Ex MWG Ltd (Subject to Deed of Company Arrangement)

(Formerly known as McWilliam's Wines Group Ltd)

ABN 36 000 024 108

Annual Report - 30 June 2020

Ex MWG Ltd (Subject to Deed of Company Arrangement)
(Formerly known as McWilliam's Wines Group Ltd)
Directors' report
30 June 2020

The External Administrators present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Ex MWG Ltd (Subject to Deed of Company Arrangement) (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

Appointment of External Administrators
On 8 January 2020, the Directors of the Company at the time appointed External Administrators with the objective of orderly disposing of the assets of the consolidated entity and settlement of liabilities. As a result, the accompanying financial statements for the year ended 30 June 2020 have been prepared on a liquidation basis. Refer to note 1 of the notes to the financial statements for further information.

External Administrators and Directors
The following persons were External Administrators and Directors of Ex MWG Ltd (Subject to Deed of Company Arrangement) during the whole of the financial year and up to the date of this report, unless otherwise stated:
External Administrators:

Timothy David Mableson	Appointed on 8 January 2020
Gayle Dickerson	Appointed on 8 January 2020
Ryan Reginald Eagle	Appointed on 8 January 2020

Directors:

Dr Lisa Anne Ashton	
Jeffrey Paul McWilliam	Appointed on 31 December 2019
James Frederick Brayne	Resigned on 10 May 2022
Karen McWilliam	Resigned on 24 December 2019
Peter John Fogarty	Resigned on 13 December 2019

Principal activities
The principal activities of the consolidated entity consisted of the production, importation, distribution and marketing of wines and liqueurs.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Significant changes in the state of affairs
On 1 July 2019, 6,254,064 ordinary shares valued at $2,627,000 were issued pursuant to the conversion of shareholder loan notes.

On 20 December 2019, the Company sold its residual interest in Margaret River Wine Production Pty Ltd ('MRWP') to Valley Vino Pty Ltd (a related party and an associated vehicle of Laguna Bay, a major shareholder of MRWP) for $5,481,000. As a consequence of the sale of shares in MRWP, MRWP as a secured creditor of the Company called in its loan (including interest accrued) of $4,011,000. This debt was extinguished on 20 December 2019.

The Board entered into an unconditional offer from Cashflow Finance Australia Pty Limited in respect of a trade receivables funding package, replacing the existing $12 million AssetSecure facility on overall better terms than the AssetSecure arrangements.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $43,448,000 (30 June 2019: $19,905,000).

The loss for the year was impacted by the impairment of assets and other provisions of $21,756,000 recorded during the year ended 30 June 2020. In view of the liquidation basis of accounting, the assets are recorded at their estimated realisable values and liabilities are recorded at estimated settlement amounts. As a result, additional provisions towards inventory write-down, lease commitments and other claims were recorded during the year.

The consolidated entity operated its business as a going concern during the year ended 30 June 2020, but from 8 January 2020, under external administration. By its very nature, the appointment of External Administrators creates uncertainty regarding operations, employment and the realisable value of assets which were put to market in an open sale campaign.

Matters subsequent to the end of the financial year
The assets held for sale along with any associated liabilities were subsequently disposed of in May 2021. The disposal proceeds with a gross consideration of $46.2 million. Refer to note 11 of the notes to the financial statements for further details.

External Administrators' reporting to creditors and shareholders was either lodged with Australian Securities and Investments Commission ('ASIC') or appears on KPMG's website https://home.kpmg/au/en/home/creditors/mcwilliams-wines-group.html and are therefore publicly available.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations
Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation
The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on External Administrators

Name:	Timothy Mableson
Title:	External Administrator
Qualifications:	CA, B.Com.
Experience and expertise:	More than 25 years' experience in corporate advisory, insolvency, restructuring and turnaround situations, in particular the wine industry

Name:	Gayle Dickerson
Title:	External Administrator
Qualifications:	CA, BA (hons).
Experience and expertise:	More than 20 years' of experience in both the UK and Australia in corporate turnaround, insolvency, restructuring and turnaround advisory

Name:	Ryan Eagle
Title:	External Administrator
Qualifications:	CA, B.Com.
Experience and expertise:	More than 20 years' experience in corporate restructuring, turnaround, distressed and special situation advisory and insolvency services

Company secretary
Erin McMullen was appointed the company secretary on 31 December 2019.

Jessica Jay (of Boardroom Pty Limited) was appointed the company secretary on 9 May 2019 and resigned on 24 December 2019.

