



# Wellard

ASX Announcement  
29 February 2016

## Half Year Results for the period ended 31 December 2015

### **Key highlights**

- Strategic initiatives being executed to drive growth:
  - Construction of the MV Ocean Shearer nearing completion with commencement of operations expected by the end of April
  - Strong progress on the Wellao JV in China – supply agreement signed and facility design completed
  - MV Ocean Outback and Swagman expected to become fully operational again during March 2016
- Robust financial position with conservative gearing of 37% (net debt / net debt + equity)
- Continued strength in industry backdrop:
  - Strong metrics from Asian live export markets
  - Upcoming religious festival period in Q416 will further support demand
  - Low fuel price environment

Wellard Ltd (ASX:WLD) has today reported its financial results for the six months ended 31 December 2015. The results are Wellard's first since successfully completing its IPO in December 2015. The statutory results include significant one-off items associated with the IPO and restructuring from a private to public company. Wellard has therefore also presented the six months to 31 December 2015 on a pro forma basis to support comparison to the prospectus financials and ensure consistency moving forward.

On a pro forma basis for the six months ended 31 December 2015, Wellard reported revenue of \$275.5 million, EBITDA of \$26.9 million and NPAT of \$13.5 million. The statutory net loss after tax for the period, after taking into account the restructuring and IPO related costs, was \$23.9 million. A reconciliation of the statutory result to the pro forma result is included in the investor presentation separately lodged with ASX today.

Wellard expects the forecast pro-forma FY 2016 NPAT\* to be \$42.5m, being an 8.4% reduction to the Prospectus forecast of \$46.4m, after factoring in the combined impact of:

- a delay in commissioning of the MV Ocean Shearer
- repair period and associated costs for the MV Ocean Swagman and MV Ocean Outback

- 
- FX impact on Interest and Depreciation due to lower AUD

Wellard has a conservative gearing ratio of 37% with cash and undrawn banking facilities of \$76.5 million.

“We have had a landmark half successfully raising almost \$300 million via our IPO and transitioning from a private company structure through to an ASX listed public company,” Wellard Managing Director and CEO Mauro Balzarini said.

“Our pro-forma numbers provide a clearer picture of operating performance as our statutory result was skewed by the one-off corporate restructuring costs associated with the IPO process. We look forward to normalising our fleet in March and bringing additional shipping capacity, the MV Ocean Shearer, into service in April. It will be the fifth custom-designed and built vessel in Wellard’s fleet.

“Wellard typically experiences a seasonal bias in its earnings towards financial year Q4 with an increase in livestock export volumes driven by Asian religious festival periods. We expect that to be the case again this year so the MV Ocean Shearer’s addition to our fleet will be perfectly timed”.

\*Pro forma NPAT is Net Profit After Tax, and excludes all one-off IPO related costs totalling A\$33.8m and normalisation of Interest expenses of A\$8.2m to reflect post IPO capital structure and tax expense increase of A\$4.5m to reflect appropriate company tax rate after removal of one-off IPO related costs.

#### **For further information:**

##### **Investors**

Managing Director, Mauro Balzarini  
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Appendix 4D

**Wellard Limited**

ABN 53 607 708 190

**Half Year Report**

**Results for Announcement to the market  
for the Half Year ended 31 December 2015**

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

1. The reporting period and previous corresponding period are 31 December 2015 and 31 December 2014.
2. Results for announcement to the market

	<b>% Change from prior period</b>	<b>\$'000 Change from prior period</b>	<b>\$'000 Current Period</b>
2.1 Revenues from ordinary activities	up 15.5%	36,924	275,488
2.2 Profit/(Loss) from ordinary activities after tax attributable to members	down 341%	(18,456)	(23,866)
2.3 Net profit/(loss) for the period attributable to members	down 341%	(18,456)	(23,866)
2.4 Dividends (distributions)	Nil	Nil	Nil

3. Net tangible assets per security

	<b>December 2015 \$</b>	<b>December 2014 \$</b>
3.1 Net tangible assets per ordinary security	0.46	N/A

4. Details of entities over which control has been gained or lost during the period

During the year, a restructure took place in preparation for the listing of the Group on the Australian Securities Exchange Limited (**ASX**). This resulted in a newly incorporated company, Wellard Limited, the purpose of the entity being to raise equity on the ASX to fund the purchase of several entities within the Wellard Group Holdings

Pty Ltd business. The following entities were acquired by Wellard Limited as part of the above transaction as detailed elsewhere in this report on 12 December 2015.

- Wellard Rural Exports Pty Ltd
  - Wellard Animal Processing Pty Ltd
  - Wellard Feeds Pty Ltd
  - Wellard NZ Ltd
  - Wellard Ships Pte Ltd
  - Wellard Singapore Pte Ltd
  - Ocean Drover Pte Ltd
  - Niuyang Express Pte Ltd
  - Wellard do Brasil Agronegocios Ltda
  - Portimor SA
5. No dividends were paid during the period.
  6. The Company does not have a dividend re-investment plan.
  7. The Company does not have any associates or joint venture entities.

The audited financial statements for the half year ended 31 December 2015 are attached to this Appendix 4D.

# **Wellard Ltd**

ABN 53 607 708 190

Interim report for the half-year ended 31 December 2015

**Wellard Ltd**  
**31 December 2015**

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# Wellard Ltd and controlled entities

## Directors' Report

The Board of Directors of Wellard Limited (the Group or Company) submits its report in respect of the half-year ended 31 December 2015.

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

- D C Griffiths (Chair, appointed 19 November 2015)
- S L Warburton (appointed 19 November 2015)
- P Clausius (appointed 19 November 2015)
- M Balzarini (appointed 10 September 2015)
- G J Wheeler (appointed 10 September 2015)
- E Tavani (appointed 10 September 2015, ceased 19 November 2015)

G J Wheeler (appointed Company Secretary on 10 September 2015, ceased on 9 February 2016)

Y Broughton (appointed Company Secretary on 9 February 2016)

### Significant events

Wellard Limited was incorporated on 10 September 2015.

On 10 December 2015, the Group was admitted to the Official List of ASX Limited, successfully completing an initial public offering (IPO) raising \$298.9m through the issuance of 215 million new fully paid ordinary shares in the Company at an offer price of \$1.39, representing approximately 53.8% of the shares on issue. Conditional trading conditions were subsequently satisfied on 14 December 2015 in accordance with the offer.

### Review and results from operations

#### Financial review

The statutory net loss after tax of the Group for the half year amounted to \$23.9m (2014 - \$5.4m). The statutory result included a number of one-off items that were attributable to restructuring activities undertaken by the Company in relation to the IPO.

