WELLARD LIMITED

ACN 607 708 190

Annual Report 2021

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EXECUTIVE CHAIRMAN'S REPORT

MESSAGE FROM THE EXECUTIVE CHAIRMAN

John Klepec
Executive Chairman

B.Comm, MAICD

Wellard has realised the benefits of its balance sheet restructure efforts and continuing its sole focus on shipping operations over the last two years to record a second successive profit in FY2021. The Company is heading in the right direction and is looking at its longer-term strategy.

The three most rewarding aspects of FY2021 were:

1. The financial resilience of the business, due largely to the Company's ability to further benefit from its previous restructure of its balance sheet and cost base;
2. The momentum we carry into FY2022 with a strong H2 FY2021 financial performance and a good existing book of charters deep into H1 FY2022, despite very challenging market conditions for livestock vessel operators; and
3. Wellard's stronger operational performance which allowed the board to turn some of its attention to future growth, and in particular fleet modernisation.

After posting a very small, maiden profit in FY2020, the board was acutely aware of the need to build on that financial performance in FY2021. So, it is pleasing that Company was able to record a consecutive and significantly improved profit of US$1.9 million in the financial year.

The increased profit was hard-won. As I noted in my 2020 AGM address, two issues in October 2020 would weigh down Wellard's H1 FY2021 results, namely the extended dry-dock and off hire duration of the M/V Ocean Ute and the sudden, temporary closure of the New Zealand live export industry after the tragic sinking and loss of life on the Gulf Livestock 1.

Those two events ultimately contributed to a first half loss of US$1.6 million in H1 FY2021. Crucially, the business bounced back in H2 FY2021 with a US$3.5 million profit for that half, despite the Company's largest vessel, the M/V Ocean Drover undertaking her scheduled mandatory special survey for six weeks during that period.

The increased profit was achieved despite a 26% fall in both revenue and EBITDA from FY2020, due to the events outlined above and the absence of the large M/V Ocean Shearer from the Wellard fleet post her sale in March 2020. The ability to achieve higher NPAT from lower EBITDA stemmed from a substantial reduction in principal and interest payment requirements achieved through a restructure of Wellard's balance sheet over the preceding two years, and good ship utilisation rates following the sale of the M/V Ocean Shearer.

In FY2019 the Company's financing costs were US$8.1 million, which fell to US$7.0 million in FY2020. This year finance costs reduced a further US$5.9 million, falling to just US$1.1 million, on the back of net debt of just US$7.3 million (as at 30 June 2021).

It has been our goal to reduce Wellard's debt levels to better match its revenue profile and volatility, and the result is that the Company can now weather issues such as those experienced in October 2020.

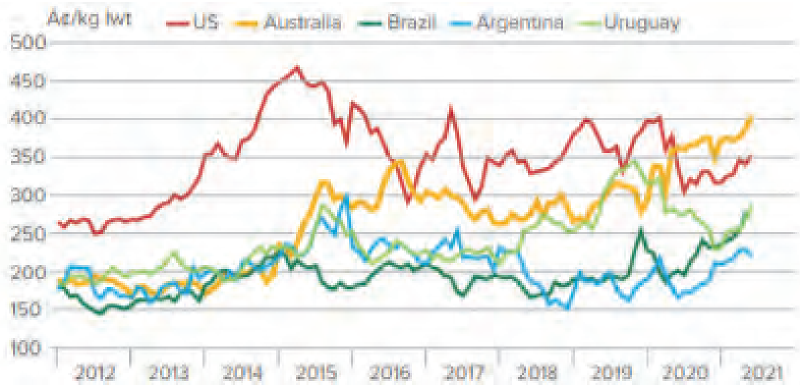
The shipboard performance with respect to animal welfare was another outstanding result. Of the 186,985 head of cattle loaded during the period, our vessels delivered a success rate of 99.9%.

The number of voyages undertaken by Wellard vessels were largely driven by demand for breeding cattle from North Asia. The increased activity in this sector helped keep vessel utilisation rates high, despite a fall in live feeder and slaughter cattle exports from Australia to Southeast Asia.

Normally this is Wellard's core market, but a 30 per cent fall in the number of cattle exported from northern Australian ports to Indonesia and Vietnam reduced Wellard's activity in this sector of the industry. The fall in numbers was caused by the reduction in the supply of cattle marketed by Australian producers who are in a herd rebuilding phase after a period of prolonged drought, and consequently high Australian cattle prices rendering imports of Australian cattle financially problematic for their overseas buyers.

Australian cattle prices remain the highest in the world at the time of writing.

Figure 1: Global cattle prices



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

Outlook

Wellard is approaching FY2022 with some positive momentum.

Our H2 FY2021 profit of US$3.5m, without the M/V Ocean Drover for six weeks, demonstrates the underlying profitability of the Wellard business.

All Wellard's vessels are fully chartered for all of Q1 FY2022 and we expect to fill the few remaining gaps for Q2 FY2022 shortly.

Charters transporting breeding cattle from Australia, New Zealand and South America to North Asia comprised Wellard's largest market in FY2021. Wellard delivered more than 100,000 cattle to destinations in North Asia in that period.

Locked in charters and additional inquiries indicates that this trend will continue in FY2022 as importers seek to accelerate their breeding programs with quality genetics.

In contrast, total live cattle exports from Northern Australia to Indonesia and Vietnam contracted by 30% in FY2021 as tight Australian supply and resultant high prices impacted on the number of cattle exported. In its July 2021 Cattle Projections, Meat & Livestock Australia did forecast that Australian live cattle exports to these markets would rebound to their FY2020 levels in FY2022. Any pick-up in activity in this sector will provide additional demand for Wellard's vessels, though Wellard expects that if it is to occur, it would most likely be in H2 FY2022 and FY2023.

The pricing dynamic of Australian Beef is causing considerable issues in the traditional markets of Indonesia and Vietnam which are price-driven, with alternative sources continuing to build material market share. Only when the volume of Australian beef increases, as it will when the local herd rebuild is completed and there is surplus stock available, will we know whether the loss of market share in Southeast Asia is entrenched. Our expectation is that this will not occur until FY2023.

Wellard is watching rather than participating in the supply of sheep from Australia to the Middle East. The number of sheep shipped by other shipping companies/exporters on this route halved in FY2021, and there are few signs that it will rebound to previous levels quickly, as despite very strong demand, which we have noted on in prior years, the sheep flock has continued to decline, especially in the export-focussed Western Australian market.

The regulatory framework for Australian live export remains an issue of finding the right balance. Whilst we agree with the intention of the Australian Government, led by the Minister of Agriculture and the congestion-busting activities initiated, we believe the Department of Agriculture, Water and Environment is currently overreaching and needs to refocus on outcomes and enforcement, not on the policy and process with seemingly endless reviews. Regulating to the lowest common denominator needs to be changed to efficient regulation based on the risk involved. We will continue to work with the Department in this regard.

Australia's live export regulatory framework leads the world, and with some further adjustments to shipping standards, we believe should be the blueprint for worldwide, at-sea livestock movements. Driven by small, but vocal and politically persuasive animal activist lobbyists, some countries are reviewing and tightening their regulatory standards, and as a world leader in animal welfare on livestock vessels, Wellard is very well placed to demonstrate that this important trade can be carried on economically, responsibly, and in alignment with the societal values and expectations of the large majority of stakeholders.

COVID-19 impacts

COVID-19 has not impacted on demand for Wellard's vessels, but it has increased some of the Company's operating costs.

Overall, we calculate that COVID-19 direct costs to Wellard since the beginning of the pandemic in 2020 are approximately US$900,000.

The largest impact has continued to be the restricted ability to undertake crew changes, which has required Wellard to divert vessels on their ballast voyages via Manila to enable a crew change out. Pre-COVID our crew flew to/from the next port of call, but COVID restrictions on crew disembarkations and reduced international flights across the world has prompted the Company to alter these crew change-out operations. The diversion to Manila increases ballast voyage sailing times, which has both a direct and an opportunity cost to the Company.

There are also longer berth times at each port of call to comply with COVID-19 procedures and the considerable stringent operational changes that we have made on board all our ships.

We have also introduced more intensive health and safety regimes to ensure that our people are healthy, and we have a general policy of mandatory vaccinations for our onshore and offshore staff, when it is possible and appropriate vaccines are available. Testing for COVID also features as part of our boarding and on-board regimes for ships crews. Additional Personal Protective Equipment (PPE) for staff has also increased the expense of provisioning our ships.

Various support services, such as inspections, maintenance and repairs on board ships are increasingly complicated, as all non-crew visits to our vessels must be conducted according to very strict protocols. There has been a shift to virtual inspections (e.g. via remote video technologies) for some purposes, however some services which absolutely require physical attendance on board can take longer and impact our ships' time in port.

In addition, our exporter customers must manage the onboarding, repatriation and quarantining of stockpersons and veterinarians for each voyage. Given the difficulty of finding available international airline flights, many such personnel are making their way back to their ports of origin in Australia or New Zealand by way of our returning ships. Wellard does not bear these costs, however they erode the margins of our customers, making business more difficult.

As noted previously, COVID-19 has had little to no impact on demand for beef or dairy breeding cattle. In fact, Wellard sees this as a current market opportunity. Given the impact COVID-19 has had on international trade and export supply chains, countries are becoming increasingly focused on food security. It is possible that in the longer term, countries may seek to become more self-sufficient.

Fleet modernisation

Wellard has always prided itself on operating a modern, technologically advanced shipping fleet.

The advantages of operating modern vessels include:

- Enhanced animal welfare outcomes from improved livestock services
- Increase demand from more progressive livestock exporter customers
- Reduced operating costs
- Reduced maintenance costs
- Improved reliability, safety and therefore availability

Late in FY2021 Wellard began the process of identifying a replacement strategy for the M/V Ocean Ute, which is now 27 years old.

As part of this process, the Company has commissioned an initial technical study into the most ideal vessel design and specifications. The preliminary technical study concluded that the optimum pen area of a newbuild vessel is a new sizing for the market – larger than the M/V Ocean Swagman and smaller than the M/V Ocean Drover. The newbuild would likely be powered by alternative fuels with very low sulphur content and capable of steaming at more than 17 knots.

The above photograph is an artist's rendering of a previous new vessel project and does not represent the indicative or final design of the possible replacement vessel. No conclusions should be drawn from this illustration.

The recent global maritime industry move from Heavy Fuel Oil to Very Low Sulphur Fuel Oil has significantly reduced the shipping industry's emissions, and Wellard's intended move to alternative fuels will further reduce the Company's environmental footprint.

At present, alternative fuels are not widely available, and are unlikely to be available in some of Wellard's load or destination ports, so a dual-fuel system is required. There are a range of alternative materials and fuels being examined by the shipping industry, and we will be assessing other new and sustainable technologies for use in the project, including for other ancillary power requirements on board.

It is important to note that given the experience of the Company created by previous high debt loads, the board has resolved that Wellard will explore alternative funding sources for the construction of a new vessel.

Several off-balance sheet funding alternatives are being actively considered that will allow us to maintain an appropriate balance sheet for a Ship Operator without shareholder equity dilution or large debt increases for any new build ships. The intention is that such funding solutions would provide adequate rates of return to the vessel's funders while providing Wellard with long-term access to a modern livestock shipping fleet.

I look forward to updating shareholders as we progress this exciting initiative.

Conclusion

With two years of positive financial results, improved after tax profit in FY2021, a healthy forward charter book and a robust balance sheet, Wellard is approaching the new financial year with more optimism than it has for previous financial years.

However, we remain mindful that the environment in our industry can change very quickly so we need to be adaptable, we need to have the right cost base for the environment we operate in, and we need to work closely with all our stakeholders, including regulators and importantly, the customers who have played an important part in the turnaround achieved to date.

Thanks must go to Wellard's hard-working team both on and off the ships for their unwavering dedication over the past 12 months to get the Company to its present position, and as we look forward to FY2022.

John Klepec
Executive Chairman

23 August 2021

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Provided below are the results for announcement to the market in accordance with Australian Securities Exchange (ASX) Listing Rule 4.2A and Appendix 4E for the consolidated entity Wellard Limited ABN 53 607 708 190 (**Wellard** or **Company**) and its controlled entities (**Wellard Group** or **Group** or **Consolidated Group**), for the year ended 30 June 2021 (**FY2021**) compared with the year ended 30 June 2020 (**FY2020**).

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

FINANCIAL RESULTS AND KEY FINANCIAL ITEMS FROM CONTINTUING OPERATIONS:

FOR THE YEARS ENDED 30 JUNE **(US$ million)**		2021	2020	Movement
Revenue		43.4	58.8	(26.2%) ↓
Chartering[1]		42.9	55.9	(23.3%) ↓
Trading		0	2.7	(100.0%) ↓
Other revenue		0.5	0.2	150.0% ↑
Gross profit		**16.1**	**18.7**	**(13.9%)** ↓
General and Administrative expenses		(4.4)	(7.4)	(40.5%) ↓
Restructuring costs		(0.1)	(0.6)	(83.3%) ↓
Other gains from trading and chartering activities		0	4.9	(100.0%) ↓
EBITDA[2]		**11.6**	**15.6**	**(25.6%)** ↓
Other gains from other activities		0.1	0.4	(75.0%) ↓
Depreciation and amortisation expenses		(8.7)	(8.8)	(1.1%) ↓
EBIT		**2.9**	**7.2**	**(59.7%)** ↓
Net finance costs		(1.1)	(7.0)	(84.3%) ↓
Income tax expense		0	0	⇆
Profit from continuing operations after tax		**1.9**	**0.2**	**850.0%** ↑
Profitability analysis				
Gross Profit margin	%	37.1	31.8	16.7% ↑
Operating Profit margin	%	26.7	26.6	0.4% ↑
Net Profit margin	%	4.4	0.3	1366.7% ↑
Interest coverage[3]	Times	10.8	2.2	390.9% ↑
Balance Sheet analysis				
Working capital	$m	(3.2)	2.1	(252.4%) ↓
Current ratio	Times	0.8	1.2	(33.3%) ↓
Net tangible assets	$m	41.8	39.7	5.3% ↑
Net tangible assets per security	Cps	7.9	7.5	5.3% ↑
Net Debt[4]	$m	7.3	6.1	19.7% ↑
Debt to capital ratio[5]	%	24.4%	29.9%	(18.4%) ↓
Ship loan to asset book value ratio	%	25.5%	37.6%	(32.2%) ↓

1 Chartering revenue refers to external chartering activity and excludes revenue arising from intercompany transactions.
2 EBITDA equals profit/(loss) from continuing operations before income tax, less depreciation and amortisation expenses, less net finance costs, less other gains/(losses) arising from other activities and less impairment expenses.
3 Interest coverage equals EBITDA divided by net finance costs.
4 Net debt equals loans and borrowings less cash and cash equivalents.
5 Debt to capital ratio equals loans and borrowings divided by total equity plus loans and borrowings.

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

DIVIDENDS

The Company does not intend to pay any dividends in respect of the year ended 30 June 2021 (2020: Nil).

AUDIT STATUS

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

WELLARD

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

Following the Group's decision to suspend livestock trading activities, in FY2021 external chartering activity represents 99% of the Group's revenue (FY2020: 95% of total revenue).

LIVESTOCK LOGISTICS SERVICES:

Wellard's predominant activity in FY2021 was as a livestock logistics services business. When pursuing this business activity, Wellard charters its ships to third parties earning freight income by carrying livestock on their behalf. To support its operations, the Group owns and/or controls a fleet of medium and large livestock transport vessels.

LIVESTOCK EXPORT:

Wellard retains its Australian livestock export licenses and capabilities but reduced this activity from July 2019. When pursuing this business activity, Wellard sources livestock in markets where production is surplus to domestic requirements (including Australia, Chile, Brazil and Uruguay) and sells livestock to customer markets where demand exceeds local production (including Indonesia, Vietnam, the Middle East, Turkey and China), utilising its own and third-party vessels.

OPERATIONS REPORT

OPERATIONS REPORT

The year in summary

Wellard achieved its second successive profitable year and fourth year of positive EBITDA. The sustained improvement in profitability has been underpinned by the restructure of the cost base and balance sheet undertaken over the last two years to better align the business with current market conditions.

The Company's FY2021 EBITDA of US$11.6 million was 25.6% lower than the US$15.6 million EBITDA last year, primarily due to a reduction in revenue, following the sale of M/V Ocean Shearer in March 2020 and the planned drydocks of M/V Ocean Ute and M/V Ocean Drover. However, due to the reset of Wellard's balance sheet and reduced overheads following the bedding down of the Group's restructure, Net Profit After Tax (NPAT) rose from US$0.2 million to US$1.9 million.

The half-year NPAT split is worthy of note, with the Company booking a Net Loss of US$1.6m in the first half of FY2021 and a US$3.5 million NPAT in the second half of the financial year.

Wellard has achieved its principal 2020 goals of restructuring its balance sheet (including remedying and resetting historical debt covenant breaches), reducing earnings volatility and reducing its cost base.

Employee safety has also continued as a core focus of the Company in recent years, and pleasingly, the Company recorded just one medically treated injury and achieved a Lost Time Injury Frequency Rate (LTIFR) of 1.27 in FY2021.

In FY2021, Wellard loaded 25 external charter voyages (FY2020: 38 external charter voyages) to the following destinations:

- 15 voyages to North Asia, delivering 105,576 head of cattle:
- 7 voyages to Indonesia, delivering 70,895 head of cattle, including three multi-exporter voyages on the M/V Ocean Drover and M/V Ocean Ute;
- 3 voyages to Vietnam, delivering 10,255 head of cattle.

Due to continuing high cattle prices in Australia, the greater proportion of revenues originated outside of Australia in FY2021 (59.3%), compared to the previous year when 86.8% of voyage capacity emanated from Australia.

One hundred per cent of the voyages were to Asia in FY2021, compared to FY2020 when the following applied: Asia 83.8%; Mediterranean Basin 9.9% and the Middle East 6.3%. This is a result of the limited activity in the live sheep sector and the lack of consistent trade in the South America to the Mediterranean Basin in FY2020, which prompted Wellard to relocate the M/V Ocean Drover back to Australia.

Figure 2: Charter revenue by origins

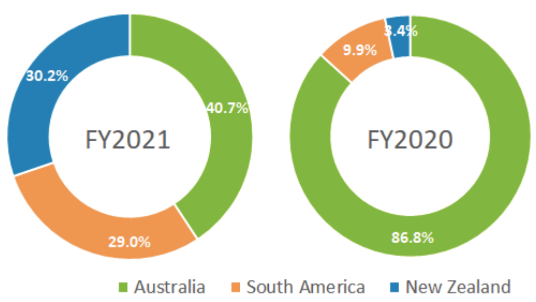
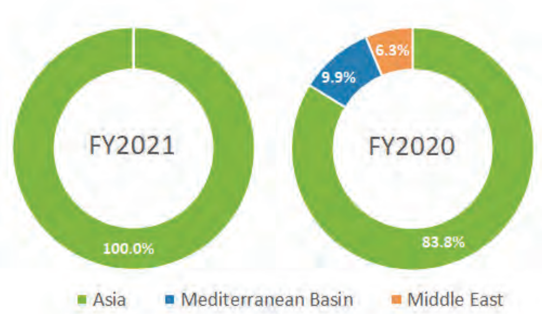


Figure 3: Charter revenue by destinations



The Wellard fleet reported one of the highest success delivery rates in its history. Of the 186,985 head of cattle loaded during the period, our vessels delivered 186,726 cattle, recording a success rate of 99.9%. No sheep were loaded during the period.

