McWilliam's Wines Group Ltd

ABN 36 000 024 108

Annual Report - 30 June 2019

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of McWilliam's Wines Group Ltd (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 2019.

Directors
The following persons were Directors of McWilliam's Wines Group Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

James Frederick Brayne	Chairman
Karen McWilliam	Appointed on 26 September 2018 and resigned on 24 December 2019 Previously alternate director to Greg Philip McWilliam (appointed on 11 July 2018 and resigned on 24 September 2018)
Dr Lisa Anne Ashton	Appointed on 25 January 2019
Peter John Fogarty	Appointed on 25 January 2019 and resigned on 13 December 2019
Scott James McWilliam	Resigned on 10 January 2019 Appointed as alternative director to Karen McWilliam (appointed on 15 January 2019)
Greg Philip McWilliam	Resigned on 24 September 2018
David Keith McWilliam	Resigned on 7 December 2018
Jeffrey Paul McWilliam	Resigned on 25 January 2019
Andrew David McWilliam	Resigned on 25 January 2019
Timothy McWilliam	Resigned on 25 January 2019

Principal activities
During the financial year the principal continuing 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.

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $19,905,000 (30 June 2018: $4,899,000).

Results summary
Financial year 2019 ('FY19') was a transition year for the consolidated entity as it navigated through trading and funding issues in the first half of FY19 and identified a path for turnaround. This included a change out of the management team and reset of the strategic direction. The revised strategy focuses on premiumisation of the redefined core product range, targeted export focus, a switch to a direct sales model and production efficiencies. Benefits of this new strategic focus are beginning to crystalize in FY20, however bottom line benefits are more likely in FY21.

Revenue from sale of goods amounted to $70,824,000 (2018: $87,030,000). The reduction in total revenues compared to FY18 included the impact of the disposal of Evans & Tate ('E&T') brand (to Margaret River Wine Production Pty Ltd) with sales reflected in FY18 of $3,186,000.

Underlying EBITDA
The consolidated entity uses underlying EBITDA as a measure of operating profitability of the business. Underlying EBITDA is calculated after adding back depreciation, amortisation and net interest expense to the profit or loss before tax (‘EBITDA’) after adjusting for significant items and changes in the fair value of assets and liabilities (‘Underlying EBITDA’). The Directors believe that Underlying EBITDA provides a better understanding of the consolidated entity’s financial performance and allows for a more relevant comparison of financial performance between financial periods, particularly when there have been significant assets sales.

	Consolidated 2019 $'000	Consolidated 2018 $'000
Loss before income tax	(19,905)	(4,769)
Add: Depreciation and amortisation	2,074	2,244
Add: Interest	2,888	2,995
EBITDA	(14,943)	470
Adjustments:		
Chullora non-operating impacts	4,048	357
Distributor settlement fee Canada	789	-
Guarantee fee income	(509)	-
Sale of water rights	-	(3,255)
Sale of Evans & Tate brand	-	(3,491)
Convertible notes revaluation	-	(4,336)
	(10,615)	(10,255)
Accounts payable erroneous payment	69	-
Portavin costs vs settlement claim	653	-
E&T service fee prior year adjustment	632	-
Funding transaction professional fees	355	-
Loss on sale of MRWP shares in January 2019	132	-
Underlying EBITDA	(8,774)	(10,255)

Underlying EBITDA is presented with reference to the Australian Securities and Investments Commission Regulatory Guide 230 'Disclosing non-IFRS financial information' ('RG 230') issued in December 2011.

The FY18 comparatives included a significant one-off E&T asset sale including associated fixed assets and inventory.

Marketing and operations update
FY19 was a challenging season climate wise across New South Wales. Vineyards with good water supply and under-vine mulching programs fared better. Including purchases, total Riverina tonnes delivered into Hanwood were up 11% year-on-year and premium regions i.e. Hilltops, Hunter were up 25% year-on-year.

Domestically, consumer driven branded premiumisation continues with table wines +$12 average selling price ('ASP') (+6.8% 9 litre equivalent('9LE') compared to the previous year) continuing to grow faster than those <$12 ASP where the Company has a disproportionate share of this segment within its portfolio. In line with our strategic plan however, we have seen solid growth in our portfolio within the $12-$16 ASP price tier as we look to 'premiumise' our offer for consumers. Currently, the consolidated entity's products $12-$16 ASP are +9.7% 9LE compared to FY18 (compared to the total category at +5.7% 9LE compared to FY18), driven by a strong and evolving new product development ('NPD') program to meet this consumer trend.

Internationally, the continued reduction in volumes of Australian wine consumed in the US Market combined with the slowing of volumes sold into China have proven challenging. The Company has now outlined a targeted approach (principally focused on China and Canada) as part of our strategic plan to re-focus our International operations in key growth markets.

As part of the strategic review the consolidated entity's Canadian business declined overall as a result of the close out of the Canadian relationship with Gallo (including a $789,000 termination payment) and the onboarding of Authentic Wine and Spirits (effective 1 July 2019).

The reduction in total revenues compared to FY18 included the impact of the disposal of E&T brand (to Margaret River Wine Production Pty Ltd) with sales reflected in FY18 of $3,186,000.