The Group generated pro forma EBITDA of \$26.9m for the half year from sales revenue of \$275.5m. Items included in statutory profit but excluded from pro forma EBITDA for the period are as follows:

Items excluded from Pro forma profit	IH 2016 (A\$m)	Explanation
Statutory EBITDA	(\$6.7)	
Share Based Payment (SBP) expense	\$18.7	One-off share bonus to management
IPO costs	\$7.0	One-off upfront listing costs
Debt restructuring costs	\$1.9	Write off of previously recognised debt establishment costs due to subsequent debt restructuring activities undertaken in connection with the IPO
Realised foreign currency losses on debt restructuring activities	\$5.4	Realised foreign currency losses on debt restructuring activities undertaken in connection with the IPO
Withholding tax	\$0.8	Withholding tax incurred on sale of subsidiaries undertaken in connection with restructuring activities as part of the IPO
Pro forma EBITDA	26.9	

# Wellard Ltd and controlled entities

## Directors' Report (continued)

### **Balance Sheet**

The Group's balance sheet at 31 December 2015 featured significant reductions in indebtedness and a strengthening of working capital primarily as a result of restructuring activities undertaken in conjunction with the IPO, making it well positioned to execute on its growth initiatives.

### **Working capital**

The Group has working capital of \$51.1m at 31 December 2015, a significant improvement from the previous period due primarily to the capital restructuring activities undertaken as part of the IPO.

The separation of Wellard Limited and its subsidiaries (as listed in Note 14) from its previous ownership and ongoing trading activities between the Wellard Limited group and WGH Holdings Pty Ltd group has given rise to receivables to Wellard Limited from its former parent entity, WGH Holdings Pty Ltd. Whilst the precise amount of some portions of these receivables is subject to finalisation, taking into account the relevant information available at reporting date, the Directors have recognised receivables from WGH Holdings Pty Ltd of approximately \$14.7m. Any subsequent adjustment will have no impact on the Statement of Comprehensive Income in future reporting periods.

### **Indebtedness**

Net debt at 31 December 2015 was \$110.8m, a significant improvement from the position at the previous period end as a result of debt restructuring activities undertaken as part of the IPO.

### **Other balance sheet items**

Related party loans of \$176.5m in the previous period represent previously reported intercompany loan balances between Wellard Limited subsidiaries and entities not forming part of the Group. These loan balances were settled as part of the IPO.

### **Operational review**

The Group's continuing operations concern the generation of revenues from the following activities:

- Operating a vertically integrated Livestock, Marketing and Export business with capabilities to source and transport livestock from major supply markets globally to supply the Group's customer base;
- Supplying chilled and frozen sheep meat to international markets and leveraging the Group's existing network of livestock buyers via its Processed Meat Marketing and Export business.

In the six months to 31 December 2015, sales generated by these operations increased to \$275.5m, an increase of 15% from the previous period of \$238.6m.

# Wellard Ltd and controlled entities

## Directors' Report (continued)

Key components of the increased earnings contribution were as follows:

### Livestock Marketing and Export

- Increased revenues, due to:
  - o continued strength in cattle prices;
  - o the depreciation of the Australian dollar,partially offset by lower cattle volumes due to reduced import quotas from Indonesia.
  
- Improved profits due to
  - o the depreciation of the Australian dollar;
  - o weakening oil prices;
  - o deployment of the Group's vessels to external charterers on attractive terms,partially offset by lower cattle volumes due to reduced import quotas from Indonesia

### Processed Meat Marketing and Export:

- Impacted by typical Q1 seasonality in these operations and a lower number of sheep processed due to the impact of plant closure for maintenance in July 2015.

Animal welfare has been identified as the most important operational priority for the business. For the six months to 31 December 2015 the Group undertook twenty eight shipments and the mortality rate was well below the level allowed by the current regulations. There were no major breaches of the Australian Government's Export Supply Chain Assurance System (ESCAS) in the period.

The design phase on MV Ocean Kelpie has progressed according to plan with all project parameters meeting or exceeding targets.

Completion work on the MV Ocean Shearer is also progressing within budget with the vessel expected to commence operations at the end of April 2016.

### Subsequent events

During the second half of December, two of the Group's vessels experienced a mechanical breakdown. The incidents did not have any negative animal welfare impacts as one of the vessels was not loaded with cargo and the other vessel safely reached a discharge port with 99.94% of animals being safely discharged. These vessels are being repaired and will be back in operation during March 2016.

### Outlook

The Group anticipates that its results for the six months to June 2016 will continue to feature improvement against the previous year's results, although performance will, as always, be subject to seasonal condition in sourcing areas, market and international trade conditions, the price of fuel and the Australian dollar exchange rate against the United States dollar, and the risks identified in the Prospectus. In this respect, conditions as at the date of this report are on balance, positive, with:

- MV Ocean Swagman and MV Ocean Outback expected to return to the fleet during March 2016;
- Continued strength in cattle and sheep prices with lower numbers processed in Australia and forecast higher percentages being exported live;
- Continued strong demand from the Asian live export markets with the upcoming religious festival period in 2H 2016;
- Continued weakness in the Australian dollar and Brazilian Real and global oil prices;
- Expected establishment of live export protocols between Colombia and Vietnam;
- Finalising the construction of the MV Ocean Shearer with commencement of operations expected by the end of April 2016.

# Wellard Ltd and controlled entities

## Directors' Report (continued)

### **Rounding of amounts**

The parent entity is a company of the kind specified in the Australian Securities and Investments Commissions class order 98/100. In accordance with that class order, amounts in the consolidated financial statements and Directors Report have been rounded to the nearest thousand dollar unless specifically stated to be otherwise.

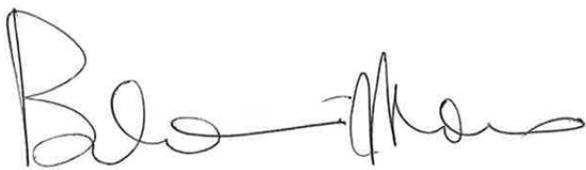
The report has been made in accordance with a resolution of the Directors.

### **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 6.

A handwritten signature in black ink, appearing to be 'D C Griffiths', with a stylized, cursive script.

D C Griffiths  
Chairman

A handwritten signature in black ink, appearing to be 'M Balzarini', with a stylized, cursive script.

M Balzarini  
Managing Director



## Auditor's Independence Declaration

As lead auditor for the review of Wellard Limited for the half-year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink that reads 'Douglas Craig'.

