



**Annual Report**  
For Year ended 31 March 2018

**Wingara AG Limited**  
ASX: WNR

Revenue

**\$10.93m**

↑ 25.3%

EBITDA (ex transaction costs)

**\$1.09m**

↑ 79.7%

Total volume

**33,000 tonnes**

↑ 49.0%



**Catchment area agricultural resource:**

Frozen & Fresh Beef

**143,000 t** (exported)

Frozen & Fresh Lamb

**115,000 t** (exported)

Grain & Legumes

**7.63m mt** (produced)

**2.98m mt** (exported)

Oaten Hay

**1.2m mt** (produced)

**217k mt** (exported)

Source: Agriculture Victoria and ABS, 2018

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*"Providing a wholly integrated and controlled supply chain solution for the provision of quality agricultural products"*



## Chairman's Letter

Dear Shareholder,

It is my pleasure to present you the Annual Report for FY18. The past 12 months have been highly transformative for Wingara and cement our position as an integrated provider of diversified, high quality, Australian agricultural products in domestic and export markets.

Notable highlights that demonstrate our progress include:

- Significant improvements in production volumes leading to revenue increasing to \$10.93m (up 25%) and EBITDA (excluding transaction costs) to \$1.09m (up 79%)
- Growth of hay operations and the development of Raywood expected to significantly bolster production capabilities
- Wingara's capabilities to facilitate export activities and diversify its earnings base
- The strategic acquisition of Austco to significantly enhance Wingara's capabilities and capacity in value-added export into high value Asian markets.

The strengthening of our innovative supply chain provides a unique and ongoing competitive advantage. This is becoming increasingly evident with a growing number of customer relationships across the business to indicate promising growth in both increased production volumes, increased exports, as well as higher and more diversified revenues.

Our strategy and market positioning has been well received by the market as demonstrated by the strong support from investors in the oversubscribed private placement undertaken in March 2018.

It is our view that growth will continue into FY19 with an outlook that sees milestones achieved benchmarked to our 3 year strategy. Increases in:

- Production capacity and green product storage in Bendigo, Raywood and Horsham
- Sales and marketing interest for our increasingly diversified product base
- Support of multi-currency transactions to promote further export sales
- Facilitate increased activities in red product exports from key clients

Demand for our primary agricultural products to meet Asian customers' growing needs, especially in China, is our focus. The assets under development will begin to future-proof our business and ensure we have supply to meet increasing demand.

FY18 has been a landmark year for Wingara. It could not have been so without the energy, and vision of all involved. I thank all shareholders for your continued support and look forward to progressing Wingara as a leading Australian agribusiness.



Gavin Xing  
Executive Chairman and Managing Director  
Wingara AG Limited

*The strengthening of our innovative supply chain provides  
a unique and ongoing competitive advantage*

## About Wingara AG Limited

### Company Highlights

Wingara AG Limited is an integrated provider of diversified, high quality, Australian agricultural products for domestic and export markets. Wingara has a number of operational highlights to outline:

- Expanding Production:** Wingara produced 33,000 metric tonnes of hay for the FY18 financial year, up 19% on export volumes compared to FY17. This figure is in line with the boosted production target of 70,000 mt by March 31 2019.
 

The three year strategic plan anticipates production capacity to reach 250,000 mt pa. Production capacity at the new Raywood facility is expected to reach 150,000 mt pa at 3 years. The first production shed is complete with installation of key machinery now 80% completed in line for September 2018 production to commence.
- Increasing Storage Capacity:** The first 11,000mt storage shed at the new 30-hectare Raywood development site has been completed ahead of schedule. This is the first of multiple sheds for the site to accommodate the 150,000 mt pa in production.
- Grain / Commodities:** Hay feed is the primary commodity marketed by Wingara. With the construction of the Raywood facility and acquisition of Austco Polar there is the ability to facilitate both green (wheat, oat, lentils, canola, cotton seed, legumes, barley) and red (meat) commodities.
- Sales and Marketing:** Rising demand for quality beef and milk among a growing Asian middle class is projected to boost the demand for quality Australian hay feed.
- Strategic Locations:** Each of Wingara's sites is in proximity to arterial roads connecting to Melbourne and Geelong ports. This reduces logistical cost

*The first 11,000mt storage shed at the new 30-hectare Raywood development site has been completed ahead of schedule.*

### First Storage Shed Complete at Raywood Site



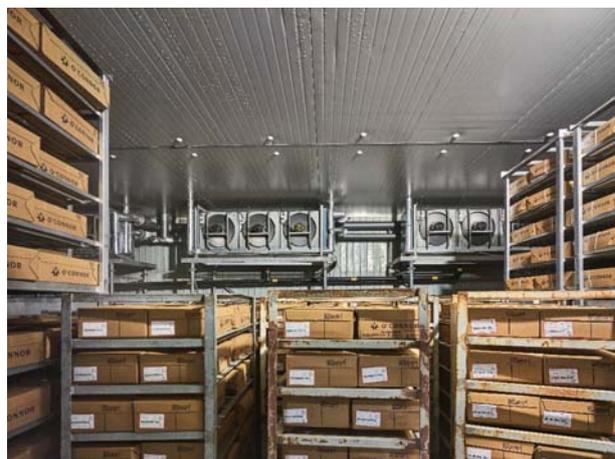
### Austco Acquisition Highlights

On 16 April 2018, the Group completed the asset acquisition of Austco Polar Cold Storage ('Austco') for a total consideration of \$18.5 million excluding transaction costs. There are a number of highlights associated with this acquisition:

- **Revenue Uplift:** To date Austco has experienced a smooth transition into the Group and has already started to generate positive cashflows. Consistent historical revenue of \$10–11 million per annum represents a new stable revenue stream which will diversify the company's earnings base to offset market risk experienced within the existing hay business
- **Capacity:** The site has blast freezing and export throughput capacity to exceed 100,000 t pa and storage of in excess of 18,000 pallets.
- **Established relationships over decades:** Austco has a strong 30-year presence in blast freezing, temperature-controlled storage and local/international distribution. Strong relationships with key customers has been established with opportunities to expand workloads in the future to increase existing earnings profile
- **Strong demand for capacity:** The demand from Asian's market for red commodities is high and this acquisition provides new opportunities for revenue streams aligned to the Company strategic plan.

*Consistent historical revenue of \$10–11 million per annum represents a new stable revenue stream which will diversify the company's earnings base*

#### Wingara's New Austco Site



## Corporate Directory

### Directors

**Gavin Xing**

Executive Chairman & Managing Director

**Zane Banson (appointed 8 June 2018)**

Executive Director

**Mark Hardgrave (appointed 1 March 2018)**

Non-Executive Director

**Eric Jiang (resigned 8 June 2018)**

Independent Non-Executive Director

### Secretary

**Phillip Hains**

### Principal registered office in Australia

5-7 Leslie Road  
Laverton North VIC 3026  
Australia

### Share and debenture register

**Computershare Investor Services Pty Ltd**

Level 11, 172 St Georges Terrace  
Perth WA 6000

1300 55 70 10 (within Australia)  
+61 8 9323 2000 (overseas)

### Auditor

**William Buck**

Level 20, 181 William Street  
Melbourne Victoria 3000

### Solicitors

**Quinert Rodda & Associates**

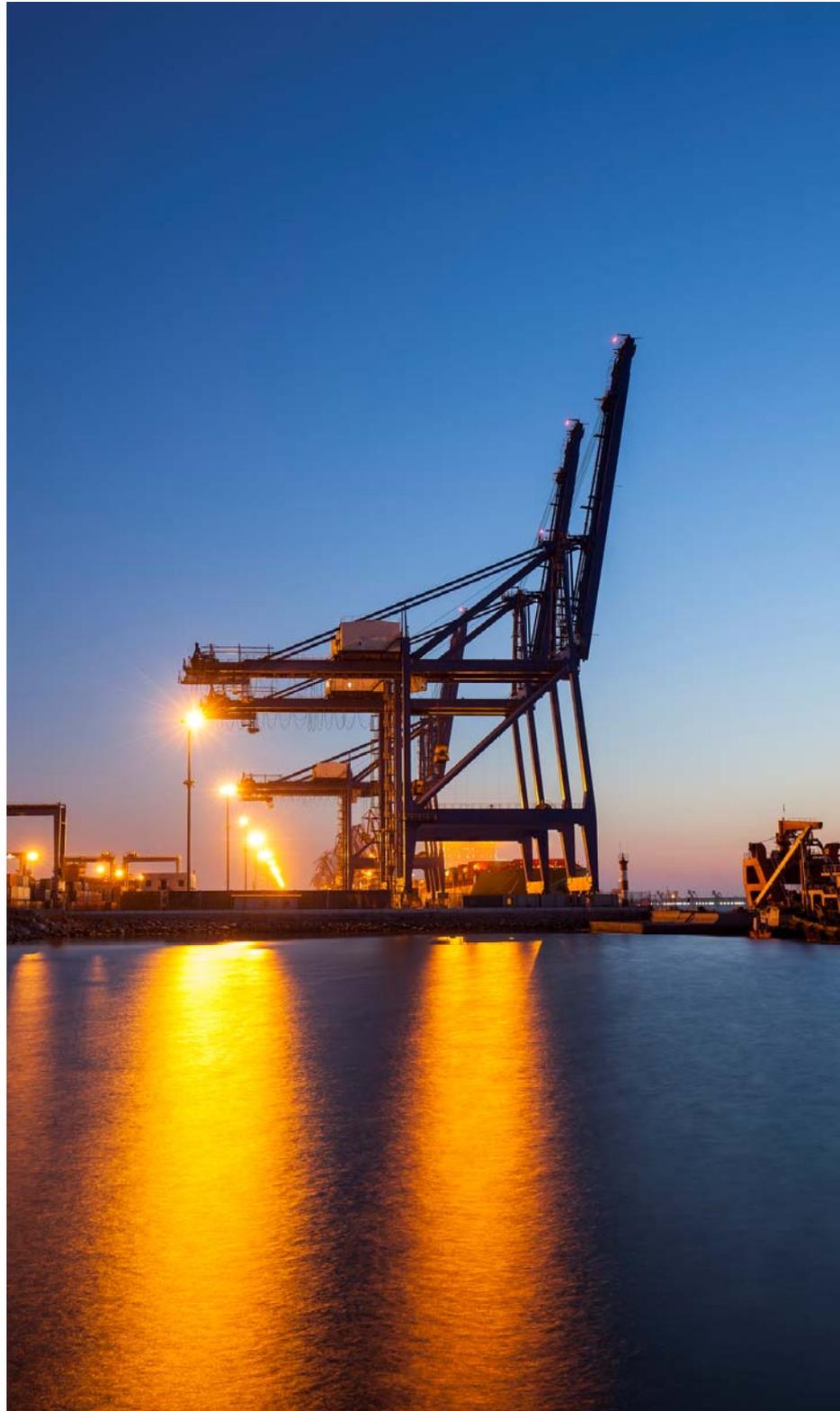
Suite 1, Level 6, 50 Queen Street  
Melbourne VIC 3000

### Stock exchange listing

ASX: WNR

### Website

[www.wingaraag.com.au](http://www.wingaraag.com.au)



## Review of Operations

Strong supplier relationships, astute investment, dedication to improvement in service standards and focus on delivery of quality products to end-users continue to underpin Wingara AG's success.

