

**Wellard Group Holdings Pty Ltd**  
ABN 29 009 263 423

Annual Financial Report  
30 June 2014

**Wellard Group Holdings Pty Ltd**  
**30 June 2014**

Directors' Report	3
Auditor's Independence Declaration	8
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Statement of Cash Flows	12
Notes to the Financial Statements	13
Directors' Declaration	55
Independent Audit Report	56

# Wellard Group Holdings Pty Ltd and controlled entities

## Directors' Report

Your directors present their report on the company and its controlled entities ("the Group") for the financial year ended 30 June 2014.

The names of the directors in office at any time during, or since, the end of the year are:

Mauro Balzarini, Managing Director and CEO  
Ennio Tavani, Chairman  
Nainesh Jaisingh, Director (appointed 4 March 2014)  
Richard Pearce, Director (resigned 30 June 2014)  
Ravinder Singh Grewal, Director (resigned 14 January 2014)

Directors have been in office since the start of the financial year until the date of this report unless otherwise stated.

### Review of Operations

The statutory net profit after tax of the Wellard Group ("Wellard") for the financial year amounted to \$151,024 a turnaround of \$53,311,135 compared to the \$53,160,111 loss in 2013.

Wellard's financial performance for 2014 rebounded strongly, headlined by revenue growth (up 56%) and a 187% increase in Earnings before Interest Tax Depreciation and Abnormal items (EBITDA).

The Company's 2014 result was driven by the normalisation of market conditions in Wellard's largest division, Trading & Shipping, through greater numbers of livestock exported.

Importantly, the improved earnings were achieved against a backdrop of sustained strength in the Australian Dollar, which continued to trade above its long term average, and with three owned and operated vessels in the Wellard fleet. The addition of a fourth vessel on long term time charter will enable Wellard to capture additional freight and trading margins in the current financial year and beyond.

Strong international demand for cattle, particularly from Indonesia and Vietnam, underpinned Wellard's improved earnings and profit in 2014. In total, Wellard exported more than 330,000 live cattle (including Breeders), over 152,000 live sheep and almost six million kilograms of sheep meat, sourced from Australia, New Zealand and Brazil to countries spanning the globe including China, Indonesia, Israel, Jordan, Philippines, Venezuela and Vietnam.

More than 60% of Wellard cattle exports were to Indonesia, where the Company enjoys a 30% market share of total Australian cattle exports. The number of cattle exported to Indonesia by Wellard grew by 155% compared to 2013, as market conditions normalised after Indonesia scrapped its restrictive import quota system in favour of a more traditional market driven model. Wellard has also worked hard to establish a market leading position in the Vietnamese market, providing its expertise in the design of industry leading facilities and livestock management and husbandry practices, to account for more than half of all cattle traded between the two countries. Wellard exported more than 85,000 cattle to Vietnam in 2014, representing a 65% share of the total Australian cattle exports to that country.

Wellard's ability to service the increased demand for cattle highlights the mobile nature of the Company's assets, which can be deployed to areas where demand is highest, and the margin is greatest.

Wellard supports the positive impact from the Australian Governments' Export Supply Chain Assurance System (ESCAS) and has been working with customers to ensure their supply chains are robust and meet the required animal welfare standards. Importantly, many customers are witnessing positive results, such as improved efficiency, OH&S and meat eating quality from working with Wellard to implement these positive changes.

## Wellard Group Holdings Pty Ltd and controlled entities

### Directors' Report (continued)

Whilst the Middle East markets have not enjoyed the large growth of Asian markets, in 2014 Wellard exported approximately 150,000 sheep and 34,000 cattle to Middle Eastern countries, in addition to providing sheep meat from its Beaufort River Meats abattoir.

Wellard exported 9,000 dairy and beef breeding cattle to China in FY2014, in addition to providing shipping space to other exporters with the expectation that intergovernmental negotiations between Australia and China will lead to the development of an export protocol for slaughter and feeder cattle, and is expected to result in the number of animals exported to China to increase significantly. Wellard is ideally positioned to leverage its position as a market leader in the global export of livestock and as an existing, trusted supplier to establish a footprint in the China market. It is also expected that the number of dairy cattle exported will significantly increase with Wellard signing a 22,000 cattle contract with the government of Sri Lanka to be shipped during 2015 and 2016.

In accordance with its strategy to diversify its livestock supply base, Wellard has significantly expanded its operations in Brazil, home to the largest commercial herd of cattle in the world. Exporting over 30,000 cattle from Brazil to Venezuela, Wellard has expanded its customer market to the Middle East and North Africa via its Brazilian subsidiary.

Wellard's Processing and Distribution business unit continues to provide quality Australian lamb and sheep meat to international customers from its state of the art Beaufort River Meats abattoir in Kojonup, Western Australia. The Halal-certified facility processed almost 360,000 sheep and goats in 2014. The abattoir was recently accredited for export to China where Wellard will look to take advantage of the huge consumer demand for protein coming out of the world's most populous nation.

In the Company's Rural Production division, Wellard Agri Limited ("Agri"), a record tonnage was harvested at the conclusion of the 2013 cropping season. Almost 55,000 tonnes of grain was produced across WAL's three farming hubs in Kojonup, Watheroo and Dongara in Western Australia. Wellard also increased its farming footprint with the purchase of the additional farming land in close proximity to its established Dongara hub.

In addition, record revenues were achieved by the Wellard Claas Harvest Centres, the machinery dealership network operated by Wellard Rural Services Pty Ltd ("WRS") across Western Australia's Wheatbelt. A new dealership in Geraldton was opened and the Wongan Hills dealership was closed during the year as part of a management strategy to optimise returns.

#### Financial summary by business unit:

	FY14	FY13	FY14	FY13
Business Unit	Revenue (\$M)		EBITDA (\$M)	
Trading & shipping	401.1	256.3	47.2	22.4
Processing & distribution	35.4	18.8	0.7	0.1
Agri	27.3	19.9	4.8	1.4
Wellard Rural Services	21.3	16.1	(0.6)	(0.7)
Other	(0.9)	0.0	(5.6)	(6.9)
<b>Total</b>	<b>484.2</b>	<b>311.1</b>	<b>46.5</b>	<b>16.3</b>

During the year there was a significant step down in the Group's senior secured debt position which has been decreased by \$72m to \$241m. This was largely due to the cancellation of the construction contract for Hulls D1093 and D1094, for which Wellard was refunded US\$78.5m under its Refund Payment Guarantee by STX Shipyard as a result of the delay in construction of Hulls D1093 & 1094. Wellard incurred a one-off non-cash loss on the contract of \$8.8m. Funds received were used to repay the existing debt to financiers of the vessels under construction, with the residual applied to repaying corporate debt with Wellard's primary banker, Standard Chartered Bank (SCB).

## Wellard Group Holdings Pty Ltd and controlled entities

### Directors' Report (continued)

The Group was able to obtain a waiver from its banks in June 2014 that all covenants were not required to be measured and tested for compliance at 30 June 2014, and will be next tested for compliance on 31 December 2014.

During 2014, Wellard continued with its restructuring plan to divest non-core assets with the deregistration of entities connected to its Wellard Technologies business; the winding down of its Wellard Saudi Arabia subsidiary due to the closure of the Saudi market; and the disposal of a commercial property in Cottesloe.

#### **Reconciliation of Earning Before Interest, Tax, Depreciation and Abnormal items (EBITDA) to Net Profit After Tax (NPAT):**

	<b>FY14</b>	<b>FY13</b>
<b>EBITDA</b>	<b>\$46.5m</b>	<b>\$16.3m</b>
Depreciation & amortisation	(\$20.6m)	(\$16.9m)
Bad and doubtful debts	(\$0.8m)	(\$1.8m)
Group restructuring costs	(\$4.7m)	(\$2.7m)
Loan establishment costs	(\$1.5m)	(\$1.5m)
Loss on write down of assets under construction	(\$8.8m)	-
Profit on disposal of property, plant and equipment	\$0.8m	\$1.5m
Net interest expenses	(\$18.8m)	(\$17.8m)
Fair value adjustment for convertible Note	\$5.1m	(\$22.2m)
Impairment losses on investments	-	(\$10.4m)
Impairment losses on intangible assets	-	(\$1.5m)
Impairment of biological assets and inventory	-	(\$3.6m)
Impairment losses on property, plant and equipment	-	(\$4.3m)
Changes in fair value of freehold land	-	(\$3.9m)
Vessel dry docking expenses	(\$3.7m)	(\$1.1m)
Other non-recurring losses	(\$1.1m)	(\$0.5m)
Net unrealised foreign currency gains	\$4.4m	(\$7.2m)
Income tax benefit	\$3.4m	\$24.5m
<b>NPAT</b>	<b>\$0.2m</b>	<b>(\$53.1m)</b>

#### **Subsequent events**

Subsequent to the reporting date the Group acquired the MV Niuyang Express under a sale and leaseback agreement.