The M/V Ocean Drover underwent its scheduled dry dock in February/March 2021, which resulted in it being off-hire for five weeks and the M/V Ocean Ute completed her scheduled dry dock in October 2020 being off-hire for 81 days.

With a restructured balance sheet, a significantly stronger cash position and a leaner cost structure, the Board can now refocus on profitable revenue growth and long-term strategy. The primary areas of focus for the Board in FY2022 will be:

- Achieving sustainable and profitable growth;
- Modernising the Wellard fleet without restressing the balance sheet; and
- Reform of global and local livestock vessel standards in support of an economically and socially sustainable livestock trade.

Goals achieved in FY2021

i. Balance sheet restructure benefits realised

Restructuring Wellard's balance sheet and reducing the Company's cost base has been a core focus of the Wellard board in the previous two financial years.

The benefits of that work were evident in FY2021.

Both Wellard's FY2021 revenue and EBITDA fell 26% compared to FY2020 on the back of lower revenue, primarily due to the sale of the M/V Ocean Shearer in March 2020. Yet, the Company's profit increased from US$0.2 million to US$1.9 million demonstrating a business that is substantially more financially resilient than it was in previous years.

This was largely due to excellent utilisation of Wellard's vessels and lower finance (predominately interest) repayments required to service the Company's debt.

In FY2019, the Company paid US$8.1 million in finance costs, which fell to US$7.0 million in FY2020 with net debt (as at 30 June 2020) of US$6.1 million.

Finance costs reduced a further US$5.9 million in FY2021, falling to just US$1.1 million.

Wellard ended FY2021 with net debt of just US$7.3 million, which was a US$1.3 million decrease on its December 31, 2020, levels.

ii. Remaining vessel finance and leasing

In June 2021, Wellard reached an agreement with Ruchira Ships Limited ("Ruchira") to extend the repayment schedule for the M/V Ocean Drover by an additional year. Ruchira effectively provides vessel finance on the M/V Ocean Drover and M/V Ocean Ute through sale and leaseback contracts. Previously the M/V Ocean Drover financing agreement matured in December 2021 with a US$4.3 million balloon payment. The amended agreement is for a December 2022 maturity with remaining payments fully amortised over the remaining term of the lease.

Wellard will make its final US$0.9 million payment on the M/V Ocean Ute in December 2021, at which time the full ownership of the vessel will revert to Wellard.

Wellard has also finalised negotiations with Heytesbury Singapore Pte Ltd to extend the long-term bareboat charter of the M/V Ocean Swagman from March 2022 to June 2023. The charter extension is on the same terms previously approved by shareholders.

Work ongoing into FY2022

i. Achieving growth

Achieving a second successive profitable year is an important step for Wellard but does not mark the completion of the journey. Further improvements are required to generate the returns that our stakeholders expect.

The Company continues to target growth in existing markets and identifying new opportunities.

In particular, the supply of breeding cattle from South America to North Asia has been identified as an opportunity that the Company has begun to capitalise in FY2021 and is likely to grow our chartering business on that route in the future.

With Australian cattle prices still at historical record highs and the most expensive in the world during FY2021, the South America to North Asia market is likely to grow further.

Wellard vessels completed two of these South America to North Asia voyages in FY2021 as the pricing differential between Australian and NZ cattle prices and South American cattle prices opened to such a degree that the landed price in North Asia of South American cattle was still competitive, despite the additional freight cost.

The benefit of this route to Wellard is twofold. It provides demand for Wellard's larger vessels – the M/V Ocean Drover and, to a lesser degree, the M/V Ocean Swagman – and removes those vessels from the more frequent short route charter fleet negotiations for an extended period due to the longer distances involved.

ii. Modernising the Wellard fleet without restressing the Wellard balance sheet

A modern shipping fleet provides numerous advantages, including:

- Maintenance of industry leading animal welfare outcomes from improvement of livestock services;
- Leads to increase demand from progressive livestock exporter customers;
- Reduced operating costs;
- Reduce maintenance costs; and
- Improved reliability, safety and therefore availability.

At an industry level, the shipping fleet servicing the Australian livestock industry is ageing, with seven AMSA-approved vessels older than 30 years. The last newbuild livestock vessel was launched in 2016, the M/V Al Kuwait (formerly known as Ocean Shearer).

Wellard's own fleet profile is beginning to age, in particular the M/V Ocean Ute, which is 27 years old. Wellard has therefore commenced planning for the replacement of the M/V Ocean Ute.

This has included a preliminary technical study into optimum vessel design. The technical study favours a vessel with a medium to large optimum pen area, when compared to our existing fleet; and likely to be powered by alternative fuel in a low sulphur content; and capable of steaming at more than 17 knots. A large range of efficient and sustainable inputs and systems are to be auditioned to enhance operations and animal welfare.

The use of alternative fuel with a low sulphur content is consistent with the International Maritime Organisation's (IMO) target to reduce greenhouse gas emissions from shipping activities by at least 50% by 2050.

The propulsion system in the preliminary design will look to reduce fuel usage and CO2 (and other greenhouse gas) emissions from the fuel that is consumed, providing Wellard with operating cost efficiencies.

A dual-fuel system has been identified as a possibility because some alternative fuels are not yet widely available and may not be readily or economically available in some of Wellard's load or destination ports.

As a preferred financing approach, several off-balance-sheet funding alternatives are being actively considered which would provide adequate rates of return to the vessel's funders while providing Wellard with long-term access to a modern livestock shipping fleet.

iii. Reforming global shipping standards

Wellard believes that in order to maintain a viable international livestock shipping industry, high standards for ships and for animal welfare must be met and those standards must reflect modern community expectations. A long term approach to reform must be taken.

Recent research indicates that the average EU-approved livestock carrier is a 41-year old vessel, built as a general cargo carrier and converted for livestock transport at the age of 29. In comparison, the average age of the container ship fleet is 13 years.

The international livestock carrier fleet is regulated by the International Maritime Organisation (IMO), whose oversight is minimal and tends to deliver barely compliant livestock handling and low animal welfare outcomes. Wellard believes that IMO standards are outdated and not consistent with current community expectations.

By contrast, Australia has one of the most rigorous livestock shipping standards regimes in the world, largely through the Australian Maritime Safety Authority's Marine Orders 43 and the Australian Standards for the Export of Livestock (ASEL). Livestock carriers such as Wellard's, which service Australian ports are required to comply with these AMSA standards. The average age of the AMSA-compliant fleet is between 21 and 22 years.

Under the current IMO regulatory regime, animal welfare is likely to be compromised because stocking densities are largely unregulated; there are no minimum standards for the supply of air, feed and water; and old, inferior vessels are used to transport sheep and cattle to their destinations, and these vessels are most likely to suffer vessel or system breakdowns.

This results in a disincentive to build new vessels because new vessels are unable to compete on price with old vessels which were converted cheaply and are at the end of their working lives.

Unfortunately for Wellard, and the Australian livestock sector, global references to livestock shipping rarely differentiate between operators/countries with high standards and those with low or no standards. Instead, it is often treated as a globally homogenous industry, to the Australian industry's detriment. Incidents such as the capsize of the Queen Hind and the sinking of the Gulf Livestock 1 create negative impacts for the whole of industry, not just the operators involved.

Wellard has long campaigned for higher shipping standards throughout the entire global industry and will continue this campaign which has the ultimate goal of protecting the long term sustainability of the trade.

Outlook

Livestock export and charter opportunities

Similar to FY2021, the outlook for FY2022 is very much market dependant.

a) Dairy and beef breeder cattle to North Asia

Shipments of breeder cattle from Australia to China fell by 20% in FY2021 to 114,926 head, which is also below FY2019 exports levels, however increased shipments from New Zealand and South America provided more than enough replacement demand for livestock vessel operators.

In total, only 56,373 cattle were exported from New Zealand in FY2020. According to the New Zealand Ministry of Primary Industry's figures and forecasts, that figure will climb to 147,000 cattle in FY2021. The almost threefold increase is despite a trade suspension following the sinking of the Gulf Livestock One in September 2020.

Wellard's own activity from New Zealand is indicative of this growing trade.

In FY2021, Wellard operated 7 voyages from New Zealand, compared to only 1 voyage in FY2020.

Similarly, in FY2020 no Wellard voyages occurred between South America and China, but in FY2021 Wellard conducted two of these voyages.

As FY2022 commences, the M/V Ocean Drover remains deployed on this route, to which itis ideally suited: its large deck area provides economies of scale for charterers; its high cruising rate reduces time at sea and therefore costs; and it achieves excellent animal welfare success rates despite the long distances involved (99.94% on its most recent South America to China voyage).

Wellard is one of the most active vessel operators in this market. Our vessels transported more than 100,000 cattle to China in FY2021. For reference, in CY2020 China imported 199,000 cattle.

Charter bookings already contracted and inquiries from exporters indicate the supply of breeding heifers to China will continue to be a key market for Wellard in FY2022. This is consistent with the US Department of Agriculture Global Agricultural Information Network Report in March 2021 which forecast that Chinese demand for breeding cattle would remain strong throughout CY2021.

b) Australian slaughter and feeder cattle to Indonesia and Vietnam

Total Australian exports of feeder and slaughter cattle fell by 30% in FY2021, as reduced supplies of Australian cattle, and resultant high prices, weighed heavily on the live export market out of Australia.

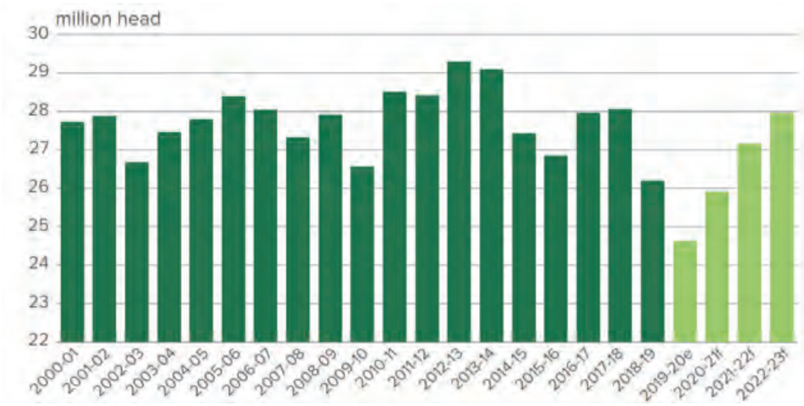
Both of Australia's primary feeder and slaughter export markets, Indonesia and Vietnam, were impacted to the same degree. Australian feeder and slaughter cattle exports to Indonesia dropped from 625,000 to 438,000 head (29.9%) in FY2021, while exports of these cattle to Vietnam dropped by 32% to 214,000 head in FY2021.

Compared to Indonesia, Vietnamese importers tend to import more slaughter-weight cattle, so they cannot use weight gain to offset high prices versus other proteins. Indonesian importers import lighter weight cattle to be lot-fed, but the continuing presence of competing Indian Buffalo Meat does place a cap on beef prices locally.

The reduction in the number of cattle exported from Australia during FY2021 was caused by two interrelated factors.

Firstly, the cattle are not physically available to either live export or abattoir buyers as cattle producers continue to rebuild their herds after a prolonged period of northern Australian drought. Australia's cattle herd dropped to 24.6 million head in 2020. In its July 2021 Cattle Projections, Meat and Livestock Australia predicted that the size of the Australian herd will grow to 28 million head by 2023. During the herd rebuild phase, there will be fewer cattle being marketed for sale, whether for slaughter or for export.

Figure 4: National cattle herd

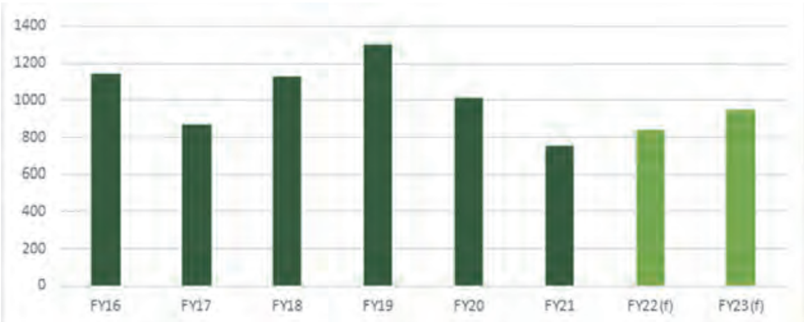


Source: ABS, MLA estimates.

The Australian cattle herd dropped to 24.6 million head in 2020. In its April 2020 Cattle Projections, MLA predicted that the size of the Australian herd will grow to 28 million head by 2023.

Also in its July 2021 Projections, MLA forecast that cattle exports will start to rebound from the 2022 financial year onwards, growing by 30% in FY2022 (from a forecast base of 720,000 cattle) and a further 13% in FY2023, taking total exports from Australia back to 950,000 head by FY2023.

Figure 5: Australia live cattle exports



Source: MLA estimates.

In its July 2021 Projections MLA forecast that cattle exports will start to rebound from the 2022 financial year onwards.

This would be an important development for Wellard, creating additional vessel charter opportunities and providing welcome competition to the Company's current focus on shipping breeder cattle to North Asia.

Secondly, the lack of available supply with a consistent demand from processors that continue to operate at financial losses has resulted in very high pricing as supply has hit a low point of the rebuild with the Eastern Young Cattle Indicator (EYCI) braking through the 1000c/kg hot standard carcase (i.e. slaughtered) price barrier in July 2021, a price never seen before.

Live export prices for light steers from Darwin averaged 355c/kg liveweight in FY2021, 10c/kg more than in FY2020, and with surprisingly little variation through the year. Usually, live cattle prices fall in the middle of the calendar year, when cattle supplies are more plentiful, and rise during the wet season.

The average price for light steers from Townsville jumped from 338c/kg in CY2020 to 400c/kg in CY2021.

High landed prices of Australian cattle in export markets limit importers' ability to compete with domestically produced proteins such as chicken and pork. Demand for Australian cattle therefore drops, and with it the market for charter opportunities contracts.

Average to above-average rainfall in much of the traditional northern cattle supply areas led to the herd rebuild activity across northern Australia, with most producers able to benefit from good feed banks.

The Bureau of Meteorology's most recent long-range weather forecasts indicates that most cattle producing areas in central and eastern Australia have an above-average chance of exceeding their median rainfall, which will support the continuation of the National cattle herd at higher levels.

c) Australian sheep and cattle exports to the Middle East

Wellard did not conduct any voyages of Australian sheep to the Middle East in FY2021.

Due to the continuing low level of exports to the Middle East and the vertical integration of competing vessel owners, Wellard does not expect that this will change in FY2022.

Just 570,000 sheep were exported from Australia to the Middle East in FY2021, down from the one million head in the year prior.

MLA's June 2020 Sheep Projections indicated little expected material change in export numbers to the Middle East in the next two years.

Similar to the northern Australian cattle market landscape discussed above, very low supply from sheep producing areas and the resultant high prices, combined with some demand issues in the Middle East related to COVID-19 and low oil prices, largely contributed to the substantial fall in export numbers.

The Australian ban on live exports to the Middle East during the northern summer also continues to impact demand as Middle East Customer confidence in Australia's long term position regarding sheep exports has suffered greatly and remains low.

In a positive development for the industry and confidence in the sector, the Australian Government and the Kingdom of Saudi Arabia signed a pathway agreement in April 2021 to enable the resumption of live sheep exports from Australia to Saudi Arabia.

According to MLA, Saudi Arabia is estimated to have imported approximately five million sheep in 2019, most from East Africa, so this has the potential to be a high-volume market.

Wellard does not expect the signing of the Australia-Saudi pathway market agreement will result in an immediate, material recommencement of the sheep trade between the two countries, due to high sheep prices from a significant decrease in supply and country-specific vaccination protocols, but it is nevertheless a positive development for future trade.

d) South American cattle to Turkey

There has been an improvement in trading activity between South America and Turkey recently, but not of a size or duration which would prompt Wellard to relocate the M/V Ocean Drover from supplying Asian markets to this trade.

Instead, the biggest benefit to Wellard from this recent market change is that many of the large livestock carriers which had previously been idle are now moving again, reducing the negative impact they were having on charter rates.

Impact of COVID-19 on the Outlook

COVID-19 continues to increase operating costs for Wellard, but experience to date indicates the global pandemic has had little impact on market demand for exported livestock and therefore for Wellard's vessels.

COVID-19's biggest impact on the Company's operations remains the restricted ability to undertake crew changes. Continuing restrictions on crew disembarkations and reduced international flights across the world has required Wellard vessels to transit via Manila on their ballast voyages to complete crew changes of our predominantly Filipino crews, where previously joining and leaving crew flew to meet the vessel or return home. This increases ballast voyage sailing times, which has both a direct and an opportunity cost to the Company.

There are also longer berth times at each port of call to comply with COVID-19 procedures.

There are increased regulatory compliance requirements, and a constant need to remain current on rapidly changing port protocols and similar regulations in all jurisdictions. This increases the demand on management time, and increases operational complexity of our fleet. There have been some increased costs due to the need for greater PPE to be supplied to ships. Overall, we calculate that COVID-19 direct costs to Wellard in FY2020 are approximately US$0.9 million. As previously noted, Government-mandated closure of restaurants to reduce the spread of COVID-19 is occurring internationally, is impacting on demand from this sector.

However, demand from the household sector has remained relatively robust and there has been no widespread long-term government-mandated closure of abattoirs or wet markets reported in the destinations that Wellard's ships service. At the time of this report, the situation remains dynamic, however, with spikes in COVID-19 outbreaks seen in both Indonesia and Vietnam. The position of those respective governments is subject to rapid change.

COVID-19 has had little to no impact on international demand for beef or dairy breeding cattle. In fact, Wellard sees this as a current market opportunity given the impact COVID-19 has had on international trade and export supply chains countries are becoming increasingly focused on food security. It is possible that in the longer term, countries may seek to become more self-sufficient.

As noted elsewhere, Wellard has an ongoing policy that all onshore and offshore staff and crews should be vaccinated wherever possible. We have not had any detected infections of COVID-19 amongst staff or crews.

Regulation

Wellard will no longer report on Exporter Supply Chain Assurance System (ESCAS) compliance as it no longer has livestock it exported in-market in foreign jurisdictions.

Wellard had no reportable mortality incidents in FY2021.

The Australian Department of Agriculture and Water Resources is about to undertake a formal review of the regulations for live sheep exports to or through the Middle East during the Northern Hemisphere summer after the 2021 Northern Hemisphere summer.

This review will consider voyage outcomes and the appropriateness of existing regulatory conditions.

