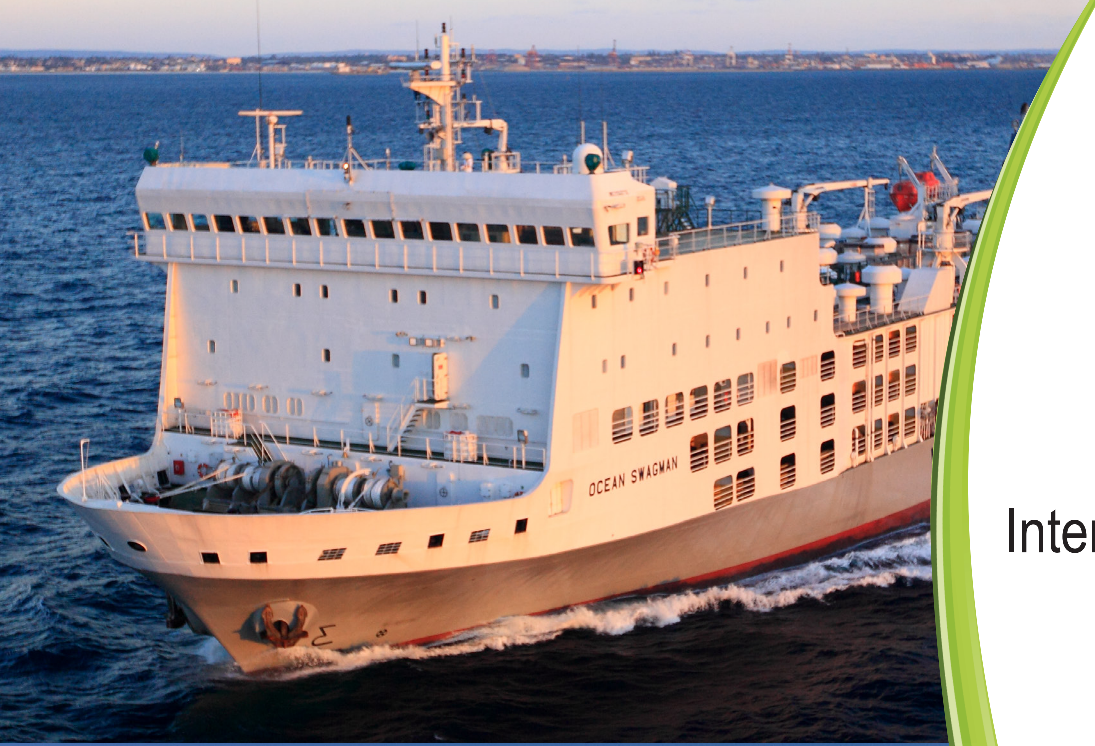
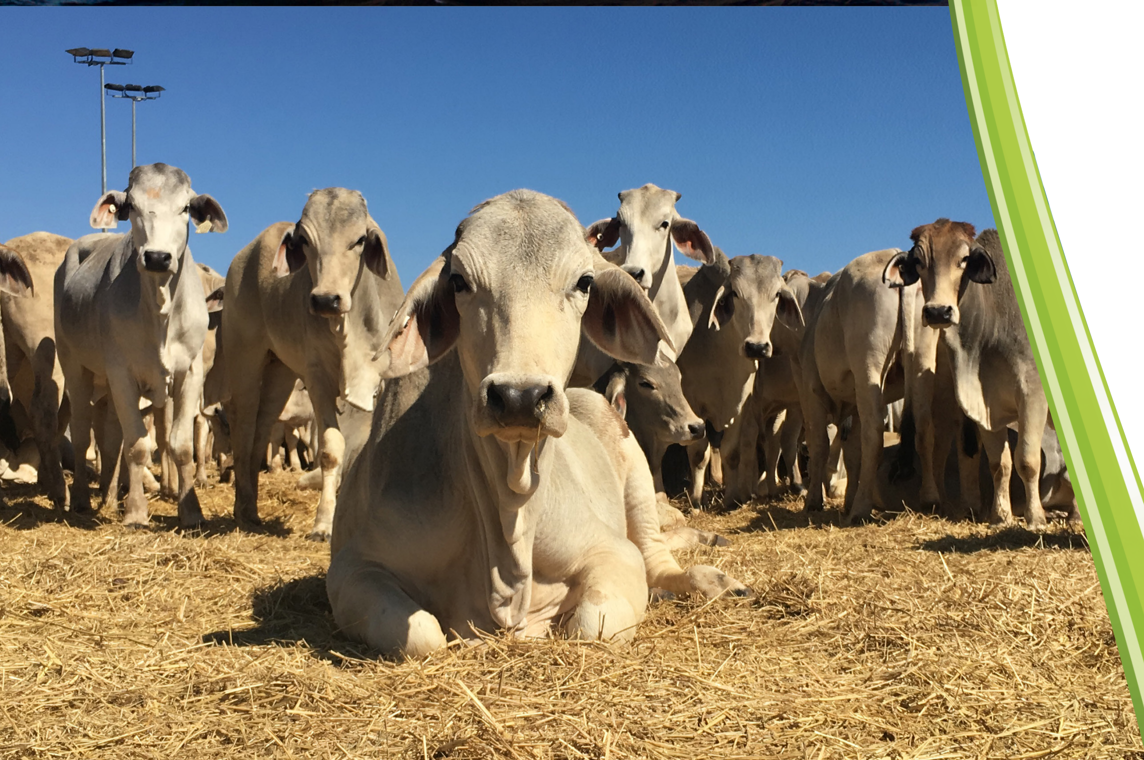
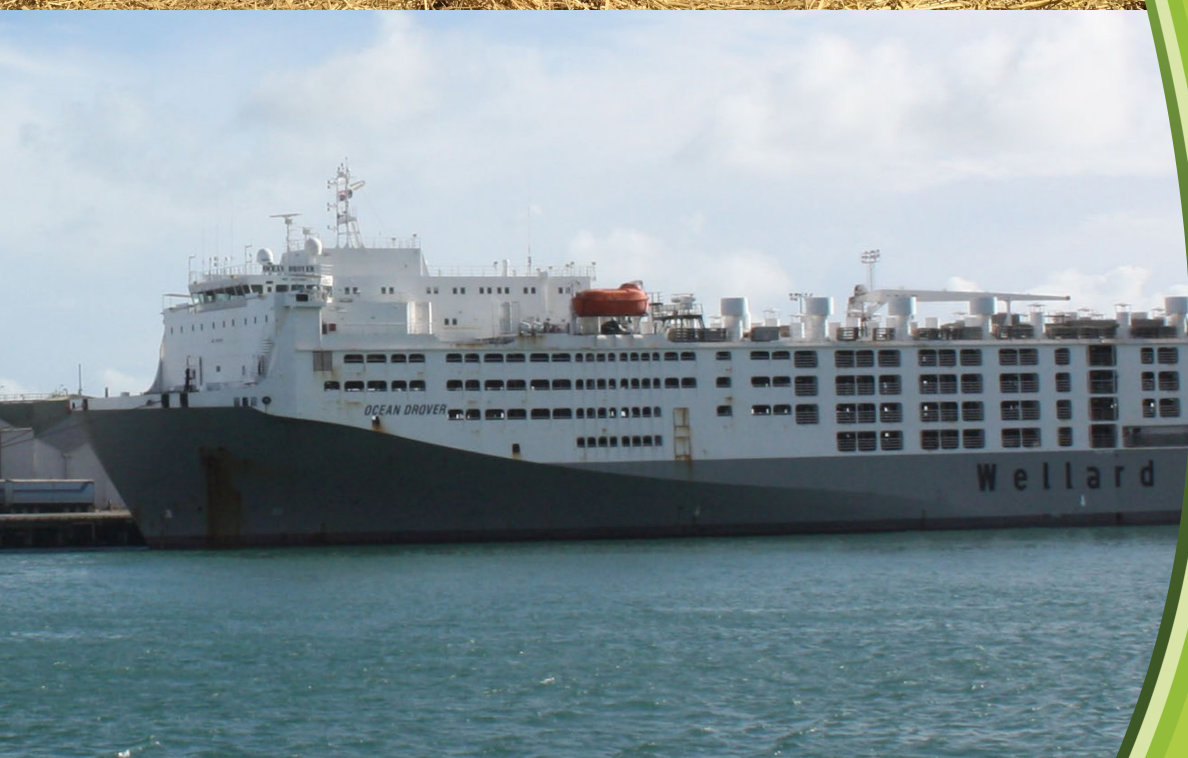






