

DW8 LIMITED

ABN 59 086 435 136

Appendix 4E

Preliminary Final Report

Reporting period: For the year ended 30 June 2022
 Previous period: For the year ended 30 June 2021

Results for announcement to the market for the year ended 30 June 2022

				30 June 2022
				\$A
Revenue from ordinary activities	Up	595%	to	18,106,416
(Loss) from ordinary activities after tax	Up	152%	to	(17,464,677)
(Loss) for the year attributable to the owners of DW8 Limited	Up	152%	to	(17,464,677)

Dividends

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

	30 June 2022 Cents	30 June 2021 Cents
Net tangible assets per ordinary security	(0.52)	0.23

Control gained over entities having material effect

Name of entity (or group of entities)	Parton Wine Distribution Pty Ltd
Date from which such loss has been calculated	10 August 2021
Contribution to the reporting entity's loss	(\$2,817,329)
Name of entity (or group of entities)	Kaddy Australia Pty Ltd
Date from which such loss has been calculated	9 December 2021
Contribution to the reporting entity's loss	(\$2,220,696)
Name of entity (or group of entities)	DW8 (Property) Pty Ltd
Date from which such profit has been calculated	Incorporated 28 October 2021
Contribution to the reporting entity's loss	\$1,391,892

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EXPLANATION OF RESULTS


PRINCIPAL ACTIVITIES


DW8 is an Australian publicly listed technology company that operates **Kaddy**, a unique and innovative technology platform which provides beverage suppliers an end-to-end supply chain solution that allows them to connect with buyers, simplify operations, streamline payments and fulfill both trade and consumer orders.

Our unique vertically integrated B2B platform is central to our success, differentiating us from the competition and allowing us to lead the digital transformation of the local beverage industry. Being able to offer the industry an end-to-end solution is key to being Australia's leading beverage marketplace.

Operating under our tag line 'Less work. **More business.**' Our platform consists of the following divisions:

 **Kaddy Marketplace:** a one-stop shop for wholesale beverages discovery, ordering, invoicing and payments. Buyers have access to a broader range of products, a streamlined ordering and invoicing process, and flexible payment options. Suppliers can also connect with a diverse range of venues and retailers, creating opportunities to simplify back-office functions, increase sales opportunities, distribution and reach while improving cash flow.

 **Kaddy Fulfilment:** offers the beverages industry a suite of specialised fulfilment solutions, including warehousing, inventory management and nationwide delivery services. With a dedicated fleet servicing major capitals across Australia, it provides suppliers with a fast, efficient and reliable delivery solution

 **Kaddy Community:** a social networking platform designed to provide like-minded beverage industry professionals access to a forum to share their news, reviews, views, insights and latest announcements.

OPERATING METRICS

Growth in operating metrics during the period are the result of continued organic growth, bolstered by two acquisitions.

DW8 completed the acquisitions of Parton Wine Distribution Pty Ltd whose results are included from 9 August 2021 and Kaddy Australia Pty Ltd, whose results are included from 9 December 2021.

Operating Revenue

Operating Revenue in FY22 was \$18.106m, up 595% on the prior year (FY21: \$2.603m) and up 3450% on FY20 total of \$0.510m.

Operating Revenue includes revenues generated by the following:

- Order processing fees (% of the order value)
- Accelerated payment fees (% of the order value)
- Fulfilment fees (storage, picking, packing, handling & freight)
- Membership fees (SaaS subscriptions)

Operating Revenue was negatively impacted by the following one-off external factors:

- Macroeconomic uncertainty
- COVID impacts (leading to staff shortages) and poor weather events

Kaddy Marketplace Platform

Total Marketplace GMV that was processed under DW8's management in FY22 was \$9.850m, up 8,855% on the prior year (FY21) total of \$0.110m. This includes a 7 month contribution from Kaddy Australia, which was acquired in December 2021.

If we were to include the full 12-month GMV contribution from Kaddy Australia, it would generate a proforma total Marketplace GMV across the group of \$17.160m.

GMV is a non-IFRS measure, it represents the total value of transactions processed by the marketplace businesses.

A strong contribution to marketplace growth came from Kaddy Australia.

Kaddy Marketplace showed strong growth across all other operating metrics including:

- Trade Buyers of 2,848, up 111% on the prior year
- Total Brands of 2,034, up 414% on the prior year
- Total Product SKUs of 17,390 up 205% on the prior year

These three operating metrics are based on Kaddy Australia only. They do not include any contribution from Wine Depot Market, which was officially retired on 30 June 2022.

Kaddy Fulfilment Platform

Cases Shipped in FY22 were 1,215k, up 474% on the prior year (FY21).

Active Suppliers at the end of June 2022 were 1,211 up 274% on the prior year (FY21) total of 324.

The overlap of suppliers using both Fulfilment and Marketplace platforms at the end of June was just 6%. There is a large potential to upsell suppliers to also become Marketplace users and vice versa.

KEY ACTIVITIES UNDERTAKEN AND MILESTONES ACHIEVED IN FY22

Kaddy Acquisition

The acquisition of 100% of Kaddy Australia Pty Limited (Kaddy) in the December quarter was completed following shareholder approval (see [ASX announcement 8 December 2021](#)). Kaddy is Australia's leading wholesale beverage marketplace, and the acquisition both allows DW8 to penetrate deeper into the wholesale beverage market and brings a network of over 2,000 registered wholesale customers and more than 450 suppliers. For further information about the acquisition of Kaddy, see [ASX announcement](#) and [Investor Presentation](#) of 15 October 2021.

Kaddy's results are included for only a portion of the financial year under DW8 control, being from 9 December 2021.

National Distribution Centre (NDC)

The Company completed the purchase, sale and long-term leaseback of its National Distribution Centre (NDC) in Barnawartha, Victoria (7,250 sqm warehouse with potential to expand by a further 10,770 sqm).

A one-off cash profit of \$3.266m net of costs was generated from this transaction. A further \$1.095m of recently invested capital was also be released at settlement, through a long-term funding agreement provided by the new landlord for the state-of-the-art temperature control systems that have been installed at the NDC. Both payments totalling \$4.361m were received in February 2022.

Accounting for the sale and lease-back under the provisions of AASB16 – Leases, resulted in an accounting gain of \$1.392m.

Parton Acquisition

Parton Wine Distribution Pty Limited (Parton) was acquired in August 2021 to help accelerate the development of the fulfilment component of our integrated trading, payment, and fulfilment platform.

The acquisition provided us with the operational infrastructure required to offer the liquor industry access to a specialised national beverage fulfilment solution, which until now has been unavailable for most industry suppliers.

