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19 October 2021

Circular to Creditors

Dear Creditors

Ex MWG Ltd (Formerly McWilliam's Wines Group Ltd) (Subject to Deed of Company Arrangement) ACN 000 024 108 (the Company)

We refer to the appointment of Tim Mableson, Ryan Eagle and myself, Gayle Dickerson, as Administrators of the Company and to our subsequent appointment as Deed Administrators, firstly on 3 August 2020 pursuant to the first deed of company arrangement (**Bidco DOCA**), and then secondly, pursuant to the current deed of company arrangement (**DOCA**) on 29 April 2021.

Since the Meeting of Creditors of Ex MWG Ltd (Subject to DOCA) (**Ex MWG**) and Ex MTP Pty Ltd (Subject to DOCA) (**Ex MTP**), held concurrently on 29 April 2021 and our Circular to Creditors dated 26 May 2021 (**Circular**), we would like to update you on the following items:

1. Payment of the Ex MWG Interim Dividend

On 28 September 2021, all unsecured creditors of Ex MWG were paid an interim dividend of \$0.60 cents in the dollar. The balance of the funds held in the Ex MWG administration bank account will be distributed via a final dividend, which we anticipate should be notified to creditors in mid to late November 2021 subject to the matters discussed below.

2. Updated Return to Creditors under the current Deed of Company Arrangement

All unsecured creditor claims, including trade creditors, statutory creditors, loan note holders and other contingent creditors, have now been adjudicated for dividend purposes. Additionally, all secured creditors, priority employee creditors and PMSI creditors have now been paid from funds held in the Ex MWG administration.

Given that we have been able to adjudicate and resolve all creditor (including contingent) claims and nearly finalise all trading matters in the Ex MWG administration, we are able to provide unsecured creditors with an updated estimated return to creditors as follows:

Ex MWG Ltd (Subject to DOCA) Estimated outcome statement as at 14-Oct-21		
\$000	Ex MWG Ltd	
Description	High	Low
Cash at Bank as at 13 October 2021	2,642	2,642
Final trading matters still to be finalised	350	295
Total cash at Bank	2,991	2,936
Less: ATO Adjustment (estimate to be determined at time of final dividend)	(300)	(450)
Less: Approved but unpaid Deed Administrators Fees	(210)	(230)
Less: Estimated and unpaid Legal Fees	(155)	(190)
Funds available to admitted unsecured creditors	2,326	2,066
Trade creditors	(11,052)	(11,052)
Loan Note Holders	(7,826)	(7,826)
Contingent	(16,961)	(16,961)
Total admitted unsecured creditor claims	(35,839)	(35,839)
Dividends Paid (cents in \$)		
Secured creditor - Paid	100.00	100.00
Priority creditors - Paid	100.00	100.00
Unsecured creditors – Paid on 1 October 2021	0.60	0.60
Estimated Final Dividend (cents in \$)		
Unsecured creditors – Unpaid Estimated Final Dividend	6.49c/\$	5.76c/\$

Note: the table above may include minor rounding errors

The range of return to creditors remains in line with the approximate mid-point of the range as outlined in our report to creditors dated 22 April 2021. Whilst the quantum of the final dividend is yet to be determined, the range per our updated EOS will be between a final dividend payment of between 5.76c/\$ and 6.49c/\$.

The above means unsecured creditors of Ex MWG will receive an overall return of between 65.76c/\$ in the EOS Low and 66.49c/\$ in the EOS High.

The explanation for the range being below the ERV High in the Report to Creditors is due to having finalised the adjudication of contingent creditor claims, whereas at the time of our Report to Creditors there was still uncertainty regarding the quantum of the contingent creditor claims leading to a large estimated range between the ERV Low and ERV high scenarios. The estimated range in our Report to Creditors was based on similar assumptions between the Calabria/Medich DOCA proposal and the De Bortoli DOCA proposal reflecting the construction of each proposal, which is consistent with the ultimate return (ie the ultimate return would not have been better had the De Bortoli DOCA proceeded in so far as the adjudication of contingent creditor claims is concerned).