Wellard

Interim Financial Report

31 December 2018

Appendix 4D

WELLARD LIMITED

ABN 53 607 708 190

Half-Year Report

Results for announcement to the market
for the half-year ended 31 December 2018

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

1. The reporting period is to 31 December 2018 and the previous corresponding period is to 31 December 2017.

2. Results for announcement to the market:

		Current period $'000	Change from prior period $'000	Change from prior period %
	Revenue from continuing operations	188,196	47,609	33.9
	Revenue from discontinued operations	26,395	3,317	14.4
2.1	**Revenues from ordinary activities**	**214,591**	**50,926**	**31.1**
	Profit/(loss) from continuing operations after tax attributable to members	3,398	10,619	147.1
	Profit/(loss) from discontinued operations after tax attributable to members	(545)	(294)	(117.1)
2.2	**Profit/(loss) from ordinary activities after tax attributable to members**	**2,853**	**10,325**	**138.2**
2.3	Net profit/(loss) for the period attributable to members	2,853	10,325	138.2
2.4	Dividends (distributions)	Nil	Nil	Nil

3. Net tangible assets per security:

		31 Dec 2018	31 Dec 2017
3.1	Net tangible assets per ordinary security	0.18	0.16

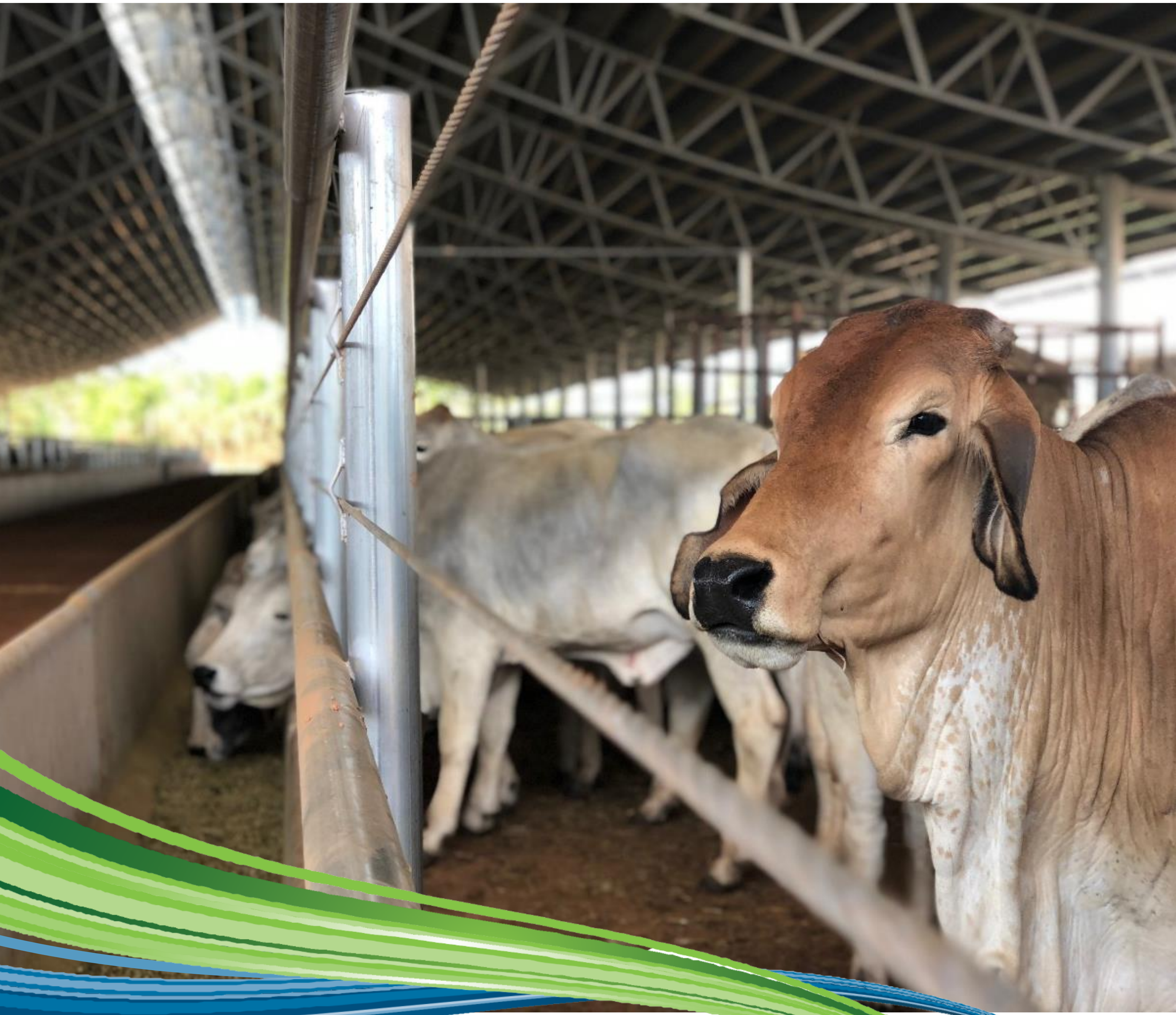
4. There were no entities over which control has been gained or lost during the period.

5. No dividends were paid during the period.

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

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

The audited financial statements for the half-year ended 31 December 2018 are attached to this Appendix 4D. The independent auditors review report contains a material uncertainty related to going concern. For further information refer Note 1(c) in the attached Interim Financial Report.



WELLARD LIMITED

ABN 53 607 708 190

INTERIM FINANCIAL REPORT

For the period ended 31 December 2018

Directors' Report

The Board of Directors of Wellard Limited (the **Company** or, together with the entities it controls, the **Group**) submits its report in respect of the half-year ended 31 December 2018.

The Directors of the Company in office during the half-year and at the date of this report are:

Name	Position	Appointed	Resigned
John Klepec	Non-Executive Director *(15 November 2016 – 3 August 2018)*	15 November 2016	-
John Klepec	Executive Chairman *(3 August 2018 – current)*	3 August 2018	-
Mauro Balzarini	Managing Director and CEO	19 November 2015	-
Philip Clausius	Non-Executive Director	19 November 2015	-
Kanda Lu	Executive Director	12 May 2017	-
Fred Troncone	Executive Director	26 June 2017	3 August 2018
John Stevenson	Executive Director	6 August 2018	-

The Company Secretary of the Company in office during the half-year and at the date of this report is Michael Silbert (appointed 17 October 2016).

Review and Results from Continuing Operations

Financial Summary

Period ended		31 Dec 2018	31 Dec 2017	Movement
Total revenue	$m	188.2	140.6	33.9%
Gross profit	$m	**35.9**	**21.7**	**65.7%**
Gross margin %		19.1%	15.4%	3.7%
Operational expenses [1]	$m	(10.4)	(8.9)	(17.3)%
Operational expenses per $ gross profit [2]		(29.0)%	(41.0)%	12.0%
Administrative expenses	$m	(3.9)	(5.1)	22.4%
Administrative expenses per $ gross profit		(11.0)%	(23.4)%	12.4%
Impairment expenses	$m	(3.5)	-	(100.0)%
EBITDA [3]	$m	**23.0**	**7.7**	**197.6%**
Operating cashflow (before interest & tax) [4]	$m	28.9	(3.8)	858.2%
Net profit / (loss) after tax for continuing operations	$m	3.4	(7.2)	147.1%

As at		31 Dec 2018	30 Jun 2018	Movement
Quick assets [5]	$m	46.7	38.0	22.9%
Net debt [6]	$m	123.0	136.6	9.9%
Debt to capital ratio [7]		55.6%	58.8%	3.2%
Ship loan to asset book value [8]		54.9%	61.0%	6.1%
Net tangible assets [9]	$m	97.1	87.2	11.3%
Net tangible assets per security	cps	18.3	16.4	11.6%

[1] Combined operating and other expense for continuing operations.
[2] Operational expenses divided by gross profit.
[3] EBITDA equals profit (loss) from continuing operations before income tax, less depreciation and amortisation expenses, less net finance costs, less other gains (losses) arising from other activities and less impairment expense.
[4] Net operating cash flow for continuing operations before interest paid, interest received and income tax paid.
[5] Quick assets equals cash and cash equivalents, trade debtors and other current assets.
[6] Net debt equals loans and borrowings less cash and cash equivalents.
[7] Debt to capital ratio equals loans and borrowings divided by total equity plus loans and borrowings.
[8] Calculated on the Group's fleet of 4 vessels.
[9] Excludes intangible assets.
[10] Debt to capital ratio equals loans and borrowings divided by total equity plus loans and borrowings.
[11] Working capital (proforma) equals current assets less current liabilities less loans and borrowings classified as current, although their scheduled due date is after 12 months from balance date.