Meetings of External Administrators and Directors
The number of meetings of the External Administrators and Company's Board of Directors ('the Board') held during the year ended 30 June 2020, and the number of meetings attended by each External Administrator and Director were:

	Attended	Held
External Administrator		
Timothy David Mableson	6	6
Gayle Dickerson	6	6
Ryan Reginald Eagle	-	6

	Full Board	
	Attended	Held
Directors		
Dr Lisa Anne Ashton	14	14
Jeffrey Paul McWilliam	9	9
James Frederick Brayne	14	14
Karen McWilliam	5	5
Peter John Fogarty	5	5

Held: represents the number of meetings held during the time the External Administrator and Director held office.

Shares under option
There were no unissued ordinary shares of Ex MWG Ltd (Subject to Deed of Company Arrangement) under option outstanding at the date of this report.

Shares issued on the exercise of options
There were no ordinary shares of Ex MWG Ltd (Subject to Deed of Company Arrangement) issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

Indemnity and insurance of officers
The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

Rounding of amounts
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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 immediately after this Directors' report.

Ex MWG Ltd (Subject to Deed of Company Arrangement)
(Formerly known as McWilliam's Wines Group Ltd)
Directors' report
30 June 2020

This report pursuant to section 298(2)(a) of the Corporations Act 2001 (Cth) is made in accordance with a resolution of the Deed Administrators, pursuant to the Deed of Company Arrangement, Sections 437A and 444A(5) of the Corporations Act 2001 (Cth) and Schedule 8A of the Corporations Regulations 2001 (Cth).

On behalf of the Directors

Timothy David Mableson
Joint and Several Deed Administrator

28 February 2023

Auditor's independence declaration

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Grant Thornton

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Auditor’s Independence Declaration

To the Deed Administrators of EX-MWG Ltd (Subject to Deed of Company Arrangement)
(Formerly known as McWilliam’s Wines Group Ltd)

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of EX-MWG Ltd for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

P J Woodley
Partner – Audit & Assurance

Sydney, 28 February 2023

www.grantthornton.com.au
ACN-130 913 594

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General information

The financial statements cover Ex MWG Ltd (Subject to Deed of Company Arrangement) as a consolidated entity consisting of Ex MWG Ltd (Subject to Deed of Company Arrangement) (the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the financial year (collectively referred to as the 'consolidated entity'). The financial statements are presented in Australian dollars, which is Ex MWG Ltd's (Subject to Deed of Company Arrangement) functional and presentation currency.

Ex MWG Ltd (Subject to Deed of Company Arrangement) ('Company') is an unlisted public company limited by shares.

The financial statements were authorised for issue by the Deed Administrators on 28 February 2023. So long as the Deed of Company Arrangement for the Company remains in effect, the Deed Administrators have the power to amend and reissue the financial statements, otherwise, the power will sit with the Directors.

The financial statements have been prepared on a liquidation basis of accounting as described in note 2 of the financial report.

Ex MWG Ltd (Subject to Deed of Company Arrangement)
(Formerly known as McWilliam's Wines Group Ltd)
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

	Note	Consolidated 2020 $'000	2019 $'000
Revenue			
Sale of goods	4	66,496	70,824
Cost of sales		(56,752)	(58,304)
Gross profit		9,744	12,520
Other income	5	1,390	1,904
Interest revenue calculated using the effective interest method		3	115
Expenses			
Growing costs		(4,283)	(4,752)
Distribution and marketing expenses		(12,129)	(20,934)
Occupancy and administration expenses		(11,930)	(5,870)
Finance costs		(1,817)	(2,888)
Loss on disposal of investments	10	(2,670)	-
Operating loss		(21,692)	(19,905)
Impairment and other provisions	1	(21,756)	-
Loss before income tax expense		(43,448)	(19,905)
Income tax expense		-	-
Loss after income tax expense for the year attributable to the owners of EX-MWG Ltd (Under External Administration)		(43,448)	(19,905)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial loss on defined benefit plans, net of tax		-	(18)
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges transferred to profit or loss, net of tax		(5)	38
Other comprehensive income for the year, net of tax		(5)	20
Total comprehensive income for the year attributable to the owners of EX-MWG Ltd (Under External Administration)		(43,453)	(19,885)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Ex MWG Ltd (Subject to Deed of Company Arrangement)
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Statement of financial position
As at 30 June 2020

