Wellard

FY2020

ANNUAL REPORT

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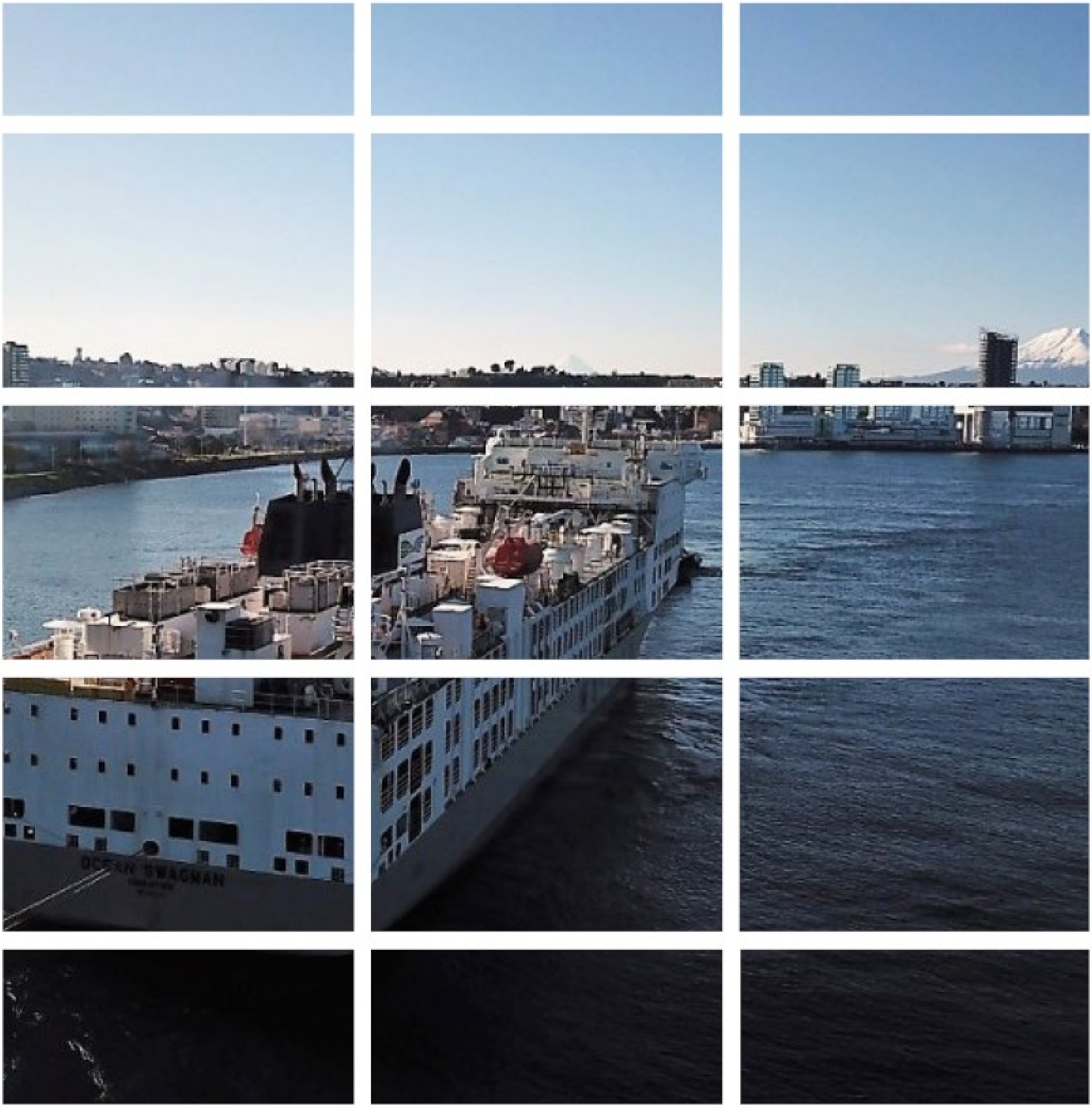


EXECUTIVE CHAIRMAN'S REPORT

MESSAGE FROM THE EXECUTIVE CHAIRMAN

Wellard is heading in the right direction, but there is still more work to do.

John Klepec
Executive Chairman

B.Comm, MAICD

Four things were particularly pleasing in FY2020.

1. We were able to record the first full year profit since the Company listed on the ASX. At $0.2 million it was admittedly a small profit, but it was profit nonetheless and a vastly superior result than the $48.4 million loss in the prior financial year.

2. Continued earnings growth. Our EBITDA of $23.3 million was almost double the $12.0 million achieved in FY2019 which in turn was higher than the $9.9 million posted in FY2018.

3. The completion of our balance sheet repair task. We entered FY2020 with net debt of $111.8 million; breaches of our financial covenants which in turn continued to create going concern issues; $33.8 million of shipping debt due and payable in the upcoming six months; and noteholders whose interests were not aligned with our business. We finished FY2020 with $8.9 million of net debt; no covenant breaches; a repayment profile on the remaining debt that better reflects our earnings; and the noteholders are gone.

   Also, total ship debt now represents 37.6% of the book value of the Group's shipping assets compared to 57.4% in the year prior.

4. One of the highest success delivery rates in our history:

   - Of the 335,250 head of cattle loaded during the period, our vessels delivered 334,882 cattle, recording a success rate of 99.9%; and

   - Of the 95,360 sheep loaded during the period, our vessels delivered 95,164 sheep, recording a success rate of 99.8%.

These achievements have placed Wellard in a far more resilient position, to both weather any issues that may arise and to assess and capitalise on opportunities.

We are however far from 'mission accomplished'. The board, management and staff are absolutely focussed on the need to increase our earnings and generate an acceptable return on assets for our shareholders, with our ability to achieve this objective enhanced by the completion of the balance sheet restructure that materially reduces the net finance cost.

They are also enhanced by the cost savings that we continue to identify and implement. General and administrative expenses reduced to $11.0 million in FY2020, down from $22.8m in FY2019, $32.7m in FY2018 and $50.8m in FY2017. In FY2020 we completed the relocation of the finance function to our Singapore office and the outsourcing of the technical management of our ships, which will further reduce our cost base in FY2021.

Those cost savings also reflect the change in focus from trading to chartering and a reduction in fleet size. For the moment, the fleet is right-sized. The US$53.0 million sale of the M/V Ocean Shearer was a win for both seller and buyer, Livestock Transport & Trading Co KSC, Kuwait, a company controlled by Al Mawashi Limited.

In June 2020, shortly after the purchase, Al Mawashi was able to use the vessel's outstanding ventilation, speed and history of excellent performance in animal welfare outcomes to secure the departure of a delayed voyage during the new Northern Hemisphere summer suspension, which returned them exceptional results.

With the continued limited live cattle trade occurring between South America and Turkey, Wellard struggled to find work for the M/V Ocean Shearer prior to its sale, leading to a costly relocation to Australia where the vessel completed only six FY2020 voyages before it was sold in March 2020 – its last voyage to the Middle East being a relocation voyage at an approximately A$0.9 million operating loss which was part of the sale terms.

There is nothing to indicate that the vessel would have been chartered for the remainder of FY2020 or into FY2021.

Wellard's remaining fleet comprising the M/V Ocean Swagman, M/V Ocean Drover and M/V Ocean Ute, however, have all had high rates of utilisation for FY2020. The M/V Ocean Swagman completed its planned Dry Dock in February before any Covid-19 related issues impacted the Singapore shipyards and it is chartered out through to December 2020. This is both vindication of Wellard's decision to enter into a sale and leaseback agreement with the vessel's acquirer when it sold the ship for US$22 million to the Heytesbury Group in November 2019 and testament to the quality of the vessel and operational and animal welfare results that it provides to those who charter her.

Wellard predominantly transacts in US Dollars ("US$"). Charter contracts, fuel purchases, the majority of crew wages, insurance and finance are all transacted in US Dollars, which is then converted to Australian Dollars ("AUD") at the prevailing exchange rate to enable financial reports to be released in AUD. So that investors can make a better evaluation of the underlying business and financial results without the noise created by fluctuating exchange rates, the Board has determined to change the Group's presentation currency of its financial information from the Australian Dollar to the United States Dollar with effect from 1 July 2020. As a result, this annual report for the year ended 30 June 2020 will be the last report presented in Australian Dollars.

Covid-19 impacts

Covid-19 has had sporadic but limited impact on Wellard as demand for imported livestock, and therefore the Company's vessels, has remained largely unaffected. Food security is the core driver of our industry and Covid-19 has only highlighted how vital live export is to many countries.

Despite the demand fundamentals remaining the same, the Covid-19 pandemic has seen unprecedented levels of economic and logistical uncertainty resulting in heavily fluctuating exchange rates and oil prices, and the Company's operations being restricted in its ability to undertake crew changes and longer berthing times at each port of call as countries adopted new procedures.

We are very grateful to all our crews who have remained on board for extended periods, some for beyond twice the usual rotation periods. We have only recently been able to divert our vessels to ports where crew changes could be achieved. This has increased ballast voyage sailing times which has both a direct and opportunity cost.

Only one voyage experienced a direct demand-related Covid-19 impact, when two charterers on a multi-charter voyage to Indonesia materially reduced the area chartered at late notice due to an importing customer issue with Covid-19. No other charters have been directly impacted in this manner. Management of all regulatory changes and logistical demands resulting from the Covid-19 pandemic certainly add to the difficulty of negotiating, securing and delivering the ongoing chartering of our fleet.

Outlook

The outlook for ship utilisation for FY2021 is good for Q1 and promising for Q2, but then becomes less certain as contract horizons extend. We expect international trade and markets to continue to be impacted by Covid-19. However, at this stage all vessels are fully chartered in Q1 (noting the M/V Ocean Ute will spend six weeks in scheduled dry dock beginning this month), with the M/V Ocean Swagman chartered through to December and the M/V Ocean Drover chartered through to the end of October.

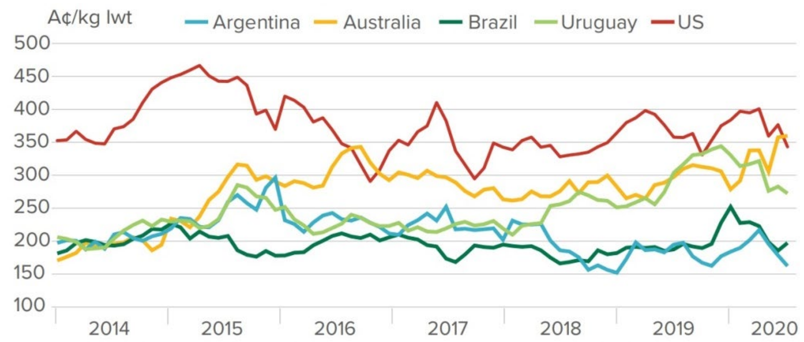
Exports of live beef and dairy breeder cattle from Australia and New Zealand to China were particularly strong in FY2020 (Australian exports were up 50% on year ago levels). Wellard was active in this market in FY2020 and forward indications are that this market will remain strong throughout FY2021.

In addition, the M/V Ocean Swagman is close to completing a very successful charter from Chile to China with beef and dairy breeding cattle. This will be the second such voyage undertaken by a Wellard vessel from South America to China and is a potential expanding market opportunity.

There is less certainty in FY2021 about Wellard's two other core markets – Australian feeder cattle to Indonesia and Australian slaughter cattle to Vietnam. Throughout 2019 the prolonged drought in Australia kept supply high and cattle prices competitive with alternatives. The underlying demand for beef protein in these destination markets and others in the region remains high, including because African Swine Fever continues to negatively impact pork supply.

In 2020 Australian cattle prices started to rise and at present are the highest in the world, presenting challenges for exporters servicing the Indonesia and Vietnam markets as they seek to compete with alternative proteins.

Figure 1: Global cattle prices



Source: IPCVA (Argentina); MLA's NLRS (Australia); Esalq/Cepea (Brazil); INAC (Uruguay); USDA/Steiner Consulting Group (US). Finished cattle (steer) specifications vary between indicators.

Exacerbating this issue, the supply of Australian saleable cattle is expected to contract over the next 12-24 months as producers who have been in drought enter a herd rebuilding phase. This will put pressure on both livestock numbers and prices in markets where alternative protein options are available to end consumers.

The key South America to Turkey trade continues to remain uncertain. Turkey, which was importing more than a million cattle a year in 2018, has not reopened anywhere near that level since its temporary closure in December 2018. Indications are that permits for larger shipments will be issued in Q2 however currently there is only intermittent releasing of permits for 2000-3000 cattle a time, which are only small suitable for small vessels that lack the economies of scale of the larger vessels such as Wellard's, that traditionally have been employed on this route.

If Turkey starts to release more import permits, the M/V Ocean Drover could be deployed from its Australian base to that trade if it is commercially preferential to its planned Australian-based chartering. At present though, most large livestock vessels are at anchor awaiting Turkey import permits to be issued. The restriction on exports of sheep from Australia to the Middle East during June to September adds to the excess capacity in the international livestock shipping fleet, and together, these factors will continue to keep global livestock ship charter rates subdued. Until the idle shipping capacity is utilised in the market there is no likelihood of any improvement on ship charter rates in FY2021.

Finally, we remain alert to the medium and long-term opportunities for the Company's involvement in the logistics of supplying sheep from Australia to the Middle East. Whilst current supply constraints exist, requiring a major flock expansion over time, the demand has never been greater and we note the Australian Governments shared concerns about the value of international trade between Australia and the Middle East, food security for the region, and the important role Australia can play in the future, as evidenced by the recent M/V Al Kuwait exemption granted to load in June.

Conclusion

There are both opportunities and challenges ahead for Wellard. We are however in the fortunate position that Wellard's vessels are the ships of choice when exporters and importers need medium or large livestock carriers, our balance sheet is robust, and our cash position is strong.

I would like to extend my thanks to Wellard's hard-working team for their dedication and resilience over the past 12 months to get the Company to its present position. Their support for the strategy has been unwavering and no task has been too big or small in their efforts to keep the fleet moving and return the Company to profitability.

Our customers have also played an important part in the Wellard turnaround and I thank them for their continued loyalty as we look forward to FY2021.

John Klepec
Executive Chairman

27 August 2020

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Provided below are the results for announcement to the market in accordance with Australian Securities Exchange (ASX) Listing Rule 4.2A and Appendix 4E for the consolidated entity Wellard Limited ABN 53 607 708 190 (**Wellard** or **Company**) and its controlled entities (**Wellard Group** or **Group** or **Consolidated Group**), for the year ended 30 June 2020 (**FY2020**) compared with the year ended 30 June 2019 (**FY2019**).

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

Financial results and key financial items from continuing operations:

FOR THE YEARS ENDED 30 JUNE	AUD	2020	2019	Movement
Revenue	$m	87.6	235.1	(62.7%) ⬇
Chartering[1]	$m	83.3	51.9	60.5% ⬆
Trading	$m	4.1	181.7	(97.7%) ⬇
Other revenue	$m	0.2	1.5	(86.7%) ⬇
Gross profit	**$m**	**27.9**	**38.8**	**(28.1%)** ⬇
General and Administrative expenses[2]	$m	(11.0)	(22.8)	(51.8%) ⬇
Restructuring costs[3]	$m	(1.0)	(1.9)	(47.4%) ⬇
Other gains/(losses) from trading and chartering activities	$m	7.4	(2.1)	(452.4%) ⬇
EBITDA[4]	**$m**	**23.3**	**12.0**	**94.2%** ⬆
Other gains/(losses) from other activities	$m	0.5	(26.1)	(101.9%) ⬇
Depreciation and amortisation expenses	$m	(13.1)	(16.2)	(19.1%) ⬇
EBIT	**$m**	**10.7**	**(30.3)**	**135.3%** ⬆
Net finance costs	$m	(10.4)	(11.3)	(8.0%) ⬇
Income tax expense	$m	-	(5.4)	(100.0%) ⬇
Profit/(Loss) from continuing operations after tax	**$m**	**0.3**	**(47.0)**	**(100.6%)** ⬇
Profitability analysis				
Gross Profit margin	%	31.8	16.5	92.7% ⬆
Operating Profit margin	%	26.6	5.1	421.6% ⬆
Net Profit margin	%	0.3	(20.0)	101.5% ⬆
Interest coverage[5]	Times	2.2	1.1	100.0% ⬆
Balance Sheet analysis				
Working capital	$m	3.0	(84.6)	103.5% ⬆
Current ratio	Times	1.2	0.4	200.0% ⬆
Net tangible assets	$m	57.7	54.7	5.5% ⬆
Net tangible assets per security	Cps	10.9	10.3	5.8% ⬆
Net Debt[6]	$m	8.9	111.8	(92.0%) ⬇
Debt to capital ratio[7]	%	29.9%	67.4%	(55.6%) ⬇
Ship loan to asset book value ratio[8]	%	37.6%	57.4%	(34.5%) ⬇

1 Chartering revenue refers to external chartering activity and excludes revenue arising from intercompany transactions.
2 Separated into Operational expenses and Administration expenses in prior years.
3 Included in Operational expenses in prior years.
4 EBITDA equals profit/(loss) from continuing operations before income tax, less depreciation and amortisation expenses, less net finance costs, less other gains/(losses) arising from other activities and less impairment expenses.
5 Interest coverage equals EBITDA divided by net finance costs.
6 Net debt equals loans and borrowings less cash and cash equivalents. Loans and borrowings include liabilities directly associated with assets held for sale.
7 Debt to capital ratio equals loans and borrowings divided by total equity plus loans and borrowings. Loans and borrowings include liabilities directly associated with assets held for sale
8 Includes asset held for sale and associated liabilities. (The ratio reported in the FY19 Annual report was net of asset held for sale and associated liabilities).

Commentary on the consolidated results and outlook are set out in the Operating and Financial Review section of the Directors' Report.

DIVIDENDS

The Company does not intend to pay any dividends in respect of the year ended 30 June 2020 (2019: Nil).

AUDIT STATUS

The Consolidated Financial Statements upon which this Appendix 4E is based have been audited.

WELLARD

The Group is an agribusiness that connects primary producers of cattle, sheep and other livestock to international customers through a global supply chain.

The Group is a supplier of seaborne transportation for livestock globally, predominantly from Australia, and holds export licences to trade and ship live cattle and sheep on its own account.

LIVESTOCK LOGISTICS SERVICES:

Wellard’s predominant activity in FY2020 was as a livestock logistics services business. When pursuing this business activity, 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 medium and large livestock transport vessels.

LIVESTOCK EXPORT:

Wellard retains its Australian livestock export licenses and capabilities but reduced this activity from July 2019. When pursuing this business activity, Wellard sources livestock in markets where production is surplus to domestic requirements (including Australia, Chile, 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.

OPERATIONS REPORT

OPERATIONS REPORT

The year in summary

Wellard achieved its third year in a row of positive EBITDA and its first statutory full year profit.

The Company's FY2020 EBITDA of $23.3 million was 94.2% higher than the $12.0 million EBITDA last year.

The improvement in Net Profit After Tax was even greater. The Company's FY2020 NPAT of $0.2 million was a considerable improvement on the $48.4 million loss in FY2019, though it is important to note the FY2019 result included $22.4 million of impairments.

Wellard has achieved its principal 2020 goal of restructuring the balance sheet (including remedying and resetting debt covenant breaches), reducing earnings volatility and reducing its cost base. It also concluded an important functional and operational restructure to align with the new streamlined business model.

The Wellard fleet reported one of the highest success delivery rates in its history:

- Of the 335,250 head of cattle loaded during the period, our vessels delivered 334,882 cattle, recording a success rate of 99.9%; and
- Of the 95,360 sheep loaded during the period, our vessels delivered 95,164 sheep, recording a success rate of 99.8%.

With a restructured balance sheet, a significantly stronger cash position and a leaner cost structure, the Board can now refocus on earnings growth. The primary areas of focus for the Board in FY2021 will be:

- Delivering higher earnings; and
- Achieving growth.

Goals achieved in FY2020

i. Balance sheet restructure

Wellard ended FY2020 with a simplified, more robust balance sheet and a strengthened working capital position – a core aim of its balance sheet restructure program.

