

Wellard Group Holdings Pty Ltd
ABN 29 009 263 423

Annual Financial Report
30 June 2015

Wellard Group Holdings Pty Ltd
30 June 2015

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	54
Independent Auditor Report	55

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 2015.

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

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

Company Secretary:
Gregory Wheeler

Review of Operations

The Group's statutory profit was affected by the non-cash accounting treatments of its Convertible Note and net unrealised foreign exchange losses from balance sheet adjustments of the Group's foreign assets/liabilities. These two accounting adjustments totalled \$62.4 million. As a result, statutory Net Profit After Tax for Wellard Group was a loss of \$69.8 million (2014 - \$0.2 million profit).

The accounting treatment outlined above was primarily due to the fair value restatement of Wellard's Convertible Note instrument of \$31.2 million and net unrealised foreign currency losses for restatement of various foreign denominated asset and liability balances of \$31.2 million which are denominated in US Dollars.

Additional detail on these non-cash accounting adjustments is provided below.

Both Wellard Group ("Wellard" or "the Group") and its Livestock marketing & export business unit achieved record revenues in FY2015, enabling the Group to report an EBITDA of \$38.2 million, aided by a \$43.5 million EBITDA contribution from the Livestock marketing & export business unit.

The record revenues recorded by Wellard and its Livestock marketing & export business unit were driven by record volumes for cattle exports, which was in turn created by strong international demand, particularly from Indonesia and Vietnam, where Wellard is a market leader. In FY2015 Wellard also exported cattle and sheep to China, Israel, Jordan, Oman, Philippines, Sri Lanka and Venezuela.

This strong result was achieved despite the negative impacts created by a fire on board the Group's largest vessel, the MV Ocean Drover, in October 2014. The fire caused the loss of operational activity of that vessel through to March 2015. At the time of the fire there were no livestock on board and all crew were safely taken off the vessel. One crew member was treated in hospital for a minor injury. While the vessel was undergoing repairs and upgrades, Wellard redeployed some of its capacity and incurred extra cost of feeding and chartered third party transport to fulfil commitments made to customers. This resulted in significant associated costs and lost margin.

Building on stable market conditions in the livestock export business, Wellard invested in a fourth livestock vessel, completing the acquisition of the MV Ocean Ute in June 2014. This helped Wellard to successfully manage both the unavailability of the MV Ocean Drover and also some unscheduled repairs on other vessels in the fleet, which resulted in higher than normal repairs and maintenance costs. While these costs impacted the FY2015 financial results, they have the long-term benefit of upgrading the vessels with the consequential extension of their useful life.

As part of diversification strategy Wellard continues to explore new market opportunities. In August 2015 Wellard signed a ground breaking deal with the Chinese Fulida Group, to form a Joint Venture to supply and market Australian cattle and beef in China.

Wellard Group Holdings Pty Ltd and controlled entities

Directors' Report (continued)

Wellard is continuing to expand its operations in South America as a secondary supply base. It has been exporting cattle from Brazil to service customer markets in Venezuela and the Middle East, with further plans to expand its supply base in the region to include Uruguay and Colombia.

Wellard has further plans in 2016 to increase its fleet of livestock infrastructure assets to respond to increasing demand, mainly from China. The Group has entered into agreements to acquire a fifth vessel (MV Ocean Shearer), which will be completed in China and is expected to be delivered in March 2016. The Group has also signed an order for a sixth vessel (MV Ocean Kelpie) which will be custom built to deliver livestock internationally. Additionally, in September 2015 Wellard acquired a parcel of land at Livingstone, Northern Territory, where it plans to develop a new pre-export quarantine facility within the vicinity of the key Darwin Port.

Wellard's ability to service the increased international demand for cattle highlights the significant skills of its management and the ability to take advantage of the mobile nature of its assets, which can be deployed to supply areas where demand is highest, and the margin is greatest. It also reflects its ability to take advantage of its market diversification strategy.

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 and better control of meat quality, from working with Wellard to implement these positive changes.

Wellard also 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 through its Wellard Animal Production Pty Ltd ("WAP") subsidiary. Wellard considers this an important part of its strategy by allowing Wellard to offer customers the diversity of live and processed red meat products, and continues to make investments in this area to expand its capabilities.

In Wellard's Rural Production subsidiary, Giovi Limited, gains from improving livestock and wool prices partially offset lower grain production primarily due to unseasonal hot in-season growing conditions at its Dongara farming hub. Subsequent to year end, WAL changed its name to Giovi Limited ("Giovi"). Wellard also completed the sale of its Wellard Rural Services ("WRS") farm machinery distribution business, called Claas Harvest Centres, in June 2015, as it was no longer considered strategic to the Group's vision and to allow management to focus on the core activities of its Livestock Marketing & Export business unit.

As stated above, Wellard was required to account for two non-cash balance sheet adjustments in its P&L for FY2015. The first adjustment was the AUD restatement of Wellard's USD-denominated Convertible Note, specifically the AUD adjusted value of the note through interest accrued in the financial year. This increase in liability was valued at \$31.4 million on the balance sheet, which was subsequently recorded as a loss through the P&L.

The second adjustment was for net unrealised foreign exchange gains/losses of the Group's foreign assets/liabilities. A large amount of Wellard's debt, and some of its assets, including debtors, is USD denominated. Accounting standards require the change in the AUD carrying value of the assets and liabilities to be recorded on the balance sheet.

Due to the fall in the Australian Dollar from US Dollar 0.9420 on 30 June 2014 to 0.7680 on 30 June 2015, Wellard's debt liability in Australian Dollar terms increased by the same proportion. As Australian accounting standards also require this balance sheet adjustment to be accounted for in the Group's P&L, this required Wellard to book a \$31.2 million loss on unrealised foreign currency gains/losses through its P&L.

Combined, these two adjustments contributing significantly to the statutory loss recorded by the combined entity.