Anticipated savings from the Griffith bottling operations with a third-party contractor were not realised due to ongoing issues with production, since contract inception in October 2018. The two parties reached a settlement agreement in June 2019. The net impact of costs incurred due to these issues resulted in a net cost outlay of $653,000. Onsite production has since recommenced in October 2019 with the contractor bearing incremental freight costs caused by delays.

Further, due to interface issues and counterparty delays, the anticipated savings from satellite warehouse and third party logistics/distribution arrangement were not realised as expected within FY19. Full operation was effective from July 2019.

Advertising, promotion and other expenses have benefited from a reduction in spend in FY19 compared to FY18. Over and above, there has been headcount reduction, with total employee numbers reducing from approximately 140 to 125.

Further, the consolidated entity's former bottling site at Chullora (4 years on the 50 year 1974 lease) was impacted by a $876,000 annual increase in rent from 1 June 2019 which resulted in a $3,702,000 uplift in the onerous lease provision. A Facilities manager has been appointed to monitor and address ongoing and forward obligations.

Significant changes in the state of affairs

On 10 December 2018, the consolidated entity entered into a binding agreement with Margaret River Wine Production Pty Ltd ('MRWP') (the consolidated entity's trading partner and owner of the Evans & Tate business) and an institutional investor under which the consolidated entity:

(a) sold the majority of its interest in MRWP to an institutional investor (Laguna Bay Agricultural Fund) for approximately $9.6 million (consolidated entity's interest in MRWP which decreased from 30.38% interest (on a fully diluted basis) to 10.24% interest (on a fully diluted basis)); and
(b) received funds of approximately $6.2 million from MRWP by way of a subscription by MRWP for seven year secured convertible notes in the consolidated entity.

The funds the consolidated entity received under the transaction were used to repay debt and for working capital purposes.

As part of the recapitalisation, the unsecured loan note holders were offered an opportunity to convert their debt to equity at two future dates being 1 February 2019 and 1 July 2019. In February 2019, 1,110,538 ordinary shares valued at $466,000 were issued pursuant to the conversion of these loan notes. Refer section 'matters subsequent to the end of financial year' below for further details.

In addition, the consolidated entity has effected a range of executive personnel changes as part of a strategic review program and separately identified a series of profit initiatives under the new CEO, which it believes will deliver substantive bottom line outcomes. These have been implemented in the second half of FY19, with any meaningful impact expected in FY20.

Further, it is envisaged a range of governance changes at the Board level will take effect to streamline the decision-making function and operations going forward, as part of the overall restructure and business realignment.

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

Matters subsequent to the end of the financial year

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

The Board mandated Pendulum Capital Pty Ltd, a financial consultancy firm, to explore and facilitate financing options. This process is not finalised, however it has provided a funding source that the Board is currently exploring.

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.

The Board has 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.

The Board received a highly conditional offer from an institutional investor on 16 December 2019 in respect of a proposed sale and leaseback arrangement over various of the Company's vineyard interests. The Board is considering this proposal.

No other matter or circumstance has arisen since 30 June 2019 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 Directors

Name:	James Frederick Brayne
Title:	Chairman
Qualifications:	BAppSc Wine Science
Experience and expertise:	Board member from 1 July 2004. Member of Audit Committee and was appointed as Non-Executive Chairman on 24 August 2016.

Name:	Karen McWilliam
Title:	Non-Executive Director
Qualifications:	CA, B.Com
Experience and expertise:	Appointed to the Board as representative for Maxsons Pty Ltd on 26 September 2018. Appointed as Audit & Risk Committee Chair on 26 February 2019. Alternate director for Mr. Greg Phillip McWilliam (appointed 11 July 2018, resigned 24 September 2018). Resigned on 24 December 2019.

Name:	Dr Lisa Anne Ashton
Title:	Non-Executive Director
Qualifications:	PhD, MAppSc, BAppSc, GrDipEd
Experience and expertise:	Appointed a director on 25 January 2019. Representative for Rueith Pty Ltd.

Name:	Peter John Fogarty
Title:	Non-Executive Director
Qualifications:	LLB (UWA)
Experience and expertise:	Appointed to the Board on 25 January 2019. Representative for Margaret River Wine Production Pty Ltd. Resigned on 13 December 2019.

Name:	Scott James McWilliam
Title:	Alternate Director
Qualifications:	B.Sc, Grad dip Oenology, GAICD
Experience and expertise:	Appointed to the Board on 7 October 2015. Resigned effective 10 January 2019. Appointed as alternate director for Karen McWilliam on 15 January 2019.

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

The previous company secretaries were:
- Mark Wilson B.Com, ACMA, CPA, GAICD (appointed 23 May 2014 and resigned on 28 September 2018).
- Erin McMullen (of Boardroom Pty Limited) (appointed 28 September 2018 and resigned 9 May 2019).

Meetings of Directors
The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2019, and the number of meetings attended by each Director were:

	Full Board	
	Attended	Held
James Frederick Brayne	23	23
Karen McWilliam	18	20
Dr Lisa Anne Ashton	7	7
Peter John Fogarty	7	7
Scott James McWilliam	11	15
Greg Philip McWilliam	3	3
David Keith McWilliam	8	13
Jeffrey Paul McWilliam	14	16
Andrew David McWilliam	13	16
Timothy McWilliam	13	16

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

Shares under option
There were no unissued ordinary shares of McWilliam's Wines Group Ltd under option outstanding at the date of this report.

