WELLARD LIMITED

ACN 607 708 190

Wellard

Annual Report 2022

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EXECUTIVE CHAIRMAN'S REPORT

MESSAGE FROM THE EXECUTIVE CHAIRMAN

John Klepec
Executive Chairman

B.Comm

Wellard was able to deliver its third consecutive profitable financial year – Net Profit After Tax of US$9.9 million – for shareholders in FY2022, a pleasing result for the Company and its shareholders.

However, it is the numbers behind the headline result that demonstrate the significant micro and macro factors which required careful management throughout the year to achieve the headline result.

The biggest impact on the Company's financial performance was the receipt of US$12.0 million from successful arbitration proceedings in London against the Croatian Bank for Reconstruction and Development (Hrvatska banka za obnovu i razvitak, or HBOR).

HBOR issued Wellard's subsidiary, Wellard Ships Pte Ltd, refund guarantees supporting Wellard's terminated 2015 contract for the building of the planned livestock vessel to have been known as the "M/V Ocean Kelpie" with the Uljanik d.d shipyard (Uljanik). When HBOR disputed payment under the refund guarantees, Wellard was forced to commence a difficult and long arbitration process to recover the funds.

The receipt of the US$12.0 million from HBOR helped Wellard to weather the tough trading conditions in the live export market particularly from the end of FY2022 onwards, which caused many livestock vessels, including our own, to spend periods at anchor waiting for charters.

The state of the northern Australian live export cattle market, a material market for Wellard, is best summed up by this statistic: There were 339,852 feeder and slaughter cattle shipped to Indonesia in FY2022. The only time fewer cattle have been exported to Australia's chief export destination in the past 20 years was during 2012 and resulted from the Australian Federal Government's live cattle export ban[1].

In recent years Wellard's charter activity has increasingly focused on the export of breeder and dairy cattle from southern Australia and New Zealand, and more recently Uruguay, to North Asia, and the state of the northern live cattle export market prompted this geographical shift to intensify in FY2022.

Three-quarters of Wellard's charters in the past financial year (by number of head) were to transport livestock to North Asia, compared to a little more than half in the preceding financial year. As I note in the Outlook section below and in more detail in our Operations Report, the Company expects a similar charter profile in FY2023 as the Indonesian market deals with the concurrent outbreaks of Foot and Mouth Disease and Lumpy Skin Disease, which are already leading to reduced purchases and movement of cattle, and therefore increased purchases of imported frozen beef and buffalo.

The third major contributing factor to Wellard's FY2022 financial result was the escalating cost of Very Low Sulfur Oil (bunkers).

Fuel prices are Wellard's single largest operational cost, and Wellard factors in the prevailing fuel price when quoting charter rates to its customers.

In FY2021 the 20-port average for VLSO was US$429.3/tonne, with a high of US$545/tonne in June 2021. In FY2022, the average was US$730.4/tonne, an increase of 63%, with a high of US$1,084/tonne in June 2022[2].

The 20-port average is obtained from large-volume ports globally, so the price paid at some of the smaller and more remote ports that Wellard requires service from, is usually even higher.

The sudden and large rise in bunker prices has forced Wellard to absorb some of these price rises, impacting the Company's margins as the livestock exporters and importers have reached maximum payment capacity.

When the high fuel price is combined with high Australian cattle price, it makes the landed price of Australian cattle expensive, and in many cases uncompetitive with competing proteins, local cattle or imported frozen beef.

[1] http://statistics.mla.com.au/Report/RunReport/dd750eaf-aeeb-4aa0-ae45-0ea22cffdd22
[2] https://www.statista.com/statistics/1109263/monthly-vlsfo-bunker-price-worldwide/#:~:text=Monthly%20VLSFO%20price%20worldwide%202019%2D2022&text=In%20June%202022%2C%20the%20average,U.S.%20dollars%20per%20metric%20ton.

These three factors – the arbitration award, the state of the northern live export market, and the fuel price – were the main influences on Wellard's FY2022 financial result.

Combined, and together with the arbitration receipt, these factors contributed to Wellard recording an EBITDA of US$21.6 million in FY2022, an 86% increase on the US$11.6 million recorded in FY2021, and EBIT of US$10.7 million, a 257% increase on the US$3.0 million recorded in FY2021.

The Company ended the financial year with US$15.3 million cash at bank and completed the repurchase of the M/V Ocean Ute from financier, Ruchira Ships Limited on 19 August 2022.

Employee safety has continued to be a core focus for the Company in recent years, and the benefits of that focus were pleasingly evident in FY2022. The Company recorded zero lost time injuries and zero medically treated injuries for all of FY2022, a safety result which our Company, from crew through to head office, is justifiably proud of given the number of cattle that we embarked, penned, cared for and disembarked for the year.

We are determined to continue that excellent result in FY2023. For comparison, in FY2021, the Company recorded just one medically treated injury and achieved a Lost Time Injury Frequency Rate (LTIFR) of 1.27.

Voyage success rates are another important KPI for Wellard and for the customers who charter our vessels. Thanks to an unyielding focus on animal welfare, smart voyage planning and vessel management, the tireless work of our officers and crew, the quality of our vessels, and the hard work of our suppliers, Wellard recorded another year with a 99.97% success rate, this year from the 141,259 cattle that boarded our vessels.

Voyage success rates such as these are integral to the continued demand for Wellard vessels from live export companies.

Outlook

Wellard commences FY2023 with good demand for charters for breeding cattle to North Asia, however there are some gaps in Wellard's forward order book that would usually be filled with Indonesian or Vietnam shipments.

The outbreak of Lumpy Skin Disease (LSD) and Foot and Mouth Disease (FMD) in Indonesia has resulted in trade between Australia and Indonesia slowing to a comparative trickle as Indonesian feedlots are reluctant to purchase large numbers of high-priced Australian cattle, fearing that if cattle in their feedlots contract either disease, they will be forced liquidate every single animal on their premises at reduced or no commercial value. This may have existential consequences for their business.

Allowing a national vaccination program to take effect, should provide the confidence to allow the trade to return to historical volumes following the Northern Australia wet season in 2023. An actual outbreak of LSD or FMD in Australia would not change the current market as it is effectively closed now until Indonesian importer confidence returns.

The Vietnam market for Australian cattle was subdued in FY2022 due to the very high Australian cattle prices rendering Australian cattle imports uneconomic, and resulting in other countries filling the gap created. With the recent decline in prices in July 2022, the Vietnamese trade route has been resuscitated, with some shipments occurring at the start of FY2023.

The decline in Australian cattle prices would need to continue to sustain ongoing activity and increased volumes into Vietnam.

As a result of these northern Australian live export trading conditions, the trade in breeder and dairy cattle to North Asia is the market most likely to create charter demand for Wellard's vessels in FY2023.

Seventy-five per cent of cattle that Wellard shipped in FY2022 were destined for this market, sourced from southern Australia, New Zealand and Uruguay, and present indications are that a similar voyage composition is likely in FY2023.

The Government of New Zealand will cease live export shipments on 30 April 2023, and current inquiry indicates that buyers will focus on this market while the opportunity remains open to them to secure quality New Zealand dairy genetics. The market is not unlimited due to quarantine capacity and restrictions.

Sheep voyages on Wellard vessels in FY2023 at this stage appear unlikely. The trade in sheep from Australia to the Middle East fell again in FY2022, down to 479,000 head, marking the first time, potentially in the history of live export, that more cattle than sheep have been shipped from Australia.

Shipping activity on this route remains limited to vertically integrated sheep enterprises that own their own vessels.

We remain of the view that good volumes will return in the last quarter of FY2023 for Northern Australian cattle and until then we will have some periods when not all our ships are chartered. The sustained depressed market conditions with numerous ships at anchor and high steel scrap prices will also encourage shipowners to make the final decision to retire some extremely old ships.

Shipping standards

As a global leader in livestock shipping, Wellard continues to campaign for improved global shipping standards.

Far too many crew, animals and vessels have perished across the globe due to the continued operation of substandard vessels in this segment.

And, 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 viewed and treated as a globally homogenous industry, to the Australian industry's detriment. Incidents such as the recent loss of the M/V Al Badri-1, and the previous 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 remains engaged with various regulatory authorities to improve global standards and hopefully the Company's FY2023 annual report can detail meaningful change in this area.

Fleet modernisation

Wellard has always prided itself on operating a modern, technologically advanced, shipping fleet, and the Company has been progressing the planning for new replacement livestock vessels.

The Company commenced preliminary discussions with potential shipyards, however the number of orders in hand for new ship builds, particularly container ships, has crowded out shipyards' appetite and capacity for specialist builds such as livestock ships. Additionally, the price of steel has escalated such that the cost of a new build is commercially challenging. These factors have caused us to reconsider the timing of the replacement program and pause the discussions regarding the funding mechanism.

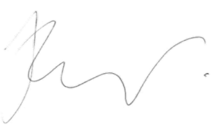
Conclusion

It was pleasing to be able to post a third straight profit in FY2022.

However, we are acutely aware of the factors that influenced our FY2022 result and the FY2023 outlook.

Wellard's hard-working team, onshore and on-vessels, continue to achieve considerable financial and operational success, and it's important that the board acknowledges their hard work and dedication.

Similarly, our loyal business partners remain a vital cog in Wellard's ongoing success and we thank them for their continued support.



John Klepec
Executive Chairman

22 August 2022

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 2022 (**FY2022**) compared with the year ended 30 June 2021 (**FY2021**).

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

FINANCIAL RESULTS AND KEY FINANCIAL ITEMS FROM CONTINUING OPERATIONS:

FOR THE YEARS ENDED 30 JUNE **(US$ million)**	2022	2021	Movement
Revenue	45.0	43.4	3.7%
Chartering[1]	44.9	42.9	4.7%
Other revenue	0.1	0.5	(80.0%)
Gross profit	**14.3**	**16.1**	**(11.2%)**
Other income[2]	12.0	0	N/A
General and Administrative expenses	(4.6)	(4.4)	4.5%
Restructuring costs	(0.1)	(0.1)	-
EBITDA[3]	**21.6**	**11.6**	**86.2%**
Other (losses)/gains from other activities	(0.4)	0.1	(500.0%)
Depreciation and amortisation expenses	(10.5)	(8.7)	20.7%
EBIT	**10.7**	**3.0**	**256.7%**
Net finance costs	(0.8)	(1.1)	(27.3%)
Income tax expense	0	0	-
Profit from continuing operations after tax	**9.9**	**1.9**	**421.1%**

Profitability analysis				
Gross Profit margin	%	31.8	37.1	(14.3%)
Operating Profit margin	%	48.0	26.7	79.8%
Net Profit margin	%	22.0	4.4	400.0%
Interest coverage[4]	Times	28.1	10.8	160.2%
Balance Sheet analysis				
Working capital	$m	11.7	(3.2)	465.6%
Current ratio	Times	2.2	0.8	175.0%
Net tangible assets	$m	52.4	41.8	25.4%
Net tangible assets per security	Cps	9.9	7.9	25.3%
Loans and borrowings	$m	7.7	14.0	(45.0%)
(Negative net debt)/Net debt[5]	$m	(7.5)	7.3	(202.7%)
Debt to capital ratio[6]	%	12.6%	24.4%	(48.4%)
Ship loan to asset book value ratio	%	13.6%	25.5%	(46.7%)

1 Chartering revenue refers to external chartering activity and excludes revenue arising from intercompany transactions.
2 Other income refers to the arbitration award obtained in London against the Croatian Bank for Reconstruction and Development (Hrvatska banka za obnovu i razvitak, or "HBOR").
3 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.
4 Interest coverage equals EBITDA divided by net finance costs.
5 Net debt equals loans and borrowings less cash and cash equivalents. A negative net debt indicates that the cash and cash equivalents exceed the entire debt balance.
6 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 2022 (2021: 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 is an agribusiness that connects primary producers of cattle, sheep and other livestock to international customers through a global supply chain. The Group is a supplier of seaborne transportation for livestock globally and holds export licences to trade and ship live cattle and sheep on its own account.

LIVESTOCK LOGISTICS SERVICES:

Wellard's predominant activity in FY2022 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 has reduced this activity since July 2019. When pursuing this business activity, Wellard sources livestock in markets where production is surplus to domestic requirements (including Australia, New Zealand, 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 fifth year of positive EBITDA, to post an FY2022 EBITDA of US$21.6 million and EBIT of US$10.7 million, financial results which were 86% and 257% higher respectively than in FY2021.

Similarly, the Company reported its third successive profitable year with Net Profit After Tax increasing to US$9.9 million, up significantly on the US$1.9 million NPAT recorded in FY2021.