Financial Review

Highlights		
Net Profit After Tax	**Up 138.2%**	**$2.9 million**
EBITDA	**Up 197.6%**	**$23.0 million**
Revenue	**Up 33.9%**	**$188.2 million**
Cash on hand	**Up 62.0%**	**$13.4 million**
Net debt	**Down 9.9%**	**$123.0 million**

Unless otherwise stated, all comparisons are in relation to the same period last year.

The Group's strategic realignment and ongoing cost out program is continuing to produce positive results.

Marginally improved trading conditions together with cost savings helped Wellard record a $23.0 million EBITDA and a $2.9 million Net Profit after tax for the six months ending 31 December 2018. This is the Group's first reported Net Profit after tax since its listing in December 2015 and represents earnings per share of 0.64 cents (31 December 2017: negative 1.36 cents).

In particular, significant effort has been directed towards improving the Group's working capital. The Group has recorded an operating cashflow for continuing operations (before interest and tax) of $28.9 million. That represents a 1.26 times conversion rate of EBITDA into free cashflow for the current period and compares favourably to a negative $3.8 million operating cashflow from continuing operations (before interest and tax) and a negative conversion rate last year.

The Group generated a net cashflow after servicing of all debt obligations of $8.9 million, compared to a negative $20.3 million last year. Wellard announced a non-core asset sale program at its 2018 AGM on 23 November 2018, funds from which are expected to be realised in the second half of FY2019. The Group's cashflow includes $0.38 million from non-core asset sales in the current period.

Debt reduction continues to be a priority and Net Debt has been reduced by $13.6 million during the period. Total debt represents 55.6% of the Group's funding[10] and total ship debt represents 54.9% of the book value of the Group's shipping assets. The Group did not have any drawn working capital debt at balance date. Two million convertible notes, worth US$2.0 million were redeemed early in December 2018 in cash by the Company. At the date of this report a further one million convertible notes, worth US$1.0 million have been redeemed early in cash by the Company.

Assets held for sale at 31 December 2018 include the Group's Beaufort River Meats, Wellard Feeds, and 'La Bergerie' Pre-Export Quarantine businesses. Earnings and assets related to those businesses have been reclassified as discontinued operations and assets held for sale. Combined losses after income tax of $0.5 million earned from those businesses have been excluded from the earnings of the Group's continuing operations, which comprise the Trading and Chartering, as well as Corporate Services segments.

Total revenue increased by $47.6 million to $188.2 million (2018: $140.6 million) comprising 24 loaded voyages (2018: 21 loaded voyages). 56.9% of loaded shipping capacity was utilised on voyages originating from Australia (2018: 41.2%).

69.0% of the Group's available shipping capacity was utilised on external charter voyages (2018: 70.3%) and charter revenue represents 18.0% of total revenue (2018: 17.7%). 61.3% of shipping capacity on external charter voyages originated from outside of Australia (2018: 83.6%).

Trading revenue increased by 37.4% to $154.2 million (2018: $112.2 million). The Group traded 95,808 head of cattle, 98.2% of which were purchased in Australia and exported to South East Asia (2018: 79,905 head of cattle plus 7,294 head of sheep). The Group maintains a market share of at least 20% in the major Australian cattle export markets of Indonesia and Vietnam.

The year on year percentage improvement in Gross Profit was almost double that recorded on revenue. Gross Profit increased by 65.7% to $35.9 million (2018: $21.7 million) and gross margins increased to 19.1% (2018: 15.4%). This reflects both higher volume and margin.

Operational expenses as a ratio of Gross Profit reduced by 12.0% and now represent 29c of every $1.00 of Gross Profit (2018: 41c), due to more efficient voyage performance. Administrative expenses as a ratio of Gross Profit reduced by 12.4% during the period, which is on top of major reductions in the prior year. Administrative expenses now represent 11c for every $1.00 of Gross Profit (2018: 23c).

Movements in the Australian dollar (A$) exchange rate have both positive and negative impacts for the Group, with a weaker Australian dollar making our exports cheaper in United States dollar (US$) terms but conversely making our US$ denominated debt and heavy fuel oil for our ships more expensive, and vice versa. Market buy and sell prices generally adjust quickly in response to exchange rate movements whilst US$ debt obligations are fixed. The A$ to US$ exchange rate depreciated during the period, dropping from an opening rate of 74.0c to a closing rate of 70.4c. During the period it peaked at 74.7c and troughed at 70.3c. The rate is currently around 70.1c. This high level of volatility makes mid to long-term planning and forecasting challenging.

The Group's reported Net Profit after tax of $2.9 million (2018: negative $7.5 million) was after recognising an impairment of $3.5 million on the carrying value of the Group's assets in China, as well as $0.6 million of restructuring costs, both of which are non-recurring in nature.

The Group's balance sheet position is improving despite the imbalance between debt maturity and our assets' earnings profile. 47.3% of existing ship debt matures within two years whilst the average remaining estimated useful life of our fleet is 15 years.

Cash on hand at 31 December 2018 increased by $5.1 million to $13.4 million (30 June 2018: $8.3 million). This excludes restricted cash held in bank accounts which are lodged as security deposits or guarantees, and which total an additional $2.6 million.

Despite a material improvement in the Group's first half results, given its relatively high level of debt servicing together with the trailing nature of certain covenants, the Group continued to be in breach of banking and convertible note covenants at 31 December 2018. These breaches require the Company to categorise all long-term debt as a current liability, regardless of tenure. Loans and borrowings of $84.3 million in the absence of these breaches would have otherwise been classified as non-current liabilities as they are due to mature beyond 12 months from the balance date. The Group made all payments due under its working capital facility, ship financing facilities and convertible notes during the reporting period, and despite the breaches in financial covenants noted above, the Company maintains a working relationship with all of its financiers.

Wellard has been working hard to reduce its debt levels, extend its debt servicing obligations, and improve its working capital position. Our debts have principal and interest obligations which we are meeting which continues the deleveraging of the business. The overall debt levels of the Group are appropriate for the asset value, however during the next12 month period we expect to make substantial principal reductions of full early repayment of our convertible notes (totalling US$16.5 million), plus final balloon instalments due under the financing arrangements secured against two ships – the M/V Ocean Ute and M/V Ocean Drover (totalling US$18.75 million).

The Standstill Agreement reached with Convertible Noteholders on 18 December 2018 remains in effect until 31 March 2019 and productive negotiations are proceeding towards a resolution of outstanding breaches comprising several possibilities. These include continuing early redemption of convertible notes, the potential sale of a vessel, and refinancing with an extension of some or all of the notes. The Board's preferred position is to fully repay the convertible noteholders ahead of their original schedule.

The Company's existing working capital facility with Commonwealth Bank of Australia (CBA) expires on 28 February 2019 and CBA has indicated that it will not renew the facility at that time. This working capital facility was previously used to fund a majority of the Group's livestock purchases in Australia, with the balance funded by internal cashflow. The Group's volume and value of livestock purchases has reduced as a result of changes in its operating model, resulting in increased shipping utilisation on external charters as opposed to internal trading voyages. The Group's improved performance during the current reporting period has further reduced its need to draw on its CBA working capital facility. The Group is in discussion with alternative working capital providers for a replacement facility to CBA and is confident that funding will be available prior to the commencement of the traditional Australian livestock supply season. Non-binding term sheets have been signed with alternative providers.