On 9 October 2014 a fire occurred on board the MV Ocean Drover resulting in damage to the accommodation and bridge area of the vessel. No livestock had been loaded on board at the time. One employee required hospitalisation for smoke inhalation but has subsequently been cleared of serious injury and released from hospital. Whilst a full detailed assessment of the financial consequences is still being made, it is confirmed that Wellard will fully recover the repair costs via activation of its Marine Insurance Policy. Management estimates that the vessel will remain out of the fleet for period of up to four (4) months in order to undertake the necessary repairs. Sufficient additional tonnage has been chartered to cover the shortfall caused by the absence of the vessel from its fleet while repairs are undertaken.

# **Wellard Group Holdings Pty Ltd and controlled entities**

## **Directors' Report (continued)**

### **Subsequent events (continued)**

In October 2014, in accordance with the convertible note subscription agreement, the Group gave notice to Standard Chartered Private Equity Ltd of its intention to extend the maturity date from the fourth to the fifth anniversary of the initial issue date.

In December 2014, Wellard and CBA agreed to enter into a Facility Agreement for \$35m, secured with a first ranking security over the Agri properties at Kojonup, Watheroo and Dongara, with a term of three (3) years. The funds will be used to repay senior debt with SCB. Concurrently, in December 2014, Wellard, and SCB agreed to terms on a new Term Loan Facility of up to US\$84m and a Revolving Credit Facility of up to US\$23m maturing in three (3) years.

In December 2014, the Group entered into a Sale and Leaseback agreement for the MV Ocean Drover. Final settlement of the agreement will take place in February 2015, with funds received as part of this agreement to be used by the Group to repay existing bank debt.

### **Dividends**

No dividends were paid or declared to shareholders during the year ended 30 June 2014 (2013: Nil).

### **Share Options**

No options over issued shares or interests in the company or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

### **Principal Activities**

The principal activities during the year of entities within the consolidated entity were:

- Livestock trading & shipping
- Broad acre cropping and Animal Production
- Distribution of farming machinery
- Meat Processing and Distribution

### **Significant changes in the state of affairs**

In December 2013, Wellard Rural Philippines Inc. was added to the Group as a wholly owned subsidiary.

### **Likely developments and expected results**

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the economic entity.

### **Compliance and regulations**

The economic entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory, or where this is the case, the company holds licenses and complies with such regulations. The Group did not materially breach any other significant legislation that affects its business operations.

### **Indemnities and insurance of directors and others**

Key man Insurance Policies were paid during the year for one director of the company. Directors' and officers' liability insurance premiums have been paid, during or since the end of the financial year, for any person who is or has been an officer of the company. The total cost of the insurance premiums for this policy was \$25,553 for the 2014 financial year.

## Wellard Group Holdings Pty Ltd and controlled entities

### Directors' Report (continued)

#### Indemnities and insurance of directors and others (continued)

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor of the company.

No person has applied for leave of court under Section 237 of the Corporations Act to bring proceedings on behalf of the company or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

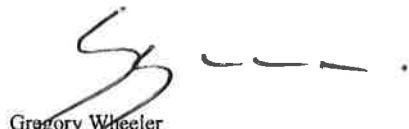
#### Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) and where noted (\$'000) under the option available to the company under ASIC CO 98/0100. The company is an entity to which the class order applies.

#### Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

Signed in accordance with a resolution of the Board of Directors:



Gregory Wheeler  
Company Secretary

Date: 29/01/2015



Ennio Tavani  
Director

Date: 29/01/2015



## Auditor's Independence Declaration

As lead auditor for the audit of Wellard Group Holdings Pty Ltd for the year ended 30 June 2014, 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 Group Holdings Pty Ltd and the entities it controlled during the period.

A handwritten signature in black ink that reads "Amanda Williams". The signature is fluid and cursive, with the first letters of the first and last names being capitalized.

Amanda Williams  
Partner  
PricewaterhouseCoopers

Perth  
29 January 2015



Statement of Comprehensive Income  
For the year ended 30 June 2014

	Note	Consolidated	
		2014	2013
		\$'000	\$'000
<b>Continuing Operations</b>			
Sales revenues		483,280	308,295
Services revenue		919	2,781
Revenue	3	484,199	311,076
Cost of sales	4	(389,892)	(251,672)
Gross profit		94,307	59,404
Other income	3	24,132	23,014
Finance costs	4	(19,721)	(40,153)
Depreciation and amortisation expenses		(20,624)	(16,855)
Administration expenses	4	(19,211)	(14,102)
Operating expenses	4	(34,004)	(30,827)
Other expenses	4	(28,091)	(58,180)
Loss from continuing operations before income tax		(3,212)	(77,699)
Income tax benefit	5	3,363	24,539
Net profit/(loss) for the period after tax		151	(53,160)
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be reclassified to profit or loss</i>			
Net fair value loss on freehold land	22	-	(15,279)
Income tax on items of other comprehensive income	22	(64)	4,584
Foreign currency translation	22	(778)	6,353
Other comprehensive loss for the period, net of tax		(842)	(4,342)
<b>Total comprehensive loss for the period</b>		(691)	(57,502)
<b>Profit/(loss) for the period attributable to:</b>			
Non-controlling interests		(2,683)	(104)
Owners of the parent		2,834	(53,056)
		151	(53,160)
<b>Total comprehensive income/(loss) for the period attributable to:</b>			
Non-controlling interests		(2,629)	131
Owners of the parent		1,938	(57,633)
		(691)	(57,502)

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

Statement of Financial Position  
As at 30 June 2014

		Consolidated	
	Note	2014	2013
		\$'000	\$'000
<b>Current Assets</b>			
Cash and cash equivalents	8	17,228	2,130
Trade and other receivables	9	45,798	54,308
Inventories	10	17,009	14,231
Biological assets	11	27,042	20,004
Other current assets	12	16,471	4,274
Current tax receivable	5	163	2,962
<b>Total Current Assets</b>		<b>123,711</b>	<b>97,909</b>
<b>Non Current Assets</b>			
Trade and other receivables	9	17,926	-
Available for sale financial assets	13	10	9
Property, plant and equipment	15	326,026	432,708
Intangible assets	17	11,497	4,356
Deferred tax assets	5	35,286	29,517
Investment properties	16	-	2,900
<b>Total Non Current Assets</b>		<b>390,745</b>	<b>469,490</b>
<b>Total Assets</b>		<b>514,456</b>	<b>567,399</b>
<b>Current Liabilities</b>			
Trade and other payables	18	72,605	48,227
Loans and borrowings	19	165,207	51,589
Provisions	20	1,350	1,134
<b>Total Current Liabilities</b>		<b>239,162</b>	<b>100,950</b>
<b>Non Current Liabilities</b>			
Trade and other payables	18	3,448	2,600
Loans and borrowings	19	216,474	402,970
Provisions	20	224	148
Deferred tax liabilities	5	9,440	9,055
<b>Total Non Current Liabilities</b>		<b>229,586</b>	<b>414,773</b>
<b>Total Liabilities</b>		<b>468,748</b>	<b>515,723</b>
<b>Net Assets</b>		<b>45,708</b>	<b>51,676</b>
<b>Equity</b>			
Issued capital	21	86,867	86,867
Reserves	22	9,047	9,878
Retained loss	23	(50,340)	(47,832)
<b>Parent Interest</b>		<b>45,574</b>	<b>48,913</b>
Non-controlling interests		134	2,763
<b>Total Equity</b>		<b>45,708</b>	<b>51,676</b>

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

**Statement of Changes in Equity**  
For the year ended 30 June 2014

	Note	Attributable to owners					Total
		Issued Capital	Retained Loss	Revaluation Reserve	Other Reserves	Non- controlling Interest	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated</b>							
Balance at 30 June 2012		86,867	5,276	33,100	(18,645)	2,632	109,230
Loss for the period		-	(53,056)	-	-	(104)	(53,160)
Other comprehensive income		-	-	(10,695)	6,118	235	(4,342)
<b>Total comprehensive income for the period</b>		-	(53,056)	(10,695)	6,118	131	(57,502)
Transactions with owners in their capacity as owners:							
Dividends paid	7	-	(52)	-	-	-	(52)
<b>Balance at 30 June 2013</b>		86,867	(47,832)	22,405	(12,527)	2,763	51,676
Profit/(loss) for the period		-	2,834	-	-	(2,683)	151
Acquisition of subsidiary		-	(5,276)	-	-	-	(5,276)
Other comprehensive income		-	(66)	99	(930)	54	(842)
<b>Total comprehensive income for the period</b>		-	(2,508)	99	(930)	(2,629)	(5,967)
Transactions with owners in their capacity as owners:							
Dividends paid	7	-	-	-	-	-	-
<b>Balance at 30 June 2014</b>		86,867	(50,340)	22,504	(13,457)	134	45,709

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

**Statement of Cash Flows**  
For the year ended 30 June 2014

	Note	Consolidated	
		2014	2013
		\$'000	\$'000
<b>Cash Flows from Operating Activities</b>			
Receipts from customers inclusive of GST		484,875	371,024
Dividends received		-	3
Interest received		330	654
Payments to suppliers and employees inclusive of GST		(452,223)	(369,717)
Finance costs		(19,791)	(19,319)
Income tax received		1,125	327
Net operating cash flows	24	14,316	(17,028)
<b>Cash Flows from Investing Activities</b>			
Proceeds from sale of property, plant & equipment		90,284	9,393
Purchase of property, plant and equipment		(8,082)	(61,809)
Purchase of investments		(12,951)	-
Purchase of intangible assets		(776)	(1,620)
Net investing cash flows		68,475	(54,036)
<b>Cash Flows from Financing Activities</b>			
Proceeds from borrowings		73,711	130,282
Payment of dividends		-	(356)
Repayment of borrowings		(141,404)	(60,997)
Net financing cash flows		(67,693)	68,929
Net increase/(decrease) in cash held		15,098	(2,135)
Cash at the beginning of financial year		2,130	4,265
<b>Cash at the end of financial year</b>	8	17,228	2,130

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

## Notes to the Financial Statements For the year ended 30 June 2014

### Note 1. Corporate Information

The financial report of Wellard Group Holdings Pty Ltd and its subsidiaries ("the Group") for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 29 January 2014. The directors have the power to amend and re issue the financial report.