During FY2020 Wellard repaid $111.9 million of borrowings to end the reporting period with net debt of $8.9 million. This was a 92% reduction in net debt from $111.8 million on 30 June 2019 and a 90% reduction on $84.5 million of net debt on 31 December 2019.

This completes the debt restructure program as the Board considers the Company's debt levels and repayment schedules are now both manageable and sustainable.

Whilst various non-core assets were disposed of in prior periods, the debt reduction was principally completed through the sale of two assets, the M/V Ocean Swagman and the M/V Ocean Shearer.

After receiving shareholder approval, the M/V Ocean Swagman settlement occurred in November 2019 to Wellard shareholder Heytesbury Group for US$22.0 million. The sale agreement was accompanied by a bareboat charter agreement which enables Wellard to lease the vessel back from Heytesbury until 31 March 2022, with a further 3-year option available by negotiation. The charter agreement with Heytesbury provides Wellard with the continued ability to derive earnings from the vessel as part of its charter fleet offer.

The US$53.0 million sale of the M/V Ocean Shearer to Livestock Transport & Trading Co KSC, Kuwait, a company controlled by Al Mawashi Limited, was completed in March 2020. Al Mawashi has since renamed the vessel to the M/V Al Kuwait.

The debt reduction these asset sales enabled was significant in their own right, however each provided additional benefits to Wellard's business as proceeds of the sales were in part used to pay out in full the debt owed both to noteholders and to Intesa Sanpaolo S.p.A. ("Intesa").

Noteholder payments

Management spent considerable time throughout CY2019 negotiating with noteholders whose financial objectives diverged considerably from Wellard's own strategic and financial objectives.

These negotiations resulted in several standstill agreements, forced note redemptions, the imposition of penalty interest rates, payment of their advisor fees and the risk of loan cross defaults.

The sale of the M/V Ocean Swagman and M/V Ocean Shearer enabled Wellard to repay all outstanding notes in March 2020 and dedicate its focus to managing the Company.

Intesa repayment

Wellard had been paying approximately US$8 million every year in principal and interest on the residual of its US$38.4 million M/V Ocean Shearer loan from Intesa.

The full repayment of the Intesa loan in March 2020 therefore reduces annual principal & interest (P&I) payments considerably, allowing better translation of operating earnings into profit.

In addition, at 31 December 2019 the financial covenants relating to the Intesa loan remained the only breached covenants that had not been remedied or waived. The full repayment of this loan enabled Wellard to achieve full compliance with the covenants of all remaining financing arrangements on 30 June 2020. This is the first time since IPO that Wellard has lodged accounts that were not in breach of debt covenants. We note that throughout this period, Wellard has made all its P&I payments on time and in full.

Finally, a subsequent impact of the full discharge of the Intesa loan was that the remaining “key-man” restrictions relating to Mr. Mauro Balzarini, and the Balzarini family shareholding ceased to exist. Under the “key man” restrictions, parties owned or controlled by former Wellard CEO Mr. Mauro Balzarini were required to hold a minimum 12.5% shareholding in Wellard Limited. With this restriction is lifted, disposal of those shares was enabled, and creditors associated with Mr. Balzarini’s private interests have taken possession of the majority of those previously restricted shares.

Remaining vessel finance - Ruchira

In August 2019 Wellard reached an agreement with Ruchira Ships Limited (Ruchira) to extend the repayment schedules for the M/V Ocean Ute and M/V Ocean Drover by 28 and 24 months respectively, until December 2021.

Ruchira effectively provides vessel finance through sale and leaseback contracts in relation to the two vessels. The agreement allowed Wellard to reschedule the balloon repayments of approximately US$17.5 million that was due to be paid by December 2019, over an additional 24-28 months.

The extension reduced amortisation payments and deferred the requirement to buy back the M/V Ocean Drover and M/V Ocean Ute until December 2021. As such, a total of $10.9 million debt attached to these vessels is now classified as non-current.

Impact on cash

The asset sales have enabled Wellard to significantly increase its year end cash position, even after the repayment of around $118.6 million in borrowings and interest. Cash at the end of the period increased by $9.4 million and resulted in a closing cash balance of $16.8 million.

EBITDA cash conversion remained strong with $20.6 million in net operating cashflow relative to EBITDA of $23.3 million for the period. This compares to last year’s EBITDA of $12.0 million relative to $30.4 million net operating cashflow which was largely due to the release of working capital associated with discontinued business activities.

ii. Reducing earnings volatility

Livestock prices are subject to global market forces and are inherently volatile. They are affected by a range of macro and micro factors which impact both supply and demand on a daily basis.

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. To manage downside risk, and as part of its balance sheet restructure, the Group has reduced its exposure to trading.

Wellard does however retain its licences, permits and competencies to trade and export livestock. While the Group’s focus will remain on working with other exporters as customers rather than as competitors, a return to livestock trading remains an option.

The Group mitigates its risk of exposure to single market disruptions by diversifying its livestock logistic operations across several supply and demand regions. While the Group continued to operate across the globe in FY2020, the prolonged interruption to the South America – Turkey live cattle trade has prompted Wellard to concentrate its activity in its home Australasian market.

In FY2020, Wellard loaded 38 external charter voyages (FY2019: 26 external charter voyages) to the following destinations:

- 14 voyages to Indonesia, delivering 176,258 head of cattle, including 9 multi-exporter voyages on the M/V Ocean Drover and M/V Ocean Shearer;
- 11 voyages to Vietnam, delivering 52,880 head of cattle;
- 9 voyages to China, delivering 58,968 head of cattle;
- 2 voyages to Turkey delivering 41,132 head of cattle; and
- 2 voyages to the Middle-East delivering 5,644 cattle and 95,164 sheep.

Pleasingly, charter revenue (as opposed to capacity) increased both in comparison to last year (by 60.5% compared to FY2019) as well as a proportion of total revenue, representing 95.1% of the current period's total revenue. This reflects Wellard's change in strategic direction as well as more efficient voyage operations.

Most of the external charter voyages originated from Australia, which accounted for 86.8% of voyage capacity, compared to 65.1% in the previous financial year, confirming this market as the most important for the Group and reasserting, once again, that customers in this region recognise the economic and welfare benefits that our ships can deliver.

Through this external chartering activity, Wellard supplied the following markets throughout FY2020: Asia 83.8%; Mediterranean Basin 9.9% and the Middle East 6.3%. This compares to the FY2019 destinations of 42.7% in Australia; 34.9% in the Mediterranean Basin; 13.2% in Russia and 9.2% in the Middle East.

Figure 2: Charter revenue by origins

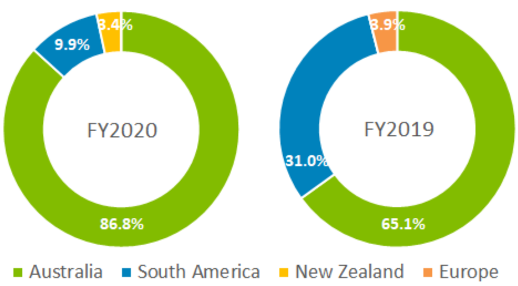
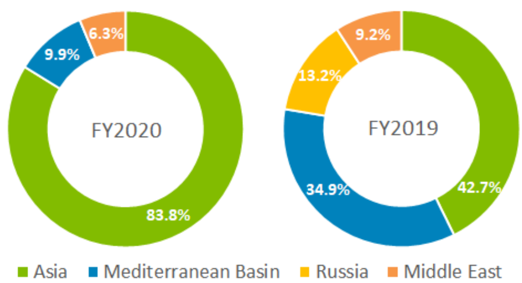


Figure 3: Charter revenue by destinations



Market diversification and a focus on chartering over trading smooths, but cannot eliminate, earnings volatility for Wellard.

Changes in livestock supply and pricing in both supply and customer markets, fluctuating foreign exchange rates, market interruption, consumption levels, and competing protein pricing and supply all impact on exporter/importer profitability, and therefore their demand for Wellard's vessels. Freight rates are influenced by both shortages and excess shipping capacity, and bunkers (fuel costs) also vary across ports and different times of the year, further impacting revenue and costs.

Example of pricing volatility in FY2020:

Category	Low	High	% change
Darwin feeder steers[1]	260c/Kg	385c/kg	48%
Indonesian slaughter steers[2]	Rp38,000/Kg	Rp40,500/Kg	7%
AUD vs US$[3]	0.58	0.71	22%
Very Low Sulphur Fuel Oil (ex Singapore)[4]	US$206/Mt	US$741/Mt	260%

Sources: 1) MLA/Landmark; 2) Beef Central; 3) https://openexchangerates.org – operated by Open Exchange Rates (UK) Limited; and 4) Wellard Ships internal record based on available fuel prices.

Wellard can smooth some of these costs, but most impact Wellard either directly or indirectly through the Company's customers.

iii. Reducing cost base

Reducing the Company's cost base has been an area of focus for the Board and management over the past three years.

The FY2020 result was aided by a halving in general and administrative expenses as part of the Company's 'Cost Out' program which delivered A$11.8 million or 51.8% in savings, predominately labour reductions.

Wellard expects this will reduce further in FY2021 through the outsourcing of the in-house technical management of the fleet which became inefficient and not financially viable following the sale of the M/V Ocean Shearer.

Outsourcing the service was implemented through the sale of the Wellard's wholly-owned subsidiary, Welltech Marine Pte. Ltd. ("Welltech") to Ishima Pte. Ltd. ("Ishima") and took effect from the mid of April 2020. Ishima, accredited with ISO 9001, ISO 14001 and BS OHSAS 18001 standards, is managing about 36 vessels, mostly oil tankers, chemical tankers and bulk carriers. The strict compliance – as a Tankers' operator - with the very strict vetting inspections required by the Oil Majors is an assurance of the highest-quality standard philosophy followed by Ishima and now transferred to the Wellard's fleet.

This outsourcing will allow Wellard to reduce its fixed cost for FY2021 with five specialist staff transferred from employment with Wellard to Ishima, to benefit from the economies of scale and technical expertise of a larger technical ship manager, and to focus solely on core revenue generating activities.

Work ongoing into FY2021

iv. Delivering higher earnings

High ship utilisation and charter rates are key to delivering on higher earnings for 2021.

These two metrics are achieved by solidifying the Company's position as the mid and large livestock charterer of choice. Over many years, Wellard has led the way globally in live export animal welfare, particularly for voyages ex-Australian ports commissioned by Australian-based exporters. Wellard was at the forefront of design and implementation of the ESCAS supply chain tracing and responsibility system, recognised as world's best practise for international livestock. Wellard has built strong customer relationships over multiple, successful voyages and the Group's continued high performance will be vital to keeping these relationships.

The Company's EBITDA is trending in the right direction, growing from $9.8m in FY2018 to $12m in FY2019 to $23.3m in FY2020. That trajectory needs to continue so the Company's earnings can generate a sufficient return on its assets for shareholders. The Board is confident that the Company is now well placed to deliver that outcome.

v. Achieving Growth

Wellard's strategy allows for the targeting of both organic and inorganic growth.

The Australian cattle trade to Indonesia and Vietnam is important to Wellard, and despite expected high cattle prices in FY2021 there will still be a volume of cattle shipped, albeit lower than previous years. Wellard has established a strong position in this market and is intent on defending and even growing that position.

Shipments of breeding cattle to China was a FY2020 success story for Wellard, which the Company believes is likely to continue in FY2021 with the potential to change sourcing from Australia to South America due to high pricing, which would be beneficial to Wellard due to longer journey times and larger shipments on our purpose-built vessels.

The supply of sheep from Australia to the Middle East remains an area of opportunity for Wellard, albeit with increased regulatory oversight. That region's concerns over food security grows by the year and has only increased given the current impact of Covid-19 on international supply chains. This major opportunity requires the development of a solution to the current sheep supply issue if Australia is to play a significant part, but the sheer size of this market makes it impossible to ignore. Wellard's potential involvement in meeting this need will be very different to the past.

Notably, no new large or mid-size purpose-built live export ships have been built since the M/V Ocean Shearer was launched by Wellard in 2017, and nor are any under construction. Given the minimum two-year lead time to design and construct a purpose-built vessel, this is a potential area of opportunity given the expected sustained level of underlying demand but can only be done on the right commercial terms.

Coronavirus impact on operations

Covid-19 has had a small impact on the costs side of Wellard's business, however demand for its vessels has remained largely, but not totally, unaffected.

The biggest impact on the Company's operations has been the restricted ability to conduct crew changes as some port authorities are preventing personnel from leaving vessels and the logistics for repatriation flights are almost impossible to achieve. As a result all our crews who have remained on board for extended periods, some for beyond twice the usual rotation periods, until only recently when we have been able to divert our vessels to ports where crew changes could be achieved. This has both a direct and opportunity cost.

Only one voyage in the past six months experienced a demand-related Covid-19 impact, when two charterers on a multi-charter voyage to Indonesia materially reduced the area chartered at late notice due to a importing customer issue with Covid-19. No other charters have been impacted in this manner.

Operationally, we remain very aware of the potential exposure to Covid-19 infections to our on-board crew and have implemented very strict protocols and procedures implemented to limit any infection and spread of Covid-19 aboard our vessels. In the event that any ship had Covid-19 infected crew members that needed to be replaced on board before departure from a port, then there would be a delay until suitable crew replacements can present to the port or the crew member is cleared to continue. Given the ever-changing country restrictions regarding people movements the impacts of this are unclear, however up to 14 days quarantine might be considered likely. There are increased costs to provide the additional personal protective equipment to our crews, and there are associated training requirements and implementation risks.

Along with the majority of other businesses internationally, Covid-19 has impacted our people and continues to do so. There is substantial management time required to track, understand and implement all regulatory changes and logistical demands resulting from the Covid-19 pandemic, and there is heightened uncertainly in our customer base, which adds to the difficulty of negotiating, securing and delivering profitable charters for our fleet. Our people in Singapore continue to work, principally from home, and we are increasingly reliant on new technologies to communicate with our staff, customers and regulators.

It is difficult to estimate the effect Covid-19 will have on business development. We are unable to meet face to face with prospective new customers, and it is increasingly difficult to build customer relationships in such circumstances. Nevertheless, we will focus on delivering excellent results for customers and will continue to meet and exceed their demands.

Outlook

i. Livestock export and charter opportunities

The outlook for FY2021 is very much market dependant.

a) Dairy and beef breeder cattle to China

Shipments of breeder cattle from Australia to China increased by 50% in FY2020, to total 150,000 head.

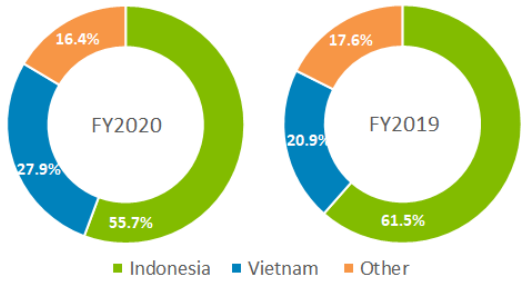
Wellard was active in this market, as well as shipping similar type cattle from New Zealand to China, with 10 individual shipments to China in FY2020. Present indications are that the trade will remain at these levels, or will possibly increase.

Subsequent to the end of FY2020, and at the time of this report's release, Wellard's M/V Ocean Swagman is transporting a consignment of dairy and beef cattle from Chile to China. At the time of writing, indications are that this will be a successful shipment both in terms of voyage results and animal welfare. As mentioned, if Australian prices remain elevated or increase, the likelihood of further shipments from South American countries increases.

b) Australian slaughter and feeder cattle to Indonesia and Vietnam

Total Australian exports of feeder and slaughter cattle rose slightly in FY2020, by 86,597 head (8.3%), to 1,298,4387 head. Feeder and slaughter cattle exports to Indonesia were relatively stable (down 1.9%) in FY2020 at 628,140 head, while the number of head exported to Vietnam increased by 44.5% to 314,670 cattle. Combined those two countries import more than 80% of the feeder and slaughter cattle exported from Australia.

Figure 4: Australian feeder and slaughter cattle export



Cattle exports to Indonesia continue to be impacted by imports of competing cheap Indian Buffalo Meat ("IBM"). IBM has acted as a cap on quantity and price of Australian cattle imports to Indonesia. The level of Indonesian IBM imports and how the recently approved importation of frozen beef from Brazil impacts the Indonesian market will in part determine the demand for fresh beef from Australian cattle imports and therefore demand for Wellard's vessels from exporters in FY2021.

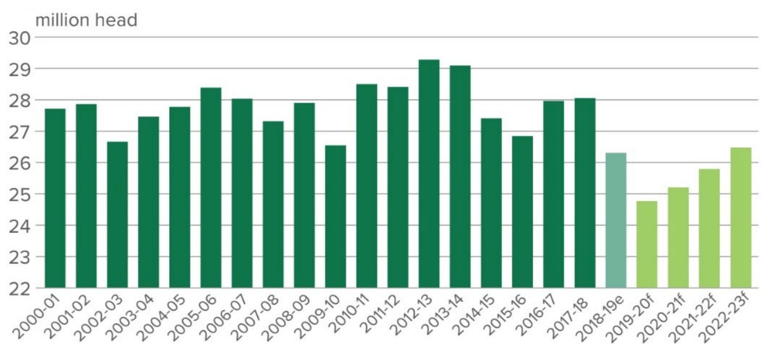
Margin pressure on exporters shipping cattle to Indonesia has increased the attractiveness of multi-exporter voyages on board the M/V Ocean Drover, due to the economies of scale, performance and animal welfare benefits that this large vessel provides to exporters with cattle on-board. Wellard continues to facilitate multi-exporter characters as a way of allowing several exporters to club together and take advantage of the benefits of our vessels without the impact of individually funding an entire voyage, or having to secure a large offtake sale.

The strong growth in cattle exports to Vietnam was a product of strong economic growth and increased demand for beef, particularly as African Swine Flu substantially reduced the amount of pork produced and sold in that country.

On the supply side, Meat & Livestock Australia's 2020 beef projections predict there will be a 16% contraction in CY2020 live cattle exports, due principally to contracting supply in the northern regions of Australia (see supply comments below). Given total live cattle exports in the first half of CY2020 were marginally lower (down 1%) compared to the prior corresponding period, MLA is therefore forecasting a significant contraction in live cattle exports in H2 CY2020 (or H1 FY2021). Wellard is also expecting a reduction in numbers, but potentially less than forecast by MLA, due to a higher drop in Australian processed volumes resulting from importing market regulation issues and higher local supply in the key destination markets. If this was to occur it would lead to greater supply availability for live export markets and therefore demand for Wellard vessels.

This contraction is largely a product of the Australian cattle herd entering a rebuilding phase after years of drought impacted cattle numbers. MLA is estimating the herd size is now at 24.6 million head. The last time the herd size shrank to below 25 million head was 1992.

Figure 5: National cattle herd



Source: ABS, MLA estimates.

The Australian cattle herd is entering a rebuilding phase after years of drought-impacted cattle numbers.

As producers seek to rebuild their herds and use available grass to increase the weight of any cattle they are selling, MLA is forecasting that total adult cattle slaughter will fall by 17% in CY2020. This is expected to push up prices as abattoirs and exporters compete amongst themselves and with each other to secure the constrained supply.

If this does occur, it is likely to create product substitution in price-conscious overseas markets which will drive down the volume of imports, and therefore demand for shipping capacity.

Weather

Forced destocking may be the offsetting factor against the herd rebuild. Monsoonal rains (the wet season) were late and short in 2020 in the main live cattle export supply areas (the Northern Territory, western and northern Queensland) depriving pastoralists of the bank of feed that would normally carry them through the dry season.

This is necessitating early weaning and earlier surplus cattle sales in some areas as these cattle producers allocate the feed they do have to their breeding herd.

We believe that this is likely to continue until the onset of the 2020/2021 wet season when supply traditionally dries up due to accessibility.

c) Australian sheep and cattle exports to the Middle East

The export of Australian sheep to the Middle East in FY2020 remained stable at one million head.