Shares issued on the exercise of options
There were no ordinary shares of McWilliam's Wines Group Ltd issued on the exercise of options during the year ended 30 June 2019 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.

Auditor
Deloitte continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

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James Frederick Brayne
Chairman

20 December 2019

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General information

The financial statements cover McWilliam's Wines Group Ltd as a consolidated entity consisting of McWilliam's Wines Group Ltd (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 McWilliam's Wines Group Ltd's functional and presentation currency.

McWilliam's Wines Group Ltd (‘Company’) is an unlisted public company limited by shares.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 20 December 2019. The Directors have the power to amend and reissue the financial statements.

McWilliam's Wines Group Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 $'000	2018 $'000
Revenue			
Sale of goods	4	70,824	87,030
Cost of sales		(58,304)	(70,691)
Gross profit		12,520	16,339
Other income	5	1,904	12,763
Interest revenue calculated using the effective interest method		115	74
Changes in fair value of convertible notes		-	4,336
Expenses			
Growing costs		(4,752)	(4,841)
Distribution and marketing expenses		(20,934)	(21,846)
Occupancy and administration expenses		(5,870)	(8,599)
Finance costs		(2,888)	(2,995)
Loss before income tax expense		(19,905)	(4,769)
Income tax expense	7	-	(130)
Loss after income tax expense for the year attributable to the owners of McWilliam's Wines Group Ltd		(19,905)	(4,899)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain on defined benefit plans, net of tax		-	95
Actuarial loss on defined benefit plans, net of tax		(18)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss		-	(29)
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges transferred to profit or loss, net of tax		38	(40)
Income tax relating to items that may be reclassified subsequently to profit or loss		-	12
Other comprehensive income for the year, net of tax		20	38
Total comprehensive income for the year attributable to the owners of McWilliam's Wines Group Ltd		(19,885)	(4,861)

Refer to note 3 for detailed information on Restatement of comparatives.

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

McWilliam's Wines Group Ltd
Statement of financial position
As at 30 June 2019

	Note	Consolidated 2019 $'000	2018 $'000
Assets			
Current assets			
Cash and cash equivalents	8	501	354
Trade and other receivables	9	12,483	18,404
Inventories	10	30,774	34,513
Derivative financial instruments	13	16	6
Total current assets		43,774	53,277
Non-current assets			
Inventories	10	5,241	4,783
Investments accounted for using the equity method	11	-	12,082
Investment in financial assets at fair value through other profit or loss	12	8,167	5,787
Property, plant and equipment	14	27,912	28,935
Total non-current assets		41,320	51,587
Total assets		85,094	104,864
Liabilities			
Current liabilities			
Trade and other payables	15	16,877	21,531
Contract liabilities		332	108
Employee benefits		1,140	1,404
Provisions	16	1,220	430
Borrowings	18	17,641	22,610
Total current liabilities		37,210	46,083
Non-current liabilities			
Employee benefits		289	330
Provisions	16	3,437	743
Retirement benefit obligations	17	69	31
Borrowings	18	6,075	271
Total non-current liabilities		9,870	1,375
Total liabilities		47,080	47,458
Net assets		38,014	57,406
Equity			
Issued capital	19	54,115	53,622
Reserves	20	42	4
(Accumulated losses)/retained profits		(16,143)	3,780
Total equity		38,014	57,406

Refer to note 3 for detailed information on Restatement of comparatives.

McWilliam's Wines Group Ltd
Statement of changes in equity
For the year ended 30 June 2019

Consolidated	**Issued capital $'000**	**Reserves $'000**	**Retained profits $'000**	**Total equity $'000**
Balance at 1 July 2017	50,000	32	13,142	63,174
Adjustment for change in accounting policy (note 3)	-	-	(4,529)	(4,529)
Balance at 1 July 2017 - restated	50,000	32	8,613	58,645
Loss after income tax expense for the year	-	-	(4,899)	(4,899)
Other comprehensive income for the year, net of tax	-	(28)	66	38
Total comprehensive income for the year	-	(28)	(4,833)	(4,861)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 19)	3,622	-	-	3,622
Balance at 30 June 2018	53,622	4	3,780	57,406

Refer to note 3 for detailed information on Restatement of comparatives.