It also provides a significant step change in our operational capability, which in turn allows the Group to start attracting and servicing much larger accounts. This significantly reduces the Group's reliance on third party logistics providers, which in turn allows the Group to start set new benchmarks in service levels for the industry.

The acquisition also provided a significant lift across key performance metrics in terms of cases shipped, total order volume and number of suppliers. The acquisition has expanded the Group's competitive moat by providing our suppliers with an end-to-end supply chain solution. For further information about the acquisition of Parton, see [ASX announcement of 19 July 2021](#).

Despite the challenging and ever-changing trading conditions due to Covid 19, the business unit has set a number of order fulfilment records in November and December.

Parton's results are included for only the portion of the financial year under which DW8 has had control, being from 10 August 2021.

Project One

Project One, launched in late December following the acquisition of Kaddy, involves the consolidation of all operations under a single brand 'Kaddy' and a simplification of customer value proposition resulting in two divisions:

- Kaddy Marketplace
- Kaddy Fulfilment (formerly WINEDEPOT LOGISTICS)

Key initiatives completed during the financial year under Project One include:

- One brand
- One vision
- One team
- One website
- One platform
- One community
- One logistic network
- One marketplace

A significant aspect of Project One is the capture of savings and synergies, with \$4m p.a. expected across both divisions to be delivered from Q1 FY2023 (September quarter) to reduce the ongoing operating cost. This includes one-off restructuring costs which negatively impacted operating expenses and net cash from operating activities.

Key initiatives underway include:

Marketplace division

- A range of enhancements designed to reduce the number of transactions moving off platform
- New membership program introduced
- New tiered pricing structure introduced reducing order processing fee to as little as 1.25%
- Expansion of payment methods and terms available to buyers
- Additional functionality & integrations, making the platform easier to use

Fulfilment division

- Operational improvements to improve warehouse productivity and remove capacity constraints
- Introduction of discounted freight rates for suppliers using Kaddy Marketplace (to increase overlap)
- Introduction of rate increase (effective 1 July 2022)
- Introduction of fuel levy

CORPORATE

Placements

During the period the Company successfully closed a \$14.4m capital raising at \$0.056 per share (excluding directors' participation of \$100,000 which was subject to shareholder approval), consisting of \$12.625m placement to sophisticated and institutional investors and \$1.775m from a SPP to existing shareholders (see [ASX announcement of 5 November 2021](#)). Total shares issued as part of the capital raising are 257,294,971 new fully paid ordinary shares.

Funds raised were applied to the acquisition of Kaddy (\$6.75m) and expansion of the Kaddy marketplace.

During the period the Company also successfully closed a \$7.375m capital raising at \$0.065 per share (excluding directors' participation of \$125,000 which was subject to shareholder approval) to sophisticated and institutional investors (see [ASX announcement of 19 July 2021](#)). Total shares issued as part of the capital raising are 113,461,540 new fully paid ordinary shares.

During the period the Company converted a total of 9,681,722 DW8 listed options and 9,134,600 unlisted options which resulted in a total cash injection of \$362,305 before costs.

FINANCIAL POSITION & OPERATING RESULTS

The financial results of the Group for the year ended 30 June 2022 are:

	30-Jun-22	30-Jun-21	Change (\$)	Change %
Revenue (\$)	18,106,416	2,603,810	15,502,606	595%
Net loss after tax (\$)	(17,464,677)	(6,931,632)	(10,533,045)	152%
Cash and cash equivalents (\$)	3,354,413	6,355,191	(3,000,778)	-47%
Net assets (\$)	30,047,393	8,796,137	21,251,256	242%

Operating Results

DW8's net loss after income tax for the year ended 30 June 2022 totalled \$17,464,677, which compared with a loss of \$6,931,632 in the previous financial year.

The operating loss in the current year was a result of the net loss incurred in the expansion of the Marketplace business, costs associated with integrating the Parton Acquisition, the impacts of staff shortages and increased costs within the Fulfilment division and the recognition of employee based share payments related to the Kaddy acquisition.

Financial Position

During the financial year, net assets of the Company and its controlled entities increased by \$21,251,256 to \$30,047,393 at 30 June 2022. The increase was as a result of the capital raised during the year partially offset by the operating loss for the year. The value of Goodwill recorded as a result of the acquisitions made during the year increased to \$29,289,694 (FY21: \$2,673,369).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the period the Group successfully completed the acquisition of 100% of the issued capital of Kaddy Pty Limited (Kaddy), Australia's leading wholesale alcoholic beverage marketplace. The consideration for Kaddy comprised of \$6.75 million cash plus adjustments for net cash balances of Kaddy on completion and the issue of 484,102,289 fully paid ordinary shares in DW8 subject to vesting and escrow provisions. Refer Business Combinations note for more detail. The acquisition delivered a significant increase across a number of key metrics including GMV, active suppliers and trade buyers.

During the period the Group successfully completed the acquisition of 100% of the issued capital of Parton Wine Distribution Pty Limited (Parton), one of Australia's largest specialist beverage third party logistics providers. The consideration for Parton was entirely performance based through the issue of performance securities that vest on certain performance targets being achieved. Refer Business Combination note for more detail. The acquisition delivered significant increases across a number of key metrics including orders processed, cases shipped and active suppliers.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period, DW8 announced a capital raising on 18 August 2022, consisting of an institutional placement and Entitlement Offer.

Funds to be raised under the capital raising could total \$9.85m, of which up to \$5m will come from US-based institutional investor New Technology Capital Group, LLC, consisting of three tranches.

A 1 for 6 non-renounceable Entitlement Offer to existing eligible shareholders could raise up to \$4.85m.

For every 2 shares issued under the entitlement offer, investors receive 1 free attaching option exercisable at \$0.015 each and expiring on 30 March 2023. Subject to take up of the entitlement offer and the share price trading above the exercise price, these options may raise up to approximately \$3.30m in additional funding before costs.

At the time of lodgement of this report, the Entitlement Offer remained ongoing.

Proceeds will be primarily used to fund the continued growth and maintenance of the Company's two key operating divisions: Kaddy Marketplace and Kaddy Fulfilment, and the Company's general working capital requirements.

The Directors are not aware of any other matters or circumstances have arisen, since the end of the year, which significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

DIVIDENDS

No dividends were paid during the period or previous period and no recommendation or declaration is made as to dividends in this period or previous period. There were no dividend reinvestment plans in the period or previous period.

STATUS OF AUDIT

The report is based on financial accounts that are in the process of being audited.

There are likely no disputes or qualifications to the accounts.

The directors anticipate that the auditor's report will contain an unqualified audit opinion with a paragraph addressing material uncertainty related to going concern.