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

In May 2021, the Australian Government notified livestock exporters that it intended to move towards full cost recovery to regulate the live export industry. This will substantially increase the charges that livestock exporters incur for regulatory compliance activities such as application processing, registrations and livestock inspections.

The increased charges do not impact Wellard directly, but they will invariably affect the future profitability of some of Wellard's primary clients, Australian exporters, as well as Australian cattle producers when at least some of these costs are inevitably passed onto cattle suppliers in the form of lower prices.

While Wellard supports the concept of cost recovery, it did raise concerns during the consultation process about the large size of the live export division within the federal Department of Agriculture, Water and the Environment, and resultant inflated cost impost. Of particular concern to Wellard is the time and cost exporters spend on compliance which has little impact on either animal welfare or health protocol compliance.

DIRECTORS’ REPORT

The Directors present their report together with the financial report of Wellard Limited (ABN 53 607 708 190) (Wellard or the Company) and the entities controlled during the financial year ended 30 June 2021 (FY2021) and the independent auditor's report thereon. The above operations report forms a part of this Director's Report.

DIRECTORS

John Klepec
Executive Chairman

B.Comm, MAICD

John Klepec has over thirty years commercial management experience across a range of industry groups including construction, resources, media, health care, logistics, transport, shipping, livestock trading, construction materials, building products and agriculture.

He has considerable public company experience, including, most recently being appointed as Chairman of Fleetwood Limited in March 2021.

Mr Klepec was previously the Chief Development Officer for Hancock Prospecting from 2010 to 2016, and prior to that held senior management positions with major Australian publicly listed companies BHP Billiton Limited, Mayne Group Limited and with the private BGC Group. He is also a previous Non-Executive Director of Ten Network Holdings Limited.

From his prior successful executive and Board roles Mr Klepec brings extensive financial expertise, corporate development, operational leadership and strategic thinking to his position as Executive Chairman.

John Stevenson
Non-Executive Director

FCA, GAICD, FGIA, BBus.

John Stevenson has over 25 years' experience in Executive and Finance leadership roles in Australia and Asia within the publicly listed and private sectors, as well as with private equity funds.

John has extensive executive experience in the agribusiness and livestock sectors having previously been the Chief Financial Officer of Consolidated Pastoral Company and Wellard (ASX: WLD). He is currently the Chief Executive Officer of Namoi Cotton Limited (ASX: NAM).

John is a Fellow of the Chartered Accountants of Australia and New Zealand as well as the Governance Institute of Australia and a graduate of the Australian Institute of Company Directors.

Philip Clausius
Non-Executive Director

BA (Hons) Business Administration

Philip Clausius is the Founder & Managing Partner of Singapore based Transport Capital Pte. Ltd., an investment management and advisory firm focused on the global marine transport, aviation and offshore industries. Prior to this, he was Co-Founder and CEO of the FSL Group, a Singapore-based provider of leasing services to the international shipping industry where he oversaw the acquisition and financing of approximately US$1 billion in maritime assets as well as the IPO of FSL Trust in March 2007, which raised about US$330 million in equity proceeds in a globally marketed offering.

As well as a Non-Executive Director of Wellard, Philip currently serves as Director and CEO of Nasdaq OMX Copenhagen listed Nordic Shipholding. He is also the Chairman of the Singapore War Risks Mutual and holds directorships in the Standard Club, Standard Asia, Bengal Tiger Line and Gram Car Carriers.

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

Kanda Lu
Executive Director
Business Development Manager China

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

Kanda Lu possesses considerable expertise in commerce and financial institutions. Prior to Wellard, his most recent position was Vice President for Morgan Stanley China GCM. Kanda Lu currently runs his own boutique asset management firm in Hangzhou China.

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

COMPANY SECRETARY

Michael Silbert

General Counsel and Company Secretary

B.Juris, B. LLB, B.A. (Hons)

Michael Silbert was appointed as General Counsel and Company Secretary on 17 October 2016. Michael has extensive experience in equity capital markets, mergers and acquisitions, banking and finance and general commercial matters. Michael has strong legal and company secretarial experience, having been general counsel and company secretary for a significant Western Australian and ASX-listed engineering and mining services business, an iron ore miner, and a listed winery business.

PRINCIPAL ACTIVITIES

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

Following the Group's decision to suspend livestock trading activities, in FY2021 external chartering activity represents 99% of the Group's revenue (FY2020: 95% of total revenue).

LIVESTOCK LOGISTICS SERVICES:

Wellard's predominant activity in FY2021 was as a livestock logistics services business. When pursuing this business activity, Wellard charters its ships to third parties earning freight income by carrying livestock on their behalf. To support its operations, the Group owns and/or controls a fleet of purpose-built livestock transport vessels.

LIVESTOCK EXPORT:

Wellard retains its Australian livestock export licenses but has reduced the emphasis on this business activity. When pursuing this business activity, Wellard sources livestock in markets where production is surplus to domestic requirements (including Australia, Chile, Brazil and Uruguay) and sells livestock to customer markets where demand exceeds local production (including Indonesia, Vietnam, the Middle East, Turkey and China), utilising its own and third-party vessels.

OPERATIONS REVIEW:

Wellard delivered a full year profit after tax from continuing operations of US$1.9 million despite a decrease of EBITDA of 25.6% from US$15.6 million to US$11.6 million. The Group's operations delivered an improvement on previous years, and the business saw further benefits as the recent balance sheet and operational restructure delivered lower risk revenues from the simplified charter-only business model. Whilst pricing of Australian livestock markets remained high for exporters, Wellard's fleet engaged with both long-term and some newer customers to export from other international markets. Despite the ongoing uncertainties created by the global COVID-19 pandemic, Wellard continued to invest in business relationships with livestock exporters who value exceptional animal welfare outcomes and professional logistics services.

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

FINANCIAL REVIEW

FINANCIAL REVIEW

As stated in Wellard's FY2020 Annual Report and following the Group's previously reported decision to focus on chartering activity, the presentation currency of the Group's financial information has changed from the Australian Dollar ("A$") to the United States Dollar ("US$") with effect from 1 July 2020. Following the Group's restructure, nearly all revenue and expenses of the Group are now reported in United States Dollars.

All amounts in this Financial Report are presented in US$ unless stated otherwise, whilst the prior corresponding period amounts that were previously presented in A$ have been restated in US$ to provide shareholders with meaningful comparisons.

OPERATING PERFORMANCE FROM CONTINUING OPERATIONS

FOR THE YEARS ENDED 30 JUNE **(US$ million)**		2021	2020	Movement
Revenue		43.4	58.8	(26.2%) ↓
Chartering[1]		42.9	55.9	(23.3%) ↓
Trading		0	2.7	(100.0%) ↓
Other revenue		0.5	0.2	150.0% ↑
Gross profit		**16.1**	**18.7**	**(13.9%)** ↓
General and Administrative expenses		(4.4)	(7.4)	(40.5%) ↓
Restructuring costs		(0.1)	(0.6)	(83.3%) ↓
Other gains from trading and chartering activities		0	4.9	(100.0%) ↓
EBITDA[2]		**11.6**	**15.6**	**(25.6%)** ↓
Other gains from other activities		0.1	0.4	(75.0%) ↓
Depreciation and amortisation expenses		(8.7)	(8.8)	(1.1%) ↓
EBIT		**2.9**	**7.2**	**(59.7%)** ↓
Net finance costs		(1.1)	(7.0)	(84.3%) ↓
Income tax expense		0	0	⇆
Profit from continuing operations after tax		**1.9**	**0.2**	**850.0%** ↑
Profitability analysis				
Gross Profit margin	%	37.1	31.8	16.7% ↑
Operating Profit margin	%	26.7	26.6	0.4% ↑
Net Profit margin	%	4.4	0.3	1366.7% ↑
Interest coverage[3]	Times	10.8	2.2	390.9% ↑
Balance Sheet analysis				
Working capital	$m	(3.2)	2.1	(252.4%) ↓
Current ratio	Times	0.8	1.2	(33.3%) ↓
Net tangible assets	$m	41.8	39.7	5.3% ↑
Net tangible assets per security	Cps	7.9	7.5	5.3% ↑
Net Debt[4]	$m	7.3	6.1	19.7% ↑
Debt to capital ratio[5]	%	24.4%	29.9%	(18.4%) ↓
Ship loan to asset book value ratio	%	25.5%	37.6%	(32.2%) ↓

1 Chartering revenue refers to external chartering activity and excludes revenue arising from intercompany transactions.
2 EBITDA equals profit/(loss) from continuing operations before income tax, less depreciation and amortisation expenses, less net finance costs, less other gains/(losses) arising from other activities and less impairment expenses.
3 Interest coverage equals EBITDA divided by net finance costs.
4 Net debt equals loans and borrowings less cash and cash equivalents.
5 Debt to capital ratio equals loans and borrowings divided by total equity plus loans and borrowings.

OVERVIEW

FY2021 has been another year of significant financial progress where Wellard achieved:

US$1.9 million	**Net Profit After Tax** from continuing operations (FY2020: US$0.2 million)
850%⬆	**Net Profit Margin increase** to 4.4% (FY2020: 0.3%)
0.4%⬆	**Steady Operating Profit Margin** of 26.7%
41%⬇	**Reduction in General and Administrative expenses** to US$4.4 million (FY2020: US$7.4 million)
10.8 times	**Interest Coverage ratio** (FY2020: 2.2 times)
39%⬆	**Cash Conversion ratio (FCF/Revenue) increase** to 22.1% (FY2020: 15.9%)

The Group's strategic realignment and continued efforts on cost containment delivered positive results in the face of some adverse external events that impacted our operations, even without taking into account the opportunity costs for the time lost during off-hire periods:

- At the beginning of September 2020, the livestock vessel Gulf Livestock 1 sunk during a typhoon in the East China Sea. After the tragic loss of 42 people and almost 6,000 cattle onboard, an immediate temporary suspension of live cattle export from New Zealand was implemented. Two planned and profitable New Zealand voyages of Wellard's M/V Ocean Drover and M/V Ocean Swagman, which were in transit or had New Zealand as the next voyage, had to be rescheduled, and the vessels were redirected to load from Australian ports for replacement voyages, negatively impacting Wellard's profitability.
- In the first half of the financial year, an unscheduled extension to the dry docking of the M/V Ocean Ute negatively impacted its availability, increasing costs and reducing revenue. The planned drydocking operation of the M/V Ocean Ute was challenged by travel restrictions and/or quarantines for our crew, surveyors, and technicians and by the increasing cost of spare parts and services. This longer-than-expected technical stop caused the M/V Ocean Ute to remain off-hire for almost three months but, at the same time, allowed Wellard to bring significant improvement to the safety and the operational efficiency of the vessel.

In addition, the COVID-19 pandemic continued to challenge our operations with regulatory restrictions and logistics challenges, requiring our vessels to incur costly and time-consuming deviations to complete crew changes in ports outside our trading routes. Many ports which would otherwise host regular international crew changes now ban such changes or impose rigorous quarantine conditions, resulting in the requirement to deviate to, for example, the Philippines to change out Filipino crews.

Nonetheless, thanks to effective commercial contingency plans, good underlying cost containment and excellent utilisation of Wellard's vessels throughout the second half of the year, **Wellard recorded a Profit After Tax (PAT) of US$1.9 million in FY2021** vs a PAT of US$0.2 million in FY2020.

On 15 June 2021, Wellard finalised negotiations with Heytesbury Singapore Pte Ltd to extend the bareboat charter of the M/V Ocean Swagman from March 2022 to June 2023 on the same terms previously approved by shareholders.

Finally, on 21 June 2021, an agreement reached with Ruchira Ships Limited ("Ruchira") to extend the repayment schedules for the M/V Ocean Drover until December 2022 allowed Wellard to reschedule the balloon repayment of US$4.3 million – originally due to be paid by December 2021 – over an additional 12 months, providing significant cash flow relief and ensuring a sustainable debt service profile over the medium term.

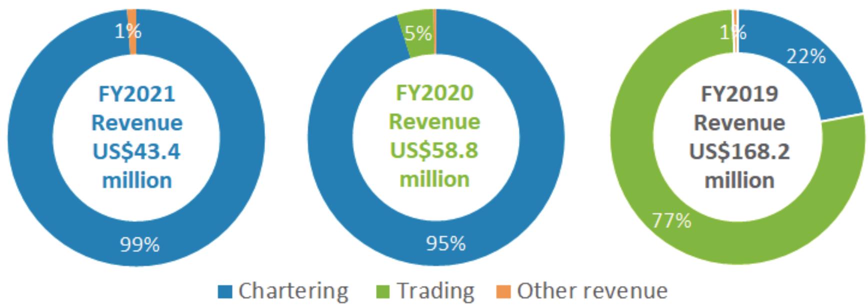
REVENUE AND OPERATING PERFORMANCE

FY2021 was the first full year of Wellard's strategic transition from being one of Australia's largest live cattle exporters to become a leading livestock vessel charter company.

Revenue in FY2021 recorded a 26.2% decrease to US$43.4 million (FY2020: US$58.8 million) as a result of the fleet reduction, following the sale of M/V Ocean Shearer in March 2020. In addition, the percentage of off-hire days in FY2021 (15.8%) was higher than in the previous year (8.9%) due to the planned drydocks of the M/V Ocean Drover and M/V Ocean Ute and other minor repairs and maintenance. In absolute terms, Wellard's vessels recorded 173 off-hire days out of 1,095 available days during FY2021, compared to 122 off-hire days out of the 1,367 days of the previous year. In FY2021, external chartering activities absorbed the total shipping capacity, reflecting the increased external demand for space on our vessels.

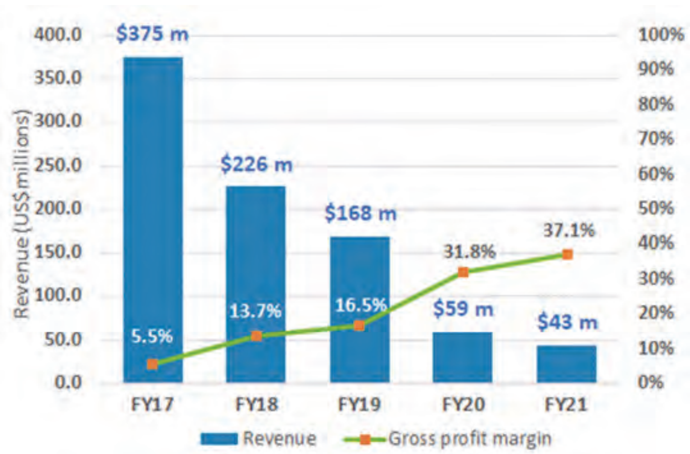
Following the Group's decision to suspend livestock trading activities, in FY2021 external chartering activity represents 99% of the Group's revenue (FY2020: 95% of total revenue). For this reason, no segmental reporting is provided in this section of the Annual Report.

Figure 6: Revenue by segment



Gross Profit margin continued its upward trend notwithstanding the decrease in revenue, increasing by 16.7% in the current financial year to 37.1% (FY2020: 31.8%), thanks to efficient chartering and operation activities and more efficient utilisation of available shipping capacity.

Figure 7: Revenue vs Gross profit margin

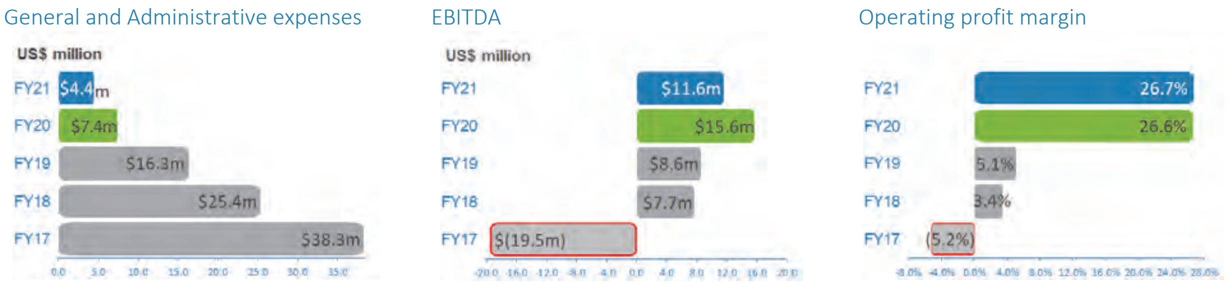


Revenue decreased by 26.2% to $43.4 million. However, the gross profit margin increased by 16.7% to 37.1% in the current financial year

EARNINGS PERFORMANCE

EBITDA from continuing operations – defined as earnings from continuing operations before the impact of income tax, depreciation and amortisation expenses, finance costs and excluding other gains or losses from other activities and impairment expenses – decreased by US$4.0 million or 25.6% to US$11.6 million (FY2020: US$15.6 million). However, excluding non-recurring gain on the derecognition of net contract liabilities of a trading-related project from FY2020 (US$5.3 million), FY2021 EBITDA would have been US$1.3 million higher than the previous year. Despite a reduced EBITDA, FY2021 recorded a 0.4% increase in Operating Profit Margin to 26.7% (FY2020: 20.6%) as a result of an increased proportion of revenue translated into operating income.

Figure 8: Track record

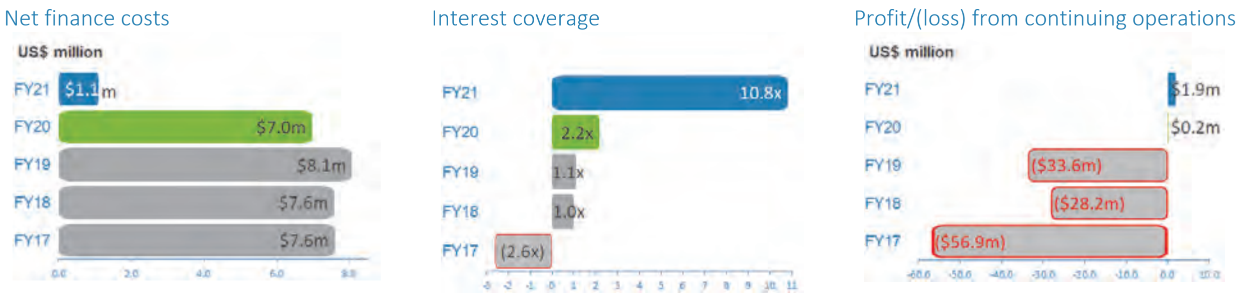


Depreciation and amortisation expenses decreased by a further 1.1% to US$8.7 million (FY2020: US$8.8 million) with the reduction due to the sale of the M/V Ocean Shearer partially offset by the depreciation of a higher volume of drydock costs. These expenses include the depreciation of right-of-use assets amounting to US$2.7 million (FY2020: US$2.0 million) arising from the application of AASB16 'Leases' from 1 July 2019.

Net financial costs drastically reduced by a further 84.3% or US$5.9 million in the current financial year, dropping to US$1.1 million (FY2020: US$7.0 million) following last year's sale of the M/V Ocean Shearer, which allowed the full repayment of all its debt to the vessel's financier and the full redemption of Wellard's unlisted notes. Net finance costs also included the interest expense of right-of-use assets amounting to US$0.3 million (FY2020: US$0.4 million) for the application of AASB16 'Leases' from 1 July 2019. These finance costs reductions coupled with a solid EBITDA also drove a significant interest coverage improvement from 2.2 times in FY2020 to 10.8 times in FY2021.

