# Wingara AG Limited

# Appendix 4E

# Preliminary Final Report

# Year ended 31 March 2020

Name of entity
Wingara AG Limited

ABN or equivalent company reference

ACN 009 087 469

Year ended
31 March 2020
(Previous corresponding period: 31 March 2019)

| Results for announcement to the market | | | | 31 March 2020 $ |
|---|---|---|---|---|
| Revenue for ordinary activities | Up | 20.4% | to | 35,057,595 |
| Net profit after tax (from ordinary activities) for the year attributable to members | Down | 13.1% | to | 787,012 |

## Explanation of results

Please refer to section review of operations on page of the accompanying financial report.

## Dividends

No dividends have been paid or declared by the Company for the current reporting period (2019: nil).

| Net tangible assets per share | 31 March 2020 Cents | 31 March 2019 Cents |
|---|---|---|
| Net tangible asset backing (per share) (i) | (8.96) | 12.68 |

*(i) Due to adoption of AASB 16 Leases in current year, net tangible assets backing per share has been calculated by using net assets less intangible assets and right-of-use assets, divided by number of total fully paid ordinary shares.*

The above net tangible assets per share calculation has been completed in accordance with Australian Securities and Investments Commission (ASIC) interpretation regarding AASB16 Leases.

For the purposes of having a comparative to the previous year, net tangible assets per share calculation excluding right-of-use assets and liabilities is as below:

| | 31 March 2020 Cents | 31 March 2019 Cents |
|---|---|---|
| Net tangible asset backing (per share) | 13.79 | 12.68 |

## Changes in controlled entities and other information required by Listing Rule 4.3A

There have been no changes in controlled entities during the current reporting period.

## Audit

The consolidated financial statements as at and for the year ended 31 March 2020 have been audited and an unmodified audit report has been issued by the Company's auditor.

# Wingara AG Limited

ACN 009 087 469

# Audited financial statements for the year ended 31 March 2020

# Wingara AG Limited
ACN 009 087 469
# Audited financial statements - 31 March 2020

## Contents

| | |
|---|---|
| **Directors** | Gavin Xing<br>*Executive Chairman & Managing Director*<br><br>Zane Banson<br>*Executive Director*<br><br>Mark Hardgrave<br>*Non-Executive Director*<br><br>Jeral D'Souza (appointed 26 September 2019)<br>*Non-Executive Director* |
| **Secretary** | Oliver Carton |
| **Principal registered office in Australia** | 5-7 Leslie Road<br>Laverton North VIC 3026<br>Australia |
| **Share and debenture register** | Computershare Investor Services Pty Ltd<br>Level 11, 172 St Georges Terrace<br>Perth Western Australia 6000<br>1300 55 70 10 (within Australia) & +61 8 9323 2000 (overseas) |
| **Auditor** | William Buck<br>Level 20, 181 William Street<br>Melbourne Victoria 3000 |
| **Solicitors** | Quinert Rodda & Associates<br>Suite 1, Level 6, 50 Queen Street<br>Melbourne Victoria 3000 |
| **Stock exchange listings** | ASX: WNR |
| **Website** | www.wingaraag.com.au |

Your directors present their report on the consolidated entity consisting of Wingara AG Limited and the entities it controlled at the end of, or during, the year ended 31 March 2020. Throughout the report, the consolidated entity is also referred to as the Group.

**Directors and company secretary**

Gavin Xing - Executive Chairman & Managing Director

Zane Banson - Executive Director

Mark Hardgrave - Non-Executive Director

Jeral D'Souza - Non-Executive Director (Appointed 26 September 2019)

Phillip Hains - Secretary (Resigned 5 June 2019)

Oliver Carton - Secretary (Appointed 5 June 2019)

**Principal activities**

During the year, the principal continuing activities of the Group consist of acting as product processor and marketer of agricultural products, and also acting as service provider, providing temperature controlled facilities, blast freezing, storage and distribution.

**Dividends**

No dividends have been paid during the financial year. The directors do not recommend that a dividend be paid in respect of the financial year (2019: nil).

**Significant changes in the state of affairs**

Significant changes in the state of affairs of the Group during the financial year were as follows:

Wingara AG Limited ("Wingara") announced the sale and lease back of the Austco Polar Cold Storage ("Austco") property with KordaMentha Funds Management ("KMFM") through one of its investment vehicles in July 2019. KMFM acquired the property located at Laverton North, Victoria for $21 million based on a 15-year lease with Wingara with two additional 10-year options. Settlement occurred in August 2019 and Wingara now leases the property. There have been no changes to operations at the site.

On 23 December 2019, the Group issued 950,000 ordinary fully paid shares and 2,450,000 unlisted options (expiring in 36 months from grant date, exercisable at $0.36 per option) under Employee Share Option Plan 2019 as part of remuneration. These options were issued to Zane Banson, Gavin Xing, Kellie Barker, Mark Hardgrave, Roger Prezens and Oliver Carton.

There have been no other significant changes in the state of affairs of the Group during the year.

**Review of operations**

Wingara AG Limited ("Wingara" or "the Company") owns and operates value-add, mid-stream assets specialising in the processing, storage and marketing of agriculture produce for export markets through two businesses: JC Tanloden (JCT), and Austco Polar Cold Storage (APCS). The Company continues to build an agricultural infrastructure platform based on a tolling style revenue model. The innovative commercial approach ensures Wingara is positioned to continue its growth plan.

In an unprecedented year of global and local environmental events, Wingara has strengthened its commercial position through solid supplier and customer relationships alongside a focus on strategic initiatives. The Company continues to build an agricultural infrastructure platform based on a tolling style revenue model through the protein supply chain.

Highlights for FY2020 include:

*Strong financial results*

Following on from record financial results in FY2019, Wingara has continued its revenue growth with an operating revenue increase of 20% for FY2020. This is the result of a strong second half in FY2020 with revenue increasing 33% after we completed the sale and leaseback of APCS and shifted capital to the JCT side of the business. The demand for Australian fodder product in Asia has driven the strong results. This demonstrates Wingara's diversified investment strategy has provided the necessary resilience against the impact of both the drought and bushfires and the more recent COVID-19 pandemic.

Austco Polar has proven to be a valuable investment which has generated consistent returns following its acquisition in March 2018. Revenue for FY2020 increased by 8% up $1m on FY2019. This improvement has primarily been driven by adoption of a new management approach, customer service diversification and facility upgrades.

Export customer demand has seen JC Tanloden's operations at both the Epsom and Raywood sites operate at a consistent throughput volume exceeding 40,000 MT p.a. Quarterly production has increased quarter on quarter to 10.5k MT in Quarter 3 and 14.3k MT in Quarter 4.

- Revenue increase of 20% to exceed $35m for FY2020
- EBITDA of $3.3m
- Net capital gain of $4.2m
- Completed the successful sale and leaseback of Austco property significantly reducing debt from $27.5m to $7.37m (excluding asset lease finance) at the end of the financial year. Do note, the $7.37m in borrowings is comprised of $6.4m which is non-current as at year end.
- Blast freezing volumes at Austco Polar have increased 17% exceeding 2m units p.a.
- JC Tanloden hay production continued to increase quarter on quarter during the year

*Increased production to meet fodder customer demand*

The JCT operations have seen continued quarter on quarter growth in production throughout the year. After a slow first half of the year, the second half produced our highest production since inception. We note the first half of FY2020 output for JCT was constrained due to limited capital to accumulate fodder products for export. As additional capital was released from the sale and leaseback of APCS, we have been able to increase the production capacity of JCT. The JCT business is expected to continue increasing production to meet export customer demand.

**Review of operations (continued)**

*Impact of COVID-19*

The impact of COVID-19 has been limited in this year's financial results only affecting the final quarter. With the outbreak of COVID-19 beginning in China prior to The Lunar New Year (January 2020), the Austco business has seen a marginal slowdown in blast freezing, storage and export load out. The short term reduction is difficult to forecast as typically export markets slow during the winter season and the recent wet conditions could lead to replenishment of herds.

| | Mar-18 | Sep-18 | Mar-19 | Sep-19 | Mar-20 |
|---|---|---|---|---|---|
| | **H2 FY18** | **H1 FY19** | **H2 FY19** | **H1 FY20** | **H2 FY20** |
| **Revenue** | 4.29m | 14.72m | 14.40m | 15.02m | 20.04m |
| **EBITDA** | 0.88m | 2.76m | 2.00m | 1.33m | 1.96m |
| **Total Assets** | 23.36m | 44.01m | 47.40m | 51.07m | 55.32m |
| **Net Asset** | 12.09m | 15.53m | 15.14m | 16.53m | 16.44m |

**Significant event during the year**

Despite the challenges faced by various sectors in the economy, Wingara has implemented the necessary risk management procedures to minimise disruption to the Group. To date, COVID-19 has had a limited impact on the Group with the most significant being the slowdown at ports and disruption of shipping lines.

**Events since the end of the financial year**

As of the date of report, the impact of COVID-19 remains minimal to the Group's operation.

No other matters or circumstances have arisen since 31 March 2020 that have materially affected the Group's operations, results or state of affairs.

**Likely developments and expected results of operations**

There are no likely developments or details on the expected results of operations that the Group has not disclosed.

**Environmental regulation**

The Group is not affected by any significant environmental regulation in respect of its operations.

**Information on directors**

<table>
<tr><td colspan="3">Gavin Xing Executive Chairman and Managing Director</td></tr>
<tr><td>Experience<br>and expertise</td><td colspan="2">Mr Xing served as Executive Director and CEO of Vision Fame International Holding Ltd (1315:HK) during 2013-2014 prior to founding Wingara AG Ltd with co-founder Kellie Barker. Mr. Gavin Xing has over 17 years of experience in the investment banking and financing field with infrastructure, natural resources and commodities background. He held a number of sales, origination and structuring positions with Global Market division at Deutsche Bank AG Asia from 2007 to 2013. These positions include Director - Principal Finance (Hong Kong), Head of Commodities Structuring (China) and Head of Origination - Commodities, Asia. Prior to his positions at Deutsche bank he was also a Director of Project/Infrastructure Finance with HSBC Asia (Hong Kong) and Vice President of Structured Finance for Sumitomo Mitsui Banking Corporation (Singapore) during 2001 to 2007. Prior to that, Mr. Gavin Xing worked at the investment banking division at Deutsche Bank AG and ANZ in Melbourne, Australia between years 1996 to 2000 with a focus on infrastructure investment and financing.<br><br>Mr. Xing graduated from Royal Melbourne Institute of Technology with a Bachelor degree in Accounting and Economics in 1995. He received a Graduate Diploma in Applied Finance and Investment from Security Institute of Australia in 1998 and a Master degree in Applied Finance from Macquarie University in 1999.</td></tr>
<tr><td>Other current directorships of listed companies</td><td colspan="2">-</td></tr>
<tr><td>Former directorships in last 3 years</td><td colspan="2">-</td></tr>
<tr><td>Special responsibilities</td><td colspan="2">-</td></tr>
<tr><td>Interests in shares and options</td><td>20,677,727 ordinary shares (includes indirect holding)</td><td>2,250,000 options</td></tr>
</table>

**Information on directors (continued)**

| **Zane Banson** *Executive Director* | | |
|---|---|---|
| Experience and expertise | Mr Banson is an experienced Chartered Accountant specialising in Board Advisory, Corporate Governance and Financial Reporting for small and micro-cap listed companies. Mr Banson comes with over 10 years of experience in CFO Advisory, Company Secretarial, and Financial Reporting from KPMG, Exxon Mobil and boutique advisory firms. He has managed and advised a wide range of emerging, growth-stage listed companies. Mr Banson has worked with Wingara AG since 2015 in an advisory capacity before becoming the CFO in November 2018.<br><br>Mr Banson graduated from RMIT University with a bachelor degree of Accounting and Finance and is a Chartered Accountant. | |
| Other current directorships of listed companies | - | |
| Former directorships in last 3 years | - | |
| Special responsibilities | Chief Financial Officer | |
| Interests in shares and options | 444,500 ordinary shares | 1,000,000 options |