Profit per share for the period was 0.64 cents (31 December 2017: negative of 1.36 cents), whilst net tangible asset value per share as at period end was 18.3 cents (30 June 2018: 16.4 cents). The number of shares on issue at 31 December 2018 of 531,250,312 (30 June 2018: 531,250,312) remained unchanged during the period.

Operational Review

As noted above, the Group had a successful six months trading to 31 December 2018, during which market conditions improved but remained challenging. We have completed the refocus of our business, being external chartering of our ships and trading of Australian sourced cattle to Indonesia and Vietnam. That has encompassed both how and what we sell, as well as how we deliver and administer it.

69.0% of Wellard's available shipping capacity was sold on external charters this half, which is slightly below the percentage sold on charters for the same period last year. However, charter revenue increased both in total (by 36.4% in 2018 compared to the prior period) as well as a portion of total revenue which now represents 17.7% of the current period's total revenue. That reflects better charter rates as well as more efficient voyage operations. We loaded 12 external charter voyages in the first half, of which 3 were destined for ports in Turkey; whilst 5 went to South East Asia; 3 to China; and 1 to Russia. 38.7% of capacity on external charter voyages originated from Australia compared to 16.4% last year. Australia is not a new charter market for the Group, however our performance this half highlights that customers in this region recognise the economic and welfare benefits that our ships can deliver.

Wellard loaded 6 voyages to Indonesia in the half, delivering 73,544 head of cattle, including 3 back-to-back voyages on the 20,000 head capacity M/V Ocean Drover during August to October 2018. Despite weakening Australian cattle prices, trading margins remain extremely tight in this market as they are ultimately tied to the Indonesian Government's policy governing domestic retail meat prices. As such, this is currently a volume business and our ability to deliver 16,708 more cattle this year versus last year was a good result.

The remaining 6 trading voyages were to Vietnam, delivering 21,492 head of cattle (2018: 16,817 head). Vietnam imports a range of cattle, generally heavier slaughter cattle, bulls and breeding animals. Buying opportunities at different times in the west and east of Australia have enabled Wellard to maximise trading results.

Australian cattle prices generally weakened during the first half of FY2019 as ongoing drought encouraged higher turnoff rates wherever grass was sparse. The average price per kilogram paid by the Company for cattle in Australia decreased by 11.1% with the increase varying considerably across states, reflecting the different type and volume of cattle purchased and the different seasonal conditions across regions. The headline Eastern Young Cattle Index (EYCI) has averaged 511c/kg (cwt), down 15% year on year, highlighting the wide variations that exist across regions and cattle types, as well as the time lag that is inherent in the EYCI.

During the period, the Australian Livestock Export Council (ALEC) adopted a Code of Conduct, which Wellard contributed to and endorses. The ALEC Code of Conduct aims to provide industry-wide standards of integrity and compliance with animal welfare laws and regulations. Failure to comply with the ALEC Code of Conduct can result in sanctions, including revocation of membership, and effectively creates an animal welfare standards guarantee for the market.

The Group is continuing to improve the efficiency of its operations, both from the top down in terms of marketing activities and from the bottom up in terms of operational control and costs, and administrative support. As noted above, both operational and administrative costs are reducing in relation to revenue and margin. The Group's operating structure is continuing to develop into a cost-effective, global cross-functional organisation as opposed to a higher cost specialised divisional structure. This provides greater flexibility to adjust to major market changes, be it economic, political or climatic.

Sheep processing volumes at the Beaufort River Meats facility decreased by 5.8% to 154,399 head (2018: 163,913 head). Processors in the south-west of Western Australia continue to struggle to find a consistent year-round supply of quality animals which results in inconsistent schedules and hence margin pressure. Some processors have moved to an in-house feeding model which better guarantees volume and quality. Wellard has operated profitability in this sector, backgrounding sheep whilst utilising feed from our own feed mill for our own facility as well as for other processors and exporters. These non-core businesses are scheduled to be sold during the second half of this year and therefore have been excluded from our results for continuing operations.

Outlook

Following a profitable six months of trading during which volumes and margins generally increased, we are now entering the usual northern Australian wet season period from mid-December for three or more months during which cattle supply is restricted and hence purchase prices are seasonally higher.

On top of the seasonal trend, northern Australia, specifically Queensland, is currently experiencing a once in a 100 year flood event. It is too early to predict what the full extent of this event will have on our business and when. However in the short-term, cattle availability will be restricted in the affected areas and this will exacerbate the normal seasonal price inflation. In the long-term, this event should assist to promote the herd rebuilding phase that is required in this region and which will ultimately benefit our business. Historically, normal market forces result in boom and bust cycles which ultimately are not good for buyers, sellers, or logistics suppliers.

Turkey is a large livestock import market. The Group completed 3 of its 12 charter voyages to this market in the first half of the financial year. As previously announced, the Turkish national Government on 24 December 2018 suspended the granting of new import licences due to sufficient processed stocks on hand and to enable the product sufficient time to clear. Our expectation is that the suspension will remain in place until the completion of the local elections (held every 5 years) on 31 March 2019. The Government aims to be self-sufficient in the production of beef and to increase per capita consumption levels, however this will take several years to achieve, and price sensitive demand can substantially be met from imports of live cattle from low cost South American producers.

Wellard's cattle trading business is predominantly based in Australia. 98.2% of livestock traded by the Group in the first half was purchased in Australia. Although we have delivered a profitable result for the interim period, we remain concerned about the high cost of Australian cattle and the price sensitivity of Indonesian and Vietnamese customers, where the final retail pricing in Indonesia in particular is Government controlled, impacting full year results. Average prices paid for Australian cattle have increased considerably over the past 3 years and whilst it is imperative that growers are appropriately remunerated, Asian customers are seeking alternative sources for their protein needs.

The high volumes of exports in previous years to our major market of Indonesia were price linked. When purchase prices moved for a sustained period beyond a level where exporter, feedlots and processors could cover their operational costs, live Northern Australian cattle imports were replaced with processed Indian buffalo meat. The penetration of Indian buffalo meat is now entrenched and the market for northern Australian cattle to Indonesia will only increase from current levels if there is sustained reduction in pricing.

The Indonesian import market has matured greatly over the past 5 years, with pricing visibility now across all parts of the supply chain. Exporters largely set the price for live cattle across northern Australia as there are limited marketing alternatives, depending on the source region for producers. Purchase prices have disconnected from live export market fundamentals as the Indian buffalo substitution occurred in Indonesia, with exporters financially impacted during this extended period. Wellard is attempting to lead the required adjustment by not bidding prices higher when it is not commercially viable which resulted in Wellard not trading any cattle to Indonesia in December 2018. The 2019 calendar year may potentially be volatile, given Indonesian Presidential elections are scheduled for April 2019, during which time there can be agricultural policy changes, sometimes protectionist in nature.

A majority of cattle supplied to Vietnam originates from Queensland and any increase or decrease in heavy cattle turnoff as a result of flooding or other weather events will impact that market. Nevertheless, there could be a pause in any supply for a period out of Queensland whilst growers and the country recovers.

The China market continues to be impeded by regulations on heavy slaughter cattle and the non-issue of import permits for feeders. The importation facilities exist for substantial exports once the regulations change or permits are issued which Wellard is well positioned to capitalise upon with our purpose-built ships. Given these ongoing regulatory delays and the existing underutilised facilities, we will partner with major Chinese processors and retailers and not proceed with any further investment in the Wellao China Project and have impaired the carrying value of that investment in this half. Chinese demand for dairy and breeding cattle is strong and we are continuing to compete in both the charter and trading areas of this market.

The outlook for the second half is overall uncertain. We are confident that given our ability to compete independently in both charter and trading markets, together with a streamlined flexible operating structure, we are well positioned to continue a positive trend. Nevertheless, volumes and margins in the third quarter will be depressed due to the normal seasonal impacts as well as adverse weather impacts. Indications are for a similar demand and rates for our ships in the fourth quarter as we experienced during this half and the last quarter of FY18.

Cashflow in the second half will be boosted by the expected completion of the sale of non-core assets. Operation of these assets consumes a disproportionate amount of resources and following their sale our continuing operations will benefit from an increased focus and a greater share of available resources.

