

Wellard Group Holdings Pty Ltd

Annual Financial Report

30 June 2013

Wellard Group Holdings Pty Ltd
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Directors' Report	3
Auditor's Independence Declaration	8
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Statement of Cash Flows	12
Notes to the Financial Statements	13
Directors' Declaration	49
Independent Audit Report	50

Wellard Group Holdings Pty Ltd and controlled entities

Directors' Report

Your directors present their report on the company and its controlled entities ("the Group") for the financial year ended 30 June 2013.

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

Mauro Balzarini, Managing Director and CEO
Ennio Tavani, Chairman
Stephen Meerwald, Director (resigned 11 March 2013)
Richard Pearce, Director
Ravinder Singh Grewal, Director

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

Greg Wheeler was appointed to the role of company secretary for the company on 1 April 2012.

Review of Operations

The consolidated loss after tax of the Group for the financial year after providing for income tax amounted to \$53,160,111 (2012: profit of \$841,302).

During the 2013 financial year, the Group was presented with a number of challenges external to the business, which resulted in a contraction of revenues and profit margins across the various business units of the Wellard Group. This also caused impairments and the write-down on the carrying value of assets which contributed to the after tax result.

The sustained strength and performance of the Australian Dollar against all major traded currencies continued to adversely impact revenues and profit margins for the predominantly commodity-trading, export-focussed Wellard Group.

In the trading business the worldwide implementation of the Australian Governments' Export Supply Chain Assurance System (ESCAS) resulted in the closure of some major traditional live export markets, in particular for the export of sheep into the Middle East region. This increased competitive pressures in Middle Eastern markets that remained open for trade in this region, and the individual supply chains that were ESCAS-accredited placing further downward pressure on revenues and margins.

The Middle East market in FY2013 was also impacted by favourable growing conditions in alternative supply markets, such as North Africa which also impacted on numbers exported and margins for the year.

In the South East Asian slaughter cattle market, restrictive import quotas imposed by the Indonesian government continued to impact on revenues and margins. Supply was also impacted by the Queensland drought. However, post reporting period announcements from the Indonesian government indicate gradual easing of these quotas that is increasing export volumes in the second half of CY2013 and enabling the export of heavier, slaughter ready cattle. As part of its ongoing market diversification program the Wellard Group has also identified new markets in the region, exporting live slaughter cattle for the first time to the emerging Vietnamese market. The Group also continues to operate in the promising China dairy market. The Group will also continue to look to expand its share of the global seaborne live export market by further exploring opportunities offshore in the lucrative South America and North African markets via its Wellard Europe trading division. Regardless of the geographic location of the end market, Wellard continues to invest in animal welfare and customer relationships while complying with the Company's ESCAS requirements.

Wellard Group Holdings Pty Ltd and controlled entities

Directors' Report (continued)

The Group's trading business exported live sheep and cattle to the following countries; Bahrain, China, Indonesia, Israel, Kazakhstan, Jordan, Libya, Oman, Pakistan, Philippines, Qatar, Russia, Sri Lanka and Vietnam, sourcing supply from Australia, New Zealand and Romania. In total, the business exported 466,422 sheep, 99,976 slaughter and feeder cattle and 30,580 breeding & dairy cattle. The company also shipped additional cattle and sheep on both short and long term charters.

Wellard continues to produce high quality feed products at its Wongan Hills feed mill, producing over 32,000 tonnes of feed to supply its feedlots, ships and for external sales during the year.

The Group's shipping business continues to operate out of Singapore, with three vessels currently in the fleet, and a fourth under construction. Delivery of this fourth vessel has been delayed by continued financial difficulties of the ship yard builder, STX Offshore Ship Building Co Ltd (Korea). Wellard has a Refund Payment Guarantee in place for the full amount of the progress payments made to date. Shipping capacity was further curtailed by the unscheduled dry docking of the MV Ocean Drover and MV Ocean Outback for 60 and 30 days respectively, for unplanned repairs and maintenance resulting from damage incurred by both these vessels at sea.

During the year, the Group successfully acquired and integrated the Beaufort River Meats Abattoir operations in south Western Australia into its business model. The integration of the abattoir is part of a broader Wellard strategy to further embed itself in the global protein supply chain by creating a processing and distribution business which offers a diversified processed meat product to complement its predominantly live export supply.

With over 50,000 hectares of prime agricultural land under management, Wellard's Agri business unit continues to develop its reputation as a premium Australia agricultural farming operation. Despite below average growing conditions, the 2012/13 cropping program yielded over 35,000 tonnes of grain. As a result falling livestock prices driven by a lack of live export demand, the Animal Production division sold 1,908 cattle and 30,266 sheep, and holds 88,038 sheep and 3,173 cattle on its properties as at the reporting date.

Wellard expects better seasonal conditions will increase cropping and livestock production in FY2014.

The Group continued to expand its CLAAS Machinery dealership business in its Wellard Rural Services Pty Ltd (WRS) subsidiary, opening a fourth dealer centre in Geraldton to complement its existing branches in Wongan Hills, Esperance and Katanning.

A summary of the financial performance of the various business units is outlined below:

Business Unit	Revenue (\$Am)	EBITDA (\$Am)
Trading & Shipping	256.3	22.4
AGRI	19.9	1.4
WRS	16.1	(0.7)
Processing & distribution	18.8	0.1
Other	0.0	(6.9)
Total	311.1	16.3

On 29 June 2013, the Group successfully re-financed its commercial debt facilities with Standard Chartered Bank (SCB), extending the tenure of its existing revolving capital facility (RCF) by 12 months. An additional A\$20m new working facility was also provided to assist with the Group's growing working capital requirements in light of the acquisition of the Beaufort River Meats abattoir business and committed markets strategies.

In June 2013, the Group undertook a re-organisation of its Corporate Services division, which resulted in the implementation of a series of cost savings measures. These measures identified savings of A\$12.5m per annum that will be attained across the wider Wellard Group, though a one off cost was incurred to implement these measures.

Wellard Group Holdings Pty Ltd and controlled entities

Directors' Report (continued)

Finally, during the year, the Group also took the decision to revalue various assets and liabilities to reflect their carrying values at reporting date.