The Company's operational and therefore financial result was influenced by three key factors:

1. The receipt of US$12.0 million from successful arbitration proceedings to recover refund guarantees relating to the Uljanik shipbuilding contract
2. High Australian cattle prices and low Australian export volumes
3. High shipping fuel prices

The successful arbitration proceedings in January 2022 against the Croatian Bank for Reconstruction and Development (Hrvatska banka za obnovu i razvitak, or HBOR) to recover US$12.0 million of refund guarantees paid by Wellard to the Uljanik d.d Shipyard in 2015 for the planned livestock vessel, the M/V Ocean Kelpie, concluded five-years of legal process.

Fortunately, the successful arbitration award and subsequent receipt of the arbitration funds have helped Wellard to weather the other two principal factors outlined above, which resulted in some of the toughest trading conditions in the Company's 50-year history in H2 FY2022. These funds provided an important buffer against the expected continuation of those conditions into FY2023.

The Company ended the 2022 financial year in a strong financial position with US$15.3 million cash at bank.

Employee safety has remained a core focus in recent years. The Company recorded zero lost time injuries and zero medically treated injuries for all of FY2022, which we regard as an excellent result and will seek to replicate in FY2023.

For comparison, in FY2021 the Company recorded just one medically treated injury and achieved a Lost Time Injury Frequency Rate (LTIFR) of 1.27.

The Wellard fleet again achieved excellent voyage success rates for the livestock that it delivered.

Of the 141,259 head of cattle loaded during the period, our vessels recorded a success rate of 99.97%.

The number of head was a slight decrease on FY2021 when 186,985 head of cattle were loaded, but with the same success rate.

No sheep were loaded in both FY2021 and FY2022.

Due to the difficult live export trading conditions for exporters and vessel charterers (more detail below), Wellard has focussed on:

- a lean operating model
- dynamic chartering
- adapting the pursuit of growth to current market conditions

With a strong balance sheet and healthy cash position, combined with a lean cost structure, the Company is well placed to weather the current trading conditions and benefit when more favourable macro conditions return.

Lean operating model

Previous work to fix Wellard's balance sheet has considerably reduced Wellard's interest payments and cost base.

The benefits of that work continue to be evident.

In FY2019 the Company paid US$8.4 million in finance costs. In FY2022, finance costs were just US$0.8 million.

Wellard ended FY2022 with loans and borrowings amounting to US$7.7 million and cash in hand of US$15.3 million resulting in a "negative" net debt position of US$7.5 million, which was a 203% improvement from the US$7.3 million net debt position at 30 June 2021.

Wellard's financing costs and balance sheet were impacted by negotiated changes to Wellard's commercial arrangements with Ruchira Ships Limited (Ruchira), who provides vessel finance on the M/V Ocean Drover and M/V Ocean Ute through sale and leaseback contracts.

As reported in Wellard's interim financial report for 31 December 2021, the M/V Ocean Drover financing agreement was scheduled to mature in December 2022, and M/V Ocean Ute arrangement originally matured on 30 June 2022.

During the second half of FY2022, the parties agreed to extend the time for the repurchase of the M/V Ocean Drover until 30 June 2023; and for the M/V Ocean Ute until 19 August 2022 to enable Ruchira to fulfill various administrative and banking obligations.

The M/V Ocean Ute has been repurchased

The Company is pleased to report that it has completed the repurchase of the M/V Ocean Ute on 19 August 2022, and the ownership of the vessel has been transferred from Ruchira to Wellard's Singapore subsidiary, Niuyang Express Pte Ltd. This transaction cancels the bareboat charter previously in place between Ruchira and Wellard, and Wellard now possesses full ownership and operatorship of the vessel.

The M/V Ocean Drover remains under long-term bareboat charter

The extension of the bareboat charter for approximately 10 years, remains in place for the M/V Ocean Drover. This locks in Wellard's exclusive long-term access to the vessel until 30 June 2023, unless it is repurchased earlier by Wellard. The long-term bareboat charter serves to mitigate the risk that Ruchira delays or cannot complete its resale obligations on 30 June 2023 which obligation continues in the relevant Memorandum of Agreement between the parties.

Wellard's payment of US$2.8 million to Ruchira on 8 July 2022 as part of the above restructure meant that Wellard was able to utilise both the vessels for effectively minimal additional outlay to Ruchira for the duration of the commercial arrangement. There is no further repurchase or charter payment due to Ruchira between now and the repurchase date of the M/V Ocean Drover, which remains scheduled for 30 June 2023.

Full details of all arrangements regarding the Ocean Ute and the Ocean Drover have been disclosed to the ASX, and we refer investors to those announcements made on this matter, particularly those made in the 2022 calendar year[3].

Negotiations for the M/V Ocean Swagman will occur in coming months

Wellard plans to commence negotiations with Heytesbury Singapore Pte Ltd in the coming 12 months regarding the extension of the bareboat charter of the M/V Ocean Swagman, which currently expires in June 2023.

Heytesbury Singapore is a related party of Heytesbury Pty Ltd, which remains a 15.28% shareholder in Wellard.

Dynamic chartering and adapting the pursuit of growth to current market conditions

As a snapshot of the current market on 28 July 2022, Wellard's ship monitoring indicated that just under 25% of Wellard's AMSA-accredited competitor vessels were active, with many of the competitor vessels at anchor for an extended period of time[4].

"AMSA-accredited competitor vessels" are categorised by Wellard as active livestock vessels which possess an Australian Accreditation for the Carriage of Livestock issued by the Australian Maritime Safety Authority. Effectively the highest standard of accreditation in the world, only AMSA accredited vessels are allowed to load livestock in Australian ports.

The same ship monitoring indicated that the non-AMSA fleet suffered even lower utilisation, with 25 of 30 livestock vessels at anchor or seeking orders.

The low overall utilisation of the global livestock fleet which has characterized FY2022 does place considerable pressure on freight rates on certain routes. As a result, in assessing the profitability of each tendered voyage, if that voyage doesn't meet certain financial or strategic benchmarks, then Wellard opted on some occasions to leave its vessels at anchor rather than contract the uneconomic voyages.

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[3] http://www.wellard.com.au/investor-centre/asx-announcements/

[4] Monitoring is by way of publicly available data on websites such as www.marinetraffic.com; and based on vessels listed as "active" with a functional Automated Identification System (AIS)

The M/V Ocean Swagman and the M/V Ocean Ute did spend part of Q3 FY2022 at anchor and some of our vessels may do the same in FY2023.

Modernising the Wellard fleet without restressing the Wellard balance sheet

Wellard remains intent on modernising its shipping fleet. It is continuing to progress its feasibility studies for the building of a new state-of-the-art livestock vessel with a medium to large optimum pen area capable of steaming at more than 17 knots.

Preliminary design emphasis remains on determining optimum vessel size, highest possible animal welfare and safety standards, and strong environmental and sustainability credentials throughout the vessel, including fuel and propulsion systems which can transition to lower greenhouse gas emissions in line with the extremely rigorous demands being adapted generally by participants in the global shipping industry.

The Company has commenced preliminary discussions with potential shipyards. At the time of writing the number of orders in hand for new ship builds, particularly container ships, has crowded out the specialist builds such as livestock ships. Additionally, supply chain issues, predominantly the price of steel, have escalated such that the cost of a new build today is commercially challenging.

These factors have caused us to reconsider the timing of the replacement program and pause the discussions regarding the funding mechanism. Considerable value has already been gained in carrying out the feasibility studies, including a very comprehensive survey of the latest technical advances available to the shipping market to provision Wellard's fleet for a low-emissions future.

Reforming global shipping standards

Wellard has ramped up its activity in this area.

It is a travesty that across the globe old, substandard livestock vessels are allowed to continue to conduct this trade, placing the lives of the shipboard crew and its livestock cargo at peril, as well as failing to meet globally accepted safety and animal welfare standards.

The most recent example was the sinking of the M/V Al Badri-1 in Sudan in June 2022, with 16,000 sheep on board, where just 700 animals were saved. The vessel was 50 years old.

It is unacceptable to our Company that there is limited to no coordinated international oversight and regulation of this sector, to the detriment of human and animal lives and the long-term future of the live export industry.

Wellard has actively progressed discussions with the International Maritime Organization (IMO) and has recently engaged productively with the Australian Maritime Authority on these pressing issues.

Without an effective IMO regulatory regime setting mandatory standards for livestock, animal welfare is likely to continue being compromised on the non-Australian or New Zealand shipments 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, or worse.

The development of new international safety standards are decided by the IMO's Maritime Safety Committee, and new outputs are included on the agenda of the Committee by request from Member States, not industry participants.

AMSA's support and action is therefore crucial to achieve meaningful reform in this area.

The lack of global standards also unfortunately creates a disincentive to build new vessels because new vessels are unable to compete on price with old, substandard 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 recent loss of the M/V Al Badri-1, and the previous 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, based on the use of modern ships which deliver superior safety and animal welfare standards, and which meet or exceed the expectations of stakeholders, to allow good operators to fulfil the market's growing demand for best quality protein.

Operations in FY2022

In FY2022, Wellard loaded 20 external charter voyages (FY2021: 25 external charter voyages) to the following destinations:

- 13 voyages to China delivering 105,739 head of cattle:
- 7 voyages to Indonesia delivering 35,379 head of cattle

Due to continuing high cattle prices in Australia in FY2022, the greater proportion of voyages, in terms of revenues (55%), continued to originate outside of Australia (FY2021: 59%).

Repeating FY2021's shipping activity, one hundred per cent of the Company's voyages were to Asia in FY2022, a continuing product of limited activity in the live sheep sector and the lack of consistent cattle trade from South America to the Mediterranean Basin.

Voyages to China comprised an increased percentage of Wellard's charters (84% in FY2022 vs 82% in FY2021), with those voyages departing from either New Zealand, southern Australia or South America.

This was principally due to tough trading conditions in Wellard's traditional South East Asian markets, caused by high Australian slaughter and feeder cattle prices and high fuel prices.

Figure 1: Charter revenue by origins

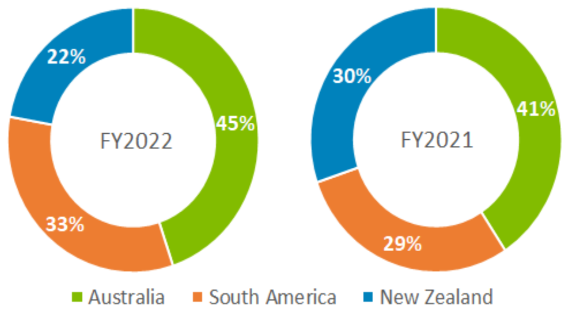
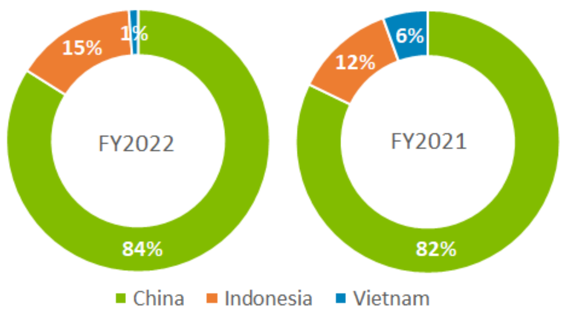


Figure 2: Charter revenue by destinations



In late June 2022, Wellard celebrated the 200th journey of its largest vessel, the M/V Ocean Drover.

In its first 200 voyages, the M/V Ocean Drover has transported 1,787,845 cattle and 5,112,205 sheep, travelling over two million nautical miles or 3.7 million kilometres.

Importantly, the vessel recorded a success rate of 99.3% for sheep and 99.9% for cattle across those voyages. It's 200th voyage was just as successful, with just 7 mortalities from more than 14,000 cattle on a 31-day voyage from Uruguay to China, demonstrating the vessel's ability to traverse long distances while safely delivering large numbers of livestock in excellent condition.

The M/V Ocean Drover's voyages have included destination ports in Jordan, Saudi Arabia, Malaysia, Indonesia, Mexico, Oman, Qatar, Bahrain, United Arab Emirates, Kuwait, Israel, Philippines, Lebanon, Vietnam, China, Turkey, Pakistan, Egypt and Russia. It loaded its sheep, cattle and goats from the Australian ports of Townsville, Darwin, Wyndham, Broome, Geraldton, Fremantle, Adelaide, Geelong, and Portland, as well as in the United States, Uruguay, Portugal, Colombia and New Zealand.

Australian live export market in FY2022

As noted above, the combination of historically very high prices for live export feeder and slaughter cattle and reduced availability has caused a significant decline in shipping activity on Wellard's traditionally core routes, from Australia to Indonesia and Vietnam.

According to Meat and Livestock Australia, the average price for light steers ex-Darwin in CY2021 was 355c/kg. So far in FY2022, the prices for the same steers have averaged 514c/kg[5], an increase of 159c/kg or 45% year on year.

When combined with high fuel prices (more detail below) and competition from other products such as frozen Indian Buffalo Meat, importers cannot achieve sufficient returns from the landed price of Australian cattle, so have opted to significantly reduce their purchases, which caused a fall in charter opportunities to these markets.

