

**THE AUSTRALIAN WINE CONSUMERS' CO-OPERATIVE SOCIETY
LIMITED**
ARBN 068 836 699

**CONSOLIDATED ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

CONTENTS

| | |
|-----------------------------------|----|
| Directors' Report | 1 |
| Statement of Comprehensive Income | 5 |
| Statement of Financial Position | 6 |
| Statement of Cash Flows | 7 |
| Statement of Changes in Equity | 8 |
| Notes to the Financial Statements | 9 |
| Directors' Declaration | 20 |

These financial statements cover the Australian Wine Consumers' Co-operative Society Limited as a consolidated entity. The financial statements are presented in Australian currency.

The financial statements were authorised for issue by the Directors on 1 November, 2019. The Directors have the power to amend and reissue the financial report.

**THE AUSTRALIAN WINE CONSUMERS' CO-OPERATIVE SOCIETY LIMITED
AND ITS CONTROLLED ENTITIES
ARBN 068 836 699**

**DIRECTORS' REPORT
For the year ended 30 June 2019**

The Directors of The Australian Wine Consumers' Co-operative Society Limited ("The Society" or "The Wine Society") present their report on the consolidated entity (referred hereafter as "the Group") consisting of The Society and the entities it controlled at the end of or during the year ended 30 June 2019. The financial report was authorised for issue by the Directors on 1 November, 2019. The Directors have the power to amend and reissue the financial report.

DIRECTORS

The Directors in office during the financial year and up to the date of this report are as follows:

GEOFFREY BALLARD

Chairman

Qualifications:

B.A., B.Ec., M.App. Fin. (Macquarie), CPA, MIPA, FTIA.

Experience:

Over 30 years' experience in investment and capital markets in both public and private sectors in a number of senior roles. Currently a private Company Director.

Meetings Attended:

Directors

5 (5 maximum)

Audit, Risk and Governance

5 (5 maximum)

ROBERT WHITTON

Resigned 11 December 2018

Qualifications:

B Bus, Dip Phys Ed, Grad Cert Forensic Studies, FCA, CFE, AFAIM, FAICD, IP, JP, GIA (Cert).

Experience:

Chartered Accountant with over 30 years' experience in corporate and personal insolvency and restructuring, Public Company Director and business advisor.

Meetings Attended:

Directors

2 (3 maximum)

Audit, Risk and Governance

2 (3 maximum)

ALAN JOHNSON

Appointed 26 July 2018

Qualifications:

Experience:

Former Commonwealth Public Servant specialising in policy development and database management, former Special Project Officer and founding Volunteer Co-ordinator at Australian National Maritime Museum, former Chair of Organising Committee of Conference for Volunteer Managers in Cultural Institutes, former Member and Chair of a number of local government committees in Manly Municipality, former Secretary and Committee Member of Manly Cove Launch Club.

**THE AUSTRALIAN WINE CONSUMERS' CO-OPERATIVE SOCIETY LIMITED
AND ITS CONTROLLED ENTITIES
ARBN 068 836 699**

Meetings Attended:

Directors 5 (5 maximum)
Audit, Risk and Governance 5 (5 maximum)

IAN McKENZIE

Appointed 26 July 2018, resigned 11 December 2018

Qualifications:

RDOen (Hons), MJW.

Experience:

Over 55 years' winemaking experience. Former Chief Winemaker for B.Seppelt and Sons (8 years) and Southcorp Wines (11 years). A wine show judge with over 39 years' experience, many of which serving as Chairman of Judges for numerous wine shows. Wine industry consultant with Australian and international clients. Previous experience as a Director of The Wine Society.

Meetings Attended:

Directors 2 (3 maximum)
Audit, Risk and Governance 2 (3 maximum)

PHILIP MADDEN

Appointed 26 July 2018

Qualifications:

BA, LL.B.

Experience:

Former Partner of Colin Biggers Lawyers, former Senior Partner of Bartier Perry Lawyers, founder of Maddens Lawyers, Governor of The Law Foundation, Member of the Law Society of NSW Professional Development Committee, CEO of Harrow Legal, Chairman of Cannadol Pharmaceuticals, Chairman of Sovereign Funds Limited and founder of Philip's Frolic Wines.

