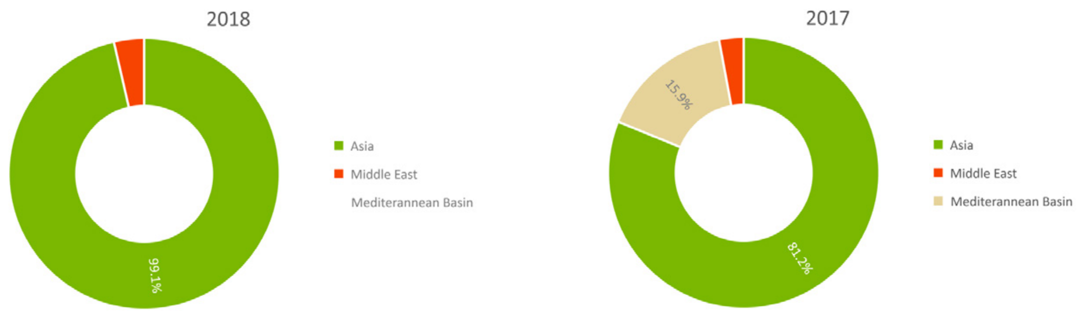
Capacity utilisation by type



Following a sustained period of increased input prices and reduced margins, the Company has been more selective on trading opportunities, particularly in the first half of FY2018. Total livestock volumes traded by the Company decreased 53.0% to 141,944 head of cattle plus 7,294 head of sheep in FY2018.

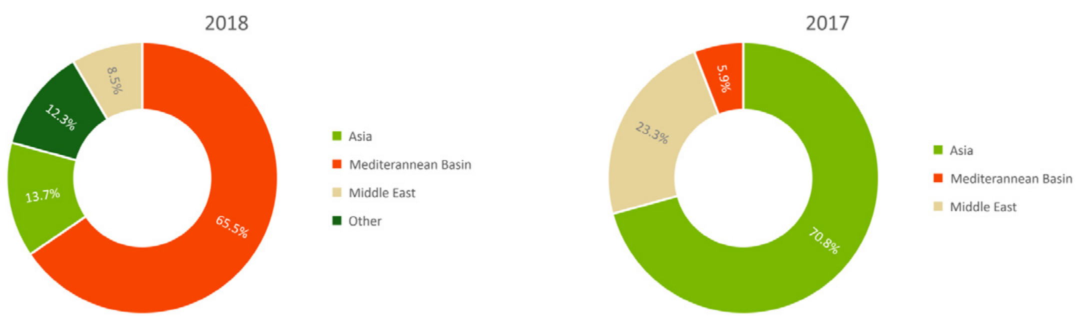
Trading activity refocussed on Asian markets with 99.1% of trading revenue being generated from customers in that region in FY2018 versus 81.2% in FY2017.

Trading revenue by voyage destination



Charter revenue has both increased and become more diversified in FY2018, with increased demand on the South America to Turkey route, resulting in 65.5% of the Company's charter revenue being generated from the Mediterranean Basin in FY2018.

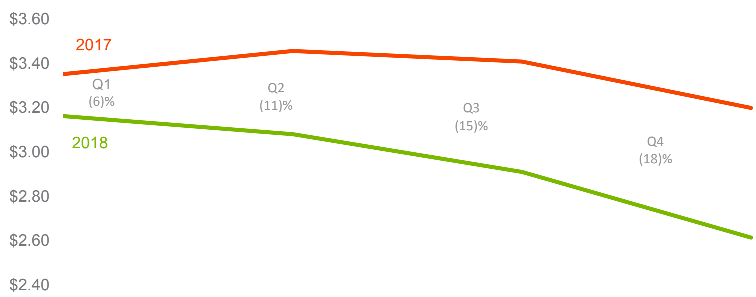
Charter revenue by voyage destination



Despite the reduction in total revenue, the more selective approach to trading balanced with a wider range of charters driven by increased demand, resulted in gross margins increasing almost threefold to 13.7% compared to 5.5% in FY2017.

Australian cattle prices have steadily reduced through the year. The average price paid for Australian slaughter and feeder cattle by the Company decreased by 10.5%. Single average price comparisons can be skewed by a range of factors including, livestock type, location and seasonality. Below is a comparison of the average quarterly price paid by the Company for Australian feeder steers in FY2018 versus FY2017 highlighting the trend when comparing like for like time periods.

Feeder steer price movement



OTHER

At the Company's BRM abattoir, processing volumes increased by 17.7% to 351,422 head whilst revenue increased by 15.8%. Given the tightening of sheep supply and the resulting increased input prices due to seasonal and other market impacts, gross margins decreased to 7.4% compared to 11.9% in FY2017. The average input price paid by the Company across all types increased by 2.2%, with the average price of lambs in particular increasing by 17.6% compared to FY2017.

COSTS, EXPENSES AND IMPAIRMENTS

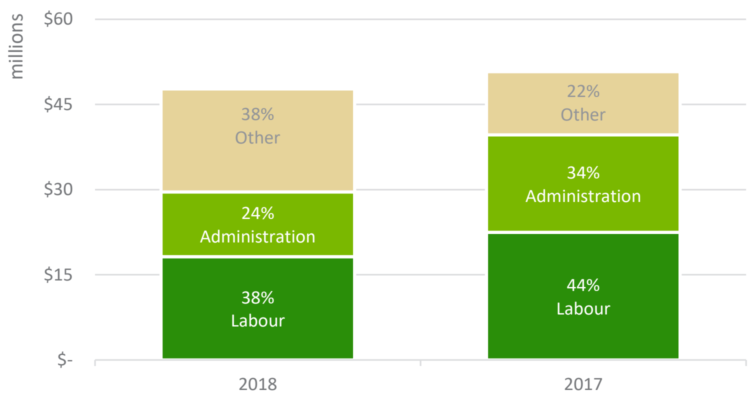
Following an extended period of increased input costs and reducing margins, the Company announced a 'cost-out' program in FY2017 targeting to reduce year on year operating and administration expenses by $10 million in FY2018.

The Company has since restructured its global operations to better fit with changing market conditions and increased competition.

Total costs (excluding other gains/losses) reduced by 24.2% in FY2018 which is on top of a 15.9% reduction in FY2017. Operating and administration expenses reduced by $17.3 million in FY2018. Over the past two years costs have reduced by over $42 million. Total costs of $75.3m in FY2018 compare to $118.2 million in FY2016. Noting that the Company sold one vessel in July 2017.

The Board's decision to enter into negotiations late in FY2018 to either exit or delay the build contract for the MV Ocean Kelpie has resulted in an impairment expense equal to 100% of all advance payments made under the contract to date, totalling $13.8 million, representing the bulk of the impairment for FY2018. The prior year impairment expenses of $14.0 million was comprised primarily of a $13.1 million loss as a result of the Company's sale of the MV Ocean Outback. Impairments of this nature are considered to be non-recurring in nature and have therefore been excluded from the EBITDA calculations.

Labour, operational and administration expenses



Other gains / (losses) of $1.1 million is comprised of net foreign exchange losses offset by net gains from revaluations and asset disposals. The net foreign exchange loss of $6.5 million is comprised of a net $1.5 million realised gain from trading and financing transactions, offset by a net $8.0 million unrealised loss from conversion of foreign subsidiary balances. The Company operates foreign subsidiaries in multiple countries and is exposed to currency movements via foreign currency denominated sales, expenses, assets and liabilities. The monthly closing USD to AUD exchange rate has traded within an 8¢ band during FY2018, and the FY2018 closing rate is 3.7% lower than last year. Other notable movements in the FY2018 closing rates to the AUD were in the Brazilian Real, up 13.0% and Uruguayan Peso, up 6.3%.

Net finance costs, including interest and amortised borrowing costs, reduced by 3.0% to $9.8 million, and compared to the Company's average loans and borrowings balance equates to 6.1%.

Provisions for bad and doubtful debts of $0.9 million equates to 0.3% of reported FY2018 revenue and compares to a rate of 1.2% for the prior year.

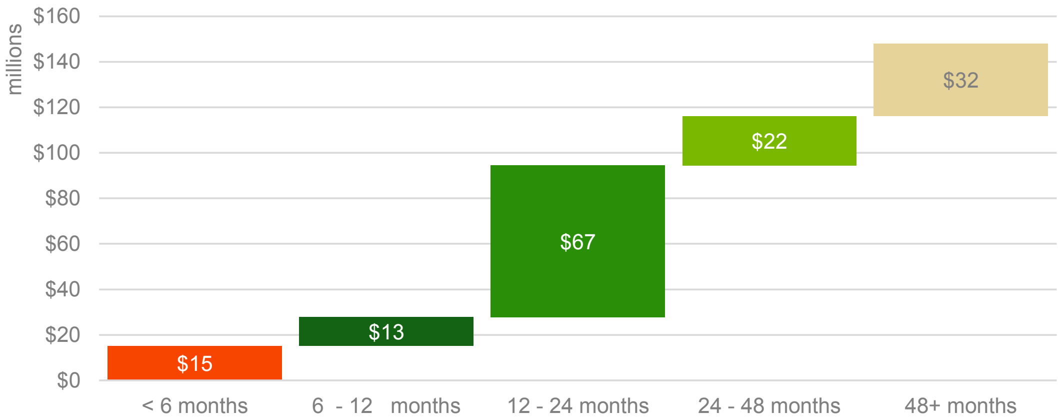
ASSETS, LIABILITIES AND CASHFLOW

The Company's statement of financial position continues to be impacted by the reclassification of $117.7 million worth of loans and borrowings scheduled for repayment beyond 12 months as Current Liabilities. Application of AASB 101 requires the reclassification given the Company has breached certain financial covenants and undertakings on its working capital facility and ship financing facilities.

Despite the breaches, the Company met all debt servicing commitments as scheduled during the year and made an additional unscheduled debt repayment following the sale of the MV Ocean Outback in July 2017. Net debt was reduced by $6.7 million during the year, although the Debt to Capital Ratio increased marginally from 57.3% last year to 58.8% in FY2018. The outstanding ship loan balances secured against the Company's four vessels represents 61.0% of their combined net book values at year end.

If loans and borrowings due beyond 12 months had not been classified as current liabilities, the Company would have reported a negative working capital position of $1.9 million as at 30 June 2018 (30 June 2017: $23.5 million).

Debt payable within



Cashflow from operations before debt servicing increased by $18.4 million to $7.7 million and was supported by asset sales to fund debt servicing. The Company sold the MV Ocean Outback in July 2017 as previously disclosed and accounted for in FY2017. In addition, the Company sold a property in Northern Australia, considered to be surplus to core assets, for $5.0 million of which $3.5 million in cash had been received at year end. This transaction resulted in a net loss on disposal of $0.2 million. The Company also sold 100% of its shareholding in a joint venture operation in Turkey following the completion of a specific trading arrangement. This was a non-cash transaction resulting in a net gain on disposal of $0.8 million.

The combined balance of Trade receivables, Inventories and Biological assets of $61.3 million is 42.9% higher than last year and reflects trading and charter transactions in progress at year end. A large portion of the Company's sales are supported by a combination of advance cash payments and / or letters of credit.

The carrying value of the Company's fleet of four livestock vessels is $195.0 million with the balance of Property, Plant and Equipment comprising predominantly land and buildings in Australia. The future earnings capacity of the fleet is assessed regularly and compared with independent third-party valuations.

TAX AND OTHER

Losses from continuing operations before income tax was $36.4 million and as reported last year, the future income tax benefit arising from tax losses has not been recognised, which is in line with accounting standards requirements. Carried forward tax losses of the Wellard Limited Australian tax consolidated group will be recoverable against future taxable income and will be recognised in the period of recovery.

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 flow from its current circumstances; the nature of its business activities as an international trader and shipper of live animals; and general risks that apply to international companies involved in cross-border trade.

Principal amongst these risks are the following:

DEFAULT AND CROSS DEFAULT RISK

The Company and its subsidiaries have various financing facilities in place, which include usual cross-default terms. This means that if there is an event of default or review event under one facility, it may also constitute an event of default under all other facilities, even if the financier under the first facility does not take any action to enforce its facility.

As described elsewhere in this Annual Report, the Company is in breach of various covenants contained within certain finance facilities, and either has secured or is currently seeking waivers from the relevant financiers for those covenant breaches. These covenant breaches do not automatically constitute an event of default or review event under the relevant finance facilities, however may give rights to the relevant lenders to declare an event of default or review event has occurred.

There is no certainty that any financier will agree to any amendment or waiver requested by the Company. If a financier does not agree or if any other event of default or review event occurs under a facility, a financier may immediately (or in the case of a review event, after a specified period of negotiation) demand repayment of all or any part of its facility and (if applicable) enforce its security.

INTESA RISK

The Intesa Facility Agreement

requires Mr Balzarini to remain as Chief Executive Officer and a minimum shareholding test which requires that Mr Balzarini's investment company, WGH Commodities Land and Transport Pty Ltd (WGH CLT) retains a minimum ownership interest in the Company.

In the event that either Mr Balzarini does not remain Chief Executive Officer of the Company or WGH CLT does not retain the requisite minimum ownership interest in the Company, Intesa may demand immediate repayment of the MV Ocean Shearer financing in full. This may also trigger cross default clauses in the Company's other finance facilities.

The Company seeks to mitigate this risk by negotiating with Intesa for the removal of these clauses. There is no certainty that Intesa will agree to the removal of these clauses.