This has caused a 35% reduction in live cattle exports from Australia to Indonesia and Vietnam. In FY2021, ~70 cattle voyages departed Australia, carrying 652,775 feeder and slaughter cattle. In FY2022, there were only 60 voyages, carrying 423,657 cattle[6].

It is important to note that this 35% fall was in addition to a 30% year on year fall in FY2021, with the same supply and demand factors contributing.

The supply of breeder cattle (beef and dairy) to North Asia has separate supply and demand dynamics to the supply of feeder and slaughter cattle to Indonesia and Vietnam.

Similar to FY2021, charters transporting breeding cattle from Australia, New Zealand and South America to North Asia comprised Wellard's largest market in FY2022. Wellard delivered 105,739 breeder cattle (beef and dairy) to destinations in North Asia in that period.

After falling by 20% from FY2020 to FY2021, the reduction of Australian cattle exports to North Asia tapered further in FY2022 with 102,603 head shipped to this important market.

In New Zealand, total exports of breeder cattle jumped from 53,590 in FY2020 to 141,800 in FY2021[7] and 126,858 in FY2022, indicating a pullback from the FY2021 record but significantly higher levels than the long-term average.

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[5] http://statistics.mla.com.au/Report/RunReport/87237409-2291-4a52-a4f2-df7bc0782aec
[6] https://www.mpi.govt.nz/export/animals/live-animals-including-livestock/requirement-documents-for-exporting-live-animals/animal-welfare-export-certificates/live-sheep-and-cattle-export-voyage-reports/
[7] https://www.mpi.govt.nz/export/animals/live-animals-including-livestock/requirement-documents-for-exporting-live-animals/animal-welfare-export-certificates/live-sheep-and-cattle-export-voyage-reports/

In FY2022, Wellard loaded 6 voyages from New Zealand, compared to 7 voyages in FY2021 and only 1 voyage in FY2020.

Official cattle export statistics from Uruguay to North Asia are difficult to source. Wellard's own vessel movements, monitoring of competitors' vessels, and anecdotal in-market advice indicate that export numbers increased, however numbers will be constrained by voyage times and distance, which impacts the landed price of the livestock.

Wellard loaded 3 voyages from this market in FY2022, compared to two voyages the year prior and zero voyages in FY2020.

Shipping fuel ("bunker") prices

Fuel prices are Wellard's single largest operational cost. The Very Low Sulfur Oil (VLSO) price is a key determinant of the charter rates Wellard quotes and charges its customers, and a rising bunker price impacts Company profitability through:

- Price fluctuations between charter contract signing and physical delivery of fuel
- Freight rate pressure in a competitive environment
- Impact on profit margins of exporters/importers and subsequent demand for vessels

Wellard monitors the market and has the ability to manage some of these risks, when appropriate, by locking in a portion of fuel prices for forward-dated charters through a mix of forward physical purchases and futures hedges, however not all port destinations offer hedging products and there is significant basis risk in hedging fuel due to the variation between benchmark price and the spot price at Wellard's geographically diverse supply ports.

By way of comparison in FY2021, the 20-port average price for VLSO was US$429/tonne, with a high of US$545/tonne in June 2021. In FY2022, the average price was US$730/tonne, an increase of 63%, with a high of US$1084/tonne in June 2022[8].

Impact of COVID-19

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 and higher costs to undertake crew changes. Continuing restrictions on crew movements and disembarkations and greatly reduced international flights across the world have required Wellard vessels to deviate from their optimal routes, and as in the previous year, to transit via Manila or Singapore on their ballast voyages to complete crew changes of our predominantly Filipino crews. 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. Presently, Wellard quarantines crew members and stockmen for five days prior to joining a vessel.

The continued inability of ship operators to conduct crew changes efficiently has been identified by the International Chamber of Shipping as the single greatest operational challenge confronting the global shipping industry since World War II[9].

There are increased regulatory compliance requirements and a constant need to remain current with 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.

The COVID-19 direct costs to Wellard in FY2022 were approximately US$0.9 million, without accounting for the opportunity costs for the 27 days lost during off-hire periods caused by crew-change deviations.

COVID-19 has had little impact on international demand for beef or dairy breeding cattle. Wellard continues to see this as a market opportunity. Given the impact COVID-19 has had on international trade and export supply chains, countries are becoming increasingly focused on food security, increasing their desire to become more self-sufficient.

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[8] https://www.statista.com/statistics/1109263/monthly-vlsfo-bunker-price-worldwide/#:~:text=Monthly%20VLSFO%20price%20worldwide%202019%2D2022&text=In%20June%202022%2C%20the%20average,U.S.%20dollars%20per%20metric%20ton.

[9] https://www.ics-shipping.org/current-issue/the-covid-19-pandemic-the-crew-change-crisis/

As noted elsewhere, Wellard has an ongoing policy that all onshore and offshore staff and crews should be vaccinated wherever possible. Wellard has led the industry by providing shipboard vaccination programmes to crew, and to date there have been no COVID-19 infections amongst on-board crew.

Outlook

Livestock export and charter opportunities

Similar to FY2022, the outlook for FY2023 is very much market dependent.

We commence FY2023 with good demand for charters for breeding cattle to North Asia, however there are some gaps in Wellard's forward order book that would usually be filled with Indonesian or Vietnam shipments. Whilst they watch bunker prices fluctuate, charterers are slow to contractually commit to booking notes, as they hope to lock in bunker at lower rates for planned voyages.

a) Dairy and beef breeder cattle to North Asia

Shipments of breeder and dairy cattle to this market are steady, and Wellard expects that this market is the most likely to provide a source of demand for its vessels in the short-to-medium term.

With the Government of New Zealand due to cease live export shipments by April 30, 2023, there is an expectation that North Asian buyers will seek to access this source of supply while they still can, before switching to alternative markets, and Wellard's forward charter book reflects this. However, available quarantine space in North Asia will act as a cap on this increased activity.

The trade in breeder cattle from Uruguay to North Asia is growing, and Wellard has received significant inquiries from exporters in this market to charter vessels, following pleasing business development activities in South America.

The M/V Ocean Drover is ideally suited to this route. 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 (99.95% on its most recent South America to China voyage).

In addition, although the large distance between the supply and destination markets is the greatest barrier to increased trade between the South America and North Asia, Uruguay and China have commenced bilateral negotiations on a free trade agreement between the two countries. The signing of bilateral FTA's generally has a positive impact on diplomatic and trading relations between the signatories.

b) Australian slaughter and feeder cattle to Indonesia and Vietnam

The short-term outlook for both these markets is below average shipments.

The Indonesian market, in particular, is threatened by biosecurity risks. Prior to the outbreak of Lumpy Skin Disease and Foot and Mouth Disease in Indonesia, trading conditions to Australia's largest live export market were already poor due to high Australian cattle prices and low availability.

The well-publicised outbreak of those two diseases has slowed cattle trade between the two countries to a crawl, as many importers halt all importing activity, fearing that if cattle in their feedlots contract either disease, they will be forced liquidate every single animal at reduced or no commercial value, which would have a considerable financial impact on their business.

Unsurprisingly, they are therefore taking a risk-averse approach to further cattle purchases.

The danger for the Australian live cattle export industry is that in the face of competition from frozen Indian Buffalo Meat and the need to generate a return from the valuable land on which the feedlots are often located, some of the feedlots may not return into the market when the disease fear subsides, and the disease eradication and vaccination programmes begin to take effect.

Export figures from Australia to Indonesia in June and July highlight the impact this disease fear is having on cattle exports from northern Australia to South East Asia.

In CY2021, 8 shipments departed to Indonesia in June and July, carrying 82,534 cattle.

In the same two months in CY2022, there were 11 shipments with total volumes falling to approximately 31,400 cattle.

The Vietnam market remains depressed, due in part to high Australian cattle prices (which enabled a South American shipment of bulls to be price competitive on a landed basis in FY2022) as well as depressed demand, driven by competition from competing proteins, and a slowing of the export trade of local (Thailand, Vietnam, and Laos) cattle to China which boosted domestic supplies.

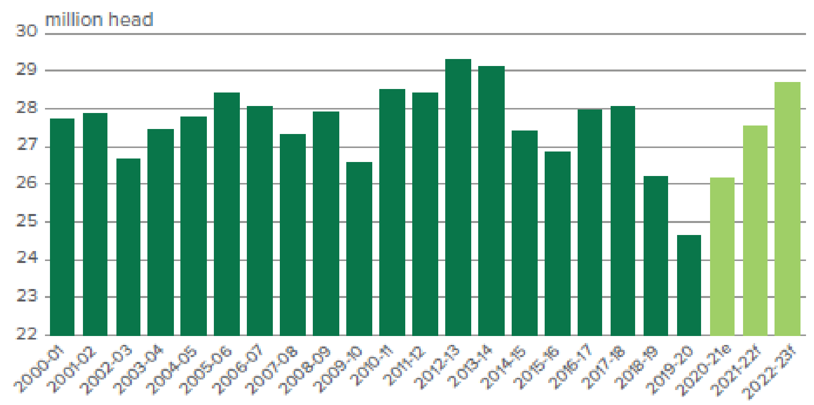
The largest supply-side factor influencing the Indonesian and Vietnam markets is the recent fall in Australian cattle prices. While publication of Meat and Livestock Australia's new live export indicator has been suspended due to lack of sufficient shipments and therefore data, the Eastern Young Cattle Indicator (EYCI) does provide a relevant proxy.

The EYCI reached an all-time high of 1191c/kg (carcase weight) in late January 2022 and had fallen to 885c/kg in late July 2022 before rebounding to 1,000c/kg in mid-August.

According to trade industry publication Beef Central (which uses a less statistically robust but still informative price discovery model in the absence of the MLA Live Export Indicator), live export feeder steer prices ex-Darwin have fallen from 555c/kg (liveweight) in February 2022 to 450c/kg in July 2022. That price however is still well above year ago levels of 410-415c/kg.

In its June 2022 Cattle Industry Projections, Meat and Livestock Australia indicates the Australian herd remains in a rebuilding phase, which will have a positive impact on cattle availability in future years, while reducing the number of cattle currently being marketed for sale, whether for slaughter or for export, in the near term.

Figure 3: National cattle herd



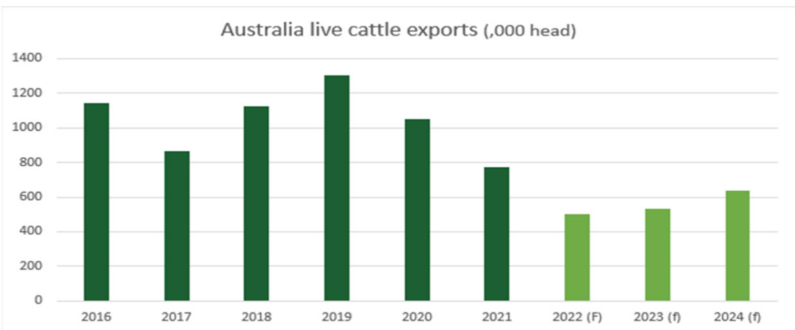
Source: ABS, MLA estimates.

In its June 2022 Cattle Projections, MLA predicted the Australian cattle herd rebuild will continue, rising nationally by 5.6% to 27.5 million head in 2022, and a further 4.6% to 28.9 million head by 2024.

This prompted the MLA to wind-back its forecast increase in live cattle exports. In July last year it expected that cattle exports in CY2022 would grow to 840,000 head, increasing to 950,000 head in CY2023.

In its most recent forecast (June 2022)[10], MLA revised its previous February forecast for live export numbers for CY2022 down 33% from 722,000 to 500,000 head. These numbers are expected to grow 6% to 530,000 head in CY2023 and again to 640,000 head in CY2024 – all figures well below the CY2021 levels of 772,000 head.

Figure 4: Australia live cattle exports



Source: MLA estimates.

In its June 2022 Projections MLA forecast that cattle exports will start to rebound from the 2023 financial year onwards.

[10] https://www.mla.com.au/globalassets/mla-corporate/prices--markets/documents/trends--analysis/cattle-projections/june-2022_australian-cattle-industry-projections_140622.pdf

With a recent decline in cattle prices, the Vietnam trade route has been resuscitated with two Wellard shipments occurring at the start of FY2023. The decline in prices would need to continue to sustain ongoing activity and increased volumes into Vietnam, however it is a positive sign after a long period of minimal activity.

c) Australian sheep and cattle exports to the Middle East

Similar to FY2021, Wellard did not conduct any voyages of Australian sheep to the Middle East in FY2022.

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 FY2023.

Just 479,000[11] sheep were exported from Australia to the Middle East in FY2022, down from 608,000 sheep in FY2021 and one million head in the year prior.