Built on a foundation of strong and growing Asian demand for quality Australian agricultural products, our management and operational expertise is well supported by a liquid balance sheet.

Our innovative commercial approach and commitment to suppliers ensure Wingara AG will be able to maintain reliable access to quality raw products in the future.

Strategic acquisitions to support export growth have been made with the objective to enhance operating cashflow while managing portfolio risk. Further mergers and acquisitions opportunities will be assessed against analytical criteria to deliver high quality agricultural products to supply the strong demand from the Asian market through an innovative and integrated supply chain.

Energy and productivity efficiencies through well-researched infrastructure improvements and quality assurance at our Epsom site will ensure a smooth commissioning process at our industry leading Raywood facility.

### Highlights

- EBITDA (excluding transaction costs) of \$1,088,848, production volumes up 19 per cent
- Site development at Raywood is progressing according to plan
- Horsham site to consolidate processing expansion
- Austco acquisition diversifies earnings base and provide access to beef export
- Board changes

Audited returns for the completed April to March financial year have returned a pleasing EBITDA (excluding transaction costs) of \$1,088,848 on the back of revenues of \$10,931,147.

This compares favourably with the previous year \$604,948 (9 months), given the scale of investments and downtime required to upgrade the Epsom site, and to develop the new Raywood processing plant nearby. The use of the Epsom site has provided great experience as a testing ground to enable the company to improve process, staff development and production that will substantially de-risk the commissioning and subsequent operations of the Raywood site.

We produced 33,000 metric tonnes of hay for the financial year, up 19 per cent on export volumes compared to the previous year. This figure is in line with our boosted production target of 70,000mt by March 31 2019.

The continued exponential growth in Chinese demand (38% increase 2017, forecast further 25% increase in 2018) coupled with the stable markets of Japan, South Korea, and Taiwan provides the company with confidence of continued strong demand for quality primary and secondary food products. Our production targets and acquisition radar track these trends accurately and consistently.

### Austco acquisition diversifies earnings base

The March acquisition of Austco Polar Cold Storage marked a first step forward in Wingara AG diversifying its earnings profile. The acquisition established the Company as a reliable, agricultural products facilitator / marketer to receptive, stable markets. The addition of Austco continues to add diversification of revenue streams between the export and domestic markets. In addition, the acquisition provides access to Austco's long-term tier one high quality produce clients in Australia.

Austco has a strong 30-year presence in blast freezing, temperature-controlled storage and local/international distribution. Its purchase exactly fits Wingara's strategic model of marketing value added products through export accreditation facilities in multi regions based on multi-currency.

### Site development at Raywood moves ahead

Good planning and favourable weather have combined to put the development of the new 30-hectare Raywood hay processing and storage facility ahead of schedule.

The 11,000mt storage shed, located just 20 kilometres north of our primary Epsom facility near Bendigo, was completed in January 2018. It will add substantially to Epsom's current 35,000mt a year capacity when upgrades to buildings and processing machinery come on stream in the September 2018 quarter. Ultimately, the facility could expand to a processing capacity of up to 200,000mt a year.

The Epsom and Raywood plants will allow Wingara AG to be the industry leader in the Victorian oaten hay export sector. It also gives Wingara AG options to expand into processing, storing, and marketing other commodities (including wheat, barley, oats, canola, legumes). Wingara AG has potential access to market 7-9 million mt of green commodities.

### Horsham site to consolidate processing expansion

In May 2017, we signed a contract with the Horsham Rural City Council to acquire a 20-hectare block in the city's new industrial development.