Reconciliation of Earning Before Interest, Tax, Depreciation and Amortisation (EBITDA) to Net Profit After Tax (NPAT):

EBITDA	\$16.3
Depreciation and amortisation	(\$16.9)
Bad and doubtful debts	(\$1.8)
Impairment losses on investments	(\$10.4)
Impairment losses on intangibles	(\$1.5)
Changes in fair value of Biological assets and Inventories	(\$3.6)
Impairment losses on plant and equipment	(\$4.3)
Changes in fair value of freehold land	(\$3.9)
Corporate re-organisation	(\$2.7)
Vessel dry docking expenses	(\$1.1)
Other non-recurring losses	(\$2.0)
Gain on disposal of property, plant and equipment	\$1.5
Net unrealised foreign currency losses	(\$7.2)
Interest expense adjustment on convertible note	(\$22.2)
Net interest charges	(\$17.8)
Income tax benefit	\$24.5
NPAT	(\$53.1)

Dividends

No dividends were paid or declared to shareholders during the year ended 30 June 2013 (2012: \$ 35,058,299).

Dividends of \$52,358 were paid or declared to minority interest holders during the year ended 30 June 2013 (2012: nil).

Share Options

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

Principal Activities

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

- Livestock trading
- Pelletised livestock feed manufacture
- Sheep and cattle production
- Broad acre farming
- Distributor of farming machinery
- Shipping and livestock transport
- Aircraft charter

Wellard Group Holdings Pty Ltd and controlled entities

Directors' Report (continued)

Significant changes in the state of affairs

In November 2012, the Group purchased the Beaufort River Meats abattoir in Woodanilling, Western Australia. The Beaufort River Meats abattoir has the capacity to process up to 2,500 units per day and will supply quality Halal certified chilled and frozen meats to markets throughout the world.

Significant events after balance date

In September 2013, the Group successfully obtained additional funding from Standard Chartered Bank (SCB). The funding was in form of additional working capital to expand its committed markets strategy and trade finance facilities.

Also in September 2013, a Deed of Variation to the Standard Chartered Private Equity (SCPE) Convertible Note agreement was agreed and executed by the Group, amending the terms of original agreement with respect to conversion events.

Likely developments and expected results

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

Environmental regulations and performance

The economic entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory, or where this is the case, the company holds licenses and complies with such regulations.

Indemnities and insurance of directors and others

Key man Insurance Policies were paid during the year for one director of the company. Directors' and officers' liability insurance premiums have been paid, during or since the end of the financial year, for any person who is or has been an officer of the company.

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

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of the those proceedings.

The company was not a party to any such proceedings during the year.

Wellard Group Holdings Pty Ltd and controlled entities

Directors' Report (continued)

Rounding

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

Auditor's Independence Declaration

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

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



Mauro Balzarini

Director

29 November 2013



Ennio Tavani

Director

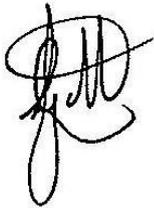
29 November 2013

Auditor's Independence Declaration to the Directors of Wellard Group Holdings Pty Ltd

In relation to our audit of the financial report of Wellard Group Holdings Pty Ltd for the financial year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young



G Lotter
Partner
29 November 2013

Statement of Comprehensive Income
For the year ended 30 June 2013

	Note	Consolidated	
		Jun-13 \$'000	Jun-12 \$'000
Continuing Operations			
Sales revenues		308,295	412,702
Services revenue		2,781	3,518
Revenue	3	311,076	416,220
Cost of sales	4	(251,672)	(321,576)
Gross profit		59,404	94,644
Other revenue	3	23,014	49,235
Administration expenses	4	(61,784)	(68,887)
Finance costs	4	(40,153)	(14,464)
Other expenses	4	(58,180)	(62,305)
Loss from continuing operations before income tax		(77,699)	(1,777)
Income tax (expense)/benefit	5	24,539	2,618
Net profit/(loss) for the period after tax		(53,160)	841
Other comprehensive income/(loss)			
Net fair value gain/(loss) on available for sale financial assets	22	-	1,062
Net fair value gain/(loss) on freehold land	22	(15,279)	-
Foreign currency translation	22	6,353	1,070
Income tax on items of other comprehensive income	22	4,584	(263)
Other comprehensive income/(loss) for the period, net of tax		(4,342)	1,869
Total comprehensive income/(loss) for the period		(57,502)	2,710
Profit/(loss) for the period attributable to:			
Non-controlling interests		(104)	(165)
Owners of the parent		(53,056)	1,006
		(53,160)	841
Total comprehensive income/(loss) for the period attributable to:			
Non-controlling interests		131	26
Owners of the parent		(57,633)	2,684
		(57,502)	2,710

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

Statement of Financial Position

As at 30 June 2013

	Note	Consolidated	
		Jun-13 \$'000	Jun-12 \$'000
Current Assets			
Cash and cash equivalents	8	2,130	4,265
Trade and other receivables	9	54,308	32,186
Inventories	10	14,231	11,859
Biological assets	11	20,004	51,700
Other current assets	12	4,274	2,303
Current tax receivable	5	2,962	1,811
Total Current Assets		97,909	104,124
Non Current Assets			
Biological assets	11	-	91
Investments and other financial assets	13	9	10,390
Property, plant and equipment	15	432,708	394,124
Intangibles	17	4,356	6,371
Deferred tax assets	5	29,517	7,289
Investment properties	16	2,900	2,900
Total Non Current Assets		469,490	421,165
Total Assets		567,399	525,289
Current Liabilities			
Trade and other payables	18	48,227	49,682
Loans and borrowings	19	51,589	33,955
Provisions	20	1,134	1,567
Total Current Liabilities		100,950	85,204
Non Current Liabilities			
Trade and other payables	18	2,600	998
Loans and borrowings	19	402,970	315,435
Provisions	20	148	90
Deferred tax liabilities	5	9,055	14,332
Total Non Current Liabilities		414,773	330,855
Total Liabilities		515,723	416,059
Net Assets		51,676	109,230
Equity			
Issued capital	21	86,867	86,867
Reserves	22	9,878	14,455
Retained earnings	23	(47,832)	5,276
Parent Interest		48,913	106,598
Non-controlling interests		2,763	2,632
Total Equity		51,676	109,230