Wellard Group Holdings Pty Ltd is a company limited by shares incorporated in Australia.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

#### Company Details

The registered office of the company is:  
Moore Stephens  
Level 3  
12 St Georges Terrace  
Perth WA 6000

The principal place of business is:  
Wellard Group Holdings Pty Ltd  
1A Pakenham Street  
Fremantle WA 6160

### Note 2. Accounting Policies

#### (a) Basis of preparation

The financial report has been prepared on a historical costs basis, except for investment properties, freehold land, derivative financial instruments and available for sale financial assets that have been measured at fair value, and biological assets that are measured at fair value less estimated point of sale costs.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

#### Going concern

As at 30 June 2014 the Group had a working capital deficiency of \$113,758,581 and total liabilities of \$468,747,623 which includes convertible notes with a redemption value of US\$157,292,980 maturing on 31 January 2016. Subsequent to year end the Group has refinanced current borrowings of \$138,093,582 which are now repayable in 2017 (note 27). The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due is dependent upon the Group having sufficient funds available to repay the convertible notes on the maturity date. The Directors have established detailed plans to ensure that the convertible notes can be repaid at maturity. These plans include generating additional cash flows through various activities such as the successful sale of non-core land holdings and the sale and lease back of the Drover vessel (concluded in December 2014) and/or a capital raising. These funds may be applied to redeem the convertible notes or repay existing long term debt.

Until such time that the Group has successfully carried out the necessary actions to generate additional cash flow, there is a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern post the redemption date of the convertible notes and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, the Directors are of the opinion that there are reasonable grounds to believe the group will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis.

## Notes to the Financial Statements

### For the year ended 30 June 2014

#### **(b) Statement of compliance**

These financial statements are general-purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards – Reduced Disclosure Regime, and comply with other requirements of the law.

The Group is a for profit, private sector entity which is not publicly accountable therefore, the consolidated financial report of the Group are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB-RDRs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

**(c) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

None of the listed standards are expected to have a material financial impact on the entity.

Reference	Title	Summary	Application date of standard*	Application date for Group*
IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation - Amendments to IAS 16 and IAS 38 #	The IASB has clarified that a revenue-based method should not be used to calculate the depreciation of property, plant and equipment. There is also now a rebuttable presumption that amortisation of intangible assets based on revenue is inappropriate except in limited circumstances. While the AASB has not yet made equivalent amendments to AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets, they are expected to be issued in the second half of 2014.	1 January 2014	1 July 2015
AASB 2014-1	Amendments to Australian Accounting Standards Part A: Annual Improvements 2010-2012 and 2011-2013 cycles	In June 2014 the AASB approved a number of amendments to Australian Accounting Standards as a result of the annual improvements project.	1 January 2014	1 July 2015
AASB 2012-3	Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 <i>Financial Instruments: Presentation</i> to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	1 July 2014
Interpretation 21	<i>Levies</i> <sup>a</sup>	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014	1 July 2014
AASB 1055**	<i>Budgetary Reporting</i>	This standard specifies budgetary disclosure requirements for the whole of government, General Government Sector (GGS) and not-for-profit entities within the GGS of each government.	1 July 2014	***
AASB 9	<i>Financial Instruments</i>	<b>AASB 2013-1 removes the requirements relating to the disclosure of budgetary information from AASB 1049 (without substantive amendment).</b> All budgetary reporting requirements applicable to public sector entities are now located in AASB 1055.  AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.  (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.  (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.  (c) Financial assets can be designated and measured at fair value through profit or loss at initial	1 Jan 2015	1 July 2015

Reference	Title	Summary	Application date of standard <sup>a</sup>	Application date for Group <sup>a</sup>
		<p>recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> <li>▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>▶ The remaining change is presented in profit or loss</li> </ul> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p><b>Further amendments were made by AASB 2012-6 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances.</b></p> <p><b>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</b></p>		

\* Designates the beginning of the applicable annual reporting period unless otherwise stated

\*\* Only applicable to not-for-profit/public sector entities

\*\*\* Only applicable for Government entities which are likely to have June year-ends, therefore the application date is likely to be 1 July

^ The AASB have not yet issued the Australian equivalent of this Interpretation.



## Notes to the Financial Statements For the year ended 30 June 2014

### **(d) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Wellard Group Holdings Pty Ltd and its subsidiaries as at 30 June 2014 each year ('the Group').

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances and transactions, income and expenses and profits and losses resulting from intra-group transactions have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. Investment in subsidiaries held by Wellard Group Holdings Pty Ltd are accounted for at cost in the separate accounting records of the parent entity less any impairment charges.

Non-controlling interests not held by the Group are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

### **(e) Foreign currency translation**

#### *(i) Functional and presentation currency*

The functional and presentation currency of Wellard Group Holdings Pty Ltd is Australian dollars (\$). The functional currency of each Group entity is measured using the currency of the primary economic environment in which that entity operates. Certain subsidiaries' functional currency is United States Dollars, Philippines Peso, Saudi Riyal and Brazil Real which is translated to the presentation currency (see below).

#### *(ii) Transaction and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge. These are presented on a net basis. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the profit or loss.

#### *(iii) Translation of Group Companies' functional currency to presentation currency*

The financial results and position of operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at the reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed.

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.

## Notes to the Financial Statements For the year ended 30 June 2014

### **(f) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term high liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

### **(g) Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 8 for further information about the Group's accounting for trade receivables. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

### **(h) Inventories**

Inventories in the statement of financial position comprise fuel, raw materials and finished goods.

Fuel, raw materials and finished goods are measured at the lower of cost and net realisable value.

- *Fuel* – purchase cost on a first-in, first-out basis.
- *Raw materials* – purchase cost on a first-in, first-out basis.
- *Finished goods and work-in-progress* – cost of direct materials, direct 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 completion and the estimated costs necessary to make the sale.

### **(i) Biological assets**

Biological assets in the statement of financial position comprise livestock and crops.

The cost of biological assets comprises all costs incurred in bringing the biological assets to their present location and condition. This includes but is not limited to the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), transport, handling and other costs directly attributable to the acquisition and maintenance of biological assets. Volume discounts and rebates are included in determining the cost of purchase.

Livestock comprises cattle, sheep and stud rams and are measured on initial recognition and at each reporting date at its fair value 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. Fair value increments or decrements are recognised in the profit or loss.

## Notes to the Financial Statements

### For the year ended 30 June 2014

#### (i) Biological assets (continued)

Crops comprising lupins, barley, wheat, oats, canola and feed are measured at their fair value less estimated point-of-sale costs. Fair value is determined by calculating the present value of future cash flows based on market determined prices. Where market determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unrealisable, the crops are measured at costs less any accumulated depreciation and any accumulated impairment losses. Once the fair value becomes reliably measurable, the crops shall be measured at their fair value less estimated point of sale cost. Changes in fair value less estimated point-of-sale costs of crops are recognised in the profit or loss in the year they arise.

The fair value of grain is determined by reference to market prices for grain in the local area, at the time of harvest. The initial recognition of grain is recognised in the profit or loss in the year of harvest. At the time of harvest, grain is recorded as inventory.

#### (j) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows have been discounted to their present values in determining recoverable amounts.

All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Class of Asset	Depreciation Rate
Buildings	2.5% - 20%
Plant & equipment	4.5% - 40%
Motor vehicles	15% - 50%
Aircraft	10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

## Notes to the Financial Statements For the year ended 30 June 2014

### **(j) Property, plant and equipment (continued)**

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains or losses are included in profit and loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

#### *Revaluation of land*

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

Any revaluation decrease is recognised in profit or loss, except to the extent that it offsets a previous revaluation increase for the same asset, in which case the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Upon disposal or de-recognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

### **(k) Investment properties**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are measured at fair value, which is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under Property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

### **(l) Investments and other financial assets**

#### *Classification*

Classification AASB139(45),(60) The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

## Notes to the Financial Statements

### For the year ended 30 June 2014

#### (I) Investments and other financial assets (continued)

##### (i) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

##### *Financial assets - reclassification*

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification. Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

##### *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

##### *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

##### (i) Available-for-sale financial assets

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

##### *Impairment*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial

## Notes to the Financial Statements

### For the year ended 30 June 2014

#### **(l) Investments and other financial assets (continued)**

recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

##### **(i) Assets classified as available-for-sale**

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

#### **(m) Derivative financial instrument**

The Group uses derivative financial instruments such as foreign currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. These derivatives do not qualify for hedge accounting and changes in fair value are recognised immediately in profit or loss in other revenue and expenses. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to the profit or loss.