Wellard Group Holdings Pty Ltd and controlled entities

Directors' Report (continued)

During the year Wellard, via its agricultural subsidiary, Giovi Ltd, entered into an agreement with the Commonwealth Bank of Australia ("CBA") for a Credit Facility for \$35 million, secured with a first ranking security over the Giovi Ltd properties at Kojonup, Watheroo and Dongara, with a term of three (3) years. The funds would be used to repay senior debt with Standard Chartered Bank. Concurrently, Wellard, via its Wellard Rural Exports Pty Ltd subsidiary, has agreed with Standard Chartered Bank to restructure its credit facility with a new Term Loan Facility of up to US\$84 million and a Revolving Credit Facility of up to US\$23 million maturing in three (3) years. These facilities are secured by first ranking security over Wellard-owned properties in Baldivis, Hazelmere and the Northern Territory, and secondary position over the aforementioned Giovi Ltd land.

Subsequent events

In September 2015 Wellard created Wellard Limited, as part of a broader intention to conduct a potential Initial Public Offering for some of its subsidiaries within the Livestock marketing & export business unit. Wellard is undertaking a restructure of the existing group so that the ownership of selected subsidiaries will be transferred from Wellard Group Holdings Pty Ltd to Wellard Limited, which could potentially be listed on the Australian Securities Exchange. Should Wellard proceed with this option, UBS and Deutsche Bank are underwriting this as Joint Lead Managers. The offer would be conducted to provide Wellard with the financial flexibility to execute its identified growth initiatives and longer term strategy, and repay existing debts within the wider Wellard Group.

In August 2015 Wellard announced it has signed ground breaking new deal with the Chinese Fulida Group, to form a Joint Venture to supply and market Australian cattle and beef in China. In addition, Fulida Group provided funds to Wellard in exchange for a right to convert the debt owed to it by Wellard into shares by way of a transfer of shares from Wellard for up to US\$27.8 million in Wellard Limited at any time before March 2016.

In October 2015 Wellard acquired a parcel of land in Livingstone, Northern Territory, on which it plans to develop its own pre-export quarantine facility within the vicinity of the key Darwin Port.

On 18 August 2015, a subsidiary of the group entered into a construction contract with a shipyard for a total amount of US\$7,950,000, with an expected delivery of completed vessel in April 2016. Upon the exportation of the vessel, a tax deposit of US\$5,538,000 (RMB35,000,000) will be claimed by the shipyard on behalf of the subsidiary.

Dividends

No dividends were paid or declared to shareholders during the year ended 30 June 2015 (2014: Nil).

Share Options

No options over issued shares or interests in the Group 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 marketing & export
- Broad acre cropping and Animal Production
- Distribution of farming machinery
- Meat Processing and Distribution

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.

Wellard Group Holdings Pty Ltd and controlled entities

Directors' Report (continued)

Compliance and regulations

The economic entity's operations are regulated by the Department of Environment & Conservation. The Group has not had any material breaches of this legislation. The Group did not materially breach any other significant legislation which 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 Group. 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 \$52,968 for the 2015 financial year (2014: \$25,553).

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 Group or to intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group 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 Group 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: 18/11/2015

A handwritten signature in black ink, appearing to be 'G. Wheeler'.

Ennio Tavani
Director

Date: 18/11/2015

A handwritten signature in black ink, appearing to be 'Ennio Tavani'.



Auditor's Independence Declaration

As lead auditor for the audit of Wellard Group Holdings Pty Ltd for the year ended 30 June 2015, 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'.

Amanda Williams
Partner
PricewaterhouseCoopers

Perth
18 November 2015

Statement of Comprehensive Income

For the year ended 30 June 2015

		Consolidated	
	Note	2015	2014
		\$'000	\$'000
Continuing Operations			
Sales revenue		560,586	483,280
Services revenue		2,256	919
Revenue	3	562,842	484,199
Cost of sales	4	(464,062)	(389,892)
Gross profit		98,780	94,307
Other income	3	28,882	24,132
Finance costs	4	(57,106)	(19,721)
Depreciation and amortisation expenses		(28,573)	(20,624)
Administration expenses	4	(23,002)	(19,211)
Operating expenses	4	(38,734)	(34,004)
Other expenses	4	(73,459)	(28,091)
Loss from continuing operations before income tax		(93,212)	(3,212)
Income tax benefit	5	23,364	3,363
Net (loss)/profit for the period after tax		(69,848)	151
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss</i>			
Income tax on items of other comprehensive income	20	714	(64)
Foreign currency translation	20	12,420	(778)
Other comprehensive profit/(loss) for the period, net of tax		13,134	(842)
Total comprehensive loss for the period		(56,714)	(691)
(Loss)/profit for the period attributable to:			
Non-controlling interests		-	(2,683)
Owners of the parent		(69,848)	2,834
		(69,848)	151
Total comprehensive (loss) for the period attributable to:			
Non-controlling interests		-	(2,629)
Owners of the parent		(56,714)	1,938
		(56,714)	(691)

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

Statement of Financial Position

As at 30 June 2015

		Consolidated	
	Note	2015	2014
		\$'000	\$'000
Current Assets			
Cash and cash equivalents	7	19,823	17,228
Trade and other receivables	8	56,818	45,798
Inventories	9	10,141	17,009
Biological assets	10	29,537	27,042
Other current assets	11	4,419	16,471
Current tax receivable	5	-	163
Total Current Assets		120,738	123,711
Non Current Assets			
Trade and other receivables	8	47,089	17,926
Available for sale financial assets	12	22	10
Property, plant and equipment	14	390,687	326,026
Intangible assets	15	8,522	11,497
Deferred tax assets	5	58,756	35,286
Total Non Current Assets		505,076	390,745
Total Assets		625,814	514,456
Current Liabilities			
Trade and other payables	16	92,124	72,606
Current tax payable	5	23	-
Loans and borrowings	17	477,018	163,515
Provisions	18	1,416	1,350
Total Current Liabilities		570,581	237,471
Non Current Liabilities			
Trade and other payables	16	-	3,448
Loans and borrowings	17	57,038	218,165
Provisions	18	369	224
Deferred tax liabilities	5	8,836	9,440
Total Non Current Liabilities		66,244	231,277
Total Liabilities		636,824	468,748
Net Assets		(11,010)	45,708
Equity			
Issued capital	19	86,867	86,867
Reserves	20	22,181	9,047
Retained loss	21	(120,188)	(50,340)
Parent Interest		(11,140)	45,574
Non-controlling interests		130	134
Total Equity		(11,010)	45,708

