ANNUAL REPORT

Wellard

FY2019

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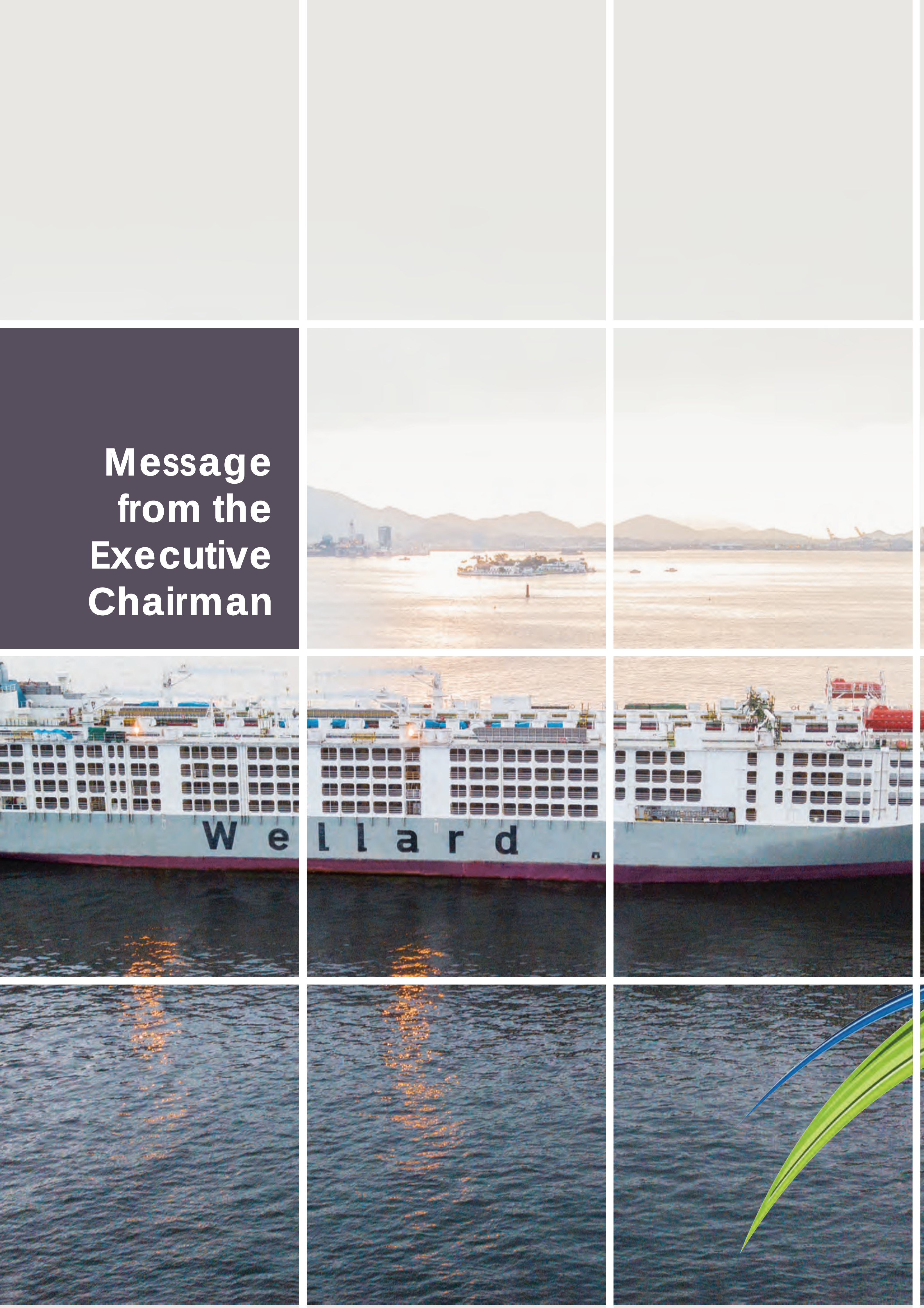
Wellard

WELLARD LIMITED

ABN 53 607 708 190

Message from the Executive Chairman



FY2019 was a year of two halves for Wellard.

When we reported our maiden half-year profit of $2.9 million for the first half of the financial year (H1 FY2019) we were very aware, and transparent, that near-term trading conditions flowing on from the Turkey market closure at the end of 2018 meant that it would be difficult to repeat that performance in the second half of the financial year (H2 FY2019).

John Klepec
Executive Chairman
B.Comm, MAICD

Unfortunately, those poor market conditions continued for the entire H2 FY2019, which combined with vessel impairments ($20.4 million) and financing costs, reversed the profitable first six months so that Wellard ultimately recorded a net loss after tax of $48.4 million (FY2018: $36.4 million).

This result was as frustrating as it was disappointing, and Wellard is continuing the process of revamping its operations and restructuring its balance sheet, which may include further asset sales, so that it can return to sustainable profitability.

Without seeking to downplay the overall profit result, there were some promising signs contained within the Company's FY2019 results.

Our EBITDA increased by more than $2.0 million to $12.0 million (FY2018: $9.8 million), and we converted that EBITDA into $29.8 million of free operating cashflow[1] compared to last year's EBITDA of $9.8 million converting into $7.7 million of free operating cashflow.

Wellard was able to strip another $2.2 million from its continuing operational and administration expenses ($24.6 million in FY2019 versus $26.8 million in FY2018) with a further reduction expected in FY2020 after additional rationalisation in H1 FY2020.

In making our strategic re-adjustment to focus primarily on the chartering of our specialist livestock vessels, we also completed a number of non-core asset sales (Beaufort River Meats abattoir, Wellard Feeds feed mill and La Bergerie and Condah pre-export quarantine businesses) which assisted in reducing total liabilities from $194.4 million to $142.6 million, with only a marginal reduction in earnings contribution.

Despite these advances, we cannot ignore the impact that H2 FY2019 trading conditions had on our full year financial results. Our two large vessels, the MV Ocean Shearer and MV Ocean Drover, spent the last half without a charter or under-utilised, respectively.

Clearly, further work is required so that our earnings are both more consistent and can support the Company's debt levels, particularly when there are major trade interruptions in markets important to us.

Assisting Wellard to achieve this objective will be the US$22.0 million post-balance-date sale of the MV Ocean Swagman, and its subsequent leaseback, so that Wellard can continue to derive revenue from the vessel until at least March 2021 (with possible extensions of up to three years).

1 *Cashflow from operating activities before interest and income tax.*

The restructuring of near-term balloon repayments on the MV Ocean Drover and MV Ocean Ute have also substantially reduced the quantum of debt repayments Wellard had been required to fund by 30 June 2020 (see ASX announcements on 19 August and 20 September 2019).

As with previous interim and end of financial year results, Wellard remains in breach of certain financial covenants with secured financiers and noteholders, either directly or through cross-defaults.

Wellard is negotiating covenant breach waivers and standstill agreements with all financiers. The Company also intends to progress negotiations to amend and reset future financial covenants to allow them to be more suitable to the restructured Wellard Group.

At its 2018 Annual General Meeting, the Company received a 'first strike' vote against its FY2018 remuneration report. While noting that Wellard was focussed on improving the financial performance of the Company, and needed to retain, attract and incentivise staff to achieve that goal, the Board has made several changes to its remuneration structure.

Prior to FY2019, all short-term incentives for the Group were discretionary. During FY2019 a formal Short-Term Incentive Plan (STIP) was implemented for executives and senior managers based-on individual Key Performance Indicators (KPI's), outcomes and added shareholder value. The Board retains the ability to award discretionary payments. Importantly, baseline KPI's must be met for the executive to be eligible for the stretch bonus available under the STIP.

Wellard's Long-Term Incentive Plan (LTIP) was also amended during FY2019, with the FY2018 LTIP of a Zero-Priced Options Plan (ZEPO Plan) replaced by a Premium Priced Options Plan (PPO) in October 2018.

Due to the restructure of our business, the Group's future remuneration costs will drop significantly with FY2020 reflecting the more focussed business and streamlined management team.

The quantum of remuneration in FY2019 was impacted by termination payments to former senior management (KMP remuneration) and employees whose positions were made redundant by Wellard's restructuring process (restructuring costs in the profit and loss). Former CEO, Mr Balzarini and Executive Director of Operations, Mr Troncone both left the Company during FY2019. Mr Balzarini has commenced legal action in respect of his cessation of employment, and the Company is defending the matter.

Some of the changes to Wellard's cost structure and remuneration to KMP's reflect changes to Wellard's strategic direction. Wellard has completed its move away from being a livestock trading company to a livestock logistics business in FY2019. Illustrating this change, in FY2018 third party exporters chartered all or part of the available pen area on 43 percent of voyages, and seven external vessels were chartered by Wellard's trading division. In FY2019 third party exporters chartered all or part of the available pen area on 71 percent of voyages and two external vessels were chartered by Wellard's trading division.

Almost 100% of the space on the voyages Wellard has operated to date in FY2020 has been chartered by third party exporters.

While Wellard may increase its trading activities sometime in the future, our current focus will remain on chartering out our market leading vessels.

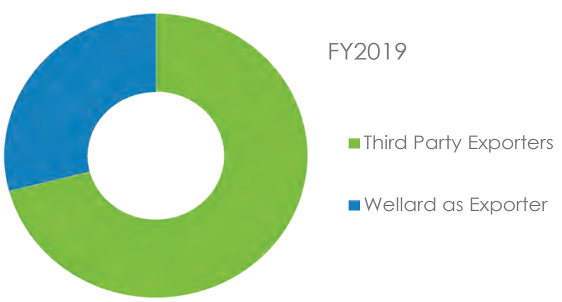
Outlook

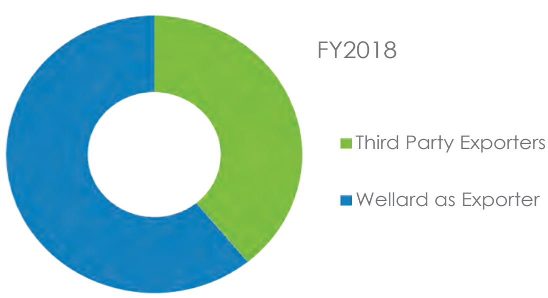
The outlook for FY2020 has improved on what was a very challenging H2 FY2019, but does not have the same level of certainty as this time last year when a number of our vessels had been contracted for multiple voyages.

Most importantly, as at September 2019, all vessels are on charter, positively impacting utilisation rates.

The gradual regeneration of the South American live cattle trade to Turkey with the MV Ocean Shearer completing its first voyage of the year with another to follow; the continued sell-off of Australian

Figure 1: Change in strategic direction: Chartering of Wellard-owned vessels in FY2018 and FY2019.





beef cattle to Indonesia (up 30% year on year) and Vietnam (up 34% year on year); and an uptick in Australian breeder cattle exports have contributed to strong demand for our vessels. As we are not competing with Australian livestock traders for the same opportunity our commercial chartering relationships with our former competitors have strengthened.

While we were planning to send vessels to alternate routes for the annual slowdown in the South East Asian feeder and slaughter cattle supply during the northern Australian wet season, recent medium-term weather forecasts are indicating that the chance of major cattle supply areas exceeding median rainfall is less than 30 percent. Should this occur, live export will play an important role in absorbing continued supply of Australian cattle. Additionally, it is more likely that one of our vessels will continue to service this market, although the size of the available Australian herd will be a factor in these decisions.

Regulatory reform, in the form of improved standards for livestock vessels servicing Australia and reduced emission limits for all vessels globally, are expected to have an overall positive impact for Wellard's fleet when both are implemented on 1 January 2020.

The first reform, which is being implemented by the Australian Maritime Safety Authority (AMSA), bans the use of double-tiered vessels and removes grandfathering provisions which previously allowed vessels with inferior ventilation systems to remain in use. Both changes are being implemented on animal welfare grounds.

Wellard does not have double-tiered vessels and all of its vessels are expected to meet the newer, higher ventilation standards.

Wellard considers it likely that three large competitor vessels will be unable to meet these new requirements so will be prohibited from transporting sheep and cattle from Australia. As demonstrated on our very successful voyage of sheep from Australia to Kuwait at the start of June 2019, Wellard sets the benchmark with a good reputation for superior weight gain and animal welfare outcomes.

The new global emissions standards being implemented by the International Maritime Organisation (IMO) reduce the cap on sulphur content in marine fuels from 3.5% to 0.5%.

Vessel owners have two main choices, either incur a capital cost installing scrubbers to remove sulphur emissions from the vessel, or to purchase fuel that is already low in sulphur. The pricing of the low sulphur fuel will likely be volatile on implementation before finding a stable level relative to standard fuel. After considering cost-benefit analysis of both options, the Board has chosen the latter option, at least in the short-term.

A livestock vessel's fuel consumption is measured on the basis of tonnes of fuel consumed per square metre of pen space per nautical mile. Using that measure, Wellard's vessels are at the efficient end of the cost curve. Their hull design and modern engines enables them to carry more livestock in a quicker time period for a particular voyage while consuming less fuel than competitor vessels, leaving Wellard relatively well positioned if fuel prices were to increase.

Conclusion

I would like to extend my thanks to Wellard's very hard-working Board, and our even harder-working employees. Whilst we can and do measure and manage our financial and operational performance, the additional work and dedication that our team members have put in during this testing last financial year was outstanding.

I would also like to thank Wellard's shareholders and financiers, with whom we have navigated this last financial year. Whilst the journey has not been without stress and challenge, I am gratified by the supportive approach and positive outcomes that have been achieved as we have continued to work through the issues that have been presented.

I look forward to pressing forward with these challenges in the year ahead.

John Klepec

Executive Chairman

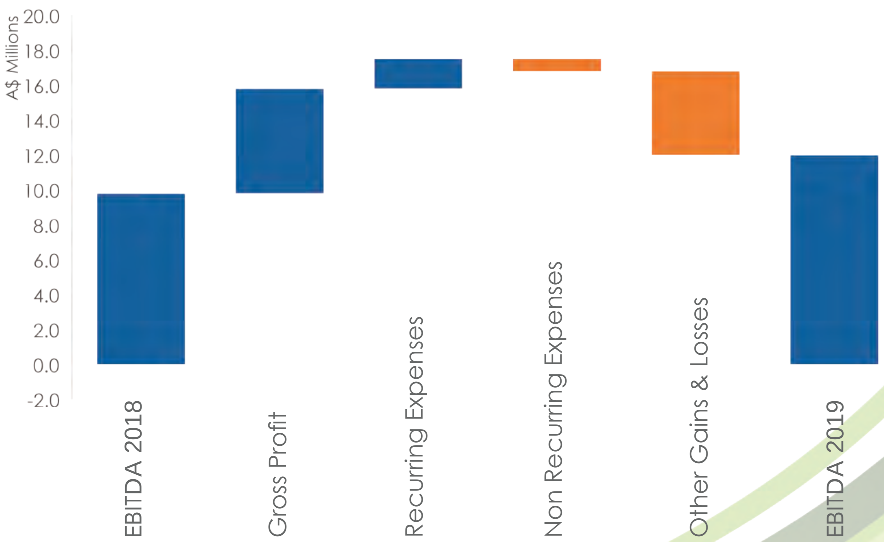
Operations Report

THE YEAR IN SUMMARY

FY2019 represents Wellard's second year in a row of positive EBITDA, and the Group's earnings of $12.0 million represents a 22.4% (or $2.2 million) improvement on last year. However, it was clearly a year of two distinctive halves, with the first half EBITDA of $23.0 million offset by an EBITDA loss of $11.0 million in the second half.

FY2019 commenced positively with record first half earnings, however market volatility and restructuring activities once again negatively impacted earnings in the second half of the year. Vessel utilisation fell, with the MV Ocean Shearer spending all of H2 FY2019 without a charter and the MV Ocean Drover also significantly underutilised during that period. Wellard's full year EBITDA of $12.0 million is a $2.2 million improvement on last year but a full year net loss after tax of $48.4 million, including $22.4 million worth of impairments, is another disappointing result for the Group.

Figure 2: Improvement in EBITDA (FY2019 versus FY2018)



Despite the volatility in earnings, Wellard has achieved a number of the goals which the Board determined were important to the Company's strategic and financial restructure, as outlined in 2018:

- Transitioning into a focussed livestock logistics business;
- Improving cash conversion;
- Reducing debt levels;
- Reducing our fixed cost base.

The Group is continuing to work on the following areas which are critical to its long-term success, principally:

- Waiver of debt covenant breaches;
- Resetting of future debt covenant levels;
- Reducing earnings volatility.

GOALS ACHIEVED IN FY2019

i. Focussed Livestock Logistics Business

Wellard is transitioning from being a livestock trading business with ad hoc investments along the supply chain, into a focussed livestock logistics business.

We loaded 40 voyages during FY2019, of which 38 voyages were on our own vessels. That compares to 42 voyages loaded last financial year, of which 35 voyages were on our own vessels. 27 of those 38 voyages on our own vessels this year involved chartering a whole vessel or space on a vessel to external livestock traders. That compares with 15 out of 35 voyages last year.

In FY2019 we traded 118,097 of our own cattle on 18 voyages, and on four of those voyages Wellard shared space with other external livestock traders (FY2018: 142,064 cattle on 26 voyages with no shared voyages).

More than 80% of available shipping capacity[1] on our own vessels was chartered or available to external livestock traders in FY2019, compared with 70% in 2018 and 16% in 2017.

After determining that they were no longer core to Wellard's restructured strategy, businesses and assets not directly associated with our livestock logistics strategy[2] were sold during FY2019. That resulted in an inflow of cash in FY2019 as well as a reduction in fixed overheads required to support the Group going forward. It has also resulted in management efficiencies across our remaining divisions.

Included in these non-core assets sales were the Group's Australian-based livestock production businesses comprising the Beaufort River Meats processing plant (WA); Baldivis (WA) and Condah (Victoria) pre-export quarantine facilities; and Wongan Hills (WA) feed mill; which were sold for contracted[3] amounts totalling $11.0 million which generated a combined profit on sale of $1.7 million[4] in our FY2019 financial statements. An additional amount of $2.6 million was collected from associated trade debtors less creditors on hand at the time of these disposals.

Rights owned by the Group, entitling it to develop a livestock feedlot and processing facility in China, were sold for $3.3 million which resulted in a loss on sale of $0.3 million[4] in our FY2019 financial statements.

ii. Better Cash Conversion

FY2019 EBITDA of $12.0 million converted into $29.8 million of free operating cashflow[5] compared to last year's EBITDA of $9.8 million converting into $7.7 million of free operating cashflow.

This financial year Wellard benefited from the once off realisation of working capital linked to non-core assets and livestock trading, as well as the ongoing benefit of a shorter working capital cycle for livestock logistics compared to livestock trading.

In addition to positive free operating cashflow, Wellard also generated $14.9 million in free cashflow directly from the sale of non-core asset sales as announced during the year.

iii. Lower Debt

At the end of FY2018 the Group owed $118.6 million to secured financiers, $26.0 million to convertible noteholders, plus $18.8 million to trade and other payables. That is a total amount of $163.4 million of which $45.7 million was scheduled for repayment within 12 months[6].

During FY2019 the Group repaid a total amount of $44.2 million across these facilities reducing the total amount outstanding at the end of FY2019 to $124.8 million, of which $71.4 million[7] is scheduled for repayment within 12 months.

On 20 August 2019, the Group announced it would sell the MV Ocean Swagman for US$22.0 million and that it will lease the vessel back from the buyer for a guaranteed period to March 2022. All available proceeds from this transaction will be used to repay debt. This transaction will remove entirely one financier from the Company's register and eliminate any breaches that were in existence in relation to that facility.

On 20 September 2019, the Group announced the financier of both the MV Ocean Ute and MV Ocean Drover had approved the term sheet signed on 19 August 2019 which extends the debt repayment schedule associated with those vessels from the existing end dates of August 2019 and December 2019 respectively, until December 2021, and waives

1 *Vessel size in square meters multiplied by voyage days.*

2 *Herein defined as non-core assets.*

3 *Contracts for Land, Equipment, Inventory and Goodwill.*

4 *Before reversal of any impairments recorded in prior years which are included within Impairment expenses.*

5 *Cashflow from operating activities before interest and income tax.*

6 *The balance sheet classifies all debt as current, due to outstanding covenant breaches but not all debt is scheduled for repayment within 12 months.*

7 *Including repayment of Nord LB loan on sale of MV Ocean Swagman.*

prior and existing breaches. These arrangements are now unconditional.

After taking into account the above post balance date transactions on the MV Ocean Swagman, MV Ocean Ute, MV Ocean Drover and Convertible Notes, the Group forecasts that its secured debt will total US$53.2 million at 31 December 2019.

iv. Reduced Fixed Cost Base

The Group's like for like overheads base[1], decreased by $5.5 million or 22% year on year and stood at $19.3 million p.a. in FY2019 versus $24.8 million in FY2018 (FY2017: $44.9 million). Combined administration and operating expenses for continuing operations in FY2019 of $24.6 million reduced by $2.2 million or 8% compared to last year. Excluding bad and doubtful debts expense[2] which is considered abnormally high in FY2019, normalised recurring operational overheads[3] reduced by $3.9 million or 25% year on year, and the Group expects to deliver further reductions in these costs going forward. Labour expenses reduced by $3.2 million or 22% year on year. Global headcount has reduced from 413 staff[4] at the end of FY2018 to 192 staff to date.

The above administration and operating expenses exclude $1.9 million worth of costs that have been categorised separately as items incurred directly in connection with the Group's restructuring activities during FY2019 and hence are excluded from normalised recurring operational overheads.

WORK ONGOING INTO FY2020

i. Waiver of breaches and resetting debt covenants

Due to cross defaults, and in some cases financial covenant breaches, the Group remained in breach of covenants with all of its secured financiers as well as its noteholders as at the end of FY2019. Similar breaches have been the case on and off since December 2016.

At the time of writing, Wellard is negotiating covenant breach waivers and standstill agreements with all financiers, which if successfully achieved, will halt any acceleration and enforcement action in respect of current identified defaults or breaches. The Company also intends to press forward with negotiations to amend and reset future financial covenants to allow them to be more suitable to the restructured Wellard Group.