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

Statement of Changes in Equity
For the year ended 30 June 2013

	Note	Issued Capital \$'000	Retained Earnings \$'000	Revaluation Reserve \$'000	Other Reserves \$'000	Non- controlling Interest \$'000	Total \$'000
Consolidated							
Balance at 1 July 2011		57,618	39,328	32,301	(19,524)	2,606	112,329
Profit for the period		-	1,006	-	-	(165)	841
Other comprehensive income		-	-	799	879	191	1,869
Total comprehensive income for the period		-	1,006	799	879	26	2,710
Transactions with owners in their capacity as owners:							
Shares issued during the year		29,249	-	-	-	-	29,249
Dividends paid or provided for	7	-	(35,058)	-	-	-	(35,058)
Balance at 30 June 2012		86,867	5,276	33,100	(18,645)	2,632	109,230
Profit for the period		-	(53,056)	-	-	(104)	(53,160)
Other comprehensive income		-	-	(10,695)	6,118	235	(4,342)
Total comprehensive income for the period		-	(53,056)	(10,695)	6,118	131	(57,502)
Transactions with owners in their capacity as owners:							
Dividends paid	7	-	(52)	-	-	-	(52)
Balance at 30 June 2013		86,867	(47,832)	22,405	(12,527)	2,763	51,676

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

Statement of Cash Flows
For the year ended 30 June 2013

	Note	Consolidated	
		Jun-13 \$'000	Jun-12 \$'000
Cash Flows from Operating Activities			
Receipts from customers		371,024	406,339
Dividends received		3	-
Interest received		654	304
Payments to suppliers and employees		(369,717)	(357,562)
Finance costs		(19,319)	(15,364)
Income tax paid		327	(1,801)
Net operating cash flows	24	(17,028)	31,916
Cash Flows from Investing Activities			
Proceeds from sale of property, plant & equipment		9,393	10,943
Purchase of property, plant and equipment		(61,809)	(44,299)
Purchase of intangibles		(1,620)	-
Proceeds from sale of investments		-	1,944
Net investing cash flows		(54,036)	(31,412)
Cash Flows from Financing Activities			
Proceeds from borrowings		130,282	48,113
Payment of dividends		(356)	(1,405)
Repayment of borrowings		(60,997)	(47,482)
Net financing cash flows		68,929	(774)
Net increase/(decrease) in cash held		(2,135)	(271)
Cash at the beginning of financial year		4,265	4,536
Cash/(overdraft) at the end of financial year	8	2,130	4,265

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

Notes to the Financial Statements

For the year ended 30 June 2013

Note 1. Corporate Information

The financial report of Wellard Group Holdings Pty Ltd and its subsidiaries (“the Group”) for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 31 October 2013.

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

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

Company Details

The registered office of the company is:

Moore Stephens
Level 3
12 St Georges Terrace
Perth WA 6000

The principal place of business is:

Wellard Group Holdings Pty Ltd
1A Pakenham Street
Fremantle WA 6160

Note 2. Accounting Policies

(a) Basis of preparation

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

The comparative figures have been re-allocated to better represent the structure of information that is provided to management which is used to make economic decisions about the entity. The Directors believe this will result in more relevant and useful information for the users of the financial statements. The adjustments in the current year have been made to ensure that there is comparability for Gross Margin between externally and internally reported Gross Profit figures.

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

(b) Statement of compliance

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

The directors have elected under s334(5) of the Corporations Act 2001 to apply AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-02 Amendments to Australian Standards in advance of their effective dates.

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

(c) New accounting standards and interpretations

The Company has adopted all new accounting standards and interpretations as of 1 July 2012.

The following standards and interpretations have been issued by the AASB but are not yet effective for the period ending 30 June 2013.

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 10	<i>Consolidated Financial Statements</i>	<p>AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 <i>Consolidated and Separate Financial Statements</i> dealing with the accounting for consolidated financial statements and UIG-112 <i>Consolidation - Special Purpose Entities</i>.</p> <p>The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.</p> <p>Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.</p>	1 Jan 2013***	1 July 2013
AASB 11	<i>Joint Arrangements</i>	<p>AASB 11 replaces AASB 131 <i>Interests in Joint Ventures</i> and UIG-113 <i>Jointly- controlled Entities - Non-monetary Contributions by Ventures</i>.</p> <p>AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.</p> <p>Consequential amendments were also made to this and other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128.</p>	1 January 2013***	1 July 2013
AASB 12	<i>Disclosure of Interests in Other Entities</i>	<p>AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.</p>	1 January 2013***	1 July 2013
AASB 13	<i>Fair Value Measurement</i>	<p>AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.</p>	1 January 2013	1 July 2013

Reference	Title	Summary	Application date of standard*	Application date for Group*
		<p>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.</p> <p>Consequential amendments were also made to other standards via AASB 2011-8.</p>		
AASB 119	<i>Employee Benefits</i>	<p>The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets.</p> <p>The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.</p> <p>Consequential amendments were also made to other standards via AASB 2011-10.</p>	1 January 2013	1 July 2013
Interpretation 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>	<p>This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset".</p> <p>The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.</p> <p>Consequential amendments were also made to other standards via AASB 2011-12.</p>	1 January 2013	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards - <i>Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	AASB 2012-2 principally amends AASB 7 <i>Financial Instruments: Disclosures</i> to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met.	1 January 2013	1 July 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	<p>AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following:</p> <ul style="list-style-type: none"> ▶ Repeat application of AASB 1 is permitted (AASB 1) ▶ Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 <i>Presentation of Financial Statements</i>). 	1 January 2013	1 July 2013
AASB 2012-9	Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039	AASB 2012-9 amends AASB 1048 <i>Interpretation of Standards</i> to evidence the withdrawal of Australian Interpretation 1039 <i>Substantive Enactment of Major Tax Bills in Australia</i> .	1 January 2013	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to <i>Remove Individual Key Management Personnel</i>	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure	1 July 2013*****	1 July 2013