Meetings Attended:

Directors 2 (5 maximum)
Audit, Risk and Governance 2 (5 maximum)

SECRETARY

The Co-operative Secretary in office during the financial year and up to the date of this report was:

GEOFFREY BALLARD

Qualifications:

B.A., B.Ec., M.App. Fin. (Macquarie), CPA, MIPA, FTIA.

Experience:

Over 30 years' experience in investment and capital markets in both public and private sectors in a number of senior roles. Currently a private Company Director.

DIRECTORS' INTERESTS IN CONTRACTS

No Director or their related entity holds any interest, whether directly or indirectly, in a contract or proposed contract with The Society or a related corporation.

PRINCIPAL ACTIVITIES

The Society and its controlled entities operate as a retailer in the wine industry by the provision of a range of products and services to its members and the general public.

**THE AUSTRALIAN WINE CONSUMERS' CO-OPERATIVE SOCIETY LIMITED
AND ITS CONTROLLED ENTITIES
ARBN 068 836 699**

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in The Society's operating activities since the end of the previous financial year. All activities associated with the sale of product to members, provision of events for members and the maintenance of member records continue to be conducted by Wine Collective Holdings Pty Ltd (formerly TWS Wholesale Pty Ltd) on behalf of The Society on an outsourced basis. The Society continues to receive a monthly royalty on member sales, which is being used to pay down the remaining balances of its creditors.

PROFIT OR LOSS

The net operating profit of The Society and its controlled entities for the financial year was \$239,000 (2018: \$131,000).

DISTRIBUTIONS TO MEMBERS

Under the Rules of The Society, no portion of the income or property of The Society, howsoever derived, shall be paid or transferred directly or indirectly by way of dividend or bonus to the members of The Society.

ENVIRONMENTAL REGULATION

The Group is not subject to any significant environmental regulation in relation to any of its activities.

REVIEW OF OPERATIONS

The Directors have concluded that, based on all available facts and information, and in particular after having considered profit and loss and cash flow forecasts presented by Wine Collective Holdings Pty Ltd, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable and is able to operate as a going concern.

Further rationale for this conclusion is set out in the Financial Statements at Note 2 - Going Concern.

POST BALANCE DATE EVENTS

Matters or circumstances that have arisen since the end of the financial year which have significantly affected, or may significantly affect, the operations of The Wine Society and its controlled entities, the results of those operations, or the state of affairs of The Society and its controlled entities in subsequent financial years are disclosed in the Financial Statements at Note 16 - Events Subsequent to Balance Date.

FUTURE DEVELOPMENTS

The Society continues to pursue business growth through selling to its member base and recruitment of new members. Since November 2016, these activities have been outsourced to Wine Collective Holdings Pty Ltd, who continue to pursue an increasing range of opportunities across a broad range of sales channels.

AUDIT

Under the Co-operatives (Adoption of National Law) Act 2012, The Wine Society is now regulated under the Co-operatives National Law. Under this Law, because The Society's consolidated gross assets were less than \$4 million and it had fewer than 30 employees at the end of the financial year, The Society is deemed to be a 'small co-operative' in the year ended 30 June 2019. As such, The Society is not required to have its financial statements audited unless it is directed to do so by the Registrar or its members. Consequently, these financial statements have not been audited.

**THE AUSTRALIAN WINE CONSUMERS' CO-OPERATIVE SOCIETY LIMITED
AND ITS CONTROLLED ENTITIES
ARBN 068 836 699**

INDEMNITY

The Society has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of The Society or a related body corporate indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings, with the exception of the following matters.

As approved by the Members, The Society entered into Deeds of Access and Indemnity with each of its Directors which confirm that The Society will provide indemnities, pay insurance premiums and provide access to documentation on the terms and conditions contained within the Deed.

During and since the financial year the Directors have been insured against any liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of officers of The Society, other than conduct involving a wilful breach of duty in relation to The Society. Disclosure of the amount of the premium is prohibited under the confidentiality clauses of the policy.

ROUNDING OF AMOUNTS

The entity is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investment Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that class order to the nearest thousand dollars or, in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the Directors.