	Note	Consolidated 2020 $'000	2019 $'000
Assets			
Current assets			
Cash and cash equivalents	7	6,872	501
Trade and other receivables	8	9,198	12,483
Inventories	9	8,737	30,774
Derivative financial instruments		-	16
		24,807	43,774
Non-current assets classified as held for sale	11	31,171	-
Total current assets		55,978	43,774
Non-current assets			
Inventories	9	-	5,241
Investment in financial assets at fair value through other profit or loss	10	16	8,167
Property, plant and equipment	12	-	27,912
Total non-current assets		16	41,320
Total assets		55,994	85,094
Liabilities			
Current liabilities			
Trade and other payables	13	33,019	16,877
Contract liabilities		143	332
Employee benefits		1,124	1,140
Provisions	14	12,836	1,220
Borrowings	16	11,492	17,641
Total current liabilities		58,614	37,210
Non-current liabilities			
Employee benefits		192	289
Provisions	14	-	3,437
Retirement benefit obligations	15	-	69
Borrowings	16	-	6,075
Total non-current liabilities		192	9,870
Total liabilities		58,806	47,080
Net (liabilities)/assets		(2,812)	38,014
Equity			
Issued capital	17	56,742	54,115
Reserves	18	37	42
Accumulated losses		(59,591)	(16,143)
Total (deficiency)/equity		(2,812)	38,014

The above statement of financial position should be read in conjunction with the accompanying notes

Ex MWG Ltd (Subject to Deed of Company Arrangement)
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Statement of changes in equity
For the year ended 30 June 2020

Consolidated	Issued capital $'000	Reserves $'000	Retained profits/ (accumulated losses) $'000	Total equity $'000
Balance at 1 July 2018	53,622	4	3,780	57,406
Loss after income tax expense for the year	-	-	(19,905)	(19,905)
Other comprehensive income for the year, net of tax	-	38	(18)	20
Total comprehensive income for the year	-	38	(19,923)	(19,885)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 17)	493	-	-	493
Balance at 30 June 2019	54,115	42	(16,143)	38,014

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total deficiency in equity $'000
Balance at 1 July 2019	54,115	42	(16,143)	38,014
Loss after income tax expense for the year	-	-	(43,448)	(43,448)
Other comprehensive income for the year, net of tax	-	(5)	-	(5)
Total comprehensive income for the year	-	(5)	(43,448)	(43,453)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 17)	2,627	-	-	2,627
Balance at 30 June 2020	56,742	37	(59,591)	(2,812)

The above statement of changes in equity should be read in conjunction with the accompanying notes

Ex MWG Ltd (Subject to Deed of Company Arrangement)
(Formerly known as McWilliam's Wines Group Ltd)
Statement of cash flows
For the year ended 30 June 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Cash flows from operating activities			
Receipts from customers		76,242	95,349
Payments to suppliers and employees		(64,670)	(104,282)
Interest received		3	115
Other income		1,340	1,756
Interest and other finance costs paid		(1,806)	(2,084)
Net cash from/(used in) operating activities		11,109	(9,146)
Cash flows from investing activities			
Payments for property, plant and equipment	12	(936)	(1,053)
Proceeds from disposal of investments in associates Proceeds		-	3,926
from disposal of property, plant and equipment Proceeds from		314	120
disposal of investments in convertible notes Proceeds from		-	5,776
disposal of investments	10	5,481	-
Net cash from investing activities		4,859	8,769
Cash flows from financing activities			
Proceeds from issue of shares	17	-	302
Share issue transaction costs		-	(275)
Proceeds from borrowings		6,500	5,919
Repayment of borrowings		(16,097)	(5,422)
Net cash (used in)/from financing activities		(9,597)	524
Net increase in cash and cash equivalents		6,371	147
Cash and cash equivalents at the beginning of the financial year		501	354
Cash and cash equivalents at the end of the financial year	7	6,872	501

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Appointment of external administrators and liquidation of the consolidated entity

On 8 January 2020, the Directors of the Company at the time appointed External Administrators with the objective of orderly disposing the assets of the consolidated entity and settlement of liabilities. As a result, the financial statements for the year ended 30 June 2020 have been prepared on a liquidation basis.

Under the liquidation basis of accounting, assets are written down to their estimated net realisable value (where relevant) and liabilities are stated at their estimated settlement amounts and relevant estimates are reviewed and adjusted as appropriate.

As a result, the consolidated entity has adjusted its assets and liabilities as follows:
- Impairment of inventory of $10,828,000 recognised to reduce inventory to net realisable value;
- Provision for lease commitments of $8,683,000 recognised in relation to onerous lease contracts; and
- Recognised other liabilities of $2,245,000 relating to claims and payables.