In the case of the MV Ocean Ute and MV Ocean Drover financier, Wellard announced on 20 September 2019 that following receipt of the required approval from that financier, the Company will proceed with finalisation of formal agreements to give effect to the extended terms and new residuals due in relation to the leaseback of those vessels. The financier has provided waivers in respect of all existing identified breaches in relation to those agreements.

In the case of noteholders, Wellard announced on 22 August 2019 the execution of a formal waiver and standstill agreement leading to an agreement for a US$10.0 million repayment to noteholders upon settlement of the sale of MV Ocean Swagman (as noted above), forecast to occur by November 2019. The balance owing to noteholders after making this payment will be repaid over six months from settlement of the MV Ocean Swagman sale.

In the case of the MV Ocean Swagman financier, Wellard will fully repay all amounts owing at the time of settlement of the vessel's sale (as noted above), forecast to occur by November 2019.

In the case of the MV Ocean Shearer financier, on 3 June 2019 Wellard announced the removal of the financier's covenant requiring the Group to engage Mr Balzarini in various capacities. We are continuing to discuss the terms of a formal agreement to waive existing covenant breaches, and to remove remaining covenants relating to prescribed shareholding thresholds in the Company by entities directly or indirectly controlled by or related to Mr Balzarini. We are also in discussion with this financier about resetting the financial covenants related to this loan, given the significant change in the Group's business and balance sheet.

ii. Reducing earnings volatility

Dealing with livestock dictates that livestock industry transactions must occur according to specific processes performed within mandated time frames and hence there is inherent volatility. Delays and/or changes that may normally or easily be accounted for within other supply chains, can have material impacts on livestock associated industries.

The trading (i.e. the buying and selling) of livestock as a part of the livestock logistics process magnifies the volatility impact, both positive and negative. The Group has reduced its exposure to trading as a principal whilst it restructures its balance sheet, in order to manage downside risk. The Group will

1 *Administration, labour and operating expenses adjusted for normalised bad and doubtful debts expense (i.e. the FY2018 amount of $0.8 million).*

2 *Includes impairment of livestock trading debtor connected to the Group's decision to reduce livestock trading.*

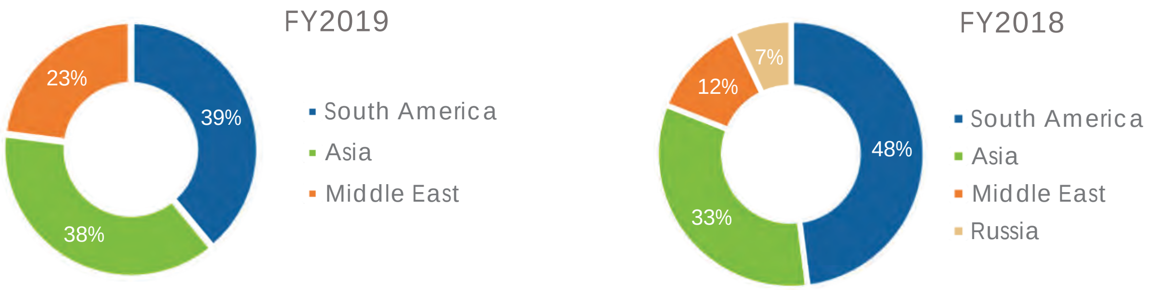
3 *Administration plus operating expenses less bad and doubtful debts expense.*

4 *Includes full time, permanent part time, casual and contract staff.*

reconsider its exposure to livestock trading as it rebuilds its working capital reserves, in order to achieve sustained upside opportunity.

The Group does not confine its livestock logistic operations to any particular supply or demand region and thereby mitigates its risk of exposure to any single market. The Group's shipping capacity was distributed across the globe in FY2019 (i.e. engaged and/or available): 39% in South America; 38% in Asia; and 23% in the Middle East (FY2018: South America 48%; Asia 33%; Middle East 12%; and Russia 7%).

Figure 3: Wellard shipping capacity by voyage destination



Despite this balanced distribution, volatility in Group earnings remained high in FY2019 given that all three of these regions were impacted by what could be considered abnormal events during the past financial year. These events were predominantly regulatory (e.g. government import ban in Turkey; export sheep market closure in Australia; and breeder import regulations in Indonesia), but also weather (e.g. major flooding in North Queensland).

OUTLOOK

i. Livestock Export

At a macro level, given the growing global demand for food, including sheep and beef protein, the outlook for livestock export appears strong. For a variety of reasons, but particularly given restricted access to suitable land and other resources, traditional livestock import countries have been unable to increase their domestic livestock herd sizes in proportion to growing domestic food demand. Countries are replacing some livestock imports with imports of processed meat (e.g. Indonesia), however Wellard continues to believe that there will remain a preference for livestock given consumer demand in our international markets, and other factors, including the attendant job creation. Wellard believes that this demand should ultimately result in more margin to share along a bigger import supply chain.

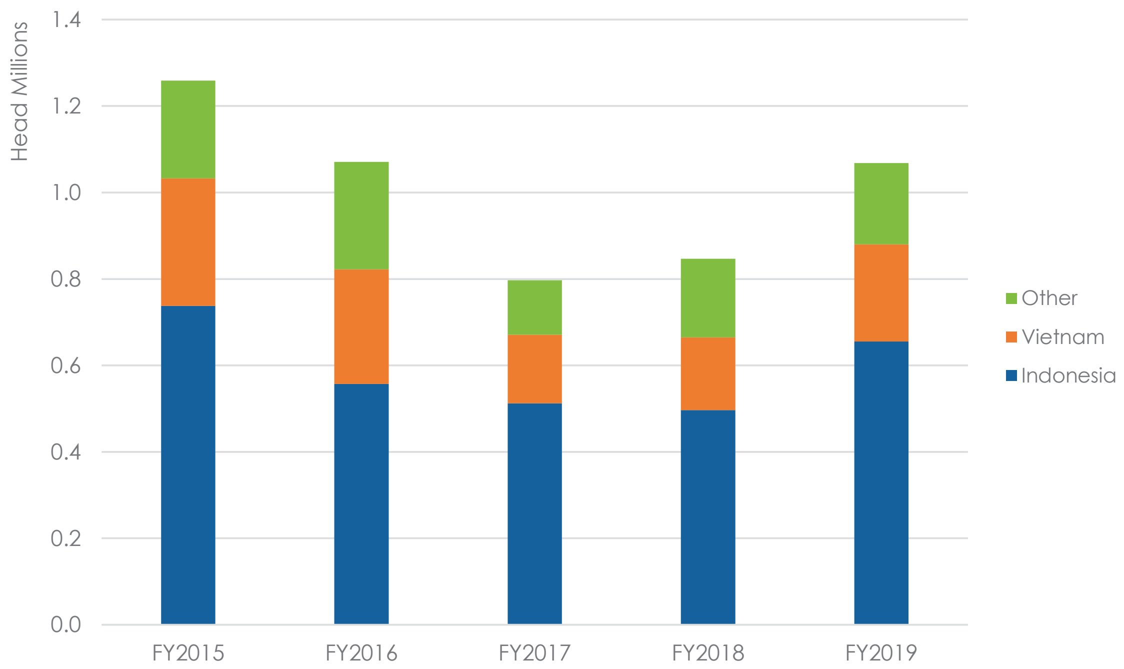
Indonesia is a perfect example of where the Australian livestock trade has supported the creation of new industries and jobs and ongoing livestock importation, driven by consumer demand, has resulted in the improvement of diets particularly amongst the middle and lower classes of society[1].

Total live exports of feeder and slaughter cattle out of Australia increased by 26% in FY2019 to just over 1 million head (FY2018: approximately 850,000 head). On top of that number, there were approximately 140,000 live breeder cattle exported in FY2019 (FY2018: approximately 110,000 head). Indonesia and Vietnam account for over 80% of total live feeder and slaughter cattle exports from Australia and both of those markets increased by over 30% in FY2019.

Despite strong demand for food, volatility in livestock trading is increasing and, on balance, margins are under pressure given the impacts of weather, government regulation and financial restrictions, all of which are resulting in higher operating costs.

1 *ABARES Research "Global Trends in Meat Consumption" March 2019.*

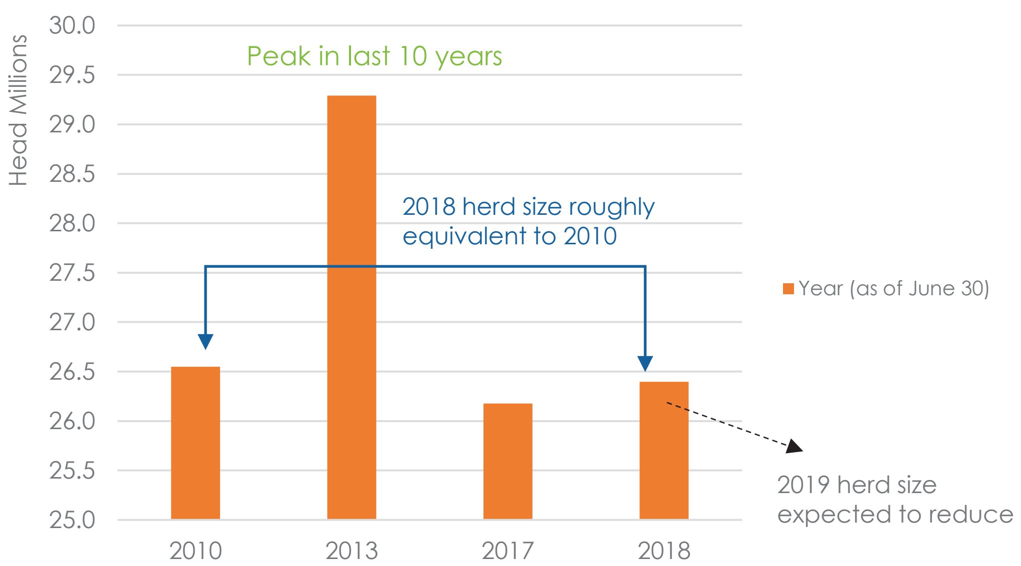
Figure 4: FY2019 Live exports of feeder and slaughter cattle from Australia by destination (Source: MLA)



a. Weather

Following ongoing drought conditions in major cattle supply regions in Australia, and when weather conditions improve, it's possible that reduced cattle herd sizes in those regions will in general lead to price increases that may not be able to be passed, in full or part, along the supply chain. In particular, the Indonesian and Vietnamese markets are relatively inelastic, and if source cattle prices increase too much, those local markets will not increase their sell prices, but will turn to other more affordable protein sources.

Figure 5: Australian cattle herd number of head (Source: MLA)



b. Government Regulation

An ethos of "less meat, better quality" is gaining ground in a range of markets with a focus on welfare standards and sustainability. Governments around the world are restricting the global free trade of livestock either by way of trade barriers and/or via increased regulation. Livestock trading is highly regulated, particularly in Australia, and increasingly in other markets around the world. Often influenced by public sentiment amongst other factors, government policies in countries like Turkey, Indonesia and China are impacting import decisions leading to boom and bust cycles.

In Australia, government policy will likely determine the future for the livestock export industry. Recent and ongoing government decisions are impacting supply, compliance and standards.

Australian compliance standards have produced the best and most comprehensive livestock trading model in the world, with a strong emphasis on excellent animal welfare outcomes. This is an asset for the industry. However, increasing costs to administer the model are not being passed along the supply chain which is resulting in an imbalance between demand and supply i.e. the demand is there, but the economics are not balanced along a very fragmented supply chain.

The Exporter Supply Chain Assurance System (ESCAS) has been in place since 2011. Australian exporters must maintain traceability and control over all feeder and slaughter livestock exported from Australia, ensuring Australian standards for animal welfare are maintained throughout the supply chain, even after livestock have been disembarked, transported and paid for, and ownership has passed to the buyer. Cattle are individually identified with an electronic ID and exporters employ staff in import countries to manage the flow of data and maintain the integrity and auditing of the animal welfare aspects of those foreign supply chains. Each facility, including the feedlots, depots and abattoirs, must be independently audited to ensure it complies with the standards set by the Department of Agriculture and Water Resources (DAWR). The exporter's responsibility for ESCAS compliance ends only at the point of final processing.

The Australian Government, in consultation with industry, has been actively developing and setting standards which represent sound and auditable animal health and welfare requirements for the conduct of the livestock export industry (ASEL)[1]. Only exporters licensed by DAWR can legally export livestock from Australia and exporters are accountable to the Australian government for the outcomes of each consignment.

ASEL standards are constantly under review and some of the major changes currently being discussed and/or already implemented are outlined below.

- Reduced stocking densities for all voyages;
- Changes to the Middle Eastern trading windows and new requirements for all consignments of sheep crossing the equator;
- Increase in minimum number of clear days that livestock must spend in registered premises before embarkation; and
- Independent observers on all voyages.

These changes will result in higher costs for exporters.

Wellard continues to be an active voice in promoting improved animal welfare standards in line with evolving community expectation, and most importantly better monitoring and enforcement of standards throughout the industry. It is important go get the balance right because unnecessarily restricting supply (e.g. sheep to the Middle East) may lead to structural changes in livestock populations, land use, and ultimately the livelihood of the many people and communities who are reliant on these supply chains, in Australia and in importing countries. These decisions are long-term and are not easily changed or reversed once made.

c. Financial restrictions

Whilst the cost of money is generally decreasing around the world, the availability of working capital is becoming more controlled. Wellard's current access to a working capital facility provided by external financiers is limited due to both its ongoing financial covenant breaches and the low availability of such facilities generally.

ii. Livestock Logistics Services

Tighter compliance and standards are driving charterer interest in the Group's fleet of four vessels, which are in general, younger, faster and larger than the industry average[2].

The Group's fleet comprises two mid-size vessels (i.e. 7,000 – 8,000 square metres) plus two large size vessels (i.e. approximately 24,000 square metres each). The majority of AMSA[3] approved vessels are smaller than the Group's fleet. 61% of the AMSA approved fleet is comprised of vessels smaller

1 *Standards for the Export of Livestock.*

2 *Source: Wellard.*

3 *Australian Maritime Safety Authority.*

than 7,000 square metres, with the average size in that category being around 4,000 square metres. Including Wellard's fleet, there are five AMSA approved vessels in the 7,000 – 8,000 square metres range, and nine vessels over 22,000 square meters in size[1].

The combination of faster speed and extra space that Wellard's fleet offers is attractive for exporters looking to maximise economies of scale whilst ensuring best in class animal handling.

In Q2 FY2019, Wellard traded (i.e. bought and sold) and delivered 58,000 head of cattle to Indonesia across three voyages on the MV Ocean Drover. Due to the business' restricted working capital position and our decision to reduce trading activity, in June and July 2019 we also delivered 40,000 head of cattle to Indonesia which were traded by five different exporters across two voyages on the MV Ocean Drover. This is the first time in a long time that multiple exporters have shared space on such a large scale. The economies of scale that this model provides the industry offers new potential business for Wellard.

Wellard's animal handling and welfare process commences well before a vessel sails. Care is taken to choose suitable animals and a selection process will eliminate animals not deemed fit for the particular voyage. Before load, animals are accustomed to feed and handling procedures. On board, they are monitored by experienced stock handlers and/or qualified veterinary staff. All of Wellard's vessels are installed with automatic feed and freshwater systems that ensure animals have constant access to nutrition as they desire and are not totally dependent on troughs being manually replenished. This allows handlers to spend more time focussing on the animals' welfare, which may involve quarantining sick or shy animals.

Of the 118,097 cattle traded by Wellard and loaded onto 18 voyages in FY2019, the Group recorded a mortality rate of 0.08% or 97 head in total. On our trading voyages of 7,000 loaded cattle or less, mortalities were on average three head per voyage (i.e. across 15 voyages in total). For our trading voyages of around 19,000 loaded cattle, mortalities were on average 16 head per voyage (across three voyages in total). In May 2019, a third party charterer loaded the first sheep voyage onto one of our vessels (MV Ocean Drover) in over a year. From the 56,915 head of sheep loaded, a mortality rate of just 0.11%, or 65 head, was recorded. These are industry best-practice results.

Success for us means delivering healthy, fit for purpose animals. A good indicator of success is the weight differential from purchase to delivery. If an animal sustains or gains weight during the process, that is a good indicator of adaptation to the environment. We recorded an average weight gain of just under 2%[2] across all of our trading voyages in FY2019. We recorded weight losses on five of our voyages with the largest loss on a single voyage being around 2%. Any weight loss results in an internal investigation to review the process and the quality of materials used e.g. feed. Conversely, the highest normalised weight gain recorded on one of our voyages in FY2019 was just under 5%.

We are investigating a range of technological enhancements to further improve the on-board environment for livestock as well as to reduce our environmental footprint. All of the Group's vessels are fitted with desalination facilities, which automatically supply fresh water, allowing for the delivery of medication and/or supplements via the water supply. Supplements containing glucose, electrolytes and trace elements can assist with and prevent dehydration in livestock.

Under international regulations, from 1 January 2020, the amount of sulphur in fuel oil used on board ships will be reduced which will have major health and environmental benefits for the world, particularly for populations living close to ports and coasts. Limiting sulphur oxide emissions from ships reduces air pollution and particulate matter (tiny harmful particles) resulting in a cleaner environment.

1 *Source: Wellard.*

2 *Weight measurement techniques vary depending on size and location and hence these numbers are approximations.*

Directors' 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 2019 (FY2019) and the independent auditor's report thereon. The above operations report forms a part of this Director's Report.

DIRECTORS

John Klepec

Executive Chairman

B.Comm, MAICD

John Klepec possesses considerable expertise in commercial management, business development 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.

John Stevenson

Executive Director – Chief Financial Officer

FCA, GAICD, FGIA, BBus.

John Stevenson possesses considerable experience in the agribusiness sector, notably as CFO and Director for Australia's largest privately-owned pastoral company, Consolidated Pastoral Company. He has also worked for one of Australia's largest cattle producers, Heytesbury Beef Pty Ltd.

His experience working in Asia, particularly Indonesia, Singapore and China, is of considerable value to Wellard given the Company's extensive operations in those markets, and he has worked for both listed and private companies. He has considerable expertise in debt and equity markets.

Philip Clausius

Non-Executive Director

BA (Hons) Business Administration

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 marine transport, aviation and offshore industries. 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 and Bengal Tiger Line.

Philip graduated from the European Business School, Germany in 1992 with the “Diplom-Betriebswirt” (Business Administration) degree.

Kanda Lu

Executive Director
Business Development Manager China

B. Comm., M. International Relations with M. Commercial Law, Macquarie University

Kanda Lu possesses considerable expertise in Chinese commerce and financial institutions. Kanda’s former positions include Sales VP of Morgan Stanley China JV, Institutional Clients VP of Ping An Securities Co., Senior Manager of Dacheng Fund Magt. Co., and Business Development Associate of Australian Finance Group (NSW Branch).

In addition to his Executive Director role, Kanda is responsible for the development and growth of Wellard’s entry into the Chinese market and other business initiatives.

FORMER DIRECTORS

Mauro Balzarini

Managing Director and CEO

Mauro Balzarini was appointed a Director of Wellard on 10 September 2015 and CEO on 19 November 2015. Mauro ceased the role of Managing Director and CEO on 3 June 2019 and left the Board of Wellard Limited effective 7 June 2019.

Fred Troncone

Executive Director – Operations

B.Bus, GAICD, MBA

Fred Troncone 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. (Hons)

Michael Silbert 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 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 Group trades and exports live cattle predominantly from Australia and is a supplier of seaborne transportation for livestock globally.

During FY2019, the Group also exported sheep meat from Australia, from its Beaufort River Meats facility which was sold in April 2019.

Wellard sources livestock in markets where production is surplus to domestic requirements (including Australia, Brazil and Uruguay) and sells livestock to customer markets where demand exceeds local production (including Indonesia, Vietnam, the Middle East, Turkey and China), utilising its own and third-party vessels.

Wellard charters its ships to third parties earning freight income by carrying livestock on their behalf.

To support its operations, the Group owns and/or controls a fleet of purpose-built livestock transport vessels.