Geoffrey Ballard
Director

Alan Johnson
Director

Sydney, NSW
1 November, 2019

**THE AUSTRALIAN WINE CONSUMERS' CO-OPERATIVE SOCIETY LIMITED
AND ITS CONTROLLED ENTITIES
ARBN 068 836 699**

**STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2019**

| | Note | CONSOLIDATED 2019 \$'000 | 2018 \$'000 |
|--|------|--------------------------------|----------------|
| Revenue from Continuing Operations | | | |
| Sales | 3 | 12,360 | 14,612 |
| Other Revenues from Continuing Operations | 3 | <u>185</u> | <u>139</u> |
| Gross Revenue | | 12,545 | 14,751 |
| Expenses | | | |
| Cost of Sales | | (7,516) | (8,580) |
| Other Expenses from Continuing Operations | | | |
| Distribution | | - | - |
| Sales and marketing | | - | - |
| Finance and administration | | (69) | (32) |
| Information technology | | - | - |
| Write down of intangible assets | | - | (166) |
| Outsourcing management fee | | <u>(4,721)</u> | <u>(5,842)</u> |
| Profit / (loss) before income tax | 4 | 239 | 131 |
| Income tax (expense) / benefit | 5 | <u>-</u> | <u>-</u> |
| Profit / (loss) for the year | | 239 | 131 |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| Total comprehensive profit / (loss) | | <u>239</u> | <u>131</u> |

**THE AUSTRALIAN WINE CONSUMERS' CO-OPERATIVE SOCIETY LIMITED
AND ITS CONTROLLED ENTITIES
ARBN 068 836 699**

**STATEMENT OF FINANCIAL POSITION
As at 30 June 2019**

| | | CONSOLIDATED | |
|--------------------------------------|-------------|------------------------|------------------------|
| | Note | 2019 \$'000 | 2018 \$'000 |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 3 | - |
| Trade and other receivables | 7 | 15 | 18 |
| TOTAL CURRENT ASSETS | | <u>18</u> | <u>18</u> |
| NON-CURRENT ASSETS | | | |
| Other financial assets | 8 | 2 | 2 |
| Intangibles | 9 | 27 | 27 |
| TOTAL NON-CURRENT ASSETS | | <u>29</u> | <u>29</u> |
| TOTAL ASSETS | | <u>47</u> | <u>47</u> |
| CURRENT LIABILITIES | | | |
| Trade and other creditors | 10 | 1,561 | 1,875 |
| Members' capital | 12 | 53 | 91 |
| TOTAL CURRENT LIABILITIES | | <u>1,614</u> | <u>1,966</u> |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 11 | 1,423 | 1,297 |
| Members' capital | 12 | 1,018 | 981 |
| Provisions | 13 | - | 50 |
| TOTAL NON-CURRENT LIABILITIES | | <u>2,441</u> | <u>2,328</u> |
| TOTAL LIABILITIES | | <u>4,055</u> | <u>4,294</u> |
| NET ASSETS (DEFICIENCY) | | <u>(4,008)</u> | <u>(4,247)</u> |
| ACCUMULATED LOSSES | | | |
| Accumulated Losses | | <u>(4,008)</u> | <u>(4,247)</u> |
| TOTAL ACCUMULATED LOSSES | | <u>(4,008)</u> | <u>(4,247)</u> |

**THE AUSTRALIAN WINE CONSUMERS' CO-OPERATIVE SOCIETY LIMITED
AND ITS CONTROLLED ENTITIES
ARBN 068 836 699**

**STATEMENT OF CASH FLOWS
For the year ended 30 June 2019**

| | CONSOLIDATED | |
|--|---------------------|---------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from sales of goods | 12,360 | 14,567 |
| Payments to suppliers | (12,287) | (14,454) |
| Interest received | - | - |
| Interest paid | (67) | (77) |
| | 6 | 36 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds / (payments) relating to disposal of property, plant & equipment | - | - |
| Proceeds from redemption of financial assets | - | - |
| | - | - |
| Net cash outflow from investing activities | - | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from share issues | - | - |
| Payments for share redemptions | (3) | (20) |
| | (3) | (20) |
| Net cash outflow from financing activities | (3) | (20) |
| Net increase / (decrease) in cash and cash equivalents | 3 | 16 |
| Cash and cash equivalents at beginning of financial year | - | (16) |
| Cash and cash equivalents at end of financial year | 3 | - |