Douglas Craig  
Partner  
PricewaterhouseCoopers

Perth  
26 February 2016

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Statement of Comprehensive Income  
For the half-year ended 31 December 2015

	Note	Consolidated Half-Year	
		2015 \$'000	2014 \$'000
<b>Continuing Operations</b>			
Sales revenue		272,569	238,190
Services revenue		2,919	374
Revenue	5	275,488	238,564
Cost of sales	6	(224,174)	(204,092)
Gross profit		51,314	34,472
Other income	5	2,808	5,322
Finance costs	6	(10,816)	(3,348)
Depreciation and amortisation expenses		(9,298)	(10,968)
Administration expenses	6	(6,314)	(4,817)
Operating expenses	6	(12,593)	(13,927)
Other expenses	6	(41,963)	(11,693)
Loss from continuing operations before income tax		(26,863)	(4,959)
Income tax benefit/(expense)	7	2,997	(451)
Net loss for the period after tax		(23,866)	(5,410)
<b>Other comprehensive (loss)/income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation		(7,291)	8,558
<b>Other comprehensive (loss)/profit for the period, net of tax</b>		(7,291)	8,558
<b>Total comprehensive (loss)/profit for the period</b>		(31,157)	3,147
		<b>Cents</b>	<b>Cents</b>
<b>Loss per share for loss from continuing operations attributable to the ordinary equity holders of the company:</b>			
Basic loss per share	16	7.3	1.7
Diluted loss per share	16	7.3	1.7

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

# Statement of Financial Position

## As at 31 December 2015

	Note	Consolidated	
		31 December 2015	30 June 2015
		\$'000	\$'000
<b>Current Assets</b>			
Cash and cash equivalents	8	16,917	18,182
Trade and other receivables		78,742	228,421
Inventories		8,818	8,262
Biological assets		13,508	10,591
Other current assets		4,547	3,167
<b>Total Current Assets</b>		<b>122,532</b>	<b>268,623</b>
<b>Non Current Assets</b>			
Available for sale financial assets		1	1
Property, plant and equipment	9	258,604	205,077
Intangible assets	10	4,697	3,125
Deferred tax assets		3,761	1,655
<b>Total Non Current Assets</b>		<b>267,063</b>	<b>209,858</b>
<b>Total Assets</b>		<b>389,595</b>	<b>478,481</b>
<b>Current Liabilities</b>			
Trade and other payables		69,537	96,871
Current tax payable		131	21
Loans and borrowings	11	27,908	45,206
Provisions		1,054	948
<b>Total Current Liabilities</b>		<b>98,630</b>	<b>143,046</b>
<b>Non Current Liabilities</b>			
Loans and borrowings	11	99,743	208,538
Provisions		291	2,376
Deferred tax liabilities		2,149	317
<b>Total Non Current Liabilities</b>		<b>102,183</b>	<b>211,231</b>
<b>Total Liabilities</b>		<b>200,813</b>	<b>354,277</b>
<b>Net Assets</b>		<b>188,782</b>	<b>124,204</b>
<b>Equity</b>			
Issued capital	12	549,014	56,940
Reserves		(390,180)	13,450
Retained earnings		29,948	53,814
<b>Total Equity</b>		<b>188,782</b>	<b>124,204</b>

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

Statement of Changes in Equity  
For the half-year ended 31 December 2015

	Issued Capital	Retained Earnings	Share Based Payments Reserve	Other Reserves	Common Control Reserve	Total
	\$'000	\$'000		\$'000		\$'000
<b>Consolidated</b>						
Balance at 31 December 2014	56,940	48,587	-	8,203	-	113,730
Profit for the period	-	5,227	-	-	-	5,227
Other comprehensive income	-	-	-	5,247	-	5,247
<b>Total comprehensive income for the period</b>	-	5,227	-	5,247	-	10,474
<b>Balance at 30 June 2015</b>						
Balance at 30 June 2015	56,940	53,814	-	13,450	-	124,204
Loss for the period	-	(23,866)	-	-	-	(23,866)
Other comprehensive loss	-	-	-	(7,291)	-	(7,291)
<b>Total comprehensive loss for the period</b>	-	(23,866)	-	(7,291)	-	(31,157)
Reverse existing capital resulting from restructure	(56,940)	-	-	-	-	(56,940)
Ordinary shares issued to existing shareholder	257,150	-	-	-	-	257,150
Ordinary shares issued	298,850	-	-	-	-	298,850
Costs relating to share issue net of tax	(6,986)	-	-	-	-	(6,986)
Share based payments reserve	-	-	18,070	-	-	18,070
Common control reserve from restructure	-	-	-	-	(414,409)	(414,409)
<b>Balance at 31 December 2015</b>	549,014	29,948	18,070	6,159	(414,409)	188,782

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

Statement of Cash Flows  
For the half-year ended 31 December 2015

	Note	Consolidated Half-Year	
		2015 \$'000	2014 \$'000
<b>Cash Flows from Operating Activities</b>			
Receipts from customers (inclusive of GST)		258,395	225,880
Payments to suppliers and employees (inclusive of GST)		(249,477)	(238,437)
Finance costs		(12,466)	(3,441)
Interest received		12	4
Income tax paid		-	(3)
Net operating cash flows	13	(3,536)	(15,997)
<b>Cash Flows from Investing Activities</b>			
Proceeds from sale of property, plant & equipment		31	5
Purchase of property, plant and equipment		(55,549)	(18,201)
Cash advances on duties prepaid		(7,624)	-
Purchase of intangible assets		-	(20)
Net investing cash flows		(63,142)	(18,216)
<b>Cash Flows from Financing Activities</b>			
Net proceeds from issue of shares		290,028	-
Proceeds of IPO returned to former parent entity		(188,228)	-
Balances settled by related parties		100,117	5,620
Proceeds from borrowings		124,877	116,327
Repayments of borrowings		(261,381)	(84,157)
Net financing cash flows		65,413	37,790
Net (decrease)/increase in cash held		(1,265)	3,576
Cash at the beginning of financial year		18,182	6,976
<b>Cash at the end of financial year</b>		<b>16,917</b>	<b>10,552</b>

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

# Notes to the Financial Statements

## For the half-year ended 31 December 2015

### **Note 1. Basis of preparation and accounting policies**

#### **(a) Corporate Information**

The financial report of Wellard Ltd and its subsidiaries (“the Group”) for the half-year ended 31 December 2015 was authorised for issue in accordance with a resolution of the directors on 26 February 2016. The directors have the power to amend and re issue the financial report.

Wellard Ltd is a company limited by shares incorporated and domiciled in Australia. The Company’s shares are publicly traded on the Australian Securities Exchange (ASX).

#### **Company Details**

The registered office and principal place of business of the company is:  
Wellard Ltd  
1A Pakenham Street  
Fremantle WA 6160

#### **(b) Basis of preparation**

This interim financial report for the half-year ended 31 December 2015 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

It is recommended that the half-year financial report be read in conjunction with any public announcements made by Wellard Ltd during the half-year ended 31 December 2015 in accordance with the continuous disclosure obligations of the ASX listing rules.

#### **(c) Accounting policies**

The significant accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### **C.1 Basis of consolidation**

###### **C.1.1 Subsidiaries**

Subsidiaries are entities controlled by Wellard Limited. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements of subsidiaries are included in the consolidated financial report from the date that control commences until the date that control ceases.

##### **Restructuring of the Wellard Group due to Initial Public Offering**

The Group has elected to account for the acquisition of its entities and net assets as common control transactions. As a consequence, no acquisition accounting in the form of a purchase price allocation was undertaken and therefore the assets and liabilities have not been remeasured to fair value nor has any goodwill arisen. All the assets and liabilities acquired by the Group as a result of the restructure were recognised at values consistent with the carrying value of those assets and liabilities immediately prior to the restructure.

## Notes to the Financial Statements

### For the half-year ended 31 December 2015

#### **C.1.1 Subsidiaries (continued)**

As required for statutory reporting purposes, the financial information in this financial report has been presented for the half-year ended 31 December 2015 and its comparative results. In this regard, the Group statutory financial information includes only the results of the current Group's operations, including reporting dates in this report which relates to periods prior to the current Group being formed on 12 December 2015.