MLA's June 2022 Sheep Projections predicted little change in export numbers to the Middle East in the next two years.

As per Wellard's commentary on this market a year ago, very low supply from sheep producing areas and the resultant high 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.

Upon being elected to Government, new Australian Prime Minister Anthony Albanese indicated that he would implement Labor's pre-election policy to ban live sheep exports from Australia, but the consultation process would begin in this term of Government and would be implemented in the following parliamentary term (2025 onwards).

Elsewhere, MLA is reporting a number of positive developments for trade from Australia to the Middle East in the form of reduced supply from the Horn of Africa due to drought and higher prices for European sheep. These issues, combined with a falling sheep price, may see Australian sheep regain some of their price and supply competitiveness in the Middle Eastern markets.

d) South American cattle to southern Mediterranean

Trading activity between South America and southern Mediterranean countries (largely Turkey and Lebanon) has been sporadic. At present, this trade is not sufficiently large or stable to prompt Wellard to relocate the M/V Ocean Drover from supplying Asian markets to this trade.

e) Impact of COVID-19 on the outlook

Wellard does not expect any significant deviation to either its current operating costs or demand for live cattle exports to occur from FY2022 to FY2023 due to COVID-19.

Regulation

Continuing its excellent record of safe delivery of livestock for our customers, Wellard had no reportable mortality incidents in FY2022.

The Australian Federal Department of Agriculture, Water and Environment (DAWE or DAFF[12]) undertook a number of reviews and consultations throughout FY2022 which either impacted or have the potential to impact Wellard's operations, or those of its clients.

1. Cost Recovery for Live Export Regulation

The largest regulatory change impact on Wellard is the shift to full cost recovery of live export regulation.

In May 2021, the Australian Government notified livestock exporters that it intended to move towards a full cost recovery model to regulate the live export industry. The changed funding model substantially increased the charges that livestock exporters incurred for regulatory compliance activities such as application processing, registrations and livestock inspections.

[11] https://www.agriculture.gov.au/export/controlled-goods/live-animals/live-animal-export-statistics/livestock-exports-by-market

[12] The relevant department has now changed its name to the Department of Agriculture, Fisheries and Forestry, or "DAFF" following the change in Australian Federal Government in May 2022.

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 and headcount of the live export division within the Federal Department of Agriculture, Water and the Environment, and resultant inflated cost impost. Given the significant decline in exports of both sheep and cattle in the past 12-24 months, this cost burden on a per animal basis is even greater. It remains a concern to Wellard that the time and cost exporters spend on compliance which has little impact on either animal welfare or health protocol compliance.

2. Review of regulations governing live sheep exports to or through the Middle East during the Northern Hemisphere summer after the 2021 Northern Hemisphere summer.

This review is considering voyage outcomes in the preceding years, newly acquired weather data and the appropriateness of existing regulatory conditions.

Although submissions closed in January 2022, DAWE (now DAFF) has advised that due to the number and substance of submissions received, it would undertake additional consultation on several proposed measures which would delay the release of the final report until mid-2022.

DAWE did make several interim changes to its sheep shipping restrictions, none of which impacted Wellard.

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

3. Review of heat and cold stress in Bos taurus cattle from southern Australia during long-haul export by sea.

The review by DAWE (now DAFF) of voyage data and scientific literature made a number of findings and recommendations with respect to the management of heat and cold stress on Bos taurus cattle[13].

As the export of breeder and dairy cattle now comprises a growing portion of Wellard's voyages, any new regulations in this area have the ability to impact Wellard's customers, and therefore Wellard.

This review made a number of recommendations with respect to stocking densities, bovine respiratory disease vaccinations, pad management, voyage planning and further investigations.

4. Implementation of ASEL 3.2

In November 2021, the Department released its updated Australian Standards for the Export of Livestock (ASEL 3.2). The changes became effective on 18 November 2021.

Although an update, rather than an overhaul, of the regulations that prescribe minimum standards for the pre-export and export management of livestock, the updated regulations provided for changed condition scoring and a stricter definition of voyage days.

The change in ASEL 3.2 will have little impact on Wellard's operations

[13] https://haveyoursay.agriculture.gov.au/73199/widgets/354859/documents/217588

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 2022 (FY2022) 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

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 since 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 any commercial position.

Mr Klepec is a Non-Independent Director.

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.

Mr Stevenson is an Independent Director.

Philip Clausius
Non-Executive Director

BA (Hons) Business Administration

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

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

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

Mr Clausius is an Independent Director.

Kanda Lu
Executive Director
Business Development Manager China

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

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

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

Mr Lu is a Non-Independent Director.

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 and holds export licences to trade and ship live cattle and sheep on its own account.

LIVESTOCK LOGISTICS SERVICES:

Wellard's predominant activity in FY2022 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 continues to have place reduced emphasis on this business activity. When pursuing this business activity, Wellard sources livestock in markets where production is surplus to domestic requirements (including Australia, New Zealand, Chile, Brazil and Uruguay) and sells livestock to customer markets where demand exceeds local production (including Indonesia, Vietnam, the Middle East, Turkey and North Asia), utilising its own and third-party vessels.

OPERATIONS REVIEW:

Wellard delivered a full year profit after tax from continuing operations of US$9.9 million. The Group's operations delivered an improvement on previous years, and the business continued to deliver lower-risk revenues from the simplified charter-only business model. Wellard's excellent 86.2% EBITDA increased, to US$21.6 million in FY2022 (FY2021: US$11.6 million), supplemented by the receipt of US$12.0 million from a successful arbitration. Whilst pricing of Australian livestock markets remained at historically high levels 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

A summary of the financial results and key financial items are set out below. All amounts in this Financial Report are presented in US$ unless stated otherwise.

OPERATING PERFORMANCE FROM CONTINUING OPERATIONS

FOR THE YEARS ENDED 30 JUNE **(US$ million)**	2022	2021	Movement
Revenue	45.0	43.4	3.7%
Chartering[1]	44.9	42.9	4.7%
Other revenue	0.1	0.5	(80.0%)
Gross profit	**14.3**	**16.1**	**(11.2%)**
Other income[2]	12.0	0	N/A
General and Administrative expenses	(4.6)	(4.4)	4.5%
Restructuring costs	(0.1)	(0.1)	-
EBITDA[3]	**21.6**	**11.6**	**86.2%**
Other (losses)/gains from other activities	(0.4)	0.1	(500.0%)
Depreciation and amortisation expenses	(10.5)	(8.7)	20.7%
EBIT	**10.7**	**3.0**	**256.7%**
Net finance costs	(0.8)	(1.1)	(27.3%)
Income tax expense	0	0	-
Profit from continuing operations after tax	**9.9**	**1.9**	**421.1%**

Profitability analysis				
Gross Profit margin	%	31.8	37.1	(14.3%)
Operating Profit margin	%	48.0	26.7	79.8%
Net Profit margin	%	22.0	4.4	400.0%
Interest coverage[4]	Times	28.1	10.8	160.2%

Balance Sheet analysis				
Working capital	$m	11.7	(3.2)	465.6%
Current ratio	Times	2.2	0.8	175.0%
Net tangible assets	$m	52.4	41.8	25.4%
Net tangible assets per security	Cps	9.9	7.9	25.3%
Loans and borrowings	$m	7.7	14.0	(45.0%)
(Negative net debt)/Net debt[5]	$m	(7.5)	7.3	(202.7%)
Debt to capital ratio[6]	%	12.6%	24.4%	(48.4%)
Ship loan to asset book value ratio	%	13.6%	25.5%	(46.7%)

[1] Chartering revenue refers to external chartering activity and excludes revenue arising from intercompany transactions.
[2] Other income refers to the arbitration award obtained in London against the Croatian Bank for Reconstruction and Development (Hrvatska banka za obnovu i razvitak, or "HBOR").
[3] 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.
[4] Interest coverage equals EBITDA divided by net finance costs.
[5] Net debt equals loans and borrowings less cash and cash equivalents. A negative net debt indicates that the cash and cash equivalents exceed the entire debt balance.
[6] Debt to capital ratio equals loans and borrowings divided by total equity plus loans and borrowings.

OVERVIEW

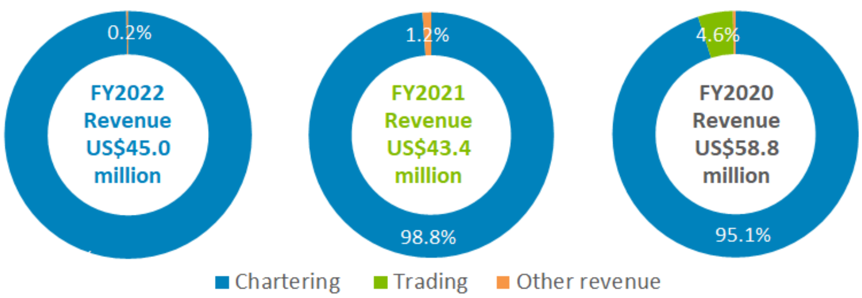
FY2022 was yet another year of significant financial progress for Wellard that was able to deliver its fifth year of positive EBITDA and third consecutive profitable financial year – Net Profit After tax of US$9.9 million in FY2022.

US$9.9 million	**Net Profit After Tax** from continuing operations (FY2021: US$1.9 million)
400%↑	**Net Profit Margin increased** to 22.0% (FY2021: 4.4%)
80%↑	**Operating Profit Margin increased** to 48.0% (FY2021: 26.7%)
US$11.7 million	**Consistent increase in Working Capital** (FY2021: negative US$3.2 million)
203%↓	**Negative Net Debt (positive net cash) of US$7.5 million** (FY2021: US$7.3 million net debt)
47%↓	**Significantly lowered leverage ratio for vessels to 13.6%** (FY2021: 25.5%)

REVENUE AND OPERATING PERFORMANCE

Revenue increased by 3.7% to US$45.0 million in FY2022 (FY2021: US$ 43.4 million), with revenue from chartering activities accounting for 99.8% of the Group's revenue (FY2021: 98.8%). Nonetheless, following the Group's decision to suspend livestock trading activities, in FY2022 – like the previous year – chartering activity represents the entirety of the Group's operating revenue; thus, no segment reporting is provided in this section of the Annual Report.

Figure 5: Revenue by segment

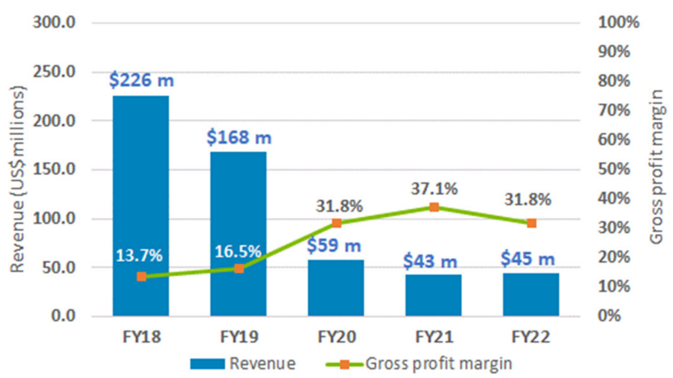


Like the previous financial year, shipping capacity was totally absorbed by external chartering activities in FY2022, reflecting the increased external demand for space on our vessels.

Gross Profit margin registered a 14.3% reduction to 31.8% (FY2021: 37.1%) mainly due to the dramatic increase in marine fuel (bunker) price that affected both Wellard's cost of operations and vessel's contribution. Very Low Sulphur Fuel Oil (VLSFO), the main fuel used since the IMO 2020 regulation went into effect in January 2020, began FY2022 at around US$550 per metric tonne (mt) with delivery in Singapore and peaked at around US$1,100/mt at the end of June 2022, with similar trends recorded in the other ports on Wellard routes.

Vessels' operating expenses (OPEX) – mainly consisting of crew wages, insurance, repair and maintenance costs, and other operating expenses – decreased by US$0.6 million or 4.8% to US$11.8 million (FY2021: US$12.4 million). On a per-day-basis, fleet OPEX (net of management fee) recorded a 5.2% decrease to US$30,857 (FY2021: US$32,539). Wellard constantly monitors its operating costs, which remained competitive due to efficient management, good cost control, and operational and procurement cost efficiencies.