#### **(n) Intangibles assets**

Intangible assets acquired separately are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or infinite. 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 financial year-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 function of the intangible asset.

##### *Goodwill*

Goodwill is measured as described in note 17. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it 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. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

## Notes to the Financial Statements

### For the year ended 30 June 2014

#### (n) Intangibles assets (continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

##### *Development costs*

Development costs are expensed as incurred. An intangible asset arising from development expenditure on is recognised when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how that asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expense benefit from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

##### *Intellectual property*

Intellectual property is recognised as an intangible asset when the Group can demonstrate that the intellectual knowledge and commercial "know how" essential to the management of a business unit is retained by the Group. The carrying value reflects the amounts paid historically in addition to market related rates in order to retain the staff required to operate the business unit.

##### *Client relationships*

Client relationships are recognised as intangible assets when the amounts paid to acquire existing businesses can be reliably assigned to intangible assets which relates directly to the access to specific customer markets as well as the legally compliant business processes, protocols and market information which enables the Group to sell its goods at the best possible market price and to retain its margin and market share.

A summary of the policies applied to the Group's intangible assets is as follows:

##### **Development costs**

Useful lives:

- Finite
- 1 year

Amortisation method used:

- Amortised from date brought to use on a straight line basis

Internally generated or acquired:

- Internally generated

Impairment testing:

- Annual as at 30 June for assets not yet available for use and more frequently when an indication of impairment exists.

##### **Intellectual property**

Useful lives:

- Finite
- 3 years

Amortisation method used:

- Amortised from date brought to use on a straight line basis

Internally generated or acquired:

- Acquired as a component of a going concern purchased

Impairment testing:

- Annual as at 30 June for assets not yet available for use and more frequently when an indication of impairment exists.

## Notes to the Financial Statements For the year ended 30 June 2014

### **(n) Intangibles assets (continued)**

#### **Client relationships**

Useful lives:

- Finite
- 5 - 10 years

Amortisation method used:

- Amortised from date brought to use on a straight line basis

Internally generated or acquired:

- Acquired as a component of a going concern purchased

Impairment testing:

- Annual as at 30 June for assets not yet available for use and more frequently when an indication of impairment exists.

Gains or losses arising from de-recognising of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

### **(o) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term. Lease incentives received are recognised as liability when received subsequently reduced by allocating lease payments between rental expense and reduction of the liability. Lease premiums paid are recognised as prepayment and are amortised in the statement of comprehensive income on a straight line basis over the lease term.

### **(p) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### **(q) Interest-bearing 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.

Borrowing costs are recognised as an expense when incurred. The Group does not currently hold qualifying assets, but, if it did, the borrowing costs directly associated with this asset would be capitalised.



## Notes to the Financial Statements For the year ended 30 June 2014

### **(q) Interest-bearing loans and borrowings assets (continued)**

Convertible notes are financial liabilities designated as measured at fair value through profit and loss at initial recognition. The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. Changes in fair value are included in other income in profit and loss (2013: Finance costs). Changes in fair value attributable to changes in the entity's credit risk are recorded in other comprehensive income.

### **(r) Provisions and employee benefits**

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will result and that outflow can be reliably measured.

Provision is made for the company's liability for the employee benefits arising from the services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

#### **Employee leave benefits**

##### *(i) Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. These are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

##### *(ii) Long service leave*

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken in to account.

### **(s) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **(t) Revenue**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

- (i) Sale of goods - recognised upon the delivery of goods to customers or when there is a transfer of risks and rewards to the customer and generally title has passed.
- (ii) Rendering of services - revenue is recognised upon the delivery of the service to the customer.
- (iii) Interest revenue - revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is 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.
- (iv) Dividends - revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and service tax (GST).

## Notes to the Financial Statements

### For the year ended 30 June 2014

#### **(u) Income tax and other taxes**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that the taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except when the deferred income tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affect neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilised.

Unrecognised deferred income tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow that deferred tax asset to be recovered.

Deferred income tax assets are measured at the tax rate that is expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred tax is recognised in profit or loss except to the extent it relates to items recognised in other comprehensive income or equity. In this case, tax is also recognised in other comprehensive income or equity.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### **Tax consolidation legislation**

Wellard Group Holdings Pty Ltd and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. Each entity in the Group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each Group entity is then subsequently assumed by the parent entity. The Group formed an income tax consolidated group from 1 July 2003. The tax consolidated group has entered a tax sharing arrangement.

#### **(v) Goods and service tax**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. 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.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

## Notes to the Financial Statements

### For the year ended 30 June 2014

#### **(w) Significant accounting judgements, estimates and assumptions**

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

The carrying amount of certain assets is often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

##### **Impairment of non-financial assets**

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

##### **Long service leave provisions**

The liability for long service leave is recognised and measure at the present value of the estimated future cash flows to be made in respect of all employees at reporting date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

##### **Estimation of useful lives of assets**

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

##### **Valuation of investments**

The Group has decided to classify investments in listed and unlisted securities as 'available-for-sale' investments and movements in fair value are recognised directly in equity. The fair value of listed shares has been determined by reference to published price quotations in an active market. The fair values of unlisted securities not traded in an active market are determined by projecting future cash inflows from expected future dividends and subsequent disposals of the securities. These cash flows are then discounted back to their present value using a pre-tax discount rate. Risks specific to the asset are reflected in the cash flows and not adjusted in the discount rate.

##### **Valuation of land**

Directors valuations have been used to assess the fair value of freehold land. Fair value has been determined based on the latest independent sworn valuations obtained by the directors not being more than two years preceding the reporting date.

##### **Valuation of biological assets**

Biological assets are measured on initial recognition and at each reporting date at its fair value 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.

Where market determine prices or values are not available and for which alternative estimates of fair value are determined to be clearly unrealisable, biological assets are measured at costs less any accumulated depreciation and any accumulated impairment losses. Once the fair value becomes reliably measurable, these assets shall be measured at their fair value less estimated point-of-sale costs.

##### **Valuation of convertible notes**

The fair value of the liability portion of the convertibles notes is determined by using a market interest rate for an equivalent unsecured debt instrument. The fair value of the debt is calculated by discounting the total estimated obligation at maturity by using the market interest rate.

## Notes to the Financial Statements For the year ended 30 June 2014

### Valuation of convertible notes (continued)

Management assesses the value of the conversion option at each year end based on the probability of such an event.

### Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the

- fair values of the assets transferred
- liabilities incurred
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

### (x) Parent entity financial information

The financial information for the parent entity, Wellard Group Holdings Pty Ltd, disclosed in note 25 has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### (i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Wellard Group Holdings Pty Ltd. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

#### (ii) Tax consolidation legislation

Wellard Group Holdings Pty Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Wellard Group Holdings Pty Ltd, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

## Notes to the Financial Statements

### For the year ended 30 June 2014

#### **Parent entity financial information (continued)**

In addition to its own current and deferred tax amounts, Wellard Group Holdings Pty Ltd Pty Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Wellard Group Holdings Pty Ltd for any current tax payable assumed and are compensated by Wellard Group Holdings Pty Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Wellard Group Holdings Pty Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The directors of the company will determine when the Group entities are repaid on an entity by entity basis for net taxation balances.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

#### *(iii) Financial guarantees*

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

Notes to the Financial Statements  
For the year ended 30 June 2014

**Note 3. Revenue**

	Note	Consolidated	
		2014	2013
		\$'000	\$'000
<b>(a) Sales revenue:</b>			
Sale of goods		479,077	303,966
Gain arising from change in fair value of biological assets		4,203	4,329
Services revenue		919	2,781
Total revenue		484,199	311,076
<b>(b) Other income:</b>			
Foreign exchange gains		17,175	20,911
Gain on disposal of property, plant and equipment		834	1,594
Other income		-	291
Convertible notes fair value adjustment		5,063	-
Interest	3(c)	1,060	218
		24,132	23,014
<b>(c) Interest income from:</b>			
Banks		1,060	218