Excellent voyage results achieved by the M/V Ocean Drover and M/V Al Kuwait (formerly the M/V Ocean Shearer) indicates that Wellard-designed vessels with superior ventilation provide exceptional animal welfare outcomes.

While Wellard considers those voyage results appealing to potential clients in the Middle East, existing importers already own and operate their own vessels so are reluctant to charter vessels from third parties unless necessary.

Recent high Australian sheep prices have compressed margins in this trade and Meat & Livestock Australia's June 2020 Sheep Projections forecasts indicate there is unlikely to be any relief given the expectation for fewer lambs and sheep available for slaughter, strong restocker demand for ewe lambs, limited competition from New Zealand, generally strong demand (despite some disruptions) and a low A$.

MLA's estimates place the national flock at 63.5 million head, the lowest level in over a century and 12% below June 2017. This will impact on sheep availability as the flock also enters a rebuilding phase.

In addition, a substantial number of sheep have been trucked from Western Australia – which supplies 98% of all sheep exported live – to Australia's Eastern States. This will likely impact on turnoff from WA in the next 1-3 years.

Recent recognition by the Australian Government that restrictions placed on the supply of sheep to the Middle East have broader ramifications for trade to the region was welcome. Wellard hopes this recognition leads to a more refined assessment of risk, and therefore greater ability to supply for operators with quality shipping infrastructure and demonstrated track record of success.

d) South American cattle to Turkey

This route remains a 'swing' market for Wellard. At present Turkey is intermittently releasing import permits for small consignments of cattle from South America. Indications are that permits for larger shipments will be released in Q2 FY2021, however this is speculative and formal confirmation is yet to be received.

Although this is a promising sign compared to the complete shutdown of the trade that has previously occurred, it is not yet conducive to relocating the M/V Ocean Drover from Australia.

When combined with the current seasonal pause in Australian live exports to the Middle East, it has caused the short-term idling of most long haul, larger livestock vessels, which in turn is negatively impacting freight rates in this sector.

If Turkey was to reopen this market, it would likely have a considerable positive impact on Wellard.

Impact of Covid-19 on the Outlook

While it is difficult to forecast what the impact of Covid-19 may have on demand for imported livestock, some trends have emerged to give a possible guide, notably relatively uninterrupted household consumption of protein (including beef and lamb/mutton) and reduced demand from food service industries. Wellard is mostly exposed to the former.

Government-mandated closure of restaurants to reduce the spread of Covid-19 is occurring internationally, which is impacting on demand from this sector. Outbreaks of Covid-19 at Australian and South American abattoirs and meat-processing facilities may also impact the normal supply chains.

However, demand from the household sector has remained relatively robust and there has been no widespread, government-mandated closure of abattoirs or wet markets reported in the Asian destinations that Wellard's ships service.

Covid-19 has had little to no impact on demand for beef or dairy breeding cattle to China. In fact, Wellard sees this as a market opportunity. Given the impact Covid-19 has had on international trade and export supply chains, countries are becoming increasingly focused on food security, increasing their desire to become more self-sufficient and therefore to increase their own herd/flock sizes. This is reflected in steadily growing Chinese demand for imported female breeder cattle.

Regulation, legislation and legal

No reportable mortality voyages or Exporter Supply Chain Assurance System (ESCAS) breaches (from previously exported cattle) were recorded by Wellard during the current reporting period.

Regulations governing live exports from Australian continue to change, and in the main increase operational and compliance costs. There have been additional Covid-19 regulatory and compliance issues in almost every jurisdiction in which we operate.

Some of the changes implemented throughout the year included:

- Reduced sheep stocking densities
- Removal of the requirement for Independent Observers on low risk voyages, such as beef cattle voyages to Indonesia
- The creation of exemptions for double-tiered vessels from higher ventilation performance standards and from the previously announced phase out of double tiered vessels

Additional changes planned for implementation late in CY2020 include:

- Reduced cattle stocking densities
- Increased pre-export quarantine periods

Wellard continues to advocate a shift towards risk-based regulation to incentivise investment in animal welfare and good operational performance.

Under international regulations, from 1 January 2020 the International Maritime Organization's (IMO) 0.5% global cap on sulphur dioxide (SO_x) content in fuels for shipping has entered into force. Limiting sulphur oxide emissions from ships reduces air pollution and particulate matter (tiny harmful particles) resulting in a cleaner environment.

In order to meet IMO requirements, ships need to use fuel oil which is inherently low enough in sulphur or install exhaust gas cleaning systems, also known as "scrubbers" which are designed to remove sulphur oxides from the ship's engine and boiler exhaust gases. Wellard opted to buy low sulphur fuel oil rather than install scrubbers to remove sulphur from heavy fuel oil, expecting that the capital cost of installing the scrubbers would not be offset by the low sulphur price differential.

During the early introduction of the regulations the differential between low sulphur fuel oil and heavy fuel oil was US$367/tonne. That differential has narrowed considerably as we expected. With a recent fall in global fuel prices due to increased oil production and reduced demand due to Covid-19, the June 2020 monthly average price of low sulphur fuel oil (ex Singapore) is below the December 2019 monthly average price of heavy fuel oil by approx. 5.6%.

In June 2020, the Federal Court of Australia ruled in favour of class action plaintiffs in legal action against then Federal Agriculture Minister Joe Ludwig's decision to ban the live export of cattle to Indonesia in 2011.

Wellard is a member of the class and was the largest cattle exporter to Indonesia at the time.

At this stage it is unclear what the quantum of damages awarded to the class of plaintiffs might be or when any payments would occur.

Wellard has lodged its defence in response to a class action launched against the Company (see ASX announcement 10 March 2020).

The Company has been asked by a number of shareholders whether it possesses Directors and officers (D&O) liability insurance. The specific arrangements Wellard has with its insurers are confidential, however, as would be expected of a listed public company, Wellard has various insurances in place to deal with a variety of risks and the Company would be expected to give ongoing consideration to its entitlements under any potentially relevant insurance.

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 2020 (FY2020) 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
Non-Executive Director

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.

John is currently a Non-Executive Director at RIFA Salutary Pty Ltd a large foreign investor in cattle, sheep and cropping properties in Eastern Australia, and is Audit and Risk Committee Chairman of Rifa Investment Pty Ltd and its subsidiaries. John is also the Chief Financial Officer of Namoi Cotton Limited (ASX: NAM).

Philip Clausius
Non-Executive Director

BA (Hons) Business Administration

Philip Clausius is the Founder & 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. 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 commerce and financial institutions. His recent position was Vice President for Morgan Stanley China GCM. Kanda Lu currently runs his own boutique asset management firm in Hangzhou China.

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.

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 international customers through a global supply chain.

The Group is a supplier of seaborne transportation for livestock globally, predominantly from Australia, and holds export licences to trade and ship live cattle and sheep on its own account.

LIVESTOCK LOGISTICS SERVICES:

Wellard's predominant activity in FY2020 was as a livestock logistics services business. When pursuing this business activity, 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 medium and large livestock transport vessels.

LIVESTOCK EXPORT:

Wellard retains its Australian livestock export licenses and capabilities but reduced this activity from July 2019. When pursuing this business activity, Wellard sources livestock in markets where production is surplus to domestic requirements (including Australia, Chile, 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's EBITDA of $23.3 million is a $11.3 million improvement on last year with a full year profit after tax from continuing operations of $0.3 million. It is a pleasing improvement on the Group's performance when compared to the result for the prior corresponding years, reflecting the substantial balance sheet and operational restructure which was substantially completed during the reporting year.

Wellard experienced mixed trading conditions throughout the year. Vessel utilisation ex M/V Ocean Shearer was strong but there was sustained downward pressure on charter rates due to an oversupply of capacity in the large vessel sector of the industry due to the ongoing restriction of livestock import permits by Turkey.

Wellard's restructure was aligned around the strategy of simplifying the business model and accordingly the Company now focusses on chartering the vessels to third parties. The pivot has helped Wellard to form productive business relationships with livestock exporters which were previously strong competitors, and to continue to demonstrate that Wellard can be the charterer of choice to parties who value exceptional animal welfare outcomes and professional logistics services.

The above Operations Report forms a part of this Directors' Report.

FINANCIAL REVIEW

OPERATING PERFORMANCE FROM CONTINUING OPERATIONS

FOR THE YEARS ENDED 30 JUNE	AUD	2020	2019	Movement
Revenue	$m	87.6	235.1	(62.7%) ↓
Chartering[1]	$m	83.3	51.9	60.5% ↑
Trading	$m	4.1	181.7	(97.7%) ↓
Other revenue	$m	0.2	1.5	(86.7%) ↓
Gross profit	**$m**	**27.9**	**38.8**	**(28.1%)** ↓
General and Administrative expenses[2]	$m	(11.0)	(22.8)	(51.8%) ↓
Restructuring costs[3]	$m	(1.0)	(1.9)	(47.4%) ↓
Other gains/(losses) from trading and chartering activities	$m	7.4	(2.1)	(452.4%) ↓
EBITDA[4]	**$m**	**23.3**	**12.0**	**94.2%** ↑
Other gains/(losses) from other activities	$m	0.5	(26.1)	(101.9%) ↓
Depreciation and amortisation expenses	$m	(13.1)	(16.2)	(19.1%) ↓
EBIT	**$m**	**10.7**	**(30.3)**	**135.3%** ↑
Net finance costs	$m	(10.4)	(11.3)	(8.0%) ↓
Income tax expense	$m	-	(5.4)	(100.0%) ↓
Profit/(Loss) from continuing operations after tax	**$m**	**0.3**	**(47.0)**	**(100.6%)** ↓
Profitability analysis				
Gross Profit margin	%	31.8	16.5	92.7% ↑
Operating Profit margin	%	26.6	5.1	421.6% ↑
Net Profit margin	%	0.3	(20.0)	101.5% ↑
Interest coverage[5]	Times	2.2	1.1	100.0% ↑
Balance Sheet analysis				
Working capital	$m	3.0	(84.6)	103.5% ↑
Current ratio	Times	1.2	0.4	200.0% ↑
Net tangible assets	$m	57.7	54.7	5.5% ↑
Net tangible assets per security	Cps	10.9	10.3	5.8% ↑
Net Debt[6]	$m	8.9	111.8	(92.0%) ↓
Debt to capital ratio[7]	%	29.9%	67.4%	(55.6%) ↓
Ship loan to asset book value ratio[8]	%	37.6%	57.4%	(34.5%) ↓

1 Chartering revenue refers to external chartering activity and excludes revenue arising from intercompany transactions.
2 Separated into Operational expenses and Administration expenses in prior years.
3 Included in Operational expenses in prior years.
4 EBITDA equals profit/(loss) from continuing operations before income tax, less depreciation and amortisation expenses, less net finance costs, less other gains/(losses) arising from other activities and less impairment expenses.
5 Interest coverage equals EBITDA divided by net finance costs.
6 Net debt equals loans and borrowings less cash and cash equivalents. Loans and borrowings include liabilities directly associated with assets held for sale.
7 Debt to capital ratio equals loans and borrowings divided by total equity plus loans and borrowings. Loans and borrowings include liabilities directly associated with assets held for sale
8 Includes asset held for sale and associated liabilities. (The ratio reported in the FY19 Annual report was net of asset held for sale and associated liabilities).

OVERVIEW

FY2020 has been a year of significant financial progress as Wellard's Board and management focussed on restructuring the Group's debts and restoring its profitability. During the current financial year, Wellard has achieved:

- **Net Profit after Tax of $0.3 million** from continuing operations, the first profit since listing on the ASX;
- A **gross profit margin increase of 92.7%** driven by the focus on external chartering activity;
- The **highest EBITDA of $23.3 million** (up by 94.2% from FY2019) recorded since listing;
- **Positive working capital of $3.0 million** or 103.5% from FY2019 negative $84.6 million;
- A **net debt reduction of $102.9 million** or 92.0% to $8.9 million;
- **No financial covenant breaches** as of 30 June 2020 following the repayment of all bank and noteholder debt, and completion of its recapitalisation program.

The Group's strategic realignment and continued efforts on its 'Cost Out' program delivered positive results with its focus during the reporting period directed towards finalising the Group's restructuring, principally by means of asset sales to reduce debt levels.

The agreement reached on 20 September 2019 with Ruchira Ships Limited ("Ruchira") to extend the repayment schedules for the M/V Ocean Ute and M/V Ocean Drover until December 2021 allowed Wellard to reschedule the balloon repayments of approximately US$17.5 million that was due to be paid by December 2019, over an additional 24-28 months. The new arrangements provided significant cash flow benefits from lower monthly repayment obligations; along with the previous breaches on the financing facilities for these two vessels being waived.

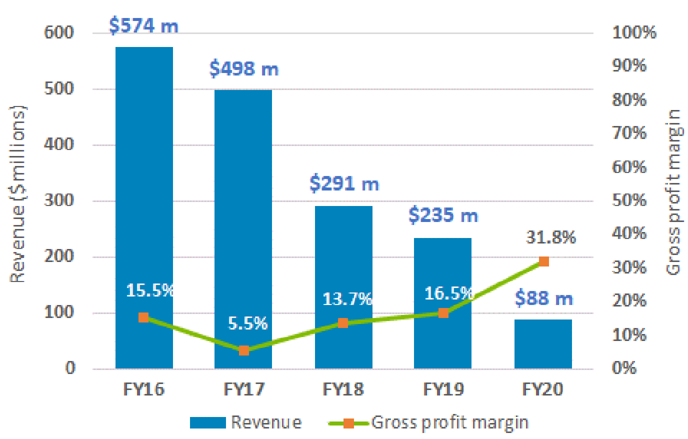
The sale of the M/V Ocean Swagman to Heytesbury Singapore Pte Ltd (Heytesbury) for a consideration of US$22.0 million – announced on 4 July 2019 and completed on 4 November 2019 – allowed Wellard to fully repay the vessel's financier Nord LB; to repay US$10 million to the noteholders; and at the same time, maintain full control of the vessel until March 2022 (with a 3-year option to extend thereafter by negotiation).

Finally, the sale of the M/V Ocean Shearer to the Kuwaiti company Livestock Transport & Trading Co KSC for a consideration of US$53.0 million – announced on 12 December 2019 and completed on 26 March 2020 – allowed Wellard to fully repay the vessel's financier Intesa Sanpaolo; to fully redeem its remaining unlisted notes, and to increase cash in hand by US$12.2 million. The sale also completed Wellard's recapitalisation program and significantly strengthened the Group's working capital position.

REVENUE AND SEGMENTAL PERFORMANCE

Following the Company's decision to suspend Wellard's livestock trading activity, total revenue in FY2020 decreased by 62.7% to $87.6 million (2019: $235.1 million). However, gross profit margin increased by 92.7% in the current financial year as a result of refocusing on external charter activity, which now represents 95.1% of total revenue (2019: 22.1%).

Figure 6: Revenue vs Gross profit margin



Revenue decreased by 62.7% to $87.6 million. However, gross profit margin increased by 92.7% in the current financial year

Trading

In FY2020, trading activities represented only 5% of total revenue at $4.1 million (2019: 77% at $181.7 million) and were primarily related to the recognition of an M/V Ocean Swagman voyage which loaded at the end of FY2019 and discharged in the current financial year. The contribution from trading activity, defined as revenue less cost of sales, was $1.0 million (2019: $36.0 million) reflecting the reduced trading activities from July 2019.

Chartering

Charter revenue increased by 60.5% to $83.3 million as compared to FY2019 and now constitutes the bulk of total revenue. The contribution from chartering activity was $26.7 million (2019: $1.3 million). The growth is a consequence of more efficient utilisation of the available shipping capacity and the increase of external chartering versus the traditional intergroup vessel utilisation. In FY2020, external chartering activities absorbed almost the entire available shipping capacity, reflecting the increased external demand for space on our vessels.

Figure 7: Revenue by segment

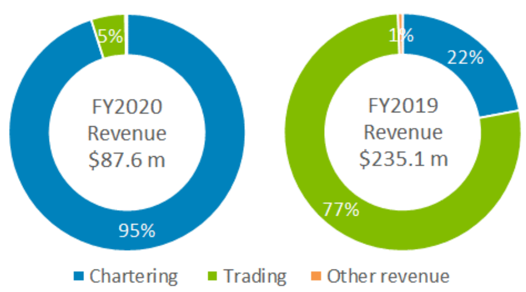
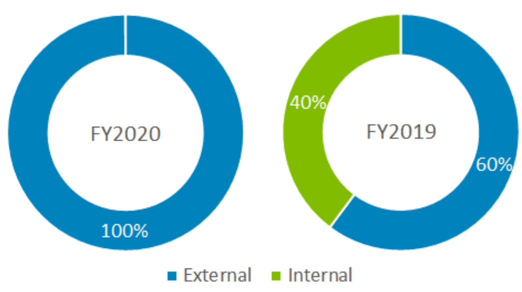


Figure 8: Internal vs external utilisation



In FY2020, off-hire days were almost double in number compared to the same period in the previous year, mainly due to the dry-dock timing of the M/V Ocean Swagman, pre-sale inspections of the M/V Ocean Swagman and the M/V Ocean Shearer, technical stoppages to comply with mandatory regulations other than minor repairs, and maintenance.

Charter-related variable costs increased by $4.5 million or 14.9% to $34.7 million (FY2019 $30.2 million) primarily due to the average increase in bunker price (marine fuel oil) and contributed to by the increased number of port calls during the period. The Group benefited from lower fuel costs in Q4 in line with lower global oil prices which offset the higher prices of Q3 when switching to very low sulphur fuel. Other vessel-operating costs, mainly consisting of crew, insurance and other technical expenses, remained stable and within the approved operational budget.

The adoption of AASB16 'Leases' reduced the Group's operating costs by $2.6 million in FY2020 due to the recognition of the right-of-use assets and liabilities for the M/V Ocean Swagman's operating lease, which are now included in depreciation and amortisation expenses and finance costs.

EARNINGS PERFORMANCE

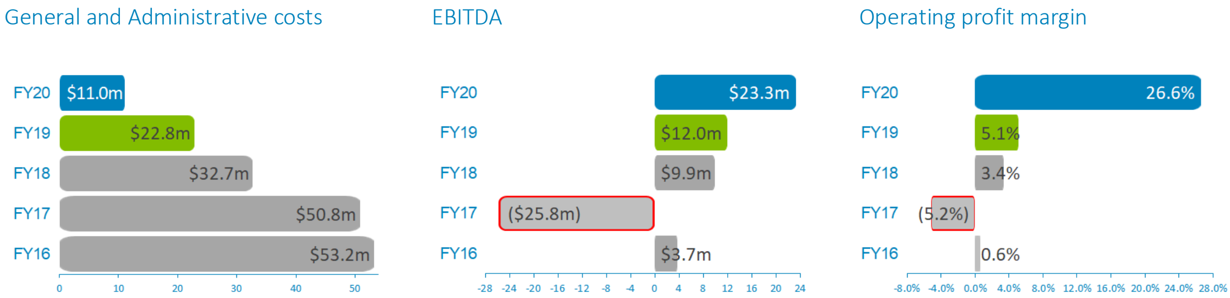
The 'Cost Out' program delivered another $11.8 million in savings in FY2020, with general and administrative expenses reduced to $11.0 million (FY2019: $22.8 million). These costs relate mainly to personnel and office costs, consultancies, travel expenses and others. Labour expenses recorded the single largest reduction in FY2020, decreasing by $4.6 million or 41.4% versus last year, given reduced staff numbers post-restructuring. The adoption of AASB16 'Leases' reduced general and administrative expenses by $0.7 million in FY2020 due to the recognition of the right-of-use assets and liabilities for some office and IT equipment leases, which are now included in depreciation and amortisation expenses and finance costs.

EBITDA

Group EBITDA from continuing operations – defined as earnings from continuing operations before the impact of income tax, depreciation and amortisation expenses, finance costs and excluding other gains or losses from other activities and impairment expenses – increased by 94.2% to $23.3 million (FY2019: $12.0 million) driven by improved operational efficiency and a lower cost structure achieved by Wellard. Operating profit margin increased substantially to 26.6% (FY2019: 5.1%), reflecting that a significant portion of revenue is now translated into operating income.