Figure 6: Revenue vs Gross profit margin



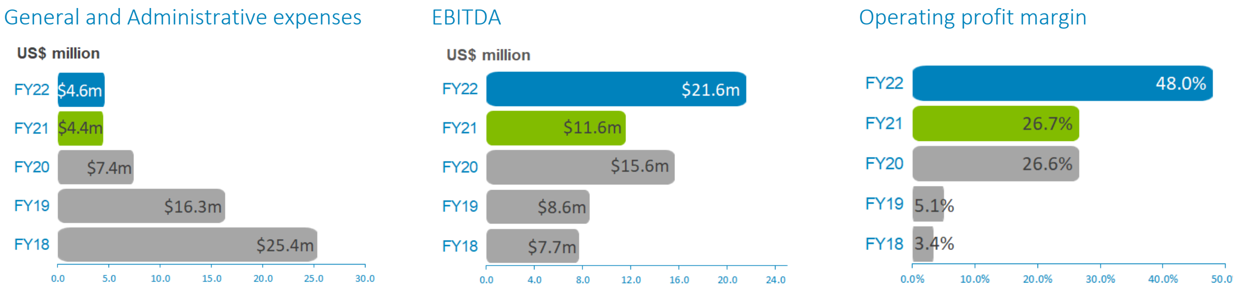
Revenue increased by 3.7% to US$45.0 million in the current fiscal year, while Gross Profit Margin decreased by 14.3% to 31.8%, mainly due to the dramatic increase in marine fuel prices.

Other Income of US$12.0 million (FY2021: Nil) entirely refers to the receipt from the successful conclusion of arbitration proceedings in London against the Croatian Bank for Reconstruction and Development (Hrvatska banka za obnovu I razvitak, or HBOR). As is more thoroughly discussed in the Operation Review, the Croatian bank was the issuer of two Bank Refund Guarantees that secured the shipbuilding contract for the M/V Ocean Kelpie, which was wrongfully terminated in 2018 by the Croatian shipyard Uljanik dd.

General and administrative expenses increased by a marginal 4.5% to US$4.6 million (FY2021: US$4.4 million). These expenses primarily relate to personnel and office costs, consultancies, travel expenses, and other miscellaneous costs.

EBITDA from continuing operations – defined as earnings from continuing operations before the impact of income tax, depreciation and amortisation expenses, finance costs and excluding other gains or losses from other activities and impairment expenses – increased by US$10.0 million or 86.2% to US$21.6 million (FY2021: US$11.6 million). FY2022 also recorded a 79.8% increase in Operating Profit Margin to 48.0% (FY2021: 26.7%) as a result of the above-mentioned US$12.0 million arbitration proceedings receipt recorded as other income.

Figure 7: Track record



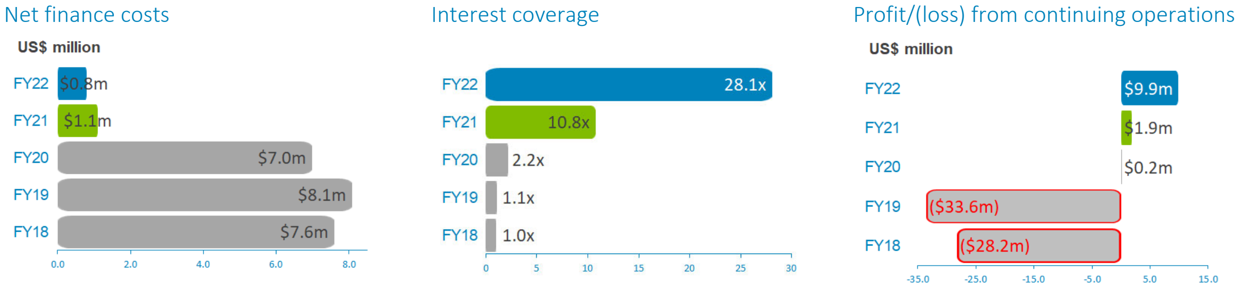
EARNINGS PERFORMANCE

Depreciation and amortisation expenses increased by 20.7% to US$10.5 million (FY2021: US$8.7 million) due to the US$6.2 million drydock costs incurred in FY2021 and depreciated over the period from the completion date of the drydock to the next estimated one. These expenses include the depreciation of right-of-use assets totalling US$2.6 million (FY2021: US$2.7 million) as a result of the application of AASB16 'Leases' beginning on 1 July 2019.

Net finance costs reduced by a further 27.3% in the current financial year, to US$0.8 million (FY2021: US$1.1 million) due to the decrease in debt by US$6.3m. Net finance costs also included the interest expense of right-of-use assets amounting to US$0.4 million (FY2021: US$0.3 million) for the application of AASB16 'Leases' from 1 July 2019. This reduction in finance costs, coupled with a solid EBITDA, drove a substantial increase in interest coverage from 10.8 times in FY2021 to 28.1 times in FY2022.

Profit from continuing operations after tax continued its upward trend from the previous two financial years and reached US$9.9 million (FY2021: US$1.9 million), its highest level since Wellard's listing on the ASX in 2015 and despite a very challenging year.

Figure 8: 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$1.5 million (FY2021: US$7.7 million) most of which related to drydock costs for the M/V Ocean Swagman and M/V Ocean Ute.

Net Debt decreased by US$14.8 million or 203% as a result of a US$6.3 million decrease in loans and borrowings and an increase of US$8.6 million in cash and cash equivalent to US$15.3 million as of 30 June 2022 (30 June 2021: US$6.7 million).

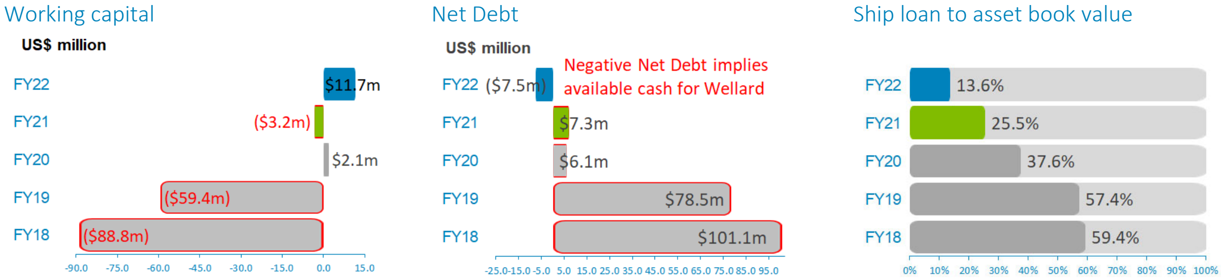
As a result, the Company has a "negative net debt" – hence, cash available for the Company – of US$7.5 million (30 June 2021: net debt of US$7.3 million) and US$11.7 million working capital as of 30 June 2022 (30 June 2021: negative US$3.2 million).

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 12.6% of the Group's funding (30 June 2021: 24.4%), while total ship debt represented 13.6% of the book value of the Group's shipping assets (30 June 2021: 25.5%).

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 2022, was utilised for US$2.0 million. Wellard also retains a US$5.0 million facility with the same institution to be used for commodity swaps to hedge against bunker price swings which was not utilised as of 30 June 2022.

Debt Position	US$	2022	2021	Movement
M/V Ocean Drover borrowing	$'000	1,968	6,290	(4,322)
M/V Ocean Ute borrowing	$'000	879	1,222	(343)
M/V Ocean Swagman lease	$'000	2,656	4,894	(2,238)
Bunker facility	$'000	1,964	1,116	848
Other lease liabilities	$'000	271	497	(226)
Total Loans and borrowings	**$'000**	**7,738**	**14,019**	**(6,281)**
Cash and cash equivalents	$'000	15,279	6,736	8,543
Net Debt	**$'000**	**(7,541)**	**7,283**	**(14,824)**

Figure 9: Track record



CASH FLOWS

Cash flow from operating activities generated net cash of US$17.1 million in FY2022, which is US$6.5 million up from US$10.6 million in FY2021, which includes the proceeds from the previously mentioned successful conclusion of arbitration in London.

Cash flow used for investing activities was US$1.4 million (FY2021: US$7.4 million) due to US$1.0 million paid for the preparation of dry docking of M/V Ocean Ute and M/V Ocean Swagman which are scheduled to be completed in FY2023 with remaining US$0.4 million paid in relation to the drydock cost incurred for M/V Ocean Drover in FY2021.

Cash flow from financing activities resulted in a net cash use of US$7.2 million (FY2021: US$8.1 million), primarily due to borrowing and leases repayment.

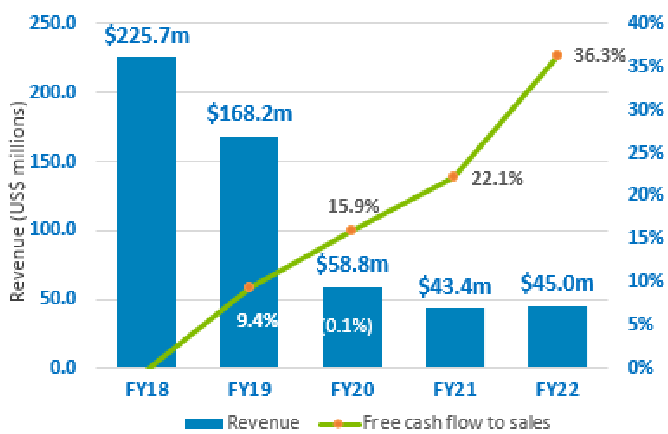
During the current financial year, Wellard generated a US$8.6 million increase in cash held, which is US$13.5 million up from the decrease in cash held of US$4.9 million reported in FY2021. On 30 June 2022, the Group’s cash and cash equivalents stood at US$15.3 million (30 June 2021: US$6.7 million).

Condensed Consolidated Statement of Cash Flows	2022 US$‘000	2021 US$’000
Net cash inflow from operating activities	17,111	10,621
Net cash outflow from investing activities	(1,367)	(7,396)
Net cash outflow from financing activities	(7,168)	(8,120)
Net increase/(decrease) in cash held	**8,576**	**(4,895)**
Cash at the beginning of the financial year	6,736	11,542
Effects of exchange rate changes	(33)	89
Cash at the end of the financial year	**15,279**	**6,736**

Free Cash Flow statement	2022 US$‘000	2021 US$’000	
Net cash inflow from operating activities	17,111	10,621	
Income tax paid	(3)	(7)	
Net interest paid	(772)	(1,013)	
Free cash flow	**16,336**	**9,601**	70.1% ⬆
Cash conversion ratio (FCF/Revenue)	**36.3%**	**22.1%**	64.3% ⬆

Free cash flow (“FCF”) for the year – defined as cash flow from operating activities less income taxes paid and net interest payments – increased by 70.1% to US$16.3 million (FY2021: US$9.6 million), thanks to the receipt of successful arbitration award contributing the largest portion of the cash inflow from operating activities. This allowed the cash conversion ratio – defined as FCF divided by total revenue – to increase by 64.3% to 36.3% in the current financial year (FY2021: 22.1%), showing that the Group generated more cash out of its sales following its refocus on external chartering activities and Group’s debt restructuring.

Figure 10: Free cash flow to sales (cash conversion) ratio



The cash conversion ratio increased by 64.3% to 36.3% 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 financial information included in the Group's Annual Report is presented in United States Dollar ("US$"), the presentational currency of the Group, unless otherwise specified.

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 FY2022 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"), to ensure safe and reliable vessel operations, and asset protection.

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 regulations 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. Welltech is 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 may hedge 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 by 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 continue 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. 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.

At present, there is an increasing focus by governments, regulators and industry on laws and regulations based on climate change and greenhouse gas emission reductions, which will impact both the shipping and livestock industries.

As a way of mitigating against the impact of planned changes to regulations which penalise greenhouse gas emissions in shipping, Wellard is continuing to progress its feasibility study for 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 has provided disclosure of material business risks to the market since its IPO in November 2015 and updated these comprehensive risk statements in April 2017. These disclosures are available on the Company's website at www.wellard.com.au and should be read in conjunction with the risks set out in this document.

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 as previously disclosed 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 in this 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 2022, 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	14	14	1	1	3	3	-	-
Philip Clausius	14	11	1	1	3	2	-	-
Kanda Lu	14	12	-	-	-	-	-	-
John Stevenson	14	14	1	1	3	3	-	-

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	**2022**	**2021**
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 2022 (2021: Nil).

EQUITY ISSUES DURING THE YEAR

At 30 June 2022 the Company had authorised share capital totalling 531,250,312 ordinary shares issued and paid.

EVENTS OCCURRING AFTER REPORTING PERIOD END

Other than matters after 30 June 2022 disclosed in the Operations Report, there are no other significant events which have occurred after reporting period end. 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 maritime environmental 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 45.

Details of the non-audit services undertaken by, and amounts paid to, the Auditor, are detailed in Note 25 to the financial statements.

The Directors have formed the view that the provision of non-audit services during the financial year ended 30 June 2022 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 2022. 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 2022. This Directors' Declaration is included on page 44 of this Annual Report.

On behalf of the Directors

Mr John Klepec

Executive Chairman

Mr Paolo Triglia

Group Chief Financial Officer

Dated: 22 August 2022

REMUNERATION REPORT

The following sections form the Remuneration Report for the Wellard Group for the financial year ended 30 June 2022. 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 2022.