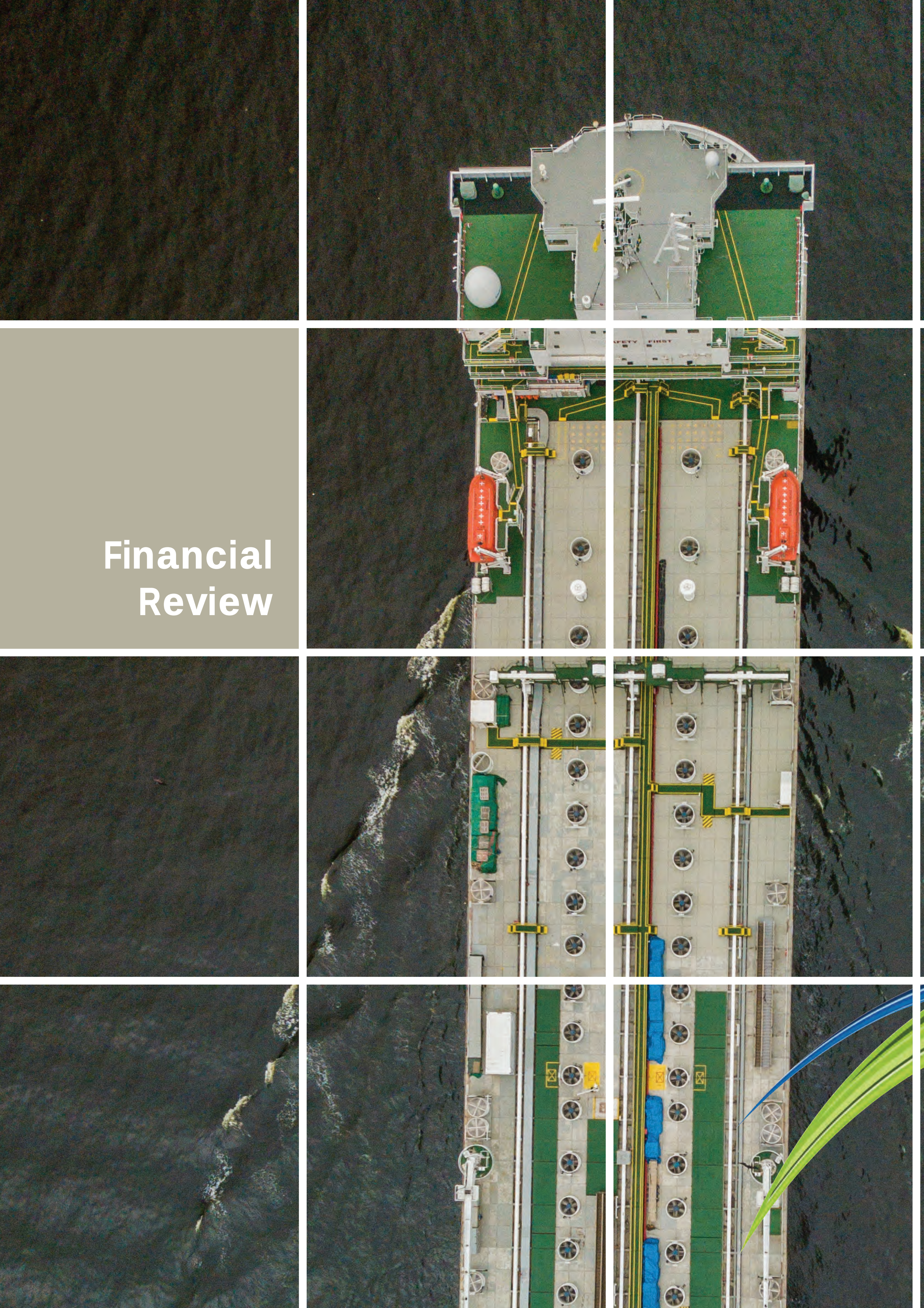
Wellard's EBITDA of $12.0 million is a $2.2 million improvement on last year but a full year net loss after tax of $48.4 million, including $22.4 million worth of impairments, is another disappointing result for the Group.

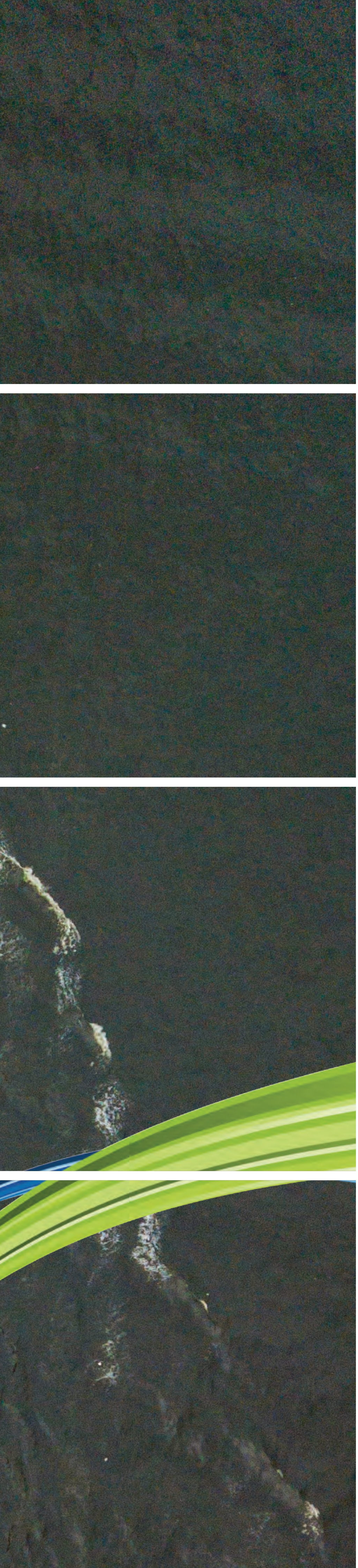
Poor trading conditions in the second half of the financial year, vessel and other impairments and financing costs contributed to the result that was as frustrating as it was disappointing.

Wellard is continuing the process of revamping its operations and restructuring its balance sheet so that it can return to sustainable profitability. During FY2019, Wellard executed the sale of non-core assets – Beaufort River Meats abattoir, Wellard Feeds feed mill and La Bergerie Pre-Export Quarantine business – and continued to focus on chartering the vessels to third parties.

The above operations report forms a part of this Directors' Report.

Financial Review





FINANCIAL REVIEW

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

Financial results and key financial items from continuing operations:

FOR THE YEARS ENDED JUNE	AUD	2019	2018	Movement %
Total revenue	**$m**	**235.1**	**237.0**	**(0.8)**
Trading revenue[1]	$m	181.7	186.6	(2.6)
Charter revenue[2]	$m	51.9	46.5	11.6
Other revenue	$m	1.5	3.9	(61.5)
Gross profit	**$m**	**38.8**	**32.8**	**18.3**
Gross margin	**%**	**16.5**	**13.8**	**19.2**
Expenses	**$m**	**(47.0)**	**(40.6)**	**(15.8)**
Operational expenses[3]	$m	(16.9)	(17.3)	2.3
Administrative expenses	$m	(7.7)	(9.5)	18.9
Impairment expenses	$m	(22.4)	(13.8)	(62.3)
EBITDA[4]	**$m**	**12.0**	**9.8**	**22.4**
Loss from continuing operations, before tax	**$m**	**(41.6)**	**(35.2)**	**(18.2)**
Loss from discontinued operations, net of tax	**$m**	**(1.5)**	**(1.3)**	**(15.4)**
Net loss after tax	**$m**	**(48.4)**	**(36.4)**	**(33.0)**
Operating cashflows before interest	$m	29.8	7.7	287.0
Interest cover[5]	times	1.1	1.0	10.0
Net debt[6]	$m	102.7	136.6	(24.8)
Debt to capital ratio[7]	%	65.6	58.8	(11.6)
Net tangible assets	$m	54.7	87.2	(37.3)
Net tangible assets per security	cps	10.3	17.5	(41.2)

Notes:

1. *Trading revenue is generated from the buying and selling of livestock including related logistics for continuing operations.*
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. *Operating expenses include operational expenditure 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. *Interest cover equals EBITDA divided by net finance costs.*
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.*

HIGHLIGHTS

- Second consecutive year of positive EBITDA up 22.4% to $12.0 million.
- $22.1 million increase in net cash flows from operating activities.
- Improved gross profit from continuing operations noting shift from livestock trading to livestock logistics – up $6.0 million or 2.7 percentage point increase in gross margin.
- Recurring operational overheads reduced by $3.9 million or 25% to $11.5 million p.a.
- Net debt reduced by $33.9 million to $102.7 million of which $71.4 million is scheduled for repayment within the coming 12 months.
- Ship loan to book value (after impairment) ratio of 57.4% (down 3.7 percentage points).

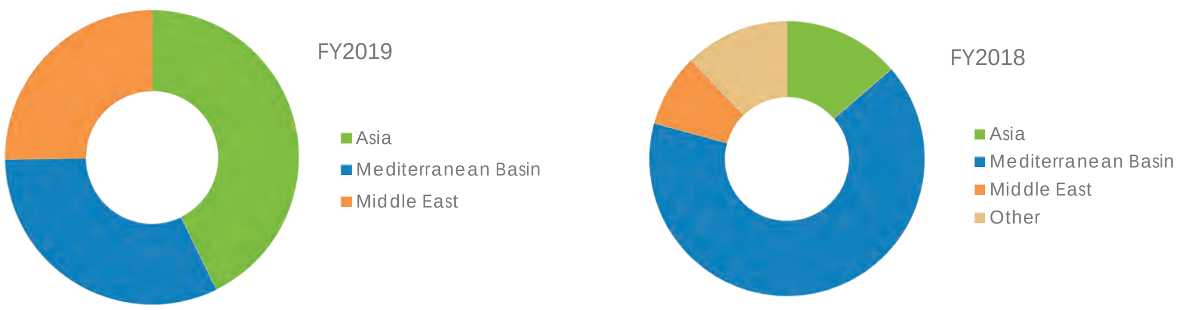
REVENUE AND MARGIN

Total revenue from continuing operations was flat at $233.6 million however there was an ongoing shift from trading revenue to charter revenue in line with the Group's strategic move to livestock logistics services. The Group shipped a total of 371,954 cattle on 40 voyages loaded in FY2019. 118,097 cattle were traded by the Group itself.

Charter revenue increased 11.6% to $51.9 million whilst shipping capacity utilised on or available for external charter increased to 81.4% (FY2018: 70.0%). External charter revenue per available shipping capacity increased by 1.4% and reflects increased demand for space on our vessels whilst rates remain subdued. Average rates earned, adjusted for utilisation, have been increasing over the past two years however they remain well below rates earned in 2015/16.

External charter revenue was more evenly spread across the major import regions in FY2019 with South America being the largest contributor at 32.0% (FY2018: 64.0%). This reflects the wider base of customers we are attracting, with our vessels delivering livestock to five new import countries this financial year versus last.

Figure 1: Charter revenue by voyage destination



As noted above, the Group has reduced its exposure to livestock trading and traded approximately 23,000 head less (i.e. 16.0%) in FY2019 versus the prior financial year. Trading revenue decreased by 22.0% compared to last year given the reduced volume as well as a change in the mix of cattle, with fewer higher value breeding cattle traded this year versus last.

Australian livestock prices started FY2019 13.0% - 16.0% below the prior year and generally traded that way for the first half of FY2019 before increasing and eventually overtaking prior year prices during the second half of FY2019. The Eastern Young Cattle Index (EYCI) finished FY2019 1.0% above the prior year[1] whilst quoted live export prices out of Darwin and Townsville finished FY2019 9.0% and 8.2% above the prior year respectively[2].

1 NLRS prices quoted by Meat & Livestock Australia.

2 Landmark prices for light steers quoted by Meat & Livestock Australia.

Figure 2: EYCI price movement cents/kg (Source: MLA)

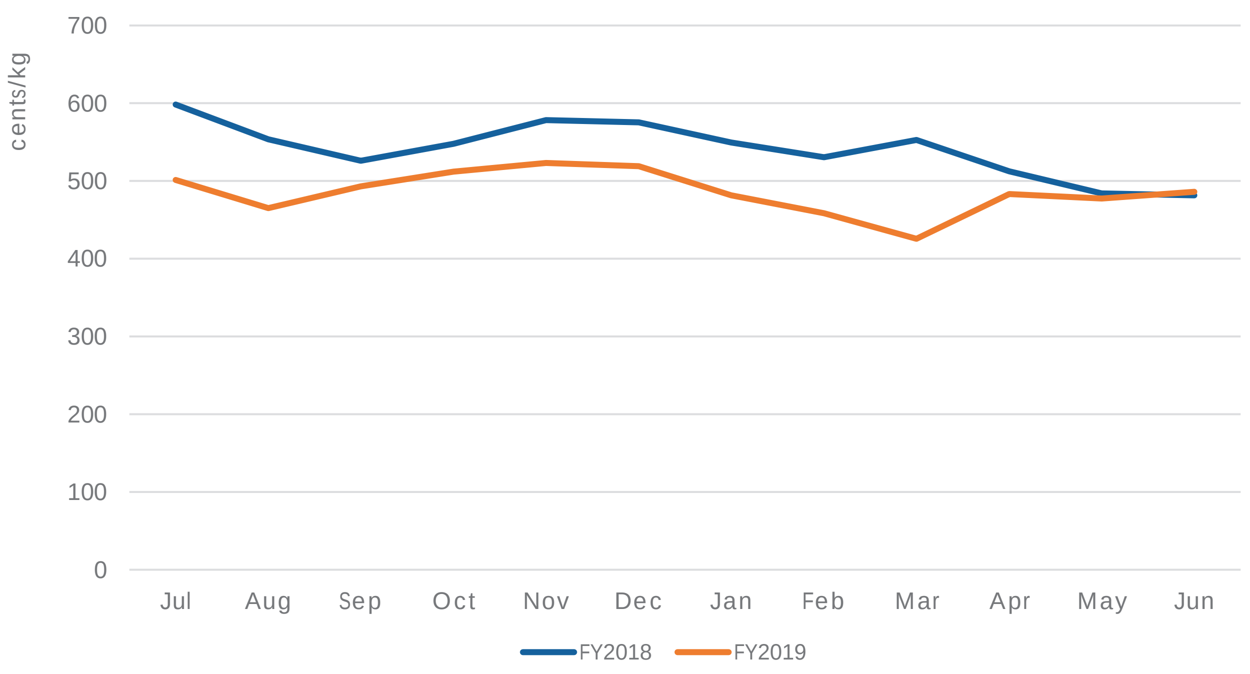
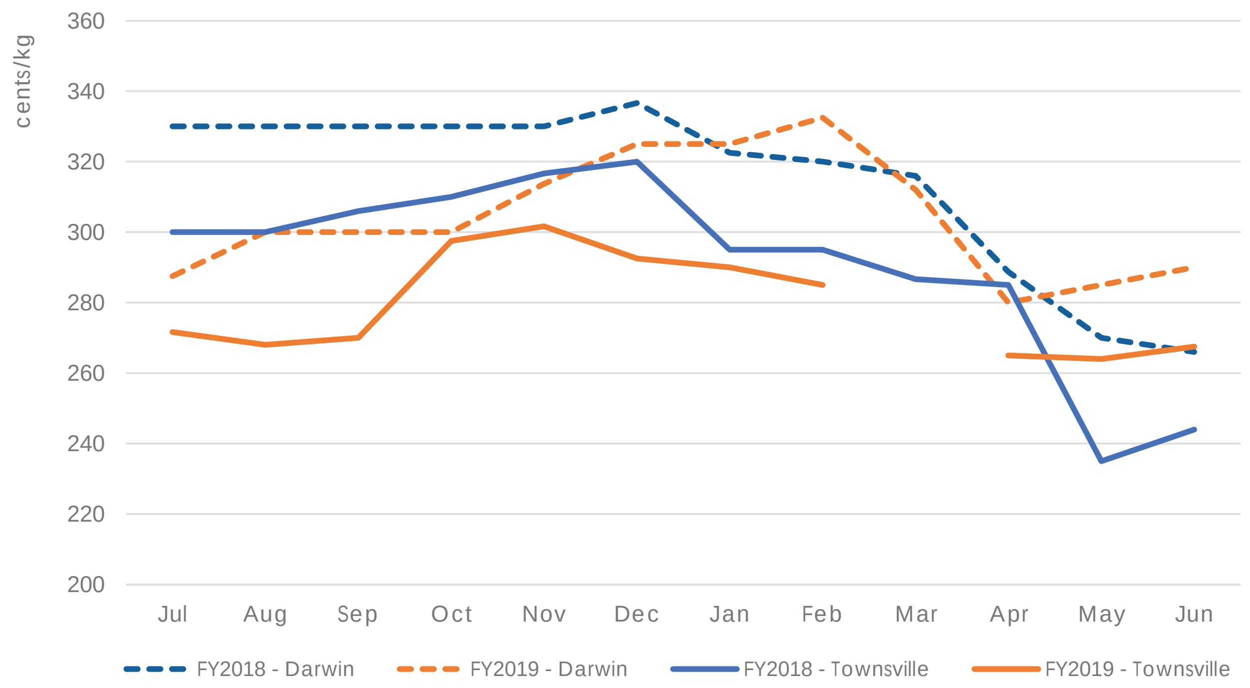
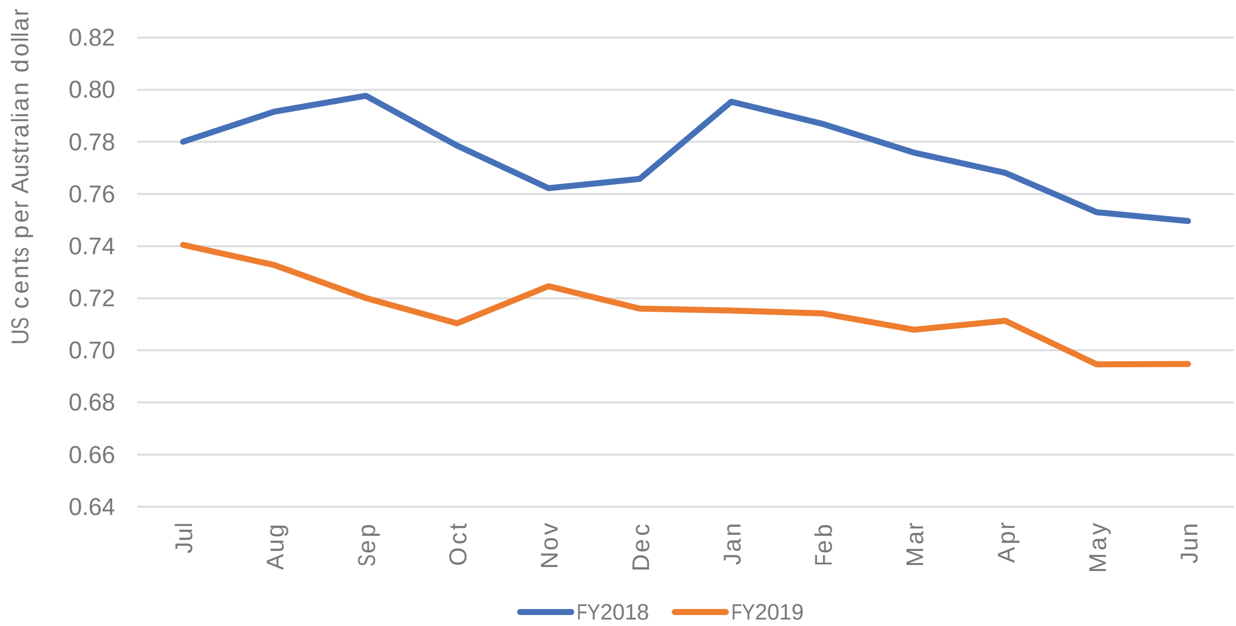


Figure 3: Live cattle export prices cents/kg (Source: MLA)



A 7.3% devaluation in the A$ versus the US$ to below 70 cents has helped keep live export prices in parity with last year. Live export prices in US$ terms out of Darwin and Townsville finished FY2019 1.0% and 0.3% above the prior year respectively.

Figure 4: Monthly average A$ versus US$ exchange rate



Shipping rates have in general remained flat whilst operating costs have been volatile. Wellard's two major ship operating costs are crewing and bunker fuel. Labour rates are trending slowly upwards, whilst bunker fuel prices have fluctuated within a wide band. Singapore IFO380 average prices started the year at US$470.50 and peaked at US$526.00 in October 2018 before steadily declining to US$429.00 at the end of FY2019. The outlook for bunker fuel prices remains uncertain particularly given the IMO 2020 lower sulphur content requirements.

The Group earned an additional $6.0 million in gross profit from its trading and charter divisions in FY2019 (i.e. up 18.3% versus the prior year) reflecting more efficient voyage management.

EXPENSES

The Group is continuing to restructure its operations and balance sheet, the effects of which are materially impacting upon its reported expenses.

The strategic move towards livestock logistics services as opposed to livestock trading is resulting in once off restructuring costs (e.g. redundancies). Total FY2019 restructuring and integration costs of $1.9 million include $1.1 million of costs of this nature (FY2018: $0.9 million out of a total $1.0 million).

The Group's like for like overheads base[1], decreased by $5.5 million or 22% year on year and stood at $19.3 million p.a. in FY2019 versus $24.8 million in FY2018 (FY2017: $44.9 million).

Labour expenses recorded the single largest reduction in FY2019, decreasing by $3.2 million or 22% versus last year, given reduced staff numbers post restructuring.

Bad and doubtful debts expense includes a $3.5 million impairment for a longstanding livestock trading customer. The Group's decision to reduce trading volumes has impacted upon this customer's business structure and a repayment schedule for the outstanding balance has been negotiated.

The Group has previously noted that the maturity profile of its debt was not aligned with its operating cashflow (i.e. debt was maturing faster than earnings), and hence a program of asset sales and other restructuring options would need to be undertaken. During the first half of FY2019, the Group's noteholders demanded earlier redemption of their notes, thereby exacerbating the forecast shortfall in the Group's short-term cashflow.

In response to these events, the Group has entered into debt waiver and restructuring discussions with

1 *Administration, labour and operating expenses adjusted for normalised bad and doubtful debts expense (i.e. the FY2018 amount of $0.8 million).*

all of its financiers. This has resulted in increased legal and consulting costs, $0.8 million of which are included within total restructuring and integration costs (FY2018: $0.2 million). It has also resulted in penalty interest being charged by noteholders and hence total interest expense has increased by $1.8 million to $10.0 million at an average rate of 8.6% p.a. (FY2018: $8.2 million at 6.8% p.a.).

Total impairments in FY2019 of $22.4 million (FY2018: $13.8 million) include $20.4 million worth of impairment on two of the Group's vessels – the MV Ocean Swagman and the MV Ocean Ute. The Group has been forced to look at selling core assets (i.e. vessels) in order to meet its short-term debt repayment requirements. The global market for buying and selling dedicated livestock vessels is shallow and hence prices are volatile. Current conditions have resulted in the carrying values being reduced for these two vessels.

The United States $ (US$) has continued to gain strength over recent years and the Australian $ (A$) conversion rate further devalued by 7.3% during FY2019 (FY2018: 3.8% devaluation). This led to a $3.5 million net foreign exchange loss in FY2019, all of which was unrealised (FY2018: $7.1 million loss). Internal Group charges in US$'s for vessel charter represents the major item leading to this foreign exchange movement.