GOING CONCERN RISK

As a consequence of the Group breaching financial covenants on its debt facilties, 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 Annual Report.

COMMODITY PRICE RISK

The price at which livestock (including cattle and sheep) is available to the Company is dependent on a number of factors, most of which are outside the control of the Company. There is a risk that livestock prices will become and remain at a level that is such that it no longer remains commercial for the Company to continue to trade in some markets.

The Company seeks to mitigate this risk by maintaining the flexibility to utilise ships through chartering to other parties that can access a supply of livestock at lower prices.

CUSTOMER RISK

A number of the Company's material customers have no long-term contract, and so there is a risk the Company's level of sales with customers could decrease. The loss (wholly or partially) of a material customer could negatively impact the Company's financial performance if the Company was not able to replace such a customer.

The Company seeks to mitigate the impact of this risk by having a range of customers in numerous countries, the flexibility to change the destination of shipments by controlling its supply chain, strong customer relationship practices, and the flexibility to utilise ships through chartering to other parties.

SOCIAL AND POLITICAL RISK

Recent public reports regarding the poor treatment of animals by the Company's competitors has placed increased focus on the live export industry. The high level of public sensitivity to animal welfare issues means public pressure could lead to changes to applicable laws and regulations. Changes to the regulatory system may require the Company to incur material costs or could become the basis for new or increased liabilities that could adversely affect the Company's financial performance.

The Company has received correspondence from various animal rights activists indicating an increased willingness to engage in court proceedings to disrupt any Government license, permit or approval granted in respect of sheep exports to the Middle East Region. Although the Company is satisfied such threats do not present a material risk to the Company given the Company is not currently highly engaged in the live sheep export industry to the Gulf states during the northern summer, increased animal rights activism may extend to other industries in which the Company is active. Where such activism is successful in disrupting the Government's approvals and/or regulatory processes, the resulting uncertainty to the likelihood of successful trading may mean it no longer remains commercial for the Company to continue to trade in some markets.

The Company seeks to mitigate this risk by continuing to maintain a specialised fleet of high-quality purpose-built livestock transport vessels, and by having a range of customers in numerous countries, the flexibility to change the destination of shipments by controlling its supply chain, and the flexibility to utilise ships through chartering to other parties.

SHIPPING RISK

The Company owns and operates a fleet of purpose-built livestock vessels. Weather events, industrial action at ports, port congestion and other factors may impact the Company's ability to transport livestock on its ships or to fully utilise its shipping capacity. Any delays to the Company's shipping logistics may cause the Company to incur additional costs in the form of animal feed and other holding costs, which reduces profitability and / or may result in damage to customer relationships that may materially adversely affect current and future financial performance and position.

Further, the operation of ocean-going vessels carries inherent risks. The Company's vessels and their cargoes will be at risk of being damaged or lost because of events such as marine disasters, bad weather, mechanical failures, grounding, fire, explosions, collisions, human error, war, terrorism, piracy, mining of waterways, latent defects, force majeure and other circumstances or events.

The Company seeks to mitigate this risk by taking out relevant insurance policies and in-house management control of vessel maintenance. However, the Company's insurance policies with first class insurers may not cover the full extent of any loss sustained by the Company from a vessel breakdown, including loss of profits.

EXCHANGE RATE RISK

The Company's financial reports are prepared in Australian dollars, however a substantial portion of the Company's sales revenue, expenditures and cashflows are generated in various other currencies, principally in United States dollars. Any adverse exchange rate fluctuations or volatility in the currencies in which the Company generates its revenues and cash flows, and incurs its costs, could have an adverse effect on its future financial performance and position.

The Company seeks to mitigate this risk by putting in place appropriate hedging arrangements.

CREDIT RISK

The Company's operations generally involve either the buying and selling of a high number of livestock with a large dollar value or charter shipments for third parties to transport livestock a great distance. The inherent nature of these arrangements involves a low number of contracts with a high dollar value. There is a risk therefore that a counterparty to such a contract will default on its contractual obligations, resulting in material financial loss to the Company.

OTHER

The Company provided a comprehensive summary of the material business risks which are likely to have an effect on the prospects of the Wellard Group in its 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 document is available on the company's website at www.wellard.com.au. In addition to the risks set out in this document, the Directors consider that the risks set out in the Offer Document continue to apply to the business and operations of the Company.

Each of the risks referred to 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 risks described here and in the Offer Document were 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 at the time of approving this document, but there is no guarantee or assurance the importance of these risks will not change, or other risks will not emerge. The risks referred to and in the Offer Document do not purport to be a list of 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 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 herein 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 2018, and the number of meetings attended by each Director:

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

	Board		Nomination and remuneration		Audit and risk		Conflicts of interest	
Director	held	present	held	present	held	present	held	present
David Griffiths[2]	14	14	2	2	5	5	-	-
Mauro Balzarini	14	13	-	-	-	-	-	-
Philip Clausius	14	13	2	2	5	5	-	-
John Klepec[3]	14	13	2	2	5	5	-	-
Kanda Lu	14	14	-	-	-	-	-	-
Fred Troncone[1]	14	14	-	-	-	-	-	-

Notes:

1. *Mr Troncone was appointed Executive Director Operations on 21 September 2017 and resigned on 3 August 2018.*
2. *Mr Griffiths resigned as Chairman on 26 April 2018 and resigned from the Board on 28 June 2018.*
3. *Mr Klepec was appointed Chairman on 27 April 2018.*

DIRECTORS' INTEREST 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 2001* (Cth) as at the date of this report are shown to the right.

On 29 November 2017, shareholders approved the issue of 5,600,000 share options to Mr Troncone under the executive share option plan, Mr Troncone resigned on 3 August 2018.

	Ordinary shares held	
Director	2018	2017
Mauro Balzarini[1]	80,000,001	80,000,001
Philip Clausius	-	-
John Klepec[2]	437,500	437,500
Kanda Lu	-	-
Fred Troncone	-	-

Notes:

1. *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 of these companies.*
2. *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.*

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 insured 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 2018 (2017: nil).

EQUITY ISSUES DURING THE YEAR

At 30 June 2018 the company had authorised share capital totalling 531,250,312 ordinary shares issued and paid.

EVENTS OCCURRING AFTER REPORTING PERIOD END

Since the end of the financial year there have been no reportable events.

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 three sites in Australia which include an abattoir, feed mill and a pre-export quarantine facility, 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.

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 48.

Details of the non-audit services undertaken by, and amounts paid to, the Auditor, are detailed in note 35 to the financial statements.

The Directors have formed the view that the provision of non-audit services during the financial year ended 30 June 2018 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 2001* (Cth), the Auditors of the Company have provided a signed Auditor's Independence Declaration to the Directors in relation to the year ended 30 June 2018. 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 2001* (Cth), the Directors have provided a signed Directors' Declaration in relation to the year ended 30 June 2018. This Directors' Declaration is included on page 47 of this Annual Report.

On behalf of the Directors

Mr John Klepec

Executive Chairman

Mr John Stevenson

Executive Director -
Chief Financial Officer

Dated: 20 August 2018


OCEAN UTE
LONG VEHICLE

The following sections form the Remuneration Report for the Wellard Group for the financial year ended 30 June 2018. 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.

The table, Key management personnel, overpage sets out details of those persons who were KMPs of the Wellard Group during the financial year ended 30 June 2018.

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 Directors:

- Philip Clausius – Committee Chair;
- John Klepec – Committee Member; and
- David Griffiths – Committee Member (until his retirement on 28 June 2018).

The Board considers it preferable that the NR Committee is independent from management when making decisions affecting the remuneration of KMPs and other senior employees. During the 2018 financial year the NR Committee was comprised solely of Non-Executive Directors, all of whom were independent.

The Board will determine whether and when a replacement may be made for the vacancy left by Mr Griffiths on this sub-committee. In the interim decisions relating to remuneration of KMP and senior employees will be made only by NR Committee members and Board members who are independent and not conflicted in the circumstance.

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.

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.

Key management personnel

Name	Position(s) held	KMP term FY2018
NON-EXECUTIVE DIRECTORS		
John Klepec[1]	Non-Executive Chairman (27 April 2018 – 3 August 2018) Non-Executive Director (15 November 2016 – 26 April 2018)	Full year
David Griffiths	Non-Executive Director (27 April 2018 – 28 June 2018) Non-Executive Chairman (19 November 2015 – 26 April 2018)	Part year
Philip Clausius	Non-Executive Director (19 November 2015 – present)	Full year
EXECUTIVE DIRECTORS		
Mauro Balzarini	Executive Director (10 September 2015 – 18 November 2015) Managing Director and CEO (19 November 2015 – present)	Full year
Fred Troncone[2]	Non-Executive Director (26 June 2017 – 20 September 2017) Executive Director – Operations (21 September 2017 – 3 August 2018)	Full year
Kanda Lu	Business Development Manager China (24 November 2015 – present) Executive Director (12 May 2017 – present)	Full year
OTHER KMP		
John Stevenson[4]	Chief Financial Officer (7 November 2016 – present)	Full year
Brad Gosling	Chief Operating Officer (4 November 2016 – 1 December 2017)	Part year
Scott Braithwaite[3]	Chief Operating Officer (10 December 2015 – 2 May 2016) Chief Business Development Officer (2 May 2016 – present)	Full year
Domenico Bazzoni	Head of Business Development – Europe and Americas (10 December 2015 – 5 October 2017)	Part year
Paolo Triglia	Managing Director - Wellard Ships Pte Ltd (18 November 2015 – present)	Full year

Notes:

1. *Mr Klepec was appointed Executive Chairman on 3 August 2018.*
2. *Mr Troncone resigned effective 3 August 2018.*
3. *Mr Braithwaite has given notice and his employment by Wellard will cease on 31 October 2018.*
4. *Mr Stevenson was appointed Executive Director on 6 August 2018.*

(b) Independent remuneration consultants

Deloitte Tax Services Pty Ltd (Deloitte) and the Reward Practice Pty Ltd were engaged by the NR Committee during the financial year to assist with the development of incentive structures for executive and employees.

The NR Committee are currently reviewing the recommendations, a decision has not yet been made.

Payments made to external remuneration consultants totalled A$22,875 for the year ended 30 June 2018.

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 markets, 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 KMPs remuneration;

(iii) Structures remuneration at a level that reflects the KMPs 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 remuneration to KMPs comprises the following components:

(i) Total fixed annual remuneration;

(ii) Short term incentives; and

(iii) Long 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

During the year, short-term incentives were awarded to senior managers on a discretionary basis and for exceptional performance only.

A short-term incentive was awarded by the Company in the 2018 financial year to the KMPs Mr Triglia and Mr Stevenson.

There was no formal Short-Term Incentive Plan (**STIP**) in place for the 2018 financial year. To ensure that the Company can continue to attract and retain the necessary talent to deliver its value proposition, an STIP that focuses senior management on KPIs, outcomes and added shareholder value will be introduced in the 2019 financial year. This STIP is expected to be tailored to incentivise senior operations, sales and executive managers, according to their performance, and include a KPI based STIP in the form of cash bonuses equivalent to a percentage of the employee's base salary.

(e) Long-term incentives

Wellard's Long-Term Incentive Plan (**LTIP**) remained in place during the 2018 financial year, to ensure that the Company can continue to attract and retain the necessary talent to deliver its value proposition.

Shareholders approved the participation in the LTIP by Executive Director - Operations, Mr Troncone, on 29 November 2017. No other executives participated in the LTIP in FY2018. The FY2018 LTIP consisted of a Zero-Priced Options Plan (**ZEPO Plan**) and is subject to substantial share price hurdles over a three-year period. The plan is designed to focus participants on long-term outcomes and added shareholder value.

For the 2019 financial year LTIP, the NR Committee is considering the issue of premium priced options in place of a ZEPO plan. This is intended to be implemented and awarded to various levels of employees, including KMPs, and will reflect and incentivise participants to achieve strategic KPIs.

(f) Key terms of KMP agreements

Remuneration and other terms of employment for each of the KMPs are contained in contracts of employment or consultancy agreements as summarised in the table set out overpage.

Key management personnel agreements summary

Name	KMP term	Short-term incentives	Long-term incentives	Notice period termination	Notice period resignation	Year	Total fixed remuneration[1]	Currency
EXECUTIVE DIRECTORS								
Mauro Balzarini	19 Nov 15 - present	At the Board's Discretion	Up to 20% of base salary	12 months	1 hour	2018	680,000	USD
						2017	680,000	USD
Fred Troncone	21 Sept 17 - 3 Aug 18	At the Board's Discretion up to $300,000	5.6 million options over shares (see note 36)	12 months[2]	12 months[2]	2018	782,849	AUD
						2017	-	AUD
Kanda Lu	12 May 15 - present	At the Board's Discretion	At the Board's Discretion	4 weeks	4 weeks	2018	178,840	AUD
						2017	-	AUD
OTHER KMP								
John Stevenson[4]	7 Nov 16 - present	At the Board's Discretion	Up to 20% of base salary	3 months	3 months	2018	400,000	AUD
						2017	400,000	AUD
Brad Gosling	4 Nov 15 - 01 Dec 17	At the Board's Discretion	At the Board's Discretion	3 months	3 months	2018	225,570	AUD
						2017	225,570	AUD
Scott Braithwaite[3]	10 Dec 15 - present	At the Board's Discretion	Nil	Nil	Nil	2018	500,004	AUD
						2017	500,004	AUD
Domenico Bazzoni	10 Dec 15 - 5 Oct 17	At the Board's Discretion	Nil	Nil	Nil	2018	300,000 12,423	USD EUR
						2017	300,000 152,000	USD EUR
Paolo Triglia	18 Nov 15 - present	At the Board's Discretion	At the Board's Discretion	3 months	3 months	2018	350,004	SGD
						2017	350,000	SGD

Notes:

1. *This is inclusive of superannuation payments.*
2. *Mr Troncone termination: for the first 12 months, up to 12 months' notice but diminishing pro-rata as the period progresses; plus, an additional 6 months' notice. Mr Troncone resignation: for the first 12 months; 12 months' notice, thereafter 6 months' notice.*
3. *Mr Braithwaite has given notice and his employment by Wellard will cease on 31 October 2018.*
4. *Mr Stevenson was appointed Executive Director on 6 August 2018 and additional remuneration in respect of this appointment totals A$100,000 per annum.*

(g) Executive KMP remuneration table

The table below sets out the remuneration received by Wellard KMP for FY2018 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.