Key Management Personnel covered in this report

Name	Position(s) held	KMP term FY2022
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
Michael Silbert	General Counsel and Company Secretary (18 October 2016 – 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 (independent from management);
- John Stevenson – Committee Member (independent from management); and
- John Klepec – Committee Member (not independent from management)

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.

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 2022.

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

In FY2022, 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 2022. 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 FY2022 are included in Note 3(c).

In FY2022, 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 FY2022
Fixed annual remuneration	Provide competitive market salary including superannuation and non-monetary benefits	Reviewed 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 FY2022, KMP Mr Triglia and Mr Silbert were 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 them to earn an STI of between 35% and 50% of their base salary. Based on the STI programme, Mr Triglia and Mr Silbert have earned STI bonuses in FY2022.

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 FY2022.

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.

	2022	2021	2020	2019	2018	2017	2016
Profit/(loss) for the year attributable to owners of Wellard Limited (A$'000)	13,688	2,493	245	(48,443)	(36,437)	(75,337)	(23,323)
Basic earnings/(loss) per share (A$ cents)	2.58	0.5	0.1	(8.8)	(6.6)	(17.7)	(6.4)
Dividend payments (A$'000)	-	-	-	-	-	-	-
Dividend payout ratio (%)	-	-	-	-	-	-	-
Increase / (decrease) in share price (%)	+21.9	+77.8	+50.0	(76.0)	(39.4)	(55.4)	(72.8)

(d) Key terms of KMP agreements

Remuneration (in the currency of each KMP's contract) 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	2022	400,000	A$
					2021	503,500	A$
Kanda Lu	12 May 17 - present	At the Board's Discretion	4 weeks	4 weeks	2022	105,154	A$
					2021	108,213	A$
Paolo Triglia	18 Nov 15 - present	STI Program and at the Board's Discretion	3 months	3 months	2022	350,004	SGD
					2021	350,004	SGD
Michael Silbert[3]	18 Oct 16 - present	STI Program and at the Board's Discretion	6 months	3 months	2022	385,166	A$
					2021	383,250	A$

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 Silbert was classified as a KMP from 1 July 2021.*

(e) Executive KMP remuneration table

The table below sets out the remuneration received by Wellard KMP for FY2022 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. See previous table for details of each KMP's remuneration in the original currencies of their contracts of employment or consultancy agreements.

Key management personnel remuneration table for FY2022 is presented in United States Dollars:

		Short-term benefits			Long-term benefits			Post-employment benefits		
Name	Year	Base salary US$	STI[1] US$	Other[2] US$	Accrued annual leave[3] US$	Long service leave[4] US$	Termination benefits US$	Superannuation US$	Total remuneration US$	% Remuneration "at risk"
EXECUTIVE DIRECTORS										
John Klepec[5]	2022	283,679	-	-	-	-	-	6,597	290,276	-
	2021	364,486	-	-	-	-	-	11,625	376,111	-
Kanda Lu	2022	69,600	-	-	98	181	-	6,709	76,588	-
	2021	67,590	-	-	243	187	-	13,244	81,264	-
OTHER KMP										
Paolo Triglia[6]	2022	257,064	125,649	81,046	1,933	-	-	-	465,692	27.0%
	2021	292,447	-	65,310	14,010	-	-	-	371,767	-
Michael Silbert[7]	2022	235,911	126,996	-	15,630	5,112	-	16,126	399,775	31.8%
	2021	-	-	-	-	-	-	-	-	-
Total in US$	**2022**	**846,254**	**252,645**	**81,046**	**17,661**	**5,293**	**-**	**29,432**	**1,232,331**	**20.5%**
	2021	**724,523**	**-**	**65,310**	**14,253**	**187**	**-**	**24,869**	**829,142**	**-**

1. *This includes cash bonuses provided to KMP in relation to FY2022.*
2. *This includes short-term benefits such as leave passage 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 in Note 4(d).*
6. *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.*
7. *Mr Silbert was classified as a KMP from 1 July 2021.*

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 FY2022. 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:

		2022		
Fees / Benefits	Description	Fees A$	Superannuation A$	Included in shareholder approved cap?
BOARD FEES				
Wellard board				
	Chairman	190,909	9,091	Yes
	Members	90,909	9,091	Yes
COMMITTEE FEES				
Audit and risk compliance committee				
	Chairman	25,000	-	Yes
	Members	9,091	909	Yes
Nomination and remuneration committee				
	Chairman	22,727	2,273	Yes
	Members	9,091	909	Yes

OTHER FEES / BENEFITS	
Short-term incentives	
	Non-Executive Directors are eligible to participate in short-term incentive arrangements.
Long-term incentives	
	Non-Executive Directors are eligible to participate in 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 2022 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	2022	122,727	12,273	135,000
	2021	123,288	11,712	135,000
John Stevenson	2022	125,000	-	125,000
	2021	112,500	-	112,500
Total	**2022**	**247,727**	**12,273**	**260,000**
	2021	**235,788**	**11,712**	**247,500**

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.*

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 2021	Change to aggregate KMP balance	Balance at 30 June 2022
NON-EXECUTIVE DIRECTORS			
Philip Clausius	-	-	-
John Stevenson	-	-	-
EXECUTIVE DIRECTORS			
John Klepec	437,500	-	437,500
Kanda Lu	-	-	-
OTHER KMP			
Paolo Triglia	2,026,800	(900,000)	1,126,800
Michael Silbert	-	-	-
Total	**2,464,300**	**(900,000)**	**1,564,300**

(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, ended on 30 September 2021. During the financial year ended 30 June 2022, an ad-hoc technical advisory service agreement was signed. The technical service fee rendered during the year was US$15,503 (2021: US$44,707).

(c) Outstanding balance from services rendered.

As at 30 June 2022, an outstanding of US$4,379 was due to Transport Capital Pte Ltd (30 June 2021: 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 2022 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 2022.

Signed in accordance with a resolution of the Directors.

Mr John Klepec
Executive Chairman
22 August 2022

MOORE

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2022, 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 22nd day of August 2022.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 30 JUNE	NOTE	2022 US$'000	2021 US$'000
CONTINUING OPERATIONS			
Revenue	4(A)	45,048	43,433
Cost of sales	6(A)	(30,760)	(27,370)
Gross profit		**14,288**	**16,063**
Other income	5	12,023	-
Other (losses)/gains	6(B)	(417)	3
Net finance costs	6(C)	(771)	(1,072)
Depreciation and amortisation expenses		(10,532)	(8,715)
General and administrative expenses	6(D)	(4,646)	(4,410)
Profit from continuing operations before income tax		**9,945**	**1,869**
Income tax expense	8	(12)	(7)
Profit for the period after tax		**9,933**	**1,862**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Gain from foreign currency translation		207	163
Other comprehensive income for the period, net of tax		**207**	**163**
Total comprehensive income for the period		**10,140**	**2,025**

		US$ Cents	**US$ Cents**
Earnings per share from continuing operations attributable to ordinary equity holders of the Company			
Basic earnings per share	9	1.87	0.35
Diluted earnings per share	9	1.87	0.35

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE	NOTE	2022 US$'000	2021 US$'000
CURRENT ASSETS			
Cash and cash equivalents	10	15,279	6,736
Trade and other receivables	13	1,132	712
Inventories	12	3,631	1,825
Contract assets	4(B)	545	-
Other assets	14	980	473
Total current assets		**21,567**	**9,746**
NON-CURRENT ASSETS			
Property, plant and equipment	17	40,747	49,297
Intangible assets	18	1,158	1,574
Other assets	14	63	590
Total non-current assets		**41,968**	**51,461**
Total assets		**63,535**	**61,207**
CURRENT LIABILITIES			
Trade and other payables	15	1,976	2,193
Loans and borrowings	11	7,652	9,191
Provisions	19	79	94
Contract liabilities	4(B)	200	1,507
Total current liabilities		**9,907**	**12,985**
NON-CURRENT LIABILITIES			
Loans and borrowings	11	86	4,828
Provisions	19	20	12
Total non-current liabilities		**106**	**4,840**
Total liabilities		**10,013**	**17,825**
Net assets		**53,522**	**43,382**
EQUITY			
Issued capital	20	412,259	412,259
Reserves	28	(276,948)	(277,155)
Accumulated losses	29	(81,789)	(91,722)
Total equity		**53,522**	**43,382**

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
2022							
Opening balance		412,259	(91,722)	12,963	5,650	(295,768)	43,382
Comprehensive income for the period:							
Profit for the period	29	-	9,933	-	-	-	9,933
Other comprehensive income	28	-	-	-	207	-	207
Total comprehensive income for the period		-	**9,933**	-	**207**	-	**10,140**
Closing balance		**412,259**	**(81,789)**	**12,963**	**5,857**	**(295,768)**	**53,522**
2021							
Opening balance		412,259	(93,584)	12,963	5,487	(295,768)	41,357
Comprehensive income for the period:							
Profit for the period	29	-	1,862	-	-	-	1,862
Other comprehensive income	28	-	-	-	163	-	163
Total comprehensive income for the period		-	**1,862**	-	**163**	-	**2,025**
Closing balance		**412,259**	**(91,722)**	**12,963**	**5,650**	**(295,768)**	**43,382**

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	2022 US$'000	2021 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		55,593	43,743
Payments to suppliers and employees		(38,488)	(33,116)
Interest received		9	1
Income tax paid		(3)	(7)
Net cash inflow from operating activities		**17,111**	**10,621**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,367)	(7,365)
Purchase of intangible assets		-	(31)
Net cash outflow from investing activities		**(1,367)**	**(7,396)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net repayments of borrowings		(3,802)	(4,414)
Principal payment of lease liabilities		(2,594)	(2,693)
Interest paid		(772)	(1,013)
Net cash outflow from financing activities		**(7,168)**	**(8,120)**
Net increase/(decrease) in cash held		**8,576**	**(4,895)**
Cash at the beginning of the financial year		6,736	11,542
Effects of exchange rate changes on cash and cash equivalents		(33)	89
Cash at the end of the financial year	10	**15,279**	**6,736**

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	2022 US$'000	2021 US$'000
Profit after tax	9,933	1,862
Adjustment for:		
Depreciation and amortisation	10,532	8,715
Income tax expense	12	7
Interest income	(9)	(1)
Allowance/(reversal) for impairment loss	3	6
Interest expense and borrowing costs	780	1,073
Unrealised foreign exchange losses/(gains)	363	(82)
Change in assets and liabilities, net of the effects of purchase and of subsidiaries		
Change in trade and other receivables and other assets	(975)	895
Change in inventories	(1,806)	(906)
Change in trade and other payables and provisions	(421)	(449)
Change in deferred revenue	(1,307)	(493)
	17,105	**10,627**
Interest received	9	1
Income tax paid	(3)	(7)
Net cash flows from operating activities	**17,111**	**10,621**

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 2022			Non-cash changes				
	Opening balance US$'000	Principal and interest payments US$'000	Addition during the year US$'000	Interest expense US$'000	Effect of movement in exchange US$'000	Non-cash movement US$'000	Closing balance US$'000
Loan and borrowings (Note 11)							
Borrowings	7,512	(4,990)	-	358	-	(35)	2,845
Lease liabilities	5,391	(2,963)	135	369	(3)	-	2,929
Other loans	1,116	(18,188)	18,973	63	-	-	1,964
Total borrowings	**14,019**	**(26,141)**	**19,108**	**790**	**(3)**	**(35)**	**7,738**
Less: Cash and cash equivalents							(15,279)
Net debt							**(7,541)**

FOR THE YEAR ENDED 30 JUNE 2021			Non-cash changes				
	Opening balance US$'000	Principal and interest payments US$'000	Addition during the year US$'000	Interest expense US$'000	Effect of movement in exchange US$'000	Non-cash movement US$'000	Closing balance US$'000
Loan and borrowings (Note 11)							
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**

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 2022, that were authorised for issue in accordance with a resolution of the Directors on 22 August 2022.

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 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. 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).

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.

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 are 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 are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Vessels

Vessels are measured on a cost basis. Depreciation rate: 4% - 5%, straight-line basis after deducting expected scrap value of the vessel.

The vessels are subjected to major overhauls at regular intervals. Dry-docking expenditure incurred in the major overhauls are capitalised as additional component costs to the vessels and amortised on a straight-line basis over the period up to the next dry-docking, which is generally 2.5 to 3 years.

Deferred expenses are derecognised upon the next dry-docking or when no future economic benefits are expected from the dry-docking costs previously recognised.

Plant and Equipment (excluding Vessels)

Plant and equipment are measured on a cost basis. Depreciation rate: 4% - 32%, straight-line basis.

Improvements

Improvements are measured on a cost basis. Depreciation rate: 10% - 50%, straight-line basis.

Right-of-use assets

Right-of-use assets are measured as disclosed in Note 2X. Depreciation rate: 17% - 51%, 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.

R. INTANGIBLE ASSETS

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.

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 assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

a) As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If the ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment as disclosed in Note 2Z.