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

Statement of Changes in Equity
For the year ended 30 June 2015

	Attributable to owners					Total
	Issued Capital	Retained Loss	Revaluation Reserve	Other Reserves	Non- controlling Interest	
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated						
Balance at 30 June 2013	86,867	(53,108)	22,405	(12,527)	2,763	46,400
Profit/(loss) for the period	-	2,834	-	-	(2,683)	151
Other comprehensive income	-	(66)	-	(831)	54	(842)
Total comprehensive income for the period		2,768	-	(831)	(2,629)	(691)
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	-	-	-	-
Balance at 30 June 2014	86,867	(50,340)	22,405	(13,358)	134	45,709
Loss for the period	-	(69,848)	-	-	-	(69,848)
Other comprehensive income	-	-	-	13,134	-	13,134
Total comprehensive income for the period		(69,848)	-	13,134	-	(56,714)
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	-	-	(4)	(4)
Balance at 30 June 2015	86,867	(120,188)	22,405	(224)	130	(11,010)

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

Statement of Cash Flows

For the year ended 30 June 2015

		Consolidated	
	Note	2015	2014
		\$'000	\$'000
Cash Flows from Operating Activities			
Receipts from customers inclusive of GST		540,917	484,875
Payments to suppliers and employees inclusive of GST		(515,718)	(452,223)
Finance costs		(31,471)	(19,791)
Interest received		495	330
Income tax received		-	1,125
Net operating cash flows	22	(5,777)	14,316
Cash Flows from Investing Activities			
Proceeds from sale of property, plant & equipment		1,271	90,284
Purchase of property, plant and equipment		(41,297)	(8,082)
Purchase of investments		-	(12,951)
Purchase of intangible assets		-	(776)
Net investing cash flows		(40,026)	68,475
Cash Flows from Financing Activities			
Proceeds from borrowings		138,875	73,711
Repayments of borrowings		(90,477)	(141,404)
Net financing cash flows		48,398	(67,693)
Net increase/(decrease) in cash held		2,595	15,098
Cash at the beginning of financial year		17,228	2,130
Cash at the end of financial year	7	19,823	17,228

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

Notes to the Financial Statements

For the year ended 30 June 2015

Note 1. Corporate Information

The financial report of Wellard Group Holdings Pty Ltd and its subsidiaries ("the Group") for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the directors on 18 November 2015. 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 and principal place of business of the company 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 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 2015 the consolidated group had a working capital deficiency of \$449.843 million (2014: \$113.760 million). The current year working capital deficiency includes \$267.455 million of third party borrowings that have been classified as current liabilities. For the reporting period, the consolidated group has been able to meet all its interest and principal payment obligations associated with the third party debt, however the group had certain breaches under several bank debt and asset finance agreements which has rendered the borrowings to be classified as current liabilities. At reporting date, the financiers have not waived their right to call the debts. Furthermore, the consolidated group's working capital deficiency includes convertible notes due for expiry on 27 January 2016 with a redemption value of \$204.8 million. Notwithstanding these factors, the financial report has been prepared on a going concern basis with the continuing viability of the Company and its ability to continue as a going concern and meet its debt commitments as they fall due dependent upon the consolidated group being successful in;

- obtaining standstill agreements from financiers to allow continual use of the bank debt that has been breached in addition to continual operation and use of vessels under finance
- raising capital through a potential Public Offering by a new Wellard Limited Group. The Public Offering process is well advanced and is planned for release in November/December 2015 and will provide sufficient cash flow to the consolidated group to repay a portion of the outstanding bank debt and convertible notes;

If the IPO is not successful then;

- obtaining standstill agreements from financiers to allow continual use of the bank debt that has been breached in addition to continual operation and use of vessels under finance
- Accessing alternative financing options by way of private equity capital injections or refinancing existing borrowings, and/or;
- Potential asset sales by the consolidated group to release cash flow to the Company

As a result of the matters, there is a material uncertainty that may cast significant doubt on the consolidated group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in this financial report. However, the directors are of the opinion that

Notes to the Financial Statements

For the year ended 30 June 2015

Going concern (continued)

there are reasonable grounds to believe the consolidated group will be successful in the above measures and accordingly, have prepared the financial report on a going concern basis. No adjustments have been made relating to the recoverability or classification of recorded assets and liabilities that might be necessary should the group not continue as a going concern.

(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 2015 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.

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2014-1	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 July 2016	1 July 2016
AASB 14	AASB 14 Regulatory Deferral Accounts	The AASB has issued an interim standard on the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). This standard will only be applicable to entities that apply AASB 1 as first-time adopters of Australian Accounting Standards. It permits such entities to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts. This standard only affects first-time adopters and hence will not need to be mentioned in the AASB 108(30) disclosures by Australian entities that already report under Australian Accounting Standards.	1 January 2016	1 July 2016
AASB 2014-4	AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of acceptable methods of depreciation and amortisation	The AASB 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. There's no material impact on the company.	1 January 2016	1 July 2016
AASB 15	AASB 15 Revenue from contracts with customers	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 January 2017), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.	1 January 2017	1 July 2017
AASB 2015	<i>AASB 2015 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle</i>	In January 2015 the AASB approved a number of amendments to Australian Accounting Standards as a result of the annual improvements project.	1 January 2016	1 July 2016

(c) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2015-2	<i>AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101</i>	In January 2015, the AASB made various amendments to AASB 101 as part of the Disclosure Initiative which explores how financial statement disclosures can be improved. The amendments clarify guidance in AASB 101 on materiality and aggregation, presentation of subtotals, structure of financial statements and disclosure of accounting policies.	1 January 2016	1 July 2016

Notes to the Financial Statements

For the year ended 30 June 2015

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Wellard Group Holdings Pty Ltd and its subsidiaries as at or during the year ended 30 June 2015 ('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.