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 19)	493	-	-	493
Balance at 30 June 2019	54,115	42	(16,143)	38,014

McWilliam's Wines Group Ltd
Statement of cash flows
For the year ended 30 June 2019

	Note	Consolidated 2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		95,349	110,268
Payments to suppliers and employees		(104,282)	(111,435)
Interest received		115	74
Other income		1,756	-
Interest and other finance costs paid		(2,084)	(2,172)
Net cash used in operating activities		(9,146)	(3,265)
Cash flows from investing activities			
Payments for property, plant and equipment		(1,053)	(393)
Proceeds from disposal of investments in associates		3,926	-
Proceeds from disposal of property, plant and equipment		120	4,164
Proceeds from disposal of investments in convertible notes		5,776	-
Net cash from investing activities		8,769	3,771
Cash flows from financing activities			
Proceeds from issue of shares	19	302	3,072
Share issue transaction costs		(275)	-
Proceeds from borrowings		5,919	125,249
Repayment of borrowings		(5,422)	(129,243)
Net cash from/(used in) financing activities		524	(922)
Net increase/(decrease) in cash and cash equivalents		147	(416)
Cash and cash equivalents at the beginning of the financial year		354	770
Cash and cash equivalents at the end of the financial year	8	501	354

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

Note 1. 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 adopted during the year are most relevant to the consolidated entity:

AASB 9 Financial Instruments
The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers
The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Impact of adoption
The consolidated entity has adopted AASB 9 and AASB 15 for the financial year ended 30 June 2019. The Accounting Standards were adopted using the transitional rules that allow for comparatives not to be restated. The adoption of AASB 9 and AASB 15 did not result in any change to the opening net assets or the opening retained earnings as at 1 July 2018.

The adoption of these Accounting Standards and Interpretations resulted in the following disclosure changes:
- interest revenue is now shown separately on the face of the statement of profit or loss and other comprehensive income;
- deferred revenue liabilities are now classified as contract liabilities; and
- additional disclosures relating to disaggregation of revenue which is included in note 4.

Note 1. Significant accounting policies (continued)

Going concern
The consolidated financial report has been prepared on the basis that the consolidated entity is a going concern, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The consolidated entity generated a loss for the financial year ended 30 June 2019 of $19,905,000 (30 June 2018: $4,899,000) and a net operating cash outflow of $9,146,000 (30 June 2018: $3,265,000). Net current assets as at 30 June 2019 was $6,564,000 (2018: $7,194,000). These conditions give rise to a material uncertainty which may cast doubt over the consolidated entity's ability to continue as a going concern.

Notwithstanding the above, the directors have a reasonable expectation that the consolidated entity will continue to operate as a going concern for the following reasons:
- a detailed assessment of the operations has been completed resulting in significant non-recurring charges;
- the group structure has been rationalised, with personnel headcount reduction and efficiency processes implemented;
- the NPD initiative has been refined and the portfolio fit reconfigured to address the 3Year Strategic Plan;
- the Board has instigated a range of measures to address short-term liquidity concerns, including asset sales and funding lines, which are expected to complete on or before 20 December 2019 – the impact of which are envisaged to raise an incremental $9.5 million cash inflow;
- consideration of additional capital and/or asset sale initiatives in the medium term;
- 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;
- the Board has 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; and
- the Board received a highly conditional offer from an institutional investor on 16 December 2019 in respect of a proposed sale and leaseback arrangement over various of the Company’s vineyard interests. The Board is considering this proposal.

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.

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of certain financial assets and liabilities.

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 2.

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 27.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of McWilliam's Wines Group Ltd ('Company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. McWilliam's Wines Group Ltd 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.

Note 1. Significant accounting policies (continued)

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 McWilliam's Wines Group Ltd's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars 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.

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.

Note 1. Significant accounting policies (continued)

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.

McWilliam's Wines Group Ltd (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.

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.

Note 1. Significant accounting policies (continued)

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.

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.

Associates
Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

Note 1. Significant accounting policies (continued)

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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, it's 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.

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.

Note 1. Significant accounting policies (continued)

Leasehold improvements and plant and equipment under lease 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.

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 or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

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.

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.

Note 1. Significant accounting policies (continued)

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.

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.

Note 1. Significant accounting policies (continued)

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.

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 2. 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.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

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.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets
The consolidated entity assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

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 24).

Note 3. Restatement of comparatives

Correction of error
During the financial year, the consolidated entity undertook a strategic review of the entire business. As part of the review process the consolidated entity identified the following adjustments relating to the financial performance of the 30 June 2018 financial year:

- Stock provisioning - $1,451,000;
- Deficiency in retirement benefit plan assets - $357,000; and
- Write-off of Active International receivables - $341,000.

The impact of the above adjustments resulted in an increase in loss for the year ended 30 June 2018 by $2,149,000.

Change in accounting policy

Derecognition of capitalised borrowing costs to inventories
The consolidated entity historically valued inventory to include an allocation of borrowing cost to inventory. With effect from 1 July 2017, the consolidated entity changed its inventory valuation policy to exclude capitalisation of borrowing costs. The change was made as a result of a review of the portfolio of inventory as well as an alignment with industry practice.

As a result, inventory and net assets in the statement of financial position as at 1 July 2017 was reduced by $4,529,000 with a corresponding reduction in retained earnings as at that date.

The impact of the change in accounting policy on the 30 June 2018 operating results was a decrease in cost of sales by $4,529,000 and an increase in finance costs of $1,742,000, with a net decrease in the loss for the year ended 30 June 2018 of $2,787,000.

Note 3. Restatement of comparatives (continued)

The net impact of these changes on the 2018 statement of profit or loss is a $638,000 improvement.