Key management personnel remuneration table

Name	Year	Short-term benefits			Long-term benefits						
		Base salary	STI[1]	Other[2]	Accrued annual leave[3]	Long service leave[4]	Termination benefits	Post employment benefits super-annuation	Share based payments value of shares received	Total remun-eration	% Remun-eration 'at-risk'
EXECUTIVE DIRECTORS											
Mauro Balzarini[5]	2018	838,231	-	-	39,687	5,424	-	38,680	-	922,022	-
	2017	849,987	-	2,952	66,226	5,587	-	33,540	-	958,291	-
Fred Troncone[11]	2018	585,402	-	-	32,472	8,075	-	22,427	89,879	738,255	12.2%
	2017	-	-	-	-	-	-	-	-	-	-
Kanda Lu	2018	163,324	-	-	5,565	1,158	-	15,516	-	185,563	-
	2017	22,614	-	-	746	162	-	2,148	-	25,670	-
Greg Wheeler[6]	2018	-	-	-	-	-	-	-	-	-	-
	2017	10,219	-	-	828	-	233,333	23,134	-	267,514	-
OTHER KMP											
John Stevenson	2018	381,153	25,000	-	9,835	6,088	-	18,848	-	440,924	5.6%
	2017	230,572	-	33,928	8,806	3,747	-	15,582	-	292,635	-
Brad Gosling[10]	2018	107,031	-	-	-	-	122,808	13,172	-	243,011	-
	2017	135,485	-	1,232	(3,901)	647	-	12,871	-	146,335	-
Alan Rule[13]	2018	-	-	-	-	-	-	-	-	-	-
	2017	113,076	-	1,378	8,077	-	-	10,742	-	133,273	-
Brendan Wade[12]	2018	-	-	-	-	-	-	-	-	-	-
	2017	70,320	-	9,025	4,876	-	-	6,680	-	90,901	-
Scott Braithwaite[7]	2018	500,004	-	-	-	-	-	-	-	500,004	-
	2017	500,004	-	-	-	-	-	-	-	500,004	-
Domenico Bazzoni[5,9]	2018	101,938	-	-	-	-	64,491	-	-	166,429	-
	2017	617,843	-	30,748	-	-	-	15,927	-	664,519	-
Paolo Triglia[8]	2018	325,207	12,781	188,298	20,119	-	-	-	-	546,405	2.3%
	2017	322,121	47,192	158,531	19,944	-	-	9,138	-	556,925	8.4%
Total	**2018**	**3,002,290**	**37,781**	**188,298**	**107,678**	**20,745**	**187,299**	**108,643**	**89,879**	**3,742,613**	-
	2017	**2,872,241**	**47,192**	**237,794**	**105,602**	**10,142**	**233,333**	**129,763**	-	**3,636,067**	-

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 includes a component paid in USD, and this figure has been converted to AUD using an exchange rate of 0.775 (2017: 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 FY2017.*
7. *Mr Braithwaite is paid as a consultant to the Wellard Group. Accordingly, he does not receive any leave entitlements or superannuation. Mr Braithwaite has given notice and his employment will cease on 31 October 2018.*
8. *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. Remuneration paid to Mr Triglia includes a component paid in SGD, and this figure has been converted to AUD using an exchange rate of 1.041 (2017: 1.050)*
9. *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 0.650 (2017: 0.689).*
10. *Mr Gosling ceased his role as Chief Operating Officer and thus ceased acting as a KMP on 1 December 2017, all outstanding entitlements were paid at this time.*
11. *Mr Troncone was appointed Executive Director - Operations on 21 September 2017, remuneration received in respect of his role as a Non-executive director has been recognised in Non-executive director fees and benefits. Details of Mr Troncone share based payments are disclosed below. Mr Troncone resigned effective 3 August 2018.*
12. *Mr Wade ceased his role as Chief Operating Officer and thus ceased acting as a KMP on 4 November 2016.*
13. *Mr Rule ceased his role as Chief Financial Officer and thus ceased acting as a KMP on 7 November 2016.*

(h) Terms and conditions of share-based payments

Under the Company's Executive Share Option Plan, share options are granted to employees as determined, in its absolute discretion, by the Board.

Executive Share Options may be granted with an exercise price as determined by the Board, including, for the avoidance of doubt, with no exercise price.

The Company may determine, in its discretion, whether to settle the vested and exercised Executive Share Options in cash or shares and may either issue new Shares or acquire Shares on market.

The Executive Share Options may be subject to milestone dates prior to which performance conditions must be satisfied.

As at 30 June 2018 the executive share options to the Executive Director - Operations approved by shareholders at the 2017 Annual General Meeting had not been issued.

Movement in number of unissued ordinary shares of the Company under option during the year:

FOR THE YEARS ENDED 30 JUNE	Options at beginning of period	Granted during period	Expired / cancelled during period	Vested / exercised during period	Options at end of period
2018					
Fred Troncone	-	5,600,000	-	-	5,600,000
	-	**5,600,000**	**-**	**-**	**5,600,000**

Details of unissued ordinary shares of the Company under option during the year:

Performance condition	Tranche 1	Tranche 2	Tranche 3
Grant date	29 Nov 17	29 Nov 17	29 Nov 17
Maturity date	20 Sept 2020	20 Sept 2020	20 Sept 2020
Vesting period from grant date	2.81 years	2.81 years	2.81 years
Vesting conditions (AUD$/share) (30 day VWAP)	0.40	0.55	0.70
Exercise price	0.00	0.00	0.00
Share price	0.145	0.145	0.145
Risk free rate	1.95%	1.95%	1.95%
Volatility	81.00%	81.00%	81.00%
Fair value at grant date	**131,615**	**173,579**	**127,746**
Entitled no of employees	1	1	1

Of the options issued, 50% of the options are conditional on the employee completing three years service (the vesting period). Mr Troncone resigned effective 3 August 2018. 50% of the options granted are exercisable at any point during the vesting period after the performance condition has been met.

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) Ensuring the Company is not paying excessive remuneration.

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

No change was made to Non-Executive Director fees, or fees paid to members of any Board Committee.

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 again identified a higher than average number of Board and Board Committee meetings that took place in the financial year (see page 33 of the Directors' Report), as well as the complex matters the Company faced in the financial year, which have required a relatively high degree of non-executive director involvement compared to other companies of a comparable market capitalisation. Notwithstanding these review outcomes, following this review no change was made to Non-Executive Director fees, or fees paid to members of any Board Committee. Additional fees were paid to Directors, Mr Balzarini, Mr Lu and Mr Troncone in recognition of their executive roles within the company. Details of those amounts are set out in the Key management personnel remuneration table in this section.

(d) Non-executive director fees and benefits

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

		2018		
Fees / benefits	Description	Fees $	Super-annuation $	Included in shareholder cap?
BOARD FEES				
Wellard board				
	Chairman	182,648	17,352	Yes
	Members	92,324	8,676	Yes
COMMITTEE FEES				
Audit and 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
OTHER FEES / BENEFITS				
Short-term incentives				
	Non-Executive Directors are eligible to participate in short-term or long-term incentive arrangements.			
Long-term incentives				
	Non-Executive Directors are eligible to participate in short-term or long-term incentive arrangements.			
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.			
Termination payments				
	Termination benefits are not payable to Non-Executive Directors.			
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.			

(e) Non-executive director remuneration

The fees paid or payable to the Non-Executive Directors in relation to the 2018 financial year are set out below.

Name	Year	Short-term benefits Board and committee fees $	Superannuation[1] $	Total $
NON-EXECUTIVE DIRECTORS				
David Griffiths[3]	2018	184,334	17,512	201,846
	2017	215,437	20,467	235,904
Philip Clausius	2018	123,288	11,712	135,000
	2017	113,013	10,736	123,749
John Klepec[4]	2018	141,236	13,417	154,653
	2017	71,567	6,799	78,366
Fred Troncone[2]	2018	20,724	1,969	22,693
	2017	1,756	167	1,923
Sharon Warburton	2018	-	-	-
	2017	19,442	1,847	21,289
Greg Wheeler	2018	-	-	-
	2017	80,973	1,335	82,308
Total	**2018**	**469,582**	**44,610**	**514,192**
	2017	**502,188**	**41,351**	**543,539**

Notes:

1. *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.*
2. *On 21 September 2017, Mr Troncone was appointed Executive Director – Operations and resigned effective 3 August 2018.*
3. *Mr Griffiths stepped down from the position of Chairman on 26 April 2018 and retired from the Board on 28 June 2018.*
4. *On 26 April 2018, Mr Klepec became Chairman of the company. On 3 August 2018 Mr Klepec was appointed interim Executive Chairman, and additional remuneration in respect of this appointment totals A$31,000 per month.*

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.

Wellard sought and gained shareholder approval at its 2017 annual general meeting to allow Wellard to issue securities for this purpose. During the 2018 financial year, Wellard did not have in operation any employee incentive plans and did not issue any equity-based remuneration. At its AGM on 29 November 2017, shareholders approved the issue of up to 5,600,000 executive share options to Executive Director, Operations, Mr. Fred Troncone on terms and conditions set out in the relevant Notice of AGM.

The table 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.

Name	Balance at 1 July 2017	Change to aggregate KMP balance	Balance at 30 June 2018
NON-EXECUTIVE DIRECTORS			
David Griffiths	125,000	(125,000)[1]	-
Philip Clausius	-	-	-
John Klepec	437,500	-	437,500
EXECUTIVE DIRECTORS			
Mauro Balzarini	80,000,001	-	80,000,001
Fred Troncone	-	-	-
Kanda Lu	-	-	-
OTHER KMP			
John Stevenson	-	-	-
Brad Gosling	400,000	(400,000)[2]	-
Scott Braithwaite	2,560,000	-	2,560,000
Domenico Bazzoni	800,000	(800,000)[3]	-
Paolo Triglia	960,000	-	960,000
Total	**85,282,501**	**(1,325,000)**	**83,957,501**

Notes:

1. *Reflects the shares held by Mr Griffiths at the time of his retirement on 28 June 2018.*
2. *Reflects the shares held by Mr Gosling at the time of termination of employment as Chief Operating Officer on 1 December 2017.*
3. *Reflects the shares held by Mr Domenico Bazzoni at the time of termination of employment on 5 October 2017.*

(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 2018, Mr Balzarini, a director of Wellard, had an indirect 15.06% shareholding interest in Wellard. Details of all transactions with KMP and related parties are set out in note 32 of the 2018 Financial 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 2001* (Cth), including:

   (i) Giving a true and fair view of the financial position and performance of the Group as at 30 June 2018 and of its performance for the year ended on that date; and

   (ii) Complying with Accounting Standards and the *Corporations Act 2001* (Cth); 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 2001* (Cth) for the financial year ended 30 June 2018.

Signed in accordance with a resolution of the Directors.