Of the 95,808 head of cattle traded by the Group during the period, we reported a mortality rate of 0.08% or 81 head. Wellard ensures that every animal in its care receives humane handling before, during and after transportation. It is in all parties' interest that animals discharge in a healthy state. Cattle are constantly monitored by our Australian stock handlers and any animals seen to be unwell are segregated and provided constant medical attention. Unfortunately, some cattle may die as a result of inherent disease or changes in their environment or pre-existing health conditions. Such changes can occur on properties in Australia during drought or flood, or on trucks or ships. Given our larger than average vessels, our trained stockmen, and our promoted standard of care, we believe we can provide comparable and, in some cases, better conditions for the transport of cattle from property to destination market. The Australian industry is moving away from mortality as an indicator of animal welfare to alternative indicators. Wellard supports this move.

Agriculture, specifically livestock, by its nature is volatile. The live export industry constantly faces challenges including restrictive Government policies both in the exporting and importing countries; adverse weather conditions; and animal welfare concerns, just to name a few. The strong performance in a challenging market in H1 FY19 demonstrates the upside that can occur in our industry and the potential reward for those that can manage adverse conditions. We believe that we can export livestock in a manner that is not only profitable and sustainable but also acceptable to a diverse range of stakeholders.

Rounding of Amounts

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

Auditor's Independence Declaration

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

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

J Klepec
Executive Chairman

J Stevenson
Executive Director – Chief Financial Officer

Auditor's Independence Declaration

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

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

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

Douglas Craig
Partner
PricewaterhouseCoopers

Perth
13 February 2019

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Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2018

	Note	31 Dec 2018 $'000	31 Dec 2017 $'000
Continuing operations			
Revenue	2	188,196	140,587
Cost of sales	3(a)	(152,277)	(118,906)
Gross profit		**35,919**	**21,681**
Other gains / (losses)	3(b)	(4,630)	(707)
Net finance costs		(5,366)	(5,122)
Depreciation and amortisation expenses		(8,146)	(9,104)
Administration expenses		(3,942)	(5,079)
Operating expenses		(6,440)	(8,075)
Other expenses	3(c)	(3,988)	(815)
Gain / (loss) from continuing operations before income tax		**3,407**	**(7,221)**
Income tax / (expense)		(9)	-
Discontinued operations			
Losses from discontinued operations, net of tax	5(b)	(545)	(251)
Net profit / (loss) for the period after tax		**2,853**	**(7,472)**
Other comprehensive income / (loss) for the period			
Items that may be reclassified to profit or loss			
Gain / (loss) from foreign currency translation		4,653	(1,541)
Other comprehensive income / (loss) for the period, net of tax		**4,653**	**(1,541)**
Total comprehensive income / (loss) for the period		**7,506**	**(9,013)**

		Cents	Cents
Earnings / (loss) per share for gain / (loss) from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings / (loss) per share	7	0.64	(1.36)
Diluted earnings / (loss) per share	7	0.64	(1.36)

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

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	31 Dec 2018 $'000	30 Jun 2018 $'000
Current assets			
Cash and cash equivalents	9	13,444	8,297
Trade and other receivables		28,053	24,947
Inventories		15,012	18,121
Biological assets		210	18,264
Derivative financial assets		-	326
Other assets		5,176	4,709
Assets held for sale	5(d)	8,480	-
Total current assets		**70,375**	**74,664**
Non-current assets			
Property, plant and equipment	12	201,349	206,832
Intangible assets	13	6,187	8,384
Deferred tax assets		5,618	5,894
Other assets		143	140
Total non-current assets		**213,297**	**221,250**
Total assets		**283,672**	**295,914**
Current liabilities			
Trade and other payables		13,267	18,796
Loans and borrowings	8	136,421	144,945
Provisions		936	1,100
Deferred revenue		23,857	28,248
Derivative financial liabilities		181	1,180
Total current liabilities		**174,662**	**194,269**
Non-current liabilities			
Provisions		95	150
Total non-current liabilities		**95**	**150**
Total liabilities		**174,757**	**194,419**
Net assets		**108,915**	**101,495**
Equity			
Issued capital	11	572,132	572,132
Reserves		(384,659)	(389,227)
Accumulated losses		(78,558)	(81,410)
Total equity		**108,915**	**101,495**

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

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2018

		Attributable to Owners					
	Note	Issued capital $'000	Accumulated losses $'000	Share based payments reserve $'000	Other reserves $'000	Common control reserve $'000	Total $'000
Balance at 1 July 2017		**572,132**	**(44,973)**	**18,014**	**(3,087)**	**(411,017)**	**131,069**
Loss for the period		-	(7,472)	-	-	-	(7,472)
Other comprehensive income loss		-	-	-	(1,541)	-	(1,541)
Total comprehensive loss for the period		**-**	**(7,472)**	**-**	**(1,541)**	**-**	**(9,013)**
Transactions with owners in their capacity as owners:							
Share based payment		-	-	15	-	-	15
Balance at 31 December 2017		**572,132**	**(52,445)**	**18,029**	**(4,628)**	**(411,017)**	**122,071**
Balance at 1 July 2018		**572,132**	**(81,412)**	**18,104**	**3,686**	**(411,017)**	**101,493**
Profit for the period		-	2,853	-	-	-	2,853
Other comprehensive income (loss)		-	-	-	4,653	-	4,653
Total comprehensive (loss) income for the period		**-**	**2,853**	**-**	**4,653**	**-**	**7,506**
Transactions with owners in their capacity as owners:							
Share based payment		-	-	(84)	-	-	(84)
Balance at 31 December 2018		**572,132**	**(78,559)**	**18,020**	**8,339**	**(411,017)**	**108,915**

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

Consolidated Statement of Cash flows

For the half-year ended 31 December 2018

	Note	31 Dec 2018 $'000	31 Dec 2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		206,737	166,483
Payments to suppliers and employees (inclusive of GST)		(176,507)	(170,219)
Interest paid		(4,511)	(3,903)
Interest received		-	1
Net income tax paid / (returned)		82	(46)
Net operating cash flows	10	**25,801**	**(7,684)**
Cash flows from investing activities			
Purchase of property, plant & equipment		(532)	(4,758)
Purchase of intangible assets		(42)	(15)
Proceeds from sale of property, plant & equipment		93	516
Proceeds from sale of assets held for sale		2	32,971
Proceeds from sale of investment		-	1
Net investing cash flows		**(479)**	**28,715**
Cash flows from financing activities			
Proceeds from borrowings		4,956	-
Repayments of borrowings		(21,358)	(41,351)
Transfers from / (to) restricted cash		4	19
Net financing cash flows		**(16,398)**	**(41,332)**
Net increase / (decrease) in cash held		8,924	(20,301)
Cash at the beginning of the financial period		8,297	33,027
Effect of exchange rate changes on cash and cash equivalents		(3,777)	(569)
Cash at the end of financial period	9	**13,444**	**12,157**

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

Notes to the Consolidated 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 6 months ended 31 December 2018, and was authorised for issue in accordance with a resolution of the Directors on 13 February 2019.

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 supplies quality livestock and value-added-product to consumers throughout the world.

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

(b) Basis of preparation

This interim financial report for the half-year ended 31 December 2018 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

This half-year report does not include all the notes of the type normally included in the annual financial report. It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Wellard Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

The same accounting policies and methods of computation have been applied by the consolidated Group and are consistent with those adopted and disclosed in the most recent annual financial report, except for the adoption of AASB 9 *Financial Instruments* on 1 July 2018, discussed in 1(c).

(c) Changes in Accounting Policies

This note explains the impact of the adoption of AASB 9 *Financial Instruments* on the group's financial statements, and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

The adoption of AASB 9 has not had a significant effect on the Group's accounting policies in relation to financial liabilities. Trade receivables is the only financial asset that has been impacted by the adoption of the standard, specifically the measurement basis for the impairment of trade receivables.

Wellard uses an allowance matrix to measure the Expected Credit Losses of trade receivables from individual customers, which comprise a small number of large balances in its Trading and Chartering operations and a very large number of small balances in its meat processing and distribution operations.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics - geographic region, age of customer relationship and type of product purchased.