Note 2. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases
In view of the liquidation basis of accounting, the consolidated entity has accounted for the outstanding lease obligation as onerous lease provisions as detailed below and in note 14.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities.

The financial statements can only be prepared on a going concern basis where there is neither the intention nor the need to liquidate the company or cease trading. If such an intention or need exists, the financial statements cannot be prepared on a going concern basis.

Accordingly, the Directors have determined that the going concern basis (as applied in previous years) is no longer appropriate and these financial statements have not been prepared on a going concern basis but have been prepared on a liquidation basis.

Liquidation basis of accounting
Under the liquidation basis of accounting, assets are written down to their estimated net realisable value (where relevant) and liabilities are stated at their estimated settlement amounts and relevant estimates are reviewed and adjusted as appropriate.

The principal accounting policies adopted are consistent with those of the previous financial year except for the changes specified above which related to the liquidation basis of accounting.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Note 2. Significant accounting policies (continued)

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 25.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of EX-MWG Ltd (Under External Administration) ('Company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. EX-MWG Ltd (Under External Administration) and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation
The financial statements are presented in Australian dollars, which is EX-MWG Ltd's (Under External Administration) functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Revenue recognition
The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Note 2. Significant accounting policies (continued)

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

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

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- when the deferred income tax asset or liability arises from the initial recognition of goodwill or 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 nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

EX-MWG Ltd (Under External Administration) (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Note 2. Significant accounting policies (continued)

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 48 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories
Inventories are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

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

Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Note 2. Significant accounting policies (continued)

Cash flow hedges
Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Non-current assets or disposal groups classified as held for sale
Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Note 2. Significant accounting policies (continued)

Impairment of financial assets
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Property, plant and equipment
Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	10-40 years
Leasehold improvements	10-13 years
Plant and equipment	3-40 years
Grape vines	4-100 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Biological Assets
Grapes are measured at their net market value at each reporting date.

Net increments or decrements in the market value of grapes are recognised as revenues or expenses in the statement of profit or loss, determined as the difference between the total market value of the grapes recognised at the beginning of the financial year and the total net market value of the grapes recognised as at the reporting date, less costs incurred during the financial year to acquire.

The net market value of grapes picked during the year and recognised as revenue is determined as the net market value of grapes immediately after picking less costs of picking.

Grape Vines are accounted for under AASB 116 Property, Plant and Equipment after amendments to AASB 141 Agriculture. These amendments distinguish bearer plants (i.e. grape vines), from other biological assets (i.e. grapes).

Impairment of non-financial assets
Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 2. Significant accounting policies (continued)

Trade and other payables
Trade and other payables represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Contract liabilities
Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high-quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Note 2. Significant accounting policies (continued)

Retirement benefit obligations
Employees of the consolidated entity are entitled to benefits from the consolidated entity's superannuation plan on retirement, disability or death. The consolidated entity has a defined benefit section and a defined contribution section within its plan. The defined benefit section provides defined lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from entities in the consolidated entity and the consolidated entity's legal or constructive obligation is limited to these contributions.

A liability or asset in respect of defined benefit superannuation plans is recognised in the statement of financial position, and is measured at the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised, in the period in which they occur, in other comprehensive income.

Past service costs are recognised immediately in profit or loss, unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time ('the vesting period'). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital
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.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 2. Significant accounting policies (continued)

Rounding of amounts
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Net realisable value of inventory
Inventories of finished goods, raw materials and stores and work in progress are valued at the lower of cost and estimated net realisable value. The period over which some wine inventories are converted from raw materials to finished goods can have a significant length of time. Net realisable value of inventory is determined using forecast demand and current market prices at the reporting date. Forecast demand and market prices can vary significantly over the holding period up to the likely date of sale therefore the consolidated entity relies on current market prices as the most reliable estimate of the net realisable value of inventory.

Restructuring provision
Although a restructuring provision is based on a detailed plan, the provision calculation includes several estimates and assumptions including the timing and cost of site closure, timing and cost of curtailment of operations and costs for incidental services such as legal, accounting and consulting. Estimates are also required of the final cost of property and site make-good.

Financial guarantee
Financial guarantee is measured at fair value for financial reporting purposes. In estimating the fair value of a liability, management has considered the exposure of liabilities when the guarantee is called upon and the probability of default (refer to note 22).