FY2020 EBITDA represents the highest level recorded since its listing on the ASX, continuing the positive trend from the past three financial years. EBITDA is included in the Group's KPIs.

Figure 9: Track record



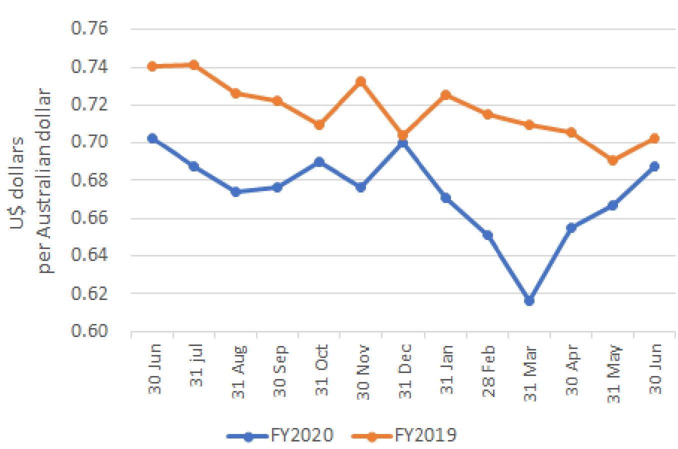
Other gains/(losses) from other activities

During the current financial year, the Group incurred a series of one-off expenditures in a number of areas of the business. These included a net gain on the disposal of property plant and equipment and other financial assets, impairment expenses and the net result of foreign exchange gains and losses.

The Australian Dollar continued to weaken against the US Dollar during the period, falling another 2.1% in FY2020 after a 5.1% fall in FY2019. This was despite a recovery in the Australian Dollar in the second half of the financial year.

This led to a more contained $1.5 million net foreign exchange loss in FY2020 (FY2019: $3.5 million loss) of which $0.3 million was unrealised gain (FY2019: $4.3 million loss).

Figure 10: Monthly average US$/AUD



Source: Open exchange rates

The United States Dollar (US$) slowed down its growth recently even if during the current financial year, it has continued to gain strength over the Australian Dollar.

Depreciation and amortisation expenses

During the current financial year depreciation and amortisation expenses decreased by a further 19.1% to $13.1 million (FY2019: $16.2 million) as a consequence of the non-core asset sales. This includes the depreciation of right-of-use assets amounting to $3.0 million without a comparative in FY2019 as it arises from the application of AASB16 'Leases' from 1 July 2019.

Net finance costs

Net financial costs reduced by a further 8.0% or $0.9 million in the current financial year, falling to $10.4 million (FY2019: $11.3 million). Exceptional items recorded in this financial year included a $2.5 million one-off loss related to the write-off of the capitalised borrowing costs of the Intesa loan following the sale of the M/V Ocean Shearer, $1.7 million one-off loss related to the modification of borrowing facilities following the extension of the original lease terms for the M/V Ocean Ute and the M/V Ocean Drover until December 2021. Net finance costs also included the interest expense of right-of-use assets amounting to $0.5 million without a comparative in FY2019 as it arises from the application of AASB16 'Leases' from 1 July 2019.

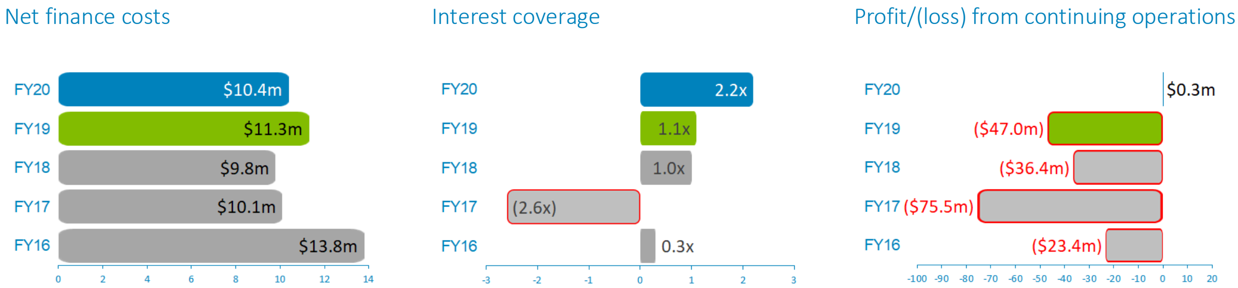
Interest coverage improved significantly from 1.1 times in FY2019 to 2.2 times in FY2020 on a year-on-year basis as a result of an improved EBITDA, debt reduction and better capital management.

Profit/(loss) from continuing operations after tax

For the first time since listing in 2015, Wellard reported a profit after tax of $0.3 million (FY2019: loss of $47.0 million) after recognising $4.8 million of net non-recurring gains.

Of this, $7.9 million was a gain on derecognition of net contract liabilities of Sri Lanka project, $1.7 million was a one-off loss on the modification of borrowing facilities following the extension of the original lease terms for the M/V Ocean Ute and M/V Ocean Drover until December 2021 and $0.5 million was a net loss related to sale of the M/V Ocean Shearer which includes the write-off of the capitalised borrowing costs of $2.5 million. The remaining $0.9 million was the net loss related to the disposal of a subsidiary and restructuring costs.

Figure 11: Track record



ASSETS AND LIABILITIES

Non-current assets

Non-current assets are mainly related to the net book value ("NBV") of Wellard's vessels – including right-of-use leased assets – and related dry-dock costs capitalised. The application of AASB16 'Leases' resulted in the recognition of an additional $6.6 million in assets as at the end of June 2020. The current year reduction includes the derecognition of the NBV of the M/V Ocean Shearer for $76.1 million following its sale, announced on 12 December 2019 and completed on 26 March 2020.

The Group assesses the carrying value of its vessels by obtaining independent market valuations by two primary brokers, considering market offers, as well as considering forecast earnings over the vessel's lifetime. The average estimated market value of Wellard's owned fleet provided by the brokers as at 30 June 2020 was of US$46.8 million compared to a net book value of US$40.3 million.

Capital expenditure

Capital expenditure – with the exclusion of additions due to the application of AASB16 'Leases' – was $3.1 million (FY2019: $2.3 million) and was mainly related to dry-dock costs for the M/V Ocean Swagman.

Net debt

During the period net debt was reduced by $102.9 million or 92.0% to $8.9 million as at 30 June 2020 (30 June 2019: $111.8 million). The continued focus on capital efficiency resulted in a significant reduction in Group debt levels as a proportion of funding. At the end of the period, total debt represented 29.9% of the Group's funding (30 June 2019: 67.4%), while total ship debt represented 37.6% of the book value of the Group's shipping assets (30 June 2019: 57.4%). At the end of FY2020, the adoption of AASB16 led to the recognition of additional liability of $6.8 million.

The major reduction in the Group's indebtedness stems from a series of successful strategic measures adopted by the Board, including the finance-extension agreement with Ruchira and the sale of the M/Vs Ocean Swagman and Ocean Shearer that allowed the full repayment of the respective financing facilities, the full redemption of the notes and the completion of the Group's recapitalisation program.

As 30 June 2020, Wellard had no financial covenant breaches. As a result, no reclassification of its non-current loans and borrowings to current was required, which reverses the treatment which was applied in previous financial years.

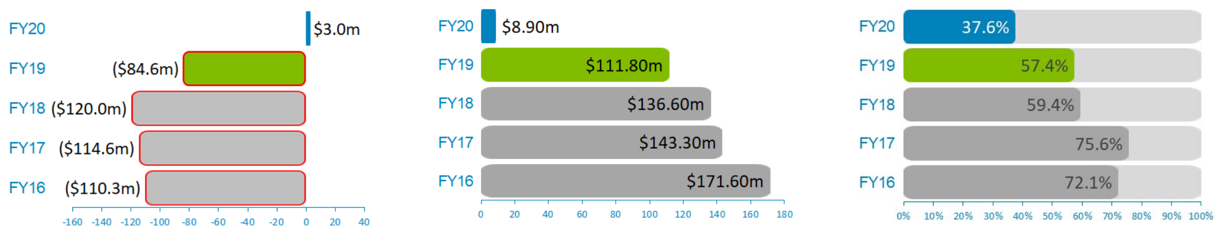
The Group maintains a US$4.0 million working capital facility with UOB in Singapore to fund ship operating costs as well as foreign-exchange transactions which, as of 30 June 2020, has not been utilised (30 June 2019: $1.6 million). The Group also maintains banking and credit-card facilities in Singapore. These facilities remain available to the Group.

Debt Position	AUD	2020	2019	Movement
Intesa Sanpaolo - M/V Ocean Shearer term loan facility	$'000	-	56,191	(56,191)
NordLB - M/V Ocean Swagman term loan facility	$'000	-	9,132	(9,132)
M/V Ocean Drover borrowing	$'000	15,939	24,754	(8,815)
M/V Ocean Ute borrowing	$'000	2,981	4,822	(1,841)
Notes	$'000	-	22,756	(22,756)
UOB Bunker facility	$'000	-	1,567	(1,567)
Lease liabilities recognised in accordance with AASB16	$'000	6,786	-	6,786
Total Loans and borrowings	**$'000**	**25,706**	**119,222**	**(93,516)**
Cash and cash equivalents	$'000	16,796	7,424	9,372
Net Debt	**$'000**	**8,910**	**111,798**	**(102,888)**

During FY2020, Wellard met all of its scheduled ship debt servicing commitments and made an early redemption of its unlisted notes.

Figure 12: Track record

Working capital Net Debt Ship loan to asset book value



CASH FLOWS

Operating activities generated net cash of $20.6 million in FY2020, which is $9.8 million down from $30.4 million in FY2019, mainly impacted by the decreased livestock trading activities and by a reduced fleet contribution following the disposal of M/V Ocean Shearer. Investing activities generated a net cash inflow of $108.7 million (FY2019: $12.7 million), due to the sale of two vessels as announced during the year. Financing activities resulted in a net cash use of $118.6 million (FY2019: $41.7 million) reflecting the full repayment of the financing facilities of the disposed vessels and the full redemption of the Company's notes.

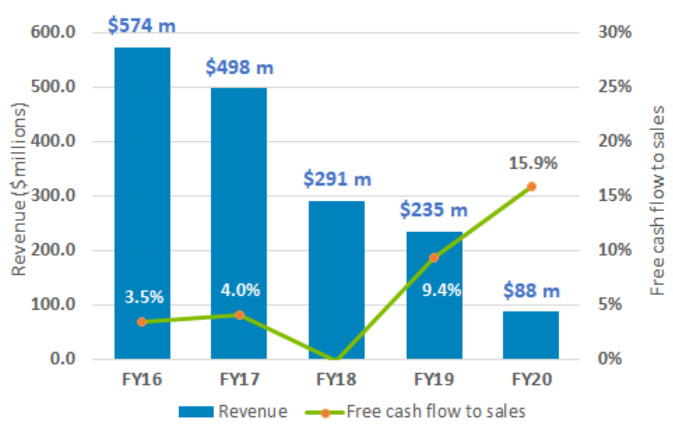
During the current financial year, Wellard generated a $10.7 million net increase in cash held, which is $9.4 million up from $1.3 million net increase in FY2019. At 30 June 2020, the Group's cash and cash equivalents stood at $16.8 million (30 June 2019: $7.4 million) plus $1.4 million (30 June 2019: Nil) held in trust in escrow accounts until the completion of certain voyages.

Condensed Consolidated Statement of Cash Flows	2020 $'000	2019 $'000
Net cash inflow from operating activities	20,606	30,378
Net cash inflow from investing activities	108,702	12,652
Net cash (outflow) from financing activities	(118,563)	(41,735)
Net increase in cash held	**10,745**	**1,295**
Cash at the beginning of the financial year	7,424	8,297
Effects of exchange rate changes	(1,373)	(2,168)
Cash at the end of the financial year	**16,796**	**7,424**

Free Cash Flow statement	2020 $'000	2019 $'000	
Net cash inflow from operating activities	20,606	30,378	
Income tax paid	0	0	
Net interest paid	(6,684)	(8,412)	
Free cash flow	**13,922**	**21,966**	36.6% ↓
Cash conversion ratio (FCF/Revenue)	**15.9%**	**9.4%**	69.1% ↑

Free cash flow ("FCF") for the year, defined as cash flow from operating activities less income taxes paid and net interest payments, was $8.0 million or 36.6% lower than in the previous year mainly due to the reduction in livestock trading activity. However, the cash conversion ratio, defined as FCF divided by total revenue, increased by 69.1% to 15.9% in the current financial year, showing that the Group can generate more cash out of its sales following its refocus on external chartering activities.

Figure 13: Free cash flow to sales (cash conversion) ratio



The cash conversion ratio increased by 69.1% to 15.9% in the current financial year, showing that the Group can generate more cash out of its sales following its refocus on external chartering activities.

ALTERNATIVE PERFORMANCE MEASURES (APM)

Certain analyses included in this annual report are based on measures that are not defined in the applicable reporting framework, but that are regularly used by Wellard for management purposes like communicating performance and decision-making. Wellard believes that complementing IFRS measures with APM may enhance financial communication and add value to users by explaining the Company's performance from the management's perspective and, in some cases, provide comparability with peers. APM should not be considered in isolation from, or as a substitute for, financial information presented in compliance with Australian Accounting Standards.

EBITDA and Operating profit margin

EBITDA is defined as profit/(loss) from continuing operations before the impact of income taxes, depreciation and amortisation expenses, net finance costs, other gains/(losses) arising from other activities and impairment expenses. Operating profit margin is defined as EBITDA divided by total revenue. Wellard believes that EBITDA and Operating profit margin are important measures that focus on the business' profitability from its core operations before the impact of capital structure, leverage, and non-cash items.

EBIT

EBIT is defined as profit/(loss) from continuing operations before the impact of income taxes and finance costs. EBIT is considered an important measure to analyse a Company's performance without the costs of the capital structure and taxes.

Free cash flow (FCF) and cash conversion ratio

Free cash flow is defined as cash flow from operating activities, less income taxes paid and net interest payments. It does not represent residual cash flows entirely available for discretionary purposes. The repayment of principal amounts borrowed is not deducted from FCF. Cash conversion ratio is defined as FCF divided by total revenue. Wellard believes that FCF and cash conversion ratio are useful to investors because they represent cash flows that could be used for capital expenditures, distribution of dividends, repayment of debt, or to fund strategic initiatives.

Interest Coverage

Interest coverage is defined as EBITDA divided by net finance costs and provides a measure of the Group's capability to service its debt through its operating profitability.

Net Debt

Net debt is defined as loans and borrowings (including liabilities directly associated with assets held for sale) less cash and cash equivalents. Wellard believes Net debt is a relevant measure to determine the level of leverage given the Company's liquid assets.

GROUP PRESENTATION CURRENCY

The completion of Wellard's strategic move from livestock trading to livestock logistics services and the consequent refocus on the chartering activity of its Singapore-based subsidiaries means nearly all of the Group's revenue and expenses are conducted in US Dollars ("US$"). The Board has therefore decided to change the Group's presentation currency of its financial information from the Australian Dollar to the United States Dollar with effect from 1 July 2020. This annual report will be the last report presented in Australian Dollars. The Board believes that the change in the reporting currency will provide shareholders with a more accurate reflection of Wellard Limited's underlying performance while reducing the impact of currency fluctuations.

At the release of the FY2021 interim and full-year financial results, the FY2020 accounts will be restated in US$ to provide shareholders with meaningful comparisons with the prior corresponding period.

MATERIAL BUSINESS RISKS

Wellard is subject to a number of risks which can lead to unplanned costs and loss of income and 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 shipper and trader of live animals; and general risks that apply to international companies involved in maritime transportation and cross-border trade.

The decision of the Company to temporarily suspend the Group's trading activities and the consequent shift to the chartering business, caused a change in Wellard's risk profile, with the Group that is now more exposed to risks that can arise from its shipping operations.

The FY2020 Risk Assessment underlined the following risk categories as the most significant for the Group:

Vessel Breakdown or Damage Risk

The operation of an ocean-going vessel carries inherent risks. Wellard's vessels and their cargoes could be at risk of being damaged or lost because of events such as marine disasters, bad weather, mechanical failures, grounding, fire, collisions, human error, war, terrorism, piracy, force majeure and other circumstances or events. If Wellard's vessels suffer damage, they may need to be repaired. The costs and timing of repairs may be substantial, partially due to their scale and need for specialised repair infrastructure. Wellard may have to pay repair costs if the Group's insurance and contractual indemnification provisions are unavailable or insufficient to cover such liability. The loss of revenues while these vessels are being repaired, as well as the actual cost of these repairs, may adversely affect Wellard's business and financial condition and performance. The Company seeks to mitigate this risk by taking out relevant insurance policies with first-class insurers and adopting a Planned Maintenance System, through the engagement of our fleet technical manager Welltech Marine Pte. Ltd. ("Welltech"), and by maintaining the strategic objective to continue to operate a young fleet. As noted elsewhere in this Report, Welltech has been sold and is now operated by Ishima Pte. Ltd.

Failure to adequately maintain the Wellard fleet of vessels

If Wellard fails to adequately maintain its fleet of vessels, this may result in mechanical problems or failure to comply with safety regulation and Port State Control or loss of its Class Certificate, causing disruptions to business operations, higher operating costs or deterioration in Wellard's ability to provide transport to a standard which complies with relevant regulations to enable the movement of livestock commodities. These circumstances may materially and adversely affect Wellard's reputation, profitability and growth. To mitigate the impact of this risk, Wellard has entrusted the technical management of its fleet to a primary technical manager, Welltech, and through the adoption of a rigorous Planned Maintenance System. As noted elsewhere in this Report, Welltech has been sold and is now operated by Ishima Pte. Ltd.

Bunker Price Risk

Fuel is a material operating costs, and the Group is exposed to bunker price fluctuations through its shipping operations. The price and supply of fuel are unpredictable and fluctuate based on events outside Wellard's control, including geopolitical developments, supply and demand for oil and gas, actions by Intergovernmental organization like OPEC and other oil and gas producers, war and unrest in oil-producing countries and regions, regional production patterns and environmental concerns. There is a risk that there could be significant increases to fuel price that could significantly increase Wellard's cost of operations, including third-party freight costs. As a general principle, bunker adjustment factors in customer contracts price are the main mechanism to manage bunker price risk in the Group. In addition, Wellard hedges its bunker price risk by the implementation of financial and physical hedges for the cost of fuel directly related to its ships' operations.

Customer Risk

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

The Company seeks to mitigate the impact of this risk by building and maintaining strong customer relationships by delivering superior customer value and satisfaction and by having a range of customers in numerous countries.

Social and Political Risk

Animal welfare activism and public reports regarding the poor treatment of animals and high stress/mortality events continues to place increased focus on the live export industry. The high level of public sensitivity to animal welfare issues means public pressure could lead to further export restrictions and 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.

Animal rights activists have increasingly engaged in aggressive litigation to attempt to prevent or impede livestock export, including taking action against Federal and State regulators. Although Wellard is satisfied such threats do not present a material risk to the Company given it is compliant with all regulations required to export livestock, including the Australian regulations prohibiting sheep exports to the Gulf states during the northern summer, increased animal rights activism may extend to other areas in which the Company is active. Where such activism is successful in delaying, disrupting and complicating 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 building and maintaining strong customer relationships with a range of customers in numerous countries, and by ensuring that it is always in compliance with all laws and regulations, as well as engaging actively to understand community expectations around livestock export.

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, where it deems necessary, appropriate hedging arrangements. In addition, loans are stipulated by the operating companies in the same currency as the revenues, where possible, in order to attenuate exchange rate oscillations. It worth noting that the Board, after considering all the criteria, factors and indicators articulated in AASB21, has determined to change the Group's presentation currency of its financial information from the Australian Dollar to the United States Dollar with effect from 1 July 2020. As a result, this annual report for the year ended 30 June 2020 will be the last report presented in Australian Dollars. The Board opines that the change in the presentation currency will provide shareholders with a more accurate reflection of Wellard Limited's underlying performance.