Mr John Klepec

Executive Chairman

Mr John Stevenson

Executive Director -
Chief Financial Officer

Dated: 20 August 2018

AUDITOR'S INDEPENDENCE DECLARATION

Auditor's Independence Declaration

As lead auditor for the audit of Wellard Limited for the year ended 30 June 2018, 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

Douglas Craig
Partner
PricewaterhouseCoopers

Perth
20 August 2018

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 30 JUNE	Note	2018 $'000	2017 $'000
CONTINUING OPERATIONS			
Revenue	5	291,115	497,851
Cost of sales	6	(251,156)	(470,222)
Gross profit		**39,959**	**27,629**
Other gains / (losses)	6	(1,117)	(2,716)
Net finance costs	6	(9,765)	(10,095)
Depreciation and amortisation expenses		(17,767)	(22,838)
Administration expenses	6	(11,412)	(17,162)
Operating expenses	6	(21,282)	(33,602)
Other expenses	6	(15,052)	(15,744)
Loss from continuing operations before income tax		**(36,436)**	**(74,528)**
Income tax benefit / (expense)	8	(1)	(809)
Net loss for the period after tax		**(36,437)**	**(75,337)**
OTHER COMPREHENSIVE INCOME / (LOSS)			
Items that may be reclassified to profit or loss			
(Loss) / gain from foreign currency translation		6,773	(5,839)
Other comprehensive income / (loss) for the period, net of tax		**6,773**	**(5,839)**
Total comprehensive loss for the period		**(29,664)**	**(81,176)**
		cents	**cents**
Loss per share from continuing operations attributable to ordinary equity holders of the company			
Basic loss per share	9	(6.9)	(17.7)
Diluted loss per share	9	(6.9)	(17.7)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE	Note	2018 $'000	2017 $'000
CURRENT ASSETS			
Cash and cash equivalents	11	8,297	33,027
Trade and other receivables	17	24,947	31,307
Inventories	14	18,121	8,091
Biological assets	15	18,264	3,453
Derivative financial assets	16	326	188
Other assets	18	4,709	5,425
Assets held for sale	19	-	33,489
Total current assets		**74,664**	**114,980**
NON-CURRENT ASSETS			
Other assets	18	140	751
Property, plant and equipment	23	206,832	230,735
Intangible assets	24	8,384	8,587
Deferred tax assets	8	5,894	5,874
Total non-current assets		**221,250**	**245,947**
Total assets		**295,914**	**360,927**
CURRENT LIABILITIES			
Trade and other payables	20	18,796	24,470
Loans and borrowings	10	144,945	176,314
Provisions	25	1,100	1,503
Deferred revenue	21	28,248	10,173
Derivative financial liabilities	16	1,180	1,317
Liabilities directly associated with assets held for sale	10	-	15,836
Total current liabilities		**194,269**	**229,613**
NON-CURRENT LIABILITIES			
Provisions	25	150	118
Total non-current liabilities		**150**	**118**
Total liabilities		**194,419**	**229,731**
Net assets		**101,495**	**131,196**
EQUITY			
Issued capital	13	572,132	572,132
Reserves	37	(389,227)	(396,090)
Accumulated losses	38	(81,410)	(44,846)
Total equity		**101,495**	**131,196**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

				Reserves			
FOR THE YEARS ENDED 30 JUNE	Note	Issued capital $'000	Retained earnings $'000	Share based payments $'000	Other reserves $'000	Common control $'000	Total $'000
2018							
Opening balance		572,132	(44,846)	18,014	(3,087)	(411,017)	131,196
Adjustment on adoption of new revenue standard		-	(127)	-	-	-	(127)
		572,132	**(44,973)**	**18,014**	**(3,087)**	**(411,017)**	**131,069**
Comprehensive loss for the period:							
Loss for the period	38	-	(36,437)	-	-	-	(36,437)
Other comprehensive income	37	-	-	-	6,773	-	6,773
Total comprehensive loss for the period		-	**(36,437)**	-	**6,773**	-	**(29,664)**
Transactions with owners in their capacity as owners:							
Share based payment	36	-	-	90	-	-	90
Closing balance		**572,132**	**(81,410)**	**18,104**	**3,686**	**(411,017)**	**101,495**
2017							
Opening balance		548,515	30,491	18,014	2,752	(411,017)	188,755
Comprehensive loss for the period:							
Loss for the period	38	-	(75,337)	-	-	-	(75,337)
Other comprehensive loss	37	-	-	-	(5,839)	-	(5,839)
Total comprehensive loss for the period		-	**(75,337)**	-	**(5,839)**	-	**(81,176)**
Transactions with owners in their capacity as owners:							
Ordinary shares issued	13	25,656	-	-	-	-	25,656
Costs relating to share issue net of tax effect	13	(2,039)	-	-	-	-	(2,039)
Closing balance		**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 CASH FLOWS

FOR THE YEARS ENDED 30 JUNE	Note	2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		318,516	507,320
Payments to suppliers and employees (inclusive of GST)		(310,852)	(518,041)
Interest paid		(7,999)	(9,831)
Interest received		2	500
Income tax paid		(2)	(7)
Net cash flows from operating activities	**12**	**(335)**	**(20,059)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(5,843)	(15,711)
Purchase of intangible assets		(102)	(499)
Sale of property, plant and equipment		5,273	82
Sale of assets classified as held for sale		34,780	-
Proceeds from sale of investment		1	-
Net cash on disposal of Wellana	29	(393)	-
Wellao acquisition cash acquired		-	331
Net cash flows from investing activities		**33,716**	**(15,797)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares		-	23,617
Amounts received from related parties		-	15,840
Proceeds from borrowings		1,521	-
Repayments of borrowings		(56,739)	(27,387)
Net proceeds from issue of convertible notes		-	26,493
Transfers to restricted cash		(1,771)	(642)
Net cash flows from financing activities		**(56,989)**	**37,921**
Net (decrease) / increase in cash held		**(23,608)**	**2,065**
Cash at the beginning of the financial year		33,027	31,930
Effects of exchange rate changes on cash and cash equivalents		(1,122)	(968)
Cash at the end of the financial year	**11**	**8,297**	**33,027**

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

Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

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 2018, were authorised for issue in accordance with a resolution of the Directors on 17 August 2018.

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.

Accounting standards adopted for the first time:

- AASB 15 Revenue from Contracts with Customers was adopted effective 1 July 2017.

The financial report has been prepared on a historical cost basis, except for:

(a) Biological assets – measured at fair value;

(b) Derivative financial assets and liabilities – measured at fair value;

(c) Share based payments – measured at fair value; and

(d) 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.

The Group reported a loss for the year ended 30 June 2018 of $36.4 million (2017: $75.3 million).

During the year entities within the Group breached financial covenants and undertakings on its working capital facility and ship financing facilities. Wellard has either remedied breaches where possible or has sought 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 Company's existing working capital facility expires on 31 August 2018. The facility provider has agreed to extend the facility until 31 October 2018 and is currently documenting that extension. This working capital facility is used to fund a majority of the Group's livestock purchases in Australia, with the balance funded by internal cashflow. The Company is working with the facility provider on reviewing the terms of any possible extension of the facility beyond 31 October 2018. At the same time, the Company is evaluating alternative and complimentary sources of working capital finance within and outside of Australia.

The Group's various ship financing facilities mature between 2020 and 2026.

The Company made all payments due under its working capital facility and ship financing facilities during the reporting period, and despite the breaches in financial covenants and undertakings noted above, the Company maintains a working relationship with all of its financiers.

As was the position in the prior period, due to the Company breaching financial covenants and undertakings as noted above, all of its loans and borrowings have been reclassified as current as at period end, despite $117.7 million of those liabilities being due after 30 June 2019. This accounting treatment, which is in accordance with AASB 101, reflects the potential for the relevant financiers to accelerate and enforce their facilities, noting that as at the reporting date no financier had taken any acceleration or enforcement action. This reclassification of non-current liabilities to current has resulted in the Company reporting a working capital deficiency of $119.7 million as at 30 June 2018 (30 June 2017: $114.6 million).

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

- Will be able to generate positive cash flows from operations;
- 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;
- Will be able to extend existing working capital facilities or establish new facilities; 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 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. REVENUE

AASB 15 Revenue from Contracts with Customers, states that an entity shall recognise revenue (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of the asset.

If revenue is not recognised over time it is recognised at a point in time. To determine the point in time at which a customer obtains control of a promised asset and the entity satisfies a performance obligation, the following requirements are considered:

(a) The entity has a present right to payment for an asset;

(b) The customer has legal title to the asset;

(c) The entity has transferred physical possession of the asset, however physical possession may not coincide with control of the asset;

(d) The customer has significant risks and rewards of ownership of the asset; and

(e) The customer has accepted the asset.

Sale of goods

Revenue is determined on a per shipment or per contract basis and is recognised in line with the customer trading terms.

Wellard currently trade using CIF contract terms (cost, insurance and freight). Control of the assets does not pass until unloading of the vessel, as such shipping is not a separate performance obligation. Revenue is recognised on discharge.

Vessel chartering

Freight revenue for external shipments meets the criteria of a performance obligation satisfied over time.

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 are recognised when considered probable.

Contract balances

The timing of revenue recognition, cash collections results in invoiced accounts receivable and customer advances and deposits (contract liabilities) on the Consolidated Balance Sheet.

Generally, amounts are invoiced and deposits received in advance of providing the good or service.

Deposits received are recognised on a per shipment basis, these deposits are recorded as a liability on the balance sheet and liquidated on discharge when the revenue is recognised.

Deposits are received at the time of booking a vessel for charter are recorded as a liability on the balance sheet and liquidated on a percentage complete basis when the revenue is recognised.

B. BORROWING COSTS

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.

C. INTEREST REVENUE

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.

D. INCOME TAX EXPENSE

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.

E. DEFERRED TAX ASSETS AND LIABILITIES

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.

F. 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.

G. EARNINGS PER SHARE

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 anti-dilutive in the current period. Details regarding the notes are set out in note 8(a).

H. 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.

I. CONVERTIBLE NOTES 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.

J. CASH

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.

K. ISSUED CAPITAL

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.

L. INVENTORIES

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.

M. BIOLOGICAL ASSETS

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 in note 15.

N. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

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 notes contain 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.

O. TRADE AND OTHER RECEIVABLES

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 uncollectable 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 uncollectable 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.

P. ASSETS HELD FOR SALE

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

Q. TRADE AND OTHER PAYABLES

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.

R. DEFERRED REVENUE

These amounts represent payments collected but not earned at the end of the reporting period. These payments are recognised in line with AASB 15 Revenue Recognition.

S. PROPERTY, PLANT AND EQUIPMENT

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.

T. INTANGIBLE ASSETS

Goodwill

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

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

Software

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

Assets acquired separately or from a business combination

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

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

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

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the Cash Generating Unit (**CGU**) level.

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

Recoverability of goodwill

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

Recoverability of non-financial assets other than goodwill

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

U. PROVISIONS

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

Short-term employee benefit obligations

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

Long-term employee benefit obligations

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

Termination benefits

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

V. BUSINESS COMBINATIONS

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.

W. CONSOLIDATION

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.

X. INVESTMENT IN SUBSIDIARIES

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.

Y. SHARE BASED PAYMENTS

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.

Z. 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.

AA. GOODS AND SERVICES TAX

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.

AB. 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.

Impairment indicators include market capitalisation, declining product or processing performance, technology changes, adverse changes in the economic or political environment or future product expectations.

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.

Non-financial assets

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

Investment in subsidiaries

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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

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.

A. DEFERRED TAX ASSET

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.

Deferred tax assets of $1.7 million which relate to carried forward tax losses of the Wellard Limited Australian tax consolidated group for the year ended 30 June 2016 have been utilised during the financial year ended 30 June 2018. Management have concluded that while these deferred tax assets will be recoverable using estimated future taxable income it does not currently meet the recognition criteria under the AASB 112.

Deferred tax assets, tax effected, of $8.5 million, (2017: $5.7 million) relating to the tax losses of the Australian tax consolidated group, $2.0 million (2017: $3.9 million) relating to Uruguay, $3.3 million (2017: $1.2 million) relating to Brazil and $0.7 million (2017: $1.0 million) relating to Singapore have not been recognised. There is no expiration date for these amounts other than a five-year limit for Uruguay.

B. 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.

C. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

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.

D. IMPAIRMENT

Impairment of non-financial assets

Management obtained independent valuations for each operating vessel in the fleet.

We have also estimated the recoverable amount for the vessel fleet 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.

Management obtained an independent valuation for the assets of its processed meat CGU. An impairment of $0.1 million (2017: $0.9 million) has been recognised in respect of the processed meat CGU.

An impairment of A$13.8 million has been recognised in respect of the assets under construction balance for the MV Ocean Kelpie.

Investment in subsidiaries

We have estimated the recoverable amount based on the value-in-use of the subsidiaries. An impairment of $20.1 million (2017: A$409.3 million) has been recognised in respect of the recoverable amount of investment in subsidiaries, 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.

4. NEW ACCOUNTING STANDARDS AND INTERPRETATION

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period 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:

Title	AASB 9 Financial Instruments
Nature of change	In December 2014, the AASB issued the final version of AASB 9 Financial Instruments that replaces AASB 139 Financial Instruments: Recognition and Measurement and all previous versions of AASB 9. AASB 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting.
Impact	The Group has performed a detailed impact assessment of all three aspects of AASB 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in the 2019 financial year when the Group will adopt AASB 9. The new impairment model for AASB 9 requires the recognition of impairment provisions based on expected credit losses (**ECL**) rather than only incurred credit losses as is the case under AASB 139. For Wellard it applies to trade receivables. The Group expects an increase in the loss allowance resulting in a negative impact on equity as discussed below. In addition, the Group will implement changes in classification of certain financial instruments. An assessment of FY2018 sales contracts shows 0.31% were impaired, therefore the adoption of this standard is not expected to have a material impact on profit or loss for the year ending 30 June 2019. The group does not expect the guidance to effect the classification and measurement of any of its other financial assets or liabilities. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.
Mandatory application date/ date of adoption by group	Mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Title	AASB 16 Leases
Nature of change	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.
Impact	The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $8,955,000 (2017: $9,885,000) see note 26. The Group estimates that approximately 1.5% of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss. However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the group's profit or loss and classification of cash flows going forward.
Mandatory application date/ date of adoption by group	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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

5. REVENUE

FOR THE YEARS ENDED 30 JUNE	2018 $'000	2017 $'000
Sales revenue	240,602	476,167
Charter revenue	46,472	16,732
Revenue from contracts for services	3,498	1,437
Other revenue	543	3,515
	291,115	**497,851**

Sales revenue includes revenue generated from the buying and selling of livestock and livestock products by the company including related logistics.