**THE AUSTRALIAN WINE CONSUMERS' CO-OPERATIVE SOCIETY LIMITED
AND ITS CONTROLLED ENTITIES
ARBN 068 836 699**

**STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2019**

| | CONSOLIDATED | |
|---|---------------------|----------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Accumulated losses at the beginning of the financial year | (4,247) | (4,378) |
| Total comprehensive income / (loss) for the year | <u>239</u> | <u>131</u> |
| Total accumulated losses at the end of the financial year | <u>(4,008)</u> | <u>(4,247)</u> |

**THE AUSTRALIAN WINE CONSUMERS' CO-OPERATIVE SOCIETY LIMITED
AND ITS CONTROLLED ENTITIES
ARBN 068 836 699**

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL 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. The financial statements are presented in Australian currency.

The financial statements cover the consolidated entity, consisting of The Australian Wine Consumers' Co-operative Society Limited and its subsidiaries. The Society is a co-operative limited by shares.

The following is a summary of the material accounting policies adopted by The Society in the preparation of the financial statements.

(a) Basis of Preparation

The Society has elected to adopt the Australian Accounting Standards – Reduced Disclosure Requirements as laid out in AASB 1053: Application of Terms of Australian Accounting Standards – Reduced Disclosure Requirements. This general purpose financial statement has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board, and the disclosure requirements of the Co-operatives (Adoption of National Law) Act 2012 and the Co-operatives National Regulations.

Compliance with IFRS

A statement of compliance with International Financial Reporting Standards (IFRS) cannot be made due to the Group applying the not-for-profit requirements of the Australian Accounting Standards – Reduced Disclosure Requirements.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Going Concern

The accounts have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Directors believe it is appropriate to prepare these accounts on a going concern basis for the reasons outlined in Note 2 - Going Concern.

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of The Society as at 30 June 2019 and the results of all subsidiaries for the year then ended. The Society and its subsidiaries are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are fully consolidated from the date on which control is transferred. They are de-consolidated from the date that control ceases. Subsidiaries are those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

**THE AUSTRALIAN WINE CONSUMERS' CO-OPERATIVE SOCIETY LIMITED
AND ITS CONTROLLED ENTITIES
ARBN 068 836 699**

1. PRINCIPAL ACCOUNTING POLICIES (continued)

The Society's interest in Wine Collective Holdings Pty Ltd is treated as an equity accounted investment in an associate.

Intercompany transactions, balances and gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Estimation Uncertainty

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(d) Property, Plant and Equipment

The Society sold all its property, plant and equipment other than leasehold improvements to Wine Collective Holdings Pty Ltd during the 2016/17 financial year.

(e) Taxation

Under the concept of mutuality, which has applied for many years, The Society is only assessed for income tax on that proportion of income derived from non-members and other external sources.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amount in the financial statements, and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor taxable profit / loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**THE AUSTRALIAN WINE CONSUMERS' CO-OPERATIVE SOCIETY LIMITED
AND ITS CONTROLLED ENTITIES
ARBN 068 836 699**

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Tax consolidation legislation

The Society and its controlled entities implemented tax consolidation legislation and formed a tax consolidation Group from 1 July 2004.

As a consequence, The Society, as head entity of the tax consolidation Group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly owned controlled entities as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under tax sharing agreements with tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreements are recognised as a component of income tax expense.

(f) Revenue Recognition

Royalty revenue from Wine Collective Holdings Pty Ltd is recognized in the month to which it relates.

(g) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to The Society prior to the end of the financial year and which are unpaid. The amounts are unsecured.

(h) Liquor Licences and Associated Development Costs

These amounts represent costs incurred in the acquisition of liquor licences together with the establishment costs associated with acquiring the associated business. The Directors assess the recoverable amount of the license by using comparable sales in the Sydney market.

(i) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the costs of the acquisition of the assets or part of an item of expense. Receivables and payables are stated with the GST amount included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable from or payable to the ATO are classified as operating cash flows.