Notes to the Financial Statements  
For the year ended 30 June 2014

**Note 4. Expenses**

	Note	Consolidated	
		2014	2013
		\$'000	\$'000
Cost of sales		389,892	251,672
<b>Finance costs:</b>			
External - Bank		19,721	17,971
External - Convertible notes		-	22,182
		19,721	40,153
<b>Operating expenses:</b>			
Bad and doubtful debts expense		3,441	1,813
Farming expenses		-	3,158
Labour costs	4(a)	22,501	20,290
Motor vehicle expenses		1,606	1,361
Repairs & maintenance		6,456	4,205
		34,004	30,827
<b>Administrative expenses:</b>			
Outside service expenses		3,924	3,589
Occupancy costs		3,731	3,112
General & admin costs		9,216	5,736
Travel expenses		2,340	1,665
		19,211	14,102
<b>Other expenses:</b>			
Restructuring costs		2,184	2,744
Loan establishment costs		1,527	1,518
Foreign exchange losses		15,118	29,838
Impairment losses on plant and equipment		-	4,261
Impairment losses on investments		-	10,382
Impairment losses on intangibles		-	1,506
Debt forgiveness		203	-
Loss on commodity swap		-	208
Loss on disposal of property, plant and equipment		8,784	177
Loss arising from change in fair value of freehold land		-	3,989
Loss arising from change in fair value of biological assets		275	2,730
Loss arising from writedown of inventories		-	827
		28,091	58,180
<b>4(a) Employee benefits expense:</b>			
Wages and salaries		14,972	14,297
Employee entitlements		5,339	3,895
Superannuation		1,220	1,176
Payroll tax		970	922
		22,501	20,290

Notes to the Financial Statements  
For the year ended 30 June 2014

**Note 5. Income tax expense**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Major components of income tax expense are:</b>		
Current tax	544	(47)
Deferred tax	(257)	(23,488)
Prior year losses recouped not previously brought to account	(3,650)	(1,004)
Under/(over) provision in respect of prior year	-	-
Income tax expense/(benefit) reported in the income statement	(3,363)	(24,539)
<b>Deferred tax relating to items charged or credited to equity:</b>		
Unrealised gains and losses on foreign currency translation	64	567
Unrealised gain and losses on asset revaluation reserves	-	(4,584)
	64	(4,017)
<b>The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:</b>		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2013: 30%)	(964)	(23,310)
<b>Add:</b>		
Tax effect of:		
Other non-allowable items	6,796	3,173
	5,832	(20,137)
<b>Less:</b>		
Tax effect of:		
Other non-assessable items	2,964	3,352
Effect of different rates of tax on overseas profit	(948)	46
Recoupment of prior year capital losses not previously brought to account	3,438	1,004
R & D tax offset	3,741	-
	9,195	4,402
Income tax attributable to entity	(3,363)	(24,539)
<b>Current</b>		
Income tax receivable	163	2,962



Notes to the Financial Statements  
For the year ended 30 June 2014

**Note 5. Income tax expense (continued)**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Deferred tax assets and liabilities</b>		
Deferred tax assets:		
Carry forward tax losses	13,316	12,297
Carry forward capital losses	957	183
Financial liabilities	5,135	6,654
R&D tax offset	10,313	2,830
Provisions and accruals	1,439	1,957
Financial assets	3,293	3,449
Foreign exchange	-	1,848
Borrowing costs	262	129
Other	571	170
<b>Total</b>	<b>35,286</b>	<b>29,517</b>
Deferred tax liabilities:		
Property, plant and equipment	5,431	5,873
Work in progress	3,022	2,750
Stock on hand	-	-
Foreign Exchange	779	324
Other	208	108
<b>Total</b>	<b>9,440</b>	<b>9,055</b>
<b>Recovery of deferred tax assets and liabilities</b>		
Deferred tax assets to be recovered within 12 months	2,277	2,149
Deferred tax assets to be recovered after more than 12 months	33,009	27,368
	<b>35,286</b>	<b>29,517</b>
Deferred tax liabilities to be recovered within 12 months	3,403	2,858
Deferred tax liabilities to be recovered after more than 12 months	6,037	6,198
	<b>9,440</b>	<b>9,056</b>

## Notes to the Financial Statements For the year ended 30 June 2014

### Note 5. Income tax expense (continued)

#### Tax Consolidation

Effective 1 July 2003, for the purposes of income taxation, Wellard Group Holdings Pty Ltd and its 100% owned subsidiaries formed a tax consolidated group. Members of the Group have entered into a tax funding agreement from 1 July 2005 in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should Wellard Group Holdings Pty Ltd default on its tax payment obligations. At the balance date, the possibility of default is remote.

The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the tax consolidation group in accordance with principles of AASB 112 'Income Taxes'. Allocations under the tax funding agreement are made at the end of each year.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries intercompany accounts with the tax consolidated group head entity, Wellard Group Holdings Pty Ltd. The Group has applied the separate taxpayer method within the Group in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

### Note 6. Auditors' Remuneration

	Consolidated	
	2014	2013
	\$'000	\$'000

The auditor of Wellard Group Holdings Pty Ltd is PricewaterhouseCoopers. (2013: Ernst & Young)

#### Remuneration of the auditor for:

Auditing or reviewing the financial report	168	130
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### Note 7. Dividends

	Consolidated	
	2014	2013
	\$'000	\$'000
Distribution paid - minority interests	-	52
	-	52

Notes to the Financial Statements  
For the year ended 30 June 2014

**Note 8. Cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and in hand	17,228	2,130

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.

**Note 9. Trade and other receivables**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Trade receivables	29,065	34,319
Other receivables	16,496	6,419
Other related parties	-	13,570
Derivatives	237	-
	45,798	54,308
	<b>\$'000</b>	<b>\$'000</b>
<b>Non current</b>		
Other related parties	17,926	-
	17,926	-

Trade and other receivables are non-interest bearing and are generally on 30-90 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. At 30 June 2014, included in trade receivables is an amount of USD\$17,930,559 (2013: USD\$32,738,739), Philippines Peso 80,573,864 (2013: 0) and Brazil Real 1,048,206 (2013: 0).

Loans to related parties are interest bearing. Interest is charged at a commercial arms length rate equal to the bank rate charged to Wellard Group Holdings Pty Ltd, thereby recovering the interest expense relating to the loan in full.

In the 2013 financial year related party loans were reported as a current receivable.

As at 30 June 2014, the company has not recorded a provision for bad or doubtful debts other than amounts already written off during the year as it considers all trade receivables to be fully collectable.

Notes to the Financial Statements  
For the year ended 30 June 2014

**Note 10. Inventories**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Raw materials and stores (i)	16,862	12,847
Finished goods	147	1,384
	<b>17,009</b>	<b>14,231</b>

**(i) Raw materials and stores, work in progress and finished goods**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

During the current financial year, there were no write downs of inventory to net realisable value.

Inventory with a carrying value of \$2,256,729 (2013: 3,941,706) is pledged as security for the trade asset finance liability as disclosed in note 19.

**Note 11. Biological Assets**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Livestock:		
Balance at beginning of the year	11,102	44,995
Purchases	276,991	204,072
Natural increases	866	860
Fair value adjustments	942	(2,730)
Sales	(272,699)	(236,095)
	<b>17,202</b>	<b>11,102</b>
Crops:		
Balance at beginning of the year	8,902	6,705
Additions up to point of harvest	1,548	637
Harvested	(10,960)	(7,342)
Additions	7,090	6,065
Fair value adjustments	3,260	2,837
	<b>9,840</b>	<b>8,902</b>
	<b>27,042</b>	<b>20,004</b>

Notes to the Financial Statements  
For the year ended 30 June 2014

**Note 11. Biological Assets (continued)**

The Company grows crops for domestic and international markets on Western Australian properties located at Kojonup, Watheroo and Dongara. Crops are harvested between October and December each year. At the reporting date the Company had approximately 23,455 (2013: 22,123) hectares of land planted in lupins, wheat, canola, field and chick peas, barley and oats.

At balance date the Group has approximately 68,096 sheep and stud rams (2013: 107,454) totalling \$3,968,370 (2013: \$6,826,419), and 22,821 cattle (2013: 6,773) totalling \$13,232,762 (2013: \$3,854,794).

Livestock comprises cattle, sheep and stud rams and are measured on initial recognition and at each reporting date at its fair value 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. Fair value increments or decrements are recognised in the profit or loss.

**Note 12. Other Assets**

	Consolidated	
	2014	2013
	\$'000	\$'000
<b>Current</b>		
Prepayments	15,335	1,842
Sundry deposits & bonds	1,054	1,992
Debt establishment fees	82	440
	16,471	4,274

Prepayments include an amount of US\$12,200,000 paid as a deposit for a new vessel. The vessel was acquired subsequent to the reporting date through a sale and leaseback agreement.

Notes to the Financial Statements  
For the year ended 30 June 2014

**Note 13. Investments and other financial assets**

	Consolidated	
	2014	2013
	\$'000	\$'000
Unlisted investments – at fair value		
Shares in related entities	-	-
Unlisted investments at fair value		
Units in unit trusts	10	9
<b>Total available for sale financial assets</b>	<b>10</b>	<b>9</b>

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

The valuation of unlisted available-for-sale investments has been estimated using valuations techniques based on assumptions, which are outlined in Note 2, that are not supported by observable market prices or rates. Management believes the estimated fair value resulting from the valuation techniques and recorded in the statement of financial position and the related changes in fair value recorded in equity are reasonable and most appropriate at the reporting date.