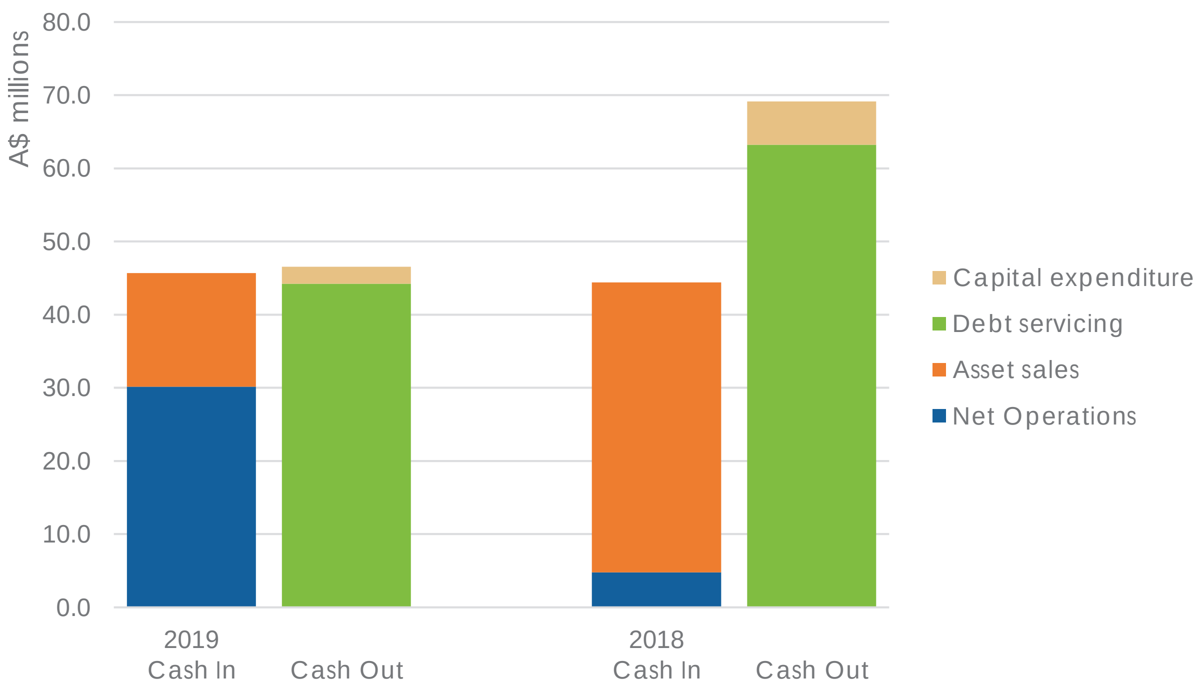
This $3.5 million net foreign exchange loss corresponds with the $4.9 million gain from foreign currency translation in FY2019 (FY2018: $7.1 million loss offset by $6.8 million gain). The Group's major assets and liabilities (i.e. vessels and related debt) are based in US$ and hence a strengthening US$ against the A$ results in a gain.

CASHFLOW

At year end the Group held $7.4 million cash in hand plus $0.1 million of restricted cash (FY2018: $8.3 million plus $2.5 million respectively).

All surplus cash generated from operations and asset sales continues to be utilised for debt reduction in line with the Group's objective to restructure its balance sheet. Net cash inflows totalled $45.7 million versus net cash outflows of $46.6 million in FY2019 (FY2018: $44.4 million inflows versus $69.2 million outflows).

Figure 5: Cash movement



FY2019 EBITDA of $12.0 million converted into $29.8 million of free operating cashflow[1] compared to last year's EBITDA of $9.8 million converting into $7.7 million of free operating cashflow.

This financial year Wellard benefited from the once off realisation of working capital linked to non-core assets and livestock trading, as well as the ongoing benefit of a shorter working capital cycle for livestock logistics compared to livestock trading.

In addition to positive free operating cashflow, the Group also generated $17.9 million in free cashflow directly from the sale of non-core asset sales as announced during the year.

After determining that they were no longer core to Wellard's restructured strategy, non-core businesses and assets not directly associated with our livestock logistics strategy were sold during FY2019. That resulted in an inflow of cash in FY2019 as well as a reduction in fixed overheads required to support the Group going forward. It has also resulted in management efficiencies across our remaining divisions.

Included in these non-core assets sales were the Group's Australian-based livestock production businesses comprising the Beaufort River Meats processing plant (WA); Baldivis (WA) and Condah (Victoria) pre-export quarantine facilities; and Wongan Hills (WA) feed mill; which were sold for $14.6 million, including inventory. An additional amount of $2.6 million was collected from associated trade debtors less creditors on hand at the time of these disposals. Separately, rights owned by the Group entitling it to develop a livestock feedlot and processing facility in China were sold for $3.3 million.

ASSETS AND LIABILITIES

The Group's major asset is its fleet of four livestock vessels which accounts for 85%[2] of total assets (FY2018: 70%). Associated debt secured against those vessels accounts for 88% of the Group's total liabilities.

On 20 August 2019, the Group announced the sale of the MV Ocean Swagman, subject to Wellard shareholder approval, which will fund the full repayment of debt owed to the vessel's secured financier as well as a US$10 million repayment to noteholders upon settlement of the sale. This transaction is expected to be completed by November 2019.

As noted above, the Group reduced the carrying values of the MV Ocean Swagman and MV Ocean Ute by a combined amount of $20.4 million reflecting the outcome of the sales discussions undertaken during the year. The Group assesses the carrying value of its vessels by obtaining independent market valuations, considering market offers, as well as considering forecast earnings over the vessel's lifetime.

The Group does not believe the level of impairments recorded on the MV Ocean Swagman and the MV Ocean Ute are applicable to the MV Ocean Shearer and the MV Ocean Drover.

In FY2018 the Group impaired $13.8 million paid under the build contract for the MV Ocean Kelpie. At that time, we reported it was possible the Group may breach future commitments under the contract and that it was too early to determine the outcome of negotiations.

On 14 October 2018, we announced that the Croatian shipyard Uljanik D.D ("Uljanik") had terminated the build contract. Wellard has subsequently commenced arbitration in London against Uljanik for wrongful termination and a repudiation of the contract. The arbitration is progressing but has been delayed due to factors including the commencement of bankruptcy proceedings against Uljanik. Wellard will also pursue its rights under a Bank Refund Guarantee issued as part of the Kelpie build contract.

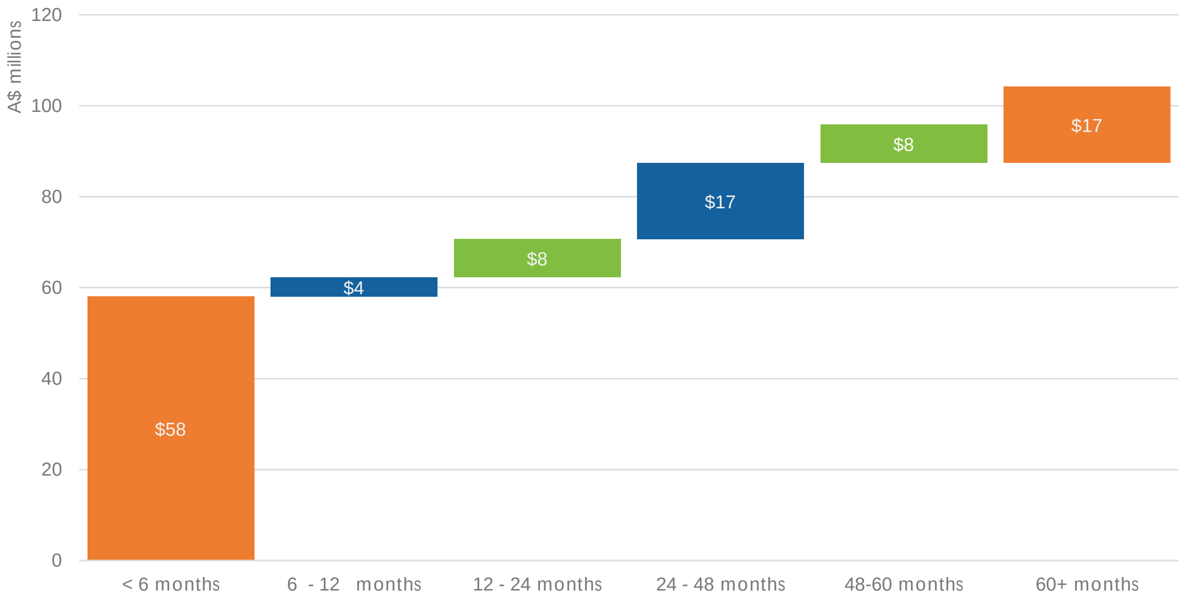
The Group met all of its scheduled ship debt servicing commitments and made an additional unscheduled debt repayment of US$4.5 million to noteholders during FY2019. Net debt was reduced by $33.9 million during the year, and the debt to capital ratio increased from 58.8% last year to 65.6% in FY2019 due to the impact of operating losses reducing equity. The outstanding ship loan balances secured against the Company's four vessels represents 57.4% of their combined net book values at year end (FY2018: 61.0%).

The Group's statement of financial position continues to be impacted by the reclassification of $50.4 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, the notes and ship financing facilities.

1 *Cashflow from operating activities before interest and income tax.*

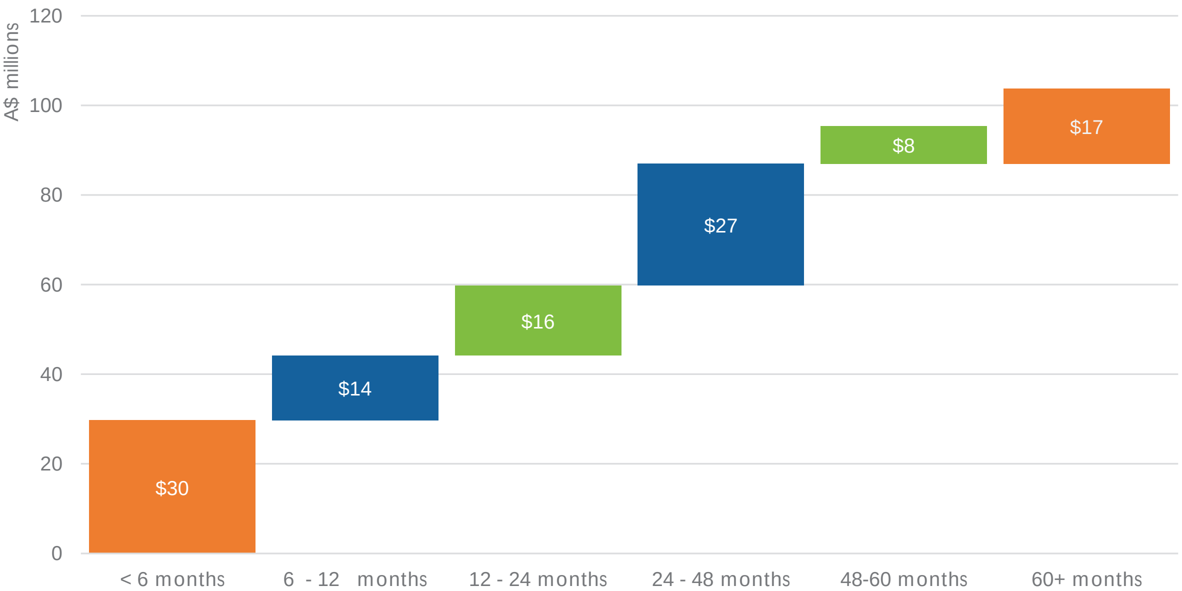
2 *Three vessels included within property, plant and equipment, whilst MV Ocean Swagman accounted for as an asset held for sale.*

Figure 6: Debt payable within (before post 30 June 2019 announcements)



The Group signed a term sheet which became unconditional on 20 September 2019, for the extension of the residual amounts originally due on the MV Ocean Ute in August 2019 and on the MV Ocean Drover in December 2019, out to December 2021. This will significantly alter the Group's debt maturity profile by reducing the amount payable within six months by $28.4 million.

Figure 7: Debt payable within (if MV Ocean Ute and Drover extension agreement is approved)



TAXES

The Group reported a tax expense of $5.9 million for FY2019 (FY2018: Nil). The Group has reported taxable losses in Australia and other countries and the tax expense reported in this year's financial statements reflects the decision to derecognise the benefits that will accrue in future years from the reversal of timing differences.

The Group has not recognised future tax benefits related to net timing differences plus carried forward tax effected losses totalling $26.3 million as at the end of FY2019.

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

There is no certainty that Intesa will agree to the removal of this clause. In the event that 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.

In the event that the Wellard Group is unable to meet such demand for repayment the Company may become subject to insolvency proceedings.

Going Concern Risk

As a consequence of the Group breaching financial covenants on its debt facilities, 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.

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 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 were 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.

Furthermore, 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 with first class insurers and inhouse management control of vessel maintenance. However, the Company's insurance policies 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 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.

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 2019, and the number of meetings attended by each Director:

	Board		Nomination and remuneration committee		Audit and risk committee		Conflicts of interest committee	
Director	**held**	**present**	**held**	**present**	**held**	**present**	**held**	**present**
John Klepec[1]	16	16	4	4	4	4	-	-
Philip Clausius	16	16	4	4	4	4	-	-
Kanda Lu	16	13	-	-	-	-	-	-
John Stevenson[2]	15	15	-	-	-	-	-	-
Mauro Balzarini[3]	11	11	-	-	-	-	-	-
Fred Troncone[4]	1	1	-	-	-	-	-	-

Notes:

1. *Mr Klepec was appointed Executive Chairman on 3 August 2018.*
2. *Mr Stevenson was appointed Executive Director on 6 August 2018.*
3. *Mr Balzarini ceased to be a Director on 7 June 2019.*
4. *Mr Troncone resigned as Executive Director - Operations on 3 August 2018.*

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

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 2001 (Cth) Corporations Act* as at the date of this report are as follows:

	Ordinary shares held	
Director	**2019**	**2018**
Mauro Balzarini[1]	-	80,000,001
Philip Clausius	-	-
John Klepec[2]	437,500	437,500
Kanda Lu	-	-
John Stevenson	-	-
Fred Troncone	-	-

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. Mr Balzarini ceased to be a Director on 7 June 2019.*
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 incurred against amounts that the Company may be liable to pay to Directors, Company Secretaries and certain employees or that Wellard otherwise agrees to pay by way of indemnity. Wellard's insurance policy also insures Directors, Company Secretaries and relevant employees against certain liabilities (including legal costs) they may incur in carrying out their duties. The Directors of the Company are satisfied the terms of these insurances and agreements are standard for their type.

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

DIVIDENDS

The Company does not intend to pay any dividends in respect of the year ended 30 June 2019 (2018: Nil).

EQUITY ISSUES DURING THE YEAR

At 30 June 2019 the Company had authorised share capital totalling 531,250,312 ordinary shares issued and paid.

EVENTS OCCURING AFTER REPORTING PERIOD END

Since the end of the financial year:

On 4 July 2019, Wellard announced that as part of its plan to recapitalise and restructure the operations of the Group it had entered into an agreement to sell one vessel of its fleet. A term sheet was signed between Wellard and Heytesbury Holding Company Pty Ltd, setting out the key terms and conditions for a sale of the MV Ocean Swagman for US$22.0 million, and a lease back of the vessel for an initial period to 31 March 2021, with options to extend for up to four years. That sale is subject to fulfilment of various conditions precedent, including Wellard shareholder approval, which will be sought at a meeting of the Company's shareholders to be held on 25 October 2019.

Subsequently on 6 August 2019, Wellard announced that it had received and accepted a superior offer to sell the MV Ocean Swagman to Nova Marine Holdings (SA) for US$25.2 million. However, on 20 August 2019, Wellard announced that the condition precedent to that superior offer (being Nova board approval) was not fulfilled by the Nova, and therefore Wellard would proceed with the US$22.0 million sale to Heytesbury. Wellard is expected to complete the sale of the MV Ocean Swagman before 30 November 2019.

On 19 August 2019, Wellard announced that it has reached a conditional agreement with Ruchira Ships Limited to extend by 24-28 months the repayment schedules for the MV Ocean Ute and MV Ocean Drover. If the agreement becomes unconditional (on Ruchira obtaining Board approval before 30 September 2019), there will no longer be near-term balloon repayments due in the first half of FY2020, on the bareboat charter arrangements for these vessels.

A third standstill agreement was reached with the noteholders on 22 August 2019, which *inter alia* accommodated the Company in finalising the sale of the MV Ocean Swagman to Heytesbury, in return for the early redemption of a further US$10.0 million of notes.

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.

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.

Prior to April 2019, Wellard operated and maintained four sites in Australia which included an abattoir, feed mill and two pre-export quarantine facilities, which were subject to environmental licensing with relevant State regulatory authorities and are subject to regular auditing and reporting.

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 44.

Details of the non-audit services undertaken by, and amounts paid to, the Auditor, are detailed in note 34 to the financial statements.

The Directors have formed the view that the provision of non-audit services during the financial year ended 30 June 2019 is compatible with and does not compromise the general standard of auditor independence for the following reasons:

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

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

In accordance with Section 307C of the *Corporations Act*, the Auditors of the Company have provided a signed Auditor's Independence Declaration to the Directors in relation to the year ended 30 June 2019. This Auditor's Independence Declaration has been attached to the Auditor's Report to the members of the Company.

CORPORATE GOVERNANCE STATEMENT

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

DIRECTORS' DECLARATION

In accordance with Section 298(2) of the *Corporations Act*, the Directors have provided a signed Directors' Declaration in relation to the year ended 30 June 2019. This Directors' Declaration is included on page 43 of this Annual Report.

On behalf of the Directors

Mr John Klepec

Executive Chairman

Mr John Stevenson

Executive Director – Chief Financial Officer

Dated: 27 September 2019

REMUNERATION REPORT

The following sections form the Remuneration Report for the Wellard Group for the financial year ended 30 June 2019. 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.

1. Remuneration report overview
2. Remuneration governance
3. Remuneration of Key Management Personnel
4. Remuneration of Non-Executive Directors
5. Key Management Personnel shareholding
6. Transactions with Key Management Personnel

1. 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 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 below sets out details of those persons who were KMP of the Wellard Group during the financial year ended 30 June 2019.

(a) Key Management Personnel

Name	Position(s) held	KMP term FY2019
NON-EXECUTIVE DIRECTORS		
John Klepec[1]	Non-Executive Director (15 November 2016 – 26 April 2018) Non-Executive Chairman (27 April 2018 – 2 August 2018)	Full year
Philip Clausius	Non-Executive Director (19 November 2015 – present)	Full year
EXECUTIVE DIRECTORS		
John Klepec[1]	Non-Executive Director (15 November 2016 – 26 April 2018) Non-Executive Chairman (27 April 2018 – 2 August 2018) Executive Chairman (3 August – present)	Full year
John Stevenson[2]	Chief Financial Officer (7 November 2016 – present) Executive Director (6 August 2018 – present)	Full year
Kanda Lu	Business Development Manager China (24 November 2015 – present) Executive Director (12 May 2017 – present)	Full year
Mauro Balzarini[3]	Executive Director (10 September 2015 – 18 November 2015) Managing Director & CEO (19 November 2015 – 3 June 2019) Non-Executive Director (4 June 2019 – 7 June 2019)	Part year
Fred Troncone[4]	Non-Executive Director (26 June 2017 – 20 September 2017) Executive Director – Operations (21 September 2017 – 3 August 2018)	Part year
OTHER KMP		
Paolo Triglia	Managing Director – Wellard Ships Pte Ltd (18 November 2015 – present)	Full year
Paolo Bianchi[5]	Managing Director – WellTech Marine Pte Ltd (3 August 2018 – present)	Part year
Scot Braithwaite[6]	Chief Business Development Officer (2 May 2016 – 31 October 2018)	Part year

Notes:

1. *Mr Klepec was appointed Executive Chairman on 3 August 2018.*
2. *Mr Stevenson was appointed Executive Director on 6 August 2018.*
3. *Mr Balzarini was terminated as Managing Director and CEO effective 3 June 2019, and as Non-Executive Director effective 7 June 2019.*
4. *Mr Troncone resigned effective 3 August 2018.*
5. *Mr Bianchi was appointed Technical Director on 23 March 2015. He became a KMP following the resignation of Mr Troncone.*
6. *Mr Braithwaite resigned effective 31 October 2018.*

(b) Changes since the end of the reporting period

Michael Silbert, Company Secretary, has been appointed a Director of the Singapore subsidiaries, effective 1 August 2019.

2. REMUNERATION GOVERNANCE

(a) Nomination and Remuneration Committee

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

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

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

- Philip Clausius – Committee Chair; and
- John Klepec – Committee Member.

The Board considers it preferable that the NR Committee is independent from management when making decisions affecting the remuneration of KMP and other senior employees, however following John Klepec's appointment as Executive Chairman on 3 August 2018, Philip Clausius is the Company's only Non-Executive Director. In due course, the Board intends to source another Independent Director, however this is unlikely to occur until the Company's restructure progresses significantly.

Decisions relating to remuneration of KMP and senior employees will be made only by NR Committee members and Board members who are 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.

(b) Independent remuneration consultants

Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. During the period, the Board engaged consulting firm The Reward Practice Pty Ltd to provide independent advice regarding incentive structures to ensure effective alignment with business requirements and key shareholder group expectations.

Based on the recommendations, short-term (STIP) and long-term (LTIP) incentive plans were implemented to executive and senior management in November 2018. During the period no remuneration recommendations, as defined by the Corporations Act, were provided by The Reward Practice.

Payments made to external remuneration consultants totalled A$3,025 for the year ended 30 June 2019.

3. 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 KMP's remuneration;
(iii) structures remuneration at a level that reflects the KMP's duties and accountabilities and is competitive;
(iv) benchmarks remuneration against appropriate comparator groups;
(v) aligns KMP incentive rewards with the creation of value for shareholders; and
(vi) complies with applicable legal requirements and appropriate standards of governance.

(b) Remuneration framework

Wellard's remuneration comprises the following elements:

Element	Purpose	Potential Value	Changes for FY 2019
Fixed annual remuneration	Provide competitive market salary including superannuation and non-monetary benefits	Reviewed and benchmarked annually	No changes
Short-term incentives	Cash reward for current year performance	50% of total fixed remuneration	Introduction of KPI based STIP program
Long-term incentives	Maintain balance between the interests of shareholders and the reward of executives	Determined by share price	Introduction of LTIP program

(c) Elements of remuneration

Fixed annual remuneration

Each KMP receives a fixed salary or consultancy fees. The quantum of salary or consultancy 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.