Statement of profit or loss and other comprehensive income

	Consolidated		
Extract	**2018 $'000 Reported**	**$'000 Adjustment**	**2018 $'000 Restated**
Revenue			
Sale of goods	87,371	(341)	87,030
Cost of sales	(73,769)	3,078	(70,691)
Other income	12,837	(74)	12,763
Interest revenue calculated using the effective interest method	-	74	74
Expenses			
Occupancy and administration expenses	(8,242)	(357)	(8,599)
Finance costs	(1,253)	(1,742)	(2,995)
Loss before income tax expense	(5,407)	638	(4,769)
Income tax expense	(130)	-	(130)
Loss after income tax expense for the year attributable to the owners of McWilliam's Wines Group Ltd	(5,537)	638	(4,899)
Other comprehensive income for the year, net of tax	38	-	38
Total comprehensive income for the year attributable to the owners of McWilliam's Wines Group Ltd	(5,499)	638	(4,861)

Note 3. Restatement of comparatives (continued)

Statement of financial position at the end of the earliest comparative period

	Consolidated		
Extract	2018 $'000 Reported	$'000 Adjustment	2018 $'000 Restated
Assets			
Current assets			
Trade and other receivables	18,745	(341)	18,404
Inventories	37,506	(2,993)	34,513
Total current assets	56,611	(3,334)	53,277
Non-current assets			
Inventories	4,983	(200)	4,783
Other	326	(326)	-
Total non-current assets	52,113	(526)	51,587
Total assets	108,724	(3,860)	104,864
Liabilities			
Non-current liabilities			
Retirement benefit obligations	-	31	31
Total non-current liabilities	1,344	31	1,375
Total liabilities	47,427	31	47,458
Net assets	61,297	(3,891)	57,406
Equity			
Retained profits	7,671	(3,891)	3,780
Total equity	61,297	(3,891)	57,406

Reclassification:
In addition to the above, 30 June 2018 comparatives in the statement of financial position and statement of profit or loss have been realigned to the current period presentation. There was no impact on the net assets or operating results as a result of the realignment.

Note 4. Revenue

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

	Consolidated 2019 $'000
Major product lines	
Bulk wine	8,431
Packaged wine	62,393
	70,824
Geographical regions	
Australia	60,984
Rest of the world	9,840
	70,824
Timing of revenue recognition	
Goods transferred at a point in time	70,824

AASB 15 was adopted using the modified retrospective approach and as such comparatives relating to disaggregation of revenue have not been presented.

Note 5. Other income

	Consolidated 2019 $'000	2018 $'000
Net foreign exchange gain	30	46
Net gain on disposal of property, plant and equipment	118	7,170
Other sundry income	1,756	5,547
Other income	1,904	12,763

Note 6. Expenses

	Consolidated 2019 $'000	Consolidated 2018 $'000
Loss before income tax includes the following specific expenses:		
Depreciation and amortisation expense		
Depreciation of property, plant and equipment	2,074	2,142
Amortisation of intangibles	-	102
Total depreciation and amortisation expense	2,074	2,244
Finance costs		
Interest and finance charges paid/payable	2,888	2,995
Rental expense relating to operating leases		
Total rental expense relating to operating leases	3,774	4,434
Superannuation expense		
Defined contribution superannuation expense	1,021	1,273

Note 7. Income tax

	Consolidated 2019 $'000	Consolidated 2018 $'000
Income tax expense		
Current tax	-	(187)
Deferred tax - origination and reversal of temporary differences	-	554
Adjustment recognised for prior periods	-	(237)
Aggregate income tax expense	-	130
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets	-	554
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(19,905)	(4,769)
Tax at the statutory tax rate of 30%	(5,972)	(1,431)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Expenses not deductible	120	150
Sundry items	(102)	212
	(5,954)	(1,069)
Adjustment recognised for prior periods	-	(237)
Current year tax losses not recognised	5,788	1,732
Current year temporary differences not recognised	166	-
Recoupment of capital losses not previously booked	-	(296)
Income tax expense	-	130

Note 7. Income tax (continued)

	Consolidated 2019 $'000	Consolidated 2018 $'000
Amounts credited directly to equity		
Deferred tax assets	-	(130)
Tax losses not recognised		
Cumulative unused tax losses for which no deferred tax asset has been recognised	76,944	57,702
Potential tax benefit at statutory tax rates	23,083	17,311

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

	Consolidated 2019 $'000	Consolidated 2018 $'000
Net deferred tax assets not recognised		
Deferred tax assets/(liabilities) not recognised comprises temporary differences attributable to:		
Provisions	1,886	926
Accrued expenses	277	714
Plant and equipment	2,690	2,963
Others	391	614
Inventories	(2,219)	(2,808)
Investments	(1,321)	(1,675)
Biological assets	(695)	(734)
Total deferred tax assets not recognised	1,009	-

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

	Consolidated 2019 $'000	Consolidated 2018 $'000
Deferred tax asset		
Movements:		
Opening balance	-	424
Charged to profit or loss	-	(554)
Credited to equity	-	130
Closing balance	-	-

Note 8. Cash and cash equivalents

	Consolidated 2019 $'000	Consolidated 2018 $'000
Current assets		
Cash at bank and on hand	501	354

Note 9. Trade and other receivables

	Consolidated 2019 $'000	Consolidated 2018 $'000
Current assets		
Trade receivables	10,444	15,265
Less: Allowance for expected credit losses (2018: Provision for impairment of receivables)	(23)	(319)
	10,421	14,946
Other receivables	2,062	3,458
	12,483	18,404

Allowance for expected credit losses

The consolidated entity has recognised a benefit of $296,000 (2018: loss of $323,000) in profit or loss in respect of the expected credit losses for the year ended 30 June 2019.