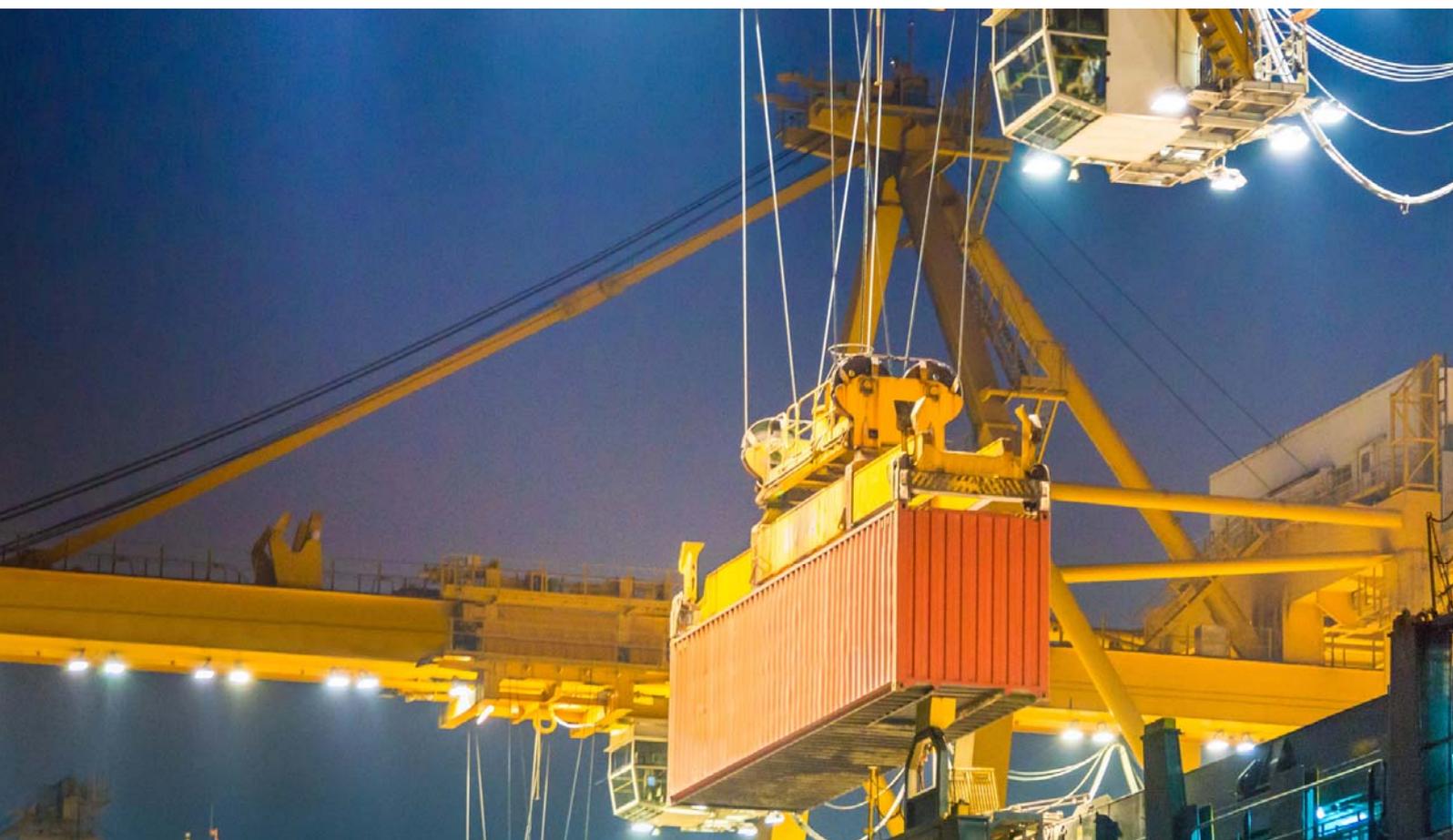
The site gives us ready access to the Wimmera freight terminal and is already powered and watered.

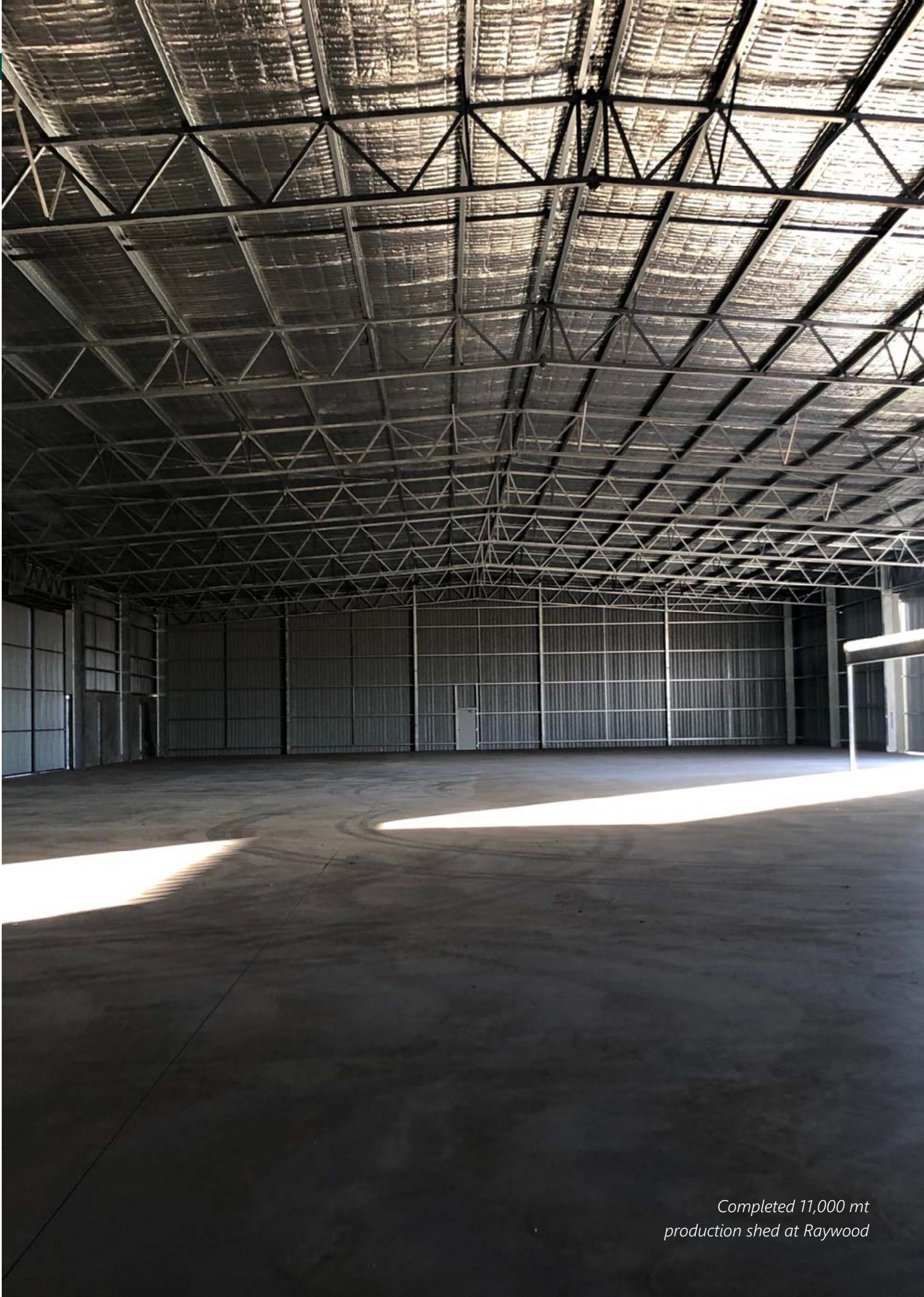
Currently our immediate focus is the upgrade and expansion of the Epsom and Raywood facilities, the Horsham development will allow us to take additional advantage of the 2019/2020 season.