Reference	Title	Summary	Application date of standard*	Application date for Group*
	<i>Disclosure Requirements</i> [AASB 124]	requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.		
AASB 1053	<i>Application of Tiers of Australian Accounting Standards</i>	<p>This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements:</p> <p>(a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements</p> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit entities in the private sector that have public accountability (as defined in this standard) (b) The Australian Government and State, Territory and Local governments</p> <p>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities (c) Public sector entities other than the Australian Government and State, Territory and Local governments.</p> <p>Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11, 2012-1, 2012-7 and 2012-11.</p>	1 July 2013	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards - <i>Offsetting Financial Assets and Financial Liabilities</i>	AASB 2012-3 adds application guidance to AASB 132 <i>Financial Instruments: Presentation</i> to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	1 July 2014
Interpretation 21	<i>Levies</i> [^]	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014	1 July 2014
AASB 1055**	<i>Budgetary Reporting</i>	<p>This standard specifies budgetary disclosure requirements for the whole of government, General Government Sector (GGS) and not-for-profit entities within the GGS of each government.</p> <p>AASB 2013-1 removes the requirements relating to the disclosure of budgetary information from AASB 1049 (without substantive amendment). All budgetary reporting requirements applicable to public sector entities are now located in AASB 1055.</p>	1 July 2014	****
AASB 9	<i>Financial Instruments</i>	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.	1 Jan 2015	1 July 2015

Reference	Title	Summary	Application date of standard*	Application date for Group*
		<p>(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</p> <p>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> ▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▶ The remaining change is presented in profit or loss <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Further amendments were made by AASB 2012-6 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p>		

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

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

*** The mandatory effective date for AASB 10, 11 and 12 for **not-for-profit entities** has been deferred to 1 January 2014, per AASB 2012-10

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

***** This standard cannot be early adopted. Revisions are currently being made to the Corporations Law to bring this disclosure into the Directors' Report.

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

Notes to the Financial Statements

For the year ended 30 June 2013

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Wellard Group Holdings Pty Ltd and its subsidiaries as at 30 June 2013 each year ('the Group').

Subsidiaries are all those entities (including special purpose entities) over which that Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether a group controls another entity.

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

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

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investment in subsidiaries held by Wellard Group Holdings Pty Ltd is accounted for at cost in the separate accounting records of the parent entity less any impairment charges.

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transaction and balances

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

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the profit or loss.

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

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

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

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

Notes to the Financial Statements For the year ended 30 June 2013

(f) Cash and cash equivalents

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

(g) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the company will not be able to collect the debts. Bad debts are written off when identified.

(h) Inventories

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

The cost of grain is the fair value less estimated point-of-sale costs at the time the crops are harvested.

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

- *Fuel* – purchase cost on a first-in, first-out basis.
- *Raw materials* – purchase cost on a first-in, first-out basis.
- *Finished goods and work-in-progress* – cost of direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

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

(i) Biological assets

Biological assets in the statement of financial position comprise livestock and crops, are measured on initial recognition and at each reporting date at its fair value less estimated point-of-sale costs. The fair value is determined based on the actual selling prices approximating those at year end less estimated point-of-sale costs. Fair value increments or decrements are recognised in the profit or loss.

Livestock comprises cattle, sheep and stud rams and are measured on initial recognition and at each reporting date at its fair value less estimated point-of-sale costs. The fair value is determined based on the actual selling prices approximating those at year end less estimated point-of-sale costs. Fair value increments or decrements are recognised in the profit or loss.

Crops comprising barley, wheat and canola, are measured at their fair value less estimated point-of-sale costs. Where market determine prices or values are not available and for which alternative estimates of fair value are determined to be clearly unrealisable, the crops are measured at costs less any accumulated depreciation and any accumulated impairment losses. Once the fair value becomes reliably measurable, the crops shall be measured at their fair value less estimated point-of-sale costs. Changes in fair value less estimated point-of-sale costs of crops are recognised in the profit or loss in the year they arise.

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

Notes to the Financial Statements For the year ended 30 June 2013

(j) Property, plant and equipment

Each class of plant and equipment is carried at historical cost less accumulated depreciation and any impairment losses.

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

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

Freehold land is measured at fair value, based on periodic but at least triennial valuations by external independent valuers, less any impairment losses recognised after the date of valuation.

Depreciation

The depreciable amount of all fixed assets excluding the Agri division's fixed assets and buildings and freehold land, is depreciated on a diminishing value basis their useful lives to the economic entity commencing from the time the asset is held ready for use. Agri division's fixed assets and buildings are depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

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

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Impairment losses are recognised in the Comprehensive Income Statement.

Revaluations of land and buildings

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

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the profit or loss. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Notes to the Financial Statements

For the year ended 30 June 2013

(k) Investment properties

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

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

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

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

(k) Investments and other financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturing investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

Financial assets at fair value through profit and loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses when the investments are derecognised or impaired, as well as through the amortisation process

Notes to the Financial Statements

For the year ended 30 June 2013

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include recent arm's length market transactions, reference to current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

(l) Derivative financial instrument

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

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

(m) Investments in associates

The Group's investment in its associate is accounted for using the equity method accounting in the consolidated financial statements. The associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and it is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The consolidated profit or loss reflects the Group's share of the results of operations of the associate.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this in the consolidated statement of changes in equity.

The reporting date of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(n) Impairment of non-financial assets other than goodwill

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Notes to the Financial Statements For the year ended 30 June 2013

(o) Intangibles

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

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

Research and development costs

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

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

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

Development costs

Useful lives:

- Finite

Amortisation method used:

- Amortised from date brought to use

Internally generated or acquired:

- Internally generated

Impairment testing:

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

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

Notes to the Financial Statements For the year ended 30 June 2013

(p) Leases

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

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

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

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

(q) Trade and other payables

Trade payables and other payables are carried at amortised costs and represents liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchases of these goods and services.