Note 10. Inventories

	Consolidated 2019 $'000	Consolidated 2018 $'000
Current assets		
Raw materials and stores	1,889	2,165
Work in progress	21,251	20,161
Finished goods	7,634	12,187
	30,774	34,513
Non-current assets		
Work in progress	5,241	4,783
	36,015	39,296

The cost of inventories recognised as an expense includes $nil (2018: $838,000) in respect of write downs of inventory to net realisable value.

Note 11. Investments accounted for using the equity method

	Consolidated 2019 $'000	Consolidated 2018 $'000
Non-current assets		
Investment in Margaret River Wine Production Pty Limited ('MRWP')	-	12,082

Refer to note 29 for further information on interests in associates.

On 25 January 2019, the consolidated entity sold down its interest in MRWP, along with investments in MRWP convertible notes. This resulted in a remaining minority interest of 10.24% in MRWP. The consolidated entity has discontinued the use of the equity method as a result of loss of significant influence over the associate and recognised the new minority investment as an investment in financial assets at fair value through profit or loss. Refer to note 12 for further details.

Note 12. Investment in financial assets at fair value through other profit or loss

	Consolidated	
	2019 $'000	2018 $'000
Non-current assets		
Investment in other financial assets	16	11
Investment in ordinary shares in Margaret River Wine Production Pty Ltd ('MRWP')	8,151	-
Investment in convertible notes in MRWP	-	5,776
	8,167	5,787

Investment in ordinary shares in MRWP is carried at fair value effective from the 25 January 2019 'shares and convertible notes' transaction. The valuation of shares in MRWP is supported by the acquisition of shares by Laguna Bay in MRWP, at $4.01 per share, executed contemporaneously with the Company's investment transaction. No significant changes in performance of MRWP or other relevant factors have occurred which might lead to a revision of the carrying value of the Company's investment in MRWP.

As a result of the share sale agreement completed on 20 December 2019, the interest in MRWP was sold for $5,481,000.

Refer to note 22 for further information on fair value measurement.

Note 13. Derivative financial instruments

	Consolidated	
	2019 $'000	2018 $'000
Current assets		
Forward foreign exchange contracts - cash flow hedges	16	6

Note 14. Property, plant and equipment

	Consolidated	
	2019 $'000	2018 $'000
Non-current assets		
Land and buildings - at cost	40,200	40,091
Less: Accumulated depreciation	(19,348)	(18,350)
	20,852	21,741
Leasehold improvements - at cost	568	568
Less: Accumulated depreciation	(317)	(206)
	251	362
Plant and equipment - at cost	56,004	54,964
Less: Accumulated depreciation	(51,852)	(51,276)
	4,152	3,688
Capital projects in progress - at cost	21	378
Grape vines - at cost	3,015	2,948
Less: Accumulated depreciation	(379)	(182)
	2,636	2,766
	27,912	28,935

Note 14. Property, plant and equipment (continued)

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 2018	21,741	362	3,688	378	2,766	28,935
Additions	109	-	1,301	21	-	1,431
Disposals	-	-	(2)	-	-	(2)
Transfers	-	-	-	(378)	-	(378)
Depreciation expense	(998)	(111)	(835)	-	(130)	(2,074)
Balance at 30 June 2019	20,852	251	4,152	21	2,636	27,912

Note 15. Trade and other payables

	Consolidated 2019 $'000	Consolidated 2018 $'000
Current liabilities		
Trade payables	16,174	21,366
Other payables	703	165
	16,877	21,531

Note 16. Provisions

	Consolidated 2019 $'000	Consolidated 2018 $'000
Current liabilities		
Onerous leases	899	35
Restructuring provisions	321	395
	1,220	430
Non-current liabilities		
Onerous leases	3,190	352
Restructuring provisions	247	391
	3,437	743
	4,657	1,173

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.

Note 16. Provisions (continued)

Restructuring provisions
The provision represents the estimated costs to sell or terminate a line of business, close or relocate a business location, change the management structure or 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 - 2019	Onerous lease provisions $'000	Restructuring provisions $'000
Carrying amount at the start of the year	387	786
Additional provisions recognised	3,910	-
Amounts used	(208)	(218)
Carrying amount at the end of the year	4,089	568

Note 17. 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.