**Information on directors (continued)**

| **Mark Hardgrave** *Non-Executive Director* | | |
|---|---|---|
| Experience and expertise | Mr Hardgrave has over 35 years' experience having held previous positions in corporate finance, funds management and various C-suite roles. He is currently a non-Executive Director of ASX listed Traffic Technologies Limited, a non-Executive Director of Nimble Finance Limited. He is a co-founder and former joint Managing Director of M&A Partners, a Melbourne based boutique corporate advisory group. Prior to that, Mark was involved in funds management, equity capital markets and mergers & acquisitions in various roles at firms such as Bennelong Group, Thorney Investment Group, Merrill Lynch and Taverners Group. Mr Hardgrave holds a Bachelor of Commerce from the University of Queensland.<br><br>Mr Hardgrave is a member of CAANZ (Chartered Accountants Australia and New Zealand) & GAICD (Graduate of the Australian Institute of Company Directors) | |
| Other current directorships of listed companies | Traffic Technologies Limited (Appointed 30 January 2013)<br>Pental Limited (Appointed 1 May 2019) | |
| Former directorships in last 3 years | - | |
| Special responsibilities | - | |
| Interests in shares and options | 242,857 ordinary shares | 100,000 options |

**Information on directors (continued)**

| **Jeral D'Souza** *Non-Executive Director (Appointed 26 September 2019)* | | |
|---|---|---|
| Experience and expertise | Mr. D'Souza has over 40 years' experience having spent 30 years in senior regional management roles with Cargill, a leading global producer and distributer of food and agricultural products with operations in over 70 countries/ regions. Mr D'Souza has also been a Director of Teys Australia (Cargill's and Teys family JV), and Chairman of Allied Mills (Cargill and GrainCorp's Australian JV). The two businesses were diverse and included meat export, flour milling, bakery products, and agriculture product marketing in Asia, Europe, USA and Australia.<br><br>Mr D'Souza holds a Bachelor Degree with Honours in Accounting and Business Finance from the University of Manchester in England and is a Chartered Accountant with the Institute of Chartered Accountants in England and Wales. Mr D'Souza joined Cargill in 1983 after six years in the accounting profession with one of the UK big firms. | |
| Other current directorships of listed companies | - | |
| Former directorships in last 3 years | Teys Australia Limited - Non Executive Director August 2011 - August 2017<br>Allied Mills Pty Ltd - Director & Chairman January 2006 - March 2017 | |
| Special responsibilities | - | |
| Interests in shares and options | - | - |

**Company secretary**

Mr Oliver Carton was appointed as company secretary on 5 June 2019. He is a qualified lawyer with over 30 years of experience in a variety of corporate roles. He currently runs his own consulting business and was previously a Director of the Chartered Accounting firm KPMG. Prior to that, he was a senior legal officer with ASIC. Mr Carton is also an experienced company secretary and is currently company secretary for a number of listed, unlisted and not for profit companies, ranging from Wingara AG Limited to the Melbourne Symphony Orchestra.

Mr Phillip Hains is a Chartered Accountant operating a specialist public practice, 'The CFO Solution'. The CFO Solution focuses on providing back office support, financial reporting and compliance systems for listed public companies. A specialist in the public company environment, Mr Hains has served the needs of a number of company boards and their related committees. He has over 20 years' experience in providing businesses with accounting, administration, compliance and general management services. He holds a Master of Business Administration from RMIT and a Public Practice Certificate from the Chartered Accountants Australia and New Zealand.

Mr Hains resigned from company secretary on 5 June 2019.

**Annual reporting calendar**

| ANNUAL REPORTING CALENDAR | |
|---|---|
| **Reporting Requirement** | **Date** |
| Lodgment of Appendix 4E | 29 May 2020 |
| Annual Financial Report | 30 June 2020 |
| Deadline for nomination as Director | 8 July 2020 |
| Annual Report and Notice of AGM | 17 July 2020 |
| Appendix 4C - quarter ended 30 June 2020 | 28 July 2020 |
| AGM | 19 August 2020 |
| Appendix 4C - quarter ended 30 September 2020 | 28 October 2020 |
| Appendix 4D Half-Year Report | 16 November 2020 |
| Appendix 4C - quarter ended 31 December 2020 | 28 January 2021 |
| Appendix 4C - quarter ended 31 March 2021 | 28 April 2021 |
| Appendix 4E & Audited Financial Statements Year ended 31 March 2021 | 28 May 2021 |
| Annual Financial Statements | 29 June 2021 |

**Meetings of directors**

The numbers of meetings of the Company's board of directors and of each board committee held during the year ended 31 March 2020, and the numbers of meetings attended by each director were:

| | Full meetings of directors | | Meetings of committees Audit | |
|---|---|---|---|---|
| | **H** | **A** | **H** | **A** |
| Gavin Xing | 5 | 5 | 2 | 2 |
| Mark Hardgrave | 5 | 5 | 2 | 2 |
| Zane Banson | 5 | 5 | 2 | 2 |
| Jeral D'Souza (appointed 26 September 2019) | 4 | 4 | 2 | 2 |

H: Number of meetings held during period of office

A: Number of meetings attended

**Remuneration report**

The directors present the Wingara AG Limited 2020 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this financial year.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors.

The report is structured as follows:

(a) Principles used to determine the nature and amount of remuneration
(b) Remuneration policy and link to performance
(c) Details of remuneration
(d) Service agreements

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

**Remuneration report (continued)**

*(a) Principles used to determine the nature and amount of remuneration*

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is in the process of structuring an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity, including:

Alignment to shareholders' interests:

- has profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, consisting of growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives

Alignment to program participants' interests:

- reflects competitive reward for contribution to growth in shareholder wealth
- rewards capability and experience
- provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of Non-Executive Directors and executive remunerations are separate.

*Non-Executive Directors remuneration*

Fees and payments to the Non-Executive Director reflect the demands and responsibilities of the role. The Non-Executive Director fees and payment are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure that the Non-Executive Director fee and payment are appropriate and in line with the market. Any share-based payments to Non-Executive Directors are based on the discretion of the Company.

The current aggregate Non-Executive Directors remuneration is at $300,000 per annum, which was last adopted by shareholders when the Group first listed on the ASX in December 2015.

**Remuneration report (continued)**

*(a) Principles used to determine the nature and amount of remuneration (continued)*

*Executive remuneration*

The consolidated entity aims to reward executives with a level and mix of remuneration based on their position and responsibility, which has both fixed and variable components.

The executive remuneration and reward framework has three components:

- base pay and non-monetary benefits
- other remuneration such as superannuation and long service leave
- share-based payments

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash, other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

*(b) Remuneration policy and link to performance*

The remuneration of Non-Executive Directors consists of an un-risked element (base pay) which is not linked to the performance of the Company in the current or previous reporting periods and share-based payments, which are awarded at the discretion of the Company. Executives are remunerated through a mix of un-risked remuneration (base pay) and a risked element through company options issued under the companies employee share and option plan (ESOP) which is linked to the performance of the Company.

*Statutory performance indicators*

We aim to align our executive remuneration to our strategic and business objectives and the creation of shareholder wealth. During the year ended 31 March 2020, the net profit after tax was $787,012 (year ended 31 March 2019 net profit after tax: $906,131), with closing share price at each year end to be $0.250 and $0.255 per share, respectively.

| | Year ended 31 Mar 2020 $ | Year ended 31 March 2019 $ | Year ended 31 March 2018 $ | Nine months ended 31 March 2017 $ | Year ended 30 June 2016 $ |
|---|---|---|---|---|---|
| Net profit/(loss) after tax | 787,012 | 906,131 | (434,062) | (176,244) | (4,271,633) |
| Closing share price at year end | 0.250 | 0.255 | 0.370 | 0.285 | 0.245 |

**Remuneration report (continued)**

*(c) Details of remuneration*

*Amounts of remuneration*

The following table shows details of the remuneration expense recognised for the Group's key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

| **2020** | Short-term employee benefits | | Post-employment benefits | Vesting of Share-based payments | Total | % of remuneration | |
|---|---|---|---|---|---|---|---|
| | Cash salary and fees | Movement in leave provision | Super-annuation | Shares/ Options Issued | | Fixed | Variable |
| | $ | $ | $ | $ | $ | % | % |
| **Directors** | | | | | | | |
| Gavin Xing | 266,530 | 29,255 | 25,320 | 76,725 | 397,830 | 80.71 | 19.29 |
| Mark Hardgrave | 45,662 | - | 4,338 | 10,230 | 60,230 | 83.02 | 16.98 |
| Zane Banson | 199,038 | 12,206 | 18,909 | 51,150 | 281,303 | 81.82 | 18.18 |
| Jeral D'Souza (Appointed 26 September 2019) | 18,124 | - | 1,722 | - | 19,846 | 100.00 | - |
| | 529,354 | 41,461 | 50,289 | 138,105 | 759,209 | 81.81 | 18.19 |
| **Other key management personnel** | | | | | | | |
| Kellie Barker | 199,140 | 30,566 | 18,918 | 69,150 | 317,774 | 78.24 | 21.76 |
| | 199,140 | 30,566 | 18,918 | 69,150 | 317,774 | 78.24 | 21.76 |
| **Total key management personnel compensation** | **728,494** | **72,027** | **69,207** | **207,255** | **1,076,983** | **80.76** | **19.24** |

**Remuneration report (continued)**

*(c) Details of remuneration (continued)*

*Amounts of remuneration (continued)*

| 2019 | Short-term employee benefits | | Post-employment benefits | Vesting of Share-based payments | Total | % of remuneration | |
|---|---|---|---|---|---|---|---|
| | Cash salary and fees $ | Movement in leave provision $ | Super-annuation $ | Shares/ Options Issued $ | $ | Fixed % | Variable % |
| ***Directors*** | | | | | | | |
| Gavin Xing | 274,812 | 13,630 | 25,756 | - | 314,198 | 100.00 | - |
| Eric Jiang (Resigned 8 June 2018) | 7,727 | - | 734 | - | 8,461 | 100.00 | - |
| Mark Hardgrave | 43,555 | - | 4,138 | - | 47,693 | 100.00 | - |
| Zane Banson | 118,654 | 6,679 | 11,272 | 41,500 | 178,105 | 76.70 | 23.30 |
| | 444,748 | 20,309 | 41,900 | 41,500 | 548,457 | 92.43 | 7.57 |
| ***Other key management personnel*** | | | | | | | |
| Marcello Diamante (Resigned 2 November 2018) | 101,413 | - | 9,066 | 46,500 | 156,979 | 70.38 | 29.62 |
| Kellie Barker | 154,549 | 13,627 | 14,682 | 18,000 | 200,858 | 91.04 | 8.96 |
| | 255,962 | 13,627 | 23,748 | 64,500 | 357,837 | 81.98 | 18.02 |
| **Total key management personnel compensation** | **700,710** | **33,936** | **65,648** | **106,000** | **906,294** | **88.30** | **11.70** |

**Remuneration report (continued)**

*(c) Details of remuneration (continued)*

*Shareholding*

The number of shares in the parent entity held during the year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | 1 April 2019 | Received as part of remuneration | Additions(*) | Disposals | 29 May 2020 |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| Gavin Xing | 10,050,000 | 300,000 | 77,727 | - | 10,427,727 |
| Mark Hardgrave | 142,557 | - | 100,000 | - | 242,557 |
| Zane Banson | 244,500 | 200,000 | - | - | 444,500 |
| | 10,437,057 | 500,000 | 177,727 | - | 11,114,784 |
| **Other key management personnel** | | | | | |
| Kellie Barker | 10,000,000 | 250,000 | - | - | 10,250,000 |
| | **20,437,057** | **750,000** | **177,727** | **-** | **21,364,784** |

(*) Additions were relate to on-market purchases

**Remuneration report (continued)**

*(c) Details of remuneration (continued)*

*Option holdings*

On 23 December 2019, the Group issued and vested options over ordinary shares (expiring in 36 months from grant date, exercisable at $0.36 per option). The number of options over the parent entity's ordinary shares held during the year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | 1 April 2019 | Received as remuneration contract | Received as performance during employment(*) | Disposals | 31 March 2020 |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| Gavin Xing | - | - | 750,000 | - | 750,000 |
| Mark Hardgrave | - | - | 100,000 | - | 100,000 |
| Zane Banson | 500,000 | - | 500,000 | - | 1,000,000 |
| | 500,000 | - | 1,350,000 | - | 1,850,000 |
| **Other key management personnel** | | | | | |
| Kellie Barker | 1,000,000 | - | 500,000 | - | 1,500,000 |
| | **1,500,000** | **-** | **1,850,000** | **-** | **3,350,000** |

(*) Options vest immediately upon issued.