Investments 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.

(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 2015

(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 2015

(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 unreliable, 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 and diminishing value methods 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 2015

(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) Investments and other financial assets

Classification

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.

(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. 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.

Notes to the Financial Statements

For the year ended 30 June 2015

(k) Investments and other financial assets (continued)

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 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.

Notes to the Financial Statements

For the year ended 30 June 2015

(l) Derivative financial instrument

The Group uses derivative financial instruments such as foreign currency contracts to manage 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.

(m) 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 indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each 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 15. 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.

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 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 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

Notes to the Financial Statements

For the year ended 30 June 2015

(m) Intangibles assets (continued)

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.

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.

(n) 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.

Notes to the Financial Statements

For the year ended 30 June 2015

(n) Leases (continued)

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.

(o) 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.

(p) 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 interest expense when incurred. The Group currently holds qualifying assets whereby costs directly associated with the establishment or restructuring of borrowings are capitalised and expenses over the term of the borrowings that it relates to.

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 finance costs in profit and loss. Changes in fair value attributable to changes in the entity's credit risk are recorded in other comprehensive income.

(q) 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.

Provisions are recorded for the Group'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.

Notes to the Financial Statements

For the year ended 30 June 2015

(q) Provisions and employee benefits (continued)

(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.

(r) 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.

(s) 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. This is deemed to have passed generally when the vessel containing livestock docks at the destination port.
- (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).

(t) 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.

Notes to the Financial Statements

For the year ended 30 June 2015

(t) Income tax and other taxes (continued)

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.

(u) 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.

(v) 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 measured 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.

Notes to the Financial Statements

For the year ended 30 June 2015

(v) Significant accounting judgements, estimates and assumptions (continued)

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. During the current financial year, the estimated useful lives of the livestock vessels were revised from 15 years to 20 years for converted vessels and 20 years to 25 years for purpose built vessels to better reflect the economic period which the vessels are capable of operating, in view of historical operating experience and their repair and maintenance schedules. The change in accounting estimate has been applied prospectively.

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 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 shareholder loan receivable

The Group has a receivable owing from Camuna Pte Ltd, a related entity. The ability of the related party to repay this amount is dependent on the future operations and cash flows of the entity, in addition to raising capital through an initial public offering resulting in uncertainty regarding repayment of this amount. Management's view is that the full outstanding amount in loans to related parties will be repaid by the related party when the related party executes the initial public offering and accordingly no provision has been raised within the accounts at 30 June 2015.

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

(w) 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.

Notes to the Financial Statements

For the year ended 30 June 2015

(w) Business combinations (continued)

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 23 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. In addition to its own current and deferred tax amounts, Wellard Group Holdings 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. The Group has issued corporate guarantees in relation to the related corporation's banking facility. Owing to the Related Party breaches, the parent entity, being one of seven original guarantors, all of whom are related corporations, is liable up to a maximum of US\$107,000,000.00. This liability has not been recorded in the Parent Entity financial statements as there is no reliable estimate at the balance sheet date.

Notes to the Financial Statements
For the year ended 30 June 2015

Note 3. Revenue

	Note	Consolidated	
		2015	2014
		\$'000	\$'000
(a) Revenue:			
Sale of goods		556,021	479,077
Gain arising from change in fair value of biological assets		4,565	4,203
Services revenue		2,256	919
Total revenue		562,842	484,199
(b) Other income:			
Foreign exchange gains		28,063	17,175
Gain on disposal of property, plant and equipment		98	834
Convertible notes fair value adjustment		-	5,063
Gain on debt forgiveness		226	-
Interest	3(c)	495	1,060
		28,882	24,132
(c) Interest income from:			
Banks		495	1,060

Notes to the Financial Statements
For the year ended 30 June 2015

Note 4. Expenses

	Note	Consolidated	
		2015	2014
		\$'000	\$'000
Cost of sales		464,062	389,892
Finance costs:			
External - Bank		25,747	19,721
External - Convertible notes		31,359	-
		57,106	19,721
Operating expenses			
Bad and doubtful debts expense		3,883	3,441
Labour costs	4(a)	25,587	22,501
Motor vehicle expenses		1,270	1,606
Repairs & maintenance		7,994	6,456
		38,734	34,004
Administrative expenses:			
Consulting costs		7,115	3,924
Occupancy costs		4,369	3,731
General & admin costs		9,029	9,216
Travel expenses		2,489	2,340
		23,002	19,211
Other expenses:			
Restructuring costs		2,864	2,184
Loan establishment costs		2,812	1,527
Foreign exchange losses		64,177	15,118
Debt forgiveness		-	203
Loss on disposal of property, plant and equipment		2,565	8,784
Loss arising from change in fair value of biological assets		-	275
Loss arising from writedown of inventories		1,041	-
		73,459	28,091
4(a) Employee benefits expense:			
Wages and salaries		16,407	14,972
Employee entitlements		6,815	5,339
Superannuation		1,336	1,220
Payroll tax		1,029	970
		25,587	22,501