Charter revenue includes revenue generated from the sale of space on the Company's vessels for the carriage of cargo owned by third parties

Impact of adoption of AASB 15

Wellard has adopted AASB 15 Revenue from Contracts with Customers retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application (1 July 2017) in accordance with paragraph C3(b) of AASB 15 Revenue from Contracts with Customers. Additionally, Wellard has elected to apply the standard to contracts not completed at the date of initial application.

It has been determined a component of a one-off contract to supply dairy cattle to Sri Lanka is a distinct service which will be performed after livestock are delivered. As such, revenue is allocated to this service and deferred until the service is provided. For the year ended 30 June 2017 supply of cattle under Tranche 1 of the contract had been completed, however certain services related to those delivered cattle had not yet been performed. As such, revenue of A$167,000 recognised in the prior year would, under the new standard, be recognised in the 30 June 2018 financial year. Expenses attributable to this income of A$40,000 also recognised in the 30 June 2017 financial year would be recognised in the current financial year.

Had revenue been recognised under the new standard the balances at 30 June 2017 would have been as follows;

AS AT 30 JUNE	2017 $'000	2017 $'000
	Revised	Reported
Other assets	5,465	5,425
Deferred revenue	10,340	10,173
Retained earnings	(44,973)	(44,846)

6. EXPENSES

FOR THE YEARS ENDED 30 JUNE	Note	2018 $'000	2017 $'000
(A) COST OF SALES			
Livestock		170,405	388,483
Shipping		41,999	49,935
Processing and distribution		38,752	31,804
		251,156	**470,222**
(B) OTHER LOSSES / (GAINS)			
Losses / (gains) arising from trading and chartering activities			
Net (gain) from changes in fair value of biological assets		(2,070)	(92)
Net (gain) / loss from changes in fair value of commodities		(1,697)	1,281
		(3,767)	**1,189**
Losses / (gains) arising from other activities			
Net loss on disposal of property, plant and equipment		277	332
Fair value (gains) on other financial assets		(1,062)	(304)
Net foreign exchange losses		7,081	1,499
Foreign currency translation reserve recognised on disposal		(628)	-
(Gain) on disposal of Wellana		(784)	-
		4,884	**1,527**
		1,117	**2,716**
(C) NET FINANCE COSTS			
Interest income		(2)	(500)
Interest expense		8,191	9,947
Borrowing costs		1,576	648
		9,765	**10,095**
(D) ADMINISTRATION EXPENSES			
Consulting costs		3,345	4,963
Occupancy costs		3,601	4,675
General and administration costs		3,046	4,783
Travel expenses		1,420	2,741
		11,412	**17,162**
(E) OPERATING EXPENSES			
Bad and doubtful debts expense		894	5,848
Labour expenses	6(g)	18,173	22,482
Motor vehicle expenses		781	950
Repairs and maintenance costs		1,434	4,322
		21,282	**33,602**

FOR THE YEARS ENDED 30 JUNE	2018 $'000	2017 $'000
(F) OTHER EXPENSES		
Restructuring and integration costs	1,073	1,379
Transaction costs	-	146
Share based payments expense	90	11
Impairment expense	13,889	13,993
Non-recurring foreign expenditure	-	215
	15,052	**15,744**
(G) LABOUR EXPENSES		
Wages and salaries	14,579	18,276
Employee entitlements and on costs	1,887	2,032
Superannuation	992	1,255
Payroll tax	715	919
	18,173	**22,482**

7. 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) Trading and chartering: This segment is engaged in the business of livestock marketing, buying livestock from multiple sources for export to buyers in international markets and all the logistics and transportation required to deliver livestock globally. In the table below, this segment is further reported as (i) Sales revenue, being revenue generated from the buying and selling of livestock by the company including related logistics; and (ii) Charter revenue, being revenue generated from the sale of space on the Company's vessels for the carriage of cargo owned by third parties. This segment was formerly reported as "Livestock marketing, exporting and trading".

(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 consist 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.

	Trading and chartering $'000	Other $'000	Total $'000
FOR THE YEAR ENDED 30 JUNE 2018			
Revenue			
Sales revenue	198,902	41,700	240,602
Charter revenue	46,472	-	46,472
Revenue from contracts for services	3,498	-	3,498
Other revenue	397	146	543
Total revenue	**249,269**	**41,846**	**291,115**
Depreciation and amortisation expenses	(16,487)	(1,280)	(17,767)
Net finance costs	(6,422)	(3,343)	(9,765)
Loss from continuing operations before income tax	(26,406)	(10,030)	(36,436)
Total segment assets	**262,602**	**33,312**	**295,914**
Total segment liabilities	**171,761**	**22,658**	**194,419**
FOR THE YEAR ENDED 30 JUNE 2017			
Revenue			
Sales revenue	440,135	36,032	476,167
Charter revenue	16,732	-	16,732
Revenue from contracts for services	1,437	-	1,437
Other revenue	3,421	94	3,515
Total revenue	**461,725**	**36,126**	**497,851**
Depreciation and amortisation expenses	(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**

Revenues of approximately $72.3 million were derived from three external customers of the Trading and Chartering segment, which individually account for greater than 7.0% of total revenue (2017: revenue of approximately $171.3 million from three external customers, which individually account for greater than 10% of total revenue).

An impairment expense of $13.8 million (2017: $13.1 million) was recognised in respect of the trading and chartering segment, and impairment of $0.1 million (2017: $0.9 million) has been recognised in respect of the other segment. For further information refer note 23.

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:

FOR THE YEAR ENDED 30 JUNE	Australia $'000	Singapore $'000	Uruguay $'000	Brazil $'000	Turkey $'000	Total $'000
2018	216,117	74,790	34	174	-	291,115
2017	375,143	19,203	48,749	48,015	6,741	497,851

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

AS AT 30 JUNE	Australia $'000	Singapore $'000	China $'000	Brazil $'000	Other $'000	Total $'000
2018	13,448	195,882	5,890	67	69	215,356
2017	20,197	214,980	4,353	445	98	240,073

8. TAXATION

INCOME TAX EXPENSE

FOR THE YEARS ENDED 30 JUNE	2018 $'000	2017 $'000
INCOME TAX EXPENSE		
Major components of income tax expense are:		
Current tax	276	1,533
Deferred tax	(20)	(2,235)
(Over) / under provision for income tax in prior years	(255)	1,511
Income tax expense reported in the income statement	**1**	**809**

NUMERICAL RECONCILIATION

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:

FOR THE YEARS ENDED 30 JUNE	2018 $'000	2017 $'000
Prima facie tax payable on loss from continuing operations before income tax at 30% (2017: 30%)	(10,931)	(22,358)
Add / (less) the effect of other assessable items		
Attributable foreign income	370	2,365
(Over) / under provision for deferred income tax in prior years	(255)	1,511
Amortisation of client relationships	-	198
Current year losses and temporary differences not recognised	12,341	11,767
Utilisation of carried forward tax losses	(2,737)	-
Other non-allowable items	119	281
Share based payments	27	-
Total other assessable items	**(1,066)**	**(6,236)**
Add / (less) the effect of other non-assessable items		
Effect of different rates on tax on overseas profit	1,067	7,045
Total other non-assessable items	**1,067**	**7,045**
Income tax expense reported in the income statement	**1**	**809**

DEFERRED TAX BALANCES

FOR THE YEAR ENDED 30 JUNE 2018	Provisions and accruals $'000	Unrealised foreign exchange gains / losses $'000	Borrowing costs $'000	Other $'000	Assessed tax losses carried forward $'000	Property, plant and equipment $'000	Total $'000
Deferred tax assets							
Opening balance	1,501	(273)	130	2,825	1,691	-	5,874
Movement in:							
Profit and loss	2,629	909	(30)	(1,836)	(1,691)	39	20
Closing amount	**4,130**	**636**	**100**	**989**	**-**	**39**	**5,894**

FOR THE YEAR ENDED 30 JUNE 2017	Provisions and accruals $'000	Unrealised foreign exchange gains / losses $'000	Borrowing costs $'000	Other $'000	Assessed tax losses carried forward $'000	Property, plant and equipment $'000	Total $'000
Deferred tax assets							
Opening balance	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)
	1,501	**-**	**130**	**2,825**	**1,691**	**-**	**6,147**
Set off of deferred tax liabilities	-	(273)	-	-	-	-	(273)
Closing amount	**1,501**	**(273)**	**130**	**2,825**	**1,691**	**-**	**5,874**
Deferred tax liabilities							
Opening balance	-	3,420	-	157	-	20	3,597
Movement in:							
Profit and loss	-	(3,147)	-	(157)	-	(20)	(3,324)
	-	**273**	**-**	**-**	**-**	**-**	**273**
Set-off of deferred tax liabilities	-	(273)	-	-	-	-	(273)
Closing amount	-	-	-	-	-	-	-

Deferred tax assets of $1.7 million which relate to carried forward tax losses of the Wellard Limited Australian tax consolidated group for the year ended 30 June 2016 have been utilised during the financial year ended 30 June 2018.

Deferred tax assets, tax effected, of $8.5 million, (2017: $5.7 million) relating to the tax losses of the Australian tax consolidated group, $2.0 million (2017: $3.9 million) relating to Uruguay, $3.3 million (2017: $1.2 million) relating to Brazil and $0.7 million (2017: $1.0 million) relating to Singapore have not been recognised. There is no expiration date for these amounts other than a five-year limit for Uruguay.

9. EARNINGS PER SHARE

FOR THE YEARS ENDED 30 JUNE	2018 cents	2017 cents
BASIC LOSS PER SHARE		
From continuing operations, attributable to the ordinary equity holders of the company	(6.9)	(17.7)
DILUTED LOSS PER SHARE		
From continuing operations, attributable to the ordinary equity holders of the company	(6.9)	(17.7)
	number	**number**
WEIGHTED AVERAGE ORDINARY SHARES		
Weighted average number of ordinary shares used as the denominator	531,250,312	425,322,822

10. LOANS AND BORROWINGS

AS AT 30 JUNE	2018 $'000	2017 $'000
CURRENT		
Secured		
Bank loans	75,327	97,992
Finance leases	43,313	55,471
Un-secured		
Trade asset finance	48	171
Other loans	3,340	1,752
Convertible notes	26,016	24,571
Borrowing costs		
Deferred borrowing costs	(3,099)	(3,643)
Total current borrowings	**144,945**	**176,314**

Bank loans consist of a working capital facility with the Commonwealth Bank of Australia and two separate vessel finance agreements from financiers Intesa Sanpaolo and Norddeutsche Landesbank Girozentrale. 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 2018, $30,000,000 (2017: $35,000,000) of the working capital facility is undrawn, the total available under this facility is $30,000,000 (2017: $50,000,000). The full amount of this facility is available to be drawn with no restrictions, irrespective of breaches in financial covenants as at 30 June 2018. 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 2018 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 of the asset 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.

AS AT 30 JUNE	Currency	Financial year of maturity	2018 $'000	2017 $'000
CURRENT				
Secured				
Bank loans	AUD	2018	-	15,000
Bank loans	USD	2026	63,775	69,087
Bank loans	USD	2022	11,552	13,905
Finance leases	USD	2020	33,062	40,623
Finance leases	USD	2020	10,251	14,848
Un-secured				
Trade asset finance	EUR	2019	48	150
Trade asset finance	BRL	2018	-	21
Bank loans	USD	2019	3,340	1,752
Convertible notes	USD	2020	26,016	24,571
			148,044	**179,957**

The maturity profile of principal repayments is set out in note 22(c).

Liabilities directly associated with assets held for sale:

AS AT 30 JUNE	Currency	Financial year of maturity	2018 $'000	2017 $'000
SECURED LIABILITIES				
Bank loans				
Vessel finance	USD	2018	-	15,836

The secured bank loan at 30 June 2017 of $15.8 million directly attributable to assets held for sale was repaid during the year from the proceeds on sale of the asset held for sale.

Convertible note

On 11 April and 6 June 2017, Wellard issued tranche 1 and tranche 2 convertible notes of US$7.35 million and US$12.65 million respectively, totaling US$20.0 million. 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 in breach at times during the year ended 30 June 2018 but were complying at 30 June 2018 and 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 2018 (2017: nil).

Initial recognition of convertible notes:

FOR THE YEARS ENDED 30 JUNE	2018 $'000	2017 $'000
INITIAL RECOGNITION		
Face value of convertible note issued	-	26,895
Derivative liability on initial recognition	-	(1,520)
	-	**25,375**

Movement in convertible notes are shown below:

FOR THE YEARS ENDED 30 JUNE	2018 $'000	2017 $'000
SUBSEQUENT MOVEMENT		
Opening balance	24,571	-
Initial recognition	-	25,375
Interest expense	2,041	188
Interest paid	(1,586)	(191)
Foreign exchange revaluation	990	(801)
Closing balance	**26,016**	**24,571**

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 derivative.

Schedule of current year movements in loans and borrowings

Financier	Secured bank loans $'000	Finance leases $'000	Trade asset finance $'000	Unsecured bank loans $'000	Convertible notes $'000	Deferred borrowing costs $'000	Total $'000
Opening balance	97,992	55,471	171	1,752	24,571	(3,643)	176,314
Cashflows	(25,860)	(14,294)	(120)	1,521	-	(15)	(38,768)
Effect of movements in exchange rates	3,195	2,136	(3)	67	990	(101)	6,284
Other non-cash movements	-	-	-	-	455	660	1,115
	75,327	**43,313**	**48**	**3,340**	**26,016**	**(3,099)**	**144,945**

The Company made all payments due under its working capital facility and ship financing facilities during the reporting period, and despite the breaches in financial covenants and undertakings noted above, the Company maintains a working relationship with all of its financiers.