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 if a counterparty to such a contract defaults on its contractual obligations, a material financial loss to the Company may result.

To minimise the credit risk, financial vetting is undertaken for all major customers, and adequate security is required for commercial counterparties which rating is below the minimum acceptable standard.

The Coronavirus (COVID-19)

The outbreak of COVID-19 introduced additional challenges and risks to Wellard's operations. In particular, measures implemented by some countries to prevent the further spread brought new and complicated operational consequences for our ships and crews. Travel restrictions and quarantine requirements due to the coronavirus pandemic have made it difficult to effect crew-change on ships and made it challenging to inspect and service the vessels. Supply chain disruptions, shortage of workforce and implementation of social distancing measures in ports and shipyards are causing delays. Ports are operating with their own individual approaches to managing the coronavirus situation, making it difficult to prepare the vessel – or the crew – for the challenges facing them when they prepare to berth. In addition, a further outbreak of the virus could pose an economic risk to Wellard's operations and its trade volumes.

The Company has already undertaken specific measures to ensure the health and safety of its employees globally.

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 2020, and the number of meetings attended by each Director:

	Board		Nomination and remuneration committee		Audit and risk committee		Conflicts of interest committee	
Directors	held	present	held	present	held	present	held	present
John Klepec	17	17	4	4	6	6	-	-
Philip Clausius	17	17	4	4	6	6	-	-
Kanda Lu	17	17	-	-	-	-	-	-
John Stevenson[1]	17	17	-	-	6	6	-	-

Notes:

1. *Mr Stevenson changed his role from Executive Director to Non-Executive Director on 23 November 2019.*

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	
Directors	2020	2019
John Klepec[1]	437,500	437,500
Philip Clausius	-	-
Kanda Lu	-	-
John Stevenson	-	-

Notes:

1. These shares are held by Rezone Pty Ltd as Trustee for the Kakulas-Klepec Superannuation Fund. Mr Klepec has a voting power of greater than 20% in this company and is a beneficiary of this superannuation fund.

INDEMNITIES AND INSURANCE

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

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

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

DIVIDENDS

The Company does not intend to pay any dividends in respect of the year ended 30 June 2020 (2019: Nil).

EQUITY ISSUES DURING THE YEAR

At 30 June 2020 the Company had authorised share capital totalling 531,250,312 ordinary shares issued and paid.

EVENTS OCCURING AFTER REPORTING PERIOD END

There have been no significant events occurring since 30 June 2020. Reference is made to the Company's website and to the ASX's announcements platform for any and all material disclosures which are required under ASX's Listing rules.

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 subsidiary, Wellard Ships Pte. Ltd. ("Wellard Ships") operates three 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. Wellard Ships' management system complies with ISO 9001 standard established by the International Organisation for Standardization, as certified by the international classification society RINA S.p.A. (Registro Italiano Navale).

Wellard Ships contracts with Welltech Marine Pte. Ltd. ("Welltech"), a company previously owned by Wellard Ships and now owned by Ishima Pte. Ltd., which is responsible for the technical management of Wellard's owned and bareboat chartered vessels pursuant to a ship management agreement entered in April 2020. Welltech complies with ISO 9001:2015 – Quality Management system – and ISO 14001:2015 – Environmental Management system – standards established by the International Organisation for Standardization, as certified by the international classification society RINA S.p.A. (Registro Italiano Navale).

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 47.

Details of the non-audit services undertaken by, and amounts paid to, the Auditor, are detailed in Note 31 to the financial statements.

The Directors have formed the view that the provision of non-audit services during the financial year ended 30 June 2020 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 2020. This Auditor's Independence Declaration has been attached to the Independent Auditor's Report to the members of the Company.

CORPORATE GOVERNANCE STATEMENT

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

DIRECTORS' DECLARATION

In accordance with Section 298(2) of the *Corporations Act*, the Directors have provided a signed Directors' Declaration in relation to the year ended 30 June 2020. This Directors' Declaration is included on page 46 of this Annual Report.

On behalf of the Directors

Mr John Klepec

Executive Chairman

Mr Paolo Triglia

Group Chief Financial Officer

Dated: 27 August 2020

The following sections form the Remuneration Report for the Wellard Group for the financial year ended 30 June 2020. 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 executive 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 2020.

Key Management Personnel covered in this report

Name	Position(s) held	KMP term FY2020
NON-EXECUTIVE DIRECTORS		
Philip Clausius	Non-Executive Director (19 November 2015 – present)	Full year
John Stevenson[1]	Non-Executive Director (23 November 2019 – present)	Part year
EXECUTIVE DIRECTORS		
John Klepec	Non-Executive Director (15 November 2016 – 26 April 2018) Non-Executive Chairman (27 April 2018 – 3 August 2018) Executive Chairman (3 August 2018 – present)	Full year
John Stevenson[1]	Chief Financial Officer (7 November 2016 – 22 November 2019) Executive Director (6 August 2018 – 22 November 2019)	Part year
Kanda Lu	Business Development Manager China (24 November 2015 – present) Executive Director (12 May 2017 – present)	Full year
OTHER KMP		
Paolo Triglia	Managing Director – Wellard Ships Pte Ltd (18 November 2015 – present) Chief Financial Officer (22 November 2019 – present)	Full year
Paolo Bianchi[2]	Managing Director – WellTech Marine Pte Ltd (3 August 2018 – 30 June 2020)	Full year

Notes:

1. *Mr Stevenson resigned as Chief Financial Officer and Executive Director effective 22 November 2019 and was appointed Non-Executive Director on 23 November 2019.*
2. *Mr Bianchi was appointed Technical Director of WellTech Marine Pte Ltd (a wholly owned subsidiary) on 23 March 2015. He became a KMP effective 3 August 2018. He resigned from WellTech Marine effective 8 April 2020 and transferred employment to Wellard Ships Pte Ltd. He ceased his employment with the Group on 30 June 2020*

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 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 was the only Non-Executive / Independent Director. Mr Stevenson became a Non-Executive Director on 23 November 2019, and in due course, the Board intends to consider a restructure of its various Board sub-committees. Now that the Company's financial and operational restructure is substantially complete, the Board may consider sourcing another Independent Director.

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. The NR Committee has not taken independent advice from remuneration consultants in the financial year ended 30 June 2020.

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. In FY2020, the Board did not engage an independent consulting firm to provide independent advice regarding remuneration or incentive structures.

There were no short-term (STIP) and long-term (LTIP) plans or programmes in place for the financial year ended 30 June 2020. The NR Committee retains the ability, at its discretion, to make ad-hoc STI awards to individuals outside of any company-wide plan.

In FY2020, no remuneration recommendations, as defined by the Corporations Act, were provided by any independent remuneration consultant.

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 FY2020
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	No changes
Long term incentives	Maintain balance between the interests of shareholders and the reward of executives	Determined by share price	No changes

(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 FY2020, this process did not result in any change in any executives fixed remuneration.

Short-term incentives

All short-term incentives for the Group in FY2020 were discretionary and based on the completion of significant transactions that enabled the Company to complete its balance sheet and operational restructure.

No STIP was implemented in FY2020.

Long-term incentives

Wellard's Long-Term Incentive Plan (**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.

No options in Wellard's LTIP were granted to KMP's in FY2020.

Following its balance sheet and operational restructure, in the coming financial year, the Board and the NR Committee intend to re-examine the structure of and participation in its LTIP, which is anticipated to be designed to align the interest of key employees with the interests of shareholders of the Company by:

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

The Board will use its discretion to invite key employees to participate in the LTIP. A future LTIP is anticipated to provide 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.

Statutory performance indicators

Wellard aims to align its executive remuneration to strategic and business objectives and the creation of shareholder wealth. The below table shows measures of the Group's financial performance over the last five years as required by the *Corporations Act* 2001. However, these are not necessarily consistent with measures used in determining the variable amounts of remuneration to be awarded to the KMPs. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

	2020	2019	2018	2017	2016
Profit/(loss) for the year attributable to owners of Wellard Limited ($'000)	245	(48,443)	(36,437)	(75,337)	(23,323)
Basic earnings/(loss) per share (cents)	0.1	(8.8)	(6.6)	(17.7)	(6.4)
Dividend payments ($'000)	-	-	-	-	-
Dividend payout ratio (%)	-	-	-	-	-
Increase / (decrease) in share price (%)	+50.0	(76.0)	(39.4)	(55.4)	(72.8)

(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	3 Aug 18 - present	At the Board's Discretion	At the Board's Discretion	2 weeks	2 weeks	2020	607,000	AUD
						2019	607,000	AUD
John Stevenson[2]	7 Nov 16 - 22 Nov 19	At the Board's Discretion	At the Board's Discretion	3 months	3 months	2020	269,699	AUD
						2019	500,000	AUD
Kanda Lu	12 May 17 - present	At the Board's Discretion	At the Board's Discretion	4 weeks	4 weeks	2020	178,840	AUD
						2019	178,840	AUD
OTHER KMP								
Paolo Triglia	18 Nov 15 - present	At the Board's Discretion	At the Board's Discretion	3 months	3 months	2020	350,004	SGD
						2019	350,004	SGD
Paolo Bianchi[3]	3 Aug 18 - 30 Jun 20	At the Board's Discretion	At the Board's Discretion	3 months	3 months	2020	240,000	SGD
						2019	240,000	SGD

Notes:

1. *This is inclusive of superannuation payments where applicable.*
2. *Mr Stevenson ceased to be an Executive Director effective 22 November 2019, when his CFO role finished. He remains on the board as a Non-Executive Director.*
3. *Mr Bianchi resigned as Managing Director of Welltech Marine Pte Ltd effective 8 April 2020 and was continued to be employed under Wellard Ships Pte Ltd. He ceased his employment with the Group on 30 June 2020*

(e) Executive KMP remuneration table

The table below sets out the remuneration received by Wellard KMP for FY2020 during the portion of the year for which KMP were employed by the Wellard Group. The table includes the statutory disclosures required under the Act and in accordance with the Accounting Standards. Mr. Balzarini, Mr.Troncone and Mr Braithwaite are included in the table as they were KMPs in FY 2019. They have all since left the Wellard Group, with details as noted below.

Key management personnel remuneration table for FY2020:

		Short-term benefits			Long-term benefits			Post-employment benefits			%
Name	Year	Base salary	STI[1]	Other[2]	Accrued annual leave[3]	Long service leave[4]	Termination benefits	super-annuation	Share based payments value of shares received	Total remuneration	Remuneration "at risk"
EXECUTIVE DIRECTORS											
John Klepec[5]	2020	586,612	-	-	-	-	-	20,388	-	607,000	-
	2019	535,801	-	-	-	-	-	18,506	-	554,307	-
John Stevenson[6]	2020	265,928	83,551	27,270	-	-	190,213	12,580	-	579,542	14.4%
	2019	468,773	-	13,929	2,797	6,088	-	26,107	3,942	521,636	0.8%
Mauro Balzarini[7]	2020	-	-	-	-	-	469,379	-	-	469,379	-
	2019	847,983	-	-	40,577	7,210	-	47,440	-	943,210	-
Fred Troncone[8]	2020	-	-	-	-	-	-	-	-	-	-
	2019	531,291	-	11,496	4,576	-	-	3,813	-	551,176	-
Kanda Lu	2020	163,324	-	-	3,623	250	-	15,516	-	182,713	-
	2019	163,324	-	-	3,600	466	-	15,516	-	182,906	-
OTHER KMP											
Paolo Triglia[9]	2020	353,420	62,663	159,740	25,827	-	-	-	-	601,650	10.4%
	2019	356,248	-	164,683	17,142	-	-	-	-	538,073	-
Paolo Bianchi[10]	2020	250,653	-	110,460	-	-	138,485	-	-	499,598	-
	2019	229,772	126,329	101,957	11,175	-	-	-	-	469,233	26.9%
Scot Braithwaite[11]	2020	-	-	-	-	-	-	-	-	-	-
	2019	166,668	-	-	-	-	-	-	-	166,668	-
Total	**2020**	**1,619,937**	**146,214**	**297,470**	**29,450**	**250**	**798,077**	**48,484**	**-**	**2,939,882**	**5.0%**
	2019	**3,299,860**	**126,329**	**292,065**	**79,867**	**13,764**	**-**	**111,382**	**3,942**	**3,927,209**	**3.3%**

Notes:

1. *This includes cash bonuses provided to KMP.*
2. *This includes short-term benefits such as parking, vehicle, travel, internet and accommodation.*
3. *This includes statutory leave for Executive Directors and other KMP.*
4. *Represents the net accrual movement for Long Service Leave (LSL) over the twelve-month period, which will only be paid if the KMP meets legislative service conditions. LSL has been separately categorised and is measured on an accrual basis and reflects the movement in the accrual over the twelve-month period.*
5. *Mr Klepec was appointed Executive Chairman on 3 August 2018, and thus commenced acting as a KMP on that date.*
6. *Mr Stevenson was appointed to the Board on 6 August 2018. In addition to his remuneration as CFO, Mr Stevenson commenced receiving director fees of $100,000 per annum. Mr Stevenson ceased the role of Group CFO on 22 November 2019 and continued his board role as a Non-Executive Director on 23 November 2019.*
7. *Remuneration paid to Mr Balzarini in FY2019 included a component paid in US$, and this figure has been converted to AUD using an exchange rate of 0.6711. 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 was paid $469,379 by way of a negotiated settlement with the Group.*
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 was paid to Mr Triglia in SGD, and this figure has been converted to AUD using an exchange rate of 0.9575 (2019: 0.9499).*
10. *Mr Bianchi became a KMP on 3 August 2018. Mr Bianchi was employed as an expatriate and pursuant to his employment contract he was not paid superannuation. He received additional benefits for accommodation, school fees and travel expenditure. Remuneration was paid to Mr Bianchi in SGD, and this figure has been converted to AUD using an exchange rate of 0.9575 (2019: 0.9499). Mr Bianchi ceased employment (and thus ceased acting as a KMP) on 30 June 2020.*
11. *Mr Braithwaite was paid as a consultant to the Wellard Group. Accordingly, he did not receive any leave entitlements or superannuation. Mr Braithwaite ceased employment (and thus ceased acting as a KMP) on 31 October 2018.*

(f) Terms and conditions of share-based payments

Under the Company's Long-term Incentive Plan (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	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
2020					
John Stevenson[1]	1,500,000	-	(1,500,000)	-	-
	1,500,000	**-**	**(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 (AUD/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[2]	7	7	7

Notes:

1. *Mr Stevenson ceased his executive role on 22 November 2019 hence the option had lapsed.*
2. *Three entitled employees declined the invitation to participate in the Executive Share Option Plan. One entitled employee had left in prior year, followed by two entitled employees left during the financial year.*

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 (4) years after issue.

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.

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 FY2020. No change was made to Non-Executive Director fees, or fees paid to members of any Board Committee.

(d) Non-executive director fees and benefits

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

		2019		
Fees / Benefits	**Description**	**Fees $**	**Super-annuation $**	**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 2020 financial year are set out below.

		Short-term benefits		
Name	Year	Board and committee fees $	Superannuation[1] $	Total $
NON-EXECUTIVE DIRECTORS				
John Klepec[2]	2020	-	-	-
	2019	19,810	1,882	21,692
Philip Clausius	2020	123,288	11,712	135,000
	2019	123,288	11,712	135,000
John Stevenson[3]	2020	60,714	-	60,714
	2019	-	-	-
Total	**2020**	**184,002**	**11,712**	**195,714**
	2019	**143,098**	**13,594**	**156,692**

Notes:

1. *Superannuation contributions are made on behalf of Non-Executive Directors in accordance with the Wellard Group's statutory superannuation obligations. Also included are any Director's fees that have been sacrificed into superannuation.*
2. *On 3 August 2018 Mr Klepec was appointed Executive Chairman.*
3. *On 23 November 2019 Mr Stevenson was appointed Non-Executive Director.*

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. On 22 November 2019, Mr Stevenson ceased his executive role resulting in the lapse of the executive share options.

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 2019	Change to aggregate KMP balance	Balance at 30 June 2020
NON-EXECUTIVE DIRECTORS			
Philip Clausius	-	-	-
John Stevenson	-	-	-
EXECUTIVE DIRECTORS			
John Klepec	437,500	-	437,500
Kanda Lu	-	-	-
OTHER KMP			
Paolo Triglia	960,000	216,800	1,176,800
Paolo Bianchi	400,000	-	400,000
Total	**1,797,500**	**216,800**	**2,014,300**

Notes:

1. *Mr Bianchi ceased to be a KMP on 30 June 2020.*

(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, had an indirect 15.06% shareholding interest in Wellard. Mr Balzarini also controlled the entity WGH Holdings (WGH), which owned a pre-export quarantine and other property previously leased by Wellard. Wellard no longer leases any property or has any commercial relationship with WGH, with Mr Balzarini, or any entity owned or controlled by Mr Balzarini. The pre-export quarantine facility lease has now ended, as has the former head office lease in Fremantle, Western Australia. Wellard has made various announcements, including on 26 March 2020 and 24 April 2020, detailing the circumstances by which WGH has transferred its entire shareholding in Wellard Limited.

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, which is not a related party. Monthly rent payable to WGH was $17,471 (excluding GST). That sub-lease expired on 31 July 2020 and has not been extended. Following the Company's financial and operational restructure, Wellard has relocated its Australian head office to newer, smaller premises. The new Landlord is an independent third-party entity.

As at 30 June 2020, Mr. Balzarini's controlled entity, WGH Pty Ltd (and its owned or controlled subsidiaries, including previous Wellard Limited shareholder WGH Commodities Land & Transport Pty Ltd) do not own any shares in Wellard Limited.

(a) Transactions with other related parties

FOR THE YEARS ENDED 30 JUNE	2020 $	2019 $
ENTITIES CONTROLLED BY KEY MANAGEMENT PERSONNEL		
Sales to	-	(7,089)
Purchases from	-	(105,278)
Lease payments and outgoings made to	-	(292,882)

(b) Purchases from entities controlled by key management personnel

Nil

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

Nil

(d) Loans/ to from related parties

Nil

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 2020 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 2020.

Signed in accordance with a resolution of the Directors.