Paul Evans

Chairman

	Notes	30-Jun-22 \$	30-Jun-21 \$
Revenue		18,106,416	2,603,810
Cost of sales		(13,310,050)	(2,584,396)
Gross profit		4,796,366	19,414
Other income	8	1,805,575	192,082
Expenses			
Administration, consulting and other expenses	10	(3,690,443)	(1,823,166)
Research & development		(1,018,780)	(183,955)
Advertising and marketing expenses		(723,258)	(479,307)
Equipment Repairs and Maintenance		(389,019)	(6,499)
Salaries and wages		(10,015,706)	(2,970,761)
Director fees		(205,860)	(163,168)
Share based payments		(1,935,678)	(1,180,654)
Acquisition related expenses		(421,073)	-
Depreciation expense		(480,354)	(256,488)
Amortisation expense		(79,130)	(79,130)
Amortisation On Right of Use assets	18	(2,694,207)	-
Impairment expense	19	(1,198,205)	-
Interest Expense		(1,214,905)	-
Loss from continuing operations before income tax		(17,464,677)	(6,931,632)
Income tax expense		-	-
Loss from continuing operations after income tax		(17,464,677)	(6,931,632)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		227	(23,275)
Other comprehensive income for the period, net of tax		227	(23,275)
Total comprehensive loss for the period		(17,464,449)	(6,954,907)
Loss per share attributable to ordinary equity holders (cents)			
- Basic loss per share		(0.891)	(0.456)
- Diluted loss per share		(0.891)	(0.456)

The accompanying notes form part of these financial statements.

	Notes	30-Jun-22	30-Jun-21
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	14	3,354,414	6,355,191
Trade and other receivables	15	3,267,507	680,270
Inventories	16	131,266	89,956
Total Current Assets		6,753,187	7,125,417
Non-Current Assets			
Plant and equipment	17	3,602,008	366,077
Right of use asset	18	14,399,208	2,282,260
Intangible asset	19	29,289,694	2,673,369
Other Asset	20	1,947,824	430,033
Total Non-Current Assets		49,238,734	5,751,739
TOTAL ASSETS		55,991,921	12,877,156
LIABILITIES			
Current Liabilities			
Trade and other payables	21	4,427,396	1,292,996
Provisions	22	823,762	198,340
Financial Liabilities		483,220	143,148
Lease Liabilities	18	2,951,486	431,883
Total Current Liabilities		8,685,864	2,066,367
Non-Current Liabilities			
Lease Liabilities	18	15,450,474	2,014,652
Financial Liabilities		1,060,508	-
Contingent consideration	11	747,682	-
Total Non-Current Liabilities		17,258,664	2,014,652
TOTAL LIABILITIES		25,944,528	4,081,019
NET ASSETS		30,047,393	8,796,137
EQUITY			
Issued capital	23	59,597,965	23,712,158
Reserves	24	5,475,100	2,644,974
Accumulated losses		(35,025,672)	(17,560,995)
TOTAL EQUITY		30,047,393	8,796,137

The accompanying notes form part of these financial statements.

	Issued Capital	Share-based Payment & Option Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2020	9,545,478	1,503,906	83,926	(10,629,363)	503,947
Comprehensive income:					
Loss for the period	-	-	-	(6,931,632)	(6,931,632)
Other comprehensive loss	-	-	(23,275)	-	(23,275)
Total comprehensive loss for the period	-	-	(23,275)	(6,931,632)	(6,954,907)
Transactions with owners in their capacity as owners:					
Securities issued during the year	14,585,469	-	-	-	14,585,469
Capital raising costs	(418,789)	-	-	-	(418,789)
Options Issue	-	730,417	-	-	730,417
Rights	-	350,000	-	-	350,000
Total equity transactions	14,166,680	1,080,417	-	-	15,247,097
At 30 June 2021	23,712,158	2,584,323	60,651	(17,560,995)	8,796,137
	Issued Capital	Share-based Payment & Option Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2021	23,712,158	2,584,323	60,651	(17,560,995)	8,796,137
Comprehensive income:					
Loss for the period	-	-	-	(17,464,677)	(17,464,677)
Acquisitions	-	-	-	-	-
Other comprehensive (loss)/income	-	-	227	-	227
Total comprehensive loss for the period	-	-	227	(17,464,677)	(17,464,450)
Transactions with owners in their capacity as owners:					
Securities issued during the year	38,038,558	-	-	-	38,038,558
Share based payments	-	1,935,678	-	-	1,935,678
Capital raising costs	(2,152,751)	-	-	-	(2,152,751)
Options Issue	-	894,221	-	-	894,221
Rights	-	-	-	-	-
Total equity transactions	35,885,807	2,829,899	-	-	38,715,706
At 30 June 2022	59,597,965	5,414,222	60,878	(35,025,672)	30,047,393

The accompanying notes form part of these financial statements.

	30-Jun-22	30-Jun-21
	\$	\$
Cash flows used in operating activities		
Receipts from customers	19,466,025	2,306,798
Payments to suppliers and employees	(35,046,827)	(8,090,174)
Interest received	32,512	3,318
Interest paid	(77,305)	-
Net cash flows used in operating activities	(15,625,595)	(5,780,058)
Cash flows used in investing activities		
Purchase of plant and equipment	(1,949,732)	(220,924)
Proceeds on disposal of property	3,309,416	-
Acquisition of subsidiary net of cash acquired	(6,750,000)	(506,169)
Net cash flows used in investing activities	(5,390,316)	(727,093)
Cash flows from financing activities		
Proceeds from issue of securities and securities subscriptions, net of costs	21,030,720	12,276,469
(Payments to)/Drawdown from financial liabilities	(1,067,762)	-
Funds placed on term deposit as security for property lease bonds	(1,947,824)	-
Net cash flows from financing activities	18,015,134	12,276,469
Net increase in cash and cash equivalents	(3,000,777)	5,769,318
Cash and cash equivalents at the beginning of the period	6,355,191	585,873
Cash and cash equivalents at the end of the period	3,354,414	6,355,191

The accompanying notes form part of these financial statements.

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1. REPORTING ENTITY

DW8 Limited (referred to hereafter as 'DW8' or the 'Company') is a Company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2022 comprise the Company and its controlled entities ('Group'). The Group is a for profit entity and its principal business is providing software, logistics services and a marketplace platform facilitating beverage distribution.

The address of the Company's registered office is Level 7, 61 York, Sydney NSW 2000.

GOING CONCERN

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Company and the Group's assets and the discharge of their liabilities in the normal course of business.