As was the position in the financial year ended 30 June 2017, due to the Company breaching financial covenants and undertakings as noted above, all of its loans and borrowings have been reclassified as current as at period end, despite $117.7 million of those liabilities being due after 30 June 2019. This accounting treatment, which is in accordance with AASB 101, reflects the potential for the relevant financiers to accelerate and enforce their facilities, noting that as at the reporting date no financier had taken any acceleration or enforcement action.

11. CASH AND CASH EQUIVALENTS

AS AT 30 JUNE	2018 $'000	2017 $'000
Cash at bank and in hand	8,297	33,027
	8,297	**33,027**

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.

12. RECONCILIATION OF STATEMENT OF CASH FLOWS

Reconciliation of net loss after tax to net cash flows from operating activities.

FOR THE YEARS ENDED 30 JUNE	2018 $'000	2017 $'000
Loss after tax	(36,437)	(75,337)
Non-cash flows in loss		
Depreciation and amortisation	17,767	22,838
Income tax (benefit) / expense	(1)	802
Bad and doubtful debts	894	5,848
Net loss / (gain) on disposal of property, plant and equipment	277	332
Net loss / (gain) on fair value of derivatives	(1,287)	977
Gain on sale of Wellana	(784)	-
Share based payments expenses	90	-
Change in fair values of inventories and biological assets	-	(92)
Impairment expense	13,889	13,993
Write down of inventory	-	1,343
Amortisation of deferred borrowing costs	660	648
Finance costs and accrued interest	480	116
Unrealised foreign exchange losses / (gains)	7,504	832
Change in assets and liabilities, net of the effects of purchase and of subsidiaries		
Change in trade and other receivables and other current assets	9,613	25,777
Change in inventories and biological assets	(24,842)	33,286
Change in net deferred tax assets / liabilities	(20)	(1,487)
Change in trade and other payables	(5,673)	(38,357)
Change in deferred revenue	17,907	(10,931)
Change in provisions	(372)	(647)
Net cash flows from operating activities	**(335)**	**(20,059)**

13. ISSUED CAPITAL

FOR THE YEARS ENDED 30 JUNE	2018 $'000	2017 $'000
ISSUED CAPITAL		
Opening balance	572,132	548,515
Ordinary shares issued	-	25,656
Cost relating to the issue of securities net of tax effect	-	(2,039)
Closing balance	**572,132**	**572,132**

The Group has authorised share capital amounting to 531,250,312 (2017: 531,250,312) ordinary shares issued and fully paid.

Movements in ordinary shares:

FOR THE YEARS ENDED 30 JUNE	2018 number	2017 number
ORDINARY SHARES		
Opening balance	531,250,312	400,000,000
Ordinary shares issued	-	131,250,312
Closing balance	**531,250,312**	**531,250,312**

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.

No shares were issued during the 2018 financial year.

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; and

(b) 106,250,312 shares were issued on 15 May 2017 under the fully underwritten entitlement offer.

14. INVENTORIES

AS AT 30 JUNE	2018 $'000	2017 $'000
Raw materials and stores	8,119	6,877
Finished goods	1,926	1,214
Work in progress	8,076	-
	18,121	**8,091**

Inventories reported at the lower of cost and net realisable value.

Write downs of inventory to net realisable value during the year were $nil (2017: $1,343,000).

Inventory is pledged under the general security deed to the provider of the working capital facility and is subject to registrable security interests.

15. BIOLOGICAL ASSETS

FOR THE YEARS ENDED 30 JUNE	2018 $'000	2017 $'000
LIVESTOCK		
Opening balance	3,453	38,672
Purchases	173,817	339,149
Fair value adjustments	2,070	-
Sales	(161,076)	(374,368)
Closing balance	**18,264**	**3,453**
LIVESTOCK		
Sheep	827	2,509
Cattle	17,437	944
Closing balance	**18,264**	**3,453**
	heads	**heads**
LIVESTOCK		
Sheep	7,376	21,538
Cattle	16,681	783

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 $2.1 million measured in Level 3 (2017: $nil Level 2 and $nil Level 3) was recognised in the income statement.

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 22(a)(i) for commodity price risk management.

The following table presents the biological assets measured and recognised at fair value at 30 June 2018 on a recurring basis.

AS AT 30 JUNE	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
BIOLOGICAL ASSETS				
2018	-	3,828	14,436	18,264
2017	-	3,453	-	3,453

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. Livestock on the MV Ocean Drover and the MV Ocean Ute as at 30 June 2018 have been recorded as Level 3.

Reconciliation of Level 3 Biological Assets:

FOR THE YEARS ENDED 30 JUNE	2018 $'000	2017 $'000
Opening balance	-	15,024
Purchases	12,366	-
Sales	-	(15,024)
Fair value adjustments	2,070	-
Closing balance	**14,436**	**-**

16. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

AS AT 30 JUNE	2018 $'000	2017 $'000
CURRENT ASSET		
Commodity swaps	326	100
Foreign exchange contract	-	88
	326	**188**
CURRENT LIABILITY		
Foreign exchange contract	857	-
Convertible note derivative	323	1,317
	1,180	**1,317**

Derivative financial assets

Derivative financial assets consist of bunker swap contracts and foreign exchange contracts 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 a foreign exchange contract entered into with a financial institution and an embedded derivative relating to the convertible notes, details of which are shown in note 10.

Movements in the convertible note derivative are shown below:

FOR THE YEARS ENDED 30 JUNE	Note	2018 $'000	2017 $'000
Opening balance		1,317	-
Recognition of convertible note derivative	8(a)	-	1,520
Fair value movement		(1,062)	(203)
Unrealised foreign exchange movement		68	-
Closing balance		**323**	**1,317**

17. TRADE AND OTHER RECEIVABLES

AS AT 30 JUNE	2018 $'000	2017 $'000
CURRENT		
Trade receivables	23,802	28,900
Provision for impairment	(3,483)	(4,387)
Related party receivable	-	182
Other receivables	4,628	6,612
	24,947	**31,307**

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.

Past due but not impaired

Trade receivables of $4,757,546 (2017: $5,445,770) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. Management has assessed these balances and there is no indication that these amounts will not be collected.

The ageing analysis of these trade receivables is as follows:

AS AT 30 JUNE	2018 $'000	2017 $'000
1 to 3 months	4,745	4,089
3 to 6 months	13	1,357
	4,758	**5,446**

Information on the Group's credit risk is disclosed in note 22.

18. OTHER ASSETS

AS AT 30 JUNE	2018 $'000	2017 $'000
CURRENT		
Prepayments	2,211	5,119
Other assets	-	306
Restricted cash	2,498	-
	4,709	**5,425**
NON-CURRENT		
Other assets	140	150
Restricted cash	-	601
	140	**751**

Restricted cash relates to bank guarantees on long-term trading contracts.

19. ASSETS HELD FOR SALE

AS AT 30 JUNE	2018 $'000	2017 $'000
ASSET HELD FOR SALE		
Property, plant and equipment - vessel	-	33,489
	-	**33,489**
LIABILITIES DIRECTLY ASSOCIATED WITH ASSET HELD FOR SALE		
Borrowings	-	(15,836)
	-	**(15,836)**

Vessel held for sale

On 17 July 2017, Wellard completed the sale of the MV Ocean Outback.

The sale of the vessel was announced to the ASX on 1 June 2017, Wellard signed a binding memorandum of agreement to sell the MV Ocean Outback, for US$26.0 million. In accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations an impairment of US$9.9 million (A$13.1 million) was recognised in the 2017 financial year to write down the asset to its fair value less costs to sell.

The vessel was purchased by the nominee of Israeli company, Dabbah Slaughterhouse Limited.

20. TRADE AND OTHER PAYABLES

AS AT 30 JUNE	2018 $'000	2017 $'000
CURRENT		
Trade payables	14,508	17,150
Trade payables – related parties	-	102
Sundry payables and accrued expenses	4,288	7,218
	18,796	**24,470**

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.

21. DEFERRED REVENUE

AS AT 30 JUNE	Note	2018 $'000	2017 $'000
CURRENT			
Sales revenue		27,010	2,469
Charter revenue		540	7,026
Revenue from contracts for services		698	678
		28,248	**10,173**
Revenue from contracts for services			
Opening balance		678	-
Adjustment on adoption of new revenue standard	5	167	-
		845	**-**
Recognised in the statement of comprehensive income		(845)	(477)
Deferred revenue		698	1,191
Effect of movement in foreign exchange		-	(36)
		698	**678**

The adjusted opening deferred balance of $845,000 relates to the services in respect of the balance of cattle to be delivered in the 2018 financial year under Tranche 1 of a multi-year contract for the supply of cattle in the 2018 financial year. The service on this delivery extends 6 months from date of discharge. Revenue is recognised as the service is provided. This revenue has been fully recognised at 30 June 2018.

During the 2018 financial year, Wellard received an advance in respect of Tranche 2 of the same Sri Lankan contract. In line with AASB 15, the revenue has been disaggregated with $698,000 amount of revenue from contracts for services being recognised as deferred.

22. FINANCIAL RISK MANAGEMENT

(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 2018 $18.3 million (2017: $3.3 million) of livestock on hand was exposed to fluctuations in market prices.

Fuel

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

(ii) 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 2018, $0.3 million (2017: $1.3 million) 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:

FOR THE YEARS ENDED 30 JUNE	2018 $'000	2017 $'000
Australian dollar	(51,288)	13,547
Brazilian real	(16,091)	(18,775)
Uruguayan peso	(7,371)	(14,537)
Turkish lira	(141)	(25)
Chinese yen	22	-
	(74,869)	**(19,790)**

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:

FOR THE YEARS ENDED 30 JUNE	2018 $'000	2017 $'000
+10%	6,806	1,799
-10%	(8,319)	(2,199)

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:

FOR THE YEARS ENDED 30 JUNE	2018 $'000	2017 $'000
Realised foreign exchange loss	(1,451)	(667)
Unrealised foreign exchange loss	7,904	(732)
	6,453	**(1,399)**

(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 affect 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:

AS AT 30 JUNE	2018 $'000	2017 $'000
Current borrowings	78,715	99,915
Liabilities directly associated with assets held for sale	-	15,836
	78,715	**115,751**

Based on the Groups variable borrowings a change of 10 basis points (0.1%) in interest rates, with all other variables held constant, would increase/(decrease) profit before taxation and equity as follows

FOR THE YEARS ENDED 30 JUNE	2018 $'000	2017 $'000
+0.1%	79	115
-0.1%	(79)	(115)

(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:

AS AT 30 JUNE	2018 $'000	2017 $'000
1 to 3 months	21,734	25,436
3 to 6 months	400	302
Over 6 months	1,668	3,162
	23,802	**28,900**

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

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

AS AT 30 JUNE	2018 $'000	2017 $'000
United States dollar	18,997	25,788
Australian dollar	4,589	1,958
Other	216	1,154
	23,802	**28,900**

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

FOR THE YEARS ENDED 30 JUNE	2018 $'000	2017 $'000
Opening balance	4,387	1,710
Provision for impairment recognised during the year	894	2,897
Receivables written off during the year as uncollectable	(1,798)	(220)
Closing balance	**3,483**	**4,387**

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:

FOR THE YEARS ENDED 30 JUNE	2018 $'000	2017 $'000
IMPAIRMENT LOSSES		
Individually impaired trade receivables	1,798	3,171
Net movement in provision for impairments	(904)	2,677
	894	**5,848**

(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 $30,000,000 (2017: $50,000,000) and at 30 June 2018 the facility was undrawn (2017: $15,000,000). Subject to the continuance of satisfactory compliance with financial covenants with its financier, the working capital facilities may be drawn at any time in Australian Dollars. The working capital facility was renewed during the period and expires on 31 August 2018. This working capital facility is used to fund a majority of the Group's livestock purchases in Australia, with the balance funded by internal cashflow. The facility provider has agreed to extend the facility until 31 October 2018 and is currently documenting that extension. The Company is working with the facility provider on reviewing the terms of any possible extension of the facility beyond 31 October 2018. At the same time, the Company is evaluating alternative and complementary sources of working capital finance within and outside of Australia.

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.

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

FOR THE YEARS ENDED 30 JUNE	<6 months $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	Over 5 years $'000	Total $'000	Carrying amount $'000
2018							
Non-interest bearing	14,508	-	-	-	-	14,508	14,508
Fixed rate	8,180	8,740	57,661	-	-	74,581	69,329
Variable rate	10,478	7,002	13,662	35,042	25,692	91,876	78,715
	33,166	**15,742**	**71,323**	**35,042**	**25,692**	**180,965**	**162,552**
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
	65,453	**15,427**	**30,605**	**94,402**	**33,686**	**239,573**	**212,643**

(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 for further details on borrowings, covenant and undertaking compliance.