Profit from continuing operations after tax continued last financial year's positive trend and recorded the highest level since Wellard's 2015 listing on the ASX of US$1.9 million (FY2020: US$0.2 million), despite a very challenging year.

Figure 9: Track record



ASSETS AND LIABILITIES

Non-current assets are mainly related to the net book value ("NBV") of Wellard's vessels – including right-of-use leased assets – and related drydock costs capitalised. The Group assesses the carrying value of its vessels by obtaining independent market valuations by two primary brokers, considering any market offers, as well as considering forecast earnings over the vessel's lifetime.

Capital expenditure – with the exclusion of additions due to the application of AASB16 'Leases' – was US$7.7 million (FY2020: US$2.1 million) the vast majority of which related to drydock costs for the M/V Ocean Ute and M/V Ocean Drover.

Net debt increased by US$1.2 million or 19.4% to US$7.3 million as of 30 June 2021 (30 June 2020: US$6.1 million) despite the US$3.6 million reductions in Loans and Borrowing and as the result of the US$4.8 million decrease in cash and cash equivalent that – as of 30 June 2021 – stood at US$6.7 million (30 June 2020: US$11.5 million). The reclassification of US$0.9 million from non-current to current liabilities of the purchase obligations of the M/V Ocean Ute coupled with the decrease in cash following the repayment of US$7.3 million in drydock costs resulted in the Group reporting a working capital deficiency of US$3.2 million (30 June 2020: positive US$2.1 million).

The continued focus on capital efficiency resulted in a significant reduction in Group debt levels as a proportion of funding. At the end of the period, total debt represented 24.4% of the Group's funding (30 June 2020: 29.9%), while total ship debt represented 25.5% of the book value of the Group's shipping assets (30 June 2020: 37.6%).

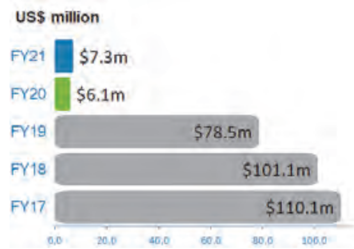
The Group maintains a US$4.0 million trade facility with a financial institution in Singapore to fund ship operating costs and foreign-exchange transactions, which as of 30 June 2021, was utilised for US$1.1 million. Wellard also retains a US$5.0 million facility to be used for commodity swaps to hedge against bunker price swings which, as of 30 June 2021, was not utilised.

Debt Position	US$	2021	2020	Movement
M/V Ocean Drover borrowing	$'000	6,290	10,953	(4,663)
M/V Ocean Ute borrowing	$'000	1,222	2,049	(827)
M/V Ocean Swagman lease	$'000	4,894	4,285	609
UOB Bunker facility	$'000	1,116	-	1,116
Other lease liabilities	$'000	497	378	119
Total Loans and borrowings	**$'000**	**14,019**	**17,665**	**(3,646)**
Cash and cash equivalents	$'000	6,736	11,542	(4,806)
Net Debt	**$'000**	**7,283**	**6,123**	**1,160**

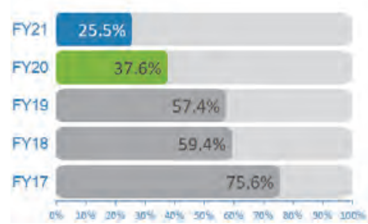
Figure 10: Track record

Working capital

Net Debt



Ship loan to asset book value



CASH FLOWS

Cash flow from operating activities generated net cash of US$10.6 million in FY2021, which is US$3.2 million down from US$13.8 million in FY2020, mainly due to a reduced fleet contribution following the disposal of M/V Ocean Shearer in March 2020.

Cash flow used for investing activities was US$7.4 million (FY2020: positive with US$73.0 million) due to the drydocking expenditures of M/V Ocean Ute and M/V Ocean Drover.

Cash flow from financing activities resulted in a net cash use of US$8.1 million (FY2020: negative with US$79.6 million), primarily due to borrowing and leases repayment.

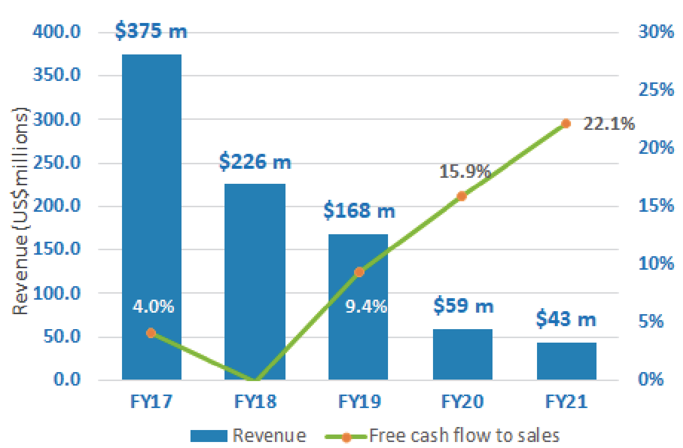
During the current financial year, Wellard generated a US$4.9 million net decrease in cash held, which is US$12.1 million down from the US$7.2 million net increase reported in FY2020. On 30 June 2021, the Group's cash and cash equivalents stood at US$6.7 million (30 June 2020: US$11.5 million).

Condensed Consolidated Statement of Cash Flows	2021 US$'000	2020 US$'000
Net cash inflow from operating activities	10,621	13,829
Net cash (outflow)/inflow from investing activities	(7,396)	72,950
Net cash (outflow) from financing activities	(8,120)	(79,567)
Net (decrease)/ increase in cash held	**(4,895)**	**7,212**
Cash at the beginning of the financial year	11,542	5,213
Effects of exchange rate changes	89	(883)
Cash at the end of the financial year	**6,736**	**11,542**

Free Cash Flow statement	2021 US$'000	2020 US$'000	
Net cash inflow from operating activities	10,621	13,829	
Income tax paid	0	0	
Net interest paid	(1,013)	(4,486)	
Free cash flow	**9,608**	**9,343**	2.8% ⬆
Cash conversion ratio (FCF/Revenue)	**22.1%**	**15.9%**	39.0% ⬆

Free cash flow ("FCF") for the year – defined as cash flow from operating activities less income taxes paid and net interest payments – increased by 2.8% to US$9.6 million (FY2020: US$9.3 million), thanks to the material reduction in net interest paid and despite the lower cash flow generated from operating activities. This allowed the cash conversion ratio – defined as FCF divided by total revenue – to increase by 39.0% to 22.1% in the current financial year (FY2020: 15.9%), showing that the Group can generate more cash out of its sales following its refocus on external chartering activities and Group's debt restructuring.

Figure 11: Free cash flow to sales (cash conversion) ratio



The cash conversion ratio increased by 39.0% to 22.1% in the current financial year, showing that the Group can generate more cash out of its sales following its refocus on external chartering activities.

ALTERNATIVE PERFORMANCE MEASURES (APM)

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

EBITDA and Operating profit margin

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

EBIT

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

Free cash flow (FCF) and cash conversion ratio

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

Interest Coverage

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

Net Debt

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

GROUP PRESENTATION CURRENCY

The completion of Wellard's strategic move from livestock trading to livestock logistics services and the consequent refocus on the chartering activity of its Singapore-based subsidiaries means nearly all of the Group's revenue and expenses are conducted in US Dollars ("US$"). The Board has therefore changed the Group's presentation currency of its financial information from the Australian Dollar to the United States Dollar with effect from 1 July 2020. This annual report is the first report presented in United States Dollars, and the FY2020 accounts have been restated in US$ to provide shareholders with meaningful comparisons with the corresponding prior period. The Board believes that the change in the reporting currency will provide shareholders with a more accurate reflection of Wellard Limited's underlying performance while reducing the impact of currency fluctuations.

MATERIAL BUSINESS RISKS

Wellard is subject to a number of risks that can lead to unplanned costs and loss of income, and that are both:

a) specific to its business activities, including risks associated with its marketing and export activities, political and regulatory risks and operational and financing risks; and
b) of a more general nature, applicable to many listed companies and to the ownership of shares.

The material business risks flow from its current circumstances; the nature of its business activities as an international shipper and trader of live animals; and general risks that apply to international companies involved in maritime transportation and cross-border trade.

The decision of the Company to temporarily suspend the Group's livestock trading activities and the consequent shift to the specialised livestock ship chartering business caused a change in Wellard's risk profile, with risks now limited to its shipping operations, and away from the volatility of livestock trading.

The FY2021 Risk Assessment underlined the following risk categories as the most significant for the Group:

Vessel Breakdown or Damage Risk

The operation of an ocean-going vessel carries inherent risks. Wellard's vessels and their cargoes could be at risk of being damaged or lost because of events such as marine disasters, bad weather, mechanical failures, grounding, fire, collisions, human error, war, terrorism, piracy, force majeure and other circumstances or events. If Wellard's vessels suffer damage, they may need to be repaired. The costs and timing of repairs may be substantial, partially due to their scale and need for specialised repair infrastructure. Wellard may have to pay repair costs if the Group's insurance and contractual indemnification provisions are unavailable or insufficient to cover such liability. The loss of revenues while these vessels are being repaired, as well as the actual cost of these repairs, may adversely affect Wellard's business and financial condition and performance. The Company seeks to mitigate this risk by taking out relevant insurance policies with first-class insurers and adopting a Planned Maintenance System, through the engagement of our fleet technical manager Welltech Marine Pte. Ltd. ("Welltech"), and by maintaining the strategic objective to continue to operate a young fleet. As previously announced, in April 2020, Welltech, which was previously a subsidiary of the Group, was sold and is now operated by Ishima Pte. Ltd.

Failure to adequately maintain the Wellard fleet of vessels

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

Bunker Price Risk

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

Customer Risk

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

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

Wellard is indirectly exposed to the risks of livestock traders, who are its customers. This includes livestock commodity pricing in international markets, which continue to be volatile.

Social and Political Risk

Animal welfare activism and public reports regarding the poor treatment of animals and high stress/mortality events continues to place increased focus on the live export industry. The high level of public sensitivity to animal welfare issues means public pressure could lead to further export restrictions and changes to applicable laws and regulations. Changes to the regulatory system may require the Company to incur material costs or could become the basis for new or increased liabilities that could adversely affect the Company's financial performance.

Animal rights activists have increasingly engaged in aggressive lobbying and litigation to attempt to prevent or impede livestock export, including taking action against Federal and State regulators. Although Wellard is satisfied such threats do not present an immediate material risk to the Company given it is compliant with all regulations required to export livestock, including the Australian regulations prohibiting sheep exports to the Gulf states during the northern summer, increased animal rights activism extends to other areas in which the Company is active. Where such activism is successful in delaying, disrupting and complicating the government's approvals and/or regulatory processes, the resulting uncertainty to the likelihood of successful trading may mean it no longer remains commercial for the Company to continue to trade in some markets.

The Company seeks to mitigate this risk by continuing to maintain a specialised fleet of high-quality purpose-built livestock transport vessels, and by building and maintaining strong customer relationships with a range of customers in numerous countries, and by ensuring that it is always in compliance with all laws and regulations, as well as engaging actively to understand community expectations around livestock export

Exchange Rate Risk

The Company's financial reports are prepared in United States Dollars, and the majority of its transactions are denominated in United States Dollars. The Group remains exposed to currency risk in respect of transactions denominated in currencies other than United States Dollars.

The Company monitors its exposure to currency risk on a regular basis and seeks to mitigate this risk by putting in place, where it deems necessary, appropriate hedging arrangements. In addition, loans are stipulated by the operating companies in the same currency as the revenues, where possible, in order to attenuate exchange rate oscillations. As noted elsewhere in this report, the Board, after considering all the criteria, factors and indicators articulated in AASB21, has changed the Group's presentation currency of its financial information from the Australian Dollar to the United States Dollar with effect from 1 July 2020. As a result, this annual report for the year ended 30 June 2021 is the first full-year annual report presented in United States Dollars. The Board believes that the change in the presentation currency will provide shareholders with a more accurate reflection of Wellard Limited's underlying performance. Wellard's ASX listed shares continue to be traded in Australian dollars.

Credit Risk

The Company's operations generally involve charter shipments for third parties to transport livestock over long distances. The inherent nature of these arrangements involves a low number of contracts with a high dollar value. There is a risk therefore that if a counterparty to such a contract defaults on its contractual obligations, a material financial loss to the Company may result.

To minimise the credit risk, financial vetting is undertaken for all major customers, and adequate security is required for commercial counterparties whose rating is below the minimum acceptable standard. Various terms of payment, including pre-payments and payments by way of letters of credit, are utilised, depending on the credit assessment and trading history of various Wellard customers.

The Coronavirus (COVID-19)

The outbreak of COVID-19 in 2020 introduced additional challenges and risks to Wellard's operations. In particular, measures implemented by some countries to prevent the further spread brought new and complicated operational consequences for our ships and crews. Travel restrictions and quarantine requirements due to the coronavirus pandemic have made it difficult to effect crew change on ships and made it challenging to load, unload, inspect and service the vessels. Supply chain disruptions, shortage of workforce and implementation of social distancing measures in ports and shipyards are causing delays. Ports are operating with their own individual approaches to managing the coronavirus situation, making it difficult to prepare the vessel – or the crew – for the challenges facing them when they prepare to berth. In addition, a further outbreak of the virus, including new variants, could pose an economic risk to Wellard's operations and its trade volumes.

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

There remains an ongoing possibility that COVID-19 will continue to have an impact on international demand and the free flow of products. Should virus impacts continue to restrict availability of products or cause unsustainable increases in pricing, there is likely to be a tendency for markets which previously relied on cheap and easy international supply chains for their commodities globally to pivot towards greater self-sufficiency in the longer term.

Climate change risk

The Group is exposed to various risks which arise under the general heading of climate change risk. These include (i) actual changes in climactic conditions in which the Group and its vessels operate, such as weather events at sea, which could affect individual voyages, or in the longer term, make port facilities more difficult to access; and (ii) increasing focus by governments, regulators and industry on regulations which may have the effect of restricting the shipping and livestock industries, and possibly making them sub-economic.

As a way of mitigating against increasing the impact of regulations which may penalise greenhouse gas emissions in shipping, Wellard has commenced a fleet renewal project which is centered on designing new livestock vessels which utilise sustainable materials and inputs, such as lowest-possible greenhouse gas emission fuels, to enhance operability, meet developing international shipping regulations, and provide best-in-class animal welfare standards.

Wellard recognises that there are high community expectations regarding greenhouse gas emissions in the livestock and shipping industries, and that a social license to operate will be maintained when all stakeholders are satisfied that industry participants are working to meet the appropriate, evidence-based standards required to manage and minimise such emissions.

The Company provided a comprehensive summary of the material business risks which are likely to have an effect on the prospects of the Wellard Group in its Offer Document for its fully underwritten non-renounceable pro-rata entitlement offer of one new share for every four shares (Offer Document) dated 3 April 2017. A copy of this document is available on the Company's website at www.wellard.com.au. In addition to the risks set out in this document, the Directors consider that the risks set out in the Offer Document continue to apply to the business and operations of the Company.

Each of the risks referred to could, in isolation or in combination, if they eventuate, have a material adverse impact on Wellard's business, results of operations, financial condition, financial performance, prospects and share price. The risks described here and in the Offer Document were based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. The assessment was based on the knowledge of the Directors at the time of approving this document, but there is no guarantee or assurance the importance of these risks will not change, or other risks will not emerge. The risks referred to and in the Offer Document do not purport to be a list of every risk that may be associated with an investment in Wellard shares now or in the future, and that the occurrence or consequences of some of the risks are partially or completely outside the control of Wellard, its Directors and Management.

An investment in the Wellard Group may be considered highly speculative and carries no guarantee with respect to the payment of dividends or returns of capital. An investment in the Company is not risk-free and the Directors strongly recommend that potential investors consult their professional advisers and consider the risks described herein when making decisions relating to an investment in Wellard shares.

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings (including meetings of Board committees) held during the year ended 30 June 2021, and the number of meetings attended by each Director:

	Board		Nomination and Remuneration committee		Audit and Risk Committee		Conflicts of Interest Committee	
Directors	held	present	held	present	held	present	held	present
John Klepec	10	10	2	2	4	4	-	-
Philip Clausius	10	10	2	2	4	4	-	-
Kanda Lu	10	10	-	-	-	-	-	-
John Stevenson[1]	10	10	-	-	4	4	-	-

1 John Stevenson was appointed to the Nomination and Remuneration Committee on 1 July 2021.

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

DIRECTORS' INTEREST IN SECURITIES OF THE GROUP

The interests of each Director in the shares and options of the Wellard Group as notified by the Directors to the ASX in accordance with *Section 205G(1) of the 2001 (Cth) Corporations Act* as at the date of this report are as follows:

	Ordinary shares held	
Directors	2021	2020
John Klepec[1]	437,500	437,500
Philip Clausius	-	-
Kanda Lu	-	-
John Stevenson	-	-

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

INDEMNITIES AND INSURANCE

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

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

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

DIVIDENDS

The Company does not intend to pay any dividends in respect of the year ended 30 June 2021 (2020: Nil).

EQUITY ISSUES DURING THE YEAR

At 30 June 2021 the Company had authorised share capital totalling 531,250,312 ordinary shares issued and paid.

EVENTS OCCURING AFTER REPORTING PERIOD END

There have been no significant events occurring since 30 June 2021. Reference is made to the Company's website and to the ASX's announcements platform for any and all material disclosures which are required under ASX's Listing rules.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company is committed to the protection of the environment and good environmental practice and performance. To deliver on this commitment, the Company seeks to comply with all applicable environmental laws and regulations.

The Company's subsidiary, Wellard Ships Pte. Ltd. ("Wellard Ships") operates three vessels internationally that conform to MARPOL (International Convention for the Prevention of Pollution from Ships, 1973 as modified by the Protocol of 1978) and ISM (International Safety Management) Code requirements for pollution prevention and environmental maritime protection. Wellard Ships' management system complies with ISO 9001 standard established by the International Organisation for Standardization, as certified by the international classification society RINA S.p.A. (Registro Italiano Navale).

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

ENVIRONMENTAL PROSECUTIONS

The Company has not been involved with any environmental prosecutions this year.

ROUNDING

Wellard is an entity of the kind specified in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. In accordance with that legislative instrument, amounts in the Financial Report and the Directors' Report have been rounded to the nearest thousand dollars unless specifically stated otherwise.

All amounts are in United States dollars only unless specifically stated otherwise.

NON-AUDIT SERVICES

The Auditor's independence declaration has been included on page 44.

Details of the non-audit services undertaken by, and amounts paid to, the Auditor, are detailed in Note 27 to the financial statements.

The Directors have formed the view that the provision of non-audit services during the financial year ended 30 June 2021 is compatible with and does not compromise the general standard of auditor independence for the following reasons:

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

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

In accordance with Section 307C of the *Corporations Act*, the Auditors of the Company have provided a signed Auditor's Independence Declaration to the Directors in relation to the year ended 30 June 2021. This Auditor's Independence Declaration has been attached to the Independent Auditor's Report to the members of the Company.