#### **C.1.2 Transactions eliminated on consolidation**

Intercompany balances and transactions, and any unrealised income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

#### **C.2 Foreign currency translation and balances**

##### **C.2.1 Functional and presentation currency**

The financial statements of each entity within the Group are measured using the currency of the primary economic environment in which that entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is Wellard Limited's functional and presentation currency.

##### **C.2.2 Transactions and balances**

Transactions in foreign currencies of entities within the Group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the period.

Except for certain foreign currency transactions, all resulting exchange differences arising on settlement or restatement are recognised as revenues and expenses for the period.

Entities that have a functional currency different from the presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date;
  - income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate;
- and
- all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

#### **C.3 Revenue**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognised:

##### **C.3.1 Sale of goods**

Revenue from sale of goods is typically recognised upon the delivery of goods to customers or when there has been a transfer of risks and rewards to the customer, and generally title has passed. This is generally deemed to have passed when the vessel containing livestock docks at the destination port.

##### **C.3.2 Vessel chartering**

Voyage charter revenue is recognised on a percentage of completion basis which is determined on a time proportion method of each individual voyage. Any demurrage and despatch is recognised when considered probable.

## Notes to the Financial Statements

### For the half-year ended 31 December 2015

#### C.3.3 Interest

Interest 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.

#### C.4 Income tax

Income tax expense comprises current and deferred tax. Current income tax expense or benefit is the tax on the current period's taxable income/taxable loss based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities. It is calculated based on tax laws that have been enacted or are substantially enacted by the end of the reporting period.

Current tax payable is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to the income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

#### C.4.1 Tax consolidation

The parent entity Wellard Limited, and its Australian subsidiaries formed a tax consolidated group with effect from 11 December 2015. The parent entity and subsidiaries in the tax consolidated group entered into a tax funding agreement such that each entity in the tax consolidated group recognises the assets, liabilities, revenues and expenses in relation to its own transactions, events and balances only. This means that:

- the parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- the subsidiaries recognise current or deferred tax amounts arising in respect of their own transactions, events and balances; and
- current tax liabilities and deferred tax assets arising in respect of tax losses, are transferred from the subsidiary to the parent entity as intercompany payables or receivables.

Adjustments may be made for transactions and events occurring within the tax consolidated group that do not give rise to a tax consequence for the group or that have a different tax consequence at the head entity level of the group. The tax consolidated group entered into a tax sharing agreement to limit the liability of subsidiaries in the tax consolidated group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

## Notes to the Financial Statements

### For the half-year ended 31 December 2015

#### **C.5 Borrowing costs**

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings and foreign exchange losses net of hedged amounts on borrowings.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset which are capitalised until the asset is ready for its intended use or sale. Loan establishment costs have been capitalised and are amortised over the life of the loan facility. Borrowing costs relating to loans extinguished during the period have been expensed.

#### **C.6 Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment allowance. Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified.

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.

#### **C.7 Inventories**

Inventories in the statement of financial position comprise bunker (fuel, oil, gasoline) raw materials and finished goods.

Bunker used for the operation of the vessels and with a high turnover rate is not written down to the net realisable value when the market price falls below cost if the overall shipping activity is expected to be profitable.

All other inventories are measured at the lower of cost or net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- fuel: purchase cost on a first in, first out basis;
- raw materials and consumables: purchase cost on a first in, first out basis; and
- finished goods and work in progress: cost of direct material and labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of production and the estimated costs necessary to complete the sale.

#### **C.8 Biological assets**

Biological assets in the statement of financial position comprise cattle and sheep and are measured on initial recognition and at each reporting date at their fair value less estimated point of sale costs. The fair value is determined on the actual selling prices approximating those at period end less estimated point of sale costs. Fair value increments or decrements are recognised in profit or loss.

Where fair value cannot be measured reliably, biological assets are measured at cost. Net increments and decrements in the fair value of the biological assets are recognised as income or expense in profit or loss, determined as:

## Notes to the Financial Statements

### For the half-year ended 31 December 2015

#### **C.8 Biological assets (continued)**

- the difference between the total fair value of the biological assets recognised at the beginning of the period and the total fair value of the biological assets recognised at the end of the period; and
- costs incurred in maintaining or enhancing the biological assets recognised at the beginning of the period and the total fair value of the biological assets recognised at the end of the period.

#### **C.9 Financial instruments**

##### **C.9.1 Classification**

The Group classifies its financial assets into 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 instruments were acquired. Management determines the classification of the financial instruments at initial recognition.

##### **C.9.2 Derivative financial instruments**

Derivatives are recognised initially at fair value; any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

##### **C.9.3 Foreign exchange contracts**

The Group enters into foreign exchange contracts to manage its exposure against foreign currency risk in line with the entity's risk management strategy.

##### **C.9.4 Non-derivative financial instruments**

Non-derivative financial instruments consist of investments in equity securities, trade and other receivables, cash and cash equivalents, borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value, plus directly attributable transaction costs (if any). After initial recognition, non-derivative financial instruments are measured as described below.

##### **C.9.5 Loans and receivables**

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method. Loan and receivables include trade receivables.

##### **C.9.6 Available-for-sale financial assets**

Available-for-sale financial assets include any financial assets not included in the above categories and are measured at fair value. Unrealised gains and losses arising from changes in fair value, other than impairment losses, are recognised in other comprehensive income and presented in equity. The cumulative gain or loss is held in equity until the financial asset is derecognised, at which time the cumulative gain or loss held in equity is recognised in profit or loss.

##### **C.9.7 Financial liabilities**

Financial liabilities include trade payables, other creditors and loans from third parties and loans from or amounts due to Director related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal repayments and amortisation.

Financial liabilities 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 end of the reporting period.

## Notes to the Financial Statements

### For the half-year ended 31 December 2015

#### **C.10 Property, plant and equipment**

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and any accumulated impairment losses.

##### **C.10.1 Vessels**

Vessels are measured on a cost basis. Depreciation rate: 4.0% - 5.0%, straight line basis.

##### **C.10.2 Land and buildings**

Land and buildings are measured on a cost basis. Depreciation rate: 2.5% - 20.0%, straight line basis.

##### **C.10.3 Plant and equipment**

Plant and equipment is measured on a cost basis. Depreciation rate: 4.5% - 40.0%, straight line basis.

##### **C.10.4 Improvements**

Improvements are measured on a cost basis. Depreciation rate: 6.0% - 11.2%, straight line basis.

##### **C.10.5 Depreciation**

The depreciable amount of all fixed assets is depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Land owned by the Group is freehold land and accordingly is not depreciated.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Assets under construction are measured at cost and not depreciated until the assets are ready for use.