The Group's right-of-use assets are presented within property, plant and equipment in Note 16.

Lease liabilities

At the commencement date of lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amount expected to be paid under residual values guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period.

In calculating the present value of lease payments, the Group uses the implicit rate in the lease, if the rate can be readily determined. If the rate cannot be readily determined, the Group shall use its incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying assets.

The Group's lease liabilities are included in Note 11.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of leasehold residential property which have lease term of 12 months or less and do not contain a purchase option.

It also applies the lease of low-value assets recognition exemption to lease of office equipment that considered to be low value.

Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

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$46.9 million, (FY2021: US$49.4 million) relating to the tax losses of the Australian tax consolidated group and US$2.0 million (FY2021: US$2.1 million) relating to Singapore have not been recognised.

B. 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 8.37% 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$0.3 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$1.9 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 (2021: 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	2022 US$'000	2021 US$'000
REVENUES		
Chartering	44,965	42,941
Other revenue	83	492
	45,048	**43,433**

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) ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

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

AS AT 30 JUNE	2022 US$'000	2021 US$'000
CHARTERING		
Contract assets	545	-
Contract liabilities	200	1,507

Chartering contract assets refer to bunker and agency costs incurred for the contracted voyages and are yet to load at the end of the reporting period. Chartering contract liabilities refer to deposits received from chartering of vessels.

5. OTHER INCOME

FOR THE YEARS ENDED 30 JUNE	2022 US$'000	2021 US$'000
Arbitration award received	12,023	-

This refers to the arbitration award obtained in London against the Croatian Bank for Reconstruction and Development (Hrvatska banka za obnovu i razvitak, or "HBOR") in favour of Wellard's subsidiary, Wellard Ships Pte Ltd, relating to refund guarantees supporting Wellard's terminated 2015 contract for the building of the planned livestock vessel to have been known as the "M/V Ocean Kelpie" with the Uljanik d.d shipyard (Uljanik).

6. EXPENSES

FOR THE YEARS ENDED 30 JUNE	2022 US$'000	2021 US$'000
A) COST OF SALES		
Chartering	30,780	27,370
Trading	(20)	-
	30,760	**27,370**
B) OTHER LOSSES/(GAINS)		
Losses/(gains) arising from other activities		
Net gain on disposal of a subsidiary in FY2020	-	(20)
Net foreign exchange losses/(gains)	394	(15)
Restructuring and integration costs	23	32
	417	**(3)**

6. EXPENSES (continued)

FOR THE YEARS ENDED 30 JUNE		2022 US$'000	2021 US$'000
C) NET FINANCE COSTS			
Interest income		(9)	(1)
Interest expense		790	1,033
Borrowing costs		(10)	40
		771	**1,072**
D) GENERAL AND ADMINISTRATIVE EXPENSES			
Labour expenses	6(E)	3,087	2,870
Consulting costs		824	804
General and administrative costs		511	491
Travel expenses		90	-
Occupancy costs		86	210
Motor vehicle expenses		44	26
Allowance for impairment loss		3	6
Repairs and maintenance costs		1	3
		4,646	**4,410**
E) LABOUR EXPENSES			
Wages and salaries		2,538	2,351
Employee entitlements and on costs		407	355
Superannuation		140	157
Payroll tax		2	7
		3,087	**2,870**

7. SEGMENT INFORMATION

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

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) **Other segments:** This segment consists of trading and corporate services. Trading refers to the business of livestock marketing, buying livestock from multiple sources for export to buyers in international markets globally. Although Wellard retains its Australian livestock export licenses and capabilities, trading activity has reduced since July 2019 and is now very marginal. 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.

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.

7. SEGMENT INFORMATION (continued)

	Chartering US$'000	Other US$'000	Total US$'000
FOR THE YEAR ENDED 30 JUNE 2022			
Revenues	44,965	83	45,048
Depreciation and amortisation expenses	(10,173)	(359)	(10,532)
Net finance costs	(769)	(2)	(771)
Profit/(loss) from continuing operations before income tax	1,877	8,068	9,945
Total segment assets	**57,282**	**6,253**	**63,535**
Total segment liabilities	**9,564**	**449**	**10,013**
FOR THE YEAR ENDED 30 JUNE 2021			
Revenues	42,941	492	43,433
Depreciation and amortisation expenses	(8,326)	(389)	(8,715)
Net finance costs	(1,069)	(3)	(1,072)
Profit/(loss) from continuing operations before income tax	4,863	(2,994)	1,869
Total segment assets	**58,399**	**2,808**	**61,207**
Total segment liabilities	**17,424**	**401**	**17,825**

Revenues of approximately US$41.0 million were derived from three external customers of the chartering segment, which individually account for greater than 8.0% of total revenue (FY2021: revenue of approximately US$39.2 million from four external customers, which individually account for greater than 7.0% 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
2022	14	45,034	45,048
2021	114	43,319	43,433

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
2022	1,232	40,736	-	41,968
2021	2,200	49,256	5	51,461

8. TAXATION

INCOME TAX EXPENSE

FOR THE YEARS ENDED 30 JUNE	2022 US$'000	2021 US$'000
INCOME TAX EXPENSE		
Income tax expense comprises:		
Current tax	5	5
Under provision for income tax in prior years	7	2
Income tax expense reported during the year	**12**	**7**
Income tax expense is attributable to:		
Continuing operations	12	7
Discontinued operations	-	-
	12	**7**

NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACE TAX PAYABLE

FOR THE YEARS ENDED 30 JUNE	2022 US$'000	2021 US$'000
Profit from continuing operations before income tax	9,945	1,869
Tax at the Australian tax rate of 30% (2021: 30%)	2,984	561
Add/(deduct) the effect of other assessable items		
Attributable foreign income	841	506
Exempt foreign shipping activities	(1,694)	(1,887)
Current year losses and temporary differences not recognised	522	434
Utilisation of carried forward tax losses	-	(9)
Income not subject to tax	(2,459)	(84)
Statutory stepped income exemption	(6)	-
Expenses not deductible for tax purposes	1,541	1,101
Under-provision for income tax in prior years	7	2
Total other assessable items	**1,736**	**624**
Add/(less) the effect of other non-assessable items		
Effect of different tax rates in other countries	(1,724)	(617)
Total other non-assessable items	**(1,724)**	**(617)**
Income tax expense reported during the year	**12**	**7**

At the reporting date, the Group has unused tax losses of US$46.9 million (FY2021: US$49.4 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. The 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		2022	2021
BASIC EARNINGS PER SHARE			
From continuing operations attributable to the ordinary equity holders of the Company	US$ cents	1.87	0.35
DILUTED EARNINGS PER SHARE			
From continuing operations attributable to the ordinary equity holders of the Company	US$ cents	1.87	0.35
WEIGHTED AVERAGE ORDINARY SHARES			
Weighted average number of ordinary shares used as the denominator	number	531,250,312	531,250,312

10. CASH AND CASH EQUIVALENTS

AS AT 30 JUNE	2022 US$'000	2021 US$'000
Cash at bank and in hand	15,279	6,736
	15,279	**6,736**

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

11. LOANS AND BORROWINGS

AS AT 30 JUNE	2022 US$'000	2021 US$'000
CURRENT		
Secured		
Borrowings (i)	2,845	5,521
Un-secured		
Lease liabilities (ii)	2,843	2,554
Other loans (iii)	1,964	1,116
Total Current Loans and Borrowings	**7,652**	**9,191**
NON-CURRENT		
Secured		
Borrowings (i)	-	1,991
Un-secured		
Lease liabilities (ii)	86	2,837
Total Non-current Loans and Borrowings	**86**	**4,828**
Total Loans and Borrowings	**7,738**	**14,019**

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.

11. LOANS AND BORROWINGS (continued)

(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.

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 respective bareboat charter agreement and the exercise of 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.

In June 2022, the Group and Ruchira mutually agreed to extend the purchase obligation of M/V Ocean Ute and M/V Ocean Drover to 29 July 2022 and 30 June 2023 respectively. On 8 July 2022, Wellard paid all remaining balances (US$2.8 million) to Ruchira. There will be no further payments to Ruchira between now and the title transfer date of the M/V Ocean Drover, which remains scheduled for 30 June 2023.

On 19 August 2022, Wellard subsidiary, Niuyang Express Pte Ltd completed the repurchase of the M/V Ocean Ute, and that vessel is now owned unencumbered by Wellard. The underlying bareboat charter agreement of this vessel from Ruchira was also cancelled, as the vessel is now operated by Wellard as principal.

(ii) Lease liabilities
Un-secured
In 2021, 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	2022 US$'000	2021 US$'000
LOANS AND BORROWINGS				
Secured				
Borrowings	US$	2023	878	1,222
Borrowings	US$	2023	1,967	6,290
Un-secured				
Lease liabilities	US$	2023	2,656	4,894
Lease liabilities	SGD	2024	248	448
Lease liabilities	A$	2023	25	49
Other loans	US$	2023	1,964	1,116
			7,738	**14,019**

The maturity profile of principal repayments is set out in Note 16(C).

12. INVENTORIES

AS AT 30 JUNE	2022 US$'000	2021 US$'000
Raw materials	3,631	1,825
	3,631	**1,825**

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 (FY2021: Nil).

13. TRADE AND OTHER RECEIVABLES

AS AT 30 JUNE	2022 US$'000	2021 US$'000
CURRENT		
Trade receivables	756	2,221
Allowance for impairment loss	-	(1,678)
Other receivables	376	169
	1,132	**712**

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	2022 US$'000	2021 US$'000
1 to 3 months	707	451
3 to 6 months	-	-
Over 6 months	49	1,770
	756	**2,221**

Information on the Group's credit risk is disclosed in Note 16(B).

14. OTHER ASSETS

AS AT 30 JUNE	2022 US$'000	2021 US$'000
CURRENT		
Prepayments	480	473
Deposit	500	-
	980	**473**
NON-CURRENT		
Deposits	63	590
	63	**590**

15. TRADE AND OTHER PAYABLES

AS AT 30 JUNE	2022 US$'000	2021 US$'000
CURRENT		
Trade payables	523	1,011
Sundry payables and accrued expenses	1,453	1,182
	1,976	**2,193**

Trade and other payables are non-interest bearing.

16. 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 long 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.

16. FINANCIAL RISK MANAGEMENT (continued)

A) MARKET RISK (continued)

ii) Commodity price risk

Fuel
Wellard is exposed to commodity price volatility for the fuel required to operate its fleet of vessels. Wellard management monitors the market and, when appropriate, can manage 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.

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	2022 US$'000	2021 US$'000
Loans and borrowings	1,964	1,116
	1,964	**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	2022 US$'000	2021 US$'000
+0.1%	2	1
-0.1%	(2)	(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	2022 US$'000	2021 US$'000
0 to 3 months	707	451
3 to 6 months	-	-
Over 6 months	49	1,770
	756	**2,221**

16. FINANCIAL RISK MANAGEMENT (continued)

B) CREDIT RISK (continued)

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

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

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

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

AS AT 30 JUNE	2022 US$'000	2021 US$'000
United States dollar	746	2,215
Australian dollar	10	6
	756	**2,221**

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

FOR THE YEARS ENDED 30 JUNE	2022 US$'000	2021 US$'000
Opening balance	1,678	1,684
Allowance for impairment recognised during the year	-	14
Receivables collected during the year	(3)	(8)
Receivables written off during the year as uncollectable	(1,675)	(12)
Closing balance	**-**	**1,678**

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.

16. FINANCIAL RISK MANAGEMENT (continued)

B) CREDIT RISK (continued)

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	2022 US$'000	2021 US$'000
IMPAIRMENT LOSSES		
Individually impaired trade receivables	-	14
	-	**14**

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 2022 and 2021, 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 2022	<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
Non-interest bearing	1,976	-	-	-	1,976	1,976
Fixed rate	4,346	1,469	87	-	5,902	5,774
Variable rate	1,978	-	-	-	1,978	1,964
	8,300	**1,469**	**87**	**-**	**9,856**	**9,714**

FOR THE YEAR ENDED 30 JUNE 2021	<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
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**

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.

16. FINANCIAL RISK MANAGEMENT (continued)

D) CAPITAL MANAGEMENT

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

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

Wellard manages its capital through various means, including:
- raising or returning capital;
- raising or repaying debt for working capital requirements, capital expenditure and acquisitions; and
- adjusting the amount of ordinary dividends paid to shareholders

17. PROPERTY, PLANT AND EQUIPMENT

AS AT 30 JUNE 2022	IMPROVEMENTS US$'000	PLANT AND EQUIPMENT US$'000	RIGHT-OF-USE ASSETS US$'000	TOTAL US$'000
Opening net book amount	75	43,973	5,249	49,297
Additions	71	1,448	177	1,696
Foreign exchange revaluation	(3)	(9)	(2)	(14)
Depreciation expense	(62)	(7,526)	(2,644)	(10,232)
Closing balance	**81**	**37,886**	**2,780**	**40,747**
Cost	538	110,217	9,930	120,685
Accumulated depreciation and impairments	(457)	(72,331)	(7,150)	(79,938)
Closing balance	**81**	**37,886**	**2,780**	**40,747**

AS AT 30 JUNE 2021	IMPROVEMENTS US$'000	PLANT AND EQUIPMENT US$'000	RIGHT-OF-USE ASSETS US$'000	TOTAL US$'000
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**

A) Property, plant and equipment with a carrying amount of US$36,735,094 (2021: US$42,908,688) are pledged as security for the liabilities as disclosed in Note 11.