CORPORATE GOVERNANCE STATEMENT

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

DIRECTORS' DECLARATION

In accordance with Section 298(2) of the *Corporations Act*, the Directors have provided a signed Directors' Declaration in relation to the year ended 30 June 2021. This Directors' Declaration is included on page 43 of this Annual Report.

On behalf of the Directors

Mr John Klepec

Executive Chairman

Mr Paolo Triglia

Group Chief Financial Officer

Dated: 23 August 2021

REMUNERATION REPORT

The following sections form the Remuneration Report for the Wellard Group for the financial year ended 30 June 2021. The information provided in the Remuneration Report has been audited as required by the *Corporations Act 2001* (Cth) (**Act**) and forms part of the Directors' Report.

1. Remuneration report overview
2. Remuneration governance
3. Remuneration of executive key management personnel
4. Remuneration of non-executive directors
5. Key management personnel shareholding
6. Transactions with key management personnel

1. REMUNERATION REPORT OVERVIEW

This Remuneration Report has been prepared in accordance with section 300A of the Act.

The disclosure in this Remuneration Report relates to the remuneration of the Wellard Group's key management personnel (**KMP**), being those people that have the authority and responsibility for planning, directing and controlling Wellard's activities, either directly or indirectly.

This report focuses on the remuneration arrangements of the Wellard Group, including its remuneration policy and framework. The table below sets out details of those persons who were KMP of the Wellard Group during the financial year ended 30 June 2021.

Key Management Personnel covered in this report

Name	Position(s) held	KMP term FY2021
NON-EXECUTIVE DIRECTORS		
Philip Clausius	Non-Executive Director (19 November 2015 – present)	Full year
John Stevenson	Non-Executive Director (23 November 2019 – present)	Full year
EXECUTIVE DIRECTORS		
John Klepec	Non-Executive Director (15 November 2016 – 26 April 2018) Non-Executive Chairman (27 April 2018 – 3 August 2018) Executive Chairman (3 August 2018 – present)	Full year
Kanda Lu	Business Development Manager China (24 November 2015 – present) Executive Director (12 May 2017 – present)	Full year
OTHER KMP		
Paolo Triglia	Managing Director – Wellard Ships Pte Ltd (18 November 2015 – present) Chief Financial Officer (22 November 2019 – present)	Full year

2. REMUNERATION GOVERNANCE

(a) Nomination and Remuneration Committee

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

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

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

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

The Board considers it preferable that the NR Committee is independent from management when making decisions affecting the remuneration of KMP and other senior employees. Given John Klepec's appointment as Executive Chairman on 3 August 2018, Philip Clausius became the only Non-Executive / Independent Director. Mr Stevenson became a Non-Executive Director on 23 November 2019 and was appointed as a member of the

NR committee effective 1July 2021. Mr Stevenson is now a non-executive Director, having left an executive position within the Company in November 2019, Mr Stevenson will exercise independent judgement in NR Committee matters.

The Board may further consider a restructure of its various Board sub-committees, now that the Company's financial and operational restructure is substantially complete. In due course, the Board may consider sourcing another Independent Director.

Decisions relating to remuneration of KMP and senior employees will be made only by NR Committee members and Board members who are not conflicted in the circumstance.

The NR Committee meets throughout the year as required, and when necessary is briefed by management but makes all decisions free of management's influence. The NR Committee may, from time to time, seek independent advice from remuneration consultants, and in so doing will directly engage with the relevant consultant without management involvement. The NR Committee has not taken independent advice from remuneration consultants in the financial year ended 30 June 2021.

Further information regarding the objectives and role of the NR Committee is contained in its Charter, which is available on the Corporate Governance Policy section of the Company's website at www.wellard.com.au.

(b) Independent Remuneration Consultants

Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. In FY2021, the Board did not engage an independent consulting firm to provide independent advice regarding remuneration or incentive structures.

There were no long-term (LTIP) plans or programmes in place for the financial year ended 30 June 2021. The NR Committee retains the ability, at its discretion, to make ad-hoc STI awards to individuals outside of any company-wide plan. Details of the short-term incentive programme (STIP) for FY2021 is included in Note 3(c).

In FY2021, no remuneration recommendations, as defined by the Corporations Act, were provided by any independent remuneration consultant.

3. REMUNERATION OF KMP

(a) Remuneration policy

The Board and the NR Committee recognise that remuneration has an important role to play in supporting the implementation and achievement of Wellard's strategy.

The Board is committed to driving alignment between the remuneration arrangements of its KMP with the expectations of Wellard's shareholders, its employees and the Company's sustainability.

Wellard's executive remuneration policy aims to reward KMP fairly and responsibly in accordance with the Australian and Singaporean markets, and to ensure that Wellard:

- (i) provides competitive rewards that attract, retain, and motivate KMP of the highest calibre;
- (ii) sets demanding levels of performance that are linked to KMP's remuneration;
- (iii) structures remuneration at a level that reflects the KMP's duties and accountabilities and is competitive;
- (iv) benchmarks remuneration against appropriate comparator groups;
- (v) aligns KMP incentive rewards with the creation of value for shareholders; and
- (vi) complies with applicable legal requirements and appropriate standards of governance.

(b) Remuneration framework

Wellard's remuneration comprises the following elements:

Element	Purpose	Potential Value	Changes for FY2021
Fixed annual remuneration	Provide competitive market salary including superannuation and non-monetary benefits	Reviewed and benchmarked annually	No changes
Short term incentives	Cash reward for current year performance	Up to 50% of total fixed remuneration, determined by EBITDA hurdles.	No changes
Long term incentives	Maintain balance between the interests of shareholders and the reward of executives	Determined by share price	No changes

(c) Elements of remuneration

Fixed annual remuneration

Each KMP receives a fixed salary or consultancy fees. The quantum of salary or consultancy reflects the individual's responsibilities, location, skills, experience and performance and is aligned with salaries for comparable roles in global companies of similar complexity, size, geographic footprint, listing jurisdictions, reach and industry.

Short-term incentives

In FY2021, KMP Mr Triglia was eligible to earn bonuses under a Short-Term Incentive (STI) programme. STI's were available upon attainment of an escalating series of key Performance Indicators (KPIs) based on the Group achieving nominated EBITDA hurdles which would allow Mr Triglia to earn an STI of between 35% and 50% of his base salary. Based on the STI programme, no bonuses were earned in FY2021.

The Board also retains the ability, at its discretion, to make ad-hoc STI awards to individuals outside of any company-wide plan.

Long-term incentives

No options in Wellard's LTIP were granted to KMP's in FY2021.

Statutory performance indicators

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

	2021	2020	2019	2018	2017	2016
Profit/(loss) for the year attributable to owners of Wellard Limited (A$'000)	2,493	245	(48,443)	(36,437)	(75,337)	(23,323)
Basic earnings/(loss) per share (A$ cents)	0.5	0.1	(8.8)	(6.6)	(17.7)	(6.4)
Dividend payments (A$'000)	-	-	-	-	-	-
Dividend payout ratio (%)	-	-	-	-	-	-
Increase / (decrease) in share price (%)	+77.8	+50.0	(76.0)	(39.4)	(55.4)	(72.8)

(d) Key terms of KMP agreements

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

Name	KMP term	Short / Long term incentives	Notice period termination	Notice period resignation	Year	Total fixed remuneration[1]	Currency
John Klepec[2]	3 Aug 18 - present	At the Board's Discretion	2 weeks	2 weeks	2021	503,500	A$
					2020	607,000	A$
John Stevenson[3]	7 Nov 16 - 22 Nov 19	At the Board's Discretion	2 weeks	2 weeks	2021	-	A$
					2020	269,699	A$
Kanda Lu	12 May 17 - present	At the Board's Discretion	4 weeks	4 weeks	2021	108,213	A$
					2020	178,840	A$
Paolo Triglia	18 Nov 15 - present	At the Board's Discretion	3 months	3 months	2021	350,004	SGD
					2020	350,004	SGD

1. *This is inclusive of superannuation payments where applicable.*
2. *Mr Klepec's executive remuneration (via a consultancy arrangement) was amended effective from 1 January 2021, decreasing from A$31,000 per month to A$15,000 per month as a reflection of a lower number of days-per-week dedicated to Wellard following its restructure. Mr. Klepec continues to receive fees in his role as Group Chairman.*
3. *Mr Stevenson ceased to be an Executive Director effective 22 November 2019 when his CFO role ended. He remains on the Board as a Non-executive Director.*

(e) Executive KMP remuneration table

The table below sets out the remuneration received by Wellard KMP for FY2021 during the portion of the year for which KMP were employed by the Wellard Group. The table includes the statutory disclosures required under the Act and in accordance with the Accounting Standards. Mr. Balzarini, Mr Stevenson and Mr. Bianchi are included in the table as they were KMPs in FY2020. Mr Balzarini ceased his roles in Wellard on 3 June 2019. Mr Stevenson ceased his KMP / executive role as CFO of Wellard on 22 November 2019 but remains on the Board.

Key management personnel remuneration table for FY2021 is presented in United State Dollars:

Name	Year	Short-term benefits: Base salary	Short-term benefits: STI[1]	Short-term benefits: Other[2]	Long-term benefits: Accrued annual leave[3]	Long-term benefits: Long service leave[4]	Termination benefits	Post-employment benefits superannuation	Total remuneration	% Remuneration "at risk"
EXECUTIVE DIRECTORS										
John Klepec[5]	2021	364,486	-	-	-	-	-	11,625	376,111	-
	2020	393,673	-	-	-	-	-	13,682	407,355	-
John Stevenson[6]	2021	-	-	-	-	-	-	-	-	-
	2020	178,463	56,071	18,301	-	-	127,651	8,442	388,928	14.4%
Mauro Balzarini[7]	2021	-	-	-	-	-	-	-	-	-
	2020	-	-	-	-	-	315,000	-	315,000	-
Kanda Lu	2021	67,590	-	-	243	187	-	13,244	81,264	-
	2020	109,606	-	-	2,431	168	-	10,413	122,618	-
OTHER KMP										
Paolo Triglia[8]	2021	292,447	-	65,310	14,010	-	-	-	371,767	-
	2020	237,179	42,053	107,201	17,332	-	-	-	403,765	10.4%
Paolo Bianchi[9]	2021	-	-	-	-	-	-	-	-	-
	2020	168,212	-	74,129	-	-	92,937	-	335,278	-
Total in US$	**2021**	**724,523**	**-**	**65,310**	**14,253**	**187**	**-**	**24,869**	**829,142**	**-**
	2020	**1,087,133**	**98,124**	**199,631**	**19,763**	**168**	**535,588**	**32,537**	**1,972,944**	**5.0%**

1. *This includes cash bonuses provided to KMP.*
2. *This includes short-term benefits such as parking, vehicle, travel, internet and accommodation.*
3. *This includes statutory leave for Executive Directors and other KMP.*
4. *Represents the net accrual movement for Long Service Leave (LSL) over the twelve-month period, which will only be paid if the KMP meets legislative service conditions. LSL has been separately categorised and is measured on an accrual basis and reflects the movement in the accrual over the twelve-month period.*
5. *Mr Klepec's executive remuneration was amended effective from 1 January 2021, decreasing from A$31,000 per month to A$15,000 per month as a reflection of a lower number of days-per-week dedicated to Wellard following its restructure. Mr. Klepec continues to receive additional fees in his role as Group Chairman, as set out in the table below.*
6. *Mr Stevenson ceased the role of Group CFO on 22 November 2019 and continued his board role as a Non-Executive Director on 23 November 2019.*
7. *Mr Balzarini ceased his role as CEO on 3 June 2019. All remuneration obligations up until the date of termination, including leave have been paid. All additional unvested STI or LTI benefits, including accrued leave and notice of termination payout (12 months), have been forfeited. Mr Balzarini was paid US$315,000 by way of a negotiated settlement with the Group.*
8. *Mr Triglia is employed as an expatriate and pursuant to his employment contract he is not paid superannuation and receives additional benefits for accommodation, school fees and travel expenditure.*
9. *Mr Bianchi was employed as an expatriate and pursuant to his employment contract he was not paid superannuation. He received additional benefits for accommodation, school fees and travel expenditure. Bianchi ceased employment on 30 June 2020.*

4. REMUNERATION OF NON-EXECUTIVE DIRECTORS

(a) Remuneration policy and arrangements

The Board considers the following policy objectives when determining its remuneration profile for Non-Executive Directors:

(i) offering market competitive remuneration to attract and retain high quality directors with the appropriate expertise and skillset to complement the Wellard Group business;
(ii) safeguarding the independence of Non-Executive Directors by limiting performance-related remuneration of Non-Executive Directors; and
(iii) ensuring the Company is not paying excessive remuneration.

No element of the Non-Executive Directors' remuneration is linked to the performance of the Company. However, to create alignment with shareholders, Non-Executive Directors are encouraged to hold equity securities in the Company. All Directors are subject to the Company's Security Trading Policy.

(b) Aggregate fees

Under the Constitution, the Non-Executive Directors will be remunerated for their services by:

(i) an amount or value of remuneration each year as Wellard in a general meeting determines; or
(ii) an aggregate amount or value of remuneration not exceeding the maximum amount or value as Wellard in a general meeting determines, to be divided among the Non-Executive Directors in such proportion and manner as they agree, or if they do not agree, equally.

Wellard has currently fixed the maximum aggregate fee pool for Non-Executive Directors at A$800,000 per annum, which has been approved by Shareholders.

(c) Remuneration review

The Board will periodically review the level of fees paid to Non-Executive Directors, including seeking external advice where appropriate.

A review of the remuneration of Non-Executive Directors was undertaken as part of the NR Committee's review of senior remuneration and the Company's operating budget for FY2020. No change was made to Non-Executive Director fees, or fees paid to members of any Board Committee.

(d) Non-executive director fees and benefits

Set out below is a description of each component of total remuneration for Directors and how each component impacts remuneration in Australian dollars:

		2021		
Fees / Benefits	Description	Fees A$	Superannuation A$	Included in shareholder approved cap?
BOARD FEES				
Wellard board				
	Chairman	182,648	17,352	Yes
	Members	91,324	8,676	Yes
COMMITTEE FEES				
Audit and risk compliance committee				
	Chairman	22,831	2,169	Yes
	Members	9,132	868	Yes
Nomination and remuneration committee				
	Chairman	22,831	2,169	Yes
	Members	9,132	868	Yes

OTHER FEES / BENEFITS	
Short-term incentives	Non-Executive Directors are eligible to participate in short-term or long-term incentive arrangements.
Long-term incentives	Non-Executive Directors are eligible to participate in short-term or long-term incentive arrangements.
Other group fees	Non-Executive Directors are not paid additional fees for participation on the board of any of the Wellard Group's subsidiary companies.
Termination payments	Termination benefits are not payable to Non-Executive Directors.
Other benefits	Non-Executive Directors are entitled to reimbursement for business-related expenses, including travel expenses, and also receive the benefit of coverage under the Wellard Group's directors and officer's insurance policy.

(d) Non-executive director remuneration

The fees paid or payable to the Non-Executive Directors in relation to the 2021 financial year are set out below in Australian dollars.

		Short-term benefits		
Name	Year	Board and committee fees A$	Superannuation[1] A$	Total A$
NON-EXECUTIVE DIRECTORS				
Philip Clausius	2021	123,288	11,712	135,000
	2020	123,288	11,712	135,000
John Stevenson[2]	2021	112,500	-	112,500
	2020	60,714	-	60,714
Total	**2021**	**235,788**	**11,712**	**247,500**
	2020	**184,002**	**11,712**	**195,714**

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

5. KMP SHAREHOLDING

(a) Equity based remuneration

The Board considers equity-based remuneration an important element of the Wellard executive remuneration framework. The Board believes equity-based remuneration helps align the interests of Wellard shareholders and senior executives and encourages executives to carefully consider the interests of Wellard shareholders while performing their duties as senior executives.

The table below sets out the number of shares held directly, indirectly or beneficially by current directors and KMP including their related parties and shows the effect that departing directors and KMP have had on the aggregate balance of all Shares held directly, indirectly or beneficially by directors and KMP when compared to the previous financial year.

Name	Balance at 1 July 2020	Change to aggregate KMP balance	Balance at 30 June 2021
NON-EXECUTIVE DIRECTORS			
Philip Clausius	-	-	-
John Stevenson	-	-	-
EXECUTIVE DIRECTORS			
John Klepec	437,500	-	437,500
Kanda Lu	-	-	-
OTHER KMP			
Paolo Triglia	1,176,800	850,000	2,026,800
Total	**1,614,300**	**850,000**	**2,464,300**

(b) Prohibition on hedging shares and equity instruments

KMP are not allowed to protect the value of any unvested or restricted equity awards allocated to them. KMP are also not permitted to use unvested or restricted equity awards as collateral in any financial transaction, including hedging and margin loan arrangements.

Any securities that have vested and are no longer subject to restrictions or performance conditions may be subject to hedging arrangements or used as collateral provided that the consent, notification and other restrictions on dealings set out in the Wellard Security Trading Policy are complied with in advance of the KMP entering into the arrangement.

6. TRANSACTIONS WITH KMP

(a) Transactions with other related parties

Nil

(b) Purchases from entities controlled by key management personnel

Transport Capital Pte Ltd, a transportation focused investment management and advisory firm, of which Mr Philip Clausius is the founder and Managing Partner, provides technical shipping consultancy services to the Group with effect from 1 July 2020 for a period of 15 months. During the financial year ended 30 June 2021, the technical service fee rendered and paid to this related party by the Group was US$44,707 (30 June 2020: Nil).

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

Nil

(d) Loans to / from related parties

Nil

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

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

   i. giving a true and fair view of the financial position and performance of the Group as at 30 June 2021 and of its performance for the year ended on that date; and

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

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

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

d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the *Corporations Act* for the financial year ended 30 June 2021.

Signed in accordance with a resolution of the Directors.

Mr John Klepec
Executive Chairman
23 August 2021

Moore Australia Audit (WA)

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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF WELLARD LIMITED & CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021, there have been:

a) no contraventions of the auditor independence requirements as set out in 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.