Mr John Klepec
Executive Chairman
27 August 2020

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Wellard Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Douglas Craig
Partner
PricewaterhouseCoopers

Perth
27 August 2020

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 30 JUNE	NOTE	2020 $'000	2019 $'000
CONTINUING OPERATIONS			
Revenue	5	87,600	235,091
Cost of sales	6(A)	(59,722)	(196,336)
Gross profit		**27,878**	**38,755**
Other gains/(losses)	6(B)	6,862	(30,147)
Net finance costs	6(C)	(10,407)	(11,266)
Depreciation and amortisation expenses		(13,094)	(16,157)
General and administrative expenses	6(D)	(10,975)	(22,820)
Profit/(loss) from continuing operations before income tax		**264**	**(41,635)**
Income tax expense	9	(5)	(5,354)
Profit/(loss) from continuing operations		**259**	**(46,989)**
DISCONTINUING OPERATIONS			
Loss from discontinued operations, net of tax	8	(14)	(1,454)
Profit/(loss) for the period after tax		**245**	**(48,443)**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Gain from foreign currency translation		2,144	4,827
Other comprehensive income for the period, net of tax		**2,144**	**4,827**
Total comprehensive income/(loss) for the period		**2,389**	**(43,616)**
		Cents	**Cents**
Earnings/(loss) per share from continuing operations attributable to ordinary equity holders of the Company			
Basic earnings/(loss) per share	10	0.1	(8.8)
Diluted earnings/(loss) per share	10	0.1	(8.8)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE	NOTE	2020 $'000	2019 $'000
CURRENT ASSETS			
Cash and cash equivalents	12	16,796	7,424
Trade and other receivables	17	1,491	2,278
Inventories	15	1,338	4,597
Biological assets	16	-	1,941
Other assets	18	1,578	10,404
Assets held for sale	19	-	31,330
Total current assets		**21,203**	**57,974**
NON-CURRENT ASSETS			
Property, plant and equipment	22	67,746	139,150
Intangible assets	23	2,462	3,082
Other assets	18	846	139
Total non-current assets		**71,054**	**142,371**
Total assets		**92,257**	**200,345**
CURRENT LIABILITIES			
Trade and other payables	20	3,267	5,606
Loans and borrowings	11	11,876	110,090
Provisions	24	174	439
Contract liabilities	5(B)	2,910	17,262
Liabilities directly associated with assets held for sale	19	-	9,132
Total current liabilities		**18,227**	**142,529**
NON-CURRENT LIABILITIES			
Loans and borrowings	11	13,830	-
Provisions	24	16	21
Total non-current liabilities		**13,846**	**21**
Total liabilities		**32,073**	**142,550**
Net assets		**60,184**	**57,795**
EQUITY			
Issued capital	14	572,132	572,132
Reserves	33	(382,346)	(384,484)
Accumulated losses	34	(129,602)	(129,853)
Total equity		**60,184**	**57,795**

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	ACCUMULATED LOSSES $'000	RESERVES SHARE BASED PAYMENTS $'000	RESERVES OTHER RESERVES $'000	RESERVES COMMON CONTROL $'000	TOTAL $'000
2020							
Opening balance		572,132	(129,853)	18,020	8,513	(411,017)	57,795
Comprehensive income for the period:							
Profit for the period	34	-	245	-	-	-	245
Other comprehensive income	33	-	-	-	2,144	-	2,144
Total comprehensive income for the period		-	**245**	-	**2,144**	-	**2,389**
Transactions with owners in their capacity as owners:							
Share options lapsed	33	-	6	(6)	-	-	-
Closing balance		**572,132**	**(129,602)**	**18,014**	**10,657**	**(411,017)**	**60,184**
2019							
Opening balance		572,132	(81,410)	18,104	3,686	(411,017)	101,495
Comprehensive loss for the period:							
Loss for the period	34	-	(48,443)	-	-	-	(48,443)
Other comprehensive income	33	-	-	-	4,827	-	4,827
Total comprehensive loss for the period		-	**(48,443)**	-	**4,827**	-	**(43,616)**
Transactions with owners in their capacity as owners:							
Share options lapsed	33	-	-	(84)	-	-	(84)
Closing balance		**572,132**	**(129,853)**	**18,020**	**8,513**	**(411,017)**	**57,795**

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	2020 $'000	2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		88,387	293,029
Payments to suppliers and employees		(67,754)	(262,659)
Interest received		8	-
Income tax (paid)/returned		(35)	8
Net cash inflow from operating activities	13	**20,606**	**30,378**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3,064)	(2,288)
Purchase of intangible assets		(30)	(63)
Proceeds from sale of property, plant and equipment		111,796	646
Proceeds from sale of discontinued operations		-	14,357
Net cash inflow from investing activities		**108,702**	**12,652**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	8,213
Repayments of borrowings		(109,134)	(44,025)
Principal payment of lease liabilities		(2,745)	-
Interest paid		(6,684)	(8,412)
Transfers from restricted cash		-	2,489
Net cash outflow from financing activities		**(118,563)**	**(41,735)**
Net increase in cash held		**10,745**	**1,295**
Cash at the beginning of the financial year		7,424	8,297
Effects of exchange rate changes on cash and cash equivalents		(1,373)	(2,168)
Cash at the end of the financial year	12	**16,796**	**7,424**

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.

Reconciliation of liabilities arising from financing activities:

FOR THE YEAR ENDED 30 JUNE 2020	Opening balance $'000	Principal and interest payments $'000	Non-cash changes: Adoption of AASB 16 $'000	Addition during the year $'000	Interest expense $'000	Effect of movement in exchange $'000	Non-cash movement $'000	Closing balance $'000
Loan and borrowings (Note 11)								
Bank loans	58,815	(63,773)	-	-	2,232	2,726	-	-
Borrowings	29,576	(14,901)	-	-	1,599	916	1,730	18,920
Lease liabilities	-	(3,278)	1,138	8,519	533	(126)	-	6,786
Other loans	1,567	(1,744)	-	-	105	72	-	-
Notes	22,756	(25,139)	-	-	1,293	1,090	-	-
Deferred borrowing costs	(2,624)	-	-	-	-	(126)	2,750	-
	110,090	**(108,835)**	**1,138**	**8,519**	**5,762**	**4,552**	**4,480**	**25,706**
Liabilities directly associated with assets held for sale (Note 19)								
Borrowings	9,132	(9,728)	-	-	173	423	-	-
Total borrowings	**119,222**	**(118,563)**	**1,138**	**8,519**	**5,935**	**4,975**	**4,480**	**25,706**
Less: Cash and cash equivalents								(16,796)
Net debt								**8,910**

FOR THE YEAR ENDED 30 JUNE 2019	Opening balance $'000	Principal and interest payments $'000	Non-cash changes: Addition during the year $'000	Interest expense $'000	Effect of movement in exchange $'000	Non-cash movement $'000	Closing balance $'000
Loan and borrowings (Note 11)							
Bank loans	75,327	(15,599)	-	4,076	4,143	(9,132)	58,815
Borrowings	43,313	(17,951)	-	1,841	2,373	-	29,576
Trade asset finance	48	(8,261)	8,213	-	-	-	-
Other loans	3,340	(2,081)	-	125	183	-	1,567
Notes	26,016	(8,545)	-	3,979	1,306	-	22,756
Deferred borrowing costs	(3,099)	-	-	-	(148)	623	(2,624)
	144,945	**(52,437)**	**8,213**	**10,021**	**7,857**	**(8,509)**	**110.090**
Liabilities directly associated with assets held for sale (Note 19)							
Borrowings	-	-	-	-	-	9,132	9,132
Total borrowings	**144,945**	**(52,437)**	**8,213**	**10,021**	**7,857**	**623**	**119,222**
Less: Cash and cash equivalents							(7,424)
Net debt							**111,798**

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

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 2020, that were authorised for issue in accordance with a resolution of the Directors on 27 August 2020.

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 are an agribusiness that connects primary producers of cattle, sheep and other livestock to international customers through a global supply chain. The Group is a supplier of seaborne transportation for livestock globally, predominantly from Australia, and holds export licences to trade and ship live cattle and sheep on its own account.

The registered office address is Manning Buildings,
Suite 20, Level 1,
135 High Street, Fremantle,
Western Australia 6160.

Comparative financial information has been reclassified and/or renamed for better comparability purposes.

B. BASIS OF PREPARATION

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act* 2001, applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

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

a) Biological assets – measured at fair value;
b) Share based payments – measured at fair value; and
c) 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 consolidated financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

During the current financial year, the Group has made significant positive steps in its turnaround, completing the Group's reorganisation program and strengthening the Group's working capital position. At 30 June 2020, the Group had net current assets of $3.0 million (2019: $84.6 million deficiency).

During the current financial year, Wellard has made significant positive steps in its turnaround, completing the Company's recapitalisation program and strengthening the Company's working capital position.

Following the finance-extension agreement with Ruchira Ships Limited (the financier of the M/V Ocean Ute and M/V Ocean Drover), the previous covenant breaches on the financing facilities for these two vessels have been waived.

The successful sale of the Group's vessel, M/V Ocean Shearer, has resulted in the full repayment of the financing facility to Intesa and the full repayment of the Group's notes, resulting in no breaches of financial covenants and undertakings as of 30 June 2020.

The sale of MV Ocean Shearer, the sale and lease-back of MV Ocean Swagman, and the extension of the repayment terms in relation to MV Ocean Ute and MV Ocean Drover has positioned the Group to meet its debt servicing requirements in the coming 12 months.

The Group maintains a US$4.0 million ($5.8 million) working-capital facility with a financial institution in Singapore to fund ship-operating costs and foreign-exchange transactions. As of 30 June 2020, this facility has not been utilised (30 June 2019: $1.6 million was utilised). The Group has commenced activities to obtain additional facilities with the same financial institution to provide financial flexibility in the Group's operations and growth in face of practical uncertainties.

The Group has also prepared a cash flow forecast, which indicates that the Group is expected to have sufficient cash to meet their operating cash flow requirements for at least twelve months from the date of these financial statements. The Group's ability to achieve its cash flow forecast is based on the following key considerations:

- The Group is able to secure livestock charters and utilise the capacity of their vessels at pricing and utilisation that are expected to be in line with Group management's expectations;
- Collections from customers are to be maintained at normal operating cycles;
- The Group is able to maintain and extend the already established business relationships with its customers and suppliers around the world; and
- The Group is able to extend existing financing facilities or establish new facilities.

Wellard's chartering activity is exposed to liquidity risk due to its exposure to spot market. Freight rates earned may not be sufficient to cover its operating costs, leading to a reduction in cash balance. The uncertainties in the market exacerbate the need to provide the financial flexibility needed to meet the operational needs and financial obligations.

The Group's management has considered the impact of the COVID-19 global pandemic outbreak and is constantly monitoring the evolving global situation. Although the unprecedented and unpredictable nature of this global pandemic makes it very difficult to report on the complete range of effects for the livestock industry, for the time being, the impacts to the Group have been limited. However, the economic effects of the Coronavirus are still uncertain and the Group's management has maintained a prudent approach on the impact of the pandemic on the Group's operations in its cash flow forecast.

These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

In the event that the Group is unable to operate as a going concern, the Group may be unable to discharge their liabilities or realise their assets in the normal course of business, and additional liabilities may arise. In addition, the Group may have to reclassify non-current assets and liabilities as current assets or liabilities. No such adjustments have been made in the financial statements for the financial year ended 30 June 2020.

However, the Directors and management of the Group expect that the future net cash inflows from operating activities and the continued availability of credit facilities from its principal banker will be sufficient to cover the Group's net current liability position and support the Group's current level of operations. Accordingly, these financial statements have been prepared on a going concern basis.

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).

On 1 July 2019, the Group has adopted the new or amended IFRS and Interpretations of IFRS that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required. The adoption of these new or amended IFRS and Interpretations of IFRS did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods except for the adoption of AASB 16 *Leases*. The Group had to change its accounting policies as a result of adopting AASB 16.

The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 July 2019. This is disclosed in Note 4.

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 FROM CONTRACTS WITH CUSTOMERS

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 trades 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 liabilities

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 the 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.

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. 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. For cash subject to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

J. 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.

K. 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.

L. 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.

M. 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.

N. TRADE AND OTHER RECEIVABLES

The Group applied the simplified approach permitted by AASB 9 *Financial Instruments*, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the receivables. If there is a significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

O. 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.

P. 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.

Q. 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.

R. 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.

S. 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.

T. 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.

U. 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.

V. 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.

W. INVESTMENTS IN SUBSIDIARIES

Investments 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.

X. 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.

Y. LEASES

As explained in Note 1(D) above, the Group has changed its accounting policy for leases where the Group is the lessee. The impact of the change in Note 4.

The group leases office space, office equipment and vessels. Rental contracts are typically made for fixed periods but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the financial year 2019, leases of property, plant and equipment were classified as operating leases, see Note 25 for details. From 1 July 2019, leases are recognised as right-of-use assets and corresponding lease liabilities at the date at which the leased assets are available for use by the Group.

Assets and liabilities arising from leases are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable, and
- the exercise price of a purchase option if the group is reasonably certain to exercise that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease periods so as to produce a constant periodic rate of interest on the remaining balance of the liabilities for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability, and
- any lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment are recognised on a straight-line basis as an expense in consolidated statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

Extension options are included in the right-of-use assets across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension options held are exercisable only by the Group and not by the respective lessor.

Z. 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.

AA. 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.

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.

In the previous financial year, 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, of $71.3 million, (2019: $65.7 million) relating to the tax losses of the Australian tax consolidated group, $9.0 million (2019: $9.4 million) relating to Uruguay, $3.3 million (2019: $4.7 million) relating to Brazil and $3.2 million (2019: $4.9 million) relating to Singapore have not been recognised. There is no expiration date for these amounts except for Uruguay and Brazil.

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. SRI LANKAN PROJECT

During the year, the Group recognised a net gain of $7.9 million in other gains/losses from trading and chartering activities in relation to the Sri Lankan project.

After legal, commercial and technical assessment, the Group concluded that during the currency of the contract, the counterparty had failed to fulfil contractual obligations; that subsequently the contract has expired; and that there are now no remaining enforceable performance obligations under the contract.

Under this analysis, the Group has determined that its obligations to perform the contract have ceased and that the existing contract assets and liabilities are not able to meet the revenue recognition criteria in accordance with AASB 15.

The Group also concluded that (i) neither a provision nor a disclosure of contingent liabilities in accordance with AASB 137 is required, as the Group no longer has any obligations under the terms of the contract which has ceased; and (ii) the probability of an outflow of resources embodying economic benefits to settle any obligation related to this contract is remote.

Consequently, the Company Group concluded that it was appropriate to recognise the net amount of $7.9 million in Other gains/(losses) within the consolidated statement of comprehensive income.

D. 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 its vessels with purchase obligation.

For the vessel which the Group leases in from third party with no purchase obligation, management has compared the carrying amount of the asset with its recoverable amount. The recoverable amount is determined based on its value-in-use (VIU) calculations, taking into account the individual facts and circumstances of the investment, economic and industry-related factors and management plans for the investment.

The VIU is determined using cash flow projections based on the financial budget prepared by management covering the remaining useful lives of the vessel. In making these estimates, management has relied on its past performance and its current expectations of market development. Cash flow in the VIU calculation was discounted at 10% per annum.

If the estimated EBITDA co-efficient index used in the VIU calculation had been 0.50% lower than the management's estimates, the recoverable amounts of the asset would decrease by $50,200. If the estimated discount rate applied to the discounted cash flows had been 1% higher than management's estimates, the recoverable amounts of the asset would decrease by $117,000.

The Group has not recognised impairment charges on its vessels during the year.

Investments in subsidiaries

We have estimated the recoverable amount based on the value-in-use of the subsidiaries. No impairment (2019: $19.7 million) has been recognised in respect of the recoverable amount of investment in subsidiaries. Impairment of investments in subsidiaries has been eliminated on consolidation in the Group accounts. The impairment of investment in subsidiaries is considered a critical accounting estimate for the parent entity only and not for the Group.

4. CHANGE IN ACCOUNTING POLICY

This note explains the impact of the adoption of AASB 16 Leases on the Group's consolidated financial statements.

As indicated in Note 1(D) above, the Group has adopted AASB 16 Leases from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in this standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 6%.

Title	AASB 16 Leases
Practical expedient applied	In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard: (i) On a lease-by-lease basis, the Group has: • applied a single discount rate to a portfolio of leases with reasonably similar characteristics • relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 July 2019 • applied accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases • excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application, and (ii) The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 16 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.
Measurement of lease liabilities	(see table below)
Measurement of right-of-use assets	On a lease-by-lease basis, the Group chose to measure its right-of-use assets at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.
Adjustments recognised in the balance sheet on 1 July 2019	(see table below)

Measurement of lease liabilities

	2020 $'000
Operating lease commitments disclosed as at 30 June 2019	1,434
Discounting effect using the lessee's incremental borrowing rate	(180)
Less: short-term leases not recognised as a liability	(116)
Lease liabilities recognised as at 1 July 2019	**1,138**
Of which are:	
Current lease liabilities	593
Non- current lease liabilities	545
	1,138

Adjustments recognised in the balance sheet on 1 July 2019

	Increase $'000
Property, plant and equipment	1,138
Loans and borrowings	1,138

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

A) DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

FOR THE YEARS ENDED 30 JUNE	2020 $'000	2019 $'000
REVENUES		
Chartering	83,276	51,866
Trading	4,067	181,735
Other revenue	257	1,490
	87,600	**235,091**

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 Group and related logistics.

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

B) LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

The Group has recognised the following assets and liabilities related to contracts with customers:

AS AT 30 JUNE	2020 $'000	2019 $'000
CONTRACT LIABILITIES		
Chartering	2,910	1,741
Trading	-	14,779
Revenue from contracts for services	-	742
	2,910	**17,262**

Trading contract liabilities refer to an advance received by Wellard in 2018 in respect of Tranche 2 of the multi-year contract with the Sri Lankan Government. The advance was for the delivery of livestock and technical management.

Due to a review of the program currently being undertaken in Sri Lanka, no cattle were delivered for Tranche 2 during the financial year 2019.

During the financial year 2020, the Group derecognised the contract liabilities and its related fulfilment costs pertaining to project Sri Lanka due to expiry. As a result, a non-recurring gain of $7.9 million (Note 6(B)) was recorded.

Chartering contract liabilities refer to deposits received from chartering of vessels.

Deferred revenue from contracts for services has been disaggregated as follows:

AS AT 30 JUNE	2020 $'000	2019 $'000
REVENUE FROM CONTRACTS FOR SERVICES		
Opening balance	742	698
Recognised during the year	(742)	-
Effect of movement in foreign exchange	-	44
Closing balance	-	**742**

6. EXPENSES

FOR THE YEARS ENDED 30 JUNE		2020 $'000	2019 $'000
A) COST OF SALES			
Chartering		56,608	50,586
Trading		3,114	145,750
		59,722	**196,336**

Within the cost of sales, there were $0.5 million inventories being written off during the financial year 2020 (2019: $Nil).

B) OTHER (GAINS)/LOSSES			
(Gains)/losses arising from chartering and trading activities			
Net loss from changes in fair value of biological assets		-	2,077
Net loss from changes in fair value of fuel hedge		-	1
Net gain on release from contract liabilities	5(B)	(7,946)	-
Inventories write-off		583	-
		(7,363)	**2,078**
Loss arising from other activities			
Net (gain)/loss on disposal of property, plant and equipment		(2,173)	533
Fair value gain on other financial assets		-	(255)
Net loss on disposal of a subsidiary		218	-
Net foreign exchange losses		1,471	3,511
Impairment expenses	6(E)	34	22,444
Restructuring and integration costs		951	1,920
Share-based payments		-	(84)
		501	**28,069**
		(6,862)	**30,147**
C) NET FINANCE COSTS			
Interest income		(8)	-
Interest expense		5,935	10,021
Borrowing costs		2,028	1,245
Loss on extinguishment of loan		2,452	-
		10,407	**11,266**
D) GENERAL AND ADMINISTRATIVE EXPENSES			
Consulting costs		2,897	3,017
Occupancy costs		561	1,932
Travel expenses		455	710
(Reversal)/allowance for impairment loss		(992)	3,483
Labour expenses	6(F)	6,462	11,143
Motor vehicle expenses		29	211
Repairs and maintenance costs		4	250
General and administrative costs		1,559	2,074
		10,975	**22,820**

FOR THE YEARS ENDED 30 JUNE	2020 $'000	2019 $'000
E) IMPAIRMENT EXPENSES		
Impairment loss on:		
Property, plant and equipment	-	20,421
Inventories	-	253
Intangible assets	34	1,770
	34	**22,444**
F) LABOUR EXPENSES		
Wages and salaries	5,544	9,668
Employee entitlements and on costs	499	494
Superannuation	335	575
Payroll tax	84	406
	6,462	**11,143**

Impairment loss on property, plant and equipment

Wellard regularly assesses its property, plant and equipment for triggers of impairment. In 2019, an impairment expense of $20.4 million was recorded for the M/V Ocean Swagman and M/V Ocean Ute vessels to record their assets at fair value less costs of sale.

Impairment loss on goodwill

In 2020, the impairment expense on intangible assets pertains to goodwill that relates to the investment in Portimor S.A..

In 2019, the impairment 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.

7. SEGMENT INFORMATION

Segment information is presented based on the information reviewed by senior management for performance measurement and resource allocation.

The Group is structured into two business segments, Chartering and Trading. Meat processing and distribution, as well as corporate services are not considered to be reportable operating segments and have been presented in the 'other segments' column.

Description of segments and principal activities

a) **Chartering:** This segment is engaged in the business of livestock transportation required to deliver livestock globally. In the table below, this segment is further reported as charter revenue, being revenue generated from the sale of space on the Group's vessels for the carriage of cargo owned by third parties. This segment was formerly reported as "Trading and Chartering".

b) **Trading:** This segment is engaged in the business of livestock marketing, buying livestock from multiple sources for export to buyers in international markets globally. In the table below, this segment is further reported as trading revenue, being revenue generated from the buying and selling of livestock by the company including related logistics. This segment was formerly reported as "Trading and Chartering".

c) **Other segments:** This segment consists of corporate services. Corporate services consist of a centralised support function which provides specialised services across several disciplines to the rest of the Group, including human resources, finance and payroll, information technology and communication, legal services and the board of directors in the prior periods. The segment also includes meat processing and distribution, which is a discontinued operation.