(r) Interest-bearing loans and borrowings

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

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

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

(s) Provisions and employee benefits

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

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

Employee leave benefits

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

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

Notes to the Financial Statements

For the year ended 30 June 2013

(ii) Long service leave

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

(t) Contributed equity

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

(u) Revenue

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

- (i) Sale of goods - recognised upon the delivery of goods to customers or when there is a transfer of risks and rewards to the customer and generally title has passed.
- (ii) Rendering of services - revenue is recognised upon the delivery of the service to the customer.
- (iii) Interest revenue - revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.
- (iv) Dividends - revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

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

(v) Income tax and other taxes

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2013

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

Income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

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

Tax consolidation legislation

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

(w) Goods and service tax

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

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

(x) Significant accounting judgements, estimates and assumptions

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

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

Impairment of non-financial assets

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

Long service leave provisions

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

Estimation of useful lives of assets

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

Notes to the Financial Statements

For the year ended 30 June 2013

Valuation of investments

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

Valuation of land

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

Valuation of biological assets

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

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

Notes to the Financial Statements
For the year ended 30 June 2013

Note 3. Revenue

	Note	Consolidated	
		Jun-13 \$'000	Jun-12 \$'000
Sales revenue:			
Sale of goods		303,966	409,553
Gain arising from change in fair value of biological assets		4,329	3,149
Services revenue		2,781	3,518
Total revenue		311,076	416,220
Other revenues:			
Foreign exchange gains		20,911	46,205
Gain on disposal of property, plant and equipment		1,594	539
Gain on commodity swap		-	291
Gain on disposal of investment		-	1,843
Other income		291	-
Dividend income	3(a)	-	53
Interest	3(b)	218	304
		23,014	49,235
(a) Dividend income from:			
Other persons		-	53
(b) Interest income from:			
Other persons		218	304

Notes to the Financial Statements
For the year ended 30 June 2013

Note 4. Expenses

	Note	Consolidated	
		Jun-13 \$'000	Jun-12 \$'000
Cost of sales		251,672	321,576
Finance costs:			
External - Bank		17,971	14,464
External - Convertible notes		22,182	-
		40,153	14,464
Administrative expenses:			
Bad and doubtful debts expense		1,813	1,550
Depreciation and amortisation expenses		16,855	16,787
Farming expenses		3,158	1,527
Outside service expenses		3,589	5,526
Labour costs	4(a)	20,290	25,440
Motor vehicle expenses		1,361	1,425
Occupancy costs		3,112	3,511
General & admin costs		5,736	6,896
Repairs & maintenance		4,205	4,987
Travel expenses		1,665	1,238
		61,784	68,887
Other expenses:			
Restructuring costs		2,744	-
Borrowing costs		1,518	1,030
Foreign exchange losses		29,838	47,361
Impairment losses on plant and equipment		4,261	-
Impairment losses on investments		10,382	388
Impairment losses on intangibles		1,506	-
Loss on commodity swap		208	-
Loss on disposal of property, plant and equipment		177	13,234
Loss arising from change in fair value of freehold land		3,989	-
Loss arising from change in fair value of biological assets		2,730	-
Loss arising from writedown of inventories		827	-
Loss due to legislation changes & political unrest		-	292
		58,180	62,305
4(a) Employee benefits expense:			
Wages and salaries		14,297	21,803
Employee entitlements		3,895	1,610
Superannuation		1,176	1,184
Payroll tax		922	843
		20,290	25,440

Notes to the Financial Statements
For the year ended 30 June 2013

Note 5. Income tax expense

	Consolidated	
	Jun-13	Jun-12
	\$'000	\$'000
Major components of income tax expense are:		
Current tax	(47)	103
Deferred tax	(23,488)	(1,680)
Prior year losses recouped not previously brought to account	(1,004)	(368)
Under/(over) provision in respect of prior year	-	(673)
Income tax expense/(benefit) reported in the income statement	(24,539)	(2,618)
Deferred tax relating to items charged or credited to equity:		
Unrealised gains and losses on foreign currency translation	567	(56)
Unrealised gain and losses on asset revaluation reserves	(4,584)	319
	(4,017)	263
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2012:30%)	(23,310)	(533)
Add:		
Tax effect of:		
Under provision for income tax in prior year	-	301
Deferred tax balances not previously recognised	-	1,009
Other non-allowable items	3,173	1,407
	(20,136)	2,184
Less:		
Tax effect of:		
Other non-assessable items	3,352	3,955
Effect of different rates of tax on overseas profit	46	47
Recoupment of prior year capital losses not previously brought to account	1,004	368
R & D tax offset	-	432
	4,402	4,802
Income tax attributable to entity	(24,539)	(2,618)
Current		
Income tax receivable	2,962	1,811

Notes to the Financial Statements
For the year ended 30 June 2013

Note 5. Income tax expense (continued)

	Consolidated	
	Jun-13	Jun-12
	\$'000	\$'000
Deferred tax assets and liabilities		
Deferred tax assets:		
Carry forward tax losses	12,297	3,304
Carry forward capital losses	183	-
Financial liabilities	6,654	-
R&D tax offset	2,830	1,729
Provisions and accruals	1,957	1,497
Financial assets	3,449	298
Foreign exchange	1,848	25
Borrowing costs	129	263
Other	170	173
Total	29,517	7,289
Deferred tax liabilities:		
Property, plant and equipment	5,873	12,259
Work in progress	2,750	96
Stock on hand	-	1,935
Foreign Exchange	324	-
Other	108	42
Total	9,055	14,332

Tax Consolidation

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

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

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

Notes to the Financial Statements
For the year ended 30 June 2013

Note 6. Auditors' Remuneration

	Consolidated	
	Jun-13	Jun-12
	\$'000	\$'000

The auditor of Wellard Group Holdings Pty Ltd is Ernst & Young.