#### **C.11 Impairment**

##### **C.11.1 Financial assets measured at amortised cost**

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causing the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### **C.11.2 Available-for-sale financial assets**

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application

## Notes to the Financial Statements

### For the half-year ended 31 December 2015

#### **C.11.2 Available-for-sale financial assets (continued)**

of the effective interest rate method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

#### **C.11.3 Equity accounted investments**

An impairment loss in respect of an equity accounted investment is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the policy set out below in non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

#### **C.11.4 Non-financial assets**

The carrying amounts of the Group non-financial assets, other than biological assets, equity accounted investments, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use, and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **C.12 Intangible assets**

##### **C.12.1 Goodwill**

Goodwill is recognised initially at the excess over the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in the case of a step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.

Goodwill is not amortised, but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

##### **C.12.2 Software**

Software is measured initially at the cost of acquisition and amortised over the useful life of the software. Expenditure on software development activities is capitalised only when it is expected that future benefits will exceed the deferred costs, and these benefits can be reliably measured. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of the intangible asset over its

## Notes to the Financial Statements

### For the half-year ended 31 December 2015

#### **C.12.2 Software (continued)**

estimated useful life (not exceeding seven years) commencing when the intangible asset is available for use. Other development expenditure is recognised as an expense when incurred.

#### **C.12.3 Assets acquired separately or from a business combination**

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets are capitalised when the Group is certain that there are future economic benefits that will arise from these assets. Other internally generated intangible assets that do not fit this recognition criterion are charged against profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each period end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate.

The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the nature of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each period to determine whether indefinite life assessment continues to be supportable. If not, the change in useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

#### **C.13 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 end of the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

#### **C.14 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.

#### **C.15 Provisions**

Provisions are recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## Notes to the Financial Statements

### For the half-year ended 31 December 2015

#### **C.16 Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement, so as to reflect the risks and benefits incidental to ownership.

##### **C.16.1 Finance leases**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Group are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in profit or loss. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Group will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

##### **C.16.2 Operating leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight line basis over the term of the lease. Lease incentives received under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

#### **C.17 Employee benefits**

##### **C.17.1 Short-term employee benefit obligations**

Liabilities arising in respect of wages and salaries, annual leave, long service leave and any other employee benefits expected to be settled within 12 months of the end of the period are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

##### **C.17.2 Long-term employee benefit obligations**

Liabilities arising in respect of long service leave and annual leave which are not expected to be settled within 12 months of the end of the period are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the end of the period. Employee benefit obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the end of the period, regardless of when the actual settlement is expected to occur.

##### **C.17.3 Bonus plan**

The Group recognises a provision when a bonus is payable in accordance with the employee's contract of employment, and the amount can be reliably measured.

##### **C.17.4 Termination benefits**

Termination benefits are payable when employment of an employee or group of employees is terminated before the normal retirement date, or when the Group provides termination benefits as a result of an offer made and accepted in order to encourage voluntary redundancy. The Group recognises a provision for termination benefits when the entity can no longer withdraw the offer of those benefits, or if earlier, when the termination benefits are included in a formal restructuring plan that has been announced to those affected by it.

#### **C.18 Goods and services tax (GST)**

Revenues, expenses, assets and liabilities are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

## Notes to the Financial Statements

### For the half-year ended 31 December 2015

#### **C.19 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

#### **C.20 Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term and highly liquid cash deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. For the purposes of the statement of cash flows, cash includes cash on hand, demand deposits and cash equivalents.

#### **C.21 Share-based payments**

Share-based compensation benefits were provided to employees via a one-off management IPO bonus. The fair value of shares granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the shares granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

#### **C.22 Comparatives**

Where necessary, comparative information is reclassified and restated for consistency with current period disclosures.

#### **C.23 Critical accounting estimates and judgements**

The preparation of the consolidated financial report in conformity with AAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. In preparation of this consolidated half-year financial report, management has determined that there have been no changes in critical accounting estimates and judgments in the current period other than the extension of the useful life of the vessels in Wellard Ships as compared to the previous reporting period.

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

##### **C.23.1 Recoverability of goodwill**

Goodwill is allocated to CGUs according to applicable business operations. The recoverable amount of a CGU is based on value in use calculations. These calculations are based on projected cash flows approved by management covering a period of three years. Management's determination of cash flow projections and gross margins is based on past performance and its expectation for the future.

##### **C.23.2 Recoverability of non-financial assets other than goodwill**

All assets are assessed for impairment at each period end by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the Group. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment or future product expectations. If an indicator of impairment exists, the recoverable amount of the asset is determined.

##### **C.23.3 Valuation of biological assets**

Biological assets are measured on initial recognition and at each reporting date at their fair value less estimated point of sale costs. The fair value is determined based on the actual selling prices approximating those at year end less estimated point-of-sale costs.

## Notes to the Financial Statements

### For the half-year ended 31 December 2015

#### **C.23.4 Useful life and residual value of livestock carrying vessels**

Management reviews the appropriateness of the useful life and residual value of vessels at each balance date. Certain estimates regarding the useful life and residual value of vessels are made by management based on past experience and these are in line with the industry. Changes in the expected level of usage, scrap value of steel and market factors could impact the economic useful life and residual value of the vessels. When there is a material change in the useful life and residual value of vessels, such a change will impact both the depreciation charges in the period in which the changes arise and future depreciation charges.

#### **C.23.5 Accounting for separation due to restructure**

As part of the restructure of the Group which resulted from the IPO, management relied on estimates available at the reporting date to account for the deconsolidation and net loan positions of the Group.

#### **C.23.6 Estimate of consideration from WGH Holdings Pty Ltd**

The separation of Wellard Limited and its subsidiaries (as listed in Note 14) from its previous ownership and ongoing trading activities between the Wellard Limited group and WGH Holdings Pty Ltd group has given rise to receivables to Wellard Limited from its former parent entity, WGH Holdings Pty Ltd. Whilst the precise amount of some portions of these receivables is subject to finalisation, taking into account the relevant information available at reporting date, the Directors have recognised receivables from WGH Holdings Pty Ltd of approximately \$14.7m. Any subsequent adjustment will have no impact on the Statement of Comprehensive Income in future reporting periods.

### **Note 2. Restructure event**

During the year, a restructure took place in preparation for the listing of the Group on the ASX. This resulted in a newly incorporated company, Wellard Limited, raising equity on the ASX to fund the purchase of several entities within the WGH Holdings Pty Ltd (previously Wellard Group Holdings Pty Ltd) business that have previously operated together as a business.

The Directors elected to account for the restructure as a capital re-organisation rather than a business combination. In the Directors' judgment, the continuation of the existing accounting values are consistent with the accounting that would have occurred if the assets and liabilities had already been in a structure suitable to IPO and most appropriately reflects the substance of the restructure.

As such, the consolidated financial statements of Wellard Limited have been presented as a continuation of the pre-existing accounting values of assets and liabilities of the entities acquired as a result of the IPO process. Those entities being:

- Wellard Rural Exports Pty Ltd
- Wellard Animal Processing Pty Ltd
- Wellard Feeds Pty Ltd
- Wellard NZ Ltd
- Wellard Ships Pte Ltd
- Wellard Singapore Pte Ltd
- Ocean Drover Pte Ltd
- Niuyang Express Pte Ltd
- Wellard do Brasil Agronegocios Ltda
- Portimor SA

The Directors believe that this presentation is consistent with that of other similar IPO transactions in the Australian market. The international accounting standard setters (International Accounting Standards Board) may review accounting for common control transactions. If any changes are made and are required to be applied retrospectively, there remains the risk that the accounting treatment may need to be amended from that currently adopted. Acquisition accounting would require Wellard's identifiable assets and liabilities to be fair valued by the new parent at the acquisition date in accordance with AASB 3 Business Combinations.