Note 4. Revenue

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated 2020 $'000	Consolidated 2019 $'000
Major product lines		
Bulk wine	12,060	8,431
Packaged wine	54,436	62,393
	66,496	70,824
Geographical regions		
Australia	62,588	60,984
Rest of the world	3,908	9,840
	66,496	70,824
Timing of revenue recognition		
Goods transferred at a point in time	66,496	70,824

Note 5. Other income

	Consolidated 2020 $'000	Consolidated 2019 $'000
Net foreign exchange gain	50	30
Net gain on disposal of property, plant and equipment	-	118
Other sundry income	1,340	1,756
Other income	1,390	1,904

Note 6. Expenses

	Consolidated 2020 $'000	Consolidated 2019 $'000
Loss before income tax includes the following specific expenses:		
Depreciation and amortisation expense		
Depreciation of property, plant and equipment	1,793	2,074
Finance costs		
Interest and finance charges paid/payable on borrowings	1,817	2,888
Net loss on disposal		
Net loss on disposal of property, plant and equipment	241	-
Leases		
Total rental expense relating to operating leases	2,236	3,774
Superannuation expense		
Defined contribution superannuation expense	981	1,021

Note 7. Cash and cash equivalents

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Current assets		
Cash at bank and on hand	6,872	501

Note 8. Trade and other receivables

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Current assets		
Trade receivables	8,535	10,444
Less: Allowance for expected credit losses	(170)	(23)
	8,365	10,421
Other receivables	833	2,062
	9,198	12,483

Allowance for expected credit losses
The consolidated entity has recognised a loss of $147,000 (2019: benefit of $296,000) in profit or loss in respect of the expected credit losses for the year ended 30 June 2020.

Note 9. Inventories

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Current assets		
Raw materials and stores	1,417	1,889
Work in progress	531	21,251
Finished goods	6,789	7,634
	8,737	30,774
Non-current assets		
Work in progress	-	5,241
	8,737	36,015

The cost of inventories recognised as an expense includes $10,828,000 (2019: $nil) in respect of write downs of inventory to net realisable value.

Note 10. Investment in financial assets at fair value through other profit or loss

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Non-current assets		
Investment in other financial assets	16	16
Investment in ordinary shares in Margaret River Wine Production Pty Ltd ('MRWP')	-	8,151
	16	8,167

On 20 December 2019, the Company sold its residual interest in MRWP to Valley Vino Pty Ltd (a related party and an associated vehicle of Laguna Bay, a major shareholder of MRWP) for $5,481,000. As a consequence of the sale of shares in MRWP, MRWP as a secured creditor of the Company called in its loan (including interest accrued) of $4,011,000. This debt was extinguished on 20 December 2019.

Refer to note 20 for further information on fair value measurement.

Note 11. Non-current assets classified as held for sale

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Current assets		
Land and buildings	19,924	-
Leasehold improvements	130	-
Plant and equipment	3,851	-
Capital projects in progress	133	-
Grape vines	2,505	-
Inventories work-in-progress	4,628	-
	31,171	-

Assets held for sale disclosed above and carried at lower of cost and net realisable value. The assets, along with any associated liabilities, were subsequently disposed of in May 2021. The disposal proceeds with a gross consideration of $46.2 million were higher than the carrying value disclosed above.

Note 12. Property, plant and equipment

	Consolidated 2020 $'000	Consolidated 2019 $'000
Non-current assets		
Land and buildings - at cost	-	40,200
Less: Accumulated depreciation	-	(19,348)
	-	20,852
Leasehold improvements - at cost	-	568
Less: Accumulated depreciation	-	(317)
	-	251
Plant and equipment - at cost	-	56,003
Less: Accumulated depreciation	-	(51,851)
	-	4,152
Capital projects in progress - at cost	-	21
Grape vines - at cost	-	3,015
Less: Accumulated depreciation	-	(379)
	-	2,636
	-	27,912

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

Consolidated	Freehold land and buildings $'000	Leasehold improvement $'000	Plant and equipment $'000	Capital projects in progress at cost $'000	Grape vines $'000	Total $'000
Balance at 1 July 2019	20,852	251	4,152	21	2,636	27,912
Additions	-	-	824	112	-	936
Classified as held for sale (note 11)	(19,924)	(130)	(3,851)	(133)	(2,505)	(26,543)
Disposals	(523)	-	(11)	-	-	(534)
Depreciation expense	(405)	(121)	(1,114)	-	(131)	(1,771)
Balance at 30 June 2020	-	-	-	-	-	-

Note 13. Trade and other payables

	Consolidated 2020 $'000	Consolidated 2019 $'000
Current liabilities		
Trade payables	32,732	16,174
Other payables	287	703
	33,019	16,877

Note 14. Provisions

	Consolidated 2020 $'000	Consolidated 2019 $'000
Current liabilities	12,836	899
Onerous leases	-	321
Restructuring provisions		
	12,836	1,220
Non-current liabilities	-	3,190
Onerous leases	-	247
Restructuring provisions		
	-	3,437
	12,836	4,657

Onerous leases
The provision represents the present value of the estimated costs, net of any sub-lease revenue, that will be incurred until the end of lease terms where the obligation is expected to exceed the economic benefit to be received.