### Board changes

In March, Wingara AG announced the appointment of Mark Hardgrave as a Non-Executive Director. He brings Wingara more than 35 years' experience in corporate finance, funds management, and executive leadership at respected Australian and international firms.

Fellow Non-Executive Director, James Everist, stepped down in March 2018. After the end of the reporting period, Eric Jiang stepped down in June 2018. In June 2018, Zane Banson was appointed Executive Director. Mr Banson is an experienced Chartered Accountant with over a decade of experience specialising in small cap corporate governance, board advisory and corporate financial services.





*Completed 11,000 mt  
production shed at Raywood*

## Directors Report

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 2018. 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 (Appointed 8 June 2018)  
Mark Hardgrave - Non-Executive Director (Appointed 1 March 2018)  
Eric Jiang - Non-Executive Director (Resigned 8 June 2018)  
James Everist - Non-Executive Director (Resigned 1 March 2018)  
Phillip Hains - Company Secretary

### Principal activities

The principal activities of Wingara AG Limited are to act as product processor and marketer of agricultural products.

### 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.

### Significant changes in the state of affairs

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

On 6 March 2018, the Group completed a private placement which raised \$6,735,323 before transaction costs of \$451,473 via the issue of 19,243,783 new ordinary shares at \$0.35 per share.

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

### Events since the end of the financial year

On 16 April 2018, the Group completed the asset acquisition of Austco Polar Cold Storage for a total consideration of \$18.5 million, funded by debt and equity. At the date of writing this report management is still determining the fair value of the assets and liabilities acquired.

No other matters or circumstances have arisen since 31 March 2018 that have significantly affected the Group's operations, results or state of affairs, or may do so in future years.

### Environmental regulation

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

## Information on directors

### Gavin Xing

#### Executive Chairman and Managing Director

#### Experience and expertise

Mr Xing graduated in 1995 from Royal Melbourne Institute of Technology with a Bachelor degree in Accounting and Economics, then completing in 1998 a Graduate Diploma in Applied Finance and Investment from Security Institute of Australia and in 1999 a Master degree in Applied Finance from Macquarie University. Mr Xing has over 17 years of experience in investment banking, commodities and financing fields with a strong infrastructure, natural resources and commodities background. He held a number of sales, origination and structuring positions within Global Market Division at Deutsche Bank AG Asia from 2007 to 2013. These positions included: Director - Principal Finance (Hong Kong office), Head of Commodities Structuring, China (Beijing office) and Head of Origination - Commodities, Asia (Singapore office). Prior to this he was a Director of Project/ Infrastructure Finance with HSBC Asia and Vice President of Structured Finance for Sumitomo Mitsui Banking Corporation from 2001 to 2007 in Hong Kong and Singapore. From 1996 to 2000, Mr Xing worked at the investment banking division at Deutsche Bank AG and ANZ in Melbourne, Australia with a focus on infrastructure investment and financing.

#### Other current directorships of listed companies

-

#### Former directorships in last 3 years

-

#### Special responsibilities

-

#### Interests in shares and options

10,000,000 ordinary shares  
No options

### Eric Jiang

#### Independent Non-Executive Director

#### Experience and expertise

Mr Jiang has a B.Comm degree and has over 15 years' experience in the financial services sector as a corporate consultant and advisor, holding senior executive and non-executive positions on several ASX listed companies. Mr Jiang has held executive positions within several financial advisory firms and has built a substantial financial advice practice. Mr Jiang has a strong background in China and Asia business and has committee positions on a number of China/Australia associations such as the Guangdong Australia Association. In addition, Mr Jiang has developed broad expertise as a corporate advisor to ASX listed companies and is a director of two ASX listed companies.