## Notes to the Financial Statements For the half-year ended 31 December 2015

### **Note 2. Restructure event (continued)**

If the accounting treatment selected by the Directors had been acquisition accounting, the impact of the acquisition cannot be accurately determined at this time, as a formal purchase price allocation has not been carried out. Nevertheless, it would likely result in a material increase in:

- property, plant and equipment due to potential uplift to fair value and subsequent increased depreciation.
- intangible asset balances and subsequent amortisation charges in the consolidated income statements of the Group; and
- goodwill balances and the resulting potential risk and quantum of goodwill impairment charges in future periods.

The balance of any increase in net assets would be recorded as goodwill and not subject to amortisation. In addition, tax accounting is also likely to be materially different as a result of acquisition value accounting. The impact of acquisition accounting, should this subsequently be required by the IASB, is non-cash in nature and will not impact future cash flows. In addition, acquisition accounting in the consolidated financial statements of the Company should not impact the ability of the Group to pay future dividends, as the overall financial position of the parent entity, the Company, will be the determinant of whether or not dividends are able to be paid in future financial periods.

In addition to the purchase price, as the above entities were exiting the WGH Holdings Pty Ltd consolidated group, repayments of intercompany loans were facilitated. From 12 December 2015, all transactions between WGH Holdings Pty Ltd and Wellard Limited and their respective subsidiaries have been on commercial arm's length basis. Material related party transactions have been disclosed in note 19. Immaterial transactions operating under agreed commercial terms have not been disclosed. Commercial terms have been agreed for leases of certain property.

### **Note 3. Significant items**

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

- Wellard Limited was incorporated 10 September 2015 with a view to be the ultimate holding company of all the entities which formed part of the Wellard Group which listed on the Australian Securities Exchange (ASX) on 10 December 2015.
- The acquisition of all subsidiaries listed in note 14 as part of the Group restructure which gave rise to the Common Control Reserve in the Statement of Changes in Equity.

### **Note 4. Segment information**

The Group's management has considered the reportable segments in which the Group will report in this financial statement and in the future. As a result of this process, the Group's management has determined that Livestock Marketing & Export represents the only reportable segment, including the marketing and export of cattle and sheep. These export activities have similar production and distribution channels, similar products and similar end customers, and as such aggregated and classified as one segment.

Processed Meat Marketing & Export and corporate services are not considered to be reportable operating segments, however is presented in an 'other segments' column in this financial statement. This classification is in accordance with AASB 8 guidelines.

#### **4 (a) Description of segments and principal activities**

- 1) Livestock Marketing and Export – This segment is engaged in the business of buying livestock from multiple sources for export to international markets and includes all the logistics and transport required to supply livestock to its customers.
- 2) Other – This segment consists of Processing and Distribution as well as Corporate Services. Processing and Distribution is in the business of operating abattoirs as well as marketing of processed meat for export to international markets. The processed meat is sourced from the Beaufort River Meats abattoir, which is owned and operated by the Group, or procured from external suppliers.

## Notes to the Financial Statements

### For the half-year ended 31 December 2015

#### Note 4. Segment information (continued)

Corporate Services consists of a centralised support function which provides specialised services across several functions to the rest of the Group.

Management primarily uses a measure of adjusted earnings before interest, tax, depreciation and amortisation (pro forma EBITDA, see below) to assess the performance of the operating segments. However, management also receives financial information about segment revenue, interest expense, assets and liabilities on a monthly basis.

#### 4 (b) Pro forma EBITDA

Pro forma EBITDA excludes the effects of significant items of income and expenditure which may have an impact on the quality of the earnings such as restructuring costs, transactions costs relating to the Initial Public Offering, restructuring costs and other non-recurring expenditure. It also excludes the effects of equity-settled share-based payments and unrealised foreign exchange gains and losses.

	Consolidated half-year	
	2015	2014
	\$'000	\$'000
Livestock Marketing and Export	27,809	12,461
Other	(888)	(175)
<b>Total pro forma EBITDA</b>	<b>26,921</b>	<b>12,286</b>
Pro forma EBITDA reconciles to loss from continuing operations before income tax as follows:		
<b>Loss from continuing operations before income tax</b>	<b>(26,863)</b>	<b>(4,959)</b>
Finance costs	10,816	3,348
Depreciation	8,785	9,814
Amortisation	513	1,154
Withholding tax	817	34
Restructuring costs	96	2,633
Share based payment expense	18,700	-
Transaction costs	6,977	-
Loan establishment costs due to restructure	1,872	-
Foreign exchange losses due to restructure	5,208	262
<b>Total pro forma EBITDA</b>	<b>26,921</b>	<b>12,286</b>

Notes to the Financial Statements  
For the half-year ended 31 December 2015

**Note 5. Revenue**

	Note	Consolidated half year	
		2015 \$'000	2014 \$'000
<b>(a) Revenue:</b>			
Sale of goods		272,569	238,190
Services revenue		2,919	374
<b>Total revenue</b>		<b>275,488</b>	<b>238,564</b>
<b>(b) Other income:</b>			
Foreign exchange gains		2,470	5,293
Gain on disposal of property, plant and equipment		3	1
Gain arising from insurance refund		323	-
Interest	5(c)	12	28
		<b>2,808</b>	<b>5,322</b>
<b>(c) Interest income from:</b>			
Banks		12	28

Notes to the Financial Statements  
For the half-year ended 31 December 2015

**Note 6. Expenses**

	Note	Consolidated half-year	
		2015	2014
		\$'000	\$'000
Cost of sales		224,174	204,092
<b>Finance costs:</b>			
External - Bank		10,816	3,348
		10,816	3,348
<b>Operating expenses</b>			
Bad and doubtful debts expense		4	7
Labour costs	6(a)	8,660	8,390
Motor vehicle expenses		346	372
Repairs & maintenance		3,583	5,158
		12,593	13,927
<b>Administrative expenses:</b>			
Consulting costs		3,007	2,682
General & admin costs		3,307	2,136
		6,314	4,817
<b>Other expenses:</b>			
Foreign exchange losses		9,878	4,492
Loan establishment costs		1,872	-
Loss arising from writedown of assets		194	1,211
Restructuring costs		96	2,633
Occupancy costs		2,084	1,462
Share based payment expense		18,700	-
Transaction costs		6,977	-
Travel expenses		2,162	1,895
		41,963	11,693
<b>6(a) Employee benefits expense:</b>			
Wages and salaries		7,814	7,558
Employee entitlements		87	82
Superannuation		423	420
Payroll tax		336	330
		8,660	8,390

Notes to the Financial Statements  
For the half-year ended 31 December 2015

**Note 7. Taxation**

	<b>Consolidated half-year</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
7 (a) Income tax expense/(benefit) attributable to continuing operations	2,997	(451)
	2,997	(451)
7 (b) Income tax credited to the Statement of Changes in Equity	(1,138)	-
	(1,138)	-

**Income tax expense**

The income tax expense/(benefit) for the period is the tax payable on the current period's taxable income/(loss) based on the applicable tax rate for each jurisdiction and adjusted for changes in deferred tax assets and liabilities attributable to temporary differences. The income tax expense/(benefit) in this report represents tax effect for the entire half-year period for each reported financial year.