Whilst we do not intend for confidentiality reasons to disclose individual contingent creditor positions admitted for dividend purposes, the majority of contingent creditor positions only crystallised once Calabria determined how they would continue operations, including with respect to certain property leases and key contracts. In the ERV High for both the Calabria/Medich DOCA and De Bortoli DOCA we assumed certain property leases and key contracts would be taken on, yet the ERV Low assumed they would not hence the large disparity in initial estimate relevant to both DOCA proposals. However, as counter party mitigation efforts have now occurred, the result is between our initial high and low estimate of contingent claims.

We note the estimated range of return to creditors does not reflect any recovery from any legal action discussed below, being a claim against the original deed proponent, MCW Bidco Pty Ltd, its related entities or any other person associated with it. Costs to pursue any such claims to a recovery via legal proceedings have also not been included.

Further, we note that the Deed Administrators' professional fees have been paid up to 10 September 2021 from funds on hand in the Deed Administration and the future fees from 13 September 2021 to 30 November 2021 reflected in the EOS table above of \$230,120 up to 30 November 2021 have been approved and fixed by the Committee of Inspection (**COI**) Members at the First Meeting of the COI for the current DOCA held on 24 September 2021 (**COI Meeting**). Legal fees have been paid up to 31 August 2021 and the majority of the remaining fees relate to a fixed quote for the assignment of the trademark records per the asset sale agreements.

3. Sale of the Company

As advised in our Circular, settlement of the Asset Sale Agreement with Calabria Family Wines Pty Ltd (**Calabria**) occurred on 12 May 2021 and settlement of the Land Sale Agreement with Medich occurred on 21 May 2021, which was later than the anticipated 30 April 2021 date stated in our Report to Creditors based on the proposals received. These delays were caused by Calabria arranging its funding, not by the Deed Administrators.

As a result of the delay to the settlements, the Deed Administrators were still in control of trading the Ex MWG business for an additional two weeks and Ex MTP for three weeks. Given the delay to the Calabria Land Sale Agreement, the Deed Administrators entered into a short-term lease agreement with Calabria until settlement of the Land Sale Agreement occurred for the period from 12 May 2021 to 25 May 2021 and received payment of rent from Calabria for their period of occupation.

The Deed Administrators are, with the assistance of their solicitors, still overseeing the assignment of the international trademark records to Calabria and Medich in line with the Asset Sale Agreements, but have otherwise completed all tasks associated with the sale.

4. Update on Legal action against Original Deed Proponent

In early July 2021, we became aware that a Creditor's Petition had been filed against Charles Hunting by Naturalena Brands (Pro) Pty Ltd (**Plaintiff**) on 24 March 2021 (Federal Court of Australia Proceedings VID142/2021). On Monday, 20 September 2021, the Court ruled in favour of the Plaintiff and declared Charles Hunting bankrupt.

Given the failure of the Original Deed Proponent to settle the Bidco DOCA, the Company and its creditors have incurred loss which we estimate to be a significant sum. Following discussion with the COI Members at the COI Meeting, we have issued letters of demand to the BidCo/PRCSTNT entities and have written to Charles Hunting's Bankruptcy Trustee to advise we will lodge a proof of debt in the Bankrupt Estate for the amount of the estimated loss. These are the actions which the COI Members approved we undertake for now in respect of the claim we purport to have against the Original Deed Proponent and related entities and individuals. These initial steps are not onerous, and the Deed Administrators will seek further feedback from the COI Members before commencing any legal proceedings against MCW Bidco Pty Ltd, Prstnt Asset Management Pty Ltd or any other associated person or entity related to the Bidco DOCA. Deed Administration and legal fee estimates in the table above do not include any costs incurred to prepare for and commence legal proceedings as this would require COI approval.

5. Update to finalisation of the current DOCA

Given all unsecured claims have been adjudicated, an interim dividend has been paid, and a final dividend should be notified to creditors in mid to late November 2021. We anticipate finalisation of the current DOCA could occur shortly thereafter once all dividend payments have cleared the administration bank account, subject to timing of finalisation of the assignment of all international trademark records and any further action that the COI Members may determine be taken in respect of the Original Deed Proponent and related parties as discussed above.

Should you have any queries please contact Nick Tideman of this office on (08) 8236 7239 or via email at mcwilliams@kpmg.com.au.

Yours faithfully,

Ex MWG Ltd (Subject to Deed of Company Arrangement)



Gayle Dickerson

Joint & Several Deed Administrator