These classifications are in accordance with AASB 8 guidelines.

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.

	Chartering $'000	Trading $'000	Other $'000	Total $'000
FOR THE YEAR ENDED 30 JUNE 2020				
Revenues	83,276	4,067	257	87,600
Depreciation and amortisation expenses	(12,418)	(42)	(634)	(13,094)
Net finance costs	(9,102)	-	(1,305)	(10,407)
Profit / (Loss) from continuing operations before income tax	1,198	6,607	(7,541)	264
Total segment assets	**89,301**	**1,065**	**1,891**	**92,257**
Total segment liabilities	**31,414**	**372**	**287**	**32,073**
FOR THE YEAR ENDED 30 JUNE 2019				
Revenues	51,866	181,735	1,490	235,091
Depreciation and amortisation expenses	(15,553)	(173)	(431)	(16,157)
Net finance costs	(6,413)	-	(4,853)	(11,266)
Loss from continuing operations before income tax	(16,072)	(12,669)	(12,894)	(41,635)
Total segment assets	**180,627**	**15,033**	**4,685**	**200,345**
Total segment liabilities	**101,634**	**12,745**	**28,171**	**142,550**

Revenues of approximately $57.3 million were derived from four external customers of the chartering segment, which individually account for greater than 9.0% of total revenue (2019: revenue of approximately $83.9 million from four external customers, which individually account for greater than 7.0% of total revenue).

An impairment expense of $22.4 million was recognised in financial year 2019 in respect of the chartering segment. Refer to Note 6(E).

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 Group's vessels.

External revenues based on the origin country of sale are as follows:

FOR THE YEARS ENDED 30 JUNE	Australia $'000	Singapore $'000	Uruguay $'000	Brazil $'000	Total $'000
2020	4,324	83,276	-	-	87,600
2019	133,057	83,724	18,129	181	235,091

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	Brazil $'000	Other $'000	Total $'000
2020	2,615	68,434	5	-	71,054
2019	3,216	139,093	8	54	142,371

8. DISCONTINUED OPERATIONS

The discontinued operations for 2019 were related to the sale of Wellard Feeds and 'La Bergerie' Pre-Export Quarantine businesses to Ausvision Rural Services which was completed on 28 February 2019. On 1 April 2019, Wellard announced it had contracted to sell its Beaufort River Meats ('BRM') business after the counterparty to the original sale agreements 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.

FOR THE YEARS ENDED 30 JUNE	2020 $'000	2019 $'000
Revenue	-	48,974
Other losses	-	(158)
General and administrative expenses	(14)	(51,110)
Losses before income tax	**(14)**	**(2,294)**
Income tax expenses	-	(585)
Losses after income tax of discontinued operations	**(14)**	**(2,879)**
Gain on sale of the discontinued operations after income tax	-	1,425
Losses from discontinued operations	**(14)**	**(1,454)**
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)
Diluted loss per share from discontinued operations (cents)	-	(0.3)
Net cash (outflow)/inflow from operating activities	(14)	825
Net cash inflow from investing activities	-	10,636
Net cash outflow from financing activities	-	(11,899)
Net cash flows for the year generated by discontinued operations	**(14)**	**(438)**

(a) Details of the sale of the discontinued operations

FOR THE YEARS ENDED 30 JUNE	2020 $'000	2019 $'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 the 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)
Gain on sale after income tax	-	**1,425**

(b) 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	2020 $'000	2019 $'000
Property, plant and equipment	-	5,183
Land	-	1,598
Intangibles	-	3,253
Inventory	-	2,368
Total assets	-	**12,402**
Net assets	-	12,402

9. TAXATION

INCOME TAX EXPENSE

FOR THE YEARS ENDED 30 JUNE	2020 $'000	2019 $'000
INCOME TAX EXPENSE		
Income tax expense comprises:		
Current tax	5	45
Deferred tax	-	2,919
Under provision for income tax in prior years	-	2,975
Income tax expense reported during the year	**5**	**5,939**
Income tax expense is attributable to:		
Continuing operations	5	5,354
Discontinued operations (Note 8)	-	585
	5	**5,939**

NUMERICAL RECONCILIATION

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

FOR THE YEARS ENDED 30 JUNE	2020 $'000	2019 $'000
Profit/(loss) from continuing operations before income tax	264	(41,635)
(Loss) from discontinued operations before income tax	(14)	(1,100)
	250	**(42,735)**
Tax at the Australian tax rate of 30% (2019: 30%)	75	(12,821)
Add/(deduct) the effect of other assessable items		
Attributable foreign income	934	475
Exempt foreign shipping activities	(2,831)	(3,811)
Under provision for deferred income tax in prior years	-	2,975
Current year losses and temporary differences not recognised	1,256	10,268
Utilisation of carried forward tax losses	(27)	-

Income not subject to tax	(1,828)	(22)
Expenses not deductible for tax purposes	2,715	6,748
Share based payments	-	(25)
Total other assessable items	**294**	**3,787**
Add / (less) the effect of other non-assessable items		
Effect of different tax rates in other countries	(289)	2,152
Total other non-assessable items	**(289)**	**2,152**
Income tax expense reported during the year	**5**	**5,939**

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 liabilities ("DTL")							
2019							
Opening balance	-	-	-	-	-	-	-
Movement in profit and loss	-	(509)	-	(4)	-	-	(513)
Derecognition of DTL	-	509	-	4	-	-	513
Closing balance	-	-	-	-	-	-	-

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 ("DTA")							
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 balance	-	-	-	-	-	-	-

At the reporting date, the Group has unused tax losses of $86.8 million (2019: $84.7 million) available for offset against future profits. No deferred tax asset has been recognised as it is not probable that future taxable profits will be available against which the Group can use the benefits therefrom. Included in unrecognised tax losses are losses of $12.3 million (2019: $ 14.1 million) that will expire in 2021 - 2025 (2019: 2020 - 2024). The remaining tax losses do not expire under current tax legislation but are subject to satisfaction of loss utilisation rules.

10. EARNINGS PER SHARE

FOR THE YEARS ENDED 30 JUNE	2020 cents	2019 cents
BASIC EARNINGS/(LOSS) PER SHARE		
From continuing operations, attributable to the ordinary equity holders of the Company	0.1	(8.8)
DILUTED EARNINGS/(LOSS) PER SHARE		
From continuing operations, attributable to the ordinary equity holders of the Company	0.1	(8.8)
	number	**number**
WEIGHTED AVERAGE ORDINARY SHARES		
Weighted average number of ordinary shares used as the denominator	531,250,312	531,250,312

11. LOANS AND BORROWINGS

AS AT 30 JUNE	2020 $'000	2019 $'000
CURRENT		
Secured		
Bank loans (i)	-	58,815
Borrowings (ii)	8,048	29,576
Un-secured		
Lease liabilities (iii)	3,828	-
Other loans (iv)	-	1,567
Notes (v)	-	22,756
Borrowing costs		
Deferred borrowing costs	-	(2,624)
Total Current Loans and Borrowings	**11,876**	**110,090**
NON-CURRENT		
Secured		
Borrowings (ii)	10,873	-
Un-secured		
Lease liabilities (iii)	2,957	-
Total Non-current Loans and Borrowings	**13,830**	-
Total Loans and Borrowings	**25,706**	**110,090**

At 30 June 2019, due to the Group breaching financial covenants, all loans and borrowings were reclassified as current as at the period end, which is in accordance with AASB 101, reflected the potential for the relevant financiers to accelerate and enforce their facilities. At 30 June 2020, the Group has complied with all financial covenants and hence there was no reclassification from non-current loans and borrowings to current loans and borrowings.

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

(i) Bank loans

Secured bank loans relate to a term loan facility granted by Intesa Sanpaolo to finance M/V Ocean Shearer and secured by the carrying amount of its pledged asset and supported by a guarantee from the Company. The loan was fully repaid on 26 March 2020 following the sale of the vessel.

(ii) Borrowings

Secured

Borrowings from a non-related party, Ruchira Ships Limited (Ruchira) refer to the lease obligations on the bareboat charter contracts for M/V Ocean Drover and M/V Ocean Ute, following a distinct sale and finance lease back arrangement in prior years. It was assessed in accordance with SIC – 27 "Evaluating the substance of transactions involving the legal form of a lease". The vessels have been reported in the consolidated statement of financial position as plant and equipment at their original costs less accumulated depreciation and the lease obligation presented as borrowings.

In August 2019, the Group renegotiated an agreement with Ruchira to extend the repayment schedules until December 2021. Through this arrangement, the Group incurred a loss on loan modification of $1.7 million. The Group will maintain full control of the vessels until the end of the term of the bareboat charter agreement and exercise the purchase obligations on the two vessels at the end of the charter period. The arrangements are secured by the carrying amounts of its pledged assets and are supported by a guarantee from Wellard Limited.

(iii) Lease liabilities

Un-secured

On 4 November 2019, the Group entered into a sale and leaseback agreement of the M/V Ocean Swagman with Heytesbury Singapore Pte Ltd. Through this transaction, the Group will maintain full control of the vessel until 31 March 2022 and no purchase obligations have been granted.

At 30 June 2019, the Group leased office space and office equipment under operating leases, see note 22. From 1 July 2019, such leases are recognised as right-of-use assets and corresponding lease liabilities in accordance to the adoption of AASB 16 Leases.

(iv) Other loans

Other loans represent a bunker facility from United Overseas Bank Singapore.

(v) Notes

On 11 April and 6 June 2017, Wellard issued tranche one and tranche two 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 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$400,000 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 on 30 June 2019 represents the value of the outstanding notes and accrued interest payable.

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

On 30 March 2020, following the proceeds from the sale of the vessel M/V Ocean Shearer, Wellard redeemed all remaining notes completing the redemption of all notes on issue. During the current financial year, a total of 15.5 million notes brought forward from the prior year were fully redeemed. Movement in convertible notes are shown in the consolidated statement of cash flows.

AS AT 30 JUNE	Currency	Financial year of maturity	2020 $'000	2019 $'000
LOANS AND BORROWINGS				
Secured				
Bank loan[1]	USD	2020	-	58,815
Borrowings[2]	USD	2022	18,921	29,576
Un-secured				
Lease liabilities	USD	2022	6,767	-
Lease liabilities	AUD	2021	18	
Other loans	USD	2020	-	1,567
Notes	USD	2020	-	22,756
Borrowing costs				
Deferred borrowing costs	USD	2020	-	(2,624)
			25,706	**110,090**

Notes:

1. *Secured bank loan was fully repaid in the year, following the sale of M/V Ocean Shearer.*
2. *On 19 August 2019, Wellard announced that it has reached an agreement to extend the repayment schedules until December 2021 (i.e. FY2022).*

The maturity profile of principal repayments is set out in Note 21(c).

12. CASH AND CASH EQUIVALENTS

AS AT 30 JUNE	2020 $'000	2019 $'000
Cash at bank and in hand	16,796	7,424
	16,796	**7,424**

Cash at bank earns interest at floating rates based on daily bank deposit rates.

13. RECONCILIATION OF CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of net profit/(loss) after tax to net cash flows from operating activities.

FOR THE YEARS ENDED 30 JUNE	2020 $'000	2019 $'000
Profit/(loss) after tax	245	(48,443)
Adjustment for:		
Depreciation and amortisation	13,094	16,157
Income tax expense	5	5,354
Interest income	(8)	-
(Reversal)/allowance for impairment loss	(992)	3,483
Net (gain)/loss on disposal of property, plant and equipment	(2,682)	533
Net gain on fair value of derivatives	-	(255)
Net loss on disposal of a subsidiary	218	-
Share-based payments expenses	-	(84)
Impairment expense	34	22,444
Inventories write-off	1,078	-
Loss on extinguishment of loan	2,452	-
Interest expense and borrowing costs	7,963	11,266
Unrealised foreign exchange losses	981	3,600
Reversal of deferred revenue	(7,946)	-
Change in assets and liabilities, net of the effects of purchase and of subsidiaries		
Change in trade and other receivables and other current assets	1,773	19,896
Change in inventories and biological assets	4,433	21,317
Change in trade and other payables and provisions	(1,805)	(13,911)
Change in deferred revenue	1,790	(10,987)
	20,633	**30,370**
Interest received	8	-
Income tax (paid)/returned	(35)	8
Net cash flows from operating activities	**20,606**	**30,378**

14. ISSUED CAPITAL

As at 30 June 2020, the share capital of Wellard amounting to $572,132,000 (2019: $572,132,000) ordinary shares issued and fully paid. 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 financial year 2020.

Movements in ordinary shares:

FOR THE YEARS ENDED 30 JUNE	2020 number	2019 number
ORDINARY SHARES		
Opening balance	531,250,312	531,250,312
Ordinary shares issued	-	-
Closing balance	**531,250,312**	**531,250,312**

15. INVENTORIES

AS AT 30 JUNE	2020 $'000	2019 $'000
Raw materials	1,338	4,247
Finished goods	-	350
	1,338	**4,597**

Inventories reported at the lower of cost and net realisable value. Write-downs of inventory to net realisable value during the year were $1,078,253 (2019: Nil). Refer to Notes 6(A) and 6(B).

16. BIOLOGICAL ASSETS

FOR THE YEARS ENDED 30 JUNE	2020 $'000	2019 $'000
LIVESTOCK		
Opening balance	1,941	18,264
Purchases	-	155,249
Fair value adjustments	-	(2,077)
Sales	(1,941)	(169,495)
Closing balance	-	**1,941**
LIVESTOCK		
Cattle	-	1,941
Closing balance	-	**1,941**

	number	**number**
LIVESTOCK		
Cattle	-	2,147

Cattle and sheep were 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 was recognised in the consolidated statement of comprehensive income during the year ended 2019.

At 30 June 2020, no cattle and sheep were held for trading.

Valuation of biological assets

In 2019, Wellard provide an indication about the reliability of the inputs used in determining fair value by classifying its biological assets into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Refer to Note 21(a)(ii) 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

<u>Level 2</u>: 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.

<u>Level 3</u>: 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. At 30 June 2019, livestock on the M/V Ocean Swagman have been recorded as Level 3.

Reconciliation of Level 3 Biological Assets:

FOR THE YEARS ENDED 30 JUNE	2020 $'000	2018 $'000
Opening balance	1,932	14,436
Purchases	-	1,932
Sales	(1,932)	(14,436)
Closing balance	-	**1,932**

17. TRADE AND OTHER RECEIVABLES

AS AT 30 JUNE	2020 $'000	2019 $'000
CURRENT		
Trade receivables	3,161	4,661
Allowance for impairment loss	(2,452)	(4,042)
Related party receivable	-	5
Other receivables	782	1,654
	1,491	**2,278**

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.

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

The ageing analysis of these trade receivables is as follows:

AS AT 30 JUNE	2020 $'000	2019 $'000
1 to 3 months	637	1,097
3 to 6 months	72	36
	709	**1,133**

Information on the Group's credit risk is disclosed in Note 21(b).

18. OTHER ASSETS

AS AT 30 JUNE	2020 $'000	2019 $'000
CURRENT		
Prepayments	1,578	1,774
Restricted cash	-	100
Fulfilment cost	-	8,530
	1,578	**10,404**
NON-CURRENT		
Deposits	846	139
	846	**139**

19. ASSETS HELD FOR SALE

FOR THE YEARS ENDED 30 JUNE	2020 $'000	2019 $'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**

Assets held for sale

Continuing the Group's restructure and recapitalisation program, on 4 July 2019, Wellard signed a term sheet with Heytesbury Holding Company Pty Ltd on the key terms and conditions for the sale and leaseback of the M/V Ocean Swagman for US$22.0 million.

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.

On 4 November 2019, Wellard completed the sale of the vessel. The sale agreement to Heytesbury includes a Bareboat Charter of the M/V Ocean Swagman for a fixed period ending 31 March 2021, with an option to extend until 31 March 2022. In accordance with AASB 16 Leases, the Bareboat Charter has created a right-of-use asset, equal to the lease liability during the year.

There are no assets held for sale as at 30 June 2020.

20. TRADE AND OTHER PAYABLES

AS AT 30 JUNE	2020 $'000	2019 $'000
CURRENT		
Trade payables	1,217	2,501
Sundry payables and accrued expenses	2,050	3,105
	3,267	**5,606**

Trade and other payables are non-interest bearing.

21. FINANCIAL RISK MANAGEMENT

Like all companies, Wellard is subject to a range of risks associated with its activity which 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. To carry out its business and achieve its objectives, Wellard needs to take risks but tries to do so by identifying, assessing, responding and monitoring them to ensure the Group's long-term success.

Wellard's financial risk management objective is to minimise the potential adverse effects on financial performance arising from changes in financial risk. Financial risks are managed centrally by Wellard's finance team under the direction of the Directors and the Board's Audit, Risk and Compliance Committee. The finance team regularly monitors Wellard's exposure to any of these financial risks and where practicable, takes steps to mitigate or manage certain risks. While mitigation steps are taken, these steps will not remove the risk but are aimed at reducing its impact in the short and longer-term.

This section provides qualitative and quantitative disclosure on the effects that those risks may have on the Group.

A) MARKET RISK

i) Chartering

Wellard is exposed to fluctuations in market freight rates in respect of vessels trading on the spot market. Particularly, when chartering-out vessels, the freight rates may be too low to ensure an adequate return or to cover costs. The following risk management strategies are applied: (i) the vessels trade on a worldwide basis to reduce the effect of different regional market conditions. (ii) Wellard pursues long-standing relationships of trust with its customers and tries to adapt its chartering policy to their requirements in order to support reciprocal and continuous value creation.

ii) 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 2020 $Nil (2019: $1.9 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. In the previous financial year, Wellard management managed this risk with commodity swaps and physical hedge to partially hedge its exposure to fuel price volatility.

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).

Wellard operates internationally and is exposed to foreign exchange risk arising predominantly from currency exposures to the US dollars which is the currency the Wellard's sales are mainly denominated in.

The purchase of livestock and related services in Australian dollars is subject to foreign exchange risk when sold to customers in US dollars.

Wellard operates its chartering activity in Singapore, whose the majority of its transactions are denominated in US dollars. The balance sheet translation risk is managed by designating borrowings in US dollars which act as a 'natural' hedge against movements in US dollars receivables from Australian sales.

The Group monitors its exposure to currency risk on a regular basis and 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 dollars. The financial assets and liabilities consist of cash and cash equivalents, trade and other receivables, trade and other payables, loans and borrowings. The table excludes loans to subsidiaries that are considered 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	2020 $'000	2019 $'000
Australian dollar	(8,092)	(68,648)
Brazilian real	-	(114)
Uruguayan peso	46	-
	(8,046)	**(68,762)**

Based on the Group's net financial 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	2020 $'000	2019 $'000
+10%	731	6,251
-10%	(894)	(7,640)

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 the consolidated statement of comprehensive income:

FOR THE YEARS ENDED 30 JUNE	2020 $'000	2019 $'000
Net foreign exchange loss/(gain) included in other (gains)/losses	1,471	3,511

iv) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial asset or financial liability will change as a result of changes in market interest rates. Wellard's exposure to market interest rate risk relates primarily to its loan and borrowings.

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.

Wellard's net interest rate exposure does not have a significant effect on the result; therefore, Wellard does not enter into interest rate swaps on debt instruments subject to floating interest rates. Lease liabilities carry interest at their fixed rates.

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

AS AT 30 JUNE	2020 $'000	2019 $'000
Loans and borrowings	-	60,382
Liabilities directly associated with assets held for sale	-	9,132
	-	**69,514**

Based on Wellard's 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	2020 $'000	2019 $'000
+0.1%	-	70
-0.1%	-	(70)

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	2020 $'000	2019 $'000
0 to 3 months	720	2,096
3 to 6 months	-	961
Over 6 months	2,441	1,604
	3,161	**4,661**

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, requiring letters of credit to partially secure payment in a number of jurisdictions and through a systematic credit assessment of counterparties and regular monitoring of their creditworthiness.