Remuneration of the auditor for:

Auditing or reviewing the financial report	130	120
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Note 7. Dividends

	Consolidated	
	Jun-13	Jun-12
	\$'000	\$'000
Distribution paid	52	35,058

Note 8. Cash and cash equivalents

	Consolidated	
	Jun-13	Jun-12
	\$'000	\$'000
Cash at bank and in hand	2,130	4,265

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

Short-term deposits are made for carrying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Notes to the Financial Statements
For the year ended 30 June 2013

Note 9. Trade and other receivables

	Consolidated	
	Jun-13	Jun-12
	\$'000	\$'000
Current		
Trade receivables	34,319	15,216
Other receivables	6,419	4,061
Other related parties	13,570	11,973
Derivatives	-	936
	54,308	32,186

Trade and other receivables are non-interest bearing and are generally on 30-90 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. At 30 June 2013, included in trade receivables is an amount of USD\$32,738,739 (2012: USD\$12,614,847).

Loans to related parties are interest free and receivable on demand.

Note 10. Inventories

	Consolidated	
	Jun-13	Jun-12
	\$'000	\$'000
At cost		
Raw materials and stores	12,847	10,666
Finished goods	1,384	1,193
	14,231	11,859

Notes to the Financial Statements
For the year ended 30 June 2013

Note 11. Biological Assets

	Consolidated	
	Jun-13 \$'000	Jun-12 \$'000
Current		
Livestock:		
Balance at beginning of the year	44,995	25,891
Purchases	204,072	336,544
Natural increases	860	1,181
Fair value adjustments	(2,730)	2,761
Sales	(236,095)	(321,382)
	11,102	44,995
Crops:		
Balance at beginning of the year	6,705	5,777
Additions up to point of harvest	637	552
Harvested	(7,342)	(6,329)
Additions	6,065	6,705
Fair value adjustments	2,837	-
	8,902	6,705
	20,004	51,700

The Company grows crops for domestic and international markets on Western Australian properties located at Kojonup, Watheroo and Dongara. Crops are harvested between October and December each year. At the reporting date the Company had approximately 22,123 (2012: 20,443) hectares of land planted in lupins, wheat, canola, field and chick peas, barley and oats.

At balance date the Group has approximately 107,454 sheep and stum rams (2012: 166,706) totalling \$6,826,419 (2012: \$18,514,031), and 6,773 cattle (2012: 24,296) totalling \$3,854,794 (2012: \$26,480,891).

Livestock comprises cattle, sheep and stud rams and are measured on initial recognition and at each reporting date at its fair value less estimated point-of-sale costs. The fair value is determined based on the actual selling prices approximating those at year end less estimated point-of-sale costs. Fair value increments or decrements are recognised in the profit or loss.

Non Current

Tree plantation	-	91
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At balance date there were no tree plantations for carbon credits (2012:37 hectares) .

Notes to the Financial Statements
For the year ended 30 June 2013

Note 12. Other Assets

	Consolidated	
	Jun-13	Jun-12
	\$'000	\$'000
Current		
Prepayments	1,842	1,720
Sundry deposits & bonds	1,992	583
Debt establishment fees	440	-
	4,274	2,303

Note 13. Investments and other financial assets

	Consolidated	
	Jun-13	Jun-12
	\$'000	\$'000
Unlisted investments – at fair value		
Shares in related entities	-	10,382
Unlisted investments at cost		
Units in unit trusts	9	8
Total available for sale financial assets	9	10,390

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

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

Notes to the Financial Statements
For the year ended 30 June 2013

Note 14. Controlled Entities

Controlled Entities Consolidated	Country of incorporation	Percentage Owned (%) [*]	
		2013	2012
Parent Entity:			
Wellard Group Holdings Pty Ltd	Australia	100	100
Subsidiaries of Wellard Group Holdings Pty Ltd:			
Wellard Estates Pty Ltd	Australia	100	100
Wellard Feeds Pty Ltd	Australia	100	100
Wellard Commodities, Land and Transport Pty Ltd	Australia	100	100
Wellard Rural Exports Pty Ltd	Australia	100	100
Wellard Aviation Pty Ltd	Australia	100	100
Wellard International Pty Ltd	Australia	100	100
Wellard Agri Ltd	Australia	100	100
Wellard Technologies Ltd	Australia	100	100
Wellard Enterprises Pty Ltd	Australia	100	100
Wellard Rural Services Pty Ltd	Australia	100	100
Wellard Animal Production Pty Ltd	Australia	100	100
Wellard AA Pty Ltd ^{**}	Australia	N/a	100
Wellard Capital Pty Ltd ^{**}	Australia	N/a	100
Wellard NZ Ltd	New Zealand	100	100
Wellard Ships Pte Ltd	Singapore	100	100
Big Wheel Marine Pte Ltd ^{***}	Singapore	100	N/a
Wellard do Brasil Agronegocios Ltda	Brazil	100	100
Wellard Saudi Trading Co Ltd	Saudi Arabia	75	75

* Percentage of voting power in proportion to ownership.

**Wound up during the financial year

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

Notes to the Financial Statements
For the year ended 30 June 2013

Note 15. Property, Plant & Equipment

	Consolidated	
	Jun-13	Jun-12
	\$'000	\$'000
Non Current		
Freehold land – fair value	124,377	140,729
Sheds and buildings		
Cost	14,135	12,544
Accumulated depreciation	(2,261)	(1,948)
	11,874	10,596
Plant and equipment		
Cost	360,387	286,939
Accumulated depreciation	(63,930)	(44,140)
	296,457	242,799
Total property, plant and equipment	432,708	394,124

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

Freehold land		
Balance at the beginning of year	140,729	141,501
Additions	2,917	-
Loss arising from fair value adjustments of freehold land	(3,989)	-
Fair value adjustments/reversals from the asset revaluation reserve	(15,280)	-
Disposals	-	(772)
Carrying amount at end of year	124,377	140,729
Sheds and buildings		
Balance at the beginning of year	10,596	11,116
Additions	8,151	32
Disposals	(6,800)	(270)
Exchange difference	325	-
Depreciation expense	(398)	(282)
Carrying amount at end of year	11,874	10,596

Notes to the Financial Statements
For the year ended 30 June 2013

Note 15. Property, Plant & Equipment (continued)

	Consolidated	
	Jun-13	Jun-12
	\$'000	\$'000
Plant and equipment		
Balance at beginning of year	242,799	225,862
Additions	50,949	44,258
Disposals	(729)	(23,872)
Depreciation expense	(15,785)	(16,488)
Impairment expense	(4,261)	(1)
Exchange difference	23,484	13,040
Carrying amount at end of year	296,457	242,799

Plant and equipment with a carrying amount of \$432,707,893 (2012:\$394,123,649) are pledged as securities for the current and non-current liabilities as disclosed in note 19.