No additional options have been issued as at the date of this report.

*(d) Service agreements*

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

| | |
|---|---|
| **Name:** | Gavin Xing |
| **Title:** | Executive Chairman and Managing Director |
| **Agreement commenced:** | 10 February 2016 |
| **Term of agreement:** | From 1 to 3 years of service - 2 weeks of notice<br>From 3 to 5 years of service - 3 weeks of notice<br>More than 5 years of service - 4 weeks of notice |
| **Details:** | $230,000 plus superannuation as Managing Director<br>$40,000 in Director Fees<br>Remuneration is reviewed annually |

| | |
|---|---|
| **Name:** | Mark Hardgrave |
| **Title:** | Non-Executive Director |
| **Agreement commenced:** | 1 March 2018 |
| **Term of agreement:** | Open until a written notice of resignation is communicated by the Director |
| **Details:** | $50,000 in Director Fees |

**Remuneration report (continued)**

*(d) Service agreements (continued)*

| | |
|---|---|
| **Name:** | Zane Banson |
| **Title:** | Executive Director and Chief Financial Officer |
| **Agreement commenced:** | 8 June 2018 |
| **Term of agreement:** | Less than 1 year of service - 1 week of notice<br>From 1 to 3 years of service - 2 weeks of notice<br>From 3 to 5 years of service - 3 weeks of notice<br>More than 5 years of service - 4 weeks notice |
| **Details:** | $200,000 plus superannuation |

| | |
|---|---|
| **Name:** | Kellie Barker |
| **Title:** | Chief Operating Officer |
| **Agreement commenced:** | 8 February 2016 |
| **Term of agreement:** | From 1 to 3 years of service - 2 weeks of notice<br>From 3 to 5 years of service - 3 weeks of notice<br>More than 5 years of service - 4 weeks of notice |
| **Details:** | $200,000 plus superannuation. |

| | |
|---|---|
| **Name:** | Jeral D'Souza |
| **Title:** | Non Executive Director |
| **Agreement commenced:** | 26 September 2019 |
| **Term of agreement:** | Open until a written notice of resignation is communicated by the Director |
| **Details:** | $40,000 in Director Fees |

*(e) Additional statutory information*

*Other transactions with key management personnel*

During the year, the Group made a repayment of $250,000 to a member of key management personnel in relation to a loan that was used to support the Group’s working capital and inventory purchases.

**[This concludes the Remuneration Report, which has been audited]**

**Shares under options**

On 23 December 2019, the Group issued a total of 2,450,000 options over ordinary shares (expiring in 36 months from grant date, exercisable at $0.36 per option) under the Employee Share Option Plan 2019. These options were issued to Zane Banson, Gavin Xing, Kellie Barker, Mark Hardgrave, Roger Prezens and Oliver Carton.

Share options outstanding as at 31 March 2020 have the following expiry date and exercise prices:

| Grant date | Expiry date | Exercise price | Share options 31 March 2020 |
|---|---|---|---|
| 31 October 2017 | 30 October 2020 | 0.395 | 2,000,000 |
| 13 June 2018 | 12 June 2021 | 0.480 | 500,000 |
| 13 August 2018 | 12 August 2021 | 0.480 | 500,000 |
| 23 December 2019 | 23 December 2022 | 0.360 | 2,450,000 |
| | | | 5,450,000 |

No options were exercised during the year.

**Insurance of officers and indemnities**

*(a) Insurance of officers*

The Group has indemnified the Directors and executives of the Group 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 Group 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.

*(b) Indemnity of auditors*

The Group 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.

**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 Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

**Non-audit services**

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor (William Buck) for audit and non-audit services provided during the year are set out below.

**Non-audit services (continued)**

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

| | 31 March 2020<br>$ | 31 March 2019<br>$ |
|---|---|---|
| **Other assurance services** | | |
| William Buck | | |
| Due diligence services | 59,580 | 36,256 |
| ***Total remuneration for other assurance services*** | **59,580** | **36,256** |
| | | |
| ***Total remuneration for non-audit services*** | **59,580** | **36,256** |

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 19.

**Corporate governance statement**

In accordance with ASX listing Rule 4.10.3, the Group’s 2020 Corporate Governance Statements can be found on its website: http://www.wingaraag.com.au/

This report is made in accordance with a resolution of directors.

Gavin Xing
Director

Melbourne
29 May 2020

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF WINGARA AG LIMITED AND ITS CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief during the year ended 31 March 2020 there have been:

— no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

William Buck

**William Buck Audit (Vic) Pty Ltd**
ABN 59 116 151 136

**A. A. Finnis**
Director

Melbourne, 29 May 2020

**ACCOUNTANTS & ADVISORS**
Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
**williambuck.com**

| | Notes | 31 March 2020 $ | 31 March 2019 $ |
|---|---|---|---|
| **Revenue** | | | |
| Fodder sales | | 21,709,975 | 16,758,217 |
| Services | | 13,347,620 | 12,361,731 |
| | | 35,057,595 | 29,119,948 |
| Cost of sales | 2 | (18,786,297) | (14,290,105) |
| **Gross profit** | | **16,271,298** | **14,829,843** |
| Other income | 2 | 184,730 | 144,013 |
| Operating expenses | 2 | (10,561,875) | (8,288,908) |
| Freight expenses | | (2,607,395) | (1,932,689) |
| **Earnings before finance costs, tax, depreciation and transaction expenses** | | **3,286,758** | **4,752,259** |
| Net gain on disposal of property, plant and equipment | 2 | 4,238,986 | - |
| Depreciation expenses | | (2,467,356) | (2,116,173) |
| Finance costs | | (2,020,941) | (1,805,547) |
| Project and transaction expenses | 2 | (2,143,724) | (877,731) |
| Gain on bargain purchase | 2 | - | 999,656 |
| **Profit before income tax expense** | | **893,723** | **952,464** |
| Income tax expense | 3 | (106,711) | (46,333) |
| **Profit for the year** | | **787,012** | **906,131** |
| **Other comprehensive income** | | | |
| Other comprehensive income for the year, net of tax | | - | - |
| **Total comprehensive income for the year** | | **787,012** | **906,131** |
| | | Cents | Cents |
| **Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:** | | | |
| Basic earnings per share (cents) | 20(a) | 0.75 | 0.89 |
| Diluted earnings per share (cents) | 20(b) | 0.72 | 0.86 |

- The Group has reclassified certain expenditure items in prior year comparatives in order to be consistent with the current year classification and presentation.

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

| | Notes | 31 March 2020 $ | 31 March 2019 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 3,449,108 | 664,763 |
| Trade and other receivables | 4(a) | 2,547,883 | 1,463,910 |
| Inventories | | 4,100,485 | 5,362,657 |
| Other current assets | | 262,377 | 122,070 |
| **Total current assets** | | **10,359,853** | **7,613,400** |
| **Non-current assets** | | | |
| Property, plant and equipment | 5 | 18,311,845 | 37,651,690 |
| Deferred tax assets | 3(c) | 402,617 | 293,003 |
| Right-of-use assets | 7 | 24,128,944 | - |
| Intangible assets | 6 | 1,816,075 | 1,816,075 |
| Other non-current assets | | 298,391 | 29,508 |
| **Total non-current assets** | | **44,957,872** | **39,790,276** |
| **Total assets** | | **55,317,725** | **47,403,676** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 4(b) | 6,155,852 | 3,806,318 |
| Lease liabilities | 7 | 1,423,065 | - |
| Borrowings | 4(c) | 966,000 | 8,302,748 |
| Employee benefit obligations | | 774,239 | 429,310 |
| Current tax liabilities | | 193,382 | - |
| **Total current liabilities** | | **9,512,538** | **12,538,376** |
| **Non-current liabilities** | | | |
| Lease liabilities | 7 | 22,875,272 | 1,191,829 |
| Borrowings | 4(c) | 6,402,000 | 18,019,000 |
| Employee benefit obligations | | 87,009 | 515,187 |
| **Total non-current liabilities** | | **29,364,281** | **19,726,016** |
| **Total liabilities** | | **38,876,819** | **32,264,392** |
| **Net assets** | | **16,440,906** | **15,139,284** |
| **EQUITY** | | | |
| Contributed equity | 8(a) | 20,266,704 | 19,976,954 |
| Other reserves | 8(b) | 434,141 | 165,500 |
| Accumulated losses | | (4,259,939) | (5,003,170) |
| **Total equity** | | **16,440,906** | **15,139,284** |

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

| | Notes | Attributable to owners of Wingara AG Limited | | | |
|---|---|---|---|---|---|
| | | **Contributed equity $** | **Share-based payment reserve $** | **Accumulated losses $** | **Total $** |
| **Balance at 1 April 2018** | | 17,984,954 | 15,000 | (5,909,301) | 12,090,653 |
| Profit for the year | | - | - | 906,131 | 906,131 |
| **Total comprehensive loss for the year** | | **-** | **-** | **906,131** | **906,131** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Issue of shares from private placement | 8(a) | 50,000 | - | - | 50,000 |
| Vesting of share-based payments | 8(b) | - | 150,500 | - | 150,500 |
| Issue of shares from conversion of convertible notes | 8(a) | 1,942,000 | - | - | 1,942,000 |
| | | 1,992,000 | 150,500 | - | 2,142,500 |
| **Balance at 31 March 2019** | | **19,976,954** | **165,500** | **(5,003,170)** | **15,139,284** |
| **Balance at 1 April 2019** | | 19,976,954 | 165,500 | (5,003,170) | 15,139,284 |
| Adjustment on adoption of AASB 16 (net of tax) | 21(a) | - | - | (43,781) | (43,781) |
| **Restated total equity at the beginning of the financial year** | | **19,976,954** | **165,500** | **(5,046,951)** | **15,095,503** |
| Profit for the year | | - | - | 787,012 | 787,012 |
| **Total comprehensive income for the year** | | **-** | **-** | **787,012** | **787,012** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Issue of shares | 8(a) | 289,750 | - | - | 289,750 |
| Vesting of share-based payments | 8(b) | - | 268,641 | - | 268,641 |
| | | 289,750 | 268,641 | - | 558,391 |
| **Balance at 31 March 2020** | | **20,266,704** | **434,141** | **(4,259,939)** | **16,440,906** |