Notes to the Financial Statements  
For the year ended 30 June 2014

**Note 14. Controlled Entities**

Controlled Entities Consolidated	Country of incorporation	Percentage Owned (%)*	
		2014	2013
<b>Parent Entity:</b>			
Wellard Group Holdings Pty Ltd	Australia	100	100
<b>Subsidiaries of Wellard Group Holdings Pty Ltd:</b>			
Wellard Estates Pty Ltd	Australia	100	100
Wellard Feeds Pty Ltd	Australia	100	100
Wellard Commodities, Land and Transport Pty Ltd	Australia	100	100
Wellard Rural Exports Pty Ltd	Australia	100	100
Wellard Aviation Pty Ltd	Australia	100	100
Wellard International Pty Ltd	Australia	100	100
Wellard Agri Ltd	Australia	100	100
Wellard Technologies Ltd**	Australia	-	100
Wellard Enterprises Pty Ltd**	Australia	-	100
Wellard Rural Services Pty Ltd	Australia	100	100
Wellard Animal Production Pty Ltd	Australia	100	100
Wellard NZ Ltd	New Zealand	100	100
Wellard Rural Philippines Inc***	Philippines	100	-
Wellard Ships Pte Ltd	Singapore	100	100
Big Wheel Marine Pte Ltd	Singapore	100	100
Wellard do Brasil Agronegocios Ltda	Brazil	100	100
Wellard Saudi Trading Co Ltd	Saudi Arabia	75	75

\* Percentage of voting power in proportion to ownership

\*\* Derigistered during the financial year

\*\*\* Incorporated and entered the consolidated group during the financial year

Notes to the Financial Statements  
For the year ended 30 June 2014

**Note 15. Property, Plant & Equipment**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non Current</b>		
Freehold land – fair value	127,560	124,377
Sheds and buildings		
Cost	14,849	14,135
Accumulated depreciation and impairment	(2,607)	(2,261)
	12,242	11,874
Plant and equipment		
Cost	266,150	360,387
Accumulated depreciation and impairment	(79,926)	(63,930)
	186,224	296,457
<b>Total property, plant and equipment</b>	<b>326,026</b>	<b>432,708</b>

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Freehold land		
Balance at the beginning of year	124,377	140,729
Additions	3,183	2,917
Loss arising from fair value adjustments of freehold land	-	(3,989)
Fair value adjustments/reversals from the asset revaluation reserve	-	(15,280)
Disposals	-	-
Carrying amount at end of year	127,560	124,377
Sheds and buildings		
Balance at the beginning of year	11,874	10,596
Additions	714	8,151
Disposals	-	(6,800)
Exchange difference	-	325
Depreciation expense	(346)	(398)
Carrying amount at end of year	12,242	11,874



Notes to the Financial Statements  
For the year ended 30 June 2014

**Note 15. Property, Plant & Equipment (continued)**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Plant and equipment		
Balance at beginning of year	296,457	242,799
Additions	8,542	50,949
Disposals	(101,074)	(729)
Depreciation expense	(18,533)	(15,785)
Impairment expense	(71)	(4,261)
Exchange difference	903	23,484
Carrying amount at end of year	186,224	296,457

Property, plant and equipment with a carrying amount of \$326,025,995 (2013:\$432,707,893) are pledged as securities for the current and non-current liabilities as disclosed in note 19.

**Leased assets**

Plant and equipment includes the following amounts where the Group is a lessee under a finance lease:

	<b>2014</b>	<b>2013</b>
<b>Leasehold equipment</b>		
Cost	25,529	22,620
Accumulated depreciation	(1,366)	(199)
Net book amount	24,163	22,420

**Valuation basis**

In 2013, independent valuations of the all Wellard Group properties were performed by independent valuers to determine the fair value of the land and buildings. The valuation conforms to Australian valuation standards. The appraisal was in line with the current carrying value in the accounts, thus the current carrying value was determined to be the fair value of the property, with the exception of the Wellard Agri Ltd properties at the Grange, Kojonup and Watheroo. The Directors have concluded that they could not rely upon the independent valuations for these properties as a fair reflection of fair value and have opted to carry the properties at Director's valuation.

The fair value represents the amount at which the assets could be exchanged between knowledgeable willing buyer and a knowledgeable willing seller in an arms length transaction at the date of valuation. In determining fair value, the expected net cash flows applicable to each property have been discounted to their present value using a market determined, risk-adjusted, discount rate applicable to the respective asset.

Notes to the Financial Statements  
For the year ended 30 June 2014

**Note 16. Investment Properties**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non Current</b>		
Investment properties at fair value as per valuation	-	2,900
Carrying amount at beginning of period	2,900	2,900
Disposals	(2,900)	-
Fair value adjustments, net	-	-
Carrying amount at end of period	-	2,900

**Valuation basis**

The investment property was disposed of in December 2013.

In 2013, the investment property is carried at fair value. The fair value represents the amount at which the assets could be exchanged between knowledgeable willing buyer and a knowledgeable willing seller in an arms length transaction at the date of valuation. In determining fair value, the expected net cash flows applicable to each property have been discounted to their present value using a market determined, risk-adjusted, discount rate applicable to the respective asset.

Notes to the Financial Statements  
For the year ended 30 June 2014

**Note 17. Intangible assets**

	Consolidated					
	Website branding	Goodwill	Development costs	Intellectual property	Client relationships	Total
Non current assets	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended 30 June 2014</b>						
Opening net book amount	59	1,620	37	-	2,640	4,356
Additions	-	-	2,068	1,500	-	3,568
Acquisition of business	-	5,338	-	-	-	5,338
Amortisation and impairment charge	-	(267)	(21)	(818)	(659)	(1,765)
Closing net book amount	59	6,691	2,084	682	1,981	11,497
<b>At 30 June 2014</b>						
Cost	59	6,958	2,134	1,500	3,300	13,952
Accumulated amortisation and impairments	-	(267)	(50)	(818)	(1,319)	(2,455)
Net book amount	59	6,691	2,084	682	1,981	11,497

In December 2013, the Group acquired 100% of the shares in Wellard Rural Philippines Inc. Included in the assets of this business was the existing client relationships, commercial knowledge and business processes which is crucial to the export of cattle to South East Asia which was recognised as Goodwill.

In the 2013 financial year, the Group acquired Beaufort River Meats as a going concern and Goodwill of \$1,620,000 was recognised as the difference between the net assets and the cost of acquiring the business.

Development costs consists of an identifiable intangible asset representing the technical knowledge and design specifications for the construction of a new livestock carrier vessel including quality control, inspections and testing undertaken by specialists in naval design.

Intellectual property represents the incremental employment costs paid in a addition to market rates in order to retain expertise relating to the commercial know how specific to the management and operation of the Beaufort River abattoir.

In July 2012 the Group acquired a business for \$3,300,000 including the client relationships, existing compliance processes and protocols crucial to live export of cattle to China which was recognised as an intangible asset.

Management has assessed the carrying values of intangible assets and is of the opinion that no amounts are required to be impaired at 30 June 2014.

The useful lives and valuation methods of the above intangible assets are disclosed in note 2(m).

Notes to the Financial Statements  
For the year ended 30 June 2014

**Note 18. Trade and Other Payables**

	Consolidated	
	2014	2013
	\$'000	\$'000
<b>Current</b>		
Unsecured liabilities		
Trade payables	51,481	38,072
Sundry payables and accrued expenses	19,965	7,062
Other related parties	11	-
Derivative liability	-	3,093
Deferred settlement	1,148	-
	72,605	48,227
<b>Non current</b>		
Unsecured liabilities		
Trade payables	-	2,600
Deferred settlement (i)	3,448	-
	3,448	2,600
<b>Total Current and Non Current</b>	<b>76,053</b>	<b>50,827</b>

Trade and other payables are non-interest bearing and are normally settled on 14-30 day terms.

Loans to related parties are non-interest bearing and receivable on demand.

The amount reported as non current trade payables in the 2013 financial year is reported as a non current deferred settlement in the 2014 financial year

**(i) Deferred settlement of land and business acquisitions**

At the beginning of the year	2,600	-
Arising during the year	2,396	2,600
Amounts used	(400)	-
Balance at end of the year	4,596	2,600

A payable has been recognised in Wellard Agri Ltd for the deferred settlement of land purchased in March 2014. The total purchase price of \$3,000,000 is to be settled in the following increments: \$800,000.00 upon signing the contract, \$1,000,000 and stamp duty of \$148,415 on 31 January 2015, \$1,200,000 on 31 January 2016. Additionally, settlement costs of \$48,000 payable in January 2016 relating to the acquisition has been recognised as a provision.

A provision of \$2,200,000 has been recognised in Wellard Animal Production Pty Ltd for the deferred settlement of Beaufort River Meats abattoir purchased in February 2013. As at 30 June 2014, Wellard has made the first two payments totalling \$2,900,000. As at the reporting date, the Vendor had fulfilled their requirements (Conditions Precedent) to the Sale Agreement by lodging an application with the local government authorities for a sub-division of the property where BRM is situated. Furthermore Wellard has taken the position on the likelihood of Conditions Subsequent being met, and accordingly has recognised the provision for the balance of the Purchase Price, being A\$2,200,000 to be paid upon completion of the Land Sale Agreement.