Restructuring provisions
The provision represents the estimated costs to sell or terminate the business and other fundamental reorganisations that has a material effect on the consolidated entity. The provision is recognised once the detailed restructuring plan has been drawn up by management and communicated to the stakeholders and those affected by the plans.

Movements in provisions
Movements in each class of provision during the current financial year are set out below:

Consolidated - 2020	Onerous lease provisions $'000	Restructuring provisions $'000
Carrying amount at the start of the year	4,089	568
Additional provisions recognised	8,179	-
Transfers	568	(568)
Carrying amount at the end of the year	12,836	-

Note 15. Retirement benefit obligations

Superannuation plan
Employees of the consolidated entity are entitled to benefits from the consolidated entity's superannuation plan on retirement, disability or death. The consolidated entity has one plan with a defined benefit section and a defined contribution section. The defined benefit section provides lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from entities in the consolidated entity and the consolidated entity's legal or constructive obligation is limited to these contributions.

The following sets out details in respect of the defined benefit section only. The expense recognised in relation to the defined contribution plan is disclosed in note 6.

During the financial year, the retirement benefit plan was terminated with the underlying plan assets transferred to the beneficiaries. The impact of the termination is disclosed below.

Note 15. Retirement benefit obligations (continued)

Statement of financial position amounts
The amounts recognised in the statement of financial position are determined as follows:

	Consolidated 2020 $'000	2019 $'000
Non-current liabilities		
Present value of the defined benefit obligation	-	1,421
Fair value of defined benefit plan assets	-	(1,352)
Net liability in the statement of financial position	-	69

Amounts recognised in the statement of profit or loss and other comprehensive income
The amounts recognised in the statement of profit or loss and other comprehensive income are as follows:

	Consolidated 2020 $'000	2019 $'000
Defined benefit (gain)/expense recognised in profit or loss	(69)	92
Total amount recognised in profit or loss	(69)	92
Actuarial gains(net) due to experience adjustments	-	115
Actuarial loss due to change in financial assumptions	-	(133)
Total amount recognised in other comprehensive income	-	(18)

Note 16. Borrowings

	Consolidated 2020 $'000	2019 $'000
Current liabilities		
Receivables facility (a)	-	2,099
Gallo loans payable (b)	1,204	1,674
MRWP loan secured (c)	-	3,996
Loans from related parties - shareholder loan notes (d)	4,725	6,587
Interest owed to related parties - on shareholder loan notes (d)	2,988	3,167
Other short term loan (e)	2,500	-
Finance lease liability (f)	75	118
	11,492	17,641
Non-current liabilities		
Finance lease liability (f)	-	156
MRWP convertible loan notes (g)	-	5,919
	-	6,075
	11,492	23,716

Note 16. Borrowings (continued)

(a) During the current financial year, the consolidated entity entered into a facility with Cashflow Finance Australia Pty Limited in respect of a trade receivables funding package, replacing the previous $12 million with AssetSecure facility. The revised facility offered better terms than the AssetSecure arrangements. The outstanding loan balance was paid in January 2020 during the Voluntary Administration.

(b) The facility comprised of a $3.0 million loan note with E&J Gallo Winery ('Gallo'). This represents an external unsecured loan with interest payable at 12% per annum. The Company is repaying the loan balance in instalments. Gallo Loan includes outstanding accrued interest amounting to $37,000 (2019: $282,000). Gallo loan, including outstanding interest, was paid subsequent to the reporting date in November 2020.

(c) On 9 June 2017, the Company entered into a 3-year loan agreement with Margaret River Wine Production ('MRWP'), secured by a first ranking fixed and floating charge and mortgage over all of the Company's assets. The Company has repaid the loan on 20 December 2019, and all obligations fully satisfied.

(d) Shareholder loan notes are unsecured with variable interest payable at the rate of 8.83% per annum. As per the agreement with other lenders, the Company must not, without the consent of MRWP, pay to the loan note holders any amount (including principal or interest) in connection with the loan notes. The loan notes were originally due for repayment on 30 September 2015. In January 2019, a majority of loan note holders signed a subordination agreement which acknowledged subordination of this debt behind the MRWP loan and convertible notes. However, approximately 17% by value did not agree to subordination.