Neil Pace

NEIL PACE
PARTNER

Moore Australia

MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 23rd day of August 2021.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 30 JUNE	NOTE	2021 US$'000	2020 US$'000
CONTINUING OPERATIONS			
Revenue	4	43,433	58,788
Cost of sales	5(A)	(27,370)	(40,079)
Gross profit		**16,063**	**18,709**
Other gains	5(B)	3	4,604
Net finance costs	5(C)	(1,072)	(6,984)
Depreciation and amortisation expenses		(8,715)	(8,787)
General and administrative expenses	5(D)	(4,410)	(7,366)
Profit from continuing operations before income tax		**1,869**	**176**
Income tax expense	8	(7)	(3)
Profit from continuing operations		**1,862**	**173**
DISCONTINUING OPERATIONS			
Loss from discontinued operations, net of tax	7	-	(9)
Profit for the period		**1,862**	**164**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Gain from foreign currency translation		163	615
Other comprehensive income for the period, net of tax		**163**	**615**
Total comprehensive income for the period		**2,025**	**779**

		US$ Cents	**US$ Cents**
Earnings per share from continuing operations attributable to ordinary equity holders of the Company			
Basic earnings per share	9	0.35	0.03
Diluted earnings per share	9	0.35	0.03

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE	NOTE	2021 US$'000	2020 US$'000
CURRENT ASSETS			
Cash and cash equivalents	11	6,736	11,542
Trade and other receivables	14	712	1,025
Inventories	13	1,825	919
Other assets	15	473	1,084
Total current assets		**9,746**	**14,570**
NON-CURRENT ASSETS			
Property, plant and equipment	18	49,297	46,555
Intangible assets	19	1,574	1,692
Other assets	15	590	581
Total non-current assets		**51,461**	**48,828**
Total assets		**61,207**	**63,398**
CURRENT LIABILITIES			
Trade and other payables	16	2,193	2,245
Loans and borrowings	12	9,191	8,161
Provisions	20	94	120
Contract liabilities	4(B)	1,507	2,000
Total current liabilities		**12,985**	**12,526**
NON-CURRENT LIABILITIES			
Loans and borrowings	12	4,828	9,504
Provisions	20	12	11
Total non-current liabilities		**4,840**	**9,515**
Total liabilities		**17,825**	**22,041**
Net assets		**43,382**	**41,357**
EQUITY			
Issued capital	10	412,259	412,259
Reserves	29	(277,155)	(277,318)
Accumulated losses	30	(91,722)	(93,584)
Total equity		**43,382**	**41,357**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

				RESERVES			
FOR THE YEARS ENDED 30 JUNE	NOTE	ISSUED CAPITAL US$'000	ACCUMULATED LOSSES US$'000	SHARE-BASED PAYMENTS US$'000	OTHER RESERVES US$'000	COMMON CONTROL US$'000	TOTAL US$'000
2021							
Opening balance		412,259	(93,584)	12,963	5,487	(295,768)	41,357
Comprehensive income for the period:							
Profit for the period	30	-	1,862	-	-	-	1,862
Other comprehensive income	29	-	-	-	163	-	163
Total comprehensive income for the period		-	**1,862**	-	**163**	-	**2,025**
Transactions with owners in their capacity as owners:							
Share options lapsed	29	-	-	-	-	-	-
Closing balance		**412,259**	**(91,722)**	**12,963**	**5,650**	**(295,768)**	**43,382**
2020							
Opening balance		412,259	(93,752)	12,967	4,872	(295,768)	40,578
Comprehensive income for the period:							
Profit for the period	30	-	164	-	-	-	164
Other comprehensive income	29	-	-	-	615	-	615
Total comprehensive income for the period		-	**164**	-	**615**	-	**779**
Transactions with owners in their capacity as owners:							
Share options lapsed	29	-	4	(4)	-	-	-
Closing balance		**412,259**	**(93,584)**	**12,963**	**5,487**	**(295,768)**	**41,357**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED 30 JUNE	NOTE	2021 US$'000	2020 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		43,743	59,316
Payments to suppliers and employees		(33,116)	(45,469)
Interest received		1	5
Income tax paid		(7)	(23)
Net cash inflow from operating activities		**10,621**	**13,829**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(7,365)	(2,056)
Purchase of intangible assets		(31)	(20)
Proceeds from sale of property, plant and equipment		-	75,026
Net cash (outflow)/inflow from investing activities		**(7,396)**	**72,950**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net repayments of borrowings		(4,414)	(73,239)
Principal payment of lease liabilities		(2,693)	(1,842)
Interest paid		(1,013)	(4,486)
Net cash outflow from financing activities		**(8,120)**	**(79,567)**
Net (decrease)/increase in cash held		**(4,895)**	**7,212**
Cash at the beginning of the financial year		11,542	5,213
Effects of exchange rate changes on cash and cash equivalents		89	(883)
Cash at the end of the financial year	11	**6,736**	**11,542**

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

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

RECONCILIATION OF CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit after tax to net cash flows from operating activities.

FOR THE YEARS ENDED 30 JUNE	2021 US$'000	2020 US$'000
Profit after tax	1,862	164
Adjustment for:		
Depreciation and amortisation	8,715	8,787
Income tax expense	7	3
Interest income	(1)	(5)
Allowance/(reversal) for impairment loss	6	(665)
Net gain on disposal of property, plant and equipment	-	(1,800)
Net loss on disposal of a subsidiary	-	146
Impairment expense	-	23
Inventories write-off	-	723
Loss on extinguishment of loan	-	1,645
Interest expense and borrowing costs	1,073	5,344
Unrealised foreign exchange (gains)/losses	(82)	659
Reversal of deferred revenue	-	(5,332)
Change in assets and liabilities, net of the effects of purchase and of subsidiaries		
Change in trade and other receivables and other assets	895	1,190
Change in inventories and biological assets	(906)	2,975
Change in trade and other payables and provisions	(449)	(1,211)
Change in deferred revenue	(493)	1,201
	10,627	**13,847**
Interest received	1	5
Income tax paid	(7)	(23)
Net cash flows from operating activities	**10,621**	**13,829**

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

Reconciliation of liabilities arising from financing activities:

FOR THE YEAR ENDED 30 JUNE 2021	Opening balance US$'000	Principal and interest payments US$'000	Non-cash changes: Adoption of AASB 16 US$'000	Non-cash changes: Addition during the year US$'000	Non-cash changes: Interest expense US$'000	Non-cash changes: Effect of movement in exchange US$'000	Non-cash changes: Non-cash movement US$'000	Closing balance US$'000
Loan and borrowings (Note 12)								
Borrowings	13,002	(6,200)	-	40	686	-	(16)	7,512
Lease liabilities	4,663	(3,008)	-	3,408	317	13	(2)	5,391
Other loans	-	(6,257)	-	7,345	30	-	(2)	1,116
Total borrowings	**17,665**	**(15,465)**	-	**10,793**	**1,033**	**13**	**(20)**	**14,019**
Less: Cash and cash equivalents								(6,736)
Net debt								**7,283**

FOR THE YEAR ENDED 30 JUNE 2020	Opening balance US$'000	Principal and interest payments US$'000	Non-cash changes: Adoption of AASB 16 US$'000	Non-cash changes: Addition during the year US$'000	Non-cash changes: Interest expense US$'000	Non-cash changes: Effect of movement in exchange US$'000	Non-cash changes: Non-cash movement US$'000	Closing balance US$'000
Loan and borrowings (Note 12)								
Bank loans	41,300	(42,798)	-	-	1,498	-	-	-
Borrowings	20,768	(10,000)	-	-	1,073	-	1,161	13,002
Lease liabilities	-	(2,200)	764	5,717	358	24	-	4,663
Other loans	1,100	(1,170)	-	-	70	-	-	-
Notes	15,979	(16,871)	-	-	868	24	-	-
Deferred borrowing costs	(1,843)	-	-	-	-	(3)	1,846	-
	77,304	**(73,039)**	**764**	**5,717**	**3,867**	**45**	**3,007**	**17,665**
Liabilities directly associated with assets held for sale								
Borrowings	6,412	(6,528)	-	-	116	-	-	-
Total borrowings	**83,716**	**(79,567)**	**764**	**5,717**	**3,983**	**45**	**3,007**	**17,665**
Less: Cash and cash equivalents								(11,542)
Net debt								**6,123**

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

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

A. CORPORATE INFORMATION

This consolidated financial report relates to the Group, comprising Wellard Limited (Company or Wellard) and the entities that it controlled (Group) during the year ended 30 June 2021, that were authorised for issue in accordance with a resolution of the Directors on 23 August 2021.

The Company is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

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

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

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

B. BASIS OF PREPARATION

The financial report is a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Board and the *Corporations Act* 2001.

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

a) Share-based payments – measured at fair value; and
b) Certain financial liabilities (including derivative instruments).

The financial report is presented in the United States dollar (US$). All values are rounded to the nearest thousand dollars ($'000) unless otherwise stated, under the option available to the Company under Australian Securities and Investment Commission (ASIC) Instrument 2016/191. The Company is an entity to which the instrument applies.

For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

C. GOING CONCERN

The consolidated financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

Having completed the Group's reorganisation program and transitioned to operate as a chartering company, in FY2021, Wellard recorded an improved profit of US$1.9 million (FY2020: US$0.2 million) and remained EBITDA and operating cash flow positive. The reclassification of US$0.9 million from non-current to current liabilities for the purchase obligation of the M/V Ocean Ute that falls due in December 2021 and the payment of US$7.3 million on drydock costs resulted in the Group reporting a working capital deficiency of US$3.2 million (30 June 2020: positive US$2.1 million).

The Group's agreement reached with Ruchira Ships Limited ("Ruchira") to reschedule over an additional 12 months the balloon repayment of US$4.3 million for the M/V Ocean Drover until December 2022 – originally due to be paid by December 2021, will provide a significant cash flow buffer for the Group. As of 30 June 2021, there are no breaches in financial covenants and undertakings.

The Group maintains a US$4.0 million trade facility with a financial institution in Singapore to fund ship operating costs and foreign-exchange transactions, which as of 30 June 2021, was utilised for US$1.1 million. Wellard also retains a US$5.0 million facility to be used for commodity swaps to hedge against bunker price swings which, as of 30 June 2021, was not utilised. The Group also maintains credit-card facilities in Singapore and a small cash-backed A$ operating account in Australia.

Wellard's chartering activity is exposed to operational risk due to its exposure to the short term focus of the livestock carrier charter market. However, at the time of this report, all Wellard's vessels are fully chartered for the first quarter and most of the second quarter of FY2022.

The Group's management has considered the impact of the COVID-19 global pandemic outbreak. The dynamic and unpredictable nature of this global pandemic makes it difficult to anticipate the pandemic's effects on the livestock and shipping industry. To date, Wellard has not been impacted by any individual material COVID event but has instead been subjected to an accretion of combined costs and operational delays relating to the need to manage ships, cargoes and crew in a manner that meets all relevant regulations and deliver the highest possible health outcomes for staff, crew and livestock. Wellard is assuming that the COVID pandemic will continue to impact business internationally throughout 2021, which is incorporated in its cash flow forecasts.

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

D. COMPLIANCE WITH IFRS

This financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

On 1 July 2020, the Group has adopted the new or amended IFRS and Interpretations of IFRS that are mandatory for application for the financial year. The adoption of these new or amended IFRS and Interpretations of IFRS did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

E. CHANGE IN PRESENTATION CURRENCY

Wellard changed its presentation currency from Australian Dollar ("A$") to United States Dollar ("US$") in the current financial year. The financial report for the year ended 30 June 2021 is the first financial report with results reported in US$. The change was made to reflect that US$ is the predominant currency for the Group, counting for a significant part of the Group's net cash flow. The change in presentation currency is a change in accounting policy which is accounted for retrospectively. Information included in the financial report for the year ended 30 June 2020, previously reported in A$ has been restated into US$ using the procedures outlined below:

a) Asset and liabilities were translated into US$ at the closing foreign currency rates on the relevant balance sheet date.
b) Income statement and Statement of Cash Flows were translated at the average foreign currency rates prevailing during each reporting period.
c) Shareholders' equity transactions were translated using the rates of exchange in effect as of the dates of the various capital transactions.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The significant accounting policies adopted in the preparation of the financial statements have been consistently applied to all the periods presented, unless otherwise stated. In addition to these accounting policies, the following policies and critical accounting estimates were applied:

A. REVENUE FROM CONTRACTS WITH CUSTOMERS

AASB 15 Revenue from Contracts with Customers, states that an entity shall recognise revenue (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of the asset.

If revenue is not recognised over time, it is recognised at a point in time. To determine the point in time at which a customer obtains control of a promised asset and the entity satisfies a performance obligation, the following requirements are considered:

a) The entity has a present right to payment for an asset;
b) The customer has legal title to the asset;
c) The entity has transferred physical possession of the asset, however physical possession may not coincide with control of the asset;
d) The customer has significant risks and rewards of ownership of the asset; and
e) The customer has accepted the asset.

Sale of goods

Revenue is determined on a per shipment or per contract basis and is recognised in line with the customer trading terms.

Wellard trades using CIF contract terms (cost, insurance and freight). Control of the assets does not pass until unloading of the vessel, as such shipping is not a separate performance obligation. Revenue is recognised on discharge.

Vessel chartering

Freight revenue for external shipments meets the criteria of a performance obligation satisfied over time.

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

Contract liabilities

The timing of revenue recognition, cash collections results in invoiced accounts receivable and customer advances and deposits (contract liabilities) on the consolidated statement of financial position.

Generally, amounts are invoiced, and deposits received in advance of providing the good or service.

Deposits received are recognised on a per shipment basis, these deposits are recorded as a liability on the balance sheet and liquidated on discharge when the revenue is recognised.

Deposits received at the time of booking a vessel for charter are recorded as a liability on the balance sheet and liquidated on a percentage complete basis when the revenue is recognised.

B. BORROWING COSTS

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

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset which are capitalised until the asset is ready for its intended use or sale.

Loan establishment costs have been capitalised to deferred borrowing costs and are amortised over the life of the loan facility.

Borrowing costs relating to loans extinguished during the period have been expensed.

C. INTEREST REVENUE

Interest revenue is recognised as interest accrued using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

D. INCOME TAX EXPENSE

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

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

E. DEFERRED TAX ASSETS AND LIABILITIES

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

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

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

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

F. TAX CONSOLIDATION

Wellard Limited, and its Australian subsidiaries formed a tax consolidated Group with effect from 11 December 2015.

The parent entity and subsidiaries in the tax consolidated Group have entered into a tax funding agreement such that each entity in the tax consolidated Group recognises the assets, liabilities, revenues and expenses in relation to its own transactions, events and balances only. This means that:

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

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

G. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing:

- the profit / (loss) attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares,

by

- the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares.

Potential ordinary shares are only considered dilutive if the loss per share decreases on conversion to ordinary shares.

H. LOANS AND BORROWINGS

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

I. CASH

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

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for carrying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. For cash subject to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

J. ISSUED CAPITAL

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

K. INVENTORIES

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

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

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

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

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

L. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of the financial instruments at initial recognition.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The Group does not apply hedge accounting for its derivative financial instrument.

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.

M. TRADE AND OTHER RECEIVABLES

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

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

N. ASSETS HELD FOR SALE

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

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

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

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

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

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

O. TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid.

The amounts are unsecured and are usually paid within 14 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the end of the reporting period.

They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Due to the short-term nature of trade and other payables, their carrying amount approximates fair value.

P. DEFERRED REVENUE

These amounts represent payments collected but not earned at the end of the reporting period. These payments are recognised in line with AASB15 Revenue Recognition.

Q. PROPERTY, PLANT AND EQUIPMENT

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

Vessels

Vessels are measured on a cost basis. Depreciation rate: 4.0% - 5.0%, straight-line basis after deducting expected scrap value of the vessel.

Land and Buildings

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

Plant and Equipment

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

Improvements

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

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

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

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

R. INTANGIBLE ASSETS

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

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

Software
Software is measured initially at the cost of acquisition and amortised over the useful life of the software. Expenditure on software development activities is capitalised only when it is expected that future benefits will exceed the deferred costs, and these benefits can be reliably measured. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the intangible asset over its estimated useful life (not exceeding ten years) commencing when the intangible asset is available for use. Other development expenditure is recognised as an expense when incurred.

Assets acquired separately or from a business combination

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

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

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

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the Cash Generating Unit (**CGU**) level.

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

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

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

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

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

Long-term employee benefit obligations

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

Termination benefits

Termination benefits are payable when the 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.

T. BUSINESS COMBINATIONS

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. Cost is measured as the fair value of the assets acquired and liabilities assumed, or shares issued at the acquisition date. Transaction costs are expensed as they are incurred, except if they relate to the issue of debt or equity securities.

U. CONSOLIDATION

Transactions eliminated on consolidation

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

Foreign currency translation and balances

Functional and presentation currency

The financial statements of each entity within the Group are measured using the currency of the primary economic environment in which that entity operates (functional currency). The consolidated financial statements are presented in United States Dollars. The Company's functional currency is the Australian Dollar.

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.

V. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are initially recognised at cost (fair value of consideration paid plus directly attributable costs). Costs incurred in investigating and evaluating acquisitions up to the formal commitment are expensed as incurred. Where the carrying value of an investment exceeds the recoverable amount, an impairment charge is recognised in profit or loss which can subsequently be reversed in certain conditions.

W. SHARE-BASED PAYMENTS

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

X. LEASES

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

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

Leases are recognised as right-of-use assets and corresponding lease liabilities at the date at which the leased assets are available for use by the Group.

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

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

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

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

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

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

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

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

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

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

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

Y. GOODS AND SERVICES TAX

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

Z. IMPAIRMENT

Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment.

Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

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

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

Useful life and residual value of livestock carrying vessels

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

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

Investment in subsidiaries

All assets are assessed for impairment at each period end by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the Group. Impairment indicators include market capitalisation, declining product or processing performance, technology changes, adverse changes in the economic or political environment or future product expectations.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

A. DEFERRED TAX ASSET

Management assesses the extent to which it is probable that future taxable profits will be available against which the deferred tax assets can be utilised.

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

Deferred tax assets, of US$55.3 million, (FY2020: US$59.6 million) relating to the tax losses of the Australian tax consolidated group and US$2.1 million (FY2020: US$2.2 million) relating to Singapore have not been recognised. Included in FY2020, there were US$6.2 million relating to Uruguay, US$2.3 million relating to Brazil. There is no expiration date for these amounts except for Uruguay and Brazil.

B. SRI LANKAN PROJECT

In FY2020, the Group recognised a net gain of US$5.3 million in other gains/losses from trading and chartering activities in relation to the Sri Lankan project.

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

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

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

Consequently, the Company Group concluded that it was appropriate to recognise the net amount of US$5.3 million in Other gains/(losses) within the consolidated statement of comprehensive income.

C. IMPAIRMENT

Impairment of non-financial assets

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

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

The VIU is determined using cash flow projections based on the financial budget prepared by management covering the remaining useful lives of the vessel. In making these estimates, management has relied on its past performance and its current expectations of market development. Cash flow in the VIU calculation was discounted at an average rate of 10.42% per annum.

If the estimated EBITDA co-efficient index used in the VIU calculation had been 0.50% lower than the management's estimates, the recoverable amounts of the asset would decrease by US$0.4 million. If the estimated discount rate applied to the discounted cash flows had been 1% higher than management's estimates, the recoverable amounts of the asset would decrease by US$2.2 million.