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

| | Notes | For the year ended 31 March 2020 $ | For the year ended 31 March 2019 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 34,167,004 | 28,233,697 |
| Payments to suppliers, employees and others | | (30,633,924) | (26,264,819) |
| Interest received | | 4,911 | 21,026 |
| Interest paid & finance costs | | (2,020,941) | (1,805,547) |
| **Net cash from operating activities** | 9 | **1,517,050** | **184,357** |
| **Cash flows from investing activities** | | | |
| Purchase of plant and equipment | | (2,043,966) | (25,342,623) |
| Proceeds from sale of property, plant and equipment | | 21,033,320 | - |
| Payments for business acquisition and related deposits | | - | (2,738,895) |
| **Net cash used in from investing activities** | | **18,989,354** | **(28,081,518)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of ordinary shares | 8(a) | - | 50,000 |
| Proceeds from borrowings | | 5,810,000 | 40,394,000 |
| Repayment of borrowings | | (21,560,756) | (21,157,269) |
| Repayment of lease liabilities | | (1,397,959) | - |
| **Net cash (used in)/from financing activities** | | **(17,148,715)** | **19,286,731** |
| **Net increase / (decrease) in cash and cash equivalents** | | 3,357,689 | (8,610,430) |
| Cash and cash equivalents at the beginning of the financial year | | 91,419 | 8,701,849 |
| **Cash and cash equivalents at end of year (including bank overdraft)** | | **3,449,108** | **91,419** |
| **Reconciliation of cash and bank overdraft:** | | | |
| Cash and cash equivalents as per the consolidated statement of financial position | | 3,449,108 | 664,763 |
| Bank overdraft | 4(c) | - | (573,344) |
| | | **3,449,108** | **91,419** |

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

# 1 Segment information

## (a) Description of segments and principal activities

During the financial year ended 31 March 2020, the Group operated in two segments:

1. Acting as product processor and marketer of agricultural products in Australia;
2. Acting as service provider for manufacturers, providing temperature-controlled facilities, blast freezing, storage and distribution.

The two segments details are therefore fully reflected in the body of the consolidated financial statements.

During the financial year ended 31 March 2020, revenue from exporting to Asia and domestic sales contributed to 74% and 26% respectively of the total revenue in the hay trading business. Revenue from the cold storage business was made up of 100% domestic sales. Additionally, revenue generated from hay trading business segment was 62% and from cold storage segment amounted to 38% of total revenue.

During the financial year ended 31 March 2020, sales to one major customer in fodder business and one major customer in blast freezing business contributed to 11% and 14% respectively of the Group's total revenue. No other single customers contributed 10% or more to the Group's revenue for the year.

Corporate division includes the financial results of Wingara AG Limited, being the parent entity of the Group. All segments and the corporate division operate and reside in Australia, being the only geographical segment and all of the Group's assets are held in Australia.

The Group has included certain non-IFRS measures including earnings before depreciation, finance costs, transaction costs and tax. These measures are used internally by management to assess the performance of the Group and segments, to make decisions on the allocation of resources and assess operational management.

## (b) Financial breakdown

The segment information provided to the strategic steering committee for the reportable segments for the year ended 31 March 2020 and 31 March 2019 is as follows:

| **2020** | **Fodder Business** $ | **Blast Freezing** $ | **Corporate** $ | **Total** |
|---|---|---|---|---|
| Total segment revenue | 21,709,975 | 13,347,620 | - | 35,057,595 |
| **Segment adjusted EBITDA** | **3,118,701** | **1,901,318** | **(1,733,261)** | **3,286,758** |
| Depreciation, finance and transaction cost | (2,088,128) | (2,877,665) | (1,666,228) | (6,632,021) |
| Net gain/(loss) on disposal of property, plant and equipment | (8,727) | 4,247,713 | - | 4,238,986 |
| **Net profit/(loss) before tax** | **1,021,846** | **3,271,366** | **(3,399,489)** | **893,723** |
| Income tax benefits/(expense) | 9,379 | 13,460 | (129,550) | (106,711) |
| **Net profit/(loss) for the year** | **1,031,225** | **3,284,826** | **(3,529,039)** | **787,012** |
| **Total segment assets** | 27,844,471 | 26,112,925 | 1,360,329 | 55,317,725 |
| **Total segment liabilities** | (14,778,103) | (23,213,157) | (885,559) | (38,876,819) |

# 1 Segment information (continued)

## (b) Financial breakdown (continued)

| 2019 | Fodder Business $ | Blast Freezing $ | Corporate $ | Total $ |
|---|---|---|---|---|
| Total segment revenue | 16,758,217 | 12,361,731 | - | 29,119,948 |
| **Segment adjusted EBITDA** | **2,710,496** | **3,355,488** | **(1,313,725)** | **4,752,259** |
| Depreciation, Finance and Transaction Cost | (2,263,398) | (1,768,290) | (767,763) | (4,799,451) |
| Gain on bargain purchase | - | - | 999,656 | 999,656 |
| **Net profit/(loss) before tax** | **447,098** | **1,587,198** | **(1,081,832)** | **952,464** |
| Income tax expense | - | - | (46,333) | (46,333) |
| **Net profit/(loss) for the year** | **447,098** | **1,587,198** | **(1,128,165)** | **906,131** |
| **Total segment assets** | 24,839,741 | 22,148,896 | 415,039 | 47,403,676 |
| **Total segment liabilities** | (15,746,053) | (15,795,696) | (722,643) | (32,264,392) |

The Group has reclassified certain expenditure items in prior year comparatives in order to be consistent with the current year classification and presentation.

# 2 Profit before income tax expense

| | 31 March 2020 $ | 31 March 2019 $ |
|---|---|---|
| **Cost of Sales** | | |
| Fodder purchases | 12,778,514 | 9,051,251 |
| Labour costs | 5,314,117 | 4,253,044 |
| Other direct costs | 693,666 | 985,810 |
| | 18,786,297 | 14,290,105 |
| **Operating Expenses** | | |
| Employee related expenses | 3,820,268 | 2,675,995 |
| Utilities | 3,621,513 | 3,229,660 |
| External consultancy and audit expenses | 331,437 | 248,720 |
| Plant expenses | 2,175,770 | 1,423,596 |
| Occupancy and administration expenses | 612,887 | 710,937 |
| | 10,561,875 | 8,288,908 |

The Group has reclassified certain expenditure items in prior year comparatives in order to be consistent with the current year classification and presentation.

## 2 Profit before income tax expense (continued)

**Project and transaction expenses**
Project and transaction expenses were associated with fees incurred in relation to the sale of Austco property and development of Wingara Group in line with growth strategy of building a sustainable platform for processing and marketing agricultural products. Detail is as below:

| | 31 March 2020<br>$ | 31 March 2019<br>$ |
|---|---|---|
| **Project and transaction expenses** | | |
| Transaction fees | 610,467 | 468,504 |
| Due diligence & project management | 974,866 | 258,727 |
| Share-based payments | 558,391 | 150,500 |
| | 2,143,724 | 877,731 |

| | 31 March 2020<br>$ | 31 March 2019<br>$ |
|---|---|---|
| **Other income** | | |
| Net gain/(loss) on disposal of property, plant and equipment (i) | 4,238,986 | - |
| Other income | 184,730 | 144,013 |
| Gain on bargain purchase (ii) | - | 999,656 |
| | 4,423,716 | 1,143,669 |

(i) In July 2019, the Group signed sale of the Austco Polar Cold Storage property with lease back terms of 15 years and two further 10-year options. The transaction allows Wingara to unlock a capital gain and decrease its gearing ratio to pursue its growth strategy. The transaction details is as follow:

| | **$** |
|---|---|
| Sale of the Austco Polar Cold Storage Property | 21,000,000 |
| Disposal of land | (5,400,064) |
| Disposal of building | (8,321,723) |
| Capital improvements associated with Austco property | (3,030,500) |
| **Net gain on disposal of Austco Polar Cold Storage Property** | **4,247,713** |

There was $8,727 loss on disposal of other plant and equipment during the year ended 31 March 2020.

(ii) On 16 April 2018, The Group completed the acquisition of 100% of equity interest in Austco Polar Cold Storage, a cold storage facility located in Laverton North, in Melbourne west. The purchase consideration was $3,078,895 and the gain on purchase was $999,656.

# 3 Income tax expense

## (a) Income tax expense

| | 31 March 2020 $ | 31 March 2019 $ |
|---|---|---|
| *Current tax* | | |
| Current tax on profits for the year | 188,904 | - |
| Under/over provision from previous year | 5,064 | - |
| **Total current tax expense** | 193,968 | - |
| **Total deferred tax (benefit)/expense** | **(87,257)** | **46,333** |
| **Income tax expense** | **106,711** | **46,333** |

## (b) Numerical reconciliation of income tax expense to prima facie tax liabilities

| | 31 March 2020 $ | 31 March 2019 $ |
|---|---|---|
| Profit before income tax expense | 893,723 | 952,464 |
| Tax at the Australian tax rate of 27.5% | 245,774 | 261,928 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Non-deductible permanent differences | 88,576 | 59,310 |
| Temporary differences | (222,988) | - |
| Tax losses deducted | 113,374 | - |
| Gain on bargain purchase | - | (274,905) |
| Gain on sale of assets | (123,089) | - |
| Under provision of prior year income tax | 5,064 | - |
| **Income tax expense** | **106,711** | **46,333** |

## (c) Deferred tax assets

| | 31 March 2020 $ | 31 March 2019 $ |
|---|---|---|
| Deferred tax assets | 402,617 | 293,003 |

In current year, deferred tax assets have been recognised in respect of timing differences mainly relating to provision for employee benefit obligations. The deferred tax assets, in respect of carry forward tax losses in prior years, have been fully utilised in current year.

## 4 Financial assets and liabilities

### (a) Trade and other receivables

| | 31 March 2020 $ | 31 March 2019 $ |
|---|---|---|
| Trade receivables | 2,547,883 | 1,463,910 |

*(i) Classification as trade and other receivables*

Trade receivables are amounts due from customers for goods and services provided in the ordinary course of business. Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 14 to 60 days and therefore are all classified as current. The Group's other accounting policies for trade and other receivables are outlined in notes 21(j).

*(ii) Impairment and risk exposure*

Information about the impairment of trade and other receivables, their credit quality and the group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 10.

### (b) Trade and other payables

| | 31 March 2020 $ | 31 March 2019 $ |
|---|---|---|
| Trade payables | 5,383,522 | 2,467,128 |
| Other payables (*) | 434,429 | 1,097,066 |
| Payroll tax and other statutory liabilities | 337,901 | 242,124 |
| | 6,155,852 | 3,806,318 |

(*) The balance is primarily attributed to accrued expenses and deposits received from customers.