Each analysis results in an internal rating, which is subsequently used for determining the allowed scope of the commitment. The internal ratings are based both on a financial and a non-financial assessment of the counterparty's profile. In addition, trade receivable balances are monitored on a fortnightly basis by 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.

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

AS AT 30 JUNE	2020 $'000	2019 $'000
United States dollar	3,089	4,282
Australian dollar	72	249
Other	-	130
	3,161	**4,661**

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

FOR THE YEARS ENDED 30 JUNE	2020 $'000	2019 $'000
Opening balance	4,042	3,483
Allowance for impairment recognised during the year	64	3,483
Receivables collected during the year	(1,056)	-
Receivables written-off during the year as uncollectable	(598)	(2,924)
Closing balance	**2,452**	**4,042**

Impaired trade receivables

The impairment of the Group's financial assets that are subject to credit losses where the expected credit loss model has been applied is not material.

To measure the expected credit losses, the Company has applied the simplified approach to measure the lifetime expected credit losses for trade receivables using a provision matrix, estimated based on the Group's historical credit loss experience, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The Group has identified the Gross Domestic Product ("GDP") of the countries in which it operates to be the most relevant factors.

Receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in the consolidated statement of comprehensive income.

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	2020 $'000	2019 $'000
IMPAIRMENT LOSSES		
Individually impaired trade receivables	64	3,483
	64	**3,483**

C) LIQUIDITY RISK

Liquidity risk arises from Wellard's financial liabilities and the subsequent ability to repay the financial liabilities as and when they fall due.

In particular, Wellard's chartering activity is exposed to liquidity risk due to its exposure to the spot market. Freight rates earned might not be sufficient to cover its operating costs, required investments and financial commitments, leading to a reduction in cash balances.

As part of its financial planning process, Wellard manages the liquidity risk through an appropriate financial planning and liquidity risk management which are regularly reviewed and updated. Prudent liquidity risk management implies maintaining sufficient availability of funding through an adequate amount of cash and committed credit facilities to meet the Wellard's financial obligations.

Wellard manages its liquidity risk by monitoring and forecasting the total cash inflows and outflows expected on a fortnightly basis. The forecast includes projections of cash outflows from overhead and supplier payments, interest obligations, the repayment of debt facilities and capital expenditure when they fall due.

Maturities of financial liabilities

The following tables details for the years 2020 and 2019, respectively, Wellard's prospective cashflows for its financing liabilities based on contractual repayment terms. The tables have been drawn up on the basis of undiscounted cash-flows on the earliest date in which Wellard can be required to pay.

FOR THE YEAR 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
2020							
Non-interest bearing	3,267	-	-	-	-	3,267	3,267
Fixed rate	6,792	6,510	14,176	-	-	27,478	25,706
Variable rate	-	-	-	-	-	-	-
	10,059	**6,510**	**14,176**	**-**	**-**	**30,745**	**28,973**

FOR THE YEAR 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**

Working capital facility
Wellard's working capital facilities include bunker trade finance facility with United Overseas Bank (UOB) with a limit of US$4.0 million and credit card facility of S$0.2 million.

D) CAPITAL MANAGEMENT

Wellard's objectives in managing capital are to:
- safeguard Wellard's ability to continue as a going concern, so to provide returns for shareholders and benefits for other stakeholders;
- ensuring a satisfactory return is made on any new capital invested; and
- maintain an optimal capital structure to reduce the cost of capital.

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.

Wellard 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

22. PROPERTY, PLANT AND EQUIPMENT

AS AT 30 JUNE	SHEDS AND BUILDINGS $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000
2020			
Opening net book amount	162	138,988	139,150
Adoption of AASB 16	-	1,138	1,138
	162	140,126	140,288
Additions	46	11,537	11,583
Disposals	(15)	(76,317)	(76,332)
Disposals of a subsidiary	-	(1)	(1)
Foreign exchange revaluation	4	4,865	4,869
Depreciation expense	(67)	(12,594)	(12,661)
Closing balance	130	67,616	67,746
Cost	619	165,037	165,656
Accumulated depreciation and impairments	(489)	(97,421)	(97,910)
Closing balance	130	67,616	67,746

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	2,286	2,288
Disposals	(4,052)	(1,976)	(7,140)	(13,168)
Foreign exchange revaluation	-	8	10,653	10,661
Impairment expense	-	-	(20,421)	(20,421)
Depreciation expense	-	(127)	(15,585)	(15,712)
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

A) Property, plant and equipment with a carrying amount of $58,579,000 (2019: $138,584,000) are pledged as security for the current liabilities as disclosed in Note 11.

B) Leased assets – The Group as a lessee

(i) Nature of the Group's leasing activities

Property
The Group leases office space for the purpose of back office operations.

Equipment and vessel
The Group leases office equipment for back office operation and vessel to render chartering services.

(ii) Carrying amounts

The balance sheet shows the following amounts relating to leases:

ROU assets classified within the Plant and Equipment	30 June 2020 $'000	1 July 2019 $'000
Property	530	1,102
Equipment	12	36
Vessel	6,056	-
	6,598	**1,138**

Lease liabilities	30 June 2020 $'000	1 July 2019 $'000
Current	3,828	593
Non-current	2,957	545
	6,785	**1,138**

(iii) Depreciation during the year

The consolidated statement of comprehensive income shows the following amounts relating to leases:

Depreciation charge of right-of-use assets	2020 $'000	2019 $'000
Property	620	-
Equipment	23	-
Vessels	2,318	-
	2,961	-

(iv) Interest expense on lease liabilities during the financial year 2020 was $533,000.
(v) Lease expense not capitalised in lease liabilities – short-term leases was $162,000.
(vi) Total cash outflow for all the leases in 2020 was $3,278,000.
(vii) Additions of ROU assets during the financial year 2020 were $8,519,000.

23. INTANGIBLE ASSETS

AS AT 30 JUNE	GOODWILL $'000	SOFTWARE $'000	TOTAL $'000
2020			
Opening net book amount	36	3,046	3,082
Additions	-	30	30
Disposal of a subsidiary	-	(188)	(188)
Foreign exchange revaluation	(2)	7	5
Impairment expense	(34)	-	(34)
Amortisation expense	-	(433)	(433)
Closing balance	-	**2,462**	**2,462**
Cost	-	4,007	4,007
Accumulated amortisation	-	(1,545)	(1,545)
Closing balance	-	**2,462**	**2,462**

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	-	-	-	63	63
Disposals	-	(3,053)	-	(1)	(3,054)
Foreign exchange revaluation	20	3	-	(119)	(96)
Impairment expense	(445)	(1,325)	-	-	(1,770)
Amortisation expense	-	(43)	-	(402)	(445)
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**

Software consists of amounts spent on the implementation and maintenance of an enterprise resource planning system in use since May 2016. Software is amortised over ten years.

24. PROVISIONS

AS AT 30 JUNE	2020 $'000	2019 $'000
CURRENT		
Employee entitlements	174	439
	174	**439**
NON-CURRENT		
Employee entitlements	16	21
	16	**21**

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 $174,000 (2019: $439,000) is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations.

25. 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	2020 $'000	2019 $'000
Software – Implementation and license fee for chartering system	120	-
	120	**-**

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
Within 1 year	917
1 to 5 years	517
Greater than 5 years	-
	1,434

As at 30 June 2019, the Group's non-cancellable operating leases include IT equipment, office and accommodation which expires between one to twenty-nine months.

As disclosed in Note 4, the Group has adopted AASB 16 *Leases* on 1 July 2019. These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet as at 30 June 2020, except for short-term and low-value leases.

26. SUBSEQUENT EVENTS

There have been no significant events occurring since 30 June 2020. Reference is made to the Wellard Limited's website and ASX's announcements for any and all material disclosures which are required under ASX's listing rules.

27. SIGNIFICANT ITEMS

There are no other significant items to be disclosed for the financial year ended 30 June 2020.

28. CONTROLLED ENTITIES

(a) Subsidiaries

Subsidiaries are entities controlled by Wellard Limited. Wellard Limited controls an entity when it 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.

Interests held in controlled entities is set out below:

	COUNTRY OF INCORPORATION	2020 %	2019 %
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 Singapore Pte Ltd	Singapore	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[1]	Singapore	-	100
Ocean Swagman Pte Ltd[2]	Singapore	-	100
Wellard do Brasil Agronegocios Ltda	Brazil	100	100
Portimor SA	Uruguay	100	100
Best Hayvancilik Sanayi Ticaret AŞ	Turkey	100	100

Notes:

1. *Welltech Marine Pte Ltd was sold to Ishima Pte Ltd on 9 April 2020.*
2. *Ocean Swagman Pte Ltd was deregistered on 19 June 2020.*

(b) Disposal of a subsidiary

On 9 April 2020, the Group disposed off its 100% wholly-owned subsidiary, Welltech Marine Pte Ltd. The effects of the disposal on the cash flows of the Group were:

	Group At 9 April 2020 $'000
Carrying amounts of assets and liabilities as at the date of disposal:	
Trade and other receivables	6
Other assets	775
Property, plant and equipment	1
Intangible assets	188
Total assets	**970**
Other payables	804
Total liabilities	**804**
Net assets disposed of	**166**
Cash outflow arising from disposal:	
Cash proceeds on disposal	*
Less: Net assets disposed of (as above)	(166)
Loss on disposal	(166)
Costs related to disposal	(52)
Net loss on disposal	**(218)**

* Amount less than $1,000

29. 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 28(a).

(b) Key management personnel compensation

FOR THE YEARS ENDED 30 JUNE	2020 $'000	2019 $'000
Short-term benefits	2,064	3,718
Long-term benefits	30	94
Termination benefits	798	-
Post-employment benefits	48	111
Share-based payments	-	4
	2,940	**3,927**

Detailed remuneration disclosures are available in the Remuneration Report on page 39.

(c) Transactions with other related parties

FOR THE YEARS ENDED 30 JUNE	2020 $'000	2019 $'000
ENTITIES CONTROLLED BY KEY MANAGEMENT PERSONNEL		
Sales to	-	7
Purchases from	-	(84)
Lease payments made to	-	(314)

(d) Purchases from entities controlled by key management personnel

In the prior financial year, the Group acquired the following goods and services from entities that are controlled by members of the Group's key management personnel:

- rental of office buildings in 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	2020 $'000	2019 $'000
CURRENT RECEIVABLES (SALES OF GOODS AND SERVICES)		
Entities controlled by key management personnel	-	5
	-	5

30. 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	2020 $'000	2019 $'000
NET ASSETS		
Current assets	1,789	3,083
Total assets	26,051	88,952
Current liabilities	(1,395)	(1)
Total liabilities	(1,401)	(31,158)
Net assets	**24,650**	**57,794**

FOR THE YEARS ENDED 30 JUNE	2020 $'000	2019 $'000
EQUITY		
Issued capital	581,656	581,656
Share issue costs capitalised	(9,524)	(9,524)
Share based payment reserve	18,014	18,020
Accumulated losses	(565,496)	(532,358)
Total equity	**24,650**	**57,794**
Loss for the period	33,144	43,612
Total comprehensive loss	33,144	43,612

(b) Guarantees provided by the parent entity

At 30 June 2020, the parent entity had provided guarantees to support the banking facilities in Singapore and borrowings set out in Note 11.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2020 (2019: $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 28.

31. 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	2020 $'000	2019 $'000
(a) PricewaterhouseCoopers Australia		
Audit and review of financial statements	82	385
Other assurance services	-	10
Total remuneration of PricewaterhouseCoopers Australia	**82**	**395**
(b) Network firms of PricewaterhouseCoopers Australia		
Audit and review of financial statements	267	188
Other assurance services	18	14
Total remuneration of network firms of PricewaterhouseCoopers Singapore	**285**	**202**

32. 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 the 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
2020					
LTIP - 2019	3,250,000	-	(2,250,000)	-	1,000,000
	3,250,000	**-**	**(2,250,000)**	**-**	**1,000,000**

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. One entitled employee had left in prior year, followed by two entitled employees left during the financial year.

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.

33. RESERVES

AS AT 30 JUNE	COMMON CONTROL $'000	SHARE BASED PAYMENTS $'000	FOREIGN CURRENCY TRANSLATION $'000	TOTAL $'000
2020				
Opening balance	(411,017)	18,020	8,513	(384,484)
Current year movements	-	(6)	2,144	2,138
Closing balance	**(411,017)**	**18,014**	**10,657**	**(382,346)**
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)**

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 off.

Share based payments

Share based payments represent cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share based payments reserve is transferred to share capital. When the share options expire, the amount from the share-based payment reserve is transferred to retained earnings.

34. ACCUMULATED LOSSES

FOR THE YEARS ENDED 30 JUNE	2020 $	2019 $
Opening balance	(129,853)	(81,410)
Share options lapsed	6	-
Net profit/(loss) for the year	245	(48,443)
Closing balance	**(129,602)**	**(129,853)**

35. CONTINGENT ASSETS/LIABILITIES

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 M/V 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. Wellard is currently awaiting an award on preliminary issues, following a virtual hearing in May 2020. The decision is expected imminently.

Wellard has lodged its defence in response to a class action launched against the Company (see ASX announcement 10 March 2020). There is no indication from the class action claimant as to the quantum of the claim. It is not anticipated that any quantum will become apparent until the parties progress much further with various procedural and preparatory matters in respect of this litigation. No contingency has been raised in these accounts in respect of the class action. The Company has been asked by a number of shareholders whether it possesses Directors and officers (D&O) liability insurance. The specific arrangements Wellard has with its insurers are confidential, however, as would be expected of a listed public company, Wellard has various insurances in place to deal with a variety of risks and the Company would be expected to give ongoing consideration to its entitlements under any potentially relevant insurance.

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 2020 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 2020
- 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 (including Independence Standards)* (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 comments on the uncertainties on forecasting future cashflows and the requirement to extend or establish new 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.

Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of $0.9 million, which represents approximately 1% of the Group's 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 procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group total revenue because, in our view, it is the benchmark against which the performance of the Group is	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • Given that the Group's main operations, management and accounting records are located in Singapore, local auditors in Singapore assisted in performing audit procedures.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Impairment of non-current assets (vessels) – Accounting for Sri Lankan Project – These are further described in the *Key audit matters* section of our report, except for the matter which is described in the *material uncertainty related to going concern* section.

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most commonly measured.

- We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Key audit matters

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

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter(s) 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*
Impairment of non-current assets *(Refer to note 3D and note 22)*	

At 30 June 2020, the Group had $67.7 million of non-current assets the significant majority of which related to vessels. 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 as well as adverse economic conditions arising from the COVID-19 pandemic.
 	
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 external valuation performed by external parties as well as through value-in-use calculations determined using discounted cash flow projections.
 	
Based on the determined recoverable amounts, no impairment losses were recorded on the Group's vessel fleet for the year ended 30 June 2020.
 	
This was a key audit matter because of the significant judgement involved in considering impairment indicators and estimating the recoverable amounts of the vessels.
	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, and consideration of the adverse economic conditions arising from the COVID-19 pandemic.
	
	• In relation to the external valuation performed by external parties, we
	    ○ evaluated the competence, capabilities and objectivity of the management expert
	    ○ evaluated the scope and appropriateness of the management expert's work
	    ○ assessed whether the conclusion reached by the management expert is consistent with other audit evidence, including management's value in use calculations
	
	• In relation to the value in use calculations, we
	    ○ assessed the significant estimates and assumptions used in the cash-flow

Key audit matter	*How our audit addressed the key audit matter*
	calculations ○ assessed the appropriateness of the discount rate used, together with PwC valuation specialists. ○ evaluated these estimates and assumptions based on our knowledge of the business and performed sensitivity analyses. • Performed tests, on a sample basis, of the mathematical accuracy of the computations used in assessing the recoverable amount of the vessel fleet • Evaluated whether the disclosures were consistent with the requirements of Australian Accounting Standards.
Accounting for Sri Lankan Project *(Refer to note 3C) $7.9 million* During the year, the Group recognised a net gain of $7.9 million from the de-recognition of net contract liabilities in relation to a contract to deliver dairy cattle to Sri Lanka. As outlined in note 3C, the contract has now expired and there are no remaining enforceable performance obligations under the contract with no liability recognised as of 30 June 2020 as the Group has assessed that the probability of a future outflow of resources embodying economic resources to be remote. This was a key audit matter because of the significant judgement involved in derecognising the net contract liability during the period and impact on profit and loss reported in the financial report.	We performed the following procedures, amongst others: • Read the agreement and subsequent amendments between Group and the customer for the supply of dairy animals. • Obtained and read correspondence between the Group and the customer during the period. • Read legal advice obtained by the Group from external legal counsel. • Obtained written representations from management. • Evaluated whether, in view of the requirements of Australian Accounting Standards, the financial report provides adequate disclosures about the gain recognised and judgements involved.

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 2020, 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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 35 to 45 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Wellard Limited for the year ended 30 June 2020 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 August 2020

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 25 August 2020.

SUBSTANTIAL SHAREHOLDERS

No.	Shareholder	Number of shares held	% of all shares
1.	Hongkong Fulida International Trading Company Limited	130,094,894	24.49
2.	Heytesbury Pty Ltd	81,200,729	15.28
3.	BNP Paribas Nominees Pty Ltd	50,663,450	9.54
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 1,653 registered shareholders.

DISTRIBUTION OF SHAREHOLDING

The distribution of all shareholders is set out below.

Range	Total holders	Shares	% of all shareholders
1 - 1000	105	33,235	6.35
1001 - 5000	313	1,000,299	18.94
5001 – 10,000	270	2,168,192	16.33
10,001 – 100,000	701	25,825,902	42.41
100,001 and over	264	502,222,684	15.97
Total	**1,653**	**531,250,312**	**100**

UNMARKETABLE PARCEL

The minimum parcel size at 25 August 2020 is per unit is 10,204 shares.

There are 690 shareholders that hold unmarketable parcels.

An “unmarketable parcel” is a parcel of shares that is worth less than $500.

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.	Heytesbury Pty Ltd	81,200,729	15.28
3.	BNP Paribas Nominees Pty Ltd	50,663,450	9.54
4.	Innovation Bloom Limited	36,881,588	6.94
5.	Vine Street Investments Pty Ltd	19,848,049	3.74
6.	One Managed Invt Funds Ltd	15,118,909	2.85
7.	Citicorp Nominees Pty Limited	11,718,900	2.21
8.	Mr Rakesh Tulshyan	11,550,000	2.17
9.	HSBC Custody Nominees (Australia) Limited	9,229,526	1.74
10.	Mr Zixiao Zhao	5,700,000	1.07
11.	National Nominees Limited	4,029,573	0.76
12.	Mr Orlando Berardino Di Iulio & Ms Catharina Maria Koopman	3,837,676	0.72
13.	Brazil Farming Pty Ltd	3,500,000	0.66
14.	Ms Giovanna Boventi Faroni	3,180,895	0.60
15.	Dynamic Supplies Investments Pty Ltd	3,000,000	0.56
15.	Ms Xia Zhao	3,000,000	0.56
16.	HSBC Custody Nominees (Australia) Limited – A/C 2	2,790,758	0.53
17.	Mr Steven Boyd Taylor	2,675,093	0.50
18.	Velkov Funds Management Pty Ltd	2,500,000	0.47
19.	Mr David Allan Dixon & Ms Catherine Louise Ramm	2,192,341	0.41
20.	FLST Pty Ltd	2,161,590	0.41
	Total	**404,873,971**	**76.21**
	Balance of Register	**126,376,341**	**23.79**
	Grand Total	**531,250,312**	**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.

DIRECTORS

John Klepec
Executive Chairman

John Stevenson
Non-Executive Director

Kanda Lu
Executive Director

Philip Clausius
Non-Executive Director

COMPANY SECRETARY

Michael Silbert

AUDITORS

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SHARE REGISTRY

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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).