Notes to the Financial Statements
For the year ended 30 June 2015

Note 5. Income tax expense

	Consolidated	
	2015	2014
	\$'000	\$'000
Major components of income tax expense are:		
Current tax	(3)	544
Deferred tax	(23,522)	(257)
Prior year losses not previously brought to account	(1,031)	(3,650)
Under provision in respect of prior year	1,192	-
Income tax (benefit)/expense reported in the income statement	(23,364)	(3,363)
Deferred tax relating to items charged or credited to equity:		
Unrealised gains and losses on foreign currency translation	(714)	64
Unrealised gain and losses on asset revaluation reserves	-	-
	(714)	64
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on loss from ordinary activities before income tax at 30% (2014: 30%)	(27,963)	(964)
Add:		
Tax effect of:		
Under provision for income tax in prior year	1,192	-
Deferred tax balances not previously recognised	-	-
Other non-allowable items	6,039	6,796
	(20,732)	5,832
Less:		
Tax effect of:		
Other non-assessable items	228	2,964
Effect of different rates of tax on overseas profit	1	(948)
Recoupment of prior year capital losses not previously brought to account	-	3,438
R & D tax offset	2,403	3,741
	2,632	9,195
Income tax benefit attributable to entity	(23,364)	(3,363)
Current		
Income tax receivable	(23)	163

Notes to the Financial Statements
For the year ended 30 June 2015

Note 5. Income tax expense (continued)

	Consolidated	
	2015	2014
	\$'000	\$'000
Deferred tax assets and liabilities		
Deferred tax assets:		
Carry forward tax losses	15,138	13,316
Carry forward capital losses	1,088	957
Financial liabilities	12,841	5,135
R&D tax offset	11,377	10,313
Provisions and accruals	1,704	1,439
Financial assets	3,293	3,293
Foreign exchange	12,227	-
Borrowing costs	485	262
Other	603	571
Total	58,756	35,286
Deferred tax liabilities:		
Property, plant and equipment	5,597	5,431
Work in progress	2,960	3,022
Stock on hand	-	-
Foreign Exchange	-	779
Other	279	208
Total	8,836	9,440
Recovery of deferred tax assets and liabilities		
Deferred tax assets to be recovered within 12 months	15,020	2,277
Deferred tax assets to be recovered after more than 12 months	43,736	33,009
	58,756	35,286
Deferred tax liabilities to be recovered within 12 months	3,239	3,403
Deferred tax liabilities to be recovered after more than 12 months	5,597	6,037
	8,836	9,440

Notes to the Financial Statements

For the year ended 30 June 2015

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	
	2015	2014
	\$'000	\$'000

The auditor of Wellard Group Holdings Pty Ltd is PricewaterhouseCoopers.

Remuneration of the auditor for:

Auditing or reviewing the financial report	223	168
--	-----	-----

Note 7. Cash and cash equivalents

	Consolidated	
	2015	2014
	\$'000	\$'000
Cash at bank and in hand	19,823	17,228

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.

Notes to the Financial Statements
For the year ended 30 June 2015

Note 8. Trade and other receivables

	Consolidated	
	2015	2014
	\$'000	\$'000
Current		
Trade receivables	39,467	29,065
Other receivables	14,174	16,496
Other related parties	3,177	-
Derivatives	-	237
	56,818	45,798
Non current		
Other related parties	47,089	17,926
	47,089	17,926

Trade and other receivables are non-interest bearing and are generally on 30 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. At 30 June 2015, included in trade receivables is an amount of USD \$29,658,719 (2014: USD\$17,930,559), Philippines Peso 45,460,594 (2014: Peso 80,573,864) and Brazil Real: Nil (2014: 1,048,206).

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.

As at 30 June 2015, the Group 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.

Wellard Group Holdings Pty Ltd has a receivable of \$47,089,069 (2014: \$17,925,539) owing from Camuna Pte Ltd, a related entity. The ability of the related party to repay this amount is dependent on the future operations and cash flows of the entity, in addition to raising capital through an initial public offering resulting in uncertainty regarding repayment of this amount. Management's view is that the full outstanding amount in loans to related parties will be repaid by the related party when the related party executes the initial public offering and accordingly no provision has been raised within the accounts at 30 June 2015.

Notes to the Financial Statements
For the year ended 30 June 2015

Note 9. Inventories

	Consolidated	
	2015	2014
	\$'000	\$'000
Raw materials and stores (i)	8,485	16,862
Finished goods	1,656	147
	10,141	17,009

(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. Costs are assigned to individual items of inventory on the basis of first-in-first out. 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.

No inventory is pledged as a security (2014: \$2,256,729).

Notes to the Financial Statements
For the year ended 30 June 2015

Note 10. Biological Assets

	Consolidated	
	2015	2014
	\$'000	\$'000
Current		
Livestock:		
Balance at beginning of the year	17,202	11,102
Purchases	344,521	276,991
Natural increases	1,234	866
Fair value adjustments	1,968	942
Sales	(345,256)	(272,699)
	19,669	17,202
Crops:		
Balance at beginning of the year	9,840	8,902
Additions up to point of harvest	1,280	1,548
Harvested	(11,120)	(10,960)
Additions	7,272	7,090
Fair value adjustments	2,596	3,260
	9,868	9,840
	29,537	27,402

The Group 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 Group had approximately 22,947 (2014: 23,455) hectares of land planted in lupins, wheat, canola, field and chick peas, barley and oats.

At balance date the Group has approximately 69,513 sheep and stud rams (2014: 68,096) totalling \$3,902,267 (2014: \$3,968,370), and 18,168 cattle (2014: 22,821) totalling \$15,767,492 (2014: \$13,232,762).

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 statement.

Notes to the Financial Statements
For the year ended 30 June 2015

Note 11. Other Assets

	Consolidated	
	2015	2014
	\$'000	\$'000
Current		
Prepayments	3,332	15,335
Sundry deposits & bonds	1,025	1,054
Debt establishment fees	62	82
	4,419	16,471

In 2014, prepayments included 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.