23. PROPERTY, PLANT AND EQUIPMENT

AS AT 30 JUNE	Freehold land $'000	Sheds and buildings $'000	Plant and equipment $'000	Total $'000
2018				
Opening net book amount	7,134	3,160	220,441	230,735
Additions	-	29	5,819	5,848
Disposals	(3,082)	(747)	(1,733)	(5,562)
Foreign exchange revaluation	-	6	6,884	6,890
Impairment expense	-	-	(13,889)	(13,889)
Depreciation expense	-	(193)	(16,997)	(17,190)
Closing balance	**4,052**	**2,255**	**200,525**	**206,832**
Cost	4,084	3,255	319,567	326,906
Accumulated depreciation and impairments	(32)	(1,000)	(119,042)	(120,074)
Closing balance	**4,052**	**2,255**	**200,525**	**206,832**

AS AT 30 JUNE	Freehold land $'000	Sheds and buildings $'000	Plant and equipment $'000	Total $'000
2017				
Opening net book amount	5,964	1,396	282,716	290,076
Additions	1,172	2,069	12,470	15,711
Wellao acquisition	-	-	1,387	1,387
Disposals	-	-	(414)	(414)
Transfer to assets held for sale	-	-	(33,489)	(33,489)
Foreign exchange revaluation	-	-	(6,792)	(6,792)
Impairment expense	-	(235)	(13,758)	(13,993)
Depreciation expense	(2)	(70)	(21,679)	(21,751)
Closing balance	**7,134**	**3,160**	**220,441**	**230,735**
Cost	7,164	3,652	309,348	320,164
Accumulated depreciation and impairments	(30)	(492)	(88,907)	(89,429)
Closing balance	**7,134**	**3,160**	**220,441**	**230,735**

Property, plant and equipment with a carrying amount of $194,849,218 (2017: $230,735,000) are pledged as security for the current liabilities as disclosed in note 10.

The Company has entered into negotiations with the shipbuilder to either exit or delay the build contract for the MV Ocean Kelpie. As these negotiation continue it is possible the Comapny may breach future commitments under the contract. At this time, it is too early to determine the outcome of those negotiations, however the Company has chosen to fully impair the $13.8 million balance recorded in assets under construction.

Included in plant and equipment are unimpaired assets under construction of $2,123,792 (2017: $16,018,028).

24. INTANGIBLE ASSETS

AS AT 30 JUNE	Goodwill $'000	Rights for land use $'000	Client relation-ships $'000	Software $'000	Total $'000
2018					
Opening net book amount	448	4,207	-	3,932	8,587
Additions	-	-	-	100	100
Disposals	-	-	-	(12)	(12)
Foreign exchange revaluation	13	275	-	(2)	286
Amortisation expense	-	(64)	-	(513)	(577)
Closing balance	**461**	**4,418**	**-**	**3,505**	**8,384**

AS AT 30 JUNE	Goodwill $'000	Rights for land use $'000	Client relation-ships $'000	Software $'000	Total $'000
Cost	461	4,561	3,300	4,441	12,763
Accumulated amortisation	-	(143)	(3,300)	(936)	(4,379)
Closing balance	**461**	**4,418**	**-**	**3,505**	**8,384**
2017					
Opening net book amount	40	-	663	3,859	4,562
Additions	-	-	-	499	499
Wellao acquisition	406	4,207	-	-	4,613
Foreign exchange revaluation	2	-	-	(2)	-
Amortisation expense	-	-	(663)	424	(1,087)
Closing balance	**448**	**4,207**	**-**	**3,932**	**8,587**
Cost	448	4,278	3,300	4,360	12,386
Accumulated amortisation	-	(71)	(3,300)	(428)	(3,799)
Closing balance	**448**	**4,207**	**-**	**3,932**	**8,587**

For further information on the Wellao acquisition please refer note 28.

In July 2012, the Group acquired a business for $3.3 million 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 is fully amortised.

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.

25. PROVISIONS

AS AT 30 JUNE	2018 $'000	2017 $'000
CURRENT		
Employee entitlements	1,100	1,503
	1,100	**1,503**
NON-CURRENT		
Employee entitlements	150	118
	150	**118**

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 to 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 $1,099,630 (2017: $1,503,258) 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.

Current employee entitlements expected settlement date:

AS AT 30 JUNE	2018 $'000	2017 $'000
CURRENT		
Expected to be settled within 12 months	528	883
Expected to be settled after 12 months	572	620
	1,100	**1,503**

26. COMMITMENTS

Capital commitments

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

AS AT 30 JUNE	2018 $'000	2017 $'000
Property, plant and equipment – vessel under construction	76,860	72,798
Property, plant and equipment feedlot and PEQ facilities	2,334	2,425
	79,194	**75,223**

Vessel under construction

The Company has entered into negotiations with the shipbuilder to either exit or delay the build contract for the MV Ocean Kelpie. As these negotiations continue it is possible the company may breach future commitments under the contract. At this time, it is too early to determine the outcome of those negotiations, as such the Company has included the contracted amounts as capital commitments.

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:

AS AT 30 JUNE	2018 $'000	2017 $'000
Within 1 year	2,571	2,352
1 to 5 years	2,722	4,081
Greater than 5 years	3,662	3,452
	8,955	**9,885**

FOR THE YEARS ENDED 30 JUNE	2018 $'000	2017 $'000
Operating lease expenses recorded in the consolidated income statement	2,245	2,872
	2,245	**2,872**

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

27. SUBSEQUENT EVENTS

There have been no events since balance date.

28. BUSINESS COMBINATION

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

Since 30 June 2017, the accounting entries have been updated to reflect the final valuations received.

The impact of this was an increase in the value of the Intangible asset – rights for land use of A$1.241 million and a corresponding reduction in goodwill. The 30 June 2017 comparative numbers have been updated in the accounts to reflect this change.

AS AT 30 JUNE 2018	Final $'000	Provisional $'000
PURCHASE CONSIDERATION		
Loan receivable in settlement of shares transferred	3,903	3,903
Final Wellao acquisition settlement accrued	2,745	2,745
	6,648	**6,648**
FAIR VALUE OF ASSETS AND LIABILITIES ACQUIRED		
Cash	331	331
Trade and other receivables and other assets – current	316	316
Property, plant and equipment - assets under construction	1,386	1,387
Intangible assets – right for land use	4,208	2,966
Trade and other payables - current	1	1
Net identifiable assets acquired	**6,242**	**5,001**
add Goodwill	406	1,647
Net assets acquired	**6,648**	**6,648**

29. DISPOSAL OF JOINT OPERATION

On 17 of December 2017, Wellard executed the sale of its interest in the Wellana Joint Operation. Wellana was incorporated in May 2016 with the sole purpose of receiving cattle for fattening and ultimate sale into the domestic market in Turkey. Ownership is 50% by Wellard Limited (**WLD**) and 50% by Turkish partners (Yeni Erkoc – 50 shares, Best Hayvancilik – 50 shares).

The sale agreement provided for an offset of the trade receivable from Wellard Rural Exports to Wellana totaling US$400,000 (AU$526,177) exchanged at the spot rate on 24 April 2018 of 0.7602.

Details of the disposal are as follows:

AS AT 24 APRIL	2018 $'000
CARRYING AMOUNTS OF NET ASSETS OVER WHICH CONTROL WAS LOST	
Cash and cash equivalents	393
Trade and other receivables	891
Trade and other payables	(950)
Net assets derecognised	**334**
CONSIDERATION RECEIVED	
Deferred consideration	592
Invoice offset - Wellard Rural Exports	526
Total consideration received / receivable	**1,118**
GAIN ON DISPOSAL	
Consideration received / receivable	1,118
Net assets derecognised	(334)
Gain on disposal of joint operation	**784**

Exchange differences arising on translation of the foreign controlled entity have been recognised in other comprehensive income. The cumulative amount of $0.63 million and the gain on disposal of the joint operation has been recognised as Other gains / (losses) in the statement of comprehensive income.

AS AT 24 APRIL	2018 $'000
NET CASH OUTFLOW ARISING ON DISPOSAL	
Cash and cash equivalents disposed of	(393)
	(393)

30. SIGNIFICANT ITEMS

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

- The Company has entered into negotiations with the shipbuilder to either exit or delay the build contract for the MV Ocean Kelpie. As these negotiations continue it is possible the company may breach future commitments under the contract. At this time, it is too early to determine the outcome of those negotiations, however the Company has chosen to fully impair the $13.8 million balance recorded in assets under construction.

31. CONTROLLED ENTITIES

Interests held in controlled entities is set out below:

	Country of incorporation	2018 %	2017 %
PARENT ENTITY			
Wellard Limited	Australia		
SUBSIDIARIES OF WELLARD LIMITED			
Wellard Feeds Pty Ltd	Australia	100	100
Wellard Rural Exports Pty Ltd	Australia	100	100
Wellard Animal Processing Pty Ltd	Australia	100	100
Wellard NZ Ltd	New Zealand	100	100
Wellard Ships 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	100
Wellard do Brasil Agronegocios Ltda	Brazil	100	100
Portimor SA	Uruguay	100	100
Wellana Uluslararasi Hayvancilik Anonim Sirketi	Turkey	-	50
Best Hayvancilik Sanayi Ticaret AŞ	Turkey	100	100
Wellao Agri (Cangzhou) Co., Ltd[1]	China	100	100

1. *Wellao Agri (Cangzhou) Co., Ltd share transfers and filings completed, and the company was acquired on 14 June 2017.*
2. *Wellana Uluslararasi Hayvancilik Anonim Sirketi was disposed on 24 April 2018.*

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 to note 28.

32. RELATED PARTY TRANSACTIONS

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

(a) Subsidiaries

Interests in subsidiaries are set out in note 31.

(b) Key management personnel compensation

FOR THE YEARS ENDED 30 JUNE	2018 $	2017 $
Short-term benefits	3,415,668	3,390,560
Long-term benefits	128,423	115,744
Post-employment benefits	108,643	129,763
Share based payments	89,879	-
	3,742,613	**3,636,067**

Detailed remuneration disclosures are available in the Remuneration Report in the 2018 Annual Report.

(c) Transactions with other related parties

FOR THE YEARS ENDED 30 JUNE	2018 $	2017 $
ENTITIES CONTROLLED BY KEY MANAGEMENT PERSONNEL		
Sales to	-	8,132,296
Purchases from	(1,387,480)	(2,260,876)
Lease payments made to	(450,881)	(920,084)
Interest income from	-	232,862
Other:		
Payments and receipts on behalf of	-	15,721,704

During the financial year the existing sheep feedlot at Baldivis was sold by WGH Estates (a subsidiary of WGH) to an external party. Lease payments made to WGH Estates in relation to the feedlot during the current year totaled $90,909 (2017: $545,454).

(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;
- Purchases of bulls, calves and heifers;
- Purchases of sheep and lambs; and
- Purchases or lupins, grains and feedstock.

(e) Outstanding balance from sales / purchases of goods and services

AS AT 30 JUNE	2018 $	2017 $
CURRENT PAYABLES (PURCHASES OF GOODS AND SERVICES)		
Entities controlled by key management personnel	-	(101,745)
	-	**101,745**
CURRENT RECEIVABLE (SALES OF GOODS AND SERVICES)		
Entities controlled by key management personnel	132,819	182,146
Provision for doubtful debt	(132,555)	(102,078)
	264	**80,068**

(f) Loans to / from related parties

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

FOR THE YEARS ENDED 30 JUNE	2018 $	2017 $
Opening balance	-	4,093,589
Loan repayments received	-	(74,296)
Wellao acquisition	-	(3,903,201)
Foreign exchange	-	(116,092)
Closing balance	-	-

(g) Terms and conditions

Wellard Rural Exports had entered into a lease with WGH Estates (a subsidiary of WGH) in relation to the existing sheep feedlot at Baldivis, Western Australia. During the financial year the sheep feedlot at Baldivis was sold by WGH Estates to an external party.

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 July 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$180,546). The lease expires in 2020. The terms of the lease were otherwise generally market standard at the time of execution.

For the year ended 30 June 2018, an entity controlled by Mauro Balzarini provided $644,199 (2017: $989,270) of livestock and no raw materials (2017: $14,314) used by the Wellard Group. There are no existing contractual arrangements and all trading activities are on arm's length terms.

All other outstanding balances are unsecured and are repayable in cash.

33. DEED OF CROSS GUARANTEE

On 5 May 2018, Wellard Limited, Wellard Rural Exports Pty Ltd, Wellard Feeds Pty Ltd and Wellard Animal Processing Pty Ltd executed a Deed of Cross Guarantee under with each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

(a) Consolidated statement of comprehensive income and summary of movements in consolidated retained earnings.

The above companies represent a 'closed group' for the purposes of the instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Wellard Limited, they also represent the 'extended closed group'.