**Tax consolidated group**

Wellard Ltd and its 100 percent owned Australian resident subsidiaries have formed a tax consolidated tax group with effect on 12 December 2015. Wellard Ltd is the head entity of the tax consolidated group. Members of the group have entered into a taxation sharing agreement in order to allocate income tax expenses and benefits to the wholly owned subsidiaries on a stand alone basis. Prior to the tax consolidated group being formed, all Australian resident subsidiaries formed part of a separate tax consolidated group which was dissolved when Wellard Ltd and its subsidiaries listed on the Australian Securities Exchange and the new group was formed. Deferred tax assets and liabilities for these subsidiaries were carried forward from its original tax bases and no material adjustments were effected to the tax bases of these entities.

**Note 8. Cash and cash equivalents**

	<b>Note</b>	<b>Consolidated</b>	
		<b>31 December 2015</b>	<b>30 June 2015</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>			
Cash at bank and in hand		6,917	18,182
Restricted cash	8(a)	10,000	-
		16,917	18,182

(a) Restricted cash consists of an amount held in a bank account by the Group which will be released in full upon the completion of all transactions relating to the restructure of the Group.

Notes to the Financial Statements  
For the half-year ended 31 December 2015

**Note 9. Property, Plant & Equipment**

<b>Consolidated 31 December 2015</b>				
	Freehold land	Sheds and	Plant and	Total
	Fair value	Buildings	Equipment	
<b>Non current assets</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>

**Half-year ended 31 December 2015**

Opening net book amount	389	1,307	203,381	205,077
Additions	4,747	163	48,424	53,334
Disposals	-	-	(32)	(32)
Foreign exchange revaluation	-	-	9,010	9,010
Depreciation expense	-	(27)	(8,758)	(8,785)
Closing net book amount	5,136	1,443	252,025	258,604

**Half-year ended 31 December 2015**

Cost	5,136	1,833	346,199	353,168
Accumulated depreciation and impairment	-	(390)	(94,174)	(94,564)
Net book amount	5,136	1,443	252,025	258,604

**Consolidated 30 June 2015**

	Freehold land	Sheds and	Plant and	Total
	Fair value	Buildings	Equipment	
<b>Non current assets</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>

**Half-year ended 30 June 2015**

Opening net book amount	389	1,328	204,308	206,025
Additions	-	8	1,422	1,430
Disposals	-	-	(160)	(160)
Foreign exchange revaluation	-	-	7,948	7,948
Depreciation expense	-	(29)	(10,137)	(10,166)
Closing net book amount	389	1,307	203,381	205,077

**Half-year ended 30 June 2015**

Cost	389	1,669	285,030	287,088
Accumulated depreciation and impairment	-	(362)	(81,649)	(82,011)
Net book amount	389	1,307	203,381	205,077

Property, plant and equipment with a carrying amount of \$196,990,621 (2015: \$196,727,714) are pledged as securities for the current and non-current liabilities as disclosed in note 11.

Notes to the Financial Statements  
For the half-year ended 31 December 2015

**Note 10. Intangible assets**

<b>Consolidated 31 December 2015</b>						
	Goodwill	Development costs	Intellectual property	Client relationships	Software	Total
<b>Non current assets</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Half-year ended 31 December 2015</b>						
Opening net book amount	1,620	3	182	1,320	-	3,125
Additions	44	-	-	-	2,043	2,087
Foreign exchange revaluation	(2)	-	-	-	-	(2)
Amortisation and impairment charge	-	(1)	(182)	(330)	-	(513)
Closing net book amount	1,662	2	-	990	2,043	4,697
<b>Half-year ended 31 December 2015</b>						
Cost	1,662	80	1,500	3,300	2,043	8,585
Accumulated amortisation and impairments	-	(78)	(1,500)	(2,310)	-	(3,888)
Net book amount	1,662	2	-	990	2,043	4,697
<b>Consolidated 30 June 2015</b>						
	Goodwill	Development costs	Intellectual property	Client relationships	Software	Total
<b>Non current assets</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Half-year ended 30 June 2015</b>						
Opening net book amount	1,620	1,782	432	1,650	249	5,733
Additions	-	-	-	-	-	-
Foreign exchange revaluation	-	105	-	-	13	118
Amortisation and impairment charge	-	(1,884)	(250)	(330)	(262)	(2,726)
Closing net book amount	1,620	3	182	1,320	-	3,125
<b>Half-year ended 30 June 2015</b>						
Cost	1,620	82	1,500	3,300	-	6,502
Accumulated amortisation and impairments	-	(79)	(1,318)	(1,980)	-	(3,377)
Net book amount	1,620	3	182	1,320	-	3,125

In the 2013 financial year, the Group acquired Beaufort River Meats as a going concern and Goodwill of \$1,620,000 was recognised. During the half-year ended 31 December 2015 the Group acquired Portimor SA and Goodwill of \$43,700 was recognised. Goodwill is recognised initially at the excess over the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest, less the fair value of the identifiable assets acquired and liabilities assumed.

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

## Notes to the Financial Statements

### For the half-year ended 31 December 2015

#### Note 10. Intangible assets (continued)

Intellectual property represents the incremental employment costs paid in 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 Meats 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.

Software consists of amounts spent on the implementation of an enterprise resource planning system since the selection phase was concluded and is expected to be in use by May 2016.

Management has assessed the carrying values of intangible assets and is of the opinion that no amounts are required to be impaired at 31 December 2015.

The useful lives and valuation methods of the above intangible assets are disclosed in note 1.C.12.

#### Note 11. Loans and Borrowings

	Note	Consolidated	
		31 December 2015	30 June 2015
		\$'000	\$'000
<b>Current</b>			
Bank loans - secured	11(a)	27,908	45,206
		27,908	45,206
<b>Non current</b>			
Bank loans - secured	11(a)	99,743	208,538
		99,743	208,538
<b>Total Current and Non Current</b>		127,650	253,744

## Notes to the Financial Statements

### For the half-year ended 31 December 2015

#### Note 11. Loans and Borrowings (continued)

##### 11 (a) Terms and debt repayments schedule

Terms and conditions of outstanding loans were as follows:

Name	Currency	Nominal interest rate	Year of maturity	31 December 2015	30 June 2015
				\$'000	\$'000
				Carrying amount	Carrying amount
<i>Secured</i>					
Secured bank loans	USD	BBSY/LIBOR + 7.7%	2018	-	122,066
Secured bank loans	USD	LIBOR + 1.65%	2022	21,587	22,098
Secured bank loans	USD	LIBOR + 3.1%	2022	19,017	19,482
Unsecured loan	AUD	9.29%	2015	7,980	7,954
Unsecured bank loans	USD	2.7% - 4.95%	2015	856	4,364
Trade Asset finance	USD	4.89%	2019	55,249	55,918
Trade Asset finance	USD	4.89%	2019	22,829	23,541
Trade Asset finance	AUD	8.90%	2017	57	-
Trade Asset finance	BRL	3.15% - 8.85%	2018	75	112
				127,650	255,535

The secured bank loans are secured over property, plant and equipment with a carrying value of \$196,990,621 (2015: \$196,727,714) detailed in Note 9.