17. 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	2022 US$'000	2021 US$'000
Property	302	468
Equipment	8	12
Vessel	2,468	4,765
Motor Vehicle	2	4
	2,780	**5,249**

Lease liabilities	2022 US$'000	2021 US$'000
Current	2,843	2,554
Non-current	86	2,837
	2,929	**5,391**

(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	2022 US$'000	2021 US$'000
Property	205	313
Equipment	5	6
Vessels	2,422	2,359
Motor Vehicle	12	12
	2,644	**2,690**

(iv) Interest expense on lease liabilities during the financial year 2022 was US$368,989 (2021: US$316,785)
(v) Lease expense not capitalised in lease liabilities – short-term leases was US$74,369 (2021:US$69,636).
(vi) Total cash outflow for all the leases during the financial year 2022 was US$2,963,740 (2021: US$3,007,908).
(vii) Additions of Right-of-use assets during the financial year 2022 was US$177,236 (2021: US$3,407,329).

18. INTANGIBLE ASSETS

AS AT 30 JUNE 2022	SOFTWARE US$'000	TOTAL US$'000
Opening net book amount	1,574	1,574
Additions	-	-
Foreign exchange revaluation	(116)	(116)
Amortisation expense	(300)	(300)
Closing balance	**1,158**	**1,158**
Cost	2,782	2,782
Accumulated amortisation	(1,624)	(1,624)
Closing balance	**1,158**	**1,158**

AS AT 30 JUNE 2021	SOFTWARE US$'000	TOTAL US$'000
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**

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.

19. PROVISIONS

AS AT 30 JUNE	2022 US$'000	2021 US$'000
CURRENT		
Employee entitlements	79	94
	79	**94**
NON-CURRENT		
Employee entitlements	20	12
	20	**12**

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$78,645 (2021: US$94,159) is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations.

20. ISSUED CAPITAL

The Company's share capital comprises fully paid-up 531,250,312 (2021: 531,250,312) ordinary shares with no par value, amounting to a total US$412,258,944 (2021: 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 2022.

21. COMMITMENTS

There was no significant capital commitment contracted and not recognised as liabilities at the end of the reporting period.

22. SIGNIFICANT ITEMS

There are no other significant items to be disclosed for the financial year ended 30 June 2022.

23. 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	2022 %	2021 %
PARENT ENTITY			
Wellard Limited	Australia		
SUBSIDIARIES OF WELLARD LIMITED			
Wellard Feeds Pty Ltd[2]	Australia	100	100
Wellard Rural Exports Pty Ltd	Australia	100	100
Wellard Animal Processing Pty Ltd[2]	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[1]	Singapore	-	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

Notes:
1. Ocean Shearer Pte Ltd was deregistered on 10 January 2022.
2. Wellard Feeds Pty Ltd and Wellard Animal Processing Pty Ltd were deregistered on 17 August 2022.

24. 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 23(a).

(b) Key management personnel compensation

FOR THE YEARS ENDED 30 JUNE	2022 US$'000	2021 US$'000
Short-term benefits	1,180	790
Long-term benefits	23	14
Post-employment benefits	29	25
	1,232	**829**

Detailed remuneration disclosures are available in the Remuneration Report on page 40.

(c) Transactions with other related parties

FOR THE YEARS ENDED 30 JUNE	2022 US$'000	2021 US$'000
ENTITIES CONTROLLED BY KEY MANAGEMENT PERSONNEL		
Technical shipping consultancy service rendered	16	45

(d) Outstanding balance from services rendered from related parties

As at 30 June 2022, an outstanding balance of US$4,379 from services rendered from related parties (2021: Nil).

25. AUDITOR'S REMUNERATION

FOR THE YEARS ENDED 30 JUNE	2022 US$'000	2021 US$'000
Fees in respect of the audit of the consolidated and parent company financial statements	108	119
Other audit fees, principally in respect of audits of accounts of subsidiaries in Singapore	18	23
Other assurance services	4	4
Total auditor's remuneration	**130**	**146**

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	2022 A$'000	2021 A$'000
NET ASSETS		
Current assets	7,535	1,751
Total assets	16,602	25,683
Current liabilities	(575)	(5,009)
Total liabilities	(603)	(5,056)
Net assets	**15,999**	**20,627**

FOR THE YEARS ENDED 30 JUNE	2022 A$'000	2021 A$'000
EQUITY		
Issued capital	581,656	581,656
Share issue costs capitalised	(9,525)	(9,524)
Share-based payment reserve	18,014	18,014
Accumulated losses	(574,146)	(569,519)
Total equity	**15,999**	**20,627**
Loss for the period	4,627	4,023
Total comprehensive loss	4,627	4,023

(b) Guarantees provided by the parent entity

At 30 June 2022, the parent entity had provided guarantees to support the banking facilities in Singapore and borrowings set out in Note 11.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2022 (30 June 2021: Nil).

(d) Contractual commitments for the acquisition of property, plant and equipment

None.

(e) Determining the parent entity's 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 23.

27. 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, at 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 the 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
2022					
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.

28. RESERVES

AS AT 30 JUNE	COMMON CONTROL US$'000	SHARE BASED PAYMENTS US$'000	FOREIGN CURRENCY TRANSLATION US$'000	TOTAL US$'000
2022				
Opening balance	(295,768)	12,963	5,650	(277,155)
Current year movements	-	-	207	207
Closing balance	**(295,768)**	**12,963**	**5,857**	**(276,948)**
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)**

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.

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.

29. ACCUMULATED LOSSES

FOR THE YEARS ENDED 30 JUNE	2022 US$'000	2021 US$'000
Opening balance	(91,722)	(93,584)
Share options lapsed	-	-
Net profit for the year	9,933	1,862
Closing balance	**(81,789)**	**(91,722)**

30. SUBSEQUENT EVENTS

Other than matters after 30 June 2022 disclosed in Note 11(i), there are no other significant events occurred after balance sheet date.

31. CONTINGENT ASSETS/LIABILITIES

(a) In October 2017, Wellard Ships 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 obtained a judgment in the U.K. High Court proceedings against Alpha Commodities S.A. in the amount of US$10,380,722.93 plus interest and costs. Investigations into Alpha's assets in Brazil have been disappointing. Wellard has not been able to identify Alpha as being an entity with any financial substance in Brazil or elsewhere, and cannot track any responsible persons who might be effectively pursued. We will continue to investigate the possibility of collecting the judgement debt directly via a collection agency however the likelihood of a full or partial recovery against a trading company of uncertain assets and the expense and difficulty of enforcement in Brazil are proving to be prohibitive factors. The likelihood of recoverability of funds from Alpha is now judged to be very low, and the Group will not include any estimate as to quantum or timing for any result.

(b) 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 continues to be significant preparatory work done on the class action, principally involving compliance with discovery orders. Case management hearings to govern the production and exchange of lay and expert evidence continued throughout the financial year. At present, the case timetable indicates a mandatory mediation may be expected in the first half of calendar year 2023. The Claimant has still not made any indication of the quantum of its 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.

(c) Wellard remains active in preparing a legal claim relating to losses incurred due to the 2011 ban on Australian livestock exports to the Republic of Indonesia. On 2 June 2020, the Federal Court of Australia found in favour of the lead applicant, Brett Cattle Company Pty Limited in representative proceedings (also known as a 'class action') before the Federal Court brought against the former Minister for Agriculture, Forestry and Fisheries Senator Joe Ludwig and the Commonwealth of Australia as the Respondents. Wellard's claim is being made following this successful litigation by the Brett Cattle Company.

Substantial work has been undertaken to understand and estimate the losses of the various sub-groups of claimants, and in March 2022, a "global settlement sum estimate" has been produced and shared with the Commonwealth Government. This represent the best guess estimate of the class losses, and as at 30 June 2022, it is still under consideration by the Commonwealth, which has sought additional time to analyse it. There are a long series of legal and administrative steps still to go, including negotiations with the Commonwealth about the global settlement sum and a scheme for its distribution, then assuming an agreement, court approval, followed by individual group member claims, which are then submitted and assessed before processing and approval for any eventual payment.

It is too early to make any estimate of the amount which may be recovered by Wellard. No contingency has been raised in these accounts in respect of this class action.

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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 2022, 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 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 2022 and of its financial performance for the year then ended; and

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

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.

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

Key Audit Matters (continued)

Recognition of Revenue	
Refer to Note 2.A and Note 4 "Revenue from Contracts with Customers"	

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.
	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.

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

Key Audit Matters (continued)

Ownership and Carrying value of Property, Plant and Equipment	
Refer to Note 2.Z and Notes 17 Property, Plant and Equipment	
Property, plant and equipment (PPE) totalled $40.7 million, the majority of which related to vessels, as disclosed in Note 17. Two of the vessels are owned, but are subject to financing arrangements, whilst the other vessel is subject to a lease and accounted for as a Right Of Use asset. 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 2022. This was a key audit matter because of the significance of the asset class to the Group and 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.	Our procedures included, amongst others: • Verifying ownership of the three vessels and related Bare Boat Charter, leasing and repurchase arrangements. • 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 2022, 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 & 17 to the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2022 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.

MOORE

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

Other Information (continued)

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.

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 Company 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 Company 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_2021.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 2022.

In our opinion, the Remuneration Report of Wellard Limited, for the year ended 30 June 2022 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 22nd day of August 2022.

ASX ADDITIONAL INFORMATION

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 17 August 2022.

SUBSTANTIAL SHAREHOLDERS

No.	Registered Shareholder	Number of shares held	% of all shares
1.	Hongkong Fulida International Trading Company Limited	130,094,894	24.49
2.	Bell Potter Nominees Ltd	83,950,729	15.80
3.	BNP Paribas Nominees Pty Ltd	52,447,500	9.88
4.	One Managed Invt Funds Ltd	37,370,425	7.03

SHARES ON ISSUE

The total number of shares on issue is 531,250,312 and these shares are held by a total of 1,377 registered shareholders.

DISTRIBUTION OF SHAREHOLDING

The distribution of all shareholders is set out below.

Range	Total holders	Shares	% of all shareholders
1 - 1000	110	30,703	7.99
1001 - 5000	258	817,640	18.74
5001 – 10,000	228	1,815,895	16.56
10,001 – 100,000	585	22,392,616	42.48
100,001 and over	196	506,193,458	14.23
Total	**1,377**	**531,250,312**	**100**

UNMARKETABLE PARCEL

The minimum parcel size at 17 August 2022 is per unit is 6,944 shares.

There are 431 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.	Bell Potter Nominees Ltd	83,950,729	15.80
3.	BNP Paribas Nominees Pty Ltd	52,477,500	9.88
4.	One Managed Invt Funds Ltd	37,370,425	7.03
5.	Innovation Bloom Limited	36,881,588	6.94
6.	Vine Street Investments Pty Ltd	32,126,009	6.05
7.	One Fund Services Ltd	15,701,601	2.96
8.	HSBC Custody Nominees (Australia) Limited	9,132,585	1.72
9.	Mr Zixiao Zhao	6,600,000	1.24
10.	Citicorp Nominees Pty Limited	5,531,581	1.04
11.	Mr David Allan Dixon & Ms Catherine Louise Ramm	3,960,588	0.75
12.	Mr Steven Boyd Taylor	3,828,852	0.72
13.	Brazil Farming Pty Ltd	3,500,000	0.66
14.	Dynamic Supplies Investments Pty Ltd	3,000,000	0.56
14.	Ms Xia Zhao	3,000,000	0.56
15.	Mrs Sarah Foletta	2,358,355	0.44
16.	Mr Feng Shi	2,054,099	0.39
17.	Jastal Family Investments Pty Ltd	2,000,000	0.38
17.	Bultitude Investments Pty Ltd	2,000,000	0.38
18.	Mr Lei Wang	1,835,992	0.35
19.	Mr Gregory James Wheeler	1,704,600	0.32
20.	Mr Orlando Berardino Di Iuilo & Ms Catharina Maria Koopman	1,685,489	0.32
	Total	**440,794,887**	**82.97**
	Balance of Register	**90,455,425**	**17.03**
	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

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SECURITIES EXCHANGE LISTING

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