Note 12. Available for sale financial assets

	Consolidated	
	2015	2014
	\$'000	\$'000
Unlisted investments at fair value		
Shares in related entities	12	-
Unlisted investments at fair value		
Units in unit trusts	10	10
Total available for sale financial assets	22	10

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 2015

Note 13. Controlled Entities

Controlled Entities Consolidated	Country of incorporation	Percentage Owned (%)*	
		2015	2014
Parent Entity:			
Wellard Group Holdings Pty Ltd	Australia		
Subsidiaries of Wellard Group Holdings Pty Ltd:			
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 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	100
Wellard Ships Pte Ltd	Singapore	100	100
Big Wheel Marine Pte Ltd	Singapore	100	100
Ocean Drover Pte Ltd	Singapore	100	-
Niuyang Express Pte Ltd	Singapore	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

Notes to the Financial Statements
For the year ended 30 June 2015

Note 14. Property, Plant & Equipment

	Consolidated	
	2015	2014
	\$'000	\$'000
Non Current		
Freehold land – fair value	127,512	127,560
Sheds and buildings		
Cost	14,893	14,849
Accumulated depreciation and impairment	(2,667)	(2,607)
	12,226	12,242
Plant and equipment		
Cost	367,357	266,150
Accumulated depreciation and impairment	(116,408)	(79,926)
	250,949	186,224
Total property, plant and equipment	390,687	326,026

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	127,560	124,377
Additions	-	3,183
Loss arising from fair value adjustments of freehold land	-	-
Fair value adjustments/reversals from the asset revaluation reserve	-	-
Disposals	(48)	-
Carrying amount at end of year	127,512	127,560
Sheds and buildings		
Balance at the beginning of year	12,242	11,874
Additions	199	714
Disposals	-	-
Exchange difference	-	-
Depreciation expense	(215)	(346)
Carrying amount at end of year	12,226	12,242

Notes to the Financial Statements
For the year ended 30 June 2015

Note 14. Property, Plant & Equipment (continued)

	Consolidated	
	2015	2014
	\$'000	\$'000
Plant and equipment		
Balance at beginning of year	186,224	296,457
Additions	105,243	8,542
Disposals	(57,642)	(101,074)
Depreciation expense	(25,117)	(18,533)
Impairment expense	-	(71)
Exchange difference	42,241	903
Carrying amount at end of year	250,949	186,224

Property, plant and equipment with a carrying amount of \$388,526,963 (2014: \$326,025,995) are pledged as securities for the current and non-current liabilities as disclosed in note 17.

Leased assets

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

	Consolidated	
	2015	2014
	\$'000	\$'000
Leasehold equipment		
Cost	31,741	25,529
Accumulated depreciation	(6,493)	(1,366)
Net book amount	25,248	24,163

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.

Notes to the Financial Statements

For the year ended 30 June 2015

Note 15. Intangible assets

2015	Consolidated					
	Website branding	Goodwill	Development costs	Intellectual property	Client relationships	Total
Non current assets	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2015						
Opening net book amount	59	6,691	2,084	682	1,981	11,497
Reversal of amortisation/impairment	-	267	-	-	-	267
Acquisition of business	-	-	-	-	-	-
Amortisation and impairment charge	-	-	(2,081)	(500)	(661)	(3,242)
Closing net book amount	59	6,958	3	182	1,320	8,522
At 30 June 2015						
Cost	59	6,958	2,134	1,500	3,300	13,951
Accumulated amortisation and impairments	-	-	(2,131)	(1,318)	(1,980)	(5,429)
Net book amount	59	6,958	3	182	1,320	8,522
2014						
	Website branding	Goodwill	Development costs	Intellectual property	Client relationships	Total
Non current assets	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2014						
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
At 30 June 2014						
Cost	59	6,958	2,134	1,500	3,300	13,951
Accumulated amortisation and impairments	-	(267)	(50)	(818)	(1,319)	(2,454)
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.

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 and amortised over five years

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 2015.

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 2015

Note 16. Trade and Other Payables

	Consolidated	
	2015	2014
	\$'000	\$'000
Current		
Unsecured liabilities		
Trade payables	63,549	51,481
Sundry payables and accrued expenses	24,951	19,966
Other related parties	-	11
Derivative liability	224	-
Deferred settlement (i)	3,400	1,148
	92,124	72,606
Non current		
Unsecured liabilities		
Deferred settlement (i)	-	3,448
	-	3,448
Total Current and Non Current	92,124	76,054

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 2014 financial year is reported as a current deferred settlement in the 2015 financial year.

(i) Deferred settlement of land and business acquisitions

At the beginning of the year	4,596	2,600
Arising during the year	-	2,396
Amounts paid	(1,196)	(400)
Balance at end of the year	3,400	4,596

Notes to the Financial Statements

For the year ended 30 June 2015

Note 16. Trade and Other Payables (continued)

A payable has been recognised in Giovi 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 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 \$88,000 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, subsequent to the reporting date, Wellard has settled the remaining \$2,200,000 as per the Agreement.

Note 17. Loans and Borrowings

	Note	Consolidated	
		2015	2014
		\$'000	\$'000
Current			
Bank loans - secured	17(b)	187,996	150,480
Trade asset finance - secured	17(b)	79,571	-
Hire purchase liabilities* - secured	17(b)	3,300	1,268
Other related parties - unsecured	17(b)	21,947	11,767
Convertible notes - unsecured	17(a)	184,204	-
		477,018	163,515
Non current			
Bank loans - secured	17(b)	32,500	65,681
Trade asset finance - secured	17(b)	-	1,858
Convertible notes - unsecured	17(a)	-	128,800
Hire purchase liabilities* - secured	17(b)	24,538	21,826
		57,038	218,165
Total Current and Non Current		534,056	381,680
17 (a) Convertible notes			
Opening balance		128,800	134,941
Transaction costs		(439)	(895)
Foreign exchange		24,484	(182)
Fair value adjustment and interest		31,359	(5,064)
		184,204	128,800

Notes to the Financial Statements

For the year ended 30 June 2015

Note 17. Loans and Borrowings (continued)

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 \$39,724,671 (2014: \$27,871,002). The terms and conditions are consistent for all convertible note holders.