As disclosed in the financial report the Group incurred a loss for the year of \$17,464,677 (2021: \$6,931,632). Included in this loss were acquisition related expenses and share based payments of \$421,073 and \$1,935,678 respectively and a goodwill impairment expense of \$1,198,205 related to Wine Delivery Australia Pty Ltd. During the period the Group incurred \$15,625,595 (30 June 2021: \$5,780,058) cash outflows from operating activities and \$7,338,140 (June 2021: \$727,093) cash outflows from investing activities which included \$6,750,000 for the acquisition of subsidiaries during the year (refer note 11). Cash outflows from operating activities included \$3,804,619 of payments to settle pre-acquisition liabilities of Partons.

On 18 August 2022 the Company announced it had reached agreement with New Technology Capital Group LL for up to \$5 million in funding by way of an institutional placement together with a 1 for 6 non-renounceable entitlement offer to existing shareholders to raise up to approximately \$4.85 million in additional funding before costs.

For every 2 shares issued under the entitlement offer, investors receive 1 free attaching option exercisable at \$0.015 each and expiring on 30 March 2023. Subject to take up of the entitlement offer and the share price trading above the exercise price, these options may raise up to approximately \$3.30m in additional funding before costs.

Management have prepared a cash flow forecast, which when taking into consideration the proceeds from the funding announcement on 18 August 2022 indicates that the Group will have sufficient cash flows to meet its commitments and working capital requirements for the 12 month period from the date of this report. The ability of the Group to continue as a going concern is dependent on the success of the fund raising announced and the Group generating cashflows from operating activities and managing costs in line with available funds.

Based on the cash flow forecasts and other factors referred to above, the Directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Group's history of raising capital to date, the Directors are confident of the Group's ability to raise additional funds as and when they are required.

Should the Group not achieve the matters set out above, there is material uncertainty as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The full year financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or to the amounts or classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as a going concern.

2. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2022 and the results of all subsidiaries for the year ended 30 June 2022. DW8 and its subsidiaries together are referred to in these financial statements as the 'Consolidated entity' or 'Group'.

(i) Business combination

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control exists when the Group is exposed to variable returns from another entity and can affect those returns through its power over the entity.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquire; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; less
- The net recognised amount of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit and loss.

(ii) Subsidiaries

Subsidiaries are all those 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 de-consolidated from the date that control ceases.

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

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

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

(iii) Loss of control

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

3. FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars. The functional and presentation currency of the Company is Australian dollars (AUD). The functional currency of the subsidiaries include AUD and Hong Kong Dollars (HKD).

(ii) Transactions and balances

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

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position,
- Income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

5. KEY JUDGEMENTS AND ESTIMATES

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share Based Payment Transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share based payments transactions would have no impact on the carrying amounts of assets or liabilities within the next annual reporting period but may impact profit or loss or equity.

Income Tax Expenses

Judgement is required in assessing whether deferred tax assets and liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised.

6. OTHER ACCOUNTING POLICIES

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

Changes in classification of amounts following the acquisitions of Parton Wine Distribution Pty Ltd and Kaddy Australia Pty Ltd

Following the acquisitions of Parton Wine Distribution Pty Ltd (Partons) on 9 August 2021 and Kaddy Australia Pty Ltd (Kaddy) on 8 December 2021, the accounting policies of the businesses have been reviewed and aligned. This has resulted in some changes in classification of certain income statement, balance sheet and cash flow statement accounts and these changes have been reflected in the prior comparative period. There has been no change in the net assets or net profit or net movement in cash and cash equivalents of the businesses in the prior period.

7. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Board of Directors.

The Group operates only in one reportable segment being predominately 'beverage distribution' in Australia. The Board considers its business operations in beverage distribution to be its primary reporting function. Results are analysed as a whole by the chief operating decision maker, this being the Board of Directors. Consequently revenue, profit, net assets and total assets for the operating segment are reflected in this financial report.

8. OTHER INCOME

	<u>30-Jun-22</u>	<u>30-Jun-21</u>
	\$	\$
Other income		
Interest income	32,512	3,318
Miscellaneous income	98	-
Gain on lease modification (IFRS16)	353,527	-
Gain on disposal of assets	1,419,438	-
Government Grants and assistance	-	188,764
	<u>1,805,575</u>	<u>192,082</u>

The gain on disposal of assets includes the accounting profit on the sale and lease-back of the National Distribution Centre of \$1,391,892.

9. RECOGNITION AND MEASUREMENT

Sales revenue

The Group recognises revenue from two major sources:

- *Fulfilment fees:* Revenue from fulfilment services relates to storage, picking, packing, handling and freight. Revenue from these storage services are recognised over the period of time that the service is provided. Revenue from picking, packing, handling and freight is recognized once the service has been provided.
- *Marketplace platform fees:* Revenue from the Marketplace platform are comprised of trading fees as a % of the transaction total and subscription fees. Trading revenue is recognized when the transaction is completed and subscription fee revenue is recognised over the period of time the platform subscription access is provided.

Government Grants and Assistance

Revenue related to Jobkeeper payment is recognised over the period that the associated wages are paid.

Interest Income

Interest income is recognised when the Company gains control of the right to receive the interest payment.

All revenue is stated net of the amount of goods and services tax.

10. EXPENSES

	<u>30-Jun-22</u>	<u>30-Jun-21</u>
	\$	\$
Administration, consulting, and other expenses		
Short term lease expense	677,430	63,303
Corporate consulting fees	633,815	573,572
Subscriptions	611,576	179,420
Accounting and company secretary fees	167,340	435,067
Telecommunications expenses	119,825	26,337
ASX & ASIC fees	101,508	110,967
Share Registry	91,884	44,373
Audit fees	63,053	21,190
Provision for doubtful debts	352,934	22,842
Other expenses	871,078	346,095
Total Administration, consulting and other expenses	<u>3,690,443</u>	<u>1,823,166</u>

11. BUSINESS COMBINATION

Acquisition of Kaddy Australia Pty Ltd

On 8 December 2021 the Group acquired 100% of the issued capital of Kaddy Australia Pty Limited (Kaddy), a leading B2B beverage marketplace in Australia, enabling discovery, ordering and payments. The acquisition is part of the Group's strategy to rapidly scale its marketplace and integrate with Wine Depot's tech-enabled national logistics platform. The Business Combination has been provisionally accounted for at reporting date. The acquisition consisted of a consideration pursuant to a share sale agreement of:

- \$6,750,000 cash subject to final net cash adjustments per the share sale agreement
- 326,411,149 new ordinary shares in Company that vest on completion date.

Per the share sale agreement, consideration shares that vest on completion are subject to the following escrow periods:

- 96,264,324 shares: 6 months from completion date.
- 96,264,323 shares: 12 months from completion date.
- 42,129,948 shares: 18 months from completion date.
- 42,129,948 shares: 24 months from completion date.