Freehold land with carrying amount of \$124,376,749 (2012: \$140,728,165) and freehold buildings with carrying amount of \$11,873,615 (2012: \$10,595,997) are subject to a first charge from various bank loans within the Group as disclosed in Note 19.

Valuation basis

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

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

Notes to the Financial Statements
For the year ended 30 June 2013

Note 16. Investment Properties

	Consolidated	
	Jun-13	Jun-12
	\$'000	\$'000
Non Current		
Investment properties at fair value as per valuation	2,900	2,900
Carrying amount at beginning of period	2,900	3,926
Disposals	-	(1,017)
Fair value adjustments, net	-	(9)
Carrying amount at end of period	2,900	2,900

Valuation basis

An independent valuation of the Cottesloe property was performed by Opteon to determine the fair value of the land and buildings. The valuation conforms to Australian valuation standards. The appraisal was in line with the current carrying value in the accounts, thus the current carrying value was determined to be the fair value of the property.

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

Notes to the Financial Statements
For the year ended 30 June 2013

Note 17. Intangibles

	Consolidated	
	Jun-13	Jun-12
	\$'000	\$'000
Non current		
Intangibles	2,736	4,865
Goodwill	1,620	-
Developments	-	1,506
	4,356	6,371

(a) Reconciliation of carrying amounts at the beginning and end of the period

Intangibles		
Balance at beginning of year	6,371	1,949
Additions	1,620	4,764
Development expenditure	-	50
Amortisation expense	(660)	(8)
Reversals	(1,469)	(384)
Impairment	(1,506)	-
Carrying amount at end of year	4,356	6,371

During the year, the Group acquired the Beaufort River Meats abattoir in Kojonup for a total consideration of \$5,100,000 which comprised the purchase of stock (\$60,000), plant and equipment (\$3,420,000) and goodwill (\$1,620,000). At reporting date, \$2,600,000 of the purchase price remains outstanding, for which the Group records a liability at Note 18.

Notes to the Financial Statements
For the year ended 30 June 2013

Note 18. Trade and Other Payables

	Consolidated	
	Jun-13	Jun-12
	\$'000	\$'000
Current		
Unsecured liabilities		
Trade payables	38,072	45,395
Sundry payables and accrued expenses	7,062	3,777
Derivative liability	3,093	-
Wages payable	-	510
	48,227	49,682
Non current		
Unsecured liabilities		
Trade payables	2,600	998
	2,600	998
Total Current and Non Current	50,827	50,680

Trade and other payables are non-interest bearing and are normally settled on 14-30 day terms. At 30 June 2013, included in trade payables is an amount of USD \$6,658,177 (2012: USD\$7,201,236).

Notes to the Financial Statements
For the year ended 30 June 2013

Note 19. Loans and Borrowings

	Note	Consolidated	
		Jun-13 \$'000	Jun-12 \$'000
Current			
Secured bank loans	19(b)	44,573	21,821
Hire purchase liabilities	19(b)	158	4
Other related parties	19(b)	6,858	12,130
		51,589	33,955
Non current			
Secured bank loans	19(b)	243,424	213,247
Trade asset finance	19(b)	3,382	396
Convertible note	19(a)	134,941	101,790
Hire purchase liabilities	19(b)	21,223	2
		402,970	315,435
Total Current and Non Current		454,559	349,390

19 (a) Convertible notes

Non current			
Proceeds from issue of convertible notes (1,765,741 notes at US\$59.93 par value)*		114,093	103,827
Transaction costs		(1,334)	(2,037)
Fair value adjustments		22,182	-
		134,941	101,790

*US\$105,820,858

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

Notes to the Financial Statements

For the year ended 30 June 2013

Note 19. Loans and Borrowings (continued)

19 (b) Terms and debt repayments schedule

Terms and conditions of outstanding loans were as follows:

Name	Currency	Nominal interest rate	Year of maturity	Jun-13	Jun-12
				Carrying amount	Carrying amount
Secured bank loans	AUD	BBR + 4.5%	2015	36,000	44,000
Secured bank loans	AUD	BBR + 4.5%	2015	99,867	77,867
Secured bank loans	AUD	BBR + 4.5%	2014	7,267	-
Secured bank loans	USD	LIBOR + 4.5%	2016	7,338	-
Secured bank loans	USD	LIBOR + 1.65%	2022	23,473	23,710
Secured bank loans	USD	LIBOR + 3.5%	2017	60,234	41,456
Secured bank loans	USD	LIBOR + 2.6%	2016	24,534	27,450
Secured bank loans	USD	1.88%	2024	19,169	17,949
Secured bank loans	AUD	BBR + 2.5%	2014	8,000	-
Secured bank loans	USD	2.81% - 4.95%	2014	2,116	1,124
Secured bank loans	USD	2.10%	2013	-	1,512
Trade Asset finance	AUD	3.15% - 8.85%	2018	3,382	396
Hire purchase liability	USD	7.05%	2028	21,380	6
Convertible notes	USD	2-5%	2016	134,941	101,790
Other related parties	USD	13.50%	2014	6,858	12,130
				454,559	349,390

The secured bank loans are secured over property, plant and equipment with a carrying value of \$432,707,893 (2012:\$394,123,649) detailed in Note 15.

The Group obtained a waiver from its bank, Standard Chartered Bank (SCB) in June 2013, that all covenants were not required to be measured and tested for compliance at 30 June 2013, and will be next tested for compliance on 30 June 2014.