Loss rates are based on actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

As a result of the adoption of the AASB 9, there was no adjustment to the opening balance sheet or retained earnings.

(d) 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.

During the period entities within the Group breached financial covenants and undertakings on the working capital facility and ship financing facilities. In respect of many of the breaches, Wellard has either remedied the breaches or has requested 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). However, to date none of the Group's financiers have taken any action to accelerate and enforce its facility either during the current period or in any of the preceding periods during which the Group breached financial covenants.

Certain financial covenants on the working capital facility and ship financing facilities relate to financial ratios focussed on the current reporting period. The Group's improved performance in the current period has resulted in increased compliance with those financial covenants. Other financial covenants are impacted by past performance and the Group is in negotiation with the relevant facility providers for these covenants to be reset.

During the period, entities within the Group breached a financial covenant on the convertible notes. On 18 December 2018 the Company entered into a standstill agreement under which the noteholders agreed not to take any enforcement action in respect of outstanding breaches during a Standstill Period which ends on 31 March 2019. Those breaches will remain outstanding at the end of the Standstill Period, and the noteholders would be entitled to take enforcement action in respect of those breaches from the end of the Standstill Period.

The standstill agreement also called for an early redemption of 3.5 million convertible notes, worth US$3.5 million. As at 31 December 2018, 2.0 million convertible notes, worth US$2.0 million have been redeemed in cash by the Company. At the date of this report, a further 1.0 million convertible notes, worth US$1.0 million have been redeemed in cash by the Company. The Company has funded these redemptions from operating cash flow.

The Company is in discussions with the noteholders and other stakeholders about a resolution to the outstanding covenant breaches on the convertible notes. That resolution could involve a combination of further early redemptions, and/or waivers of breaches, and/or an extension to the standstill agreement. Any further early redemptions will be funded by a combination of available cash, and/or the proceeds from asset sales, and/or new equity, and/or new debt.

The Group's various ship financing facilities mature between 2019 and 2026 as detailed in Note 8. The trade asset finance facilities secured against the M/V Ocean Ute and M/V Ocean Drover are due to mature upon payment of contracted final purchase option amounts of US$3.75 million and US$15.0 million in August and December 2019 respectively. Wellard has been voluntarily prepaying principal amounts on both of these facilities and based on current forecasts it expects those balloon instalments will reduce by approximately US$0.47 million and US$0.40 million by August and December 2019 respectively. As noted above, the Group is in discussion with Noteholders and other stakeholders about a resolution to the outstanding covenant breaches on the convertible notes. Those discussions and any proposed resolution will also take into consideration the cashflow required to fund the balloon instalments due in August and December 2019 as well as the possibility of refinancing the balloon instalment due on the M/V Ocean Drover.

The Group has reduced its net debt by $13.582 million during the past year and its total gross debt has reduced from a peak of $188.8 million since IPO in December 2015 to $123.0 million at 31 December 2018. This reduction in debt obligations has consumed a large portion of the Group's free cashflow to date. The Company is continuing to work on restructuring its debt to better align with the earnings profile of its core assets.

The Company's existing working capital facility with Commonwealth Bank of Australia (CBA) expires on 28 February 2019 and CBA has indicated that it will not renew the facility at that time. 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 Group's volume and value of livestock purchases has reduced as a result of changes in its operating model, resulting in increased shipping utilisation on external charters as opposed to internal trading voyages. The Group's improved performance during the current reporting period has further reduced its need to draw on its CBA working capital facility. The Group is in discussion with alternative working capital providers for a replacement facility to CBA and is confident that funding will be available prior to the commencement of the traditional Australian livestock supply season.

The Group made all payments due under its working capital facility, ship financing facilities and convertible notes during the reporting period, and despite the breaches in financial covenants 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 $84.294 million of those liabilities being due after 31 December 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 up to the date of the directors' declaration for this report 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 $104.287 million as at 31 December 2018 (31 December 2017: $115.060 million). 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 $19.992 million as at 31 December 2018 (31 December 2017: $8.159 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 obtain waivers for any outstanding covenant breaches, or otherwise that the Group's financiers will not take any acceleration or enforcement action in respect of any outstanding covenant breaches, or in respect of any cross-defaults that arise as a result of those outstanding covenant breaches; and
- will be able to obtain an extension to the standstill agreement that expires on 31 March 2019, or otherwise that the Group's convertible note holders will not take any acceleration or enforcement action in respect of any covenant breaches or breaches that may occur at the end of the standstill period on 31 March 2019; and
- will be able to raise sufficient amounts of cash from asset sales together with either debt or equity 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.

(e) Critical accounting estimates and judgements

The preparation of the consolidated financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

(i) Deferred tax asset recognition

Management assesses the extent to which it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. Due to sufficient uncertainty in its trading markets, Management have decided not to recognise the current year deferred tax assets relating to the tax losses carried forward.

Deferred tax assets, tax effected, relating to the tax losses of the Australian tax consolidated Group, Uruguay, Brazil and Singapore have not been recognised since 30 June 2018. There is no expiration date for these amounts other than a five-year limit for Uruguay.

(ii) 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.

(iii) Valuation of convertible note derivative
Key inputs into the valuation of the convertible note derivative at fair value include the Wellard Limited share price volatility and the USD to AUD FX forward curve.

(iv) Impairment of assets
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. If an indicator of impairment exists, the recoverable amount of the asset is determined. If the recoverable amount of an assets or cash generating asset (CGU) is estimated to be less than the carrying amount, the carrying amount of the CGU is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

(v) 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.

(vi) Assets held for sale
Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. In the statement of comprehensive income, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes.

2. Revenue

	31 Dec 2018 $'000	31 Dec 2017 $'000
Revenue		
Sales revenue	154,168	112,223
Charter Revenue	33,957	24,885
Revenue from contracts for services	-	3,171
Other revenue	71	308
	188,196	**140,587**

3. Expenses

	31 Dec 2018 $'000	31 Dec 2017 $'000
(a) Cost of sales		
Livestock	122,854	98,447
Shipping	29,423	20,459
	152,277	**118,906**

(b) Other (gains) losses		
Losses / (gains) arising from trading and chartering activities		
Net loss from changes in fair value of biological assets	2,070	-
Net loss from changes in fair value of fuel hedge	1	-
Losses / (gains) arising from other activities		
Net loss / (gain) on disposal of property, plant and equipment	63	(137)
Net loss / (gain) from changes in fair value of commodities	(286)	1,025
Net foreign exchange losses / (gains)	2,782	(181)
	4,630	**707**
(c) Other expenses		
Restructuring and integration costs	597	800
Share based payment (income) / expense	(84)	15
Impairment expense	3,475	-
	3,988	**815**

The impairment expense represents the write-off of the Goodwill and reduction of the fair value of capitalised costs related to the Wellao feedlot and Pre-Export Quarantine (PEQ) facility (Wellao Feedlot). The Wellao Feedlot is leased on a long-term basis from the Nandagang government in China with the rights for land use owned by Wellard's wholly owned Chinese subsidiary (Wellao). The capital required to develop this project within China is not readily available and hence Wellao has entered into negotiations with the relevant authorities in China for them to buy back the land and rights currently held by Wellard.

4. Segment information

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

As a result of this process, Wellard's management has determined that livestock marketing, export and transportation represents the only reportable segment, including the marketing and export of cattle and sheep. These export activities have similar production and distribution channels, similar products and similar end customers, and as such 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 *Operating Segments* 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 corporate services. 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. In prior periods, this segment included meat processing and distribution, which is a discontinued operation at Balance Date. Meat processing and distribution operates an abattoir 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.