	8 Dec 2021
	\$
Purchase consideration:	
Cash Paid	6,750,000
Net cash adjustment	356,677
Ordinary Shares issued	15,667,735
	<u>22,774,412</u>

The assets and liabilities recognised as a result of the acquisition are as follows:

	8 Dec 2021
	\$
Cash	819,849
Accounts Receivable	858,332
Other Current Assets	365,074
Property Plant & Equipment	9,919
Accounts Payable	(574,578)
Staff Liabilities	(271,403)
Other Current Liabilities	(560,679)
Other Non Current Liabilities	(501,007)
Net identifiable Assets Acquired	<u>145,507</u>
Add: Goodwill	22,628,905
Net Assets Acquired	<u>22,774,412</u>

In addition to the consideration shares, Kaddy employees were issued a further 157,691,160 new ordinary shares in the Company that vest over 3 years from completion date, subject to Kaddy achieving certain GMV targets as defined in the share sale agreement and also subject to the applicable employee remaining employed by the Group at each six month anniversary of the completion date. As these shares are tied to continued provision of services, they are not considered part of the consideration on business combination and will be accounted for as shared based remuneration payments expensed over the vesting period.

As at 30 June 2022, the amount recognised as a share based payment expense is \$1,364,474.

Michael Abbott and Richard Coombes (Kaddy Founders) and certain nominated senior employees of Kaddy (“Nominated Executives”) will be also offered performance rights in the Group. The performance rights, which are yet to be issued or granted, will:

In respect of the Kaddy Founders, amount to up to 3% in aggregate of DW8's fully-diluted share capital as at Completion (to be allocated in agreed proportions), and be subject to the satisfaction of certain financial targets, as noted in the table below, in respect of the Kaddy business after Completion; and

Tranche	% of fully diluted share capital of DW8 at Completion	1 st condition – Achieve a total minimum GMV in the preceding 12 months	2 nd condition – Achieve a total minimum TR in the preceding 12 months
1	1%	\$100 million	\$5 million
2	1%	\$200 million	\$10 million
3	1%	\$300 million	\$15 million

In respect of the Nominated Executives, amount to up to 1.5% in aggregate of DW8's fully-diluted share capital as at Completion (to be allocated in agreed proportions), and be subject to the satisfaction of certain financial targets, as noted in the table below, in respect of the Kaddy business after Completion; and

Tranche	% of fully diluted share capital of DW8 at Completion	1 st condition – Achieve a total minimum GMV in the preceding 12 months	2 nd condition – Achieve a total minimum TR in the preceding 12 months
1	0.5%	\$100 million	\$5 million
2	0.5%	\$200 million	\$10 million
3	0.5%	\$300 million	\$15 million

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Acquisition of Parton Wine Distribution Pty Ltd

On 9 August 2021, the Group acquired 100% of the issued capital of Parton Wine Distribution Pty Limited (Parton), one of Australia's largest specialist wine and beverage logistics providers. The acquisition is part of the Group's strategy to scale and in-house its national logistics capability to complement its rapidly expanding beverage marketplace. The Business Combination has been provisionally accounted for at reporting date. The consideration for the acquisition is entirely performance based via an Earn Out through the issue of performance securities ("**Earn Out Securities**") vesting in two tranches upon the achievement of the following milestones:

	Relevant Period	Minimum Annual Revenue	Minimum Annual EBITDA
Milestone 1	FY 2022	\$15 million	\$350,000
Milestone 2	FY 2023	\$15 million	\$350,000

The number of DW8 Shares to be issued upon the vesting and exercise of achievement of the Earn Out Securities will rise and fall depending on the Annual Revenue and EBITDA generated by Parton in each of the next 2 financial years, as set out in the following table.

EBITDA From	EBITDA To	Earnout Ratio	DW8 Shares
\$ 950,000	any number	150%	19,298,246
\$ 900,000	\$ 949,999	142%	18,226,121
\$ 850,000	\$ 899,999	133%	17,153,996
\$ 800,000	\$ 849,999	125%	16,081,871
\$ 750,000	\$ 799,999	117%	15,009,747
\$ 700,000	\$ 749,999	108%	13,937,622
\$ 650,000	\$ 699,999	100%	12,865,497
\$ 600,000	\$ 649,999	86%	11,027,569
\$ 550,000	\$ 599,999	71%	9,189,641
\$ 500,000	\$ 549,999	57%	7,351,713
\$ 450,000	\$ 499,999	43%	5,513,784
\$ 400,000	\$ 449,999	29%	3,675,856
\$ 350,000	\$ 399,999	14%	1,837,928
\$ 300,000	\$ 349,999	0%	-

The minimum targets for Milestone 1 were not satisfied for FY2022, so no consideration has been recognised in relation to Milestone 1. As at reporting date, the Group has assigned a probable Earnout Ratio of 100% being achieved for Milestone 2.

Based on the share price at completion of \$0.072 and a discount rate of 12%, the present value of the contingent consideration has been assessed at \$747,682.

Purchase consideration:	9 Aug 2021
	\$
Cash Paid	-
Contingent Consideration	747,682
	747,682

The assets and liabilities recognised as a result of the acquisition are as follows:

	9 Aug 2021
	\$
Cash	166,490
Accounts Receivable	2,522,809
ROU Asset	11,863,881
Property Plant & Equipment	1,853,240
Accounts Payable	(1,292,511)
Staff Liabilities	(532,949)
Other Current Liabilities	(7,383,881)
Other Non Current Liabilities	(11,714,153)
Net identifiable Assets Acquired	(4,517,074)
Add: Goodwill	5,264,756
Net Assets Acquired	747,682

Acquisition of Wine Delivery Australia Pty Ltd

On 30 November 2020 the group acquired 100% of the issued capital of Wine Delivery Australia Pty Limited, a sales and logistics business servicing the wine industry. The acquisition significantly increased the number of wineries within the group's customer base. The acquisition accounting has been finalised and there has been no changes to the accounting provisionally reported as at 30 June 2021.

	30 Nov 2020
	\$
Purchase consideration:	
Cash Paid	600,000
Ordinary Shares issued ⁽ⁱ⁾	1,799,647
	2,399,647

- (i) The consideration included 40,660,807 fully paid ordinary shares in DW8 at a deemed issue price of \$0.04426 each (Consideration Shares). The share price used for the Consideration Shares is equal to the 30 day VWAP upon the date of the Non-Binding Term sheet for Acquisition was signed by the parties.