## 4 Financial assets and liabilities (continued)

### (c) Borrowings

| | 31 March 2020 | | | 31 March 2019 | | |
|---|---|---|---|---|---|---|
| | Current $ | Non-current $ | Total $ | Current $ | Non-current $ | Total $ |
| **Secured** | | | | | | |
| Commercial bill & loan | 966,000 | 6,402,000 | 7,368,000 | 6,990,000 | 18,019,000 | 25,009,000 |
| Asset finance loan | - | - | - | 193,172 | 1,191,829 | 1,385,001 |
| Bank overdraft | - | - | - | 573,344 | - | 573,344 |
| Lease liabilities | - | - | - | 186,232 | - | 186,232 |
| Total secured borrowings | 966,000 | 6,402,000 | 7,368,000 | 7,942,748 | 19,210,829 | 27,153,577 |
| **Unsecured** | | | | | | |
| Inventory Loan | - | - | - | 360,000 | - | 360,000 |
| Total unsecured borrowings | - | - | - | 360,000 | - | 360,000 |
| **Total borrowings** | **966,000** | **6,402,000** | **7,368,000** | **8,302,748** | **19,210,829** | **27,513,577** |

*(i) Secured liabilities and assets pledged as security*

Liabilities (current and non-current) listed below are secured by machinery and equipment owned by the Group:

Commercial bill & loan:

- Westpac tailored commercial facility with a facility limit of $2,368,000 (2019: $20,009,000)The facility is subject to BBSY rate plus a margin of 1.90% (2019: 1.73%) per annum and line fee of 1.00% (2019: 1.50%-2.50%) per annum. The duration of this facility is five (5) years. Interest to be paid monthly plus monthly principal reductions of $80,500.
- Revolving loan facility with a facility limit of $5,000,000 (2019: $5,000,000). This facility is subject to BBSY rate plus a margin of 1.46% (2019: 1.73%) per annum and a line fee of 1.00% (2019: 2.50%) per annum. The term of this facility is 18 months, subject to satisfactory annual review. Monthly repayment consists of interest and fees only. Total amount owing has to be paid on the last day of the term.

Asset finance loan:

- In 2019, Westpac asset finance loan with a facility of $1,585,845. This facility is subject to an interest rate equal to market rates. The duration of this facility is up to five (5) years. Monthly principal and interest, total of $26,430 to be paid in a monthly basis.

  In current year, as a result of the adoption of AASB 16 Leases, the liabilities under asset financing arrangements have been reclassified into lease liabilities. Refer to Note 7.

## 4 Financial assets and liabilities (continued)

### (c) Borrowings (continued)

*(ii) Compliance with loan covenants*

Wingara AG Limited has complied with the financial covenants of its borrowing facilities during the 2020 and 2019 reporting periods.

*(iii) Risk exposures*

Details of the group's exposure to risks arising from current and non-current borrowings are set out in note 10.

## 5 Property Plant and Equipment

| | 31 March 2020 $ | 31 March 2019 $ |
|---|---|---|
| Property, plant and equipment | 17,157,891 | 37,537,691 |
| Capital work-in-progress (i) | 1,153,954 | 113,999 |
| | 18,311,845 | 37,651,690 |

(i) Capital work-in-progress relates to works performed in upgrading the Groups hay press machinery.

## 5 Property Plant and Equipment (continued)

| | Freehold land $ | Freehold buildings $ | Plant and equipment $ | Furniture, fittings and equipment $ | Machinery and vehicles $ | Spare parts $ | Total $ |
|---|---|---|---|---|---|---|---|
| **At 31 March 2019** | | | | | | | |
| Cost of fair value | 5,941,269 | 22,190,631 | 10,457,635 | 536,460 | 1,201,345 | 711,063 | 41,038,403 |
| Accumulated depreciation | - | (412,047) | (2,271,359) | (124,780) | (389,708) | (302,818) | (3,500,712) |
| Net book amount | 5,941,269 | 21,778,584 | 8,186,276 | 411,680 | 811,637 | 408,245 | 37,537,691 |
| **At 31 March 2020** | | | | | | | |
| Cost | 521,929 | 11,134,973 | 5,648,364 | 435,418 | 338,681 | 673,816 | 18,753,181 |
| Accumulated depreciation | - | (288,840) | (683,065) | (87,245) | (170,795) | (365,345) | (1,595,290) |
| Net book amount | 521,929 | 10,846,133 | 4,965,299 | 348,173 | 167,886 | 308,471 | 17,157,891 |
| **Year ended 31 March 2019** | | | | | | | |
| Opening net book amount | - | - | 2,803,693 | 61,881 | 654,490 | 344,757 | 3,864,821 |
| Acquisition of subsidiary | - | - | 4,177,189 | 351,193 | - | 105,747 | 4,634,129 |
| Additions | 5,941,269 | 22,190,631 | 2,466,968 | 93,328 | 324,197 | 138,521 | 31,154,914 |
| Depreciation charge | - | (412,047) | (1,261,574) | (94,722) | (167,050) | (180,780) | (2,116,173) |
| Closing net book amount | 5,941,269 | 21,778,584 | 8,186,276 | 411,680 | 811,637 | 408,245 | 37,537,691 |
| **Year ended 31 March 2020** | | | | | | | |
| Opening net book amount | 5,941,269 | 21,778,584 | 8,186,276 | 411,680 | 811,637 | 408,245 | 37,537,691 |
| Additions | - | 763,648 | 1,149,642 | 12,808 | 55,693 | 62,175 | 2,043,966 |
| Transfer to right-of-use assets AASB 16 | - | - | (3,933,372) | (29,366) | (593,589) | (65,681) | (4,622,008) |
| Disposals | (5,419,340) | (11,337,422) | - | - | (48,193) | - | (16,804,955) |
| Depreciation charge | - | (358,677) | (437,247) | (46,949) | (57,662) | (96,268) | (996,803) |
| Closing net book amount at 31 March 2020 | 521,929 | 10,846,133 | 4,965,299 | 348,173 | 167,886 | 308,471 | 17,157,891 |

## 5 Property Plant and Equipment (continued)

*(i) Depreciation methods and useful lives*

All land, buildings, property, plant and equipment are recognised at historical cost less depreciation.

During the year, Wingara has established a process and reviewed estimated useful lives of all assets. Management has determined that useful lives of some assets had been previously understated and those assets have now been updated to reflect more realistic remaining useful lives.

The revised estimated useful lives of its property, plant and equipment are disclosed below and the change in estimated useful lives are applied prospectively, effective from 1 April 2019, which is the date of revision.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

| | 31 March 2020 | 31 March 2019 |
|---|---|---|
| • Buildings and capital improvement | 40 years | 40 years |
| • Plant and equipment | 2 - 20 years | 2 - 10 years |
| • Furniture, fittings and equipment | 2 - 20 years | 3 - 5 years |
| • Motor vehicles | 5 - 7 years | 5 - 7 years |
| • Others | 3 - 20 years | 3 - 10 years |

Land is not depreciated because land is assumed to have an unlimited useful life. See note 21(m) for the other accounting policies relevant to property, plant and equipment.

## 6 Intangible assets

| | **Goodwill** **$** | **Export license** **$** | **Total** **$** |
|---|---|---|---|
| **At 31 March 2019** | | | |
| Cost | 31,711 | 1,784,364 | 1,816,075 |
| Accumulated amortisation and impairment | - | - | - |
| Net book amount | 31,711 | 1,784,364 | 1,816,075 |
| **At 31 March 2020** | | | |
| Cost | 31,711 | 1,784,364 | 1,816,075 |
| Accumulated amortisation and impairment | - | - | - |
| Net book amount | 31,711 | 1,784,364 | 1,816,075 |

*(i) Impairment tests for goodwill & export license*

The recoverable amount of the CGU to which goodwill & export license was allocated, has been determined by a value-in-use calculation using a discounted cash flow model, based on a 1-year projection period approved by management and extrapolated for a further 4 years using a steady rate, together with a terminal value. Export license has indefinite useful life as it can be renewed for only a trivial amount at expiry of license period without incurring significant costs and time.

Key assumptions are those to which the recoverable amount of an asset or cash-generating unit is most sensitive.

## 6 Intangible assets (continued)

*(i) Impairment tests for goodwill & export license (continued)*

The following key assumptions were used in the discounted cash flow model: (a) 15.11% post-tax discount rate (2019: 15.44%); (b) 5.00% per annum projected revenue growth rate (2019: 8.00%); (c) 49% gross margin (2019: 49%); (d) 2.50% per annum terminal value growth rate (2019: 2.50%).

- The post-tax discount rate represents the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying asset that have not be incorporated in the cash flows model. The discount rate calculation is based on the specific circumstances of the CGU, and is derived from its weighted average cost of capital ('WACC'). The WACC includes both cost of debt and equity. The cost of debt is based on the interest-bearing borrowings the CGU is obliged to service. The cost of equity is based on the expected return on investment by the Company's shareholders. In calculation of the cost of equity, management has accounted for the segment-specific risk by applying the beta factor, which is publicly available market data.
- Revenue growth rate of 5.00% in subsequent years is derived based on a combination of historical performance references, market outlooks and current expansion and development plan of the business.
- The estimation of the annual operating costs and overheads increase is consistent with the revenue growth as majority of the costs are variable by nature.
- The estimated terminal value growth rate was set at 2.5% (2019: 2.5%).

There were no other key assumptions.

*(ii) Sensitivity*

As disclosed in note 21(a)(iv), the directors have made judgements and estimates in revenue growth and operating costs/overheads level in respect of impairment testing of goodwill and export license. Should these judgements and estimates not occur the resulting goodwill and export license carrying amount may decrease.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of goodwill and export license is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

No reasonably possible change in the assumptions used in the impairment calculation would generate an impairment charge.

## 7 Leases

*(i) Amounts recognised in the statement of financial position*

The statement of financial position shows the following amounts relating to leases:

| | 31 March 2020 $ | 31 March 2019 $ |
|---|---|---|
| ***Right-of-use assets*** | | |
| Property, plant and equipment | 23,987,606 | - |
| Cars | 141,338 | - |
| | 24,128,944 | - |
| ***Lease liabilities*** | | |
| Current | (1,423,065) | - |
| Non-current | (22,875,272) | - |
| | (24,298,337) | - |

## 7 Leases (continued)

*(ii) Amounts recognised in the statement of profit or loss*

The statement of profit or loss shows the following amounts relating to leases:

| | 31 March 2020 $ | 31 March 2019 $ |
|---|---|---|
| **Depreciation charge of right-of-use assets** | | |
| Property, plant and equipment | 1,440,587 | - |
| Cars | 29,966 | - |
| | 1,470,553 | - |
| Interest expense (included in finance cost) | 977,012 | - |

The total cash outflow for leases in 2020 was $1,397,959.

*(iii) The group's leasing activities and how these are accounted for*

The Group has adopted AASB 16 *Leases* during the year ended 31 March 2020 using the modified retrospective approach. The modified approach does not require restatement of comparative periods. Instead the cumulative impact of applying AASB 16 is accounted for as an adjustment to equity at the start of the current accounting period in which it is first applied, known as the 'date of initial application'.

At the start of the current accounting period, the Group has the following leased assets:
1. Office lease at Kew, Victoria
2. Storage lease at Epsom, Victoria

In August 2019, the Group entered into a fifteen-year commercial lease on the Austco Property located at Laverton North, after the execution of sale and lease back agreement with the property fund.

In September 2019, the Group entered into a three-year commercial lease on the Hawthorn property and ceased the lease on the office in Kew in February 2020.

During the year ended 31 March 2020, the Group reclassified motor vehicles, office plant and equipment, factory plant and equipment, and spare parts under finance lease arrangements from property, plant and equipment to right of use assets.

| | **Property, plant and equipment $** | **Cars $** | **Total Right-of-use Assets $** |
|---|---|---|---|
| **Year ended 31 March 2020** | | | |
| Opening net book amount - initial adoption AASB 16 | 249,269 | - | 249,269 |
| Transfer to right-of-use assets AASB 16 | 4,506,397 | 115,611 | 4,622,008 |
| Additions | 20,672,527 | 55,693 | 20,728,220 |
| Depreciation charge | (1,440,587) | (29,966) | (1,470,553) |
| Closing net book amount at 31 March 2020 | 23,987,606 | 141,338 | 24,128,944 |

## 7 Leases (continued)

*(iii) The group's leasing activities and how these are accounted for (continued)*

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group leases land and buildings for its offices, warehouses and retail outlets under agreements of between five to fifteen years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group also leases motor vehicles under agreements of five years.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

In current year, as a result of the adoption of AASB 16 Leases, the liabilities under asset financing arrangements have been reclassified into lease liabilities. Below are the key terms and conditions for asset financing arrangements:

• Elect Performance: Westpac asset finance loan with a facility limit of $1,408,397. This facility is subject to an interest rate equal to market rates. The duration of this facility is up to five (5) years. Monthly principal and interest, total of $27,550 to be paid on a monthly basis.