#### Other current directorships of listed companies

Perpetual Resources Limited (from 29 November 2011 to present)  
Wattle Health Australia Limited (from 15 May 2017 to present)

#### Former directorships in last 3 years

Connexion Media Limited (resigned 5 May 2017)

#### Special responsibilities

-

#### Interests in shares and options

2,268,000 ordinary shares  
No options

**Mark Hardgrave**
**Non-Executive Director (Appointed 1 March 2018)**

|   |   |
|---|---|
| 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 and Director of Reclink Australia. 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. |
| Other current directorships of listed companies | Traffic Technologies Limited (January 2013)   |
| Former directorships in last 3 years            | -   |
| Special responsibilities                        | -   |
| Interests in shares and options                 | -   |

**James Everist**
**Non-Executive Director (Resigned 1 March 2018)**

|   |   |
|---|---|
| Experience and expertise                        | Mr Everist has 30 years' experience in resources and financial markets across corporate treasury, investment banking and private wealth management. He has held treasury positions with Aztec Mining, Normandy Mining and WMC Ltd and also held senior investment banking roles with Bell Commodities, Standard Chartered Bank (Mocatta) and Morgan Stanley Singapore specialising in precious and base metals. Mr Everist is Managing Director of his own consulting company and advises on forensic accounting, funds management, alternative investments and portfolio management for family offices, including six years (2009 - 2015) as Chief Investment Officer for Ottomin Investment Group. Mr. Everist is also the Portfolio Manager - Agriculture and Resources at Prime Value Asset Management. |
| Other current directorships of listed companies | -   |
| Former directorships in last 3 years            | -   |
| Special responsibilities                        | -   |
| Interests in shares and options                 | 410,000 ordinary shares<br>No options   |

**Company secretary**

Mr. 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.

### 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 2018, and the numbers of meetings attended by each director were:

|   | Meetings of committees     |   |       |   |
|---|----------------------------|---|-------|---|
|   | Full meetings of directors |   | Audit |   |
|   | A                          | B | A     | B |
| Gavin Xing                              | 6                          | 6 | 6     | 6 |
| James Everist (Resigned 1 March 2018)   | 6                          | 6 | 6     | 6 |
| Eric Jiang                              | 6                          | 6 | 6     | 6 |
| Mark Hardgrave (Appointed 1 March 2018) | -                          | - | -     | - |

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

### Remuneration report

The directors present the Wingara AG Limited 2018 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this financial period.

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.

#### 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 economic 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 Non-Executive Directors reflect the demands and responsibilities of their role. Non-executive Directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market.

ASX listing rules require the aggregate Non-Executive Directors remuneration be determined periodically by a general meeting. There has been no determination on the approved aggregate remuneration to date by shareholders.

*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 two components:

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

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**

Currently the remuneration of non-executive directors consists solely of an un-risked element (base pay) which is not linked to the performance of the company in the current or previous reporting periods. Executives however are remunerated through a mix of un-risked remuneration (base pay) and a risked element through company options issued under the company's 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. The consolidated entity was formed on 27 January 2016 and thus any prior financial performance is considered irrelevant to the existing consolidated entity. During the year ended 31 March 2018, the net loss after tax was \$434,063 (nine months ended 31 March 2017: \$176,243), with closing share price at each period end to be \$0.370 and \$0.285 per share, respectively.

### 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 period measured in accordance with the requirements of the accounting standards.

|  | Short-term        |               | Post-         | Share based   | Total          | % of          |             |
|--|-------------------|---------------|---------------|---------------|----------------|---------------|-------------|
|  | employee benefits |               | employment    | payments      |                | remuneration  |             |
|  | Cash salary       | Movement      | benefits      | Shares/       |                | Fixed         | Variable    |
|  | and fees          | in leave      | Super-        | Options       |                |               |             |
|  | \$                | \$            | \$            | \$            | \$             | %             | %           |
| <b>For the year ended 31 March 2018</b>              |                   |               |               |               |                |               |             |
| <b>Directors</b>                                     |                   |               |               |               |                |               |             |
| Gavin Xing   | 277,966           | 2,392         | 26,407        | -             | 306,765        | 100.00        | -           |
| James Everist (Resigned 1 March 2018)                | 36,128            | -             | 3,432         | -             | 39,560         | 100.00        | -           |
| Eric Jiang   | 38,236            | -             | 3,632         | -             | 41,868         | 100.00        | -           |
| Mark Hardgrave (Appointed 1 March 2018)              | 2,810             | -             | 267           | -             | 3,077          | 100.00        | -           |
|  | 355,140           | 2,392         | 33,738        | -             | 391,270        | 100.00        | -           |
| <b>Other key management personnel</b>                |                   |               |               |               |                |               |             |
| Marcello Diamante                                    | 137,279           | (2,988)       | 13,042        | 7,500         | 154,833        | 95.16         | 4.84        |
| Kellie Barker  | 142,782           | 1,679         | 13,564        | 7,500         | 165,525        | 95.47         | 4.53        |
|  | 280,061           | (1,309)       | 26,606        | 15,000        | 320,358        | 95.32         | 4.68        |
| <b>Total key management personnel compensation</b>   | <b>635,201</b>    | <b>1,083</b>  | <b>60,344</b> | <b>15,000</b> | <b>711,628</b> | <b>97.89</b>  | <b>2.11</b> |
| <b>For the nine-month period ended 31 March 2017</b> |                   |               |               |               |                |               |             |
| <b>Directors</b>                                     |                   |               |               |               |                |               |             |
| Gavin Xing   | 199,897           | 13,899        | 18,990        | -             | 232,786        | 100.00        | -           |
| James Everist  | 27,398            | -             | 2,603         | -             | 30,001         | 100.00        | -           |
| Eric Jiang   | 23,125            | -             | 2,197         | -             | 25,322         | 100.00        | -           |
|  | 250,420           | 13,899        | 23,790        | -             | 288,109        | 100.00        | -           |
| <b>Other key management personnel</b>                |                   |               |               |               |                |               |             |
| Marcello Diamante                                    | 105,374           | 3,807         | 10,011        | -             | 119,192        | 100.00        | -           |
| Kellie Barker  | 88,470            | 6,798         | 8,405         | -             | 103,673        | 100.00        | -           |
|  | 193,844           | 10,605        | 18,416        | -             | 222,865        | 100.00        | -           |
| <b>Total key management personnel compensation</b>   | <b>444,264</b>    | <b>24,504</b> | <b>42,206</b> | <b>-</b>      | <b>510,974</b> | <b>100.00</b> | <b>-</b>    |