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

Investments in subsidiaries

We have estimated the recoverable amount based on the value-in-use of the subsidiaries. No impairment (2020: Nil) has been recognised in respect of the recoverable amount of investment in subsidiaries. Impairment of investments in subsidiaries has been eliminated on consolidation in the Group accounts. The impairment of investment in subsidiaries is considered a critical accounting estimate for the parent entity only and not for the Group.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

A) DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

FOR THE YEARS ENDED 30 JUNE	2021 US$'000	2020 US$'000
REVENUES		
Chartering	42,941	55,887
Trading	-	2,729
Other revenue	492	172
	43,433	**58,788**

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

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

B) LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

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

AS AT 30 JUNE	2021 US$'000	2020 US$'000
CONTRACT LIABILITIES		
Chartering	1,507	2,000
	1,507	**2,000**

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

5. EXPENSES

FOR THE YEARS ENDED 30 JUNE	2021 US$'000	2020 US$'000
A) COST OF SALES		
Chartering	27,370	37,989
Trading	-	2,090
	27,370	**40,079**

Within the Chartering cost of sales, there were US$0.3 million inventories being written off during the financial year 2020.

5. EXPENSES (continued)

FOR THE YEARS ENDED 30 JUNE		2021 US$'000	2020 US$'000
B) OTHER GAINS			
(Gains)/losses arising from chartering and trading activities			
Net gain on release from contract liabilities		-	(5,332)
Inventories write-off		-	391
		-	**(4,941)**
(Gains)/losses arising from other activities			
Net gain on disposal of property, plant and equipment		-	(1,458)
Net (gain)/loss on disposal of a subsidiary (Disposal in FY2020)		(20)	146
Net foreign exchange (gains)/losses		(15)	988
Impairment expenses	5(E)	-	23
Restructuring and integration costs		32	638
		(3)	**337**
		(3)	**(4,604)**
C) NET FINANCE COSTS			
Interest income		(1)	(5)
Interest expense		1,033	3,983
Borrowing costs		40	1,361
Loss on extinguishment of loan		-	1,645
		1,072	**6,984**
D) GENERAL AND ADMINISTRATIVE EXPENSES			
Consulting costs		804	1,944
Occupancy costs		210	376
Travel expenses		-	305
Allowance/(reversal) for impairment loss		6	(665)
Labour expenses	5(F)	2,870	4,337
Motor vehicle expenses		26	20
Repairs and maintenance costs		3	3
General and administrative costs		491	1,046
		4,410	**7,366**
E) IMPAIRMENT EXPENSES			
Impairment loss on intangible assets		-	23
		-	**23**
F) LABOUR EXPENSES			
Wages and salaries		2,351	3,721
Employee entitlements and on costs		355	335
Superannuation		157	225
Payroll tax		7	56
		2,870	**4,337**

6. SEGMENT INFORMATION

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

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

Description of segments and principal activities

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

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

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

These classifications are in accordance with AASB 8 guidelines.

Management primarily uses a measure of statutory net profit/(loss) before income tax to assess the performance of the operating segments. However, management also receives financial information about segment revenue, EBITDA, interest expense, assets and liabilities on a monthly basis.

	Chartering US$'000	Trading US$'000	Other US$'000	Total US$'000
FOR THE YEAR ENDED 30 JUNE 2021				
Revenues	42,941	-	492	43,433
Depreciation and amortisation expenses	(8,326)	(17)	(372)	(8,715)
Net finance costs	(1,069)	-	(3)	(1,072)
Profit/(loss) from continuing operations before income tax	4,863	(533)	(2,461)	1,869
Total segment assets	**58,399**	**816**	**1,992**	**61,207**
Total segment liabilities	**17,424**	**115**	**286**	**17,825**
FOR THE YEAR ENDED 30 JUNE 2020				
Revenues	55,886	2,729	173	58,788
Depreciation and amortisation expenses	(8,334)	(28)	(425)	(8,787)
Net finance costs	(6,108)	-	(876)	(6,984)
Profit/(loss) from continuing operations before income tax	804	4,434	(5,062)	176
Total segment assets	61,367	732	1,299	63,398
Total segment liabilities	21,588	256	197	22,041

6. SEGMENT INFORMATION (continued)

Revenues of approximately US$39.2 million were derived from three external customers of the chartering segment, which individually account for greater than 7.0% of total revenue (FY2020: revenue of approximately US$38.5 million from four external customers, which individually account for greater than 9.0% of total revenue).

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

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

FOR THE YEARS ENDED 30 JUNE	Australia US$'000	Singapore US$'000	Total US$'000
2021	114	43,319	43,433
2020	2,902	55,886	58,788

The non-current assets of the Group are located across the following countries:

AS AT 30 JUNE	Australia US$'000	Singapore US$'000	Brazil US$'000	Total US$'000
2021	2,200	49,256	5	51,461
2020	1,795	47,028	5	48,828

7. DISCONTINUED OPERATIONS

The discontinued operations in FY2020 amounting to US$9,169 was related to general and administrative expenses of Wellard Feeds, 'La Bergerie' Pre-Export Quarantine and Beaufort River Meats businesses which were sold in 2019. This amount is included in net cash flow from operating activities in the consolidated statement of cash flow.

8. TAXATION

INCOME TAX EXPENSE

FOR THE YEARS ENDED 30 JUNE	2021 US$'000	2020 US$'000
INCOME TAX EXPENSE		
Income tax expense comprises:		
Current tax	5	3
Under provision for income tax in prior years	2	-
Income tax expense reported during the year	7	3
Income tax expense is attributable to:		
Continuing operations	7	3
Discontinued operations	-	-
	7	3

8. TAXATION (continued)

NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACE TAX PAYABLE

FOR THE YEARS ENDED 30 JUNE	2021 US$'000	2020 US$'000
Profit from continuing operations before income tax	1,869	176
Loss from discontinued operations before income tax	-	(9)
	1,869	**167**
Tax at the Australian tax rate of 30% (2020: 30%)	561	50
Add/(deduct) the effect of other assessable items		
Attributable foreign income	506	627
Exempt foreign shipping activities	(1,887)	(1,900)
Current year losses and temporary differences not recognised	434	843
Utilisation of carried forward tax losses	(9)	(18)
Income not subject to tax	(84)	(1,227)
Expenses not deductible for tax purposes	1,101	1,822
Under provision for income tax in prior years	2	-
Total other assessable items	**624**	**197**
Add/(less) the effect of other non-assessable items		
Effect of different tax rates in other countries	(617)	(194)
Total other non-assessable items	**(617)**	**(194)**
Income tax expense reported during the year	**7**	**3**

At the reporting date, the Group has unused tax losses of US$55.3 million (FY2020: US$59.6 million) available for offset against future profits. No deferred tax asset has been recognised as it is not probable that future taxable profits will be available against which the Group can use the benefits therefrom. In FY2020, included in unrecognised tax losses are losses of US$8.5 million that will expire in 2021 - 2025. The remaining tax losses do not expire under current tax legislation but are subject to the satisfaction of loss utilisation rules.

9. EARNINGS PER SHARE

FOR THE YEARS ENDED 30 JUNE		2021	2020
BASIC EARNINGS PER SHARE			
From continuing operations, attributable to the ordinary equity holders of the Company	US$ cents	0.35	0.03
DILUTED EARNINGS PER SHARE			
From continuing operations, attributable to the ordinary equity holders of the Company	US$ cents	0.35	0.03
WEIGHTED AVERAGE ORDINARY SHARES			
Weighted average number of ordinary shares used as the denominator	number	531,250,312	531,250,312

10. ISSUED CAPITAL

The Company's share capital comprises fully paid-up 531,250,312 (2020: 531,250,312) ordinary shares with no par value, amounting to a total US$412,258,944 (2020: US$412,258,944). Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

No shares were issued during the financial year 2021.

11. CASH AND CASH EQUIVALENTS

AS AT 30 JUNE	2021 US$'000	2020 US$'000
Cash at bank and in hand	6,736	11,542
	6,736	**11,542**

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

12. LOANS AND BORROWINGS

AS AT 30 JUNE	2021 US$'000	2020 US$'000
CURRENT		
Secured		
Borrowings (i)	5,521	5,530
Un-secured		
Lease liabilities (ii)	2,554	2,631
Other loans (iii)	1,116	-
Total Current Loans and Borrowings	**9,191**	**8,161**
NON-CURRENT		
Secured		
Borrowings (i)	1,991	7,472
Un-secured		
Lease liabilities (ii)	2,837	2,032
Total Non-current Loans and Borrowings	**4,828**	**9,504**
Total Loans and Borrowings	**14,019**	**17,665**

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

(i) Borrowings

Secured

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

12. LOANS AND BORROWINGS (continued)

(i) Borrowings (continued)

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

In June 2021, the Group renegotiated with Ruchira to extend the repayment schedule of M/V Ocean Drover until December 2022. This resulted in the recognition of a modification loss of US$0.04 million.

(ii) Lease liabilities
Un-secured
During the year, the Group renegotiated and modified an existing lease contract for office building by extending the lease term at revised lease payments. As this extension is not part of the terms and conditions of the original lease contract, it is accounted for as a lease modification with an addition to the right-of-use assets.

On 4 November 2019, the Group entered into a sale and leaseback agreement of the M/V Ocean Swagman with Heytesbury Singapore Pte Ltd. Through this transaction, the Group will maintain full control of the vessel until 31 March 2022 and no purchase obligations have been granted. On 15 June 2021, the Group modified the existing arrangement to exercise the extension options until 30 June 2023.

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

AS AT 30 JUNE	Currency	Financial year of maturity	2021 US$'000	2020 US$'000
LOANS AND BORROWINGS				
Secured				
Borrowings[1]	US$	2022	1,222	2,049
Borrowings[2]	US$	2023	6,290	10,953
Un-secured				
Lease liabilities	US$	2023	4,894	4,285
Lease liabilities	SGD	2024	448	365
Lease liabilities	A$	2022-2023	49	13
Other loans	US$	2022	1,116	-
			14,019	**17,665**

Notes:
1. *On 19 August 2019, Wellard entered into an agreement to extend the repayment schedules until December 2021 (i.e. FY2022).*
2. *On 1 June 2021, Wellard entered into an agreement to extend the repayment schedule until December 2022 (i.e. FY2023).*

The maturity profile of principal repayments is set out in Note 17(C).

13. INVENTORIES

AS AT 30 JUNE	2021 US$'000	2020 US$'000
Raw materials	1,825	919
	1,825	**919**

Inventories are reported at the lower of cost and net realisable value. No write-downs of inventory to net realisable value were recognised during the year (FY2020: US$723,612). Refer to Notes 5(A) and 5(B).

14. TRADE AND OTHER RECEIVABLES

AS AT 30 JUNE	2021 US$'000	2020 US$'000
CURRENT		
Trade receivables	2,221	2,172
Allowance for impairment loss	(1,678)	(1,684)
Other receivables	169	537
	712	**1,025**

Trade and other receivables are non-interest bearing and are on various terms depending on the market. Charter customers are generally required to pay a deposit on signing of the booking note, and the balance payable before delivery of the vessel or provision of the Bill of Lading. Export customers have payment terms ranging from a percentage payable on vessel's loading, to a percentage payable 14 days after discharge of livestock. Non-export trading terms are generally 14 days. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired, in excess of expected credit losses.

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

The ageing analysis of these trade receivables is as follows:

AS AT 30 JUNE	2021 US$'000	2020 US$'000
1 to 3 months	503	438
3 to 6 months	40	50
	543	**488**

Information on the Group's credit risk is disclosed in Note 17(B).

15. OTHER ASSETS

AS AT 30 JUNE	2021 US$'000	2020 US$'000
CURRENT		
Prepayments	473	1,084
	473	**1,084**
NON-CURRENT		
Deposits	590	581
	590	**581**

16. TRADE AND OTHER PAYABLES

AS AT 30 JUNE	2021 US$'000	2020 US$'000
CURRENT		
Trade payables	1,011	836
Sundry payables and accrued expenses	1,182	1,409
	2,193	**2,245**

Trade and other payables are non-interest bearing.

17. FINANCIAL RISK MANAGEMENT

Like all companies, Wellard is subject to a range of risks associated with its activity which could, in isolation or in combination, if they eventuate, have a material adverse impact on Wellard's business, results of operations, financial condition, financial performance, prospects and share price. To carry out its business and achieve its objectives, Wellard needs to take risks but tries to do so by identifying, assessing, responding and monitoring them to ensure the Group's long-term success.

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

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

A) MARKET RISK

i) Chartering

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

ii) Commodity price risk

Fuel
Wellard is exposed to commodity price volatility for the fuel required to operate its fleet of vessels. During the financial year, Wellard management managed this risk with commodity swaps and physical hedge to partially hedge its exposure to fuel price volatility.

iii) Foreign exchange risk

Wellard's exposure to currency risk is minimal as most of the sales and purchases transactions are denominated in United States Dollars ("US$"). The Group monitors its exposure to currency risk on a regular basis and may enter into short-term forward exchange contracts to manage the exposure.

17. FINANCIAL RISK MANAGEMENT (continued)

A) MARKET RISK (continued)

iv) Interest rate risk

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

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

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

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

AS AT 30 JUNE	2021 US$'000	2020 US$'000
Loans and borrowings	1,116	-
	1,116	**-**

Based on Wellard's variable borrowings a change of 10 basis points (0.1%) in interest rates, with all other variables held constant, would increase/(decrease) profit before taxation and equity as follows:

FOR THE YEARS ENDED 30 JUNE	2021 US$'000	2020 US$'000
+0.1%	1	-
-0.1%	(1)	-

B) CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to Wellard. Wellard is exposed to some counterparty credit risk arising from its operating activities, primarily from trade receivables. The ageing of these receivables is as follows:

AS AT 30 JUNE	2021 US$'000	2020 US$'000
0 to 3 months	451	495
3 to 6 months	-	-
Over 6 months	1,770	1,677
	2,221	**2,172**

The risk of non-payment by customers is an inherent risk of Wellard's business, due to sales typically involving individual high-value shipments. Wellard seeks to mitigate the impact of this risk by building long-term relationships with its customers, obtaining partial payment before loading, requiring letters of credit to partially secure payment in a number of jurisdictions and through a systematic credit assessment of counterparties and regular monitoring of their creditworthiness.

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

17. FINANCIAL RISK MANAGEMENT (continued)

B) CREDIT RISK (continued)

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

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

AS AT 30 JUNE	2021 US$'000	2020 US$'000
United States dollar	2,215	2,123
Australian dollar	6	49
	2,221	**2,172**

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

FOR THE YEARS ENDED 30 JUNE	2021 US$'000	2020 US$'000
Opening balance	1,684	2,778
Allowance for impairment recognised during the year	14	44
Receivables collected during the year	(8)	(726)
Receivables written-off during the year as uncollectable	(12)	(412)
Closing balance	**1,678**	**1,684**

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

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

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

Amounts recognised in profit or loss
During the year, the following losses were recognised in profit or loss in relation to impaired receivables:

FOR THE YEARS ENDED 30 JUNE	2021 US$'000	2020 US$'000
IMPAIRMENT LOSSES		
Individually impaired trade receivables	14	44
	14	**44**

17. FINANCIAL RISK MANAGEMENT (continued)

C) LIQUIDITY RISK

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

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

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

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

Maturities of financial liabilities

The following tables detail for the years 2021 and 2020, respectively, Wellard's prospective cashflows for its financing liabilities based on contractual repayment terms. The tables have been drawn up on the basis of undiscounted cash-flows on the earliest date in which Wellard can be required to pay.

FOR THE YEAR ENDED 30 JUNE	<6 MONTHS US$'000	6-12 MONTHS US$'000	1-2 YEARS US$'000	2-5 YEARS US$'000	TOTAL US$'000	CARRYING AMOUNT US$'000
2021						
Non-interest bearing	2,193	-	-	-	2,193	2,193
Fixed rate	5,158	3,577	4,884	90	13,709	12,903
Variable rate	1,121	-	-	-	1,121	1,116
	8,472	**3,577**	**4,884**	**90**	**17,023**	**16,212**

FOR THE YEAR ENDED 30 JUNE	<6 MONTHS US$'000	6-12 MONTHS US$'000	1-2 YEARS US$'000	2-5 YEARS US$'000	TOTAL US$'000	CARRYING AMOUNT US$'000
2020						
Non-interest bearing	2,245	-	-	-	2,245	2,245
Fixed rate	4,667	4,474	9,742	-	18,883	17,665
Variable rate	-	-	-	-	-	-
	6,912	**4,474**	**9,742**	**-**	**21,128**	**19,910**

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

D) CAPITAL MANAGEMENT

Wellard's objectives in managing capital are to:

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

17. FINANCIAL RISK MANAGEMENT (continued)

D) CAPITAL MANAGEMENT (continued)

Capital is defined as the combination of shareholders' equity, reserves and net debt. The Board is responsible for monitoring and approving the capital management framework within which management operates.

Wellard manages its capital through various means, including:

- raising or returning capital;
- raising or repaying debt for working capital requirements, capital expenditure and acquisitions; and
- adjusting the amount of ordinary dividends paid to shareholders

18. PROPERTY, PLANT AND EQUIPMENT

AS AT 30 JUNE	SHEDS AND BUILDINGS US$'000	PLANT AND EQUIPMENT US$'000	RIGHT-OF-USE ASSETS US$'000	TOTAL US$'000
2021				
Opening net book amount	89	41,931	4,535	46,555
Additions	45	7,693	3,407	11,145
Foreign exchange revaluation	3	6	(3)	6
Depreciation expense	(62)	(5,657)	(2,690)	(8,409)
Closing balance	**75**	**43,973**	**5,249**	**49,297**
Cost	473	113,400	9,760	123,633
Accumulated depreciation and impairments	(398)	(69,427)	(4,511)	(74,336)
Closing balance	**75**	**43,973**	**5,249**	**49,297**

AS AT 30 JUNE	SHEDS AND BUILDINGS US$'000	PLANT AND EQUIPMENT US$'000	RIGHT-OF-USE ASSETS US$'000	TOTAL US$'000
2020				
Opening net book amount	114	97,597	-	97,711
Adoption of AASB 16	-	-	799	799
	114	**97,597**	**799**	**98,510**
Additions	31	2,025	5,717	7,773
Disposals	(10)	(51,216)	-	(51,226)
Disposal of a subsidiary	-	(1)	-	(1)
Foreign exchange revaluation	(1)	(9)	6	(4)
Depreciation expense	(45)	(6,465)	(1,987)	(8,497)
Closing balance	**89**	**41,931**	**4,535**	**46,555**
Cost	425	106,887	6,526	113,838
Accumulated depreciation and impairments	(336)	(64,956)	(1,991)	(67,283)
Closing balance	**89**	**41,931**	**4,535**	**46,555**

A) Property, plant and equipment with a carrying amount of US$42,908,688 (2020: US$40,255,299) are pledged as security for the liabilities as disclosed in Note 12.