• Elect Performance: Westpac asset finance loan with a facility limit of $2,250,000. This facility is subject to an interest rate equal to market rates. The duration of this facility is up to five (5) years. Monthly principal and interest, total of $42,784 to be paid on a monthly basis.

• Austco Polar: Westpac asset finance loan with a facility limit of $300,000. This facility is subject to an interest rate equal to market rates. The duration of this facility is up to four (4) years. Monthly principal and interest, total of $6,919 to be paid on a monthly basis.

## 8 Contributed equity

| | 31 March 2020 Shares | 31 March 2019 Shares | 31 March 2020 $ | 31 March 2019 $ |
|---|---|---|---|---|
| Ordinary shares | | | | |
| Fully paid | 106,055,335 | 105,105,335 | 20,266,704 | 19,976,954 |
| **Total share capital** | 106,055,335 | 105,105,335 | 20,266,704 | 19,976,954 |

**Movements in ordinary shares:**

| Details | Number of shares | $ |
|---|---|---|
| Balance 1 April 2018 | 96,790,361 | 17,984,954 |
| Shares issued to director for cash | 142,857 | 50,000 |
| Share issued from conversion of convertible notes | 8,172,117 | 1,942,000 |
| **Balance 31 March 2019** | **105,105,335** | **19,976,954** |
| Share issued to senior management under employee share scheme | 950,000 | 289,750 |
| **Balance 31 March 2020** | **106,055,335** | **20,266,704** |

*Transaction costs relating to share issues*
Incremental costs that are directly attributable to issuing new shares are deducted from equity.

### (a) Ordinary shares

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

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

### (b) Other reserves

| | 31 March 2020 Options | 31 March 2019 Options | 31 March 2020 $ | 31 March 2019 $ |
|---|---|---|---|---|
| Options | | | | |
| Options over ordinary shares | 5,450,000 | 3,000,000 | 434,141 | 165,500 |
| | **5,450,000** | **3,000,000** | **434,141** | **165,500** |
| **Total issued options** | **5,450,000** | 3,000,000 | **434,141** | 165,500 |

Options over ordinary shares are calculated as per the companies significant accounting policies on share based payments under note 21(w).

# 8 Contributed equity (continued)

## (b) Other reserves (continued)

**Movements in options:**

| Details | Number of options | $ |
|---|---|---|
| Opening balance 1 April 2018 | 2,000,000 | 15,000 |
| Options issued during the year | 1,000,000 | 150,500 |
| **Balance 31 March 2019** | **3,000,000** | **165,500** |
| | | |
| Opening balance 1 April 2019 | 3,000,000 | 165,500 |
| Options issued in the previous year | - | 18,000 |
| Options issued during the year | 2,450,000 | 250,641 |
| **Balance 31 March 2020** | **5,450,000** | **434,141** |

On 23 December 2019, the Group issued a total of 2,450,000 options over ordinary shares (expiring in 36 months from grant date, exercisable at $0.36 per option) under the Employee Share Option Plan 2019. These options were issued to Zane Banson, Gavin Xing, Kellie Barker, Mark Hardgrave, Roger Prezens and Oliver Carton.

On 10 June 2018 and 13 August 2018, the Group issued a total of 1,000,000 options over ordinary shares (expiring in 36 months from grant date, exercisable at $0.48 per option) to Roger Prezens and Zane Banson under the Employee Share Option Plan 2016.

Please refer to Note 18 for assumptions used in the calculation for option valuation.

## 9 Cash flow information

| | For the year ended 31 March 2020 $ | For the year ended 31 March 2019 $ |
|---|---|---|
| Profit for the year | 787,012 | 906,131 |
| Adjustment for | | |
| Depreciation expenses | 2,467,356 | 2,116,173 |
| Non-cash employee benefits expense - share based payments | 268,641 | 150,500 |
| Gain on bargain purchase | - | (999,656) |
| Issuance of shares to senior management | 289,750 | - |
| Net gain on disposal of property, plant and equipment | (4,238,986) | - |
| Change in operating assets and liabilities: | | |
| Increase in trade and other receivables | (1,030,898) | (566,059) |
| Decrease/(increase) in inventories | 1,262,173 | (4,137,827) |
| (Increase)/decrease in deferred tax assets | (109,614) | 40,604 |
| (Increase)/decrease in other current assets | (258,258) | 240,992 |
| Increase in trade and other payables | 1,996,624 | 2,280,738 |
| Decrease in employee benefits obligation | 83,250 | 152,761 |
| **Net cash inflow (outflow) from operating activities** | **1,517,050** | **184,357** |

## 10 Financial risk management

### (a) Financial instrument risk exposure and management

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and has the responsibility for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives quarterly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The principal financial instruments used by the Group, from which financial instrument risk arises include cash and cash equivalents, receivables, other financial assets, trade and other trade payables and borrowings. The directors consider these to be the material financial instrument risks facing the Group:

*(i) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's commercial bill & loan as disclosed in note 4(c).

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group works closely with reputable financial institutions to achieve the most optimal facilities available on the market which can be used to fund the Group's operations at an affordable cost of debt.

As at 31 March 2020, the Group held $7,368,000 in variable borrowing rates (2019: $25,009,000). Should the market interest rates fluctuate by 50 basis points, the impact to the Group's profit or loss is approximately $36,840 (2019: $123,045).

## 10 Financial risk management (continued)

### (a) Financial instrument risk exposure and management (continued)

*(ii) Commodity price risk*

The Group is affected by the price volatility of hay which is a type of commodity. Its operating activities require the ongoing trading of hay and therefore require a continuous supply of hay. Due to the nature of the commodity being significantly seasonal, the Group mitigates the risk of hay price fluctuating unfavourably by working closely with its suppliers to forecast supply volume in upcoming season, along with customer demands. Based on this assessment, management adjusts its level of purchase and storage to maintain a reasonable level of inventory in stock to meet with future demands and avoid any potential shortage due to bad weather. Prices paid to suppliers for inventory are fixed for the life of the contract and re-negotiated once the contract has finished. Contracts signed with customers are re-negotiated at every new hay season to reflect the fluctuation on the hay price and thus the price risk is passed on to customers.

*(iii) Foreign exchange risk*

The Group is exposed to foreign currency risk on trade receivables and cash at bank that are denominated in United States Dollar (US$), other than the functional currency, Australian Dollar (A$). As at 31 March 2020, the Group has $1,838,397 (2019: $703,290) worth of trade receivables and cash at bank of $639,505 (2019: $488,627) that were denominated in US$.

The Group engages in international transactions and is exposed to foreign currency risk arising from US$. The Group does not make use of derivative financial instruments to hedge foreign exchange risk. The Group is primarily exposed to changes in US$/A$ exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US$ denominated financial instruments and there is no impact on other components of equity.

Based on the financial instruments held at 31 March 2020, had the Australian dollar weakened/strengthened by 12.87% (2019: 7.54%) against the US$ with all other variables held constant, the Group's post-tax profit for the year would have been $121,601 higher/lower (2019: $89,871 higher/lower).

As at 31 March 2020, the Group has not applied the hedge accounting as the hedging transactions the Group has undertaken had no material impact on the measurement of transactions and balances recognised in the financial statements.

*(iv) Credit risk*

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

The Group manages credit risk and the losses which could arise from default by ensuring that financial assets such as cash at bank are held with reputable organisations. Management monitors the approval of new credit limit and collection process. As at 31 March 2020, the Group has $627,345 worth of trade receivables that past due but not impaired.

The credit quality of financial assets that are neither past due nor impaired can be assessed by the Group's senior management having continuous discussion with counter parties to thoroughly assess their financial position and ability to make repayment

The normal credit term in all sale contracts is up to 30 days, based on which management has assessed the impairment of outstanding receivables balance at 31 March 2020. For outstanding balance greater than the normal term at 31 March 2020 and 31 March 2019, management has worked with senior management of the respective counter parties to implement a more reasonable repayment schedule.

## 10 Financial risk management (continued)

### (a) Financial instrument risk exposure and management (continued)

*(v) Liquidity risk*

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group may encounter difficulty in meeting its financial obligations as they fall due. Depending on the facility type, the debt covenant requires the Group to make a pre-determined amount of payment towards interest and principal each month or each quarter.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, the management monitors the liquidity ratio in a monthly basis and seeks to maintain sufficient cash balances (or agreed facilities) to meet all current obligations which are due within the next 12 months.

*Financing arrangements*

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

| | 31 March 2020 $ | 31 March 2019 $ |
|---|---|---|
| **Commercial bill & loan (non-redrawable)** | | |
| Facility limit | 2,368,000 | 20,009,000 |
| Less: amount used | (2,368,000) | (20,009,000) |
| Undrawn amount | - | - |
| **Commercial bill & loan (redrawable)** | | |
| Facility limit | 5,000,000 | 5,000,000 |
| Less: amount used | (5,000,000) | (5,000,000) |
| Undrawn amount | - | - |
| **Asset finance (i)** | | |
| Facility limit | - | 1,585,845 |
| Less: amount used | - | (1,559,418) |
| Undrawn amount | - | 26,427 |
| **Overdraft** | | |
| Facility limit | 600,000 | 600,000 |
| Less: amount used | - | (573,653) |
| Undrawn amount | 600,000 | 26,347 |
| **Bank guarantee** | | |
| Facility limit | 1,940,661 | 97,500 |
| Less: amount used | - | (97,500) |
| Undrawn amount | 1,940,661 | - |

## 10 Financial risk management (continued)

### (a) Financial instrument risk exposure and management (continued)

*(v) Liquidity risk (continued)*

*Financing arrangements (continued)*

| | 31 March 2020 $ | 31 March 2019 $ |
|---|---|---|
| **Corporate card** | | |
| Facility limit | 80,000 | 40,000 |
| Less: amount used | - | - |
| Undrawn amount | 80,000 | 40,000 |
| **Total facilities (excluding bank guarantee)** | | |
| Facility limit | 8,048,000 | 27,234,845 |
| Less: amount used | (7,368,000) | (27,142,071) |
| Undrawn amount | 680,000 | 92,774 |
| **Lease liabilities** | (24,298,337) | (1,191,829) |

(i) Asset finance in current year has been reclassified into lease liabilities after adoption of AASB 16 Leases, refer to Note 7.

(ii) In current year total facility limit does not include bank guarantee facility limit.

*Maturities of financial liabilities*

The tables below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities:

The amounts disclosed in the table are the contractual undiscounted cash flows.

| ***Contractual maturities*** | **<30 days** | **30 - 180 days** | **180 - 360 days** | **>1 year** | **Total contractual cash flows** |
|---|---|---|---|---|---|
| **At 31 March 2020** | $ | $ | $ | $ | $ |
| Trade receivables | 1,920,538 | 627,345 | - | - | 2,547,883 |
| Trade payables | (3,025,137) | (2,358,385) | - | - | (5,383,522) |
| Borrowings | (80,500) | (402,500) | (483,000) | (6,402,000) | (7,368,000) |
| Lease liabilities | (118,589) | (592,945) | (711,531) | (22,875,272) | (24,298,337) |
| **At 31 March 2019** | | | | | |
| Trade receivables | 1,409,132 | 54,778 | - | - | 1,463,910 |
| Trade payables | (1,212,478) | (1,148,514) | - | - | (2,360,992) |
| Borrowings | (661,896) | (3,669,478) | (3,971,374) | (19,210,829) | (27,513,577) |

## 11 Capital management

### (a) Risk management

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal mix between debt and equity to minimise the cost of capital

In order to achieve this objective, the Group seeks to maintain adequate levels of external borrowings from reputable financial institutions and further contribution of shareholders through capital raising to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, management considers various alternatives from issue of new equity/debt instruments such as shares or options, convertible notes to extending the current debt facility.