### Shareholding

The number of shares in the parent entity held during the period 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 2017      | Received as<br>part of<br>remuneration | Additions | Disposals<br>/others | 31 March 2018     |
|---------------------------------------|-------------------|--|-----------|----------------------|-------------------|
| <b>Directors</b>                      |                   |  |           |                      |                   |
| Gavin Xing                            | 10,000,000        | -                                      | -         | -                    | 10,000,000        |
| James Everist (Resigned 1 March 2018) | 410,000           | -                                      | -         | -                    | 410,000           |
| Eric Jiang                            | 2,268,000         | -                                      | -         | -                    | 2,268,000         |
| Mark Hardgrave                        | -                 | -                                      | -         | -                    | -                 |
|                                       | 12,678,000        | -                                      | -         | -                    | 12,678,000        |
| <b>Other key management personnel</b> |                   |  |           |                      |                   |
| Marcello Diamante                     | 850,000           | -                                      | -         | -                    | 850,000           |
| Kellie Barker                         | 10,000,000        | -                                      | -         | -                    | 10,000,000        |
|                                       | 10,850,000        | -                                      | -         | -                    | 10,850,000        |
|                                       | <b>23,528,000</b> | -                                      | -         | -                    | <b>23,528,000</b> |

### Option holdings

The number of options over the parent entity's ordinary shares held during the period 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 2017 | Received as<br>part of<br>remuneration | Additions | Disposals<br>/others | 31 March 2018    |
|---------------------------------------|--------------|--|-----------|----------------------|------------------|
| <b>Directors</b>                      |              |  |           |                      |                  |
| Gavin Xing                            | -            | -                                      | -         | -                    | -                |
| James Everist (Resigned 1 March 2018) | -            | -                                      | -         | -                    | -                |
| Eric Jiang                            | -            | -                                      | -         | -                    | -                |
| Mark Hardgrave                        | -            | -                                      | -         | -                    | -                |
|                                       | -            | -                                      | -         | -                    | -                |
| <b>Other key management personnel</b> |              |  |           |                      |                  |
| Marcello Diamante (*)                 | -            | 1,000,000                              | -         | -                    | 1,000,000        |
| Kellie Barker (*)                     | -            | 1,000,000                              | -         | -                    | 1,000,000        |
|                                       | -            | <b>2,000,000</b>                       | -         | -                    | <b>2,000,000</b> |

(\*) Options vest in monthly increments over a 36 month period from the date of issue of the options which is tied to continuing employment at the company.

#### 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:

|                      |  |
|----------------------|--|
| <b>Name:</b>         | <b>Gavin Xing</b>  |
| 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:             | \$251,850 inclusive of superannuation as Managing Director<br>\$40,000 in Director Fees<br>Remuneration is reviewed annually                             |
| <b>Name:</b>         | <b>James Everist</b>   |
| Title:               | Non-Executive Director   |
| Agreement commenced: | 27 January 2016  |
| Agreement ceased     | 1 March 2018   |
| Term of agreement:   | Open until a written notice of resignation is communicated by the Director   |
| Details:             | \$40,000 in Director Fees  |
| <b>Name:</b>         | <b>Mark Hardgrave</b>  |
| 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:             | \$40,000 in Director Fees  |
| <b>Name:</b>         | <b>Eric Jiang</b>  |
| Title:               | Independent Non-Executive Director   |
| Agreement commenced: | 27 January 2016  |
| Term of agreement:   | Open until a written notice of resignation is communicated by the Director   |
| Details:             | \$40,000 in Director Fees  |

|                      |  |
|----------------------|--|
| <b>Name:</b>         | <b>Kellie Barker</b>   |
| 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:             | \$150,000 inclusive of superannuation.   |

|                      |  |
|----------------------|--|
| <b>Name:</b>         | <b>Marcello Diamante</b>   |
| Title:               | Chief Financial Officer  |
| Agreement commenced: | 8 February 2016  |
| 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 of notice |
| Details:             | \$150,000 inclusive of superannuation.   |

#### e) Additional statutory information

##### *Other transactions with key management personnel*

The Group signed a lease agreement with the associated entity of a key management personnel to rent the office space in Kew, Victoria at market price. During the year ended 31 March 2018, the Group has paid a total of \$41,000 in office rental to these related parties.

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

##### Shares under option

On 31 October 2017, the Group issued a total of \$2,000,000 options over ordinary shares (expiring in 36 months from grant date, exercisable at \$0.395 per option) to Marcello Diamante and Kellie Barker under the Employee Share Option Plan 2016.