Notes to the Financial Statements  
For the year ended 30 June 2014

**Note 19. Loans and Borrowings**

	Note	Consolidated	
		2014	2013
		\$'000	\$'000
<b>Current</b>			
Bank loans - secured	19(b)	150,480	44,573
Hire purchase liabilities - secured	19(b)	1,268	158
Other related parties - unsecured	19(b)	11,767	6,858
		163,515	51,589
<b>Non current</b>			
Bank loans - secured	19(b)	65,681	243,424
Trade asset finance** - secured	19(b)	1,858	3,382
Convertible notes - unsecured	19(a)	128,800	134,941
Hire purchase liabilities** - secured	19(b)	21,826	21,223
		218,165	402,970
<b>Total Current and Non Current</b>		381,681	454,559

**19 (a) Convertible notes**

<b>Non current</b>			
Opening balance		134,941	101,790
Transaction costs		(895)	(714)
Foreign exchange		(182)	11,683
Fair value adjustment		(5,064)	22,182
		128,800	134,941

The convertible notes were issued in January 2011 at par value of US\$105,820,858.

The notes are convertible into 1,765,741 shares at a rate of one share for every one convertible note, in an initial public offering or trade sale where the holder achieve the higher of a 10% internal rate of return on their holdings, or the return from a market capitalisation of at least US\$375m.

Included in convertible notes is a balance to related parties. The convertible notes balance includes convertible notes issued to related parties for \$27,871,002 (2013: \$29,388,434). The terms and conditions are consistent for all convertible note holders.

The carrying value of the convertible note is measured by using an industry accepted net present value model to discount future cash flows to its present value.

Management deems the conversion event to be most unlikely at the reporting date based on the value of the option if converted to equity as the redemption value on maturity will exceed this.

In October 2014, in accordance with the convertible note subscription agreement, the Group gave notice to all noteholders of its intention to extend the maturity date from the fourth to the fifth anniversary of the initial issue date.

**Finance leases**

The Group leases various plant and equipment with a carrying value of \$24,163,034 (2013: \$22,420,316) under finance leases expiring within two to six years. At the expiration of the lease term the Group will acquire ownership of the leased assets.

Notes to the Financial Statements  
For the year ended 30 June 2014

**Note 19. Loans and Borrowings (continued)**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>**Hire purchase commitments</b>		
Payable - minimum lease payments not later than 12 months	3,667	2,148
Between 12 months and 5 years	12,333	10,056
More than 5 years	21,530	22,675
Minimum lease payments	37,530	34,878
Less: future interest charges	(12,576)	(13,497)
Present value of minimum lease payments	24,954	21,381

**19 (b) Terms and debt repayments schedule**

Terms and conditions of outstanding loans were as follows:

				<b>2014</b>	<b>2013</b>
<b>Name</b>	<b>Currency</b>	<b>Nominal interest rate</b>	<b>Year of maturity</b>	<b>Carrying amount</b>	<b>Carrying amount</b>
<i>Secured</i>					
Secured bank loans	AUD	BBR + 4.5%	2015	28,000	36,000
Secured bank loans	AUD	BBR + 4.5%	2015	96,529	99,867
Secured bank loans*	AUD	BBR + 4.5%	2014	-	7,267
Secured bank loans	USD	LIBOR + 4.5%	2015	13,564	7,338
Secured bank loans	USD	LIBOR + 1.65%	2022	20,565	23,473
Secured bank loans	USD	LIBOR + 3.1%	2022	18,154	-
Secured bank loans*	USD	LIBOR + 3.5%	2014	-	60,234
Secured bank loans	USD	LIBOR + 3.3%	2016	18,615	24,534
Secured bank loans	USD	1.88%	2017	18,319	19,169
Secured bank loans*	AUD	BBR + 2.5%	2014	-	8,000
Secured bank loans	USD	2.7% - 4.95%	2015	2,416	2,116
Trade Asset finance	AUD	3.15% - 8.85%	2018	1,858	3,382
Hire purchase liability	USD	7.05%	2028	23,094	21,380
<i>Unsecured</i>					
Convertible notes	USD	2-5%	2016	128,800	134,941
Other related parties	USD	14.50%	2015	11,767	6,858
				<b>381,681</b>	<b>454,559</b>

The secured bank loans are secured over property, plant and equipment with a carrying value of \$326,025,995 (2013: \$432,707,893) detailed in Note 15.

The loan from a related party consists of a US\$11,000,000 loan. This loan is unsecured and interest is charged at a market rate for the category of debt, repayable during the year ending 30 June 2015.

The Group obtained waivers from its banks in June 2014, that all covenants were not required to be measured and tested for compliance at 30 June 2014.

As noted in Subsequent events, in December 2014 the Group undertook a restructuring of its existing financing arrangements. The newly agreed terms and conditions include financial covenants that will be tested for compliance at 30 June 2015.

Trade asset finance is secured over inventory with a carrying value of \$2,256,729 (2013: \$3,941,706 ).

\* Secured bank loans repaid in full during the current financial year.

Notes to the Financial Statements  
For the year ended 30 June 2014

**Note 20. Provisions**

	Consolidated	
	2014	2013
	\$'000	\$'000
<b>Current</b>		
Employee entitlements	1,350	1,134
	1,350	1,134
<b>Non Current</b>		
Employee entitlements	224	148
	224	148
<b>Total provisions</b>	<b>1,574</b>	<b>1,282</b>

**(a) Movement in provisions**

Employee entitlements		
At the beginning of the year	1,282	1,657
Arising during the year	958	434
Amounts transferred	-	91
Amounts used	(666)	(900)
Balance at end of the year	1,574	1,282

**(a) Nature and timing of provisions**

**Provisions for employee entitlements**

A provision has been recognised for employee entitlements related to annual and long service leave for employees. 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. The measurement and recognition criteria for employee benefits have been included in note 2.

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. The entire amount of the provision of \$1,349,785 (2013: \$1,134,010) is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	2014	2013
	\$	\$
Current leave obligations expected to be settled after 12 months	284	237

Notes to the Financial Statements  
For the year ended 30 June 2014

**Note 21. Issued Capital**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Ordinary shares</b>		
At beginning of reporting period	57,618	57,618
Shares issued during the year	-	-
At the end of reporting period	57,618	57,618
<b>Convertible redeemable preference shares</b>		
At beginning of reporting period	29,249	29,249
Shares issued during the year	-	-
At the end of reporting period	29,249	29,249
<b>Total issued capital</b>	<b>86,867</b>	<b>86,867</b>

The company has authorised share capital amounting to 3,080,000 (2013: 3,080,000) ordinary shares issued and fully paid.

Movements in ordinary shares:

	<b>2014</b>	<b>2013</b>
	<b>Number</b>	<b>Number</b>
At the beginning of reporting period	3,080,000	3,080,000
Shares issued during year	-	-
At the end of reporting period	3,080,000	3,080,000

Movements in convertible redeemable preference shares:

	<b>2014</b>	<b>2013</b>
	<b>Number</b>	<b>Number</b>
At the beginning of reporting period	29,249,104	29,249,104
Shares issued during year	-	-
At the end of reporting period	29,249,104	29,249,104

**Terms and Conditions**

Redemption rights - the minimum value of all redemptions in any year is the lesser of A\$3m or 50% of the Group's profit for the year. The redemption is at the discretion of the Directors.

Dividends - the convertible redeemable shares are not entitled to an individual until converted to ordinary shares.

Conversion - the convertible redeemable shares can be converted to one ordinary share for 59.93 redeemable shares. The shares that have not been converted at conversion date will be converted to ordinary shares on 30 June 2022.



Notes to the Financial Statements  
For the year ended 30 June 2014

**Note 22. Reserves**

	<b>Consolidated</b>		
	Land revaluation reserve	Foreign currency translation reserve	<b>Total reserves</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Year ended 30 June 2014</b>			
Opening balance	22,405	(12,527)	9,878
Deferred tax: current year	99	-	99
Currency translation differences: current year	-	(930)	(930)
Closing balance	22,504	(13,457)	9,047

*Land revaluation reserve*

The land revaluation reserve is used to record increments and decrements on the revaluation of land owned by the Group. In the event of a sale of an asset, any balance in this reserve in relation to the asset is transferred to retained earnings.

*Foreign currency reserve*

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of, see accounting policy note 2 (j) for details.