Consistent with others in the industry, the Group monitors capital on the basis of the following gearing ratios:

*(i) Net debt to equity ratio*
Total liabilities
divided by
Total equity at market value (*)

*(ii) Borrowings to equity ratio*
Total borrowings
divided by
Total equity at market value (*)

(*) total fully paid ordinary shares at market value as of 31 March 2020 and 31 March 2019 less other reserves and accumulated losses

| | 31 March 2020 $ | 31 March 2019 $ |
|---|---|---|
| Total liabilities | 38,876,819 | 32,264,392 |
| Total equity at market value | 22,688,034 | 21,964,190 |
| Net debt to equity ratio | 171.0% | 147.0% |

| | 31 March 2020 $ | 31 March 2019 $ |
|---|---|---|
| Total borrowings | 7,368,000 | 27,513,577 |
| Total equity at market value | 22,688,034 | 21,964,190 |
| Borrowings to equity ratio | 33.0% | 125.0% |

### (b) Dividends

During the year ended 31 March 2020, no dividends were declared or paid by the Company.

## 12 Contingent liabilities and contingent assets

The Group had no contingent assets or liabilities at 31 March 2020 (2019: nil), other than the bank guarantee as disclosed in note 10.

## 13 Commitments

### (a) Capital commitments

The Group did not have any capital commitment as at 31 March 2020 (2019: Nil).

### (b) Non-cancellable operating leases

In 2019, the Group has warehouse and storage facilities in Bendigo with a 4-years fixed term lease at $145,000 p.a. payable monthly with an option to renew for further 4 years, with the first right of refusal on the facilities at the conclusion of the lease year. This lease will end in February 2021. The Group also leases an office space in Kew with a lease term of 3 years at $2,500 (reviewed yearly based on CPI) payable monthly plus outgoings. This lease has ended in January 2020.

The Group has adopted AASB 16 Lease from 1 April 2019 and the impact of adoption is disclosed in Note 21(a). All non-cancellable operating leases have been accounted for under the new standards except for leases that classified under short-term leases and leases of low-value assets.

There is no other operating lease contract entered during the year ended 31 March 2020.

| | 31 March 2020 $ | 31 March 2019 $ |
|---|---|---|
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: | | |
| Within one year | - | 171,464 |
| Later than one year but not later than five years | - | 130,500 |
| Later than five years | - | - |
| | - | 301,964 |

During the year, an amount of $36,507 (2019: $230,212) was charged to the profit and loss in-respect of its operating leases and is classified as an administration expense.

## 14 COVID-19 impact on business

Despite the Challenges faced by various sectors in the economy, Wingara has implemented the necessary risk management procedures to minimise disruption to the Company. To date COVID-19 has had a limited impact on the Company with the most significant being the slowdown at ports. This has seen the export team working around the clock to get orders on ships without significant delays, but we are seeing increasing disruptions and schedule changes from global shipping liners which may impact our working capital going forward.

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group’s accounting policies.

As of the date of report, the impact of COVID-19 remains minimal to the Group's operation.

## 15 Legal parent entity financial information

### (a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

| | 31 March 2020<br>$ | 31 March 2019<br>$ |
|---|---|---|
| **Assets and liabilities** | | |
| Current assets | 873,340 | 323,147 |
| Non-current assets | 12,631,696 | 12,429,263 |
| Total assets | 13,505,036 | 12,752,410 |
| Current liabilities | (6,030,279) | (2,360,438) |
| Non-current liabilities | (118,546) | (16,366) |
| Total liabilities | (6,148,825) | (2,376,804) |
| **Shareholders' equity** | | |
| Issued capital | 20,266,704 | 19,976,954 |
| Reserves | | |
| Other equity reserves | 434,141 | 165,500 |
| Accumulated losses brought forward | (9,815,599) | (7,685,360) |
| **Total equity / net assets** | **10,885,246** | **12,457,094** |
| **Loss for the year** | (3,529,035) | (2,081,488) |
| **Total comprehensive loss** | (3,529,035) | (2,081,488) |

### (b) Guarantees entered into by the legal parent entity

The legal parent entity has not entered into any guarantees in the current or prior financial year in relation to debts of its subsidiaries.

### (c) Contingent liabilities of the legal parent entity

The legal parent entity did not have any contingent liabilities as at 31 March 2020 or 31 March 2019. For information about guarantees given by the legal parent entity, please see above.

### (d) Contractual commitments for the acquisition of property, plant or equipment

The legal parent entity had no capital commitments for property, plant and equipment as at 31 March 2020 or 31 March 2019.

### (e) Significant accounting policies of legal parent entity

The accounting policies of the legal parent entity other than investment in subsidiaries, which are held at cost, are consistent with those of the consolidated entity as disclosed in note 21.

### (f) Events occurring after the reporting period

No matters or circumstances have arisen since 31 March 2020 that have significantly affected the Company operations, results or the state of affairs, or may do so in future years.

## 16 Interests in controlled entities

The Group's principal subsidiaries at 31 March 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

| Name of entity | Place of business/ country of incorporation | Ownership interest held by the group | | Ownership interest held by non-controlling interests | | Principal activities |
|---|---|---|---|---|---|---|
| | | 2020 % | 2019 % | 2020 % | 2019 % | |
| Elect Performance Group Pty Ltd ("Elect") | Australia | 100.0 | 100.0 | - | - | Product processor and marketer of agricultural products |
| JC Tanloden Victoria Pty Ltd ("JC Tanloden Victoria") | Australia | 100.0 | 100.0 | - | - | Product processor and marketer of agricultural products |
| Austco Polar Cold Storage Pty Ltd (*) | Australia | 100.0 | 100.0 | - | - | Entity vehicle which holds the Austco Polar business |

(*) The company was set up as part of Austco Polar acquisition in 2019

## 17 Related party transactions

### (a) Parent entities

Key management personnel are all listed in the remuneration report on pages 9 to 16.

### (b) Subsidiaries

Interests in controlled entities is set out in note 16.

### (c) Key management personnel compensation

| | 31 March 2020 $ | 31 March 2019 $ |
|---|---|---|
| Short-term employee benefits | 800,521 | 734,646 |
| Post-employment benefits | 69,207 | 65,648 |
| Share-based payment | 207,255 | 106,000 |
| | 1,076,983 | 906,294 |

## 17 Related party transactions (continued)

### (d) Transactions with other related parties

The following transactions occurred with related parties:

| | 31 March 2020 $ | 31 March 2019 $ |
|---|---|---|
| Payments for office rental (*) | - | (15,055) |
| Payment of interest on Convertible Note (*) | - | (10,932) |
| Inventory loan agreement (**) | - | 250,000 |
| Shares issued to a director for cash (***) | - | 50,000 |
| Shares issued to directors | 187,500 | - |

(*) Transactions were carried at the same rates to market.
(**) Refer to Note 4(c)(ii) for the loan term and details.
(***) Transactions were carried at market terms and conditions.

## 18 Share-based payments

### Employee Option Plan

Set out below are summaries of share options issued under the scheme during the year:

| | **2020** Average exercise price per share option | **2020** Number of options | 2019 Average exercise price per share option | 2019 Number of options |
|---|---|---|---|---|
| As at 1 April | **0.42** | **3,000,000** | 0.39 | 2,000,000 |
| Granted during the year | **0.36** | **2,450,000** | 0.48 | 1,000,000 |
| Exercised during the year * | **-** | **-** | - | - |
| Forfeited during the year | **-** | **-** | - | - |
| As at 31 March | **0.39** | **5,450,000** | 0.42 | 3,000,000 |
| Vested and exercisable at 31 March | **0.39** | **3,827,702** | 0.42 | 1,710,122 |

No options expired during the periods covered by the above tables.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

| **Grant date** | **Expiry date** | **Exercise price** | **Share options 31 March 2020** | **Share options 31 March 2019** |
|---|---|---|---|---|
| 31 October 2017 | 30 October 2020 | 0.395 | 2,000,000 | 2,000,000 |
| 13 June 2018 | 12 June 2021 | 0.480 | 500,000 | 500,000 |
| 13 August 2018 | 12 August 2021 | 0.480 | 500,000 | 500,000 |
| 23 December 2019 | 23 December 2022 | 0.360 | 2,450,000 | - |
| | | | 5,450,000 | 3,000,000 |

## 18 Share-based payments (continued)

**Employee Option Plan (continued)**

| | |
|---|---|
| Weighted average remaining contractual life of options outstanding at end of year | 1.68 |

*Fair value of options granted*

The model inputs for options granted during the year ended 31 March 2020 are summarised in the table below:

| Grant date | Exercise price $ | Number of options granted | Expected share price volatility | Years to expiry | Dividend yield | Risk-free interest rate | Fair value at grant date per option $ |
|---|---|---|---|---|---|---|---|
| 23-Dec-19 | 0.36 | 2,450,000 | 57% | 3 | Nil | 0.86% | 0.10 |
| | | **2,450,000** | | | | | |

## 19 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

*(i) Audit and other assurance services*

| | 31 March 2020 $ | 31 March 2019 $ |
|---|---|---|
| *Audit and other assurance services* | | |
| Audit and review of financial statements | 69,000 | 63,000 |
| *Other assurance services* | | |
| Due diligence services | 59,580 | 36,256 |
| **Total remuneration for audit and other assurance services** | **128,580** | **99,256** |
| | | |
| **Total remuneration of William Buck** | **128,580** | **99,256** |

## 20 Earnings per share

### (a) Basic earnings per share

| | 31 March 2020 Cents | 31 March 2019 Cents |
|---|---|---|
| Basic earnings per share | 0.75 | 0.89 |

### (b) Diluted earnings per share

| | 31 March 2020 Cents | 31 March 2019 Cents |
|---|---|---|
| Diluted earnings per share | 0.72 | 0.86 |

### (c) Reconciliation of profit used in calculating earnings per share

| | 31 March 2020 $ | 31 March 2019 $ |
|---|---|---|
| *Basic & diluted earnings per share* | | |
| Profit attributable to the ordinary equity holders of the Group used in calculating basic & diluted earnings per share: | 787,012 | 906,131 |

### (d) Weighted average number of shares used as the denominator

| | 31 March 2020 No. of shares | 31 March 2019 No. of shares |
|---|---|---|
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 105,363,005 | 102,044,327 |
| Adjustments for calculation of diluted earnings per share: | | |
| Options | 3,664,521 | 2,715,659 |
| **Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share** | **109,027,526** | **104,759,986** |

## 21 Summary of significant accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the Group (or the "consolidated entity") consisting of Wingara AG Limited and its subsidiaries.

## 21 Summary of significant accounting policies (continued)

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Wingara AG Limited is a for-profit entity for the purpose of preparing the financial statements.

The Group has reclassified certain expenditure items in prior year comparatives in order to be consistent with the current year classification and presentation.

*(i) Compliance with IFRS*

The consolidated financial statements of the Wingara AG Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

This financial report may also include certain non-IFRS measures including earnings before depreciation, finance costs, transaction costs and tax. These measures are used internally by management to assess the performance of the Group and segments, to make decisions on the allocation of resources and assess operational management.