The carrying value of the convertible notes 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. The convertible note is expected to be settled in cash.

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.

	Consolidated	
	2015	2014
	\$'000	\$'000
*Hire purchase commitments		
Payable - minimum lease payments not later than 12 months	3,973	3,667
Between 12 months and 5 years	13,787	12,333
More than 5 years	23,774	21,530
Minimum lease payments	41,534	37,530
Less: future interest charges	(13,707)	(12,576)
Present value of minimum lease payments	27,827	24,954

Notes to the Financial Statements

For the year ended 30 June 2015

Note 17. Loans and Borrowings (continued)

17 (b) Terms and debt repayments schedule

Terms and conditions of outstanding loans were as follows:

				2015	2014
				\$'000	\$'000
Name	Currency	Nominal interest rate	Year of maturity	Carrying amount	Carrying amount
Secured					
Secured bank loans	USD	BBSY/LIBOR + 7.7%	2018	120,275	124,528
Secured bank loans	USD	LIBOR + 4.5%	2015	-	13,564
Secured bank loans	USD	LIBOR + 1.65%	2022	19,482	20,565
Secured bank loans	USD	LIBOR + 3.1%	2022	22,098	18,154
Secured bank loans	USD	12.15%	2019	55,918	-
Secured bank loans	USD	12.34%	2019	23,541	-
Secured bank loans	USD	LIBOR + 2.50%	revolving	4,364	-
Secured bank loans	USD	7.05%	2028	24,173	-
Secured bank loans	USD	LIBOR + 3.3%	2016	-	18,615
Secured bank loans	USD	1.88%	2017	21,777	18,319
Secured bank loans	USD	2.7% - 4.95%	2015	-	2,416
Secured bank loans	AUD	BBSY + 2.5%	2017	32,500	-
Trade Asset finance	BRL	3.15% - 8.85%	2018	112	1,858
Hire purchase liability	AUD	7.05%	2028	3,665	23,094
Unsecured					
Convertible notes	USD	2-5%	2016	184,204	128,800
Other related parties	USD	14.50%	2016	21,947	11,767
				534,056	381,680

During the financial year ending 30 June 2015 the Group entered into an agreement with its financiers for a Credit Facility for \$35,000,000, secured with a first ranking security over the Giovi Ltd (formerly Wellard Agri Ltd) properties at Kojonup, Watheroo and Dongara, with a term of three (3) years. The funds would be used to repay exiting senior debt. Concurrently, Wellard, via its Wellard Rural Exports Pty Ltd subsidiary, agreed to restructure its credit facility with a new Term Loan Facility of up to US\$84 million and a Revolving Credit Facility of up to US\$23 million maturing in three (3) years. These facilities are secured by first ranking security over Wellard-owned properties in Baldivis, Hazelmere and the Northern Territory, and secondary position over the aforementioned Giovi Ltd land.

The secured bank loans are secured over property, plant and equipment with a carrying value of \$388,526,963 (2014: \$326,025,995) detailed in Note 14.

The loan from a related party consists of a US\$16,855,000 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 2016.

Notes to the Financial Statements
For the year ended 30 June 2015

Note 18. Provisions

	Consolidated	
	2015	2014
	\$'000	\$'000
Current		
Employee entitlements	1,416	1,350
	1,416	1,350
Non Current		
Employee entitlements	369	224
	369	224
Total provisions	1,785	1,574

(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 \$1,415,772 (2014: \$1,349,785) 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.

	2015	2014
	\$	\$
Current leave obligations expected to be settled after 12 months	321	284

Notes to the Financial Statements
For the year ended 30 June 2015

Note 19. Issued Capital

	Consolidated	
	2015	2014
	\$'000	\$'000
Ordinary shares		
At beginning of reporting period	57,618	57,618
Shares issued during the year	-	-
At the end of reporting period	57,618	57,618
Convertible redeemable preference shares		
At beginning of reporting period	29,249	29,249
Shares issued during the year	-	-
At the end of reporting period	29,249	29,249
Total issued capital	86,867	86,867

The Group has authorised share capital amounting to 3,080,000 (2014: 3,080,000) ordinary shares issued and fully paid.

Movements in ordinary shares:

	2015	2014
	Number	Number
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:

	2015	2014
	Number	Number
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 2015

Note 20. Reserves

2015	Consolidated		
	Land revaluation reserve	Foreign currency translation reserve	Total reserves
	\$'000	\$'000	\$'000
Year ended 30 June 2015			
Opening balance	22,405	(13,358)	9,047
Currency translation differences: current year	-	13,134	13,134
Closing balance	22,405	(224)	22,181

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 (e) for details.