Each executive's fixed remuneration is reviewed and benchmarked annually in August. In FY2019, this process did not result in any change in any executives fixed remuneration.

Short-term incentives

Prior to FY2019, all short-term incentives for the Group were discretionary. In addition to discretionary cash bonuses, during the year a formal STIP was implemented for executives and senior managers based-on individual Key Performance Indicators (KPI's), outcomes and added shareholder value.

The STIP was implemented to ensure that the Company can continue to attract and retain the necessary talent to deliver its value proposition. The STIP was 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, with particular emphasis amongst sales executives on achieving stretch sales goals.

A KMP's maximum achievable award is set as a percentage of total fixed remuneration (TFR) (see table below for details). Awards under the FY2019 STIP program are for financial and operational performance assessed over the financial year and are paid in the following financial year, in light of performance against baseline and stretch KPI's. Baseline KPI's must be met for the executive to be eligible for the stretch bonus.

Financial and operational KPI's are tailored to the individual with regard to their role in the Group. On an annual basis, the Board will review the financial and operational targets of the Company and issue KPI's to executives and senior manager to align their "at risk" remuneration with the Company's targets.

The table below sets out the FY2019 KPI's for KMP's. In the Board's view, these KPI's align the reward of executives with the interests of shareholders.

Name	Baseline KPI	% TFR	Stretch KPI	% TFR	Achieved
John Stevenson	Financial	35%	Functional	15%	0%
Paolo Triglia	Financial	35%	Operational	15%	0%
Paolo Bianchi	Operational	35%	Operational	15%	100%

The Board maintains the discretion to award cash bonuses to executives and senior managers, if KPI's issued under the STIP are not met.

Long-term incentives

Wellard's LTIP was amended during the 2019 financial year, to ensure that the Company can continue to attract and retain the necessary talent to deliver its value proposition. The FY2018 LTIP of a Zero-Priced Options Plan (ZEPO Plan) was replaced by a Premium Priced Options Plan (PPO) in October 2018.

The FY2019 LTIP is designed to align the interest of key employees with the interests of shareholders of the Company by:

- Enabling key executives and senior management to have involvement with and share in the future growth of the Company; and
- Assisting the Company to attract, reward and retain high quality staff.

The Board uses its discretion to invite key employees to participate in the LTIP. The LTIP provides key employees with an opportunity to acquire Options in the Company, with the opportunity to convert the Options into ordinary shares, on satisfaction of Vesting Conditions set by the Board and Exercise of Options by paying the required Exercise Price.

Shareholders approved the participation in the LTIP by Chief Financial Officer, Mr Stevenson, on 23 November 2018. Other executives and senior sales management, including KMP's Mr Triglia and Mr Bianchi, were invited to participate in the FY2019 LTIP.

(d) Key terms of KMP agreements

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

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								
John Klepec[2]	3 Aug 18 - present	At the Board's Discretion	At the Board's Discretion	2 weeks	2 weeks	2019	607,000	AUD
						2018	-	AUD
John Stevenson[3]	7 Nov 16 - present	At the Board's Discretion	1.5 million options over shares (note 35)	3 months	3 months	2019	500,000	AUD
						2018	400,000	AUD
Kanda Lu	12 May 15 - present	At the Board's Discretion	At the Board's Discretion	4 weeks	4 weeks	2019	178,840	AUD
						2018	178,840	AUD
Fred Troncone[4]	21 Sept 17 - 3 Aug 18	At the Board's Discretion up to $300,000	5.6 million options over shares (note 35)	12 months[5]	12 months[5]	2019	782,849	AUD
						2018	782,849	AUD
Mauro Balzarini	19 Nov 15 - 3 June 2019	At the Board's Discretion	Up to 20% of base salary	12 months	1 hour	2019	680,000	USD
						2018	680,000	USD
OTHER KMP								
Paolo Triglia	18 Nov 15 - present	At the Board's Discretion	At the Board's Discretion	3 months	3 months	2019	350,004	SGD
						2018	350,004	SGD
Paolo Bianchi	3 Aug 18 - present	At the Board's Discretion	At the Board's Discretion	3 months	3 months	2019	240,000	SGD
						2018	-	SGD
Scot Braithwaite	10 Dec 15 - 31 Oct 18	At the Board's Discretion	Nil	Nil	Nil	2019	500,004	AUD
						2018	500,004	AUD

Notes:

1. *This is inclusive of superannuation payments.*
2. *Mr Klepec was appointed as Executive Chairman on 3 August 2018.*
3. *Mr Stevenson was appointed to the Board on 6 August 2018.*
4. *Mr Troncone ceased his role as Executive Director – Operations on 3 August 2018.*
5. *Mr Troncone termination: for the first 12 months, up to 12 months' notice but diminishing pro-rata as the period progresses; plus, an additional six months' notice.*
   Mr Troncone resignation: for the first 12 months; 12 months' notice, thereafter six months' notice.

(e) Executive KMP remuneration table

The table below sets out the remuneration received by Wellard KMP for FY2019 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 for FY2019:

		Short-term benefits			Long-term benefits						
Name	Year	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 remuneration	% Remuneration "at risk"
EXECUTIVE DIRECTORS											
John Klepec[5]	2019	535,801	-	-	-	-	-	18,506	-	554,307	-
	2018	-	-	-	-	-	-	-	-	-	-
John Stevenson[6]	2019	468,773	-	13,929	2,797	6,088	-	26,107	3,942	521,636	0.8%
	2018	381,153	25,000	-	9,835	6,088	-	18,848	-	440,924	5.6%
Mauro Balzarini[7]	2019	847,983	-	-	40,577	7,210	-	47,440	-	943,210	-
	2018	838,231	-	-	39,687	5,424	-	38,680	-	922,022	-
Fred Troncone[8]	2019	531,291	-	11,496	4,576	-	-	3,813	-	551,176	-
	2018	585,402	-	-	32,472	8,075	-	22,427	89,879	738,255	12.2%
Kanda Lu	2019	163,324	-	-	3,600	466	-	15,516	-	182,906	-
	2018	163,324	-	-	5,565	1,158	-	15,516	-	185,563	-
OTHER KMP											
Paolo Triglia[9]	2019	356,248	-	164,683	17,142	-	-	-	-	538,073	-
	2018	325,207	12,781	188,298	20,119	-	-	-	-	546,405	2.3%
Paolo Bianchi[10]	2019	229,772	126,329	101,957	11,175	-	-	-	-	469,233	26.9%
	2018	-	-	-	-	-	-	-	-	-	-
Scot Braithwaite[11]	2019	166,668	-	-	-	-	-	-	-	166,668	-
	2018	500,004	-	-	-	-	-	-	-	500,004	-
Brad Gosling[12]	2019	-	-	-	-	-	-	-	-	-	-
	2018	107,031	-	-	-	-	122,808	13,172	-	243,011	-
Domenico Bazzoni[13]	2019	-	-	-	-	-	-	-	-	-	-
	2018	101,938	-	-	-	-	64,491	-	-	166,429	-
Total	2019	3,299,860	126,329	292,065	79,867	13,764	-	111,382	3,942	3,927,209	3.3%
	2018	3,002,290	37,781	188,298	107,678	20,745	187,299	108,643	89,879	3,742,613	3.4%

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 12 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 12 month period.*
5. *Mr Klepec was appointed Executive Chairman and thus commenced acting as a KMP on 3 August 2018. Mr Klepec's Non-Executive remuneration is recorded at 4(e) below.*
6. *Mr Stevenson was appointed to the Board on 6 August 2018.In addition to his renumeration as CFO, Mr Stevenson commenced receiving director fees of $100,000 per annum.*
7. *Remuneration paid to Mr Balzarini in FY2019 includes a component paid in USD, and this figure has been converted to AUD using an exchange rate of 0.702 (2018: 0.775). Mr Balzarini ceased his role as CEO (and thus ceased acting as a KMP) on 3 June 2019. All remuneration obligations up until the date of termination, including leave have been paid. All additional unvested STI or LTI benefits, including accrued leave and notice of termination payout (12 months), have been forfeited. Mr Balzarini has taken legal action against the Company in respect of his employment and entitlements, which action is being defended.*
8. *Mr Troncone ceased his role as Executive Director – Operations (and thus ceased acting as a KMP) on 3 August 2018, all outstanding entitlements were paid at this time.*
9. *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 0.9499 (2018: 1.041).*
10. *Mr Bianchi became a KMP on 3 August 2018. Mr Bianchi 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 Bianchi includes a component paid in SGD, and this figure has been converted to AUD using an exchange rate of 0.9499 (2018: 1.041).*
11. *Mr Braithwaite is paid as a consultant to the Wellard Group. Accordingly, he does not receive any leave entitlements or superannuation. Mr Braithwaite ceased employment (and thus ceased acting as a KMP) on 31 October 2018.*
12. *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.*
13. *A portion of 2018 remuneration paid to Mr Bazzoni includes an amount paid in Euro which has been converted to AUD using the exchange rate of 0.650.*

(f) Terms and conditions of share-based payments

Under the Company's LTIP, share options are granted to employees as determined, in its absolute discretion, by the Board. Eligibility to participate in the LTIP is limited to the Executive and Senior Management team. The following information is provided for compliance. No employee share options were issued to any Wellard employee vested during the period.

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 2019	Options at beginning of the period	Granted during the period	Expired / cancelled during the period	Vested / exercised during the period	Options at end of the period
F Troncone	5,600,000	-	(5,600,000)	-	-
J Stevenson	-	1,500,000	-	-	1,500,000
	5,600,000	**1,500,000**	**(5,600,000)**	**-**	**1,500,000**

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

Performance Condition	Tranche 1	Tranche 2	Tranche 3
Grant date	1 Nov 2018	1 Nov 2018	1 Nov 2018
Maturity date	1 Nov 2022	1 Nov 2022	1 Nov 2022
Vesting period from grant date	3 years	3 years	3 years
Knock in price (A$/share) (30-day VWAP)	0.25	0.40	0.60
Exercise price	0.00	0.00	0.00
Share price	0.045	0.045	0.045
Risk free rate	2.14%	2.14%	2.14%
Volatility	71.53%	71.53%	71.53%
Fair value at grant date	**4,734**	**3,965**	**1,814**
Entitled no of employees[1]	7	7	7

Notes:

1. *Three entitled employees declined the invitation to participate in the Executive Share Option Plan.*

Subject to "Good Leaver" provisions, a participant's options lapse on termination of employment.

Vested Options may be exercised from the time of Vesting (three years from issue) until the last exercise date. The Board has exercised its discretion under the plan and determined that the last exercise date for Vested Options is four years after issue.

(g) Performance based remuneration granted and forfeited during the year

	Total STI Bonus (cash)			ESOP Options	
FOR THE YEARS ENDED 30 JUNE 2019	Total Opportunity $	Award %	Forfeited %	Value granted $	Value exercised $
J Stevenson	182,649	-	100	3,942	-
P Triglia	159,175	-	100	-	-
P Bianchi	126,329	100	-	-	-
	468,153			**3,942**	**-**

4. 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, which has been approved by Shareholders.

(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 FY2019. This review again identified a higher than average number of Board and Board Committee meetings that took place in the financial year (see page 28 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 Klepec, Mr Stevenson, 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. Mr Balzarini received only remuneration for his executive role and did not receive Directors fees.

(d) Non-Executive Director fees and benefits

Set out below is a description of each component of total remuneration for Directors and how each component impacts remuneration. Mr Balzarini did not receive Directors fees.

		2019		
Fees / Benefits	**Description**	**Fees $**	**Superannuation $**	**Included in shareholder approved cap?**
BOARD FEES				
Wellard board				
	Chairman	182,648	17,352	Yes
	Members	91,324	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 officer's insurance policy.

(e) Non-Executive Director remuneration

The fees paid or payable to the Non-Executive Directors in relation to the 2019 financial year are set out below.

		Short-term benefits		
Name	Year	Board and committee fees $	Superannuation[1] $	Total $
NON-EXECUTIVE DIRECTORS				
John Klepec[2]	2019	19,810	1,882	21,692
	2018	141,236	13,417	154,653
Philip Clausius	2019	123,288	11,712	135,000
	2018	123,288	11,712	135,000
David Griffiths[3]	2019	-	-	-
	2018	184,334	17,512	201,846
Fred Troncone[4]	2019	-	-	-
	2018	20,724	1,969	22,693
Total	**2019**	**143,098**	**13,594**	**156,692**
	2018	**469,582**	**44,610**	**514,192**

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. *Mr Klepec was appointed Executive Chairman on 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. *Mr Troncone was appointed Executive Director – Operations on 21 September 2017 and resigned effective 3 August 2018.*

5. KMP SHAREHOLDING

(a) Equity based remuneration

The Board considers equity-based remuneration an important element of the Wellard executive remuneration framework. The Board believes equity-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.

At its AGM on 23 November 2018, shareholders approved the issue of up to 1,500,000 executive share options to Chief Financial Officer, Mr Stevenson 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 2018	Change to aggregate KMP balance	Balance at 30 June 2019
NON-EXECUTIVE DIRECTORS			
Philip Clausius	-	-	-
EXECUTIVE DIRECTORS			
John Klepec	437,500	-	437,500
John Stevenson	-	-	-
Kanda Lu	-	-	-
Mauro Balzarini	80,000,001	(80,000,001)[1]	-
Fred Troncone	-	-	-
OTHER KMP			
Paolo Triglia	960,000	-	960,000
Brad Gosling	-	-	-
Scot Braithwaite	2,560,000	(2,560,000)[2]	-
Paolo Bianchi	-	400,000[3]	400,000
Total	**83,957,501**	**(82,160,001)**	**1,797,500**

Notes:

1. *Reflects the shares held by Mr Balzarini at the time of his termination as Director on 7 June 2019.*
2. *Reflects the shares held by Mr Braithwaite at the time of resignation of employment as Chief Business Development Officer on 31 October 2018.*
3. *Reflects the shares held by Mr Bianchi at the time of commencing being a KMP.*

(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.

6. TRANSACTIONS WITH KMP

At 30 June 2019, Mr Balzarini, a Director of Wellard, had an indirect 15.06% shareholding interest in Wellard. Mr Balzarini also controls the entity WGH Holdings (WGH), which owned a pre-export quarantine and other property leased by Wellard.

In December 2015, Wellard entered into a sublease with WGH in relation to the Wellard headquarters in Fremantle, Western Australia. On 31 July 2019, the sublease was assigned from WGH to a third party, who is not a related party. Monthly rent payable to WGH was $17,471 (excluding GST).

An entity controlled by Mr Balzarini also leased an office in Italy to Wellard Rural Exports at an annual rent of €114,192 (A$185,049). The lease was due to expire in 2020, however Wellard negotiated early cancellation of the lease, effective 5 December 2018. The terms of the lease were otherwise generally market standard at the time of execution.

For the year ended 30 June 2019, an entity controlled by Mr Balzarini provided no livestock (2018: $644,199) and no raw materials (2018: Nil) consumed by Wellard. 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.

Mr Balzarini has commenced legal action against Wellard in respect of the termination of his employment in Singapore and Australia, and is claiming *inter alia* 12 months payment in lieu of notice (being approx. A$ 838,000, with interest, and costs. The Company is defending these claims vigorously. It is not possible to predict whether the Company may be required to make any payment to Mr Balzarini in respect of this claim, nor how long the matters may take to resolve. Transactions with other related parties

FOR THE YEARS ENDED 30 JUNE	2019 $	2018 $
ENTITIES CONTROLLED BY KEY MANAGEMENT PERSONNEL		
Sales to	(7,089)	-
Purchases from	(105,278)	(1,387,480)
Lease payments and outgoings made to	(292,882)	(450,881)

(c) Purchases from entities controlled by key management personnel

The Group in current and prior financial years has 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.

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

AS AT 30 JUNE	2019 $	2018 $
CURRENT PAYABLES (PURCHASES OF GOODS AND SERVICES)		
Entities controlled by key management personnel	-	-
	-	-
CURRENT RECEIVABLE (SALES OF GOODS AND SERVICES)		
Entities controlled by key management personnel	4,799	132,819
Provision for doubtful debt	-	(132,555)
	4,799	**264**

(e) Loans to / from related parties

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

FOR THE YEARS ENDED 30 JUNE	2019 $	2018 $
Opening balance	-	-
Loan repayments received	-	-
Wellao acquisition	-	-
Foreign exchange	-	-
Closing balance	**-**	**-**

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

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

i. giving a true and fair view of the financial position and performance of the Group as at 30 June 2019 and of its performance for the year ended on that date; and

ii. complying with Accounting Standards and the *Corporations Act* 2001; and

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

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

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the *Corporations Act* for the financial year ended 30 June 2019.

Signed in accordance with a resolution of the Directors.

Mr John Klepec

Executive Chairman

Mr John Stevenson

Executive Director – Chief Financial Officer

27 September 2019

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Wellard Limited for the year ended 30 June 2019, 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
27 September 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 30 JUNE	NOTE	2019 $'000	2018 $'000
CONTINUING OPERATIONS			
Sales revenue	5	181,735	186,633
Charter revenue	5	51,866	46,472
Revenue from contracts for services	5	-	3,498
Other revenue	5	1,490	392
Cost of sales	6	(196,336)	(204,157)
Gross profit		**38,755**	**32,838**
Other losses	6	(5,867)	(1,096)
Net finance costs	6	(11,266)	(9,766)
Depreciation and amortisation expenses		(16,157)	(16,617)
Administration expenses	6	(7,733)	(9,492)
Impairment expense	7	(22,444)	(13,758)
Operating expenses	6	(15,087)	(16,196)
Other expenses	6	(1,836)	(1,133)
Loss from continuing operations before income tax		**(41,635)**	**(35,220)**
Income tax benefit / (expense)	10	(5,354)	116
Loss from continuing operations		**(46,989)**	**(35,104)**
DISCONTINUING OPERATIONS			
Loss from discontinued operations, net of tax	9	(1,454)	(1,333)
Loss for the period after tax		**(48,443)**	**(36,437)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Gain from foreign currency translation		4,827	6,773
Other comprehensive income for the period, net of tax		**4,827**	**6,773**
Total comprehensive loss for the period		**(43,616)**	**(29,664)**
		cents	**cents**
Loss per share from continuing operations attributable to ordinary equity holders of the Company			
Basic loss per share		(8.8)	(6.6)
Diluted loss per share		(8.8)	(6.6)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE	NOTE	2019 $'000	2018 $'000
CURRENT ASSETS			
Cash and cash equivalents	13	7,424	8,297
Trade and other receivables	18	2,278	24,947
Inventories	16	13,127	18,121
Biological assets	17	1,941	18,264
Derivative financial assets		-	326
Other assets	19	1,874	4,709
Assets held for sale	20	31,330	-
Total current assets		**57,974**	**74,664**
NON-CURRENT ASSETS			
Other assets	19	139	140
Property, plant and equipment	24	139,150	206,832
Intangible assets	25	3,082	8,384
Deferred tax assets	10	-	5,894
Total non-current assets		**142,371**	**221,250**
Total assets		**200,345**	**295,914**
CURRENT LIABILITIES			
Trade and other payables	21	5,606	18,796
Loans and borrowings	12	110,090	144,945
Provisions	26	439	1,100
Deferred revenue	22	17,262	28,248
Derivative financial liabilities		-	1,180
Liabilities directly associated with assets held for sale	20	9,132	-
Total current liabilities		**142,529**	**194,269**
NON-CURRENT LIABILITIES			
Provisions	26	21	150
Total non-current liabilities		**21**	**150**
Total liabilities		**142,550**	**194,419**
Net assets		**57,795**	**101,495**
EQUITY			
Issued capital	15	572,132	572,132
Reserves	36	(384,484)	(389,227)
Accumulated losses	37	(129,853)	(81,410)
TOTAL EQUITY		**57,795**	**101,495**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED 30 JUNE	NOTE	ISSUED CAPITAL $'000	RETAINED EARNINGS $'000	RESERVES SHARE BASED PAYMENTS $'000	OTHER RESERVES $'000	COMMON CONTROL $'000	TOTAL $'000
2019							
Opening balance		572,132	(81,410)	18,104	3,686	(411,017)	101,495
Comprehensive loss for the period:							
Loss for the period	37	-	(48,443)	-	-	-	(48,443)
Other comprehensive income	36	-	-	-	4,827	-	4,827
Total comprehensive gain / (loss) for the period		-	**(48,443)**	-	**4,827**	-	**(43,616)**
Transactions with owners in their capacity as owners:							
Share based payment	35	-	-	(84)	-	-	(84)
Closing balance		**572,132**	**(129,853)**	**18,020**	**8,513**	**(411,017)**	**57,795**
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	37	-	(36,437)	-	-	-	(36,437)
Other comprehensive income	36	-	-	-	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	35	-	-	90	-	-	90
Closing balance		**572,132**	**(81,410)**	**18,104**	**3,686**	**(411,017)**	**101,495**

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	2019 $'000	2018 $'000
Cash flows from operAting activities			
Receipts from customers (inclusive of GST)		293,029	318,516
Payments to suppliers and employees (inclusive of GST)		(263,183)	(310,852)
Interest paid		(8,412)	(7,999)
Interest received		-	2
Income tax paid / (returned)		8	(2)
Net cash flows from operating activities	**14**	**21,442**	**(335)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,288)	(5,843)
Purchase of intangible assets		(63)	(102)
Sale of property, plant and equipment		3,835	5,273
Proceeds from sale of discontinued operations		11,989	-
Costs associated with sale of discontinued operations		(299)	-
Sale of assets classified as held for sale		2	34,780
Proceeds from sale of investment		-	1
Net cash on disposal of Wellana		-	(393)
Net cash flows from investing activities		**13,176**	**33,716**
Cash flows from financing activities			
Proceeds from borrowings		8,213	1,521
Repayments of borrowings		(44,025)	(56,739)
Transfers from / (to) restricted cash		2,489	(1,771)
Net cash flows from financing activities		**(33,323)**	**(56,989)**
Net increase / (decrease) in cash held		**1,295**	**(23,608)**
Cash at the beginning of the financial year		8,297	33,027
Effects of exchange rate changes on cash and cash equivalents		(2,168)	(1,122)
Cash at the end of the financial year	**13**	**7,424**	**8,297**

The cashflow is presented on a gross basis, including continuing and discontinuing operations.