(j) Sales to Persons Other than Members

The Society and its subsidiaries hold liquor licenses that permit sales to persons other than members. These sales may be made to non-members at events and education courses, to members of third party wine clubs operated by The Society or its subsidiaries, or direct through the appropriate license to persons other than members.

(k) Members' Shares

Members' shares represent the purchase by members of 25 \$2 shares in The Society. As these shares are ultimately refundable, they are classified as payables within the financial report.

**THE AUSTRALIAN WINE CONSUMERS' CO-OPERATIVE SOCIETY LIMITED
AND ITS CONTROLLED ENTITIES
ARBN 068 836 699**

1. PRINCIPAL ACCOUNTING POLICIES (continued)

The Co-operatives (Adoption of National Law) Act 2012 provides that a co-operative may be required to repurchase the sum of 5% of the value of its shares at the beginning of the financial year and the value of capital subscribed during the year. This amount is disclosed as a current liability.

(l) Impairment of Assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(m) Foreign Currency Transactions and Balances

The consolidated financial statements are presented in Australian Dollars which is The Society's functional and presentation currency.

(n) Financial Report Disclosure

The financial report has been prepared in the format required by the Co-operatives (Adoption of National Law) Act 2012 and the Co-operatives National Regulations.

(o) Comparative Figures

Where necessary comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(p) Rounding of Amounts

The entity is an entity to which ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 applies and amounts have been rounded in accordance with the class order, to the nearest thousand dollars or, in certain cases, to the nearest dollar.

2. GOING CONCERN

The Group's accounts have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business, notwithstanding that at 30 June 2019 the Group had a deficiency in working capital of \$1,596,000 (2018: \$1,948,000) and a deficiency in net assets of \$4,008,000 (2018: \$4,247,000).

The Directors consider that, based on all available facts and information, including that outlined below, and in particular after having considered profit and loss and cash flow forecasts presented by Wine Collective Holdings Pty Ltd, and the royalty stream generated therefrom, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable and is able to operate as a going concern.

All operating activities associated with the sale of product to members, provision of events for members and the maintenance of member records are now conducted by Wine Collective Holdings Pty Ltd on behalf of The Society on an outsourced basis.

**THE AUSTRALIAN WINE CONSUMERS' CO-OPERATIVE SOCIETY LIMITED
AND ITS CONTROLLED ENTITIES
ARBN 068 836 699**

Under the Outsourced Services Agreement:

- The Society granted Wine Collective Holdings Pty Ltd a licence to use The Society's Intellectual Property and have access to its membership data.
- The Society exclusively engaged Wine Collective Holdings Pty Ltd to provide certain outsourcing services (including administration of membership data; maintenance of all accounting and financial information, including preparation of all accounts and other regulatory returns reasonably required for The Society; management of all marketing and promotional activities previously handled by The Society; negotiation and liaison with wine suppliers to source wine for members of The Society; maintenance of The Society's website; and management and operation of all hardware and software as required to properly conduct and maintain The Society's business) to The Society to allow The Society to continue to conduct its business of supplying wine to its members.
- A Service Fee is charged by Wine Collective Holdings Pty Ltd to The Society to cover the cost of providing these services.

In December 2017 Wine Collective Holdings Pty Limited merged its operations with another wine industry-related interest. The Directors expect that The Society will benefit proportionately from any profit distribution from the enlarged entity in future periods. In addition, The Society retains a 1% margin on all sales to members. It is from these two funding sources that The Society expects to record operating surpluses and pay down all of its remaining debt in future periods. The Society has communicated with all creditors and asked them to accept repayment terms which differ from the original repayment terms agreed to when the goods / services were delivered. Most creditors have accepted the revised payment terms and have continued to supply goods / services to Wine Collective Holdings Pty Ltd and its related entities.

The Directors recognise that the quantum of revenue that will flow to The Society under the distribution agreement with Wine Collective Holdings Pty Ltd will be dependent upon the profitability of Wine Collective Holdings Pty Ltd, and the ongoing agreement of creditors to accept the revised repayment terms. The Directors continue to monitor Wine Collective Holdings Pty Ltd's revenue and expenditure forecasts, which indicate that the company will be profitable within the short term and grow its profitability over time.