2014	Consolidated		
	Land revaluation reserve	Foreign currency translation reserve	Total reserves
	\$'000	\$'000	\$'000
Year ended 30 June 2014			
Opening balance	22,405	(12,527)	9,878
Deferred tax: current year	-	99	99
Currency translation differences: current year	-	(930)	(930)
Closing balance	22,405	(13,358)	9,047

Note 21. Retained Earnings

	Consolidated	
	2015	2014
	\$'000	\$'000
Retained losses at the beginning of the year	(50,340)	(53,108)
Net (loss)/profit	(69,848)	2,768
Total	(120,188)	(50,340)
Dividends paid	-	-
Balance at the end of the year	(120,188)	(50,340)

Notes to the Financial Statements
For the year ended 30 June 2015

Note 22. Cash Flow Statement Reconciliation

	Consolidated	
	2015	2014
	\$'000	\$'000
Reconciliation of net profit after tax to net cash flows from operations:		
Profit/(loss) after tax	(69,848)	151
<i>Non cash flows in profit:</i>		
Depreciation & amortisation	28,573	20,624
Non controlling interest	-	2,683
Bad and doubtful debts	3,883	3,441
Net loss/(gain) on disposal of property, plant and equipment	2,467	7,950
Change in fair value of inventories and biological assets	(4,565)	(3,928)
Unrealised foreign exchange losses on loans	48,625	-
Convertible Notes Fair Value Adjustment	25,685	(5,063)
 (b) Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
Change in trade and other receivables	(40,032)	(9,415)
Change in inventories and biological assets	8,937	(9,816)
Change in other current assets	(3,833)	(12,197)
Change in net deferred tax assets/liabilities, net of tax effect on asset revaluation reserve	(24,075)	(5,384)
Change in trade and other payables	18,194	24,978
Change in provisions	212	292
	(5,777)	14,316

Notes to the Financial Statements

For the year ended 30 June 2015

Note 23. Parent Entity

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

	Parent	
	2015	2014
	\$'000	\$'000
Current assets	476	3,723
Non current assets	336,516	341,820
Total Assets	336,992	345,543
Current liabilities	210,049	153,551
Non current liabilities	167,998	166,662
Total liabilities	378,047	320,213
Net Assets	(41,055)	25,330
Issued capital	86,867	86,867
Retained earnings	(127,922)	(61,537)
Total Equity	(41,055)	25,330

Note 24. Related party transactions

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

Note 25. Contingent Liabilities

During the year ended 30 June 2015 and at balance date, no events occurred that gave rise to any contingent liabilities.

Note 26. Capital Commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	Consolidated	
	2015	2014
	\$'000	\$'000
Non-cancellable ship building contracts	83,626	-
Acquisition of a uncompleted vessel	21,633	-
	105,259	-

As at year end, the Group has entered into an auction contract of which a deposit has been paid. Subsequent to the balance sheet date, the Group paid the committed capital expenditure to the auctioneer. In addition, on 25 July 2015, the Group entered into a settlement agreement with the previous owner, STX Offshore and Shipbuilding, whereby STX withdrew its ownership's right in exchange of the payment of US\$18.0 million. The first instalment of US\$4.5 million has been paid in October 2015 whilst the remaining US\$13.5 million will be due on delivery of the vessel, MV Ocean Shearer, from to a designated shipyard. MV Ocean Shearer is registered with the Singapore registry on 9 October 2015.

Notes to the Financial Statements
For the year ended 30 June 2015
Note 27. Financial risk management

Risk	Exposure arising from:	Measurement	Management
Market risk - foreign exchange	Future commercial transactions Long-term borrowings at variable rates	Cash flow forecasting	Forward foreign exchange contracts
Market risk - interest rate		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 manage 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.

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. 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 manage 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:

	Consolidated	
	2015	2014
	\$'000	\$'000
<i>Amounts recognised in profit or loss</i>		
Net foreign exchange gain/(loss)	(33,532)	2,059
Total net foreign exchange (losses) recognised in profit before income tax for the period	(33,532)	2,059
<i>Net gains (losses) recognised in other comprehensive income (note 20)</i>		
Translation of foreign operations	224	(778)
Total net foreign exchange (losses) recognised in other comprehensive income before income tax for the period	224	(778)

Notes to the Financial Statements

For the year ended 30 June 2015

Note 27. 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 30 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:

	Consolidated	
	2015	2014
	\$'000	\$'000
<i>Impairment losses</i>		
- individually impaired trade receivables	3,855	739
- loan write downs due to restructuring	28	2905
	<u>3,883</u>	<u>3644</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 2015

Note 28. Subsequent events

In September 2015 Wellard created Wellard Limited, as part of a broader intention to conduct a potential Initial Public Offering for some of its subsidiaries within the Livestock marketing & export business. Wellard is undertaking a restructure of the existing group so that the ownership of selected subsidiaries will be transferred from Wellard Group Holdings Pty Ltd to Wellard Limited, which could potentially be listed. Should Wellard proceed with this option, UBS and Deutsche Bank are underwriting this as Joint Lead Managers. The Offer would be conducted to provide Wellard with the financial flexibility to execute its identified growth initiatives and longer term strategy, and repay existing debts within the wider Wellard Group.

In August 2015 Wellard announced it has signed ground breaking new deal with the Chinese Fulida Group, to form a Joint Venture to supply and market Australian cattle and beef in China. In addition, Fulida Group provided funds to Wellard in exchange for a right to convert the debt owed to it by Wellard into shares by way of a transfer of shares from Wellard for up to US\$27.8 million worth of shares in the listed Wellard entity at any time before March 2016.

In October 2015 Wellard acquired a parcel of land in Livingstone, Northern Territory, on which it plans to develop its own pre-export quarantine facility within the vicinity of the key Darwin Port.

On 18 August 2015, a subsidiary of the group entered into a construction contract with a shipyard for a total amount of US\$7,950,000, with an expected delivery of completed vessel in April 2016. Upon the exportation of the vessel, a tax deposit of US\$5,538,000 (RMB35,000,000) will be claimed by the shipyard on behalf of the subsidiary.

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 2015 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: 18/11/2015


Ennio Tavani
Director

Perth
Date: 18/11/2015



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 2015, 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*.



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 2015 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 2 in the financial report which indicates that the company had a working capital deficiency of \$449.843 million at 30 June 2015 and comments on the ability of the Group to continue as a going concern being dependent on the Group having sufficient funds available to repay borrowings of \$267.455 million which are callable at balance date.

These conditions, along with other matters as set forth in Note 2 indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the entity 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 handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Amanda Williams'.

Amanda Williams
Partner

Perth
18 November 2015