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

	Consolidated	
	2019 $'000	**2018 $'000**
Non-current liabilities		
Present value of the defined benefit obligation	1,421	1,263
Fair value of defined benefit plan assets	(1,352)	(1,232)
Net liability in the statement of financial position	69	31

Note 17. Retirement benefit obligations (continued)

Categories of plan assets
The major categories of plan assets are as follows:

	Consolidated 2019 $'000	Consolidated 2018 $'000
Cash and cash equivalents	68	62
Equity instruments	906	825
Debt instruments	324	296
Property	54	49
	1,352	1,232

Reconciliations

	Consolidated 2019 $'000	Consolidated 2018 $'000
Reconciliation of the present value of the defined benefit obligation, which is partly funded:		
Balance at the beginning of the year	1,263	867
Current service cost	101	72
Interest cost	40	35
Actuarial losses/(gains)	9	(47)
Benefits paid	(46)	(27)
Contributions from plan participants	6	6
Management reassessments	48	357
Balance at the end of the year	1,421	1,263
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	1,232	1,092
Return on plan assets	49	45
Actuarial gains	37	48
Contributions by entities in the consolidated entity	74	68
Benefits paid	(46)	(27)
Contributions from participants	6	6
Balance at the end of the year	1,352	1,232

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 2019 $'000	Consolidated 2018 $'000
Defined benefit expense recognised in profit or loss	92	62
Total amount recognised in profit or loss	92	62
Actuarial gains(net) due to experience adjustments	115	104
Actuarial loss due to change in financial assumptions	(133)	(9)
Total amount recognised in other comprehensive income	(18)	95

Note 17. Retirement benefit obligations (continued)

Significant actuarial assumptions
The significant actuarial assumptions used (expressed as weighted averages) were as follows:

	Consolidated 2019 %	Consolidated 2018 %
Discount rate	2.4%	3.9%
Future salary increases	3.0%	3.0%

Note 18. Borrowings

	Consolidated 2019 $'000	Consolidated 2018 $'000
Current liabilities		
Receivables facility (a)	2,099	5,740
Gallo loans payable (b)	1,674	3,141
MRWP loan secured (c)	3,996	4,032
Loans from related parties - shareholder loan notes (d)	6,587	6,920
Interest owed to related parties - on shareholder loan notes (d)	3,167	2,441
Finance lease liability (e)	118	336
	17,641	22,610
Non-current liabilities		
Finance lease liability (e)	156	271
MRWP convertible loan notes (f)	5,919	-
	6,075	271
	23,716	22,881

Note 18. Borrowings (continued)

(a) In June 2019, the company renewed the Receivables Purchase Agreement with Recfin Nominees Pty Limited for a further 2 years. The facility matures on 30 June 2021 and is secured by a fixed charge over receivables and a second ranking fixed and floating charge over all of the Company’s assets. Borrowing availability is based on the value of the Company’s receivables after certain deductions, up to a maximum availability of $12.0 million. The nature of the revolving credit facility is a series of drawdowns and repayments depending on the receivable balance at a certain point in time and therefore, despite the existence of a 2-year facility, the loans are classified as current liabilities. The weighted average effective interest rate on the financing facility is 8.75% (2018:10.31%).

(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. In May 2019, the Company renegotiated settlement timing with the final instalment due on 31 January 2020. Gallo Loan includes accrued interest amounting to $282,000 (2018: $191,000).

(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 weighted average effective interest rate on the MRWP loan to 30 June 19 is 7.0% (2018: 5.57%). MRWP loan includes accrued interest amounting to $23,000 (2018: $36,000). During the year, the Company was in breach of covenants specified in the loan agreement. 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% (2018: 8.74%). 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 6,265,065 ordinary shares.

(e) Finance lease liabilities relate to the fit out of the Pyrmont office. The finance lease facility is fully repayable by 31 December 2020. The weighted average effective interest rate is 7% (2018: 7%).

(f) MRWP convertible loan notes are secured with interest payable at the rate of 7.5%. The loan notes are secured by a first-ranking fixed and floating charge and mortgage over the Company's assets. MRWP loan notes mature December 2026 and are convertible to ordinary shares at the election of MRWP. The convertible loan notes principal is reduced by $296,000 being transaction costs capitalised against the debt balance.

Note 19. Issued capital

	Consolidated			
	2019 Shares	**2018 Shares**	**2019 $'000**	**2018 $'000**
Ordinary shares - fully paid	61,268,641	59,438,103	54,115	53,622

Note 19. Issued capital (continued)

Movements in ordinary share capital

Details	**Date**	**Shares**	**$'000**
Balance	1 July 2017	50,000,000	50,000
Issue of shares under the Company's entitlement offer		9,438,103	3,964
Share issue cost, net of tax		-	(342)
Balance	30 June 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

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 20. Reserves

	Consolidated	
	2019 $'000	**2018 $'000**
Cash flow hedging reserve	42	4

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 2017	32
Forward foreign exchange contracts	(40)
Deferred tax	12
Balance at 30 June 2018	4
Forward foreign exchange contracts	38
Balance at 30 June 2019	42

Note 21. Dividends

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

Note 22. 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 - 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

Consolidated - 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivatives - forward foreign exchange contracts	-	6	-	6
Investment in financial assets at fair value through other profit or loss	-	-	5,787	5,787
Total assets	-	6	5,787	5,793

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.

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.

As detailed in note 12, the valuation of minority investment in MRWP is supported by the acquisition of shares by Laguna Bay in MRWP, at $4.01 per share, executed contemporaneously with the Company's investment transaction. No significant changes in performance of MRWP or other relevant factors have occurred which might lead to a revision of the carrying value of the Company's investment in MRWP.