The assets and liabilities recognised as a result of the acquisition are as follows:

	30 Nov 2020
	\$
Cash	94,799
Accounts Receivable	198,724
Property Plant & Equipment	68,235
Accounts Payable	(256,157)
Staff Liabilities	(34,286)
Financial Liabilities	(68,078)
Net identifiable Assets Acquired	3,237
Add: Goodwill	2,396,410
Net Assets Acquired	2,399,647

Impairment testing of intangible assets

The recoverable amount of the Goodwill has been determined by a value in use calculation using a discounted cash flow (DCF) model, based on a 4-year projection approved by management, along with a terminal value in year 4. Modelling has been performed on the WDA business unit.

The following key assumptions were used in the discounted cash flow model:

- The discount rate used is the pre-tax equivalent of a post-tax WACC of 13%; and
- A terminal growth rate of 3%

Sensitivity analysis has been conducted on the recoverable amount based on a change in the discount rate (increase or decrease by 1%). As a result of the effect of COVID on the business unit's operations, the Group has recorded an impairment loss of \$1,198,205 on the goodwill acquired on acquisition of WDA.

12. EARNINGS PER SHARE

	<u>30-Jun-22</u>	<u>30-Jun-21</u>
Net loss attributable to the ordinary equity holders of the Group (\$)	(17,464,677)	(6,931,632)
Weighted average number of ordinary shares for basis per share (No)	1,959,132,354	1,521,077,299
Continuing operations		
- Basic loss per share (\$)	<u>(0.009)</u>	<u>(0.005)</u>

At the end of the 2022 financial year, the Group has 129,961,892 (2021: 52,750,000) unissued shares under option or performance rights plans. The Group does not report diluted earnings per share on annual losses generated by the Group. During the 2022 financial year the Group's unissued shares under option were anti-dilutive.

13. CASH AND CASH EQUIVALENTS

	<u>30-Jun-22</u>	<u>30-Jun-21</u>
	\$	\$
Cash at bank and on hand	3,354,413	6,355,191
Cash at bank earns interest at floating rates based on daily bank deposit rates.		
	<u>30-Jun-22</u>	<u>30-Jun-21</u>
	\$	\$
Reconciliation of net loss after income tax to net cash flows used in operating activities:	(17,464,677)	(6,931,632)
Net loss after income tax		
Adjustments for:		
Amortisation expense	79,130	79,130
Depreciation expense	480,354	256,488
AASB16 (rent, interest, depreciation, G/L on lease modification)	514,534	-
Impairment of goodwill	1,198,205	-
Gain from sale of property	(1,391,892)	-
Share based payments	1,935,678	1,180,654
Provision for doubtful debts	348,115	22,842
Provision for payroll tax	200,000	-
Hire purchase interest adjustment	29,579	-
Acquisition impact on balance sheet movement	(501,373)	-
Change in assets and liabilities:		
(Increase) / decrease in trade and other receivables	(2,628,547)	(434,129)
(Increase) / decrease in inventories	(41,310)	(73,660)
(Increase) / decrease in other assets	(1,517,791)	(430,034)
Increase / (decrease) in trade and other payables	3,134,400	550,283
Net cash flows used in operating activities	<u>(15,625,595)</u>	<u>(5,780,058)</u>

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RECOGNITION AND MEASUREMENT

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows.

14. TRADE AND OTHER RECEIVABLES

	30-Jun-22	30-Jun-21
	\$	\$
Trade receivables	3,274,964	572,049
Provision for Doubtful Debts	(366,993)	(34,771)
GST / VAT recoverable	23	40,362
Prepayments	62,772	59,232
Other receivables	296,741	21,398
Deposit for office	-	22,000
	3,267,507	680,270

RECOGNITION AND MEASUREMENT

Trade receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for lifetime expected credit losses using the simplified approach in accordance with AASB 9: Financial Instruments. Bad debts are written off when identified.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

Goods and Services Tax (‘GST’)

Revenue, 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.

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 as a current asset or liability in the Consolidated Statement of Financial Position.

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

Other receivables

Other receivables are recognised at amortised cost, less any provision for impairment. Other receivables do not contain impaired assets and are not past due. Based on the credit history, it is expected that these other balances will be received when due.

Impairment of assets

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 to sell 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 impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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15. INVENTORIES

	30-Jun-22	30-Jun-21
	\$	\$
Inventories	131,266	89,956
	131,266	89,956

RECOGNITION AND MEASUREMENT

Inventories are valued at the lower of cost and net realisable value. The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Retail and wholesale merchandise finished goods: purchase cost on a weighted average basis, after deducting any settlement discounts, supplier's rebates and including logistics expenses incurred in bringing the inventories to their present location and condition.

16. PLANT AND EQUIPMENT

	OFFICE EQUIPMENT	COMPUTER EQUIPMENT	LEASEHOLD IMPROVEMENT	WAREHOUSE EQUIPMENT	MOTOR VEHICLES	TOTAL
	\$	\$	\$	\$	\$	\$
Year Ended 30 June 2022						
Opening net book amount	97,790	43,082	-	-	225,205	366,077
Additions from acquisitions	1,244,092	30,416	-	1,380,791	1,977,179	4,632,478
Adjustment/Transfers	(23,865)	17,378	-	-	(8,043)	(14,530)
Additions	114,340	73,116	1,375,682	642,766	17,701	2,223,605
Disposal of assets	-	(600)	-	-	(70,793)	(71,393)
Depreciation expense in relation to acquisitions	(1,000,152)	(30,049)	-	(651,529)	(1,265,467)	(2,947,197)
Depreciation expense	(58,224)	(40,746)	(155,778)	(156,884)	(175,400)	(587,032)
Impairment	-	-	-	-	-	-
Closing net book amount	373,981	92,597	1,219,904	1,215,144	700,382	3,602,008
Year Ended 30 June 2022						
Cost	1,450,702	173,967	1,375,682	2,023,557	2,178,805	7,202,713
Accumulated depreciation and impairment	(1,076,721)	(81,370)	(155,778)	(808,413)	(1,478,423)	(3,600,705)
Net book amount	373,981	92,597	1,219,904	1,215,144	700,382	3,602,008
Year Ended 30 June 2021						
Opening net book amount	815	1,086	-	-	-	1,901
Additions	115,243	53,424	-	-	317,875	486,542
Depreciation expense	(18,268)	(11,428)	-	-	(92,670)	(122,366)
Impairment	-	-	-	-	-	-
Closing net book amount	97,790	43,082	-	-	225,205	366,077
Year Ended 30 June 2021						
Cost	116,058	54,510	-	-	317,875	488,443
Accumulated depreciation and impairment	(18,268)	(11,428)	-	-	(92,670)	(122,366)
Net book amount	97,790	43,082	-	-	225,205	366,077

RECOGNITION AND MEASUREMENT

Owned assets

Items of plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a work condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components).