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

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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 2019, that were authorised for issue in accordance with a resolution of the Directors on 27 September 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 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 9 Financial Instruments was adopted effective 1 July 2018.

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.

Despite the closure of major livestock trade routes as well as a downturn in the Group's livestock trading activities, both of which significantly impacted the Group's financial results in the second half of the 2019 financial year, the Group remained EBITDA and cashflow positive for the full year.

The Group has $71.4 million worth of debt becoming due and payable within the coming 12 months. The cashflow which is forecast to be generated from recurring operations is insufficient to meet the Group's debt servicing requirements in the coming 12 months.

As previously reported, the Group embarked on a non-core assets sales program during FY2019 and funds generated from that program helped fund the reduction in total gross debt levels from $148.0 million as at 30 June 2018 to $121.8 million as at 30 June 2019.

The Group has announced the sale and leaseback of the MV Ocean Swagman, subject to Wellard shareholder approval, which will fund the full repayment of debt owed to the vessel's secured financier as well as a US$10 million repayment to noteholders upon settlement of the sale. This transaction is expected to be completed by the end of November 2019.

The MV Ocean Ute and MV Ocean Drover have irregular balloon repayments due to the same financier in August 2019 and December 2019 respectively. The Group announced on 20 September 2019 that the financier had approved to extend the repayment of these balloon amounts until December 2021.

The above asset sales and finance extension transactions, will assist the Group in meeting its debt servicing requirements in the coming 12 months..

During the year, entities within the Group breached financial covenants on its working capital facility, on its notes, and on its ship financing facilities.

While a breach remains outstanding, this allows the relevant financier to accelerate and enforce its facility. It may also allow Wellard's other financiers to accelerate and enforce their own facilities (by virtue of cross-default provisions in their own facilities, depending on the terms of these cross-default provisions).

The Group has completed or is negotiating standstill agreements with all of its financiers which will halt the acceleration and enforcement action of financiers until the completion of some or all of the above noted transactions.

The Group's working capital facility was cancelled in February 2019 and hence all breaches related to it were removed at that time.

Successful completion of the announced MV Ocean Swagman sale as well as the finance extension agreement will see the full repayment or full waiver of outstanding breaches related to three of the Group's existing four vessels, as well as the full waiver of outstanding breaches on the Group's notes.

Wellard announced on 22 August 2019 the execution of a formal waiver and standstill agreement with its noteholders leading to a US$10 million repayment to noteholders upon settlement of the sale of MV Ocean Swagman (as noted above). The balance owing to noteholders after making this payment will be repaid over six months from settlement of the MV Ocean Swagman sale.

The Group announced on 19 August 2019 that the financier for the MV Ocean Ute and MV Ocean Drover had waived all outstanding breaches as a part of the agreed finance extension term sheet.

In the case of the MV Ocean Swagman financier, Wellard will fully repay all amounts owing at the time of settlement of the vessel's sale (as noted above), Wellard expects to execute a waiver and standstill agreement as a part of the vessel sale process.

In the case of the MV Ocean Shearer financier, on 3 June 2019 Wellard announced the removal of the financier's covenant requiring the Group to engage Mr Balzarini in various capacities. We are continuing to discuss the terms of a formal agreement to waive existing covenant breaches, and to remove covenants relating to prescribed shareholdings of or related to Mr Balzarini. We are also in discussion about resetting the financial covenants related to this loan, given the significant change in the Group's business and balance sheet. This resetting is expected to be completed by the end of FY2020.

Wellard's previous working capital facility in Australia was cancelled in February 2019. The Group has been in discussion with financiers about establishing a new working capital facility in Australia, however the timing is subject to satisfaction of a number of the items noted above. Given the Group's previously announced operating strategy which prioritises livestock logistics over livestock trading, a working capital facility in Australia is not an immediate priority for the Group.

The Group maintains a credit card facility in Australia as well as a working capital and credit card facility in Singapore. In Singapore, the working capital facility is used to fund ship operating costs as well as foreign exchange and commodity hedge transactions. The Singapore working capital facility is in breach by virtue of the cross-default provisions noted above. The Group has made all payments due under these facilities during the year. The financiers are working with the Group to allow it to implement the restructuring measures noted above. These facilities remain available to the Group.

As was the position in the prior period, due to the Group breaching financial covenants and undertakings as noted above, all of its loans and borrowings have been reclassified as current as at period end, despite $50.4 million of those liabilities being due after 30 June 2020. 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 $84.6 million as at 30 June 2019 (30 June 2018: $119.6 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 $34.2 million as at 30 June 2019 (30 June 2018: $1.9 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 obtain shareholder approval and be able to execute the planned sale and leaseback of the MV Ocean Swagman;
- will be able to obtain standstills and 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 finance 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 statement of financial position.

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 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 accrued 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/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 antidilutive in the current period.

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 convertible 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.

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 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.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

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.

O. TRADE AND OTHER RECEIVABLES

Trade receivables are recognised initially at fair value less any expected credit losses.

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.

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.

P. ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is considered highly probable.

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

An impairment loss is recognised for any initial or subsequent write-down of the asset, or disposal group, to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell, but not in excess of any cumulative impairment loss.

Non-current assets, including those as part of a disposal group, are not depreciated or amortised while they are classified as held for sale.

Non-current assets are held for sale and the assets of the disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from the liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business, is part of a single co-ordinated plan to dispose of such line of business. The results of the discontinued operations are presented separately in the statement of profit or loss.

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 AASB15 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.

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.

Management has assessed that there is sufficient uncertainty in the recovery of the deferred tax asset and has therefore decided to derecognise all current deferred tax assets and liabilities from temporary assets and carry forward losses.

The Wellard Limited Australian tax consolidated group derecognised deferred tax assets and deferred tax liabilities of $3.9 million and $0.5 million, respectively, during the financial year ended 30 June 2019.

Deferred tax assets, tax effected, of $19.7 million, (2018: $13.1 million) relating to the tax losses of the Australian tax consolidated group, $2.4 million (2018: $2.0 million) relating to Uruguay, $3.3 million (2018: $3.3 million) relating to Brazil and $0.8 million (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.

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. IMPAIRMENT

Impairment of non-financial assets

In order to assess the fair value less cost of sale for the vessel fleet CGU, management requested and received two independent market valuations for each vessel.

Investment in subsidiaries

We have estimated the recoverable amount based on the value-in-use of the subsidiaries. An impairment of $19.7 million (2018: $20.1 million) has been recognised in respect of the recoverable amount of investment in subsidiaries, this had 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 30 June 2019 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of new standards and interpretations is set out below:

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 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 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.
Date of adoption by group	The Group has adopted AASB 9 from 1 July 2018. As a result of the adoption of the AASB 9, there was no adjustment to the opening balance sheet or retained earnings.

Title	AASB 16 Leases
Nature of change	AASB 16 was issued in February 2016. Under the new standard, the Group is required to recognise a right of use asset and lease liability for all leases with a term or more than 12 months, unless the underlying asset is of a low value.
Impact	The standard will impact the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $1.434 million (2018: $8.955 million). The Group has assessed that approximately 5.8% 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. The Group will recognise right of use assets and corresponding lease liability of approximately $1.10 million on 1 July 2019. The Group is expecting an increase in earnings before income tax, depreciation and amortisation of $0.7 million and a $0.02 million reduction in net profit after tax.
Date of adoption by group	The Group has adopted AASB 16 from 1 July 2019. The Group has applied the modified transition approach and will not restate comparative amounts for the year prior to 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	2019 $'000	2018 $'000
Trading revenue	181,735	186,633
Charter revenue	51,866	46,472
Revenue from contracts for services	-	3,498
Other revenue	1,490	392
	235,091	**236,995**

Trading revenue is derived at a point in time and includes revenue generated from the buying and selling of livestock and livestock products by the Company including related logistics.

Charter revenue is derived over time and includes revenue generated from the sale of space on the Company's vessels for the carriage of cargo owned by third parties.

6. EXPENSES

FOR THE YEARS ENDED 30 JUNE		2019 $'000	2018 $'000
A) COST OF SALES			
Trading		145,750	162,161
Shipping		50,586	41,996
		196,336	**204,157**
B) OTHER (GAINS) / LOSSES			
(Gains) / losses arising from trading and chartering activities			
Net (gain) / loss from changes in fair value of biological assets		2,077	(2,070)
Net (gain) / loss from changes in fair value of fuel hedge		1	(1,697)
		2,078	**(3,767)**
(Gains) / losses arising from other activities			
Net loss on disposal of property, plant and equipment		533	256
Fair value gain on other financial assets		(255)	(1,062)
Net gain on disposal of subsidiary		-	(784)
Net foreign exchange losses		3,511	7,081
Foreign currency translation reserve recognised on disposal		-	(628)
		3,789	**4,863**
		5,867	**1,096**
C) NET FINANCE COSTS			
Interest income		-	(2)
Interest expense		10,021	8,191
Borrowing costs		1,245	1,577
		11,266	**9,766**
D) ADMINISTRATION EXPENSES			
Consulting costs		3,017	3,294
Occupancy costs		1,932	2,391
General and administration costs		2,074	2,454
Travel expenses		710	1,353
		7,733	**9,492**
E) OPERATING EXPENSES			
Bad and doubtful debts expense		3,483	894
Labour expenses	6(g)	11,143	14,352
Motor vehicle expenses		210	377
Repairs and maintenance costs		250	573
		15,087	**16,196**
F) OTHER EXPENSES			
Restructuring and integration costs		1,920	1,043
Share based payments expense		(84)	90
		1,836	**1,133**
G) LABOUR EXPENSES			
Wages and salaries		9,668	11,695
Employee entitlements and on costs		494	1,533
Superannuation		575	703
Payroll tax		406	421
		11,143	**14,352**

7. IMPAIRMENT

FOR THE YEARS ENDED 30 JUNE	2019 $'000	2018 $'000
Impairment of vessels	20,421	-
Impairment of vessel spare parts	253	-
Impairment of asset under construction	-	13,758
Impairment of goodwill	1,770	-
	22,444	**13,758**

Impairment of vessels

Wellard regularly assesses its fleet for triggers of impairment. An impairment expense of $20.4 million has been recorded for the MV Ocean Swagman and MV Ocean Ute to record their assets at fair value less costs of sale. An additional impairment of $0.25 million has been recorded for the spare parts on board the MV Ocean Swagman.

Impairment of Goodwill

The impairment expense for goodwill relates to the investment by Wellard in the Wellao feedlot and Pre-Export Quarantine (PEQ) facility (Wellao Feedlot). The Wellao Feedlot was 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 held by Wellard. The buyback was completed in March 2019. Subsequently the Chinese government agreed to wind up the Wellao subsidiary in June 2019, and the remaining investment funds were returned to Wellard.

8. 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) trading 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.

(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 was owned and operated by the Group, or procured from external suppliers. The Beaufort River Meats facility was sold in April 2019. 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 2019			
Revenue			
Trading revenue	181,735	-	181,735
Charter revenue	51,866	-	51,866
Other revenue	1,490	-	1,490
Total revenue	**235,091**	**-**	**235,091**
Depreciation and amortisation expenses	(15,726)	(431)	(16,157)
Net finance costs	(6,413)	(4,853)	(11,266)
Loss from continuing operations before income tax	(28,741)	(12,894)	(41,635)
Total segment assets	**195,660**	**4,685**	**200,345**
Total segment liabilities	**114,379**	**28,171**	**142,550**
FOR THE YEAR ENDED 30 JUNE 2018			
Revenue			
Trading revenue	186,633	-	186,633
Charter revenue	46,472	-	46,472
Revenue from contracts for services	3,498	-	3,498
Other revenue	392	-	392
Total revenue	**236,995**	**-**	**236,995**
Depreciation and amortisation expenses	(16,177)	(440)	(16,617)
Net finance costs	(6,424)	(3,342)	(9,766)
Loss from continuing operations before income tax	(26,706)	(8,514)	(35,220)
Total segment assets	**262,602**	**33,312**	**295,914**
Total segment liabilities	**171,761**	**22,658**	**194,419**

Revenues of approximately $83.9 million were derived from four external customers of the trading and chartering segment, which individually account for greater than 7.0% of total revenue (2018: 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 $22.4 million (2018: $13.8 million) was recognised in respect of the trading and chartering segment, and no impairment (2018: $0.1 million) has been recognised in respect of the other segment. For further information refer note 7.

Geographical information

Wellard operates in several geographical locations around the world, spanning multiple continents for both procurement and sales of livestock, as well as sale of space on the Company's vessels.

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	Total $'000
2019	133,057	83,724	18,129	181	235,091
2018	161,997	74,790	34	174	236,995

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
2019	3,216	139,093	-	8	54	142,371
2018	13,448	195,882	5,890	67	69	215,356

9. DISCONTINUED OPERATIONS

A. Description

During the second half of 2019, the Beaufort River Meats (BRM), Wellard Feeds, 'La Bergerie' Pre-Export Quarantine businesses and Wellao feedlot were sold and are reported in the current period as discontinued operations.

The sale of the Wellard Feeds and 'La Bergerie' Pre-Export Quarantine businesses to Ausvision Rural Services (Ausvision), was completed on 28 February 2019. On 1 April 2019, Wellard announced it had also contracted to sell its BRM business to Ausvision after the counterparty to the original sales agreement defaulted on the sales contract. The BRM sale was completed on 8 April 2019.

On 18 January 2019, Wellard contracted to sell back the Wellao feedlot in China to the Nandagang government. The sale was completed on 1 March 2019.

B. Financial performance and cash flow information

The financial performance and cash flow information presented are for the ten months ended 30 April 2019 and the year ended 30 June 2018.

FOR THE YEARS ENDED 30 JUNE	2019 $'000	2018 $'000
Revenue	48,974	54,121
Other losses	(158)	(21)
Expenses	(51,110)	(55,316)
Losses before income tax	**(2,294)**	**(1,215)**
Income tax expenses	(585)	(118)
Losses after income tax of discontinued operations	**(2,879)**	**(1,333)**
Gain on sale of the discontinued operations after income tax	1,425	-
Losses from discontinued operations	**(1,454)**	**(1,333)**
Exchange differences on translation of discontinued operations	231	-
Other comprehensive income from discontinued operations	231	-
Basic loss per share from discontinued operations (cents)	(0.3)	(0.3)
Diluted loss per share from discontinued operations (cents)	(0.3)	(0.3)
Net cash inflow/(outflow) from operating activities	825	(4,591)
Net cash inflow/(outflow) from investing activities	10,636	(7,250)
Net cash inflow/(outflow) from financing activities	(11,899)	1,256
Net cash flows for the year generated by discontinued operations	**(438)**	**(10,585)**

C. Details of the sale of the discontinued operations

FOR THE YEARS ENDED 30 JUNE	2019 $'000	2018 $'000
Consideration received or receivable:		
Cash – land, property, plant and equipment	11,989	-
Cash – inventory	2,368	
Total disposal consideration	**14,357**	**-**
Carrying amount of net assets sold	(12,402)	-
Other expenses directly attributable to sale of discontinued operations	(299)	
Gain on sale before income tax and reclassification of foreign currency translation reserve	**1,656**	**-**
Reclassification of foreign currency translation reserve	(231)	-
Income tax expense on gain	-	-
Gain on sale after income tax	**1,425**	**-**

D. Assets and liabilities of the discontinued operations

The carrying amounts of assets and liabilities as at the respective date of sales were:

FOR THE YEARS ENDED 30 JUNE	2019 $'000	2018 $'000
Property, plant and equipment	5,183	-
Land	1,598	-
Intangibles	3,253	-
Inventory	2,368	-
Total assets	**12,402**	**-**
Net assets	**12,402**	**-**

10. TAXATION

INCOME TAX EXPENSE

FOR THE YEARS ENDED 30 JUNE	2019 $'000	2018 $'000
Major components of income tax expense are:		
Current tax	45	276
Deferred tax	2,919	(20)
(Over) / under provision for income tax in prior years	2,975	(255)
Income tax expense reported in the income statement	**5,939**	**1**

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	2019 $'000	2018 $'000
Loss from continuing operations before income tax	41,635	35,220
Loss from discontinued operations before income tax	1,100	1,215
	42,735	**36,435**
Tax at the Australian tax rate of 30% (2018: 30%)	(12,821)	(10,931)
Add / (less) the effect of other assessable items		
Attributable foreign income	475	370
(Over) / under provision for deferred income tax in prior years	2,975	(255)
Current year losses and temporary differences not recognised	13,176	12,341
Utilisation of carried forward tax losses	-	(2,737)
Other non-allowable items	7	237
Share based payments	(25)	27
Total other assessable items	**16,608**	**9,983**
Add / (less) the effect of other non-assessable items		
Effect of different rates on tax on overseas profit	2,152	1,067
Total other non-assessable items	**2,152**	**1,067**
Income tax expense reported in the income statement	**5,939**	**119**

DEFERRED TAX BALANCES

FOR THE YEAR ENDED	Provisions and accruals $'000	Unrealised foreign exchange gains / losses $'000	Borrowing costs $'000	Other $'000	Property, plant and equipment $'000	Assessed tax losses carried forward $'000	Total $'000
Deferred tax assets							
2019							
Opening balance	4,130	636	100	989	39	-	5,894
Movement in profit and loss	(3,128)	1,462	(45)	(293)	(39)	-	(2,043)
Derecognition of DTA	(1,002)	(2,098)	(55)	(696)	-	-	(3,851)
Closing amount	-	-	-	-	-	-	-
2018							
Opening balance	1,501	(273)	130	2,825	-	1,691	5,874
Movement in profit and loss	2,629	909	(30)	(1,836)	39	(1,691)	20
Closing amount	**4,130**	**636**	**100**	**989**	**39**	**-**	**5,894**

FOR THE YEAR ENDED	Provisions and accruals $'000	Unrealised foreign exchange gains / losses $'000	Borrowing costs $'000	Other $'000	Property, plant and equipment $'000	Assessed tax losses carried forward $'000	Total $'000
Deferred tax liabilities							
2019							
Opening balance	-	-	-	-	-	-	-
Movement in profit and loss	-	(509)	-	(4)	-	-	(513)
Derecognition of DTL	-	509	-	4	-	-	513
Closing amount	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2018							
Opening balance	-	-	-	-	-	-	-
Movement in profit and loss	-	-	-	-	-	-	-
Closing amount	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Unrecognised tax losses, tax effected, of $19.7 million (2018: $13.1 million) relating to the tax losses of the Australian tax consolidated group, $2.4 million (2018: $2.0 million) relating to Uruguay, $3.3 million (2018: $3.3 million) relating to Brazil and $0.8 million (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.

11. EARNINGS PER SHARE

FOR THE YEARS ENDED 30 JUNE	2019 Cents	2018 Cents
BASIC LOSS PER SHARE		
From continuing operations, attributable to the ordinary equity holders of the Company	(8.8)	(6.6)
DILUTED LOSS PER SHARE		
From continuing operations, attributable to the ordinary equity holders of the Company	(8.8)	(6.6)
	number	**number**
WEIGHTED AVERAGE ORDINARY SHARES		
Weighted average number of ordinary shares used as the denominator	531,250,312	531,250,312

12. LOANS AND BORROWINGS

AS AT 30 JUNE	2019 $'000	2018 $'000
CURRENT		
Secured		
Bank loans[1]	58,815	75,327
Finance leases[2]	29,576	43,313
Un-secured		
Trade asset finance	-	48
Other loans[3]	1,567	3,340
Notes[4]	22,756	26,016
Borrowing costs		
Deferred borrowing costs	(2,624)	(3,099)
Total current borrowings	**110,090**	**144,945**

Notes:

1. *Bank loans at 30 June 2019 represents the vessel financing agreement from Intesa Sanpaolo, and in the prior financial year, two separate vessel finance agreements from financiers Intesa Sanpaolo and Norddeutsche Landesbank Girozentrale. The vessel finance agreements are secured by the carrying amount of its pledged assets and are supported by a guarantee from the Company.*
2. *Finance leases represents the sale and leaseback of two vessels from Ruchira Ships Limited. The finance lease arrangements are secured by the carrying amounts of its pledged assets and are supported by a guarantee from the Company.*
3. *Other loans represent the bunker facility.*
4. *The convertible notes were issued in two tranches in April and June 2017. On 1 April 2019, the convertibility of the notes was removed. 4.5 million of notes worth US$4.5 million were redeemed during the year.*

The Company's working capital facility expired on 28 February 2019.

At 30 June 2019 and in the prior year, the Group has two finance lease arrangements, structured as sale and leaseback agreements on two separate vessels. 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. On 19 August 2019, Wellard announced that it has reached a conditional agreement to extend the repayment schedules and sale and leaseback for 24-28 months, until December 2021.

Due to changes in the structure of the convertible note agreements during the 2019 financial year, deferred borrowing costs incurred during the establishment of the convertible notes have been fully expensed during the current period.

For bank loans and finance leases, 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.

AS AT 30 JUNE	Currency	Financial year of maturity	2019 $'000	2018 $'000
CURRENT				
Secured				
Bank loans	USD	2026	58,815	63,775
Bank loans[1]	USD	2022	-	11,552
Finance leases[2]	USD	2020	24,755	33,062
Finance leases[2]	USD	2020	4,821	10,251
Un-secured				
Trade asset finance	EUR	2019	-	48
Bank loans	USD	2020	1,567	3,340
Notes	USD	2020	22,756	26,016
			112,714	**148,044**

Notes:

1. *Secured bank loans of $9.1 million have been reclassified as liabilities directly associated with assets held for sale as at 30 June 2019, refer to note 20.*
2. *On 19 August 2019, Wellard announced that it has reached a conditional agreement to extend the repayment schedules until December 2021 (i.e. FY2022).*

The maturity profile of principal repayments is set out in note 23(c).

Liabilities directly associated with assets held for sale:

AS AT 30 JUNE	Currency	2019 $'000	2018 $'000
SECURED LIABILITIES			
Bank loans	USD	9,132	-

Convertible notes

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, totalling US$20.0 million.