Note 23. 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	
	2019 $	**2018 $**
Aggregate compensation	1,984,549	2,330,908

Note 24. Contingent liabilities

	Consolidated	
	2019	2018
	$'000	$'000
Banker's undertaking:	615	1,038

The Banker's undertaking comprises (1) 6 month rental guarantees totalling $153,000 for the lease of Pyrmont office (2) Guarantee for Pyrmont fit out $302,000 (3) 6 month rental guarantee totalling $90,000 for the lease of Barwang vineyard and (4) an undertaking in favour of Australian Taxation Office for a total of $70,000 as security for excise duty.

On 4 October 2018, the Company received formal notification of breach under the lease terms between the Company and QWIL investment, the lessor of Hanwood vineyard. The breach related to the term of the rental guarantee lapse. At the time of the recapitalisation, the parties mutually agreed that QWIL Investment would take a security interest in a portion of the Company's remaining water rights in lieu of a banker's guarantee. The value of the water rights is estimated to be in excess of the $900,000 financier guarantee obligation.

Note 25. Commitments

	Consolidated	
	2019	2018
	$'000	$'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	3,396	3,700
One to five years	8,304	11,467
More than five years	5,251	6,514
	16,951	21,681

Included in the operating leases are vineyard leases that are non-cancellable leases with fifteen-year terms and rent payable monthly in advance. Contingent rental provisions within the lease agreement allows for a reduction in rent if a vintage harvest is below 50% of the average harvest due to a natural disaster or resumption of the majority of the premises by a Government authority. An option exists to renew the lease at the end of the fifteen-year term for an additional term of five years.

Barwang lease includes a commitment to transfer the Barwang brand at the end of the lease for consideration of $1.00.

Note 26. Related party transactions

Subsidiaries
Interests in subsidiaries are set out in note 28.

Associates
Interests in associates are set out in note 29.

Key management personnel
Disclosures relating to key management personnel are set out in note 23.

Note 26. Related party transactions (continued)

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

	Consolidated 2019 $	Consolidated 2018 $
Sale of goods and services:		
Sale of goods to associate	13,502,341	34,578,962
Sale of goods to shareholder	-	1,024,000
Payment for goods and services:		
Purchase of goods from associate	10,048,944	16,257,054
Purchase of goods from shareholder	2,715,436	2,366,060
Purchase of goods from other related party	246,618	621,817

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

	Consolidated 2019 $	Consolidated 2018 $
Current receivables:		
Trade receivables from associate	246,084	441,434
Current payables:		
Trade payables to associate	10,234,301	4,941,006
Trade payables to shareholder	10,546,273	9,994,147
Trade payables to other related party	11,000	273,289

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

	Consolidated 2019 $	Consolidated 2018 $
Current borrowings:		
Shareholder loan notes (note 18)	6,586,700	6,920,000
Interest owed on shareholder loan notes (note 18)	3,166,680	2,441,256
MRWP loan secured - a director related entity and former associate (note 18)	3,995,841	4,031,858
MRWP convertible loan notes - a director related entity and former associate (note 18)	5,918,642	-

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

Note 27. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2019 $'000	**2018 $'000**
Loss after income tax	(19,905)	(4,899)
Total comprehensive income	(19,905)	(4,899)

Statement of financial position

	Parent	
	2019 $'000	**2018 $'000**
Total current assets	43,774	53,277
Total assets	85,094	104,864
Total current liabilities	37,210	46,082
Total liabilities	47,080	47,458
Equity		
Issued capital	54,115	53,622
Cash flow hedging reserve	42	4
Retained profits/(accumulated losses)	(16,143)	3,780
Total equity	38,014	57,406

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 2019 and 30 June 2018.

Contingent liabilities
The Company has provided bank guarantees and undertakings amounting to $615,000 (2018: $1,038,000) as detailed in note 24.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, 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 28. 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 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2019 %	2018 %
Redvale Wines Pty Limited	Australia	100%	100%
Echelon Wine Partners Pty Limited	Australia	100%	100%
Hanwood Estate Pty Ltd (formerly Bodega Wines Pty Limited)	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 29. Interests in associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated entity are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest 2019 %	2018 %
Margaret River Wine Production Pty Ltd*	Australia	-	42.60%

*On 25 January 2019, the consolidated entity sold part of its investment in MRWP as detailed in note 11. The management has determined that the minority investment in MRWP does not result in significant influence. The consolidated entity has discontinued the use of the equity method as a result of loss of significant influence over the associate and recognised any retained investment at its fair value.

Note 30. Events after the reporting period

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

The Board mandated Pendulum Capital Pty Ltd, a financial consultancy firm, to explore and facilitate financing options. This process is not finalised, however it has provided a funding source that the Board is currently exploring.

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.

The Board has 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.

The Board received a highly conditional offer from an institutional investor on 16 December 2019 in respect of a proposed sale and leaseback arrangement over various of the Company’s vineyard interests. The Board is considering this proposal.

No other matter or circumstance has arisen since 30 June 2019 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.

McWilliam's Wines Group Ltd
Directors' declaration
30 June 2019

In the Directors' 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 2019 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

____
James Frederick Brayne
Chairman

20 December 2019

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