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 31 DECEMBER 2018			
Revenue			
Sales revenue	154,168	-	154,168
Charter revenue	33,957	-	33,957
Other revenue	71	-	71
Total revenue	**188,196**	**-**	**188,196**
Depreciation and amortisation expenses	(7,931)	(215)	(8,146)
Net finance costs	(3,321)	(2,045)	(5,366)
Profit / (loss) from continuing operations before income tax	10,055	(6,648)	3,407
Total segment assets	**268,472**	**15,200**	**283,672**
Total segment liabilities	**164,833**	**9,924**	**174,757**
FOR THE YEAR ENDED 31 DECEMBER 2017			
Revenue			
Sales revenue	112,218	-	112,218
Charter revenue	24,885	-	24,885
Revenue from contracts for services	3,171	-	3,171
Other revenue	313	-	313
Total revenue	**140,587**	-	**140,587**
Depreciation and amortisation expenses	(9,450)	346	(9,104)
Net finance costs	(3,261)	(1,861)	(5,122)
Loss from continuing operations before income tax	(866)	(6,355)	(7,221)
Total segment assets	**245,833**	**47,250**	**293,083**
Total segment liabilities	**143,107**	**27,905**	**171,012**

Revenues of approximately $60.0 million were derived from three external customers of the Trading and Chartering segment, which individually account for greater than 10.0% of total revenue (HY2018: revenue of approximately $72.3 million from three external customers, which individually account for greater than 7.0% of total revenue).

An impairment expense of $3.4 million (30 June 2018: $13.8 million) was recognised in respect of the trading and chartering segment, for the Wellao Feedlot. Due to the contracted sale of the assets of Beaufort River Meats an impairment of $0.1 million (30 June 2018: $0.1 million) has been reversed in respect of the other segment.

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 31 DECEMBER	Australia $'000	Singapore $'000	Uruguay $'000	Brazil $'000	Other $'000	Total $'000
2018	127,466	60,648	-	82	-	**188,196**
2017	98,682	41,750	33	122	-	**140,587**

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

AS AT 31 DECEMBER	Australia $'000	Singapore $'000	China $'000	Brazil $'000	Other $'000	Total $'000
2018	7,238	197,524	2,848	5	64	**207,679**
2017	20,060	205,657	5,474	98	88	**231,377**

5. Assets Held for Sale

(a) Description

On 23 November 2018 Wellard announced the agreement to sell its Beaufort River Meats business, and on 18 December 2018, Wellard announced that binding arrangements had been agreed for the sale of its Beaufort River Meats, Wellard Feeds and 'La Bergerie' Pre-Export Quarantine businesses.

The sale of the Wellard Feeds and 'La Bergerie' Pre-Export Quarantine businesses to Ausvision Rural Services is expected to settle before the end of February 2019. A total amount of approximately $5.4 million will be realised from the sale which includes the realisation of working capital and other assets given the sale of the businesses as a going concern. The carrying value of these businesses as at 31 December 2018 is $3.6 million. Any gain on sale will be recognised in the second half of FY19.

Beaufort River Meats was contracted to be sold as a going concern to International Meats Pty Ltd (IMC). As at the date of this report, settlement has not been completed. Wellard has issued default notices to IMC given their failure to comply with the terms of the binding sale agreement dated 12 November 2018. Wellard is continuing to engage with IMC about the sale of its Beaufort River Meats business. If IMC fails to complete the transaction Wellard can proceed to complete a sale with another purchaser and under the contract has rights to claim losses, penalties and to retain the deposit. The carrying value of these assets as at 31 December 2018 is $4.9 million. Any gain on sale will be recognised in the second half of FY19.

The sale of the aforementioned businesses are recorded as Assets Held for Sale at 31 December 2018, as their resulting sales are highly probable at Balance Date.

	31 Dec 2018 $'000	31 Dec 2017 $'000
(b) Results from discontinued operations		
Revenue	26,395	23,078
Expenses	(26,795)	(23,329)
Reversal of prior period impairment	131	-
Profit/(loss) before income tax	**(269)**	**(251)**

Income tax benefit/(expense)	(276)	-
Profit/(loss) after income tax of discontinued operation	**(545)**	**(251)**
Other comprehensive income from discontinued operations	**-**	**-**
Basic earnings per share from discontinued operations (cents)	(0.10)	(0.05)
Diluted earnings per share from discontinued operations (cents)	(0.10)	(0.05)

(c) Cash flows from discontinued operations

Net cash inflow/(outflow) from operating activities	1,290	336
Net cash inflow/(outflow) from investing activities	(494)	(453)
Net cash flows for the year	**796**	**(117)**

(d) Carrying value of net assets held for sale

Property, plant and equipment	6,847
Inventories	1,633
	8,480

6. Taxation

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average effective annual tax rate used for the year to 31 December 2018 is 0%, compared to 0% for the financial year ended 30 June 2018. The tax rate is as a result of carried forward tax losses available to be utilised in the current year.

Deferred tax assets, tax effected, of $14.2 million, (30 June 2018: $8.5 million) relating to the tax losses of the Australian tax consolidated group, $2.0 million (30 June 2018: $2.0 million) relating to Uruguay, $3.3 million (30 June 2018: $3.3 million) relating to Brazil and $0.7 million (30 June 2018: $0.7 million) relating to Singapore have not been recognised. There is no expiration date for these amounts other than a five-year limit for Uruguay.

7. Earnings per share

	31 Dec 2018 Cents	31 Dec 2017 Cents
(a) Basic and diluted earnings / (loss) per share		
From continuing operations, attributable to the ordinary equity holders of the company	0.64	(1.36)

	31 Dec 2018 Number	31 Dec 2017 Number
Weighted average number of ordinary shares used as the denominator	531,250,312	531,250,312

8. Loans and Borrowings

	Note	31 Dec 2018 $'000	30 Jun 2018 $'000
Current			
Secured			
Bank loans		73,439	75,327
Finance leases		37,542	43,313
Unsecured			
Trade finance - unsecured		-	48
Other loans - unsecured		3,663	3,340
Convertible notes - unsecured	8(a)	24,763	26,016
Borrowing Costs			
Deferred borrowing costs		(2,986)	(3,099)
Total current		**136,421**	**144,945**

As at 30 June 2018 and 31 December 2018 entities within the Group breached financial covenants on the working capital facility and ship financing facilities. Wellard has since either remedied the breach, or has requested waivers from the relevant facility provider, or is continuing to work with the relevant facility provider in respect of waivers.

Terms and conditions of outstanding loans were as follows:

Name	Currency	Financial Year of Maturity	31 Dec 2018 $'000	30 Jun 2018 $'000
Secured				
Secured bank loans	USD	2026	62,819	63,775
Secured bank loans	USD	2022	10,620	11,552
Unsecured				
Unsecured bank loans	USD	2019	3,663	3,340
Convertible notes	USD	2020	24,763	26,016
Trade Asset finance	USD	2020	29,749	33,062
Trade Asset finance	USD	2020	7,793	10,251
Trade Asset finance	AUD	2019	-	48
			139,407	**148,044**

(a) Convertible note

On 11 April 2017 and 6 June 2017, Wellard issued tranche 1 and tranche 2 convertible notes of US$7.35 million and US$12.65 million respectively, totalling US$20 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.

On 18 December 2018, Wellard announced that it had reached an agreement with its convertible note holders in respect of an early redemption of 3.5 million convertible notes, valued at US$3.5 million. The early redemption is part of a standstill agreement that has been reached in respect of certain breaches under the convertible note covenants. During the standstill period, an additional fee is payable to two of the note holders, calculated at 6% per annum of their outstanding convertible notes. The first redemption of 2 million convertible notes occurred on 24 December 2018. There are 18 million notes on issue at 31 December 2018.

Due to breaches of financial covenants on the convertible notes, 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(d).

Movements in the convertible note are shown below:

	31 Dec 2018 $'000	30 Jun 2018 $'000
Opening balance	**26,016**	**24,571**
Redemption of convertible notes	(2,839)	-
Interest expense[1]	1,115	2,041
Interest paid	(856)	(1,586)
Foreign exchange revaluation	1,327	990
Current liability	**24,763**	**26,016**

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

9. Cash and cash equivalents

	31 Dec 2018 $'000	30 Jun 2018 $'000
Cash at bank and in hand	13,444	8,297

Cash at bank and in hand excludes restricted cash held in bank accounts by the Group. Restricted cash of $2,624,718 (30 June 2018: $2,498,110) is included in non-current other assets.