Subsequent costs

The Group recognises in the carrying amount of an item of plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as an expense as incurred.

Depreciation

Depreciation is charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income using a straight-line method over the estimated useful lives of each part of an item of plant and equipment.

The estimated useful lives in the current and comparative periods are as follows:

- Office equipment: 5 years
- Computer equipment: 3 years
- Motor Vehicles 8 years
- Warehouse equipment 10 years

The residual value, the useful life and the depreciation method applied to an asset are reviewed at each financial year end and if appropriate, adjusted.

17. LEASES

The Group leases an office in Sydney and a warehouses across the country. In addition to its original Barnawartha warehouse (VIC), and to support its country wide footprint, in July 2021 the Group entered into a lease for a second warehouse located in Edinburgh (SA).

Furthermore, and as a result of the acquisition of the Parton business, the Group has integrated and can now rely on four additional warehouses located in Welshpool (WA), Forrestfield (WA), Noble Park (VIC) and Pemulway (NSW).

The information pertaining to those leases is presented below:

Right-of-use Assets	\$
Balance at 1 July 2021	2,282,260
Additions	14,811,155
Depreciation charge for the year	(2,694,207)
Balance at 30 June 2022	<u>14,399,208</u>
a. Lease Liabilities	\$
Maturity Analysis	
Less than one year	2,951,486
One to Five Years	15,450,474
	<u>18,401,960</u>

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b. Other Information

- Short term lease expense is \$944,622
- Interest expense on lease liabilities is \$1,182,195
- Total cash outflow from leases is \$4,193,541

18. INTANGIBLE ASSETS

Note	WINE DEPOT PLATFORM DEVELOPMENT	GOODWILL WDA	GOODWILL PARTON	GOODWILL KADDY	TOTAL
	\$	\$	\$	\$	\$
Year Ended 30 June 2022					
Opening net book amount	276,957	2,396,412	-	-	2,673,369
Business Combination	-	-	5,264,756	22,628,905	27,893,661
Impairment expense	-	(1,198,205)	-	-	(1,198,205)
Amortisation expense	(79,131)	-	-	-	(79,131)
Closing net book amount	197,826	1,198,207	5,264,756	22,628,905	29,289,694
At 30 June 2022					
Cost	395,651	2,396,412	5,264,756	22,628,905	30,685,724
Accumulated amortisation and impairment	(197,825)	(1,198,205)	-	-	(1,396,030)
Net book amount	197,826	1,198,207	5,264,756	22,628,905	29,289,694

	WINE DEPOT PLATFORM DEVELOPMENT	GOODWILL WDA	GOODWILL PARTON	GOODWILL KADDY	TOTAL
	\$	\$	\$	\$	\$
Year Ended 30 June 2021					
Opening net book amount	356,086	-	-	-	356,086
Business Combination	-	2,396,412	-	-	2,396,412
Additions	-	-	-	-	-
Amortisation expense	(79,129)	-	-	-	(79,129)
Closing net book amount	276,957	2,396,412	-	-	2,673,369
At 30 June 2021					
Cost	395,651	2,396,412	-	-	2,792,063
Accumulated amortisation and impairment	(118,694)	-	-	-	(118,694)
Net book amount	276,957	2,396,412	-	-	2,673,369

RECOGNITION AND MEASUREMENT

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Intangible assets include the Wine Depot Platform Development. Costs capitalised include only those costs directly attributable to the development of the asset.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed. As at reporting date, the acquisitions of Kaddy and Partons have been provisionally accounted for, so no impairment has been reported. The acquisition accounting for Wine Delivery Australia has been finalised and an impairment has been recorded, refer Note 11 for further detail.

Amortisation

Amortisation is charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income using a straight-line method over the estimated useful lives of the intangible asset.

The estimated useful lives in the current and comparative periods are as follows:

- Software Development: 5 years

19. OTHER ASSETS

	<u>30-Jun-22</u>	<u>30-Jun-21</u>
	\$	\$
Bank Term Deposits (security for property lease bank guarantees)	1,947,824	430,033
	<u>1,947,824</u>	<u>430,033</u>

20. TRADE AND OTHER PAYABLES

	<u>30-Jun-22</u>	<u>30-Jun-21</u>
	\$	\$
Trade and other payables	2,886,935	986,141
Accruals	730,958	307,116
GST & Payroll Tax	728,764	-
Unearned Revenue	3,583	-
Other payables	77,156	(261)
	<u>4,427,396</u>	<u>1,292,996</u>

RECOGNITION AND MEASUREMENT

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

For trade and other payables, the fair value is approximate to their carrying value amount, due to their short-term nature.

21. PROVISIONS

	<u>30-Jun-22</u>	<u>30-Jun-21</u>
	\$	\$
Employee Leave Liability	823,762	198,340
	<u>823,762</u>	<u>198,340</u>

22. ISSUED CAPITAL

	30-Jun-22		30-Jun-21	
	\$	No.	\$	No.
(a) Fully paid ordinary shares	59,597,965	2,645,038,132	23,712,158	1,667,592,407
(b) Movement in ordinary shares				
Balance at 30 June 2021	23,712,158	1,667,592,407		
Option Conversion			752,402	0.015
Share issued on 27 July 2021	7,375,000		113,461,540	0.065
Share issued on 25 October 2021	12,625,000		225,446,430	0.056
Share issued on 25 October 2021	72,949		2,917,960	0.025
Share issued on 5 November 2021	1,783,518		31,848,541	0.056
Share issued on 9 December 2021	22,655		1,510,318	0.015
Share issued on 15 December 2021	125,000		2,232,142	0.056
Share issued on 15 December 2021	100,000		1,538,461	0.065
Share issued on 15 December 2021	111,285		7,419,002	0.015
Share issued on 15 December 2021	137,500		5,500,000	0.025
Performance Rights Conversion	-		100,000,000	-
Kaddy Consideration Shares	15,667,735		484,102,289	-
Capital raising costs	(2,152,751)		-	-
Option Conversion	17,916		716,640	0.025
Balance at 30 June 2022	59,597,965	2,645,038,132		

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proposed winding up of the company in proportion to the number and amount paid on the share hold.

(c) Capital risk management

The Group's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Given the stage of the Company's development there are no formal targets set for return on capital. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements. The net equity of the Company is equivalent to capital. Net capital is obtained through capital raisings on the Australian Securities Exchange.