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 ended on 31 March 2019. Those breaches remained outstanding at the end of the Standstill Period, and the noteholders were 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.

On 1 April 2019, Wellard announced the extension of the Standstill Period from 31 March 2019 to 30 September 2019. This standstill agreement required monthly redemption of US$500,000 worth of convertible notes and a coupon rate of 14% per annum on the face value of the outstanding notes. The parties also agreed that the notes are no longer convertible into shares in the Company. Redemptions of 1.0 million notes, worth US$1.0 million, were made during this period. The Second Standstill Period ended on 7 June 2019, as Wellard were not able to grant certain security to the noteholders, as required under the terms of the standstill agreement.

As at 30 June 2019, the Standstill Period had ended and the noteholders were entitled under the terms of the note documentation to demand immediate repayment of their outstanding notes, due to the defaults. As such, the outstanding balance of the notes at 30 June 2019 represents the value of the outstanding notes and accrued interest payable.

On 22 August 2019, Wellard announced that it had reached agreement with the noteholders for a further Standstill Period. This standstill agreement requires a payment of US$10 million worth of notes upon settlement of the sale of the MV Ocean Swagman, followed by monthly redemptions of US$500,000 worth of notes for five months, followed by redemption of the remaining balance owing to noteholders in the sixth month after settlement of the MV Ocean Swagman sale.

There are 15.5 million notes on issue at 30 June 2019, 4.5 million of which have been redeemed as at 30 June 2019 (2018: Nil).

Movement in convertible notes are shown below:

FOR THE YEARS ENDED 30 JUNE	2019 $'000	2018 $'000
SUBSEQUENT MOVEMENT		
Opening balance	26,016	24,571
Redemption of notes	(6,408)	-
Interest expense	2,691	2,041
Interest paid	(2,241)	(1,586)
Other fair value movement	1,305	-
Foreign exchange revaluation	1,393	990
Closing balance	**22,756**	**26,016**

Interest expense is calculated by applying the effective interest rate of the original deed and subsequent standstill agreements to the liability component.

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	Notes $'000	Deferred borrowing costs $'000	Total $'000
Opening balance	75,327	43,313	48	3,340	26,016	(3,099)	144,945
Cashflows	(11,446)	(16,075)	(48)	(1,953)	(6,408)	-	(35,930)
Effect of movements in exchange rates	4,066	2,338	-	180	1,427	(147)	7,864
Other non-cash movements	-	-	-	-	1,721	623	2,344
Assets held for sale	(9,132)	-	-	-	-	-	(9,132)
	58,815	**29,576**	**-**	**1,567**	**22,756**	**(2,624)**	**110,090**

The Group made all payments due under its working capital facility and ship financing facilities during the reporting period, and as noted above, has either finalised or is continuing to finalise standstill and waiver agreements with all of its financiers.

As was the position in the financial year ended 30 June 2018, due to the Group breaching financial covenants as noted above, all of its loans and borrowings have been reclassified as current as at period end, despite $72.8 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.

13. CASH AND CASH EQUIVALENTS

AS AT 30 JUNE	2019 $'000	2018 $'000
Cash at bank and in hand	7,424	8,297
	7,424	**8,297**

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.

14. 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	2019 $'000	2018 $'000
Loss after tax	(48,443)	(36,437)
Non-cash flows in loss		
Depreciation and amortisation	15,606	17,767
Income tax / (benefit)	45	(1)
Bad and doubtful debts	3,492	894
Net loss / (gain) on disposal of property, plant and equipment	(2,528)	277
Net (gain) on fair value of derivatives	(255)	(1,287)
Gain on sale of subsidiaries	1,770	(784)
Share based payments expenses	(84)	90
Impairment expense	24,012	13,889
Amortisation of deferred borrowing costs	623	660
Finance costs and accrued interest	1,722	480
FX movement on assets held in foreign currency	1,101	-
Unrealised foreign exchange losses	2,499	7,504
Change in assets and liabilities, net of the effects of purchase and of subsidiaries		
Change in trade and other receivables and other current assets	19,614	9,613
Change in inventories and biological assets	21,317	(24,842)
Change in net deferred tax assets / liabilities	5,849	(20)
Change in trade and other payables	(13,121)	(5,673)
Change in deferred revenue	(10,987)	17,907
Change in provisions	(790)	(372)
Net cash flows from operating activities	**21,442**	**(335)**

15. ISSUED CAPITAL

FOR THE YEARS ENDED 30 JUNE	2019 $'000	2018 $'000
ISSUED CAPITAL		
Opening balance	572,132	572,132
Ordinary shares issued	-	-
Cost relating to the issue of securities net of tax effect	-	-
Closing balance	**572,132**	**572,132**

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

Movements in ordinary shares:

FOR THE YEARS ENDED 30 JUNE	2019 $'000	2018 $'000
ORDINARY SHARES		
Opening balance	531,250,312	531,250,312
Ordinary shares issued	-	-
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 2019 financial year.

16. INVENTORIES

AS AT 30 JUNE	2019 $'000	2018 $'000
Raw materials and stores	4,247	8,119
Finished goods	350	1,926
Work in progress	8,530	8,076
	13,127	**18,121**

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

Write-downs of inventory to net realisable value during the year was $Nil (2018: Nil).

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

17. BIOLOGICAL ASSETS

FOR THE YEARS ENDED 30 JUNE	2019 $'000	2018 $'000
LIVESTOCK		
Opening balance	18,264	3,453
Purchases	155,249	173,817
Fair value adjustments	(2,077)	2,070
Sales	(169,495)	(161,076)
Closing balance	**1,941**	**18,264**
LIVESTOCK		
Sheep	-	827
Cattle	1,941	17,437
Closing balance	**1,941**	**18,264**
	number	number
LIVESTOCK		
Sheep	-	7,376
Cattle	2,147	16,681

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 $(0.007) million measured in Level 3 (2018: Nil Level 2 & $2.1 million 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 23(a)(i) for commodity price risk management.

The following table presents the biological assets measured and recognised at fair value at 30 June 2019 on a recurring basis.

AS AT 30 JUNE	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
BIOLOGICAL ASSETS				
2019	-	9	1,932	1,941
2018	-	3,828	14,436	18,264

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 Swagman as at 30 June 2019 have been recorded as Level 3.

Reconciliation of Level 3 Biological Assets:

FOR THE YEARS ENDED 30 JUNE	2019 $'000	2018 $'000
Opening balance	14,436	-
Purchases	1,932	12,366
Sales	(14,436)	-
Fair value adjustments	-	2,070
Closing balance	**1,932**	**14,436**

18. TRADE AND OTHER RECEIVABLES

AS AT 30 JUNE	2019 $'000	2018 $'000
CURRENT		
Trade receivables	4,661	23,802
Provision for impairment	(4,042)	(3,483)
Related party receivable	5	-
Other receivables	1,654	4,628
	2,278	**24,947**

Trade and other receivables are non-interest bearing and are on various terms depending on the market. Charter customers are generally required to pay a deposit on signing of the booking note, and the balance payable before delivery of the vessel or provision of the Bill of Lading. 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, in excess of expected credit losses.

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.

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

Past due but not impaired

Trade receivables of $1,133,198 (2018: $4,757,546) 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	2019 $'000	2018 $'000
1 to 3 months	1,097	4,745
3 to 6 months	36	13
	1,133	**4,758**

Information on the Group's credit risk is disclosed in note 23(b)

19. OTHER ASSETS

AS AT 30 JUNE	2019 $'000	2018 $'000
CURRENT		
Prepayments	1,774	2,211
Restricted cash	100	2,498
	1,874	**4,709**
NON-CURRENT		
Other assets	139	140
	139	**140**

20. ASSETS HELD FOR SALE

FOR THE YEARS ENDED 30 JUNE	2019 $'000	2018 $'000
ASSETS HELD FOR SALE		
Property, plant and equipment – vessel	31,330	-
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE		
Borrowings	(9,132)	-
	22,198	**-**

Vessel held for sale

As announced to the ASX on 4 July 2019, Wellard has planned to recapitalise and restructure the operations of the Group by reducing its debt level by selling one vessel of its fleet. A term sheet was signed between Wellard and Heytesbury Holding Company Pty Ltd on the key terms and conditions for the sale and leaseback of the MV Ocean Swagman for US$22.0 million.

Subsequently on 6 August 2019, Wellard announced that it had received and accepted a superior offer to sell the MV Ocean Swagman to Nova Marine Holdings (SA) for US$25.2 million. However, on 20 August 2019, Wellard announced that conditions precedent were not fulfilled by Nova, and Wellard would proceed with the sale to Heytesbury. Wellard is expected to complete the sale of the MV Ocean Swagman by October 2019.

In accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations, an impairment of US$7.6 million (A$10.6 million) was recognised in the 2019 financial year to write down the asset to its fair value less costs to sell.

The sale agreement to Heytesbury includes a Bareboat Charter of the MV Ocean Swagman for a fixed period ending 31 March 2021, with an option to extend. In accordance with AASB 16 Leases, the Bareboat Charter will create a Right of Use (ROU) asset, equal to the lease liability.

21. TRADE AND OTHER PAYABLES

AS AT 30 JUNE	2019 $'000	2018 $'000
CURRENT		
Trade payables	2,501	14,508
Sundry payables and accrued expenses	3,105	4,288
	5,606	**18,796**

Trade and other payables are non-interest bearing and are normally settled on delivery to 14-day terms. Refer to note 31 for further information regarding related party transactions.

22. DEFERRED REVENUE

AS AT 30 JUNE	2019 $'000	2018 $'000
CURRENT		
Sales revenue	14,779	27,010
Charter revenue	1,741	540
Revenue from contracts for services	742	698
	17,262	**28,248**
Revenue from contracts for services		
Opening balance	698	678
Adjustment on adoption of new revenue standard	-	167
	698	845
Recognised in the statement of comprehensive income	-	(845)
Deferred revenue	-	698
Effect of movement in foreign exchange	44	-
	742	698

During the 2018 financial year, Wellard received an advance in respect of Tranche 2 of the multi-year contract with the Sri Lankan Government. The advance was for delivery of livestock and technical management. The service of technical management on this delivery extends six months from date of discharge.

Due to a review of the program currently being undertaken in Sri Lanka, no cattle were delivered for Tranche 2 in the 2019 financial year. In line with AASB 15, the revenue has been disaggregated with $742,000 amount of revenue from contracts for services being recognised as deferred.

23. 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 2019 $1.9 million (2018: $18.3 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

In prior financial years, Wellard was exposed to equity price risk on the convertible note embedded derivative liability. However, during the first Standstill Period, the parties agreed that the notes are no longer convertible into shares in the Company. As such, no embedded derivate liability exists at 30 June 2019. 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 2019 $nil (2018: $0.3 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	2019 $'000	2018 $'000
Australian dollar	(68,648)	(51,288)
Brazilian real	(114)	(16,091)
Uruguayan peso	-	(7,371)
Turkish lira	-	(141)
Chinese Yen	-	22
	(68,762)	**(74,869)**

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	2019 $'000	2018 $'000
+10%	6,251	6,806
-10%	(7,640)	(8,319)

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	2019 $'000	2018 $'000
Realised foreign exchange gain	(812)	(1,451)
Unrealised foreign exchange loss	4,323	7,904
	3,511	**6,453**

(iv) Interest rate risk

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

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

Sensitivity:

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

FOR THE YEARS ENDED 30 JUNE	2019 $'000	2018 $'000
Current borrowings	60,382	78,715
Liabilities directly associated with assets held for sale	9,132	-
	69,514	**78,715**

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	2019 $'000	2018 $'000
+0.1%	70	79
-0.1%	(70)	(79)

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	2019 $'000	2018 $'000
1 to 3 months	2,096	21,734
3 to 6 months	961	400
Over 6 months	1,604	1,668
	4,661	**23,802**

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	2019 $'000	2018 $'000
United States dollar	4,282	18,997
Australian dollar	249	4,589
Other	130	216
	4,661	**23,802**

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

FOR THE YEARS ENDED 30 JUNE	2019 $'000	2018 $'000
Opening balance	3,483	4,387
Provision for impairment recognised during the year	3,492	894
Receivables written-off during the year as uncollectable	(2,933)	(1,798)
Closing balance	**4,042**	**3,483**

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	2019 $'000	2018 $'000
IMPAIRMENT LOSSES		
Individually impaired trade receivables	3,492	1,798
Net movement in provision for impairments	-	(904)
	3,492	**894**

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's working capital facility with Commonwealth Bank of Australia (CBA) expired on 28 February 2019 and was not renewed. The working capital facilities limit at 30 June 2018 was $30.0 million and was fully undrawn. 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 Company continues to evaluate 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
2019							
Non-interest bearing	2,501	-	-	-	-	2,501	2,501
Fixed rate	56,140	-	-	-	-	56,140	52,313
Variable rate	7,578	5,835	11,277	30,770	17,955	73,415	60,382
	66,219	**5,835**	**11,277**	**30,770**	**17,955**	**132,056**	**115,196**
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**

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.

24. PROPERTY, PLANT AND EQUIPMENT

AS AT 30 JUNE	FREEHOLD LAND $'000	SHEDS AND BUILDINGS $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000
2019				
Opening net book amount	4,052	2,255	200,525	206,832
Additions	-	2	2,297	2,299
Disposals	(4,052)	(1,976)	(7,140)	(13,168)
Foreign exchange revaluation	-	8	9,827	9,835
Impairment expense	-	-	(20,290)	(20,290)
Depreciation expense	-	(127)	(14,901)	(15,028)
Transfer to assets held for sale	-	-	(31,330)	(31,330)
Closing balance	**-**	**162**	**138,988**	**139,150**
Cost	-	625	252,097	252,722
Accumulated depreciation and impairments	-	(463)	(113,109)	(113,572)
Closing balance	**-**	**162**	**138,988**	**139,150**
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**

Property, plant and equipment with a carrying amount of $138,584,132 (2018: $194,849,218) are pledged as security for the current liabilities as disclosed in note 12.

The Company has impaired the MV Ocean Swagman and MV Ocean Ute for $20.4 million, as disclosed in note 7. Due to the sale of assets of Beaufort River Meats, an impairment of $0.1 million has been reversed.

Included in plant and equipment are unimpaired assets under construction of $Nil (2018: $2,123,792).

25. INTANGIBLE ASSETS

AS AT 30 JUNE	GOODWILL $'000	RIGHTS FOR LAND USE $'000	CLIENT RELATION-SHIPS $'000	SOFTWARE $'000	TOTAL $'000
2019					
Opening net book amount	461	4,418	-	3,505	8,384
Additions	-	-	-	65	65
Disposals	-	(4,378)	-	(1)	(4,379)
Foreign exchange revaluation	20	3	-	11	34
Impairment expense	(445)	-	-	-	(445)
Amortisation expense	-	(43)	-	(534)	(577)
Closing balance	**36**	**-**	**-**	**3,046**	**3,082**
Cost	36	-	3,300	4,476	7,812
Accumulated amortisation	-	-	(3,300)	(1,430)	(4,730)
Closing balance	**36**	**-**	**-**	**3,046**	**3,082**
2018					
Opening net book amount	448	4,207	-	3,932	8,587
Additions	-	-	-	100	100
Wellao acquisition	-	-	-	(12)	(12)
Foreign exchange revaluation	13	275	-	(2)	286
Amortisation expense	-	(64)	-	(513)	(577)
Closing balance	**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)
Closing balance	**461**	**4,418**	**-**	**3,505**	**8,384**

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.

26. PROVISIONS

AS AT 30 JUNE	2019 $'000	2018 $'000
CURRENT		
Employee entitlements	439	1,100
	439	**1,100**
NON-CURRENT		
Employee entitlements	21	150
	21	**150**

A provision has been recognised for employee entitlements related to annual and long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. This is discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances.

A provision of $439,037 (2018: $1,086,941) 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 dates:

AS AT 30 JUNE	2019 $'000	2018 $'000
CURRENT		
Expected to be settled within 12 months	298	528
Expected to be settled after 12 months	141	572
	439	**1,100**

27. 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	2019 $'000	2018 $'000
Property, plant and equipment – vessel under construction	-	76,860
Property, plant and equipment – feedlot and PEQ facilities	-	2,334
	-	**79,194**

Vessel under construction

On 15 October 2018, Wellard announced that it has received notification of the termination of the build contract for the MV Ocean Kelpie. The costs incurred for the MV Ocean Kelpie have been fully impaired.

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	2019 $'000	2018 $'000
Within 1 year	917	2,571
1 to 5 years	517	2,722
Greater than 5 years	-	3,662
	1,434	**8,955**

FOR THE YEARS ENDED 30 JUNE	2019 $'000	2018 $'000
Operating lease expenses recorded in the consolidated income statement	2,071	2,245
	2,071	**2,245**

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

28. SUBSEQUENT EVENTS

On 4 July 2019, Wellard announced that as part of its plan to recapitalise and restructure the operations of the Group it had entered into an agreement to sell one vessel of its fleet. A term sheet was signed between Wellard and Heytesbury Holding Company Pty Ltd, setting out the key terms and conditions for a sale of the MV Ocean Swagman for US$22.0 million, and a lease back of the vessel for an initial period to 31 March 2021, with options to extend for up to four years. That sale is subject to fulfilment of various conditions precedent, including Wellard shareholder approval, which will be sought at a meeting of the Company's shareholders to be held on 25 October 2019.

Subsequently on 6 August 2019, Wellard announced that it had received and accepted a superior offer to sell the MV Ocean Swagman to Nova Marine Holdings (SA) for US$25.2 million. However, on 20 August 2019, Wellard announced that the condition precedent to that superior offer (being Nova board approval) was not fulfilled by the Nova, and therefore Wellard would proceed with the US$22.0 million sale to Heytesbury. Wellard is expected to complete the sale of the MV Ocean Swagman before 30 November 2019.

On 19 August 2019, Wellard announced that it has reached a conditional agreement with Ruchira Ships Limited to extend by 24-28 months the repayment schedules for the MV Ocean Ute and MV Ocean Drover. If the agreement becomes unconditional (on Ruchira obtaining Board approval before 30 September 2019), there will no longer be near-term balloon repayments due in the first half of FY2020, on the bareboat charter arrangements for these vessels.

A third Standstill agreement was reached with the noteholders on 22 August 2019, which *inter alia* accommodated the Company in finalising the sale of the MV Ocean Swagman to Heytesbury, in return for the early redemption of a further US$10.0 million of notes.

29. SIGNIFICANT ITEMS

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

- The Company generated $17.9 million in free cashflow directly from the sale of non-core assets, including the Beaufort River Meats processing plant (WA); Baldivis (WA) and Condah (Victoria) pre-export quarantine facilities; and Wongan Hills (WA) feed mill in Australia, and the rights to develop a livestock feedlot and processing facility in China.
- Wellard entered into a standstill agreement with the Convertible Note holders on 18 December 2018 and extension of the standstill period on 1 April 2019. The standstill agreements called for an early redemption of 4.5 million convertible notes, worth US$4.5 million. The Second Standstill Period ended on 7 June 2019, as Wellard were not able to grant certain security to the noteholder, as required under the terms of the standstill agreement.

30. CONTROLLED ENTITIES

Interests held in controlled entities is set out below:

	COUNTRY OF INCORPORATION	2019 %	2018 %
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 Swagman Pte Ltd[1]	Singapore	100	100
Wellard do Brasil Agronegocios Ltda	Brazil	100	100
Portimor SA	Uruguay	100	100
Best Hayvancilik Sanayi Ticaret AŞ	Turkey	100	100
Wellao Agri (Cangzhou) Co., Ltd[2]	China	-	100

Notes:

1. *Company name of Ocean Kelpie Pte Ltd was changed effective 30 November 2018 to Ocean Swagman Pte Ltd.*
2. *Wellao Agri (Cangzhou) Co., Ltd was disposed on 26 June 2019.*

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.

31. 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 30.

B. Key management personnel compensation

FOR THE YEARS ENDED 30 JUNE	2019 $'000	2018 $'000
Short-term benefits	3,718,254	3,415,668
Long-term benefits	93,631	128,423
Post-employment benefits	111,382	108,643
Share based payments	3,942	89,879
	3,927,209	**3,742,613**

Detailed remuneration disclosures are available in the Remuneration Report on page 36.

C. Transactions with other related parties

FOR THE YEARS ENDED 30 JUNE	2019 $'000	2018 $'000
ENTITIES CONTROLLED BY KEY MANAGEMENT PERSONNEL		
Sales to	7,089	-
Purchases from	(83,740)	(1,387,480)
Lease payments made to	(314,420)	(450,881)

D. Purchases from entities controlled by key management personnel

In the current and prior financial years, the Group acquired the following goods and services from entities that are controlled by members of the Group's KMPI:

- 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	2019 $'000	2018 $'000
CURRENT PAYABLES (PURCHASES OF GOODS AND SERVICES)		
Entities controlled by key management personnel	-	-
	-	**-**
CURRENT RECEIVABLE (SALES OF GOODS AND SERVICES)		
Entities controlled by key management personnel	4,799	132,819
Provision for doubtful debt	-	(132,555)
	4,799	**264**

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	2019 $'000	2018 $'000
Opening balance	-	-
Loan repayments received	-	-
Wellao acquisition	-	-
Foreign exchange	-	-
Closing balance	**-**	**-**

G. Terms and conditions

In December 2015, Wellard entered into a sublease with WGH in relation to the Wellard headquarters in Fremantle, Western Australia. On 31 July 2019, the sublease was assigned from WGH to a third party, who is not a related party. Monthly rent payable to WGH were $17,471 (excluding GST).

An entity controlled by Mauro Balzarini also leased an office in Italy to Wellard Rural Exports at an annual rent of €114,192 (A$185,049). The lease was due to expire in 2020, however Wellard negotiated early cancellation of the lease, effective 5 December 2018. The terms of the lease were otherwise generally market standard at the time of execution.

For the year ended 30 June 2019, an entity controlled by Mauro Balzarini provided no livestock (2018: $644,199) and no raw materials (2018: Nil) 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.

32. 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.