*(ii) Historical cost convention*

These financial statements have been prepared under the historical cost and accrual basis.

*(iii) New and amended standards adopted by the group*

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

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

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

*1. AASB 16 Leases*

The Group has adopted AASB 16 from 1 April 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

## 21 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

*(iii) New and amended standards adopted by the group (continued)*

*2. Impact of adoption*

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 April 2019 was as follows:

| | 1 April 2019 $ |
|---|---|
| Operating lease commitments as at 1 April 2019 (AASB 117) | 998,277 |
| Operating lease commitments discount based on the weighted average incremental borrowing rate of 7% | (174,870) |
| Accumulated depreciation as at 1 April 2019 (AASB 16) | (574,138) |
| Right-of-use assets (AASB 16) | 249,269 |
| Current lease liabilities (AASB 16) | (166,337) |
| Non-current lease liabilities (AASB 16) | (126,713) |
| **Reduction in opening retained profits as at 1 April 2019** | **43,781** |

*3. Right-of-use assets*

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

## 21 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

*(iii) New and amended standards adopted by the group (continued)*

*4. Lease liabilities*

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

*(iv) Critical accounting estimates*

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 following key estimates and judgements were made in these consolidated financial statements:

- *Goodwill and export license:* the consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and export license have suffered any impairment, in accordance with the accounting policy stated below. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.
- *Capitalisation of other costs against property, plant and equipment*: The Group’s accounting policy for property, plant and equipment requires managements judgment in assessing directly attributable costs, which are incurred in respect of acquisition and commissioning of new assets. These can include, labour costs, inventory used for testing and any other applicable expenses determined by management.
- *Shared-based payments transactions:* The Group measures the cost of equity-settled transactions with employees by reference to the value of the equity instruments as at the date on which they are granted. Management has determined the fair value by using Black-Scholes pricing model.
- *Employee benefit obligation:* The Group's provision for employee benefits 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 currencies that match, as closely as possible, the estimated future cash outflows.

## 21 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

*(v) Change in accounting estimates*

In accordance with AASB 108, Wingara has established a process where the effective life of depreciating assets is reviewed prior to the finalisation of each financial year. The estimated useful life of all assets is carefully reviewed and should any adjustment to the effective life be required it is updated in the current period for both the current period and prospective periods. Upon review of assets, it was determined that effective life of some assets had been previously understated and those assets have now subsequently had their effective life updated to realistically reflect the asset's remaining useful life.

The revised estimated useful lives of its property, plant and equipment are disclosed in note 5 and the change in estimated useful lives are applied prospectively, effective from 1 April 2019, which is the date of revision.

### (b) Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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 Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 21(h).

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

### (c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Group operates in two segments, acting as product processor and marketer of agricultural products, and also acting as service provider, providing temperature controlled facilities, blast freezing, storage and distribution. The segments details are therefore fully reflected in the body of the consolidated financial statements.

The Group has included certain non-IFRS measures including earnings before depreciation, finance costs, transaction costs and tax. These measures are used internally by management to assess the performance of the Group and segments, to make decisions on the allocation of resources and assess operational management.

### (d) Foreign currency translation

*(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollar ($), which is Wingara AG Limited's functional and presentation currency.

## 21 Summary of significant accounting policies (continued)

### (d) Foreign currency translation (continued)

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss and other comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income on a net basis within other income or other expenses.

### (e) Revenue recognition

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services.

Revenue is recognised by applying a five-step process outlined in AASB 15 which is as follows:

Step 1: Identify contract with a customer;
Step 2: Identify the performance obligations in the contract and determine at what point they are satisfied;
Step 3: Determine the transaction price;
Step 4: Allocate the transaction price to the performance obligations;
Step 5: Recognise revenue as the performance obligations are satisfied

Following the adoption of AASB 15, the Group’s revenue recognition accounting policy is that: The performance obligation is satisfied when goods or service transfers to the customer.

### (f) Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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 accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

## 21 Summary of significant accounting policies (continued)

### (f) Income tax (continued)

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

Wingara AG Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### (g) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

## 21 Summary of significant accounting policies (continued)

### (h) Impairment of assets

Goodwill and 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 tested 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. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes 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 other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### (i) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, 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, and bank overdrafts.

### (j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 4(a) for further information about the group's accounting for trade receivables.

### (k) Inventories

Hay is stated at the lower of cost and net realisable value. Cost comprise of costs incurred by the company to purchase hays, including inward freight costs. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. 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. Where applicable, inventory which is used in the testing of new machines is capitalised into the cost of the equipment to help bring the machine into working order and then depreciated over its useful life.

### (l) Financial Instruments

AASB 9 introduced requirements for:

- The classification and measurement of financial assets and financial liabilities, and
- Impairment of financial assets.

Details of these requirements as well as their impact on the Group's consolidated financial statements are described below.

*(i) Investments and other financial assets*

*Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

## 21 Summary of significant accounting policies (continued)

### (l) Financial Instruments (continued)

*(i) Investments and other financial assets (continued)*

*Classification (continued)*

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

*Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

*Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

*Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### (m) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition and commissioning of property plant and equipment. This can include purchase of machinery, labour costs, inventory used for testing and any other applicable expenses determined by management.

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

## 21 Summary of significant accounting policies (continued)

**(m) Property, plant and equipment (continued)**

The depreciation methods and periods used by the Group are disclosed in note 5.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 21(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

Where property, plant and equipment is still in construction and considered capital works-in-progress, the asset will be carried on the balance sheet and will begin depreciation once its useful life begins.

**(n) Intangible assets**

*(i) Goodwill*

Goodwill is measured as described in note 21(g). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or Groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 1).

*(ii) Trademarks and licences*

Separately acquired trademarks and licences are shown at historical cost. Trademarks, licenses and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have an indefinite useful life as they can be renewed for only a trivial amount at expiry of licence period without incurring significant costs and time and are subsequently carried at cost less accumulated amortisation and impairment losses. These assets with indefinite useful life are tested for impairment on an annual basis.

**(o) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 to 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

**(p) 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. Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

**(q) Borrowing costs**

Borrowing costs are expensed in the period in which they are incurred. The majority of borrowing costs relate to interest and other related costs due and payable on the financial obligations.

## 21 Summary of significant accounting policies (continued)

### (r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### (s) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

### (t) Contributed equity

Ordinary shares are classified as equity.

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

### (u) Earnings per share

Basic earnings per share is calculated by dividing:

*(i) Basic earnings per share*

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

*(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### (v) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

## 21 Summary of significant accounting policies (continued)

### (v) Goods and Services Tax (GST) (continued)

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 taxation authority is included with other receivables or payables in the consolidated 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 taxation authority, are presented as operating cash flows.

### (w) Share-based payment

Share-based compensation benefits may be provided through the issue of fully paid ordinary shares under the Wingara Employee Share and Option Plan. Options are also granted to employees and consultants in accordance with the terms of their respective employment and consultancy agreements. Any options granted are made in accordance with the terms of the Company's Employee Share and Option Plan (ESOP).

The fair value of options granted under employment and consultancy agreements are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

### (x) Parent entity financial information

The financial information for the parent entity, Wingara AG Limited, disclosed in note 15 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries are accounted for at cost in the financial statements of Wingara AG Limited.

## 22 Events occurring after the reporting period

As of the date of report, the impact of COVID-19 remains minimal to the Group's operation.

No other matters or circumstances have arisen since 31 March 2020 that have significantly affected the Group's operations, results or the state of affairs, or may do so in future years.

In the directors' opinion:

(a) the financial statements and notes set out on pages 20 to 59 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 March 2020 and of its performance for the financial year ended on that date, and

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

Note 21(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of directors.

Gavin Xing
Director

Melbourne
29 May 2020

# Wingara AG Limited

## Independent auditor's report to members

# Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Wingara AG Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 31 March 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 March 2020 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### Emphasis of Matter – COVID-19

We draw attention to Note 14 of the financial report, which describes the circumstances relating to the material event regarding COVID-19 and the uncertainty surrounding any potential financial impact on the financial report.  Our opinion is not modified in respect of this matter.

ACCOUNTANTS & ADVISORS
Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

William Buck

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| INVENTORY | |
|---|---|
| **Area of focus**<br>**Refer also to note 21** | **How our audit addressed it** |
| The Group's inventory of $4.1 million is significant to the financial statements.<br><br>The valuation of inventory involves significant judgement by management given that the inventory is hay, which is subject to fluctuations in price owing to commodity price movements and the potential for variability in its quality. | Our audit procedures included:<br>— Performing physical inventory sample counts to ensure the existence of inventory and its condition, including cut-off procedures;<br>— Evaluating management's judgement and assumptions in determining the valuation of the hay at balance date;<br>— Reviewing subsequent product sales to ensure inventory was valued at the lower of cost and net realisable value and the aging and condition of the hay; and<br><br>We have also assessed the adequacy of disclosures in the notes to the financial report. |

| ACQUISITION OF PLANT AND EQUIPMENT | |
|---|---|
| **Area of focus**<br>**Refer also to notes 5 and 21** | **How our audit addressed it** |
| During the financial year the Group continued to acquire significant amounts of plant and equipment.<br><br>The capitalisation of these assets requires significant judgement as costs are only recognised as an asset if it is probable that future economic benefits will flow to the entity and that the costs can be reliably measured. There are multiple elements of cost included in the total value of these additions, which include labour and overhead required to bring the assets into service.<br><br>The Group's accounting policy for depreciating such plant and equipment is over the term of the useful life of the asset, from when it is held ready for use.<br><br>During the year management has made changes to its estimation of useful life of some of their assets to ensure they reflect changes in the expected use of the assets. | Our audit procedures included:<br>— Reviewing the purchase documentation and independent valuation reports (where applicable) associated with the purchase of assets;<br>— Performing audit procedures around other directly attributable costs capitalised in conjunction with the purchases;<br>— Assessing the classification of plant and equipment between categories, including capital-work-in progress; and<br>— Reviewing the reasonableness and consistency of the reassessed useful lives;<br>— Recalculating the arithmetic accuracy of the depreciation charge expensed for the year;<br>— Performing an assessment of the ongoing depreciation policy in respect of the assets; and<br><br>We have also assessed the adequacy of disclosures in the notes to the financial report. |

| SALE AND LEASE BACK OF PROPERTY | |
|---|---|
| **Area of focus**<br>**Refer also to notes 2 and 21** | **How our audit addressed it** |
| During the financial year the Group sold the Austco Polar Cold Storage Land for a consideration of approximately $21 million. This was then leased back to the Group with a term of 15 years and two further 10-year options. There have been no changes to the Groups operations as a result of the sale. The proceeds of the sale were used to repay a significant portion of their outstanding debt.<br><br>The Group has adopted AASB 16 Leases (AASB 16) during the year using the modified retrospective approach. At the start of the accounting period, property leases were all taken up as right of use asset and on sale date the lease associated with the Austco property was recognised and a right of use asset addition. | — Reviewing the sale agreement to determine the appropriate accounting for the sale;<br>— Reviewing lease agreements at application date to determine which leases are required to be taken up per AASB 16;<br>Reviewing the calculations for all leases taken up per AASB 16 ensuring, assumptions are reasonable and the classification of liabilities between current and non-current is appropriate; and<br><br>We have also assessed the adequacy of disclosures in the notes to the financial report. |

## Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's report for the year ended 31 March 2020 but does not include the financial report and the auditor's report thereon.

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

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

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

## Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our independent auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 March 2020.

In our opinion, the Remuneration Report of Wingara AG Limited, for the year ended 31 March 2020, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck

**William Buck Audit (Vic) Pty Ltd**
ABN: 59 116 151 136

**A. A. Finnis**
Director
Melbourne, 29 May 2020