18. PROPERTY, PLANT AND EQUIPMENT (continued)

B) Leased assets – The Group as a lessee

(i) Nature of the Group's leasing activities

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

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

(ii) Carrying amounts

The balance sheet shows the following amounts relating to leases:

ROU assets classified within the Plant and Equipment	2021 US$'000	2020 US$'000
Property	468	365
Equipment	12	8
Vessel	4,765	4,162
Motor Vehicle	4	-
	5,249	**4,535**

Lease liabilities	2021 US$'000	2020 US$'000
Current	2,554	2,631
Non-current	2,837	2,032
	5,391	**4,663**

(iii) Depreciation during the year

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

Depreciation charge of right-of-use assets	2021 US$'000	2020 US$'000
Property	313	416
Equipment	6	15
Vessels	2,359	1,556
Motor Vehicle	12	-
	2,690	**1,987**

(iv) Interest expense on lease liabilities during the financial year 2021 was US$316,785 (FY2020: US$357,290)
(v) Lease expense not capitalised in lease liabilities – short-term leases was US$69,636 (FY2020:US$108,618).
(vi) Total cash outflow for all the leases during the financial year 2021 was US$3,007,908 (FY2020: US$2,199,725).
(vii) Additions of ROU assets during the financial year 2021 was US$3,407,329 (FY2020: US$5,717,454).

19. INTANGIBLE ASSETS

AS AT 30 JUNE	SOFTWARE US$'000	TOTAL US$'000
2021		
Opening net book amount	1,692	1,692
Additions	31	31
Foreign exchange revaluation	157	157
Amortisation expense	(306)	(306)
Closing balance	**1,574**	**1,574**
Cost	3,042	3,042
Accumulated amortisation	(1,468)	(1,468)
Closing balance	**1,574**	**1,574**

AS AT 30 JUNE	GOODWILL US$'000	SOFTWARE US$'000	TOTAL US$'000
2020			
Opening net book amount	26	2,088	2,114
Additions	-	20	20
Disposal of a subsidiary	-	(126)	(126)
Foreign exchange revaluation	(3)	-	(3)
Impairment expense	(23)	-	(23)
Amortisation expense	-	(290)	(290)
Closing balance	-	**1,692**	**1,692**
Cost	-	2,754	2,754
Accumulated amortisation	-	(1,062)	(1,062)
Closing balance	-	**1,692**	**1,692**

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

20. PROVISIONS

AS AT 30 JUNE	2021 US$'000	2020 US$'000
CURRENT		
Employee entitlements	94	120
	94	**120**
NON-CURRENT		
Employee entitlements	12	11
	12	**11**

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

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. A provision of US$94,159 (2020: US$120,429) is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations.

21. COMMITMENTS

Capital commitments

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

AS AT 30 JUNE	2021 US$'000	2020 US$'000
Software – Implementation and license fee for chartering system	-	82
	-	**82**

22. SUBSEQUENT EVENTS

There have been no significant events occurring since 30 June 2021. Reference is made to Wellard Limited's website and ASX's announcements for any and all material disclosures which are required under ASX's listing rules.

23. SIGNIFICANT ITEMS

There are no other significant items to be disclosed for the financial year ended 30 June 2021.

24. CONTROLLED ENTITIES

(a) Subsidiaries

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

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

Interests held in controlled entities is set out below:

	COUNTRY OF INCORPORATION	2021 %	2020 %
PARENT ENTITY			
Wellard Limited	Australia		
SUBSIDIARIES OF WELLARD LIMITED			
Wellard Feeds Pty Ltd	Australia	100	100
Wellard Rural Exports Pty Ltd	Australia	100	100
Wellard Animal Processing Pty Ltd	Australia	100	100
Wellard NZ Ltd	New Zealand	100	100
Wellard Singapore Pte Ltd	Singapore	100	100
Wellard Ships Pte Ltd	Singapore	100	100
Ocean Drover Pte Ltd	Singapore	100	100
Ocean Shearer Pte Ltd	Singapore	100	100
Niuyang Express Pte Ltd	Singapore	100	100
Wellard do Brasil Agronegocios Ltda	Brazil	100	100
Wellard Uruguay S.A.	Uruguay	100	100
Best Hayvancilik Sanayi Ticaret AŞ	Turkey	100	100

25. RELATED PARTY TRANSACTIONS

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

(a) Subsidiaries

Interests in subsidiaries are set out in Note 24(a).

(b) Key management personnel compensation

FOR THE YEARS ENDED 30 JUNE	2021 US$'000	2020 US$'000
Short-term benefits	790	1,385
Long-term benefits	14	20
Termination benefits	-	535
Post-employment benefits	25	33
	829	**1,973**

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

(c) Transactions with other related parties

FOR THE YEARS ENDED 30 JUNE	2021 US$'000	2020 US$'000
ENTITIES CONTROLLED BY KEY MANAGEMENT PERSONNEL		
Technical shipping consultancy service rendered	45	-

(d) Outstanding balance from purchases of goods and services

There was no outstanding balance from purchases of goods and services from related parties at the end of the financial year ended 30 June 2021 (FY2020: Nil).

26. PARENT ENTITY

(a) Summary financial information

The individual financial statements for the parent entity (Wellard Limited) show the following aggregate amounts in Australian Dollars:

AS AT 30 JUNE	2021 A$'000	2020 A$'000
NET ASSETS		
Current assets	1,751	1,789
Total assets	25,683	26,051
Current liabilities	(5,009)	(1,395)
Total liabilities	(5,056)	(1,401)
Net assets	**20,627**	**24,650**

FOR THE YEARS ENDED 30 JUNE	2021 A$'000	2020 A$'000
EQUITY		
Issued capital	581,656	581,656
Share issue costs capitalised	(9,524)	(9,524)
Share-based payment reserve	18,014	18,014
Accumulated losses	(569,519)	(565,496)
Total equity	**20,627**	**24,650**
Loss for the period	4,023	33,144
Total comprehensive loss	4,023	33,144

(b) Guarantees provided by the parent entity
At 30 June 2021, the parent entity had provided guarantees to support the banking facilities in Singapore and borrowings set out in Note 12.

(c) Contingent liabilities of the parent entity
The parent entity did not have any contingent liabilities as at 30 June 2021 (30 June 2020: A$Nil).

(d) Contractual commitments for the acquisition of property, plant and equipment
None.

(e) Determining the parent entity financial information
The financial information of the parent entity has been prepared on the same basis as the consolidated financial statements. The current subsidiaries information can be found in Note 24.

27. AUDITOR'S REMUNERATION

FOR THE YEARS ENDED 30 JUNE	2021 US$'000	2020 US$'000
Fees in respect of the audit of the consolidated and parent company financial statements	119	55
Other audit fees, principally in respect of audits of accounts of subsidiaries in Singapore	23	179
Other assurance services	4	12
Total auditor's remuneration	**146**	**246**

With effect from FY2021, Moore Australia Audit (MA) was appointed as auditor of the Company, replacing PricewaterhouseCoopers (PWC). Auditor's remuneration for FY2021 relates to Moore and for FY2020 to PWC.

28. SHARE-BASED PAYMENTS

Under the Company's Executive Share Option Plan, share options are granted to employees as determined, in its absolute discretion, by the Board.

Executive Share Options may be granted with an exercise price as determined by the Board, including, for the avoidance of doubt, with no exercise price.

The Company may determine, in its discretion, whether to settle the vested and exercised Executive Share Options in cash or shares and may either issue new Shares or acquire Shares on market.

The Executive Share Options may be subject to milestone dates prior to which performance conditions must be satisfied.

Movement in the number of unissued ordinary shares of the Company under option during the year:

FOR THE YEAR ENDED 30 JUNE	OPTIONS AT BEGINNING OF PERIOD	GRANTED DURING PERIOD	EXPIRED / CANCELLED DURING PERIOD	VESTED / EXERCISED DURING PERIOD	OPTIONS AT END OF PERIOD
2021					
LTIP - 2019	1,000,000	-	-	-	1,000,000
	1,000,000	**-**	**-**	**-**	**1,000,000**

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

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

Notes:

1. Three entitled employees declined the invitation to participate in the Executive Share Option Plan. Three entitled employees had left in prior years.

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

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

29. RESERVES

AS AT 30 JUNE	COMMON CONTROL US$'000	SHARE BASED PAYMENTS US$'000	FOREIGN CURRENCY TRANSLATION US$'000	TOTAL US$'000
2021				
Opening balance	(295,768)	12,963	5,487	(277,318)
Current year movements	-	-	163	163
Closing balance	**(295,768)**	**12,963**	**5,650**	**(277,155)**
2020				
Opening balance	(295,768)	12,967	4,872	(277,929)
Current year movements	-	(4)	615	611
Closing balance	**(295,768)**	**12,963**	**5,487**	**(277,318)**

Common control reserve

The acquisition of all subsidiaries as part of the Group Restructure Event gives rise to the common control reserve. Common control reserve is the difference between the purchase consideration and the carrying value of the net assets acquired is recorded directly in equity in a separate reserve.

Foreign currency reserve

Exchange differences arising on translation of the foreign-controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed off.

Share-based payments

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

30. ACCUMULATED LOSSES

FOR THE YEARS ENDED 30 JUNE	2021 US$'000	2020 US$'000
Opening balance	(93,584)	(93,752)
Share options lapsed	-	4
Net profit for the year	1,862	164
Closing balance	**(91,722)**	**(93,584)**

31. CONTINGENT ASSETS/LIABILITIES

The Company's Singaporean subsidiary, Wellard Ships Pte Ltd, has succeeded in its arbitration proceedings in the UK against Uljanik dd in respect of its claims for refunds of advance payments of US$8,000,000 and EUR1,637,648 plus interest and costs made in respect of the terminated contract for the building of the planned livestock vessel to have been known as the M/V Ocean Kelpie. Recovery of those costs, however, is not immediately available because Uljanik dd is in liquidation. Uljanik's liquidator has agreed to pay SGD300,000 for awarded costs. As for the refunds and interest awarded, these currently rank as unsecured low priority claims in the Uljanik liquidation. Refunds under the original shipbuilding contract are separately secured by two Bank Refund Guarantees issued by Hrvatska banka za obnovu i razvitak (HBOR). Wellard is now using the first arbitration award against Uljanik to claim a refund of the advance payments and interest from HBOR, who are denying the claims and have not made payment. Wellard has, therefore, commenced a second arbitration, this time against HBOR. This is in process in London and is currently expected to conclude at the end of 2021 or the beginning of 2022. The Group cannot currently make any statement about the likelihood of success of this second arbitration.

In October 2017, the Company's Singaporean subsidiary, Wellard Ships Pte Ltd entered into a charter agreement with Alpha Commodities S.A ("Alpha") for the vessel M/V Ocean Shearer, and non-refundable deposits of US$2.0 million were received. Alpha subsequently defaulted on the remainder of its charter obligations, and the voyages the subject of the charter did not proceed. In January 2021, the Company has obtained a judgment in the UK High Court proceedings against Alpha Commodities SA in the amount of US$10,380,722.93 plus interest and costs. Investigations into Alpha's assets in Brazil are still continuing, with a view to collecting directly or via a collection agency without the further legal expense of enforcement in Brazil. This process should be completed during FY2022.

The likelihood of recoverability of funds in both cases is substantially uncertain, and the Group will not include any estimate as to quantum or timing in either case.

As reported on 30 June 2020, Wellard has lodged its defence in response to a class action launched against the Company (see ASX announcement 10 March 2020). Under the auspices of the Federal Court in Melbourne, there has been significant preparatory work done on the class action, principally involving compliance with discovery orders. The Claimant has not made any indication of the quantum of the claim. The status of the class action has still not reached a stage where Wellard is able to reliably estimate the quantum of liability, if any, that Wellard may incur in respect of the class action. No contingency has been raised in these accounts in respect of the class action. Wellard has been asked by a number of shareholders whether it possesses Directors and officers (D&O) liability insurance. The specific arrangements Wellard has with its insurers are confidential. However, as would be expected of a listed public company, Wellard has various insurances in place to deal with a variety of risks, and the Company would be expected to give ongoing consideration to its entitlements under any potentially relevant insurance.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WELLARD LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Wellard Limited (the Company) and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

a) the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

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

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1 D.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued)

<table>
<tr><th colspan="2">Recognition of Revenue</th></tr>
<tr><th colspan="2">Refer to Note 2.A and Note 4 “Revenue from Contracts with Customers”</th></tr>
<tr><td>The Group's revenue is largely derived from the charter of vessels, including revenue generated from the sale of space on the Group's vessels for the carriage of cargo owned by third parties. Revenue is recognised over a period of time, determined using the time proportion method of each voyage, and is based on contracts which determine the services to be provided and rates to be charged.

The accurate recording of revenue is highly dependent upon the following key factors;

• Knowledge of the individual characteristics and status of contracts;
• Management's invoicing process including;
  – accurate measurement of services and provided each month
  – invoices prepared in compliance with contract terms such as services performed, cargo delivered and rates charged; and
• Compliance with contractual terms and an assessment of when the Group believes it is has complied with its performance obligations and thus is entitled to recognize the revenue.

We focused on this matter as a key audit matter due to the significance of revenue to the Group combined with the need to comply with a variety of contractual conditions and to accurately measure the percentage of completion of each voyage, leading to judgmental and estimation risk associated with revenue recognition.</td><td>Our procedures included, amongst others:

• We evaluated management's processes regarding occurrence, valuation and recording of the Group's contract revenues. We tested internal controls in relation to preparation and authorisation of monthly revenue invoices for compliance with the Group's accounting policies in relation to revenue;
• We selected a sample of sales invoices raised during the year and performed the following procedures:
  – agreed to contractual terms and rates
  – agreed to general ledger accounts and subsequent receipts from the customer
  – for variations or claims we checked they were in accordance with contract terms and evaluated for risk of non-recovery;
• We evaluated contract performance and the timing of revenue recognition during and subsequent to year end in order to test timing of revenue recognition and the accuracy of year end cut offs; and
• Ensured appropriate disclosure in the financial statements of revenue policies and significant estimates and judgement applied.</td></tr>
</table>

Key Audit Matters (continued)

<table>
<tr><th colspan="2">Carrying value of Property, Plant and Equipment</th></tr>
<tr><th colspan="2">Refer to Note 2.Z and Notes 18 Property, Plant and Equipment</th></tr>
<tr><td>Property, plant and equipment (PPE) totalled $49.30 million, the majority of which related to vessels, as disclosed in Note 18.

The Group considered whether there were any indicators of impairment for individual assets having regard to the performance of those assets as well as any adverse industry economic conditions, including any associated with the COVID-19 pandemic.

Accounting standards require the carrying value of assets tested for impairment to be compared to their recoverable amount. The Group estimated recoverable amounts for vessels by reference to external valuations performed by external parties as well as through value-in-use models using discounted cashflow projections.

Based on the assessed recoverable amounts no impairment losses were recorded in respect off the Group's vessel fleet for the year ended 30 June 2021.

This was a key audit matter because of the significant judgement involved in considering impairment indicators and estimating the recoverable amounts of these assets, including determining the key assumptions supporting the expected future cash flows from these assets.</td><td>Our procedures included, amongst others:

• Evaluating the Group's assessment of whether there were any indicators of asset impairment, by comparing market capitalisation to the net the asset value of the Group as at 30 June 2021, consideration of the utilisation, performance and results derived from operating the vessel fleet and consideration of any adverse economic conditions arising from the COVID-19 pandemic;

• In relation to external valuations obtained from third parties we;
– evaluated the competence, experience and objectivity of the expert used;
– evaluated the scope and appropriateness of the valuations obtained; and
– assessed whether the valuations obtained were consistent with other audit evidence obtained, including management's value-in-use calculations.

• In relation to value-in-use calculations we assessed the significant estimates and assumptions used in the cash flow models including discount rates and residual values used, based on our knowledge of the business and the industry.

• Assessing the appropriateness of the relevant disclosures included in Notes 2.Z & 18 to the financial report.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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

MOORE

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF WELLARD LIMITED (CONTINUED)

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report as included in the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Wellard Limited, for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Neil Pace

NEIL PACE
PARTNER

Moore Australia

MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 23rd day of August 2021.

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is accurate as at 20 August 2021.

SUBSTANTIAL SHAREHOLDERS

No.	Shareholder	Number of shares held	% of all shares
1.	Hongkong Fulida International Trading Company Limited	130,094,894	24.49
2.	Heytesbury Pty Ltd	81,200,729	15.28
3.	BNP Paribas Nominees Pty Ltd	50,663,450	9.54
4.	Innovation Bloom Limited	36,881,588	6.94

SHARES ON ISSUE

The total number of shares on issue is 531,250,312 and these shares are held by a total of 1,474 registered shareholders.

DISTRIBUTION OF SHAREHOLDING

The distribution of all shareholders is set out below.

Range	Total holders	Shares	% of all shareholders
1 - 1000	105	32,977	7.12
1001 - 5000	273	862,656	18.52
5001 – 10,000	243	1,942,273	16.49
10,001 – 100,000	618	22,696,020	41.93
100,001 and over	235	505,716,386	15.94
Total	**1,474**	**531,250,312**	**100**

UNMARKETABLE PARCEL

The minimum parcel size at 20 August 2021 is per unit is 6,944 shares.

There are 445 shareholders that hold unmarketable parcels.

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

TOP 20 SHAREHOLDERS

The top twenty registered shareholders of the Company are set out below.

No.	Shareholder	Number of shares held	% of all shares
1.	Hongkong Fulida International Trading Company Limited	130,094,894	24.49
2.	Heytesbury Pty Ltd	81,200,729	15.28
3.	BNP Paribas Nominees Pty Ltd	50,663,450	9.54
4.	Innovation Bloom Limited	36,881,588	6.94
5.	One Managed Invt Funds Ltd	29,556,247	5.56
6.	Vine Street Investments Pty Ltd	28,226,009	5.31
7.	One Fund Services Ltd	12,649,907	2.38
8.	HSBC Custody Nominees (Australia) Limited	8,731,158	1.64
9.	Citicorp Nominees Pty Limited	6,776,310	1.28
10.	Mr Zixiao Zhao	5,892,500	1.11
11.	Mr Orlando Berardino Di Iulio & Ms Catharina Maria Koopman	3,784,795	0.71
12.	Mr Steven Boyd Taylor	3,693,268	0.70
13.	Brazil Farming Pty Ltd	3,500,000	0.66
14.	Dynamic Supplies Investments Pty Ltd	3,000,000	0.56
15.	Ms Xia Zhao	3,000,000	0.56
15.	Mr David Allan Dixon & Ms Catherine Louise Ramm	2,960,588	0.56
16.	HSBC Custody Nominees (Australia) Limited – A/C 2	2,755,153	0.52
17.	BNP Paribas Noms Pty Ltd	2,497,000	0.47
18.	Mr Feng Shi	2,054,099	0.39
19.	Bultitude Investments Pty Ltd	2,000,000	0.38
20.	Gregory James Wheeler	1,704,600	0.32
	Total	**421,622,295**	**79.36**
	Balance of Register	**109,628,017**	**20.64**
	Grand Total	**531,250,312**	**100**

OPTIONS

The Company has no options on issue.

VOTING RIGHTS

All ordinary shares (whether fully paid or not) carry one vote per share without restriction. There are no voting rights attaching to any convertible note. There is no other class of security in the Group.

DIRECTORS

John Klepec
Executive Chairman

John Stevenson
Non-Executive Director

Kanda Lu
Executive Director

Philip Clausius
Non-Executive Director

COMPANY SECRETARY

Michael Silbert

AUDITORS

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General Shareholder Enquiries: +61 1300 554 474

Website: www.linkmarketservices.com.au

SECURITIES EXCHANGE LISTING

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

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