Based on the reasons outlined above, the Directors believe it is appropriate to prepare these accounts on a going concern basis.

However, it is recognised by the Directors that:

- (i) should Wine Collective Holdings Pty Ltd not achieve its profit goals and, consequently, its forecast distributions to The Society; and
- (ii) should creditors not continue to accept the Group's revised repayment terms,

the Group may not be able to pay its outstanding debts as and when they fall due. This may require a further renegotiation of terms with creditors and / or a reassessment of the Group's ability to continue to operate as a going concern.

**THE AUSTRALIAN WINE CONSUMERS' CO-OPERATIVE SOCIETY LIMITED
AND ITS CONTROLLED ENTITIES
ARBN 068 836 699**

| | CONSOLIDATED | |
|--|---------------------|---------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| 3. REVENUE | | |
| Revenue from continuing operations: | | |
| Sales to Members - goods | 12,360 | 13,005 |
| Sales to persons other than Members | - | 1,607 |
| | 12,360 | 14,612 |
| Other revenue: | | |
| Profit on sale of Castle Cove retail store | - | 4 |
| Gain on acquisition of logistics operation | - | 129 |
| Miscellaneous income | 185 | 6 |
| | 185 | 139 |
| Total Revenue | 12,545 | 14,751 |

4. EXPENSES

Profit / (loss) before income tax includes the following specific expenses:

| | | |
|-------------------------------------|----|-----|
| Interest paid | 67 | 77 |
| Depreciation / amortisation expense | - | 1 |
| Write down of intangible assets | - | 166 |

5. INCOME TAX EXPENSE

| | | |
|---|------|------|
| Prima facie tax payable / (benefit) on operating profit / (loss) before income tax at 30% (2018: 30%) | 72 | 39 |
| Mutual income tax expense / (benefit) | (72) | (39) |
| Income tax expense / (benefit) | - | - |

| | |
|--|-------|
| The Directors estimate that the potential tax losses not brought to account are approximately: | 6,286 |
| Deferred tax assets not recognised in relation to these potential tax losses: | 1,886 |

The benefit from potential tax losses will only be obtainable if:

- (a) the consolidated entity derives assessable income of a nature and an amount sufficient to enable the benefit for the deductions to be realised,
- (b) the entity continues to comply with the conditions for deductibility imposed by the law, and
- (c) no change in tax legislation adversely affects the entity in realising the benefit from the deductions.

**THE AUSTRALIAN WINE CONSUMERS' CO-OPERATIVE SOCIETY LIMITED
AND ITS CONTROLLED ENTITIES
ARBN 068 836 699**

6. RELATED PARTY DISCLOSURES

(a) Directors

The Directors who held office during the financial year were:

Geoff Ballard
Robert Whitton
Alan Johnson
Philip Madden
Ian McKenzie

Full particulars are disclosed in the Directors' Report. All Directors are Key Management Personnel.

(b) Other Key Management Personnel

The Australian Wine Consumers' Co-Operative Society Limited outsourced all of its operational activities to Wine Collective Holdings Pty Ltd in November 2016 and no longer has any employees.

| | CONSOLIDATED | |
|--|---------------------|---------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| (c) Key Management Personnel compensation | - | - |
| (d) Other Key Management Personnel transactions – discounts | | |
| Key Management Personnel of The Society are entitled to purchase wine at discount prices. | | |
| Aggregate value of wine purchased by Key Management Personnel | <u>2</u> | <u>3</u> |
| Aggregate value of discounts received by Key Management Personnel in relation to these purchases | <u>-</u> | <u>2</u> |
| The above transactions are charged to each Key Management Personnel debtors' account on terms and conditions no more favourable (other than the stated discount) than those which were available to other members. | | |
| Balance of debtors' accounts relating to Key Management Personnel at reporting date | <u>-</u> | <u>-</u> |

7. TRADE AND OTHER RECEIVABLES

| | | |
|-------------------|-----------|-----------|
| Trade receivables | 15 | 18 |
| Other debtors | - | - |
| Prepayments | - | - |
| | <u>15</u> | <u>18</u> |