On 1 July 2019, shareholder loan notes (including accrued interest) valued at $2,627,000 were converted into equity by the issue of 6,265,064 ordinary shares. The outstanding shareholder loan, along with accrued interest, is expected to be partly settled in the future from the net proceeds of the liquidation assets.

(e) During the financial year, a short-term loan was entered into with Gordon Brothers. The loan was secured by a first-ranking fixed and floating charge registered on the Personal Property Securities Register ('PPSR'). The interest rate was 12% per annum. The initial value of the loan was $6.5 million, which was used to pay MRWP convertible loan notes. The short-term loan was subsequently paid down from cash on hand in the administration, and the amount outstanding as at 30 June 2020 was $2.5 million. This facility can be drawn back to its full limit of $6.5 million as required by the administrators.

(f) Finance lease liabilities relate to the fit out of the Pyrmont office. The finance lease facility was fully repayable by 31 December 2020. The weighted average effective interest rate is 7% (2019: 7%).

(g) MRWP convertible loan notes were secured with interest payable at the rate of 7.5%. The loan notes were secured by a first-ranking fixed and floating charge and mortgage over the Company's assets. The loan notes were fully settled in February 2020.

Note 17. Issued capital

	Consolidated			
	2020 Shares	**2019 Shares**	**2020 $'000**	**2019 $'000**
Ordinary shares - fully paid	67,533,705	61,268,641	56,742	54,115

Note 17. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	$'000
Balance	1 July 2018	59,438,103	53,622
Issue of shares		720,000	302
Issue of shares on conversion of loan notes		1,110,538	466
Share issue cost, net of tax		-	(275)
Balance	30 June 2019	61,268,641	54,115
Conversion of shareholder loan notes	1 July 2019	6,265,064	2,627
Balance	30 June 2020	67,533,705	56,742

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 18. Reserves

	Consolidated	
	2020 $'000	2019 $'000
Cash flow hedging reserve	37	42

Hedging reserve - cash flow hedges
The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge. The cumulative deferred gain or loss on the hedging instrument is reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Cash flow hedge $'000
Balance at 1 July 2018	4
Forward foreign exchange contracts	38
Balance at 30 June 2019	42
Forward foreign exchange contracts	(5)
Balance at 30 June 2020	37

Note 19. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 20. Fair value measurement

Fair value hierarchy
The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investment in financial assets at fair value through other profit or loss	-	-	16	16
Assets classified as held for sale	-	-	31,171	31,171
Total assets	-	-	31,187	31,187

Consolidated - 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivatives - forward foreign exchange contracts	-	16	-	16
Investment in financial assets at fair value through other profit or loss	-	-	8,167	8,167
Total assets	-	16	8,167	8,183

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Fair value of financial instruments
Valuation techniques and assumptions applied for the purposes of measuring fair value:

Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The assets held for sale are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty and own credit risk and third party offer to purchase.

Note 21. Key management personnel disclosures

Compensation
The aggregate compensation made to Directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2020 $	**2019 $**
Aggregate compensation	977,472	1,984,549

Note 22. Contingent liabilities

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Banker's undertaking	615	615

Note 23. Commitments

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	3,396
One to five years	-	8,304
More than five years	-	5,251
	-	16,951

Outstanding lease commitments as at 30 June 2020 are included in note 14 'Provisions' based on the estimated settlement of lease contracts.

Note 24. Related party transactions

Subsidiaries
Interests in subsidiaries are set out in note 26.

Key management personnel
Disclosures relating to key management personnel are set out in note 21.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2020	**2019**
	$	**$**
Sale of goods and services:		
Sale of goods to associate	503,152	13,502,341
Payment for goods and services:		
Purchase of goods from associate	425,752	10,048,944
Purchase of goods from shareholder	-	2,715,436
Purchase of goods from other related party	-	246,618

Note 24. Related party transactions (continued)

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2020 **$**	**2019** **$**
Current receivables:		
Trade receivables from associate	217,150	246,084
Current payables:		
Trade payables to associate	202,164	10,234,301
Trade payables to shareholder	-	10,546,273
Trade payables to other related party	-	11,000