Notes to the Financial Statements
For the year ended 30 June 2013

Note 20. Provisions

	Consolidated	
	Jun-13	Jun-12
	\$'000	\$'000
Current		
Employee entitlements	1,134	1,567
	1,134	1,567
Non Current		
Employee entitlements	148	90
	148	90
Total provisions	1,282	1,657

(a) Movement in provisions

Employee entitlements		
At the beginning of the year	1,657	1,875
Arising during the year	434	1,004
Amounts transferred	91	(179)
Amounts used	(900)	(1,043)
Balance at end of the year	1,282	1,657

(a) Nature and timing of provisions

Provisions for employee entitlements

A provision has been recognised for employee entitlements related to annual and long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been included in note 2.

Notes to the Financial Statements
For the year ended 30 June 2013

Note 21. Issued Capital

	Consolidated	
	Jun-13	Jun-12
	\$'000	\$'000
Ordinary shares		
At beginning of reporting period	57,618	57,618
Shares issued during the year	-	-
At the end of reporting period	57,618	57,618
Convertible redeemable preference shares		
At beginning of reporting period	29,249	-
Shares issued during the year		29,249
At the end of reporting period	29,249	29,249
Total issued capital	86,867	86,867

The company has authorised share capital amounting to 3,080,000 (2012: 3,080,000) ordinary shares issued and fully paid.

Movements in ordinary shares:

	Jun-13	Jun-12
	Number	Number
At the beginning of reporting period	3,080,000	3,080,000
Shares issued during year	-	-
At the end of reporting period	3,080,000	3,080,000

Movements in convertible redeemable preference shares:

	Jun-13	Jun-12
	Number	Number
At the beginning of reporting period	29,249,104	-
Shares issued during year	-	29,249,104
At the end of reporting period	29,249,104	29,249,104

Terms and Conditions

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

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

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

Notes to the Financial Statements
For the year ended 30 June 2013

Note 22. Reserves

	Consolidated	
	Jun-13	Jun-12
	\$'000	\$'000
Land revaluation reserve	22,405	33,100
Foreign currency translation and other reserves	(12,527)	(18,645)
	9,878	14,455

Note 23. Retained Earnings

	Consolidated	
	Jun-13	Jun-12
	\$'000	\$'000
Retained earnings at the beginning of the year	5,276	39,328
Net profit/(loss)	(53,056)	1,006
Total available for appropriation	(47,780)	40,334
Dividends paid	(52)	(35,058)
Balance at the end of the year	(47,832)	5,276

Notes to the Financial Statements
For the year ended 30 June 2013

Note 24. Cash Flow Statement Reconciliation

	Consolidated	
	Jun-13	Jun-12
	\$'000	\$'000
Reconciliation of net profit after tax to net cash flows from operations:		
Profit/(loss) after tax	(53,160)	841
Non cash flows in profit:		
Depreciation & amortisation	16,855	16,778
Non controlling interest	104	164
Bad and doubtful debts	1,813	-
Net (gain)/loss on disposal of property, plant and equipment	(1,419)	12,593
Net (gain)/loss on disposal of investments	-	(1,843)
Net (gain)/loss on commodity swap	208	(291)
Change in fair value of inventories and biological assets	(772)	(3,149)
Impairment losses on plant & equipment	4,261	-
Impairment losses on investments	10,382	388
Impairment losses on intangibles	1,506	-
Change in fair value of freehold land	3,989	-
Interest expense - convertible notes	22,182	-
 (b) Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
Change in trade and other receivables	(22,122)	6,110
Change in inventories and biological assets	29,416	(19,188)
Change in other current assets	(1,971)	3,143
Change in income tax receivable	-	(1,699)
Change in net deferred tax assets/liabilities, net of tax effect on asset revaluation reserve	(28,072)	(3,519)
Change in trade and other payables	147	21,806
Change in provisions	(375)	(218)
	(17,028)	31,916

Notes to the Financial Statements
For the year ended 30 June 2013

Note 25. Parent Entity

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

	Parent	
	Jun-13	Jun-12
	\$'000	\$'000
Current assets	251,188	242,439
Non current assets	114,458	101,375
Total Assets	365,646	343,814
Current liabilities	55,665	42,908
Non current liabilities	271,840	216,254
Total liabilities	327,505	259,162
Net Assets	38,141	84,652
Issued capital	86,867	86,867
Retained earnings	(48,726)	(2,215)
Total Equity	38,141	84,652

Note 26. Related party transactions

Transactions between related parties are all done on an arms-length basis at normal terms and conditions.

Note 27. Subsequent Events

In September 2013, the Group successfully obtained additional funding from Standard Chartered Bank (SCB). The funding was in form of additional working capital to expand its committed markets strategy and trade finance facilities.

Also in September 2013, a Deed of Variation to the Standard Chartered Private Equity (SCPE) Convertible Note agreement was agreed and executed by the Group, amending the terms of original agreement with respect to conversion events.

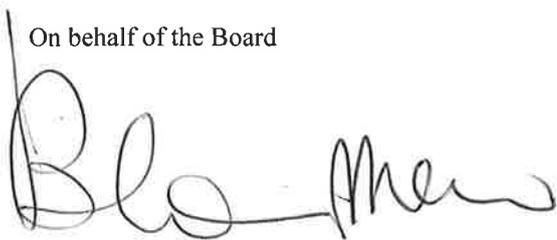
Directors' Declaration

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

In the opinion of the directors:

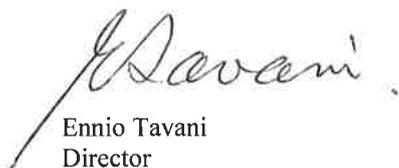
- (a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and its performance for the year ended on that date; and
 - (ii) Complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations regulations 2001.
- (b) There are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.
- (c) In accordance with the Corporations Act 2011, directors have resolved to early adopt Accounting Standards AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.

On behalf of the Board



Mauro Balzarini
Director

Perth
29 November 2013



Ennio Tavani
Director

Perth
29 November 2013

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

Report on the financial report

We have audited the accompanying financial report of Wellard Group Holdings Pty Ltd, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

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

- (a) giving a true and fair view of the financial position of the consolidated entity at 30 June 2013 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young



G Lotter
Partner
29 November 2013