RECOGNITION AND MEASUREMENT

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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

23. RESERVES

	<u>30-Jun-22</u>	<u>30-Jun-21</u>
	\$	\$
Options reserve	5,414,222	2,584,323
Foreign currency translation reserve	60,878	60,651
	<u>5,474,100</u>	<u>2,644,974</u>
	<u>30-Jun-22</u>	<u>30-Jun-21</u>
	\$	\$
<u>Movement reconciliation</u>		
Options reserve		
Opening Balance	2,584,323	1,503,906
Issue of options	1,371,925	730,417
Performance Right recognition	1,457,974	350,000
Closing Balance	<u>5,414,222</u>	<u>2,584,323</u>
Foreign currency translation reserve		
Opening Balance	60,651	83,926
Effect of translation of foreign currency operations to group presentation	227	(23,275)
Closing Balance	<u>60,878</u>	<u>60,651</u>

24. ACCUMULATED LOSSES

	<u>30-Jun-22</u>	<u>30-Jun-21</u>
	\$	\$
Balance at the beginning of the year	(17,560,995)	(10,629,363)
Net loss attributable to members	(17,464,677)	(6,931,632)
Expiry of options	-	-
Balance at the end of the year	<u>(35,025,672)</u>	<u>(17,560,995)</u>

25. AUDITOR'S REMUNERATION

	<u>30-Jun-22</u>	<u>30-Jun-21</u>
	\$	\$
Amounts received / receivable by Hall Chadwick WA Audit Pty Ltd for:		
An audit or review of the financial report of the entity	63,053	21,190
Total auditor remuneration	<u>63,053</u>	<u>21,190</u>

26. COMMITMENTS

There are no commitments as at 30 June 2022.

27. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or contingent liabilities as at 30 June 2022.

28. DIVIDENDS

There were no dividends paid or declared during the year ended 30 June 2022.

29. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the end of the reporting period, DW8 announced a capital raising on 18 August 2022, consisting of an institutional placement and Entitlement Offer.

Funds to be raised under the capital raising could total \$9.85m, of which up to \$5m will come from US-based institutional investor New Technology Capital Group, LLC, consisting of three tranches.

A 1 for 6 non-renounceable Entitlement Offer to existing eligible shareholders- could raise up to \$4.85m.

For every 2 shares issued under the entitlement offer, investors receive 1 free attaching option exercisable at \$0.015 each and expiring on 30 March 2023. Subject to take up of the entitlement offer and the share price trading above the exercise price, these options may raise up to approximately \$3.30m in additional funding before costs.

At the time of lodgement of this report, the Entitlement Offer remained ongoing.

Proceeds will be primarily used to fund the continued growth and maintenance of the Company's two key operating divisions: Kaddy Marketplace and Kaddy Fulfilment, and the Company's general working capital requirements.

The Directors are not aware of any other matters or circumstances have arisen, since the end of the year, which significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

30. RELATED PARTIES

a. Subsidiary companies

Interests in subsidiaries are set out on below.

DW8 Limited (formerly Digital Wine ventures Ltd)	- Parent Entity
Kaddy Australia Pty Ltd	- 100% owned controlled entity
Kaddy Fulfilment Pty Ltd (formerly Parton Wine Distribution Pty Ltd)	- 100% owned controlled entity
Wine Depot Holdings Pty Ltd	- 100% owned controlled entity
Wine Delivery Australia Pty Ltd	- 100% owned controlled entity
DW8 (Property) Pty Limited	- 100% owned controlled entity
CGWDH Pty Ltd	- 100% owned controlled entity
Dawine (HK) Limited	- 100% owned by CGWDH Pty Ltd (to be liquidated)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short-term deposits, receivables and payables. The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group does not speculate in the trading of derivative instruments. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 2 to the financial statements.

Risk Exposures and Responses

Interest Rate Risk

The Group's exposure to risks of changes in market interest rates relates primarily to the Group's cash balances. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. As the Group has no interest-bearing borrowings its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At reporting date, the Group had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	30-Jun-22		30-Jun-21	
	Interest bearing	Non-interest bearing	Interest bearing	Non-interest bearing
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	1,458,297	1,896,116	5,842,137	513,054
Net exposure	1,458,297	1,896,116	5,842,137	513,054

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. The 1.0% (2021: 0.5%) sensitivity is based on reasonably possible changes, over a financial year, using an observed range of historical LIBOR movements over the last 3 years.

At 30 June 2022, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit and equity relating to financial assets of the Group would have been affected as follows:

	30-Jun-22	30-Jun-21
	\$	\$
Judgements of reasonably possible movements		
<i>Post tax profit - higher / (lower)</i>		
Increase 1.0%	14,583	29,211
Decrease 1.0%	(14,583)	(29,211)

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Group has no access to credit standby facilities or arrangements for further funding or borrowings in place.

The financial liabilities the Group had at reporting date were trade payables incurred in the normal course of the business and an amount owing pursuant to a contract of sale. Trade payables were non-interest bearing and were due within the normal 30-60 days terms of creditor payments.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	1 year or less	Between 1 and 2 years	Between 2 and 5 years	5+ years	Total contractual cash flows	Carrying amount of liabilities
	\$	\$	\$	\$	\$	\$
30-Jun-22						
Trade and other payables	4,427,396	-	-	-	4,427,396	4,427,396
Financial Liabilities	667,029	175,822	479,540	804,430	2,126,820	1,543,727
	5,094,425	175,822	479,540	804,430	6,554,216	5,971,123
30-Jun-21						
Trade and other payables	1,292,996	-	-	-	1,292,996	1,292,996
	1,292,996	-	-	-	1,292,996	1,292,996

Credit risk

Credit risk arises from the financial assets of the Group, which comprise deposits with banks and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amount of financial assets included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to those assets.

The Group does not hold any credit derivatives to offset its credit exposure.

Except for the above mentioned, the Group trades only with recognised, credit worthy third parties and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

Receivable balances are monitored on an ongoing basis with the result that the Group does not have a significant exposure to bad debts. Trade and other receivables are expected to have a maturity of less than 6 months, for both year ends.

There are no significant concentrations of credit risk within the Group.

RECOGNITION AND MEASUREMENT – FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates;
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Financial liabilities

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (i.e. the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Impairment

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost or fair value through other comprehensive income.

Loss allowance is not recognised for:

financial assets measured at fair value through profit or loss; or
equity instruments measured at fair value through other comprehensive income.

The Group uses the simplified approach to impairment, as applicable under AASB 9: Financial Instruments:

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to:

- trade receivables or contract assets that result from transactions within the scope of AASB 15: Revenue from Contracts with Customers and which do not contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (i.e. diversity of customer base, appropriate groups of historical loss experience, etc).

Recognition of expected credit losses in financial statements

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (e.g. loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.