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2020 **$**	**2019** **$**
Current borrowings:		
Shareholder loan notes (note 16)	4,725,000	6,586,700
Interest owed on shareholder loan notes (note 16)	2,987,907	3,166,680
MRWP loan secured - a director related entity and former associate (note 16)	-	3,995,841
MRWP convertible loan notes - a director related entity and former associate (note 16)	-	5,918,642

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 25. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2020 **$'000**	**2019** **$'000**
Loss after income tax	(43,448)	(19,905)
Total comprehensive income	(43,448)	(19,905)

Note 25. Parent entity information (continued)

Statement of financial position

	Parent 2020 $'000	Parent 2019 $'000
Total current assets	55,978	43,774
Total assets	55,994	85,094
Total current liabilities	58,614	37,210
Total liabilities	58,806	47,080
Equity		
Issued capital	56,742	54,115
Cash flow hedging reserve	37	42
Accumulated losses	(59,591)	(16,143)
Total (deficiency)/equity	(2,812)	38,014

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 and 30 June 2019.

Contingent liabilities
The parent entity has provided bank guarantees and undertakings amounting to $615,000 (2019: $615,000) as detailed in note 22.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 26. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %
Redvale Wines Pty Limited	Australia	100%	100%
Echelon Wine Partners Pty Limited	Australia	100%	100%
Hanwood Estate Pty Ltd	Australia	100%	100%
Mount Pleasant Wines Pty Limited	Australia	100%	100%
McWilliam’s of Yarra Pty Limited	Australia	100%	100%
Barwang International Pty Limited	Australia	100%	100%
MWG Europe Limited	United Kingdom	100%	100%
McWilliam’s Wines NZ Limited	New Zealand	100%	100%

Note 27. Events after the reporting period

The assets held for sale along with any associated liabilities were subsequently disposed of in May 2021. The disposal proceeds with a gross consideration of $46.2 million. Refer to note 11 of the notes to the financial statements for further details.

External Administrators' reporting to creditors and shareholders was either lodged with Australian Securities and Investments Commission ('ASIC') or appears on KPMG’s website https://home.kpmg/au/en/home/creditors/mcwilliams-wines-group.html and are therefore publicly available.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Ex MWG Ltd (Subject to Deed of Company Arrangement)
(Formerly known as McWilliam's Wines Group Ltd)
Deed Administrators' declaration
30 June 2020

In the Deed Administrators' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards - Reduced Disclosure Requirements, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

- the Company is not a going concern as explained in note 1 of the notes to the financial statements.

Signed in accordance with a resolution of the Deed Administrators.

On behalf of the Deed Administrators

Timothy David Mableson
Joint & Several Deed Administrator

28 February 2023

Grant Thornton

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Independent Auditor's Report

To the Members of EX-MWG Ltd (Subject to Deed of Company Arrangement) (Formerly known as McWilliam's Wines Group Ltd)

Report on the audit of the financial report

Disclaimer opinion

We were engaged to audit the financial report of EX-MWG Ltd (the Company) (subject to Deed of Company Arrangement and formerly known as McWilliam's Wines Group Ltd) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Deed Administrators' declaration.

We do not express an opinion on the accompanying financial report of the Group. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on this financial report.

Basis for disclaimer of opinion

The financial report for the year ended 30 June 2019 has not been audited, and we were unable to obtain sufficient appropriate audit evidence for the amounts included in the opening balances at 1 July 2019. As opening balances enter into the determination of financial performance and cash flows, we were unable to determine the effect of such adjustments, if any, as might have been determined to be necessary had this limitation in scope not existed.

Additionally, we were formerly appointed as auditors of the Group on 28 February 2023 and thus did not observe the counting of the physical inventories at 30 June 2020. We were unable to determine the effect of such adjustments, if any, as might have been determined to be necessary had these limitations in scope not existed.

Due to the sale of the business subsequent to year end, the Group has inadequate books and records and hence we were unable to obtain sufficient appropriate audit evidence in regards to account balances and transactions in the audit period. Accordingly, we were unable to determine whether adjustments might have been necessary in respect of the financial performance, cash flows and financial position for the year to 30 June 2020, which prevents us from forming an opinion on the financial report taken as a whole.

Information other than the financial report and auditor's report thereon

The Deed Administrators are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Deed Administrators for the financial report

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

In preparing the financial report, the Deed Administrators are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. As the Deed Administrator is in the process of winding up the Group, the liquidation basis of accounting has been adopted.

Auditor's responsibilities for the audit of the financial report

Our responsibility is to conduct an audit of the financial report in accordance with Australian Auditing Standards and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (Including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

P J Woodley
Partner – Audit & Assurance

Sydney, 28 February 2023

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