The Deed of Cross Guarantee was revoked by the Company and its Australian subsidiaries, effective 15 June 2019.

33. 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	2019 $'000	2018 $'000
NET ASSETS		
Current assets	3,083	49,163
Total assets	88,952	128,637
Current liabilities	(1)	(27,136)
Total liabilities	(31,158)	(27,148)
Net assets	**57,794**	**101,489**

FOR THE YEARS ENDED 30 JUNE	2019 $'000	2018 $'000
EQUITY		
Issued capital	581,656	581,656
Share issue costs capitalised	(9,525)	(9,525)
Share based payment reserve	18,021	18,104
Accumulated losses	(532,358)	(488,746)
Total equity	**57,794**	**101,489**
Loss for the period	43,612	31,108
Total comprehensive loss	43,612	31,108

B. Guarantees entered into by the parent entity

At 30 June 2019, 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 12.

C. Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2019 (2018: 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 30.

34. 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 YEARS ENDED 30 JUNE	2019 $'000	2018 $'000
AUDIT AND OTHER ASSURANCE SERVICES		
Audit and review of financial statements	567,696	590,216
Other assurance services	23,336	22,728
	591,032	**612,944**
TAXATION SERVICES		
Tax compliance services	-	11,550
	-	**11,550**
Total remuneration of PricewaterhouseCoopers Australia and Singapore	**591,032**	**624,494**

35. 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 / CANCELLED DURING PERIOD	VESTED / EXERCISED DURING PERIOD	OPTIONS AT END OF PERIOD
2019					
ESOP - 2018	5,600,000	-	(5,600,000)	-	-
LTIP - 2019	-	4,000,000	(750,000)	-	3,250,000
	5,600,000	**4,000,000**	**(6,350,000)**	**-**	**3,250,000**

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

Performance condition	Tranche 1	Tranche 2	Tranche 3
Grant date	1 Nov 2018	1 Nov 2018	1 Nov 2018
Maturity date	1 Nov 2022	1 Nov 2022	1 Nov 2022
Vesting period from grant date	3 years	3 years	3 years
Knock in price (A$/share) (30-day VWAP)	0.25	0.40	0.60
Exercise price	0.00	0.00	0.00
Share price	0.045	0.045	0.045
Risk free rate	2.14%	2.14%	2.14%
Volatility	71.53%	71.53%	71.53%
Fair value at grant date	**4,734**	**3,965**	**1,814**
Entitled no of employees[1]	7	7	7

Notes:

1. *Three entitled employees declined the invitation to participate in the Executive Share Option Plan.*

Subject to "Good Leaver" provisions, a participant's options lapse on termination of employment.

Vested Options may be exercised from the time of Vesting (three years from issue) until the Last Exercise Date. The Board has exercised its discretion under the Plan and determined that the Last Exercise Date for Vested Options is four years after issue.

36. RESERVES

AS AT 30 JUNE	COMMON CONTROL $'000	SHARE BASED PAYMENTS $'000	FOREIGN CURRENCY TRANSLATION $'000	TOTAL $'000
2019				
Opening balance	(411,017)	18,104	3,686	(389,227)
Current year movements	-	(84)	4,827	4,743
Closing balance	**(411,017)**	**18,020**	**8,513**	**(384,484)**
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)**

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.

37. ACCUMULATED LOSSES

FOR THE YEARS ENDED 30 JUNE	2019 $'000	2018 $'000
Opening balance	(81,410)	(44,846)
Prior period adjustment on adoption of revenue standard AASB 15	-	(127)
Net loss	(48,443)	(36,437)
Closing balance	**(129,853)**	**(81,410)**

38. CONTINGENT ASSETS/LIABILITIES

In October 2017, the Company's Singaporean subsidiary, Wellard Ships Pte Ltd entered into a charter agreement with Alpha Commodities S.A ("Alpha") for the vessel MV Ocean Shearer, and non-refundable deposits of US$2.0 million were received. Alpha subsequently defaulted on the remainder of its charter obligations, and the voyages the subject of the charter did not proceed. The Company has taken legal action in the UK High Court to pursue Alpha (domiciled in Brazil) with a claim of US$10.4 million, being the total mitigated losses.

The Company's Singaporean subsidiary, Wellard Ships Pte Ltd, has commenced arbitration proceedings in the UK in respect of the now terminated contract for the building of the planned livestock vessel to have been known as the MV Ocean Kelpie. The arbitration proceedings are against the contracted builder of the vessel, a Croatian shipyard named Uljanik d.d. ("Uljanik"), which is now the subject of bankruptcy proceedings in Croatia. Wellard's position is that Uljanik has breached its building contract obligations. Uljanik's performance is secured by two Bank Refund Guarantees issued by its bank, Hrvatska banka za obnovu i razvitak (HBOR). Wellard is seeking a refund of all advance payments made under the relevant contract.

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 2019 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 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

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

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Material uncertainty related to going concern

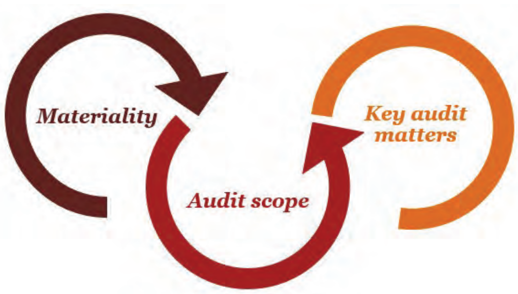
We draw attention to Note 1C in the financial report, which indicates that the Group has a negative working capital position of $84.6 million at 30 June 2019. The note comments on the ability of the Group to continue as a going concern being dependent on the Group's sale and leaseback of the MV Ocean Swagman, subject to shareholder approval, and extending or establishing finance facilities. These conditions, along with other matters set forth in Note 1C, 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 an agribusiness that connects primary producers of cattle, sheep and other livestock to customers through a global and vertically integrated supply chain. The Group trades and exports live cattle predominantly from Australia and is a supplier of seaborne transportation for livestock globally.



Materiality	Audit scope	Key audit matters
• For the purpose of our audit we used overall Group materiality of $1.8 million, which represents approximately 0.75% of the Group's total revenue. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of	• 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 continuing operations in Australia, Singapore and South America.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Loans and Borrowings – Impairment of non-current assets – Material uncertainty related to going concern • These are further described in

our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.

- We chose revenue as the materiality benchmark since it is the metric against which the performance of the Group is most commonly measured as revenues are reflective of the Group's operating activities in continued challenging market conditions.
- We utilised a 0.75% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.
- Component auditors, operating under our instructions, performed specified procedures over the Group's Singapore operations financial information. These procedures, combined with the work performed by us, as the Group engagement team, provide sufficient and appropriate audit evidence as a basis for our opinion on the Group financial report as a whole.

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
Loans and Borrowings *(Refer to note 12) $110.1 million* At 30 June 2019, 77% of the Group's total liabilities consisted of loans and borrowings. As described in note 12, the loans and borrowings balance is classified as a current liability as at 30 June 2019 due to breaches of covenants and/or undertakings associated with the vessel financing facilities and convertible notes. Given the magnitude of the borrowings, the amendments to agreements with convertible noteholders during the period as ***described*** in note **1**2 and the importance of the capital structure for continued growth, the accounting for the Group's borrowings was considered a key audit matter.	We performed the following audit procedures, amongst others: • We obtained confirmations directly from the Group's financiers to confirm the borrowings' balance, tenure and conditions. • We read the most up-to-date borrowing agreements between the Group and its financiers to obtain an understanding of the terms associated with the facilities, and to assess the classification of the borrowings as current or non-current liabilities. • We evaluated whether the disclosures were consistent with the requirements of Australian Accounting Standards.

Key audit matter	How our audit addressed the key audit matter

Impairment of non-current assets
 	
(Refer to note 7 and 24) $22.4 million (expense)
 	
At 30 June 2019 the Group had $142.4 million of non-current assets and $31.3 million of property, plant and equipment classified as held for sale. The Group considered whether there were any indicators of impairment for any individual assets or cash generating units (CGU's).
 	
Indicators of possible impairment were identified due to the Group's market capitalisation being lower than net assets as at 30 June 2o19 as well as the agreed sale price for assets held for sale being lower than their carrying value.
 	
Accounting standards require the carrying value of assets tested for impairment to be compared to their recoverable amount. The Group estimated recoverable amounts for the Group's vessel fleet through an independent valuation performed by external parties as well as with reference to recent sale transactions agreed with third parties for similar assets.
 	
As described in note 7, the Group has recognised impairment charges in relation to vessels of $20.4 million, vessel spare parts of $0.3 million and goodwill of $1.8 million during the year ended 30 June 2019.
 	
This was a key audit matter because of the significant judgement involved in considering impairment indicators, estimating the recoverable amounts of the vessels, and the impact of impairment on the financial report.
	We performed the following audit procedures, amongst others:
	
	• Evaluated the Group's assessment of whether there were any indicators of asset impairment, by comparing market capitalisation to net asset values.
	
	• Obtained and evaluated term sheets relating to the sale of vessels agreed with third parties used to determine the associated assets recoverable value.
	
	• Evaluated whether the disclosures were consistent with the requirements of Australian Accounting Standards.
	
	• In relation to the fair value less cost of disposal valuations for the vessel fleet, 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
	
	    • agreed the listings of assets included in the valuations to the underlying assets included in CGUs to test completeness of the valuations.

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 2019, 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 and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 31 to 42 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Wellard Limited for the year ended 30 June 2019 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
27 September 2019

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is accurate as at 27 September 2019.

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 & Transport Pty Ltd	80,000,000	15.06
3.	Heytesbury Pty Ltd	60,692,562	11.42
4.	Innovation Bloom Limited	36,881,588	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 1,826 registered shareholders.

DISTRIBUTION OF SHAREHOLDING

The distribution of all shareholders is set out below.

Range	Total holders	Shares	% of all shares
1 - 1000	107	34,160	5.80
1001 - 5000	349	1,109,194	19.11
5001 – 10,000	309	2,479,131	16.92
10,001 – 100,000	787	28,176,752	43.10
101,000 and over	274	499,451,075	15.01
Total	**1,832,100**	**531,250,312**	**100.00**

UNMARKETABLE PARCEL

The minimum parcel size at 27 September 2019 is per unit is 10,416 shares.

There are 778 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 & Transport Pty Ltd	80,000,000	15.06
3.	Heytesbury Pty Ltd	60,692,562	11,42
4.	Innovation Bloom Limited	36,881,588	6.94
5.	Citicorp Nominees Pty Limited	25,479,983	4.80
6.	J P Morgan Nominees Australia Pty Limited	22,645,675	4.26
7.	Vine Street Investments Pty Ltd	10,380,237	1.95
8.	Mr Zixiao Zhao	4,500,000	0.85
9.	Morizon Investments Pty Ltd	4,442,045	0.84
10.	Mr Orlando Berardino Di Iulio & Ms Catharina Maria Koopman	3,837,676	0.72
11.	Brazil Farming Pty Ltd	3,500,000	0.66
12.	Ms Xia Zhao	3,000,000	0.56
12.	Dynamic Supplies Investments Pty Ltd	3,000,000	0.56
13.	HSBC Custody Nominees (Australia) Limited - A/C 2	2,750,154	0.52
14.	National Nominees Limited	2,550,589	0.48
15.	One Managed Invt Funds Ltd	2,530,460	0.48
16.	Mr Steven Boyd Taylor	2,255,000	0.42
17.	Mr David Allan Dixon & Ms Catherine Louise Ramm	2,192,341	0.41
18.	Mr Feng Shi	2,054,099	0.39
19.	HSBC Custody Nominees (Australia) Limited	1,806,881	0.34
20.	BNP Paribas Noms Pty Ltd	1,727,000	0.33
	Total	**406,321,184**	**76.48**
	Balance of Register	**124,929,128**	**23.52**
	Grand Total	**531,250,312**	**100**

THE NUMBER OF CONVERTIBLE NOTES ON ISSUE

The total number of convertible notes on issue is 15,500,000 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.

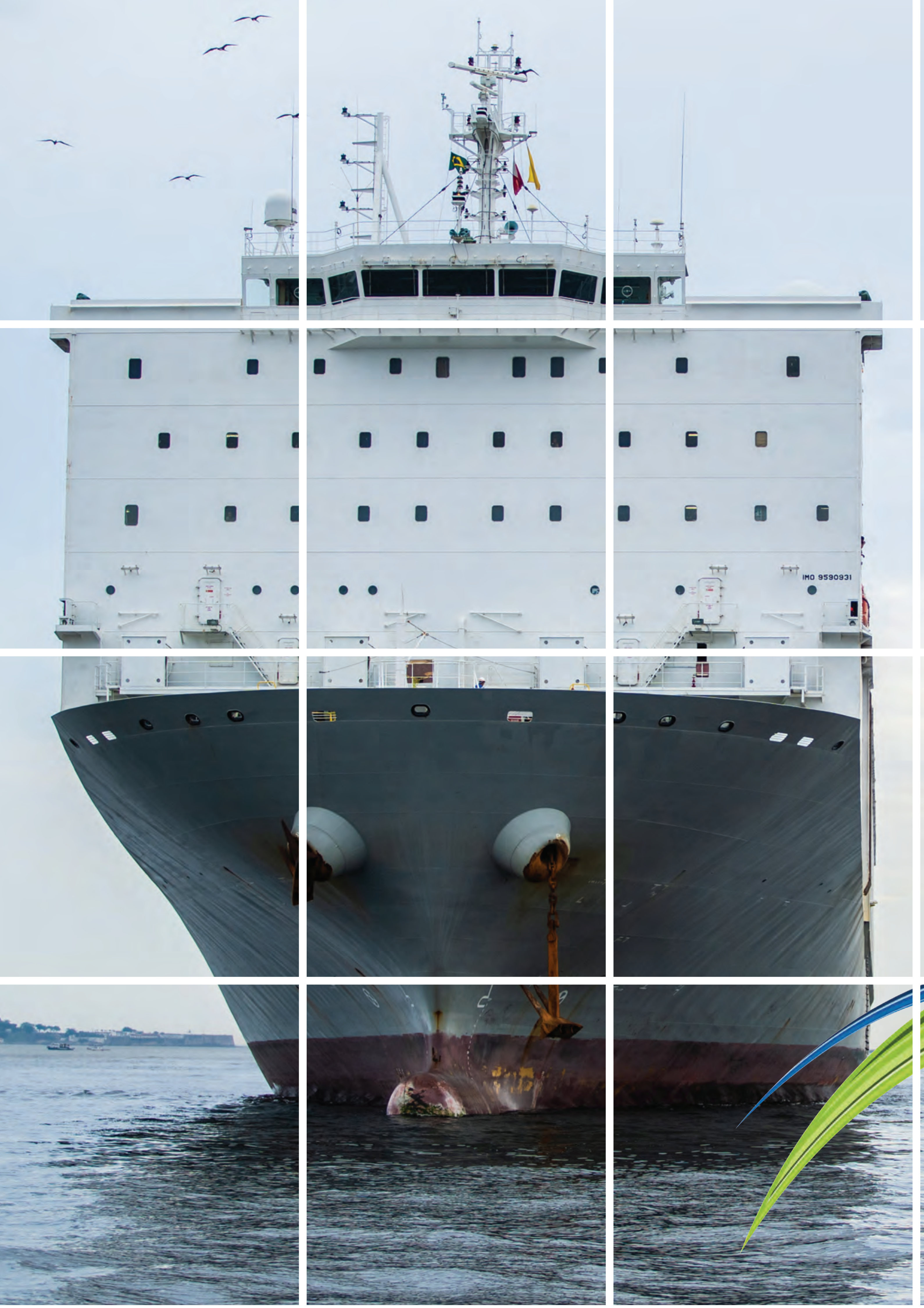
Range	Total holders	Convertible notes	% of all convertible notes
1 – 1000	-	-	-
1001 – 5000	-	-	-
5001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
101,000 and over	3	15,500,000	100%
Total	**3**	**15,500,000**	**100%**

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.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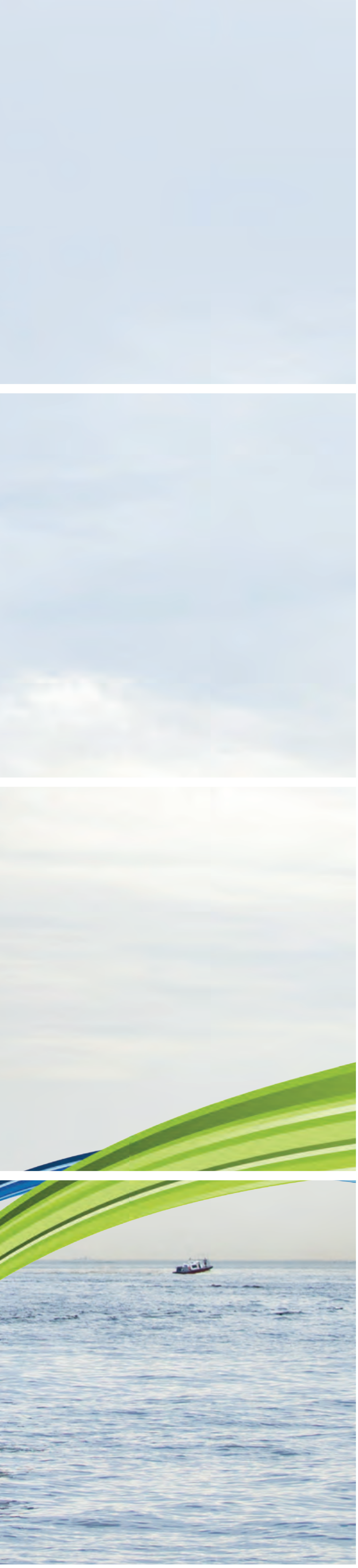

CORPORATE DIRECTORY

DIRECTORS

John Klepec
Executive Chairman

John Stevenson
Executive Director - Chief Financial Officer

Kanda Lu
Executive Director

Philip Clausius
Non-Executive Director

COMPANY SECRETARY

Michael Silbert

AUDITORS

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REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRY

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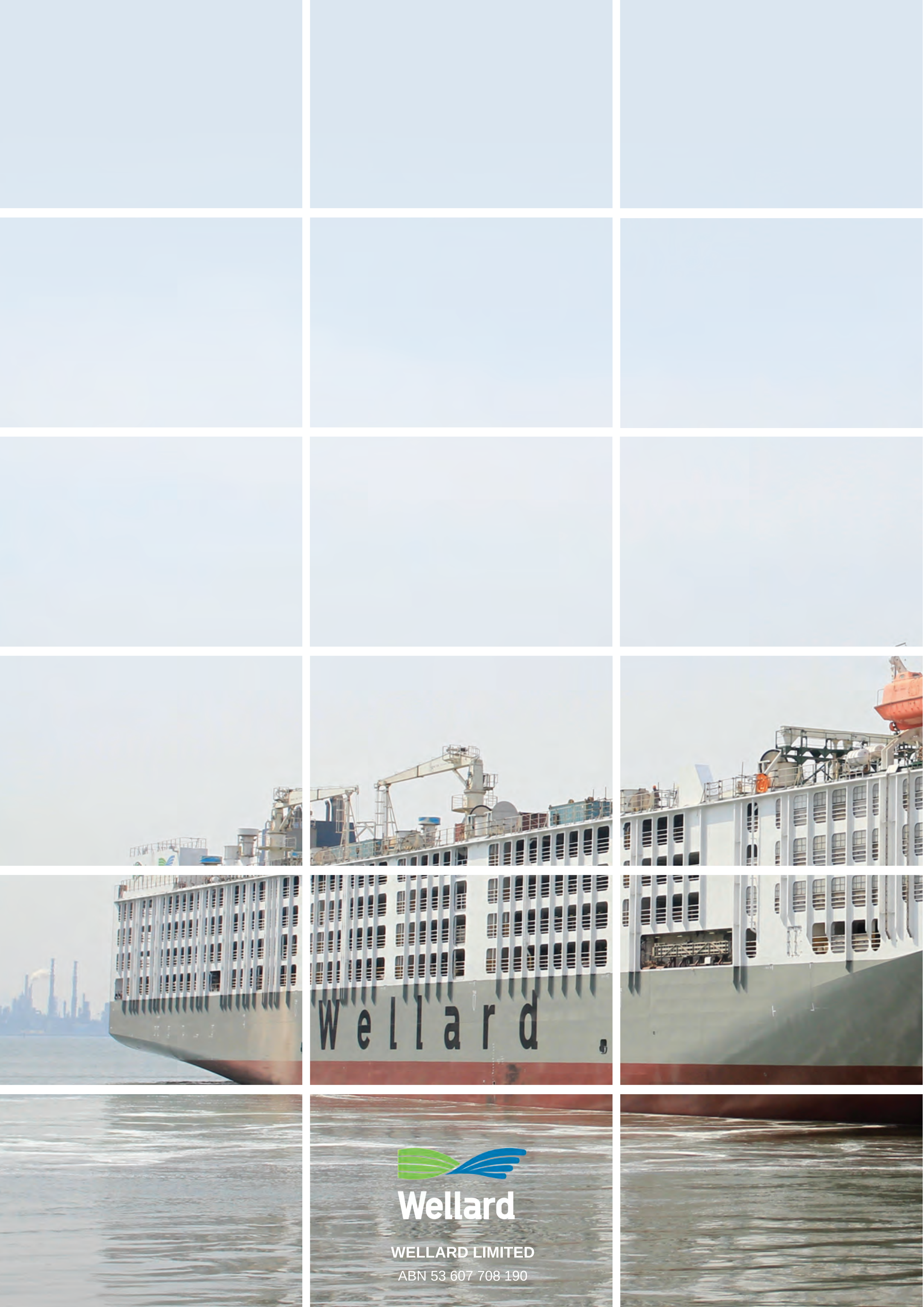
Perth WA 6000
Phone: +61 1300 554 474 *(toll free within Australia)*
General Shareholder Enquiries: +61 1300 554 474
Website: www.linkmarketservices.com.au

SECURITIES EXCHANGE LISTING

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

Wellard



WELLARD LIMITED

ABN 53 607 708 190