10. Cash flow statement reconciliation

	31 Dec 2018 $'000	31 Dec 2017 $'000
(a) Reconciliation of net loss after tax to net cash flows from operating		
Profit after tax	**2,853**	**(7,472)**
Non-cash flows in loss:		
Depreciation and amortisation	7,554	9,668
Net loss (gain) on disposal of property, plant and equipment	116	(137)
Net loss (gain) on fair value of derivatives	(286)	(78)
Share based payments expenses	(84)	15
Impairment expense	3,344	-
Amortisation of deferred borrowing costs	253	423
Finance costs and accrued interest	313	282
Unrealised foreign exchange losses (gains)	3,844	(277)
Changes in assets and liabilities, net of the effects of purchase and of subsidiaries		
Change in trade, other receivables and other current assets	(3,447)	8,369
Change in inventories and biological assets	21,207	(2,042)
Change in net deferred tax assets/liabilities	276	(16)
Change in trade and other payables	(5,531)	(14,591)

Change in deferred revenue	(4,392)	(1,525)
Change in provisions	(219)	(303)
	25,801	**(7,684)**

11. Issued capital

	31 Dec 2018 $'000	30 Jun 2018 $'000
Issued capital		
At beginning of reporting period	572,132	572,132
Ordinary shares issued	-	-
At the end of reporting period	**572,132**	**572,132**

The Group has authorised share capital amounting to 531,250,312 (30 June 2018: 531,250,312) ordinary shares issued and fully paid.

Movements in ordinary shares

	31 Dec 2018 '000	30 Jun 2018 '000
At the beginning of reporting period	531,250	531,250
Shares issued during year	-	-
At the end of reporting period	**531,250**	**531,250**

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.

12. Property, plant and equipment

	Freehold land at cost $'000	Sheds and buildings $'000	Plant and equipment $'000	Total $'000
Half-year ended 31 Dec 2018				
Opening net book amount	4,052	2,255	200,525	**206,832**
Additions	-	-	532	**532**
Disposals	-	(6)	(250)	**(256)**
Foreign exchange revaluation	-	8	9,681	**9,689**
Depreciation expense	(1)	(90)	(7,154)	**(7,245)**
Impairment expense	(1,489)	-	131	**(1,358)**
Transfer to assets held for sale	(1,277)	(1,275)	(4,293)	**(6,845)**
Closing net book amount	**1,285**	**892**	**199,172**	**201,349**

Cost	2,774	1,358	324,385	**328,517**
Accumulated depreciation and impairment	(1,489)	(466)	(125,213)	**(127,168)**
Net book amount	**1,285**	**892**	**199,172**	**201,349**
Half-year ended 30 June 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 net book amount	**4,052**	**2,255**	**200,525**	**206,832**
Cost	4,084	3,255	319,567	**326,906**
Accumulated depreciation and impairment	(32)	(1,000)	(119,042)	**(120,074)**
Net book amount	**4,052**	**2,255**	**200,525**	**206,832**

Property, plant and equipment with a carrying amount of $196,867,388 (30 June 2018: $194,849,218) are pledged as security for the current liabilities as disclosed in note 8.

Included in plant and equipment are assets under construction of $9,991 (30 June 2018: $2,123,792).

13. Intangible assets

	Goodwill $'000	Rights for land use $'000	Client relationships $'000	Software $'000	Total $'000
Half year ended 31 Dec 2018					
Opening net book amount	461	4,418	-	3,505	**8,384**
Additions	-	-	-	60	**60**
Disposals	-	-	-	-	**-**
Foreign exchange revaluation	22	54	-	11	**87**
Impairment expense	(443)	(1,592)	-	-	**(2,035)**
Amortisation expense	-	(32)	-	(277)	**(309)**
Closing net book amount	**40**	**2,848**	**-**	**3,299**	**6,187**
Cost	40	3,023	3,300	4,486	**10,849**
Accumulated amortisation	-	(175)	(3,300)	(1,187)	**(4,662)**
Net book amount	**40**	**2,848**	**-**	**3,299**	**6,187**

Half year ended 30 June 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 net book amount	**461**	**4,418**	**-**	**3,505**	**8,384**
Cost	461	4,561	3,300	4,441	**12,763**
Accumulated amortisation	-	(143)	(3,300)	(936)	**(4,379)**
Net book amount	**461**	**4,418**	**-**	**3,505**	**8,384**

Software includes 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.

14. Contingent assets and liabilities

Contingent assets

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$2.0 million were received. The voyage did not proceed, and the Company is continuing to pursue the procedural and legal processes to progress the claim of USD$10.38 million being the total mitigated losses.

Contingent liabilities

It was announced in October 2018 that the build contract for the MV "Ocean Kelpie" was terminated by Uljanik D.D., the Croatian ship builder. In response, Wellard and Uljanik have appointed an arbitrator in the United Kingdom and are preparing all documentation to present to the arbitrator for the case against the ship builder. At this stage it is not proposed to make any adjustment to the previously raised impairment of $13.8 million, which continues to be carried in these accounts.

Wellard is also progressing a claim against the Refund Guarantor for the above ship building contract. This matter is currently in its preliminary stages and Wellard cannot predict the timing of these legal and arbitral processes.

In November 2018, following a recent decision of senior courts in Brazil, Wellard do Brasil Agronegocios Ltda received revised retrospective tax assessments for the years ended 31 December 2014, 31 December 2015 and 31 December 2016, which may lead to additional income tax assessments of BRL$7.1 million (approximately AUD$2.5 million at Balance Date), including penalties. It should be noted that there is an inherent and inevitable uncertainty in the outcome of these tax assessments which depend, among other things, on differing interpretations of Brazilian tax legislation and its application in individual cases. Wellard considers that it is not probable that a material liability will arise in respect of these assessments and is contesting all points raised in the revised re-assessments in accordance with the Department of Federal Revenue of Brasil tax procedures.

15. Subsequent events

In February 2019, Wellard entered into a contract to sell a property in Victoria for $3.6 million including plant and equipment. This property located in Condah, Victoria was being developed by Wellard as a Pre-Export Quarantine facility for cattle purchased in and around that region for export predominantly to China. The sale is expected to finalise by April 2019.

Wellard has entered into negotiations with the Nandagang government to sell back the of Wellao feedlot in China. The sale is expected to be completed by June 2019.

16. Commitments

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

	31 Dec 2018 $'000	30 Jun 2018 $'000
Property, plant and equipment – vessel under construction	-	76,860
Property, plant and equipment – feedlot and PEQ facilities	2,361	2,334
	2,361	**79,194**

It was announced in October 2018 that the Croatian ship builder, Uljanik D.D has terminated the contract for the build of the M/V Ocean Kelpie. Arbitration has commenced in the United Kingdom to seek reimbursement of Wellard historical instalments.

The contracts for the feedlot and PEQ facilities which are located in China would be terminated following the potential sale of the assets back to the Nandagang government.

17. Related party transactions

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

Transactions with other related parties

	31 Dec 2018 $	31 Dec 2017 $
Entities controlled by key management personnel		
Sales to	1,971	9,864
Purchases from	-	1,682,157
Lease payments made to	141,069	214,506

Outstanding balance from sales / purchases of goods and services

	31 Dec 2018	30 Jun 2018
	$	**$**
Current payables (purchases of goods and services)		
Entities controlled by key management personnel	(92,114)	-
Current receivables (sales of goods and services)		
Entities controlled by key management personnel		
Current receivable	98,402	127,063
Provision for doubtful debt	(98,402)	(122,180)
	-	**4,883**

Directors' Declaration

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

In the opinion of the directors:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and

  (ii) complying with the Australian Accounting Standards (including the Australian Accounting Interpretations), Corporations Regulations 2001, and other mandatory professional reporting requirements.

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

On behalf of the Board

J Klepec
Executive Chairman
Perth
Date: 13 February 2019

J Stevenson
Executive Director – Chief Financial Officer
Perth
Date: 13 February 2019

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Wellard Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration for the Wellard Limited Group. The Group comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Wellard Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Material uncertainty related to going concern

We draw attention to Note 1 (d) in the financial report, which states that the Group has a working capital deficiency of $104.3 million as at 31 December 2018. 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, including those which are subject to a standstill agreement that expires on 31 March 2019, or otherwise not taking any acceleration or enforcement action in respect of those outstanding covenant breaches, and being able to raise sufficient additional funds if required. These conditions, along with other matters as set forth in Note 1 (d) indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Conclusion

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

1. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
13 February 2019