**THE AUSTRALIAN WINE CONSUMERS' CO-OPERATIVE SOCIETY LIMITED
AND ITS CONTROLLED ENTITIES
ARBN 068 836 699**

| | CONSOLIDATED | |
|--|---------------------|---------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| 8. OTHER FINANCIAL ASSETS | | |
| Other financial investments at cost: | | |
| Shares | 2 | 2 |
| | <u>2</u> | <u>2</u> |
| 9. INTANGIBLES | | |
| Liquor licences and associated development costs | 27 | 27 |
| | <u>27</u> | <u>27</u> |
| 10. TRADE AND OTHER CREDITORS | | |
| Trade creditors | 1,553 | 1,839 |
| Other creditors | 8 | 36 |
| | <u>1,561</u> | <u>1,875</u> |
| 11. BORROWINGS | | |
| Wine Collective Holdings Pty Ltd | 660 | 573 |
| Wine Industry Advisors Australasia Pty Ltd | 388 | 385 |
| Australian Wine Finance Pty Ltd | 375 | 339 |
| | <u>1,423</u> | <u>1,297</u> |
| <p>The loan facility from Australian Wine Finance Pty Ltd has an interest charge of 10% per annum and is secured by The Society's rights, title and interest in all of its real property and present and after acquired personal property.</p> | | |
| 12. MEMBERS' CAPITAL | | |
| Current | 53 | 91 |
| Non-Current | 1,018 | 981 |
| | <u>1,071</u> | <u>1,072</u> |
| Liquid assets (cash) | 3 | - |
| Members' capital | 1,071 | 1,072 |
| Ratio of liquid assets to members' capital | 0.28% | 0% |

**THE AUSTRALIAN WINE CONSUMERS' CO-OPERATIVE SOCIETY LIMITED
AND ITS CONTROLLED ENTITIES
ARBN 068 836 699**

13. PROVISIONS

| | | |
|-------------------------|---|----|
| Provision for make-good | - | 50 |
|-------------------------|---|----|

14. CONTROLLED ENTITIES

The Society is incorporated in Australia and operates predominantly in the retail direct marketing of wine and associated products in Australia. The Group's ultimate parent entity is The Australian Wine Consumers' Co-operative Society Limited, whose registered office is situated at 66 Bay St, Ultimo, NSW, Australia. Details of related entities and ownership interests as at year end are set out below:

| | Country of Incorporation | Ownership Interest | | Investment at cost | |
|--------------------------------------|-----------------------------|-----------------------|------|-----------------------|--------|
| | | 2019 | 2018 | 2019 | 2018 |
| | | % | % | \$'000 | \$'000 |
| Wine Collective Holdings Pty Limited | Australia | 6 | 5 | - | - |

15. EVENTS SUBSEQUENT TO BALANCE DATE

There have been no significant post balance date events.

| | 2019 \$'000 | 2018 \$'000 |
|--|----------------|----------------|
| 16. PARENT ENTITY DISCLOSURES | | |
| Current assets | 18 | 18 |
| Total assets | 47 | 47 |
| Current liabilities | 1,614 | 1,966 |
| Total liabilities | 4,055 | 4,294 |
| Retained earnings / (accumulated losses) | <u>(4,008)</u> | <u>(4,247)</u> |
| | | |
| Net surplus / (deficit) | 239 | 131 |
| Other comprehensive income | - | - |
| Total comprehensive income / (deficit) | <u>239</u> | <u>131</u> |

**THE AUSTRALIAN WINE CONSUMERS' CO-OPERATIVE SOCIETY LIMITED
AND ITS CONTROLLED ENTITIES
ARBN 068 836 699**

DIRECTORS' DECLARATION

For the year ended 30 June 2019

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 17 are in accordance with the Co-operatives (Adoption of National Law) Act 2012, including:
 - (i) complying with Accounting Standards and the Co-operatives National Regulations; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of their performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that The Society will be able to pay its debts as and when they become due and payable as outlined in Note 2.

This declaration is made in accordance with a resolution of the Directors.

**Geoffrey Ballard
Director**

**Alan Johnson
Director**

**Sydney, NSW
1 November, 2019**