##### 11 (b) Loan covenants

As at 31 December 2015 the Group is in compliance with all covenants.

#### Note 12. Issued Capital

	Consolidated	
	31 December 2015	30 June 2015
	\$'000	\$'000
<b>Ordinary shares</b>		
At beginning of reporting period	56,940	56,940
Restructure of Group:		
Reverse existing capital resulting from restructure	(56,940)	-
Ordinary shares issued to existing shareholder	257,150	-
Ordinary shares issued	298,850	-
Costs related to issuing securities	(6,986)	-
At the end of reporting period	549,014	56,940
<b>Total issued capital</b>	549,014	56,940

The Group has authorised share capital amounting to 400,000,000 ordinary shares issued and fully paid.

Notes to the Financial Statements  
For the half-year ended 31 December 2015

**Note 12. Issued Capital (continued)**

Movements in ordinary shares:

	31 December 2015	30 June 2015
	Number	Number
	'000	'000
At the beginning of reporting period	-	-
Shares issued during year	400,000	-
At the end of reporting period	400,000	-

**Terms and Conditions**

Issued share capital consists of ordinary shares with equal voting rights.

**Note 13. 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	(23,866)	(5,410)
<i>Non cash flows in profit:</i>		
Depreciation & amortisation	9,298	10,968
Income tax (revenue)/expense	(2,997)	451
Non controlling interest		7
Bad and doubtful debts	4	(1)
Net loss/(gain) on disposal of property, plant and equipment	(3)	-
Share based payment expense	18,700	-
Realised foreign exchange losses on loans	12,861	-
Unrealised foreign exchange gains	(7,747)	263
 (b) Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
Change in trade and other receivables	(12,250)	(11,218)
Change in inventories and biological assets	7,271	9,682
Change in other current assets	(1,380)	10,757
Cash advances on duties prepaid	7,624	-
Change in income tax payable	110	1,254
Change in net deferred tax assets/liabilities, net of tax effect on asset revaluation reserve	(274)	(332)
Change in trade and other payables	(8,908)	(32,445)
Change in provisions	(1,979)	27
	(3,536)	(15,997)

Notes to the Financial Statements  
For the half-year ended 31 December 2015

**Note 14. Controlled Entities**

Controlled Entities Consolidated	Country of incorporation	Percentage Owned (%)*	
		31 December 2015	30 June 2015
<b>Parent Entity:</b>			
Wellard Ltd	Australia		
<b>Subsidiaries of Wellard Ltd:</b>			
Wellard Feeds Pty Ltd	Australia	100	100
Wellard Rural Exports Pty Ltd	Australia	100	100
Wellard Animal Production Pty Ltd	Australia	100	100
Wellard NZ Ltd	New Zealand	100	100
Wellard Ships Pte Ltd	Singapore	100	100
Wellard Singapore Pte Ltd	Singapore	100	-
Ocean Drover Pte Ltd	Singapore	100	100
Niuyang Express Pte Ltd	Singapore	100	100
Wellard do Brasil Agronegocios Ltda	Brazil	100	100
Portimor SA	Uruguay	100	-

\* Percentage of voting power in proportion to ownership

**Note 15. Commitments**

**15 (a) Capital commitments**

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

	Consolidated	
	31 December 2015	30 June 2015
	\$'000	\$'000
Property, plant and equipment	29,239	105,259
	29,239	105,259

Notes to the Financial Statements  
For the half-year ended 31 December 2015

**Note 16. Earnings per share**

	Consolidated half-year	
	2015	2014
	Cents	Cents
<b>(a) Basic loss per share</b>		
From continuing operations attributable to the ordinary equity holders of the company	7.3	1.7
<b>(b) Diluted loss per share</b>		
From continuing operations attributable to the ordinary equity holders of the company	7.3	1.7
	Consolidated half-year	
	2015	2014
	Number	Number
Weighted average number of ordinary shares used as the denominator	328,243,778	320,415,827

The number of ordinary shares outstanding has been adjusted retrospectively back to 1 July 2014 for the capital reconstruction, which occurred on 11 December 2015, as described in note 2. The comparative EPS balances have been recalculated accordingly.

**Note 17. Contingent Liabilities**

During the half-year ended 31 December 2015 and at balance date, no events occurred that gave rise to any contingent liabilities.

**Note 18. Subsequent events**

During the second half of December, two of the Group's vessels experienced a mechanical breakdown. The incidents did not have any negative animal welfare impacts as one of the vessels was not loaded with cargo and the other vessel safely reached a discharge port with 99.94% of animals being safely discharged. These vessels are being repaired and will be back in operation during March 2016.

**Note 19. Related party transactions**

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

The separation of Wellard Limited and its subsidiaries (as listed in Note 14) from its previous ownership and ongoing trading activities between the Wellard Limited group and WGH Holdings Pty Ltd group has given rise to receivables to Wellard Limited from its former parent entity, WGH Holdings Pty Ltd. Whilst the precise amount of some portions of these receivables is subject to finalisation, taking into account the relevant information available at reporting date, the Directors have recognised receivables from WGH Holdings Pty Ltd of approximately \$14.7m. Any subsequent adjustment will have no impact on the Statement of Comprehensive Income in future reporting periods.

## Directors' Declaration

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

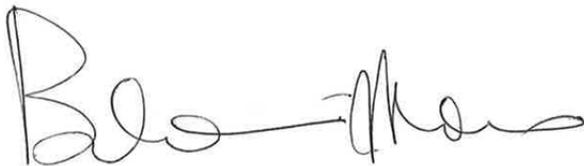
In the opinion of the directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and
  - (ii) Complying with the Australian Accounting Standards (including the Australian Accounting Interpretations), Corporations Regulations 2001, and other mandatory professional reporting requirements.
- (b) There are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board



D C Griffiths  
Chairman  
Date: 26 February 2016



M Balzarini  
Managing Director  
Date: 26 February 2106



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

### ***Report on the Half-Year Financial Report***

We have reviewed the accompanying half-year financial report of Wellard Limited (the company), which comprises the statement of financial position as at 31 December 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Wellard Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled from time to time during the half-year.

### ***Directors' responsibility for the half-year financial report***

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Wellard Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### ***Independence***

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

### ***Conclusion***

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date;

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

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*Douglas Craig*

Douglas Craig  
Partner

Perth  
26 February 2016