FOR THE YEARS ENDED 30 JUNE	2018 $'000
CONTINUING OPERATIONS	
Revenue	244,927
Cost of sales	(234,088)
Gross profit	**10,839**
Other gains / (losses)	2,748
Net finance costs	(3,356)
Depreciation and amortisation expenses	(1,849)
Administration expenses	(8,525)
Operating expenses	(15,229)
Other expenses	(957)
Loss from continuing operations before income tax	**(16,329)**
Income tax benefit / (expense)	20
Net loss for the period after tax	**(16,309)**
OTHER COMPREHENSIVE INCOME / (LOSS)	
Items that may be reclassified to profit or loss	
(Loss) / gain from foreign currency translation	18
Other comprehensive income for the period, net of tax	**18**
Total comprehensive (loss) for the period	**(16,291)**
Summary of movements in consolidated retained earnings	
Retained earnings at the beginning of the period	(620,086)
Profit for the period	(16,309)
Retained earnings at the end of the financial year	**(636,395)**

(b) Consolidated statement of financial performance

AS AT 30 JUNE	2018 $'000
CURRENT ASSETS	
Cash and cash equivalents	6,850
Trade and other receivables	22,036
Inventories	17,597
Biological assets	26,470
Derivative financial assets	326
Other assets	3,722
Total current assets	**77,001**
NON-CURRENT ASSETS	
Property, plant and equipment	10,178
Intangible assets	3,270
Deferred tax assets	5,894
Total non-current assets	**19,342**
Total assets	**96,343**
CURRENT LIABILITIES	
Trade and other payables	13,633
Payable to subsidiaries	69,777
Loans and borrowings	25,813
Provisions	973
Deferred revenue	33,128
Derivative financial liabilities	322
Total current liabilities	**143,646**
NON-CURRENT LIABILITIES	
Provisions	150
Total non-current liabilities	**150**
Total liabilities	**143,796**
Net assets / (liabilities)	**(47,453)**
EQUITY	
Issued capital	572,131
Reserves	16,811
Accumulated losses	(636,395)
Total equity / (deficiency)	**(47,453)**

34. PARENT ENTITY

(a) Summary financial information

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

AS AT 30 JUNE	2018 $'000	2017 $'000
NET ASSETS		
Current assets	49,163	139,611
Total assets	128,637	242,126
Current liabilities	(27,136)	(83,718)
Total liabilities	(27,148)	(109,618)
Net assets	**101,489**	**132,508**
EQUITY		
Issued capital	581,656	581,656
Share issue costs capitalised	(9,525)	(9,525)
Share based payment reserve	18,104	18,014
Accumulated losses	(488,746)	(457,637)
Total equity	**101,489**	**132,508**
Loss for the period	31,108	426,237
Total comprehensive loss	31,108	426,237

(b) Guarantees entered into by the parent entity

At 30 June 2018, 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 10.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2018 (2017: 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. The current subsidiaries information can be found in note 31.

35. AUDITORS REMUNERATION

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

FOR THE YEAR ENDED 30 JUNE	2018 $	2017 $
AUDIT AND OTHER ASSURANCE SERVICES		
Audit and review of financial statements	590,216	828,298
Other assurance services	22,728	16,093
	612,944	**844,391**
TAXATION SERVICES		
Tax compliance services	11,550	6,120
	11,550	**6,120**
OTHER SERVICES		
Advisory services	-	10,404
	-	**10,404**
Total remuneration of PricewaterhouseCoopers Australia and Singapore	**624,494**	**860,915**

36. SHARE BASED PAYMENTS

Under the company's Executive Share Option Plan, share options are granted to Employees as determined, in its absolute discretion, by the Board.

Executive Share Options may be granted with an exercise price as determined by the Board, including, for the avoidance of doubt, with no exercise price.

The Company may determine, in its discretion, whether to settle the vested and exercised Executive Share Options in cash or shares and may either issue new Shares or acquire Shares on market.

The Executive Share Options may be subject to milestone dates prior to which performance conditions must be satisfied.

Movement in number of unissued ordinary shares of the Company under option during the year:

FOR THE YEARS ENDED 30 JUNE	Options at beginning of period	Granted during period	Expired / canceled during period	Vested / exercised during period	Options at end of period
2018					
Fred Troncone	-	5,600,000	-	-	5,600,000
	-	**5,600,000**	-	-	**5,600,000**

Details of unissued ordinary shares of the Company under option during the year:

Performance condition	Tranche 1	Tranche 2	Tranche 3
Grant date	29 Nov 17	29 Nov 17	29 Nov 17
Maturity date	20 Sept 2020	20 Sept 2020	20 Sept 2020
Vesting period from grant date	2.81 years	2.81 years	2.81 years
Vesting conditions (AUD$/share) (30 day VWAP)	0.40	0.55	0.70
Exercise price	0.00	0.00	0.00
Share price	0.145	0.145	0.145
Risk free rate	1.95%	1.95%	1.95%
Volatility	81.00%	81.00%	81.00%
Fair value at grant date	**131,615**	**173,579**	**127,746**
Entitled no of employees	1	1	1

Of the options issued above, 50% of the options are conditional on the employee completing three years service (the vesting period). Mr Troncone resigned effective 3 August 2018. 50% of the options granted are exercisable at any point during the vesting period after the performance condition has been being met.

37. RESERVES

AS AT 30 JUNE	Common control $'000	Share based payments $'000	Foreign currency translation $'000	Total $'000
2018				
Opening balance	(411,017)	18,014	(3,087)	(396,090)
Current year movements	-	90	6,773	6,863
Closing balance	**(411,017)**	**18,104**	**3,686**	**(389,227)**
2017				
Opening balance	(411,017)	18,014	2,752	(390,251)
Current year movements	-	-	(5,839)	(5,839)
Closing balance	**(411,017)**	**18,014**	**(3,087)**	**(396,090)**

Common control reserve

The acquisition of all subsidiaries as part of the Group Restructure Event 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.

38. ACCUMULATED LOSSES

FOR THE YEARS ENDED 30 JUNE	2018 $	2017 $
Opening balance	(44,846)	30,491
Prior period adjustment on adoption of revenue standard AASB 15	(127)	-
Net profit / (loss)	(36,437)	(75,337)
Closing balance	**(81,410)**	**(44,846)**

39. CONTINGENT ASSETS / LIABILITIES

On 3 October 2017, the Company entered into a charter agreement with Alpha Commodities S.A for the vessel, MV Ocean Shearer. Non-refundable deposits of USD$2,000,000 were received. The voyage did not proceed, and the company is pursuing through legal process a claim of USD$10,380,000 being the total mitigated losses.

The Company has entered into negotiations with the shipbuilder in respect to the delay or termination of the contract for the MV Ocean Kelpie. As these negotiations continue it is possible the company may breach future commitments under the contract. An impairment has been raised in respect of the asset under construction balance of $13.8 million. At this point management do not foresee any substantial cash inflows/outflows arising from these negotiations.

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 2018 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 2018
- 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.

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

Material uncertainty related to going concern

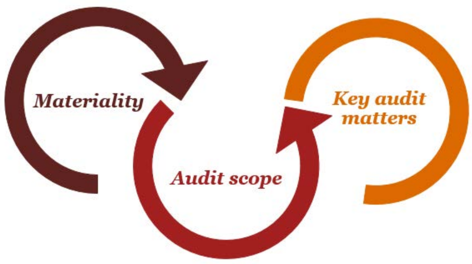
We draw attention to Note 1(C) in the financial report, which states that the Group incurred a loss for the year ended 30 June 2018 amounting to $36.4 million, resulting in operating cash outflows of $0.3 million as well as a negative working capital position of $119.6 million. The note comments on the 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 $2.19 million, which represents approximately 0.75% of the Group's total revenue. • We applied this threshold, together with qualitative considerations, to determine	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Group has operations in Australia, Singapore, Brazil,	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Classification of borrowings – Revenue recognition – Assessment of impairment of non-current assets

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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, which resulted in a relative shift from the livestock activities towards charter activities of the Group. When compared to profit before tax, revenue provides 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 utilised a 0.75% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

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.

  – Material uncertainty related to going concern
- These are further described in the *Key audit matters* section of our report, except for the matter which is 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 matters 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.

Key audit matter	How our audit addressed the key audit matter
Classification of borrowings *(Refer to note 10) $144.9 million* At 30 June 2018, 75% 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 in order to assess the classification of the borrowings as current or non-current liabilities. • obtained confirmations directly from the Group's financiers to confirm the borrowings' balance
Revenue recognition *(Refer to note 5) $291.1 million* Revenue of $291.1 million is comprised of two main streams including: • Sale of goods of $240.6 million • Vessel chartering of $46.5 million Revenue from sale of goods 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 • the early adoption of AASB 15 *Revenue from Contracts with Customers* by the Group from 1 July 2017, given the different criteria for recognition and measurement of revenue.	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 2018 to supporting third party evidence to assess whether it was recorded in the correct period • assessed the impact analysis of adoption of AASB 15 Revenue from Contracts with Customers on revenue recognition for accuracy and completeness • examined terms and conditions of relevant customer contracts to assess the timing for recognition of revenue consistent with AASB 15 Revenue from Contracts with Customers • evaluated the adequacy of the disclosures in light of the requirements of Australian Accounting Standards.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	*How our audit addressed the key audit matter*
Assessment of impairment of non-current assets *(Refer to note 6 and 23) $13.9 million (expense)* At 30 June 2018 the Group had $206.8 million of property, plant and equipment. The Group considered whether there were any indicators of impairment for any individual assets or cash 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. Accounting standards require the carrying value of assets tested for impairment to be compared to their recoverable amount. Recoverable amounts are determined as the higher of Fair Value less cost of Disposal (FVLCoD) and Value in Use (VIU) Consequently, the Group estimated recoverable amounts for both the Group's vessel fleet and processed meat CGU through an independent valuation performed by external parties and VIU calculations. Based on these assessments, the Group concluded no impairment charge was required in relation to the vessel fleet a $13.8 million impairment charge on capital work in progress was required and a $0.1 million 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 of impairment on the financial report.	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 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 on the carrying value of the vessel fleet and processed meat CGUs given their financial performance was below forecast In relation to the fair value less cost of disposal valuations for the vessel fleet CGU and the processed meat CGU we performed the following procedures amongst others to assess the suitability of the management expert's work to be used as audit evidence: • evaluated the competence, capabilities and objectivity of the management expert • evaluated the scope and appropriateness of the management expert's work • assessed whether the conclusion reached by the management expert is consistent with other audit evidence, including management's value in use calculations • agreed the listings of assets included in the valuations to the underlying assets included in CGUs to test completeness of the valuations • evaluated whether the disclosures were consistent with the requirements of Australian Accounting Standards.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, including the Message from the Chairman, Operations Report, Directors' Report, Additional ASX Information and Corporate Directory, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do 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, 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.

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 *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.

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.

INDEPENDENT AUDITOR'S REPORT

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Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 37 to 46 of the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of Wellard Limited for the year ended 30 June 2018 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
20 August 2018

Additional ASX 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 17 August 2018.

SUBSTANTIAL SHAREHOLDERS

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	60,692,562	11.42
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 2,219 registered shareholders.

DISTRIBUTION OF SHAREHOLDING

The distribution of all shareholders is set out below.

Range	Total holders	Shares	% of all shares
1 - 1000	111	39,670	0.01
1001 - 5000	418	1,358,703	0.26
5001 – 10,000	385	3,078,827	0.58
10,001 – 100,000	1,029	37,484,713	7.06
101,000 and over	276	489,288,399	92.10
Total	**2,219**	**531,250,312**	**100%**

UNMARKETABLE PARCEL

The minimum parcel size at 17 August 2018 is per unit is 4,761 shares.

There are 460 shareholders that hold unmarketable parcels.

TOP 20 SHAREHOLDERS

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

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	60,692,562	11.42
4.	Innovation Bloom Limited	36,871,666	6.94
5.	Citicorp Nominees Pty Limited	28,736,035	5.41
6.	J P Morgan Nominees Australia Limited	22,952,558	4.32
7.	Vine Street Investments Pty Ltd	6,896,481	1.30
8.	Morizon Investments Pty Ltd	4,442,045	0.84
9.	HSBC Custody Nominees (Australia) Limited - A/C 2	3,750,154	0.71
10.	Brazil Farming Pty Ltd	3,500,000	0.66
11.	HSBC Custody Nominees (Australia) Limited	3,055,116	0.58
12.	Dynamic Supplies Investments Pty Ltd	3,000,000	0.56
13.	Ms Xia Zhao	2,600,000	0.49
13.	Mr Zixiao Zhao	2,600,000	0.49
14.	NFDH Health Essentials Pte Ltd	2,560,000	0.48
15.	Mr Steven Boyd Taylor	2,255,000	0.42
16.	Mr Feng Shi	2,054,099	0.39
17.	Mr Orlando Berardino Di Lulio and Ms Catharina Maria Koopman	1,782,124	0.34
18.	BNP Paribas Noms Pty Ltd	1,727,000	0.33
19.	Jastal Family Investments Pty Ltd	1,642,500	0.31
20.	Mr Peter Howells	1,600,000	0.30
20.	Ms Hong Mei Zhong	1,600,000	0.30
Total		**404,412,234**	**76.12**

THE NUMBER OF CONVERTIBLE NOTES ON ISSUE

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

DISTRIBUTION OF CONVERTIBLE NOTE HOLDERS

The distribution of all convertible noteholders is set out below.

Range	Total holders	Convertible notes	% of all convertible notes
1 - 1000	-	-	-
1001 - 5000	-	-	-
5001 – 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 has no 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 group.

CORORATE DIRECTORY

DIRECTORS

John Klepec
Executive Chairman

Mauro Balzarini
Managing Director

Kanda Lu
Executive Director

John Stevenson
Executive Director

Philip Clausius
Non-Executive Director

COMPANY SECRETARY

Michael Silbert

AUDITORS

PricewaterhouseCoopers
Level 15
125 St Georges Terrace
Perth WA 6000

Phone:	+61 8 9238 3000
Facsimile:	+61 8 9238 3999
Website:	www.pwc.com.au

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

1A Pakenham Street
Fremantle WA 6160

Phone:	+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

Phone:	+61 1300 554 474
Facsimile:	+61 8 9287 0303
Website:	www.linkmarketservices.com.au

SECURITIES EXCHANGE LISTING

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

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Wellard

www.wellard.com.au