**Note 23. Retained Earnings**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Retained earnings/(losses) at the beginning of the year	(47,832)	5,276
Net profit/(loss)	2,768	(53,056)
Acquisition of subsidiary	(5,276)	-
Total	(50,340)	(47,780)
Dividends paid	-	(52)
Balance at the end of the year	(50,340)	(47,832)

Notes to the Financial Statements  
For the year ended 30 June 2014

**Note 24. Cash Flow Statement Reconciliation**

	Consolidated	
	2014	2013
	\$'000	\$'000
Reconciliation of net profit after tax to net cash flows from operations:		
Profit/(loss) after tax	151	(53,160)
<i>Non cash flows in profit:</i>		
Depreciation & amortisation	20,624	16,855
Non controlling interest	2,683	104
Bad and doubtful debts	3,441	1,813
Net loss/ (gain) on disposal of property, plant and equipment	7,950	(1,419)
Net loss on commodity swap	-	208
Change in fair value of inventories and biological assets	(3,928)	(772)
Impairment losses on plant & equipment	-	4,261
Impairment losses on investments	-	10,382
Impairment losses on intangibles	-	1,506
Change in fair value of freehold land	-	3,989
Interest (revenue)/expense - convertible notes	(5,063)	22,182
 (b) Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
Change in trade and other receivables	(9,415)	(22,122)
Change in inventories and biological assets	(9,816)	29,416
Change in other current assets	(12,197)	(1,971)
Change in net deferred tax assets/liabilities, net of tax effect on asset revaluation reserve	(5,384)	(28,072)
Change in trade and other payables	24,978	147
Change in provisions	292	(375)
	14,316	(17,028)

## Notes to the Financial Statements For the year ended 30 June 2014

### Note 25. Parent Entity

Information relating to the parent entity of the Group, Wellard Group Holdings Pty Ltd:

	Parent	
	2014	2013
	\$'000	\$'000
Current assets	3,723	251,188
Non current assets	341,820	114,458
Total Assets	345,543	365,646
Current liabilities	153,551	55,665
Non current liabilities	166,662	271,840
Total liabilities	320,213	327,505
Net Assets	25,330	38,141
Issued capital	86,867	86,867
Retained earnings	(61,537)	(48,726)
Total Equity	25,330	38,141

### Note 26. Related party transactions

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

### Note 27. Subsequent events

Subsequent to the reporting date the Group acquired the MV Niuyang Express under a sale and leaseback agreement.

On 9 October 2014 a fire occurred on board the MV Ocean Drover resulting in damage to the accommodation and bridge area of the vessel. No livestock had been loaded on board at the time. One employee required hospitalisation for smoke inhalation but has subsequently been cleared of serious injury and released from hospital. Whilst a full detailed assessment of the financial consequences is still being made, it is confirmed that Wellard will fully recover the repair costs via activation of its Marine Insurance Policy. Management estimates that the vessel will remain out of the fleet for period of up to four (4) months in order to undertake the necessary repairs. Sufficient additional tonnage has been chartered to cover the shortfall caused by the absence of the vessel from its fleet while repairs are undertaken.

In October 2014, in accordance with the convertible note subscription agreement, the Group gave notice to Standard Chartered Private Equity Ltd of its intention to extend the maturity date from the fourth to the fifth anniversary of the initial issue date.

In December 2014, Wellard and CBA agreed to enter into a Facility Agreement for \$35m, secured with a first ranking security over the Agri properties at Kojonup, Watheroo and Dongara, with a term of three (3) years. The funds will be used to repay senior debt with SCB. Concurrently, in December 2014, Wellard, and SCB agreed to terms on a new Term Loan Facility of up to US\$84m and a Revolving Credit Facility of up to US\$23m maturing in three (3) years.

In December 2014, the Group entered into a Sale and Leaseback agreement for the MV Ocean Drover. Final settlement of the agreement will take place in February 2015, with funds received as part of this agreement to be used by the Group to repay existing bank debt.

Notes to the Financial Statements  
For the year ended 30 June 2014

**Note 28. Financial risk management**

<b>Risk</b>	<b>Exposure arising from:</b>	<b>Measurement</b>	<b>Management</b>
Market risk - foreign exchange	Future commercial transactions	Cash flow forecasting	Forward foreign exchange contracts
Market risk - interest rate	Long-term borrowings at variable rates	Sensitivity analysis	None
Credit risk	Trade receivables	Ageing analysis	Committed credit lines and prepaid orders
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecast	Availability of committed credit lines and borrowing facilities

The Group's risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

*(a) Market risk*

Group companies are required to hedge their foreign exchange risk exposure using forward contracts transacted with Group treasury. The Group treasury's risk management policy is to hedge between 75% and 95% of anticipated cash flows (mainly export sales) in US dollars for the committed receipts of US Dollars from clients as soon as a sales contract is finalised and scheduled delivery of goods can be reliably forecast. Approximately 90% (2013 – 90%) of projected sales qualify as 'highly probable' forecast transactions for hedge accounting purposes.

The US dollar denominated bank loans are expected to be repaid with receipts from US dollar denominated sales. The foreign currency exposure of these loans has therefore not been hedged.

*Instruments used by the Group*

The South East Asian operations generates all of its revenue in US Dollars and accounts for the largest percentage of Group revenue. In order to protect against exchange rate movements, the Group enters into forward exchange contracts to sell US dollars. These contracts are hedging highly probable forecasted sales for the ensuing weeks. The contracts are timed to mature when payments for major shipments of component parts are scheduled to be made.

Commodity hedging: The Group uses forward contracts to hedge price risk relating to the cost of bunkering for its vessels.

*Amounts recognised in profit or loss and other comprehensive income*

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

	<b>2014</b>	<b>2013</b>
<i>Amounts recognised in profit or loss</i>		
Net foreign exchange gain/(loss)	2059	(8,926)
Total net foreign exchange (losses) recognised in profit before income tax for the period	2059	(8,926)
<i>Net gains (losses) recognised in other comprehensive income (note 22)</i>		
Translation of foreign operations and net investment hedges	(778)	6,353
Total net foreign exchange (losses) recognised in other comprehensive income before income tax for the period	(778)	6,353

## Notes to the Financial Statements For the year ended 30 June 2014

### Note 28. Financial risk management (continued)

#### (b) Credit risk

##### *Impaired trade receivables*

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

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

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments (more than 60 days overdue).

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

##### *Management*

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

##### *Amounts recognised in profit or loss*

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

	2014	2013
<i>Impairment losses</i>		
- individually impaired trade receivables	739	1813
- loan write downs due to restructuring	2905	1033
	<u>3644</u>	<u>2846</u>

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when it falls due.

##### *Management*

Due to the dynamic nature of the underlying businesses, Group treasury manages liquidity risk by forward planning net cash positions for a twenty six (26) week period. Management monitors rolling cash forecasts of the Group's liquidity position including interest obligations, the repayment of debt facilities and capital expenditure when these fall due.

Cash requirements: Rolling cash forecasts are carried out at individual entity level and includes foreign currencies. This is generally carried out at in the operating companies of the Group in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining its debt financing structure.

Notes to the Financial Statements  
For the year ended 30 June 2014

**Note 29: Business combinations**

On 31 December 2013, Wellard Rural Philippines Inc. was acquired by the Wellard Group. Wellard Rural Philippines Inc. is a company incorporated in the Republic of the Philippines and its core business activities are the operation of a slaughter cattle feedlot and abattoir. All assets and liabilities were acquired at fair value and are listed below in AUD:

Current assets	\$1,632,560
Non-current assets	<u>\$2,624,350</u>
Total assets	\$4,256,910

Current liabilities	\$2,977,960
Non-current liabilities	<u>\$261,878</u>
Total liabilities	\$3,239,838

A loan to Wellard Holdings Pte Ltd for \$5,558,744 was forgiven as a purchase consideration for Wellard Rural Philippines Inc.

Excluded from current liabilities is an amount of \$5,896,033 which is payable to Wellard Group Holdings Pty Ltd, a related party and the ultimate parent entity of the Wellard Group which eliminates in full on consolidation of the Group.

## Directors' Declaration

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

In the opinion of the directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the year ended on that date; and
  - (ii) Complying with the Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations), Corporations Regulations 2001, and other mandatory professional reporting requirements.
- (b) There are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Gregory Wheeler  
Company Secretary

Perth  
Date: 29/01/2015



Ennio Tavani  
Director

Perth  
Date: 29/01/2015



## **Independent auditor's report to the members of Wellard Group Holdings Pty Ltd**

### ***Report on the financial report***

We have audited the accompanying financial report of Wellard Group Holdings Pty Ltd (the company), which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Wellard Group Holdings Pty Ltd Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

### ***Directors' responsibility 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 – Reduced Disclosure Requirements 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 is free from material misstatement, whether due to fraud or error.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### ***Independence***

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

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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## **Independent auditor's report to the members of Wellard Group Holdings Pty Ltd (cont'd)**

### *Auditor's opinion*

In our opinion, the financial report of Wellard Group Holdings Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

### *Material Uncertainty Regarding Continuation as a Going Concern*

Without qualifying our opinion, we draw attention to Note 1 in the financial report which comments on the ability of the group to continue as a going concern being dependent on the group having sufficient funds available to repay convertible notes with a redemption value of US\$157,293 million which become repayable on 31 January 2016. This condition, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

A large, stylized handwritten signature of 'PricewaterhouseCoopers' in black ink.

PricewaterhouseCoopers

A large, stylized handwritten signature of 'Amanda Williams' in black ink.

Amanda Williams  
Partner

Perth  
29 January 2014