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 period, 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. During the financial period, the Group has not paid a premium in respect of a contract to insure the auditor of the Group or any related entity.

### Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the 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.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the Corporations Act 2001.

### 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.

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 period 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:

|   | Year end<br>31 March 2018<br>\$ | Nine months<br>ended<br>31 March 2017<br>\$ |
|---|---------------------------------|---|
| <b>Other assurance services</b>                               |                                 |   |
| William Buck  |                                 |   |
| Due diligence services  | 95,759                          | 32,000                                      |
| <b><i>Total remuneration for other assurance services</i></b> | <b>95,759</b>                   | <b>32,000</b>                               |
| <b>Taxation services</b>                                      |                                 |   |
| William Buck  |                                 |   |
| Tax compliance services                                       | 9,293                           | 6,850                                       |
| <b><i>Total remuneration for taxation services</i></b>        | <b>9,293</b>                    | <b>6,850</b>                                |
| <b>Other services</b>   |                                 |   |
| <b><i>Total remuneration for other services</i></b>           | -                               | -   |
| <b><i>Total remuneration for non-audit services</i></b>       | <b>105,052</b>                  | <b>38,850</b>                               |

### 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 17.

### Corporate governance statement

In accordance with ASX listing Rule 4.10.3, the Group's 2018 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  
30 May 2018



**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 period ended 31 March 2018 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

*N. S. Benbow*

**N. S. Benbow**  
Director

Dated this 30<sup>th</sup> day of May, 2018

**CHARTERED ACCOUNTANTS  
& ADVISORS**

Level 20, 181 William Street  
Melbourne VIC 3000

Telephone: +61 3 9824 8555

[williambuck.com](http://williambuck.com)

## Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 March 2018

|   | Notes | For the year<br>ended<br>31 March 2018<br>\$ | For the nine<br>months ended<br>31 March 2017<br>\$ |
|---|-------|--|---|
| Sale of hay   |       | 10,762,778                                   | 8,686,722   |
| Other income  |       | 168,369                                      | 36,016  |
|   |       | 10,931,147                                   | 8,722,738   |
| Hay purchased   |       | (5,297,638)                                  | (4,566,770)   |
| Administration expenses   | 2     | (2,753,536)                                  | (2,447,859)   |
| Freight expenses  |       | (1,604,259)                                  | (954,426)   |
| Occupancy expenses  |       | (186,866)                                    | (147,735)   |
| <b>Earnings before finance costs, tax, depreciation and amortisation and transaction expenses</b> |       | <b>1,088,848</b>                             | <b>605,948</b>                                      |
| Depreciation expenses   |       | (601,771)                                    | (335,581)   |
| Finance costs   |       | (382,598)                                    | (191,564)   |
| Transaction expenses  | 2     | (857,569)                                    | (212,523)   |
| <b>Loss before income tax expense</b>   |       | <b>(753,090)</b>                             | <b>(133,720)</b>                                    |
| Income tax benefits/(expense)   | 3     | 319,027                                      | (42,523)  |
| <b>Loss for the period</b>  |       | <b>(434,063)</b>                             | <b>(176,243)</b>                                    |
| <b>Other comprehensive income</b>   |       |  |   |
| Other comprehensive income/(expense) for the period, net of tax                                   |       | -  | -   |
| <b>Total comprehensive loss for the period</b>  |       | <b>(434,063)</b>                             | <b>(176,243)</b>                                    |
|   |       | \$   | \$  |
| <b>Loss per share attributable to the ordinary equity holders of the Group:</b>                   |       |  |   |
| Basic and diluted loss per share  | 18    | 0.0055                                       | 0.0024  |

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

## Consolidated statement of financial position

As at 31 March 2018

|                                      | Notes | 31 March<br>2018<br>\$ | 31 March<br>2017<br>\$ |
|--------------------------------------|-------|------------------------|------------------------|
| <b>ASSETS</b>                        |       |                        |                        |
| <b>Current assets</b>                |       |                        |                        |
| Cash and cash equivalents            | 4(b)  | 8,701,849              | 6,814,101              |
| Trade and other receivables          | 4(a)  | 395,133                | 513,300                |
| Inventories                          | 5(c)  | 1,224,830              | 1,264,497              |
| Current tax receivables              |       | 122,723                | 120,253                |
| Other current assets                 | 5(d)  | 365,204                | 752,040                |
| <b>Total current assets</b>          |       | <b>10,809,739</b>      | <b>9,464,191</b>       |
| <b>Non-current assets</b>            |       |                        |                        |
| Property, plant and equipment        | 5(a)  | 8,281,111              | 2,205,570              |
| Deferred tax assets                  | 3(b)  | 333,607                | 14,580                 |
| Intangible assets                    | 5(b)  | 1,816,075              | 1,816,075              |
| Other non-current assets             | 5(d)  | 2,120,500              | 127,668                |
| <b>Total non-current assets</b>      |       | <b>12,551,293</b>      | <b>4,163,893</b>       |
| <b>Total assets</b>                  |       | <b>23,361,032</b>      | <b>13,628,084</b>      |
| <b>LIABILITIES</b>                   |       |                        |                        |
| <b>Current liabilities</b>           |       |                        |                        |
| Trade and other payables             | 4(c)  | 1,868,797              | 1,153,361              |
| Borrowings                           | 4(d)  | 4,809,316              | 2,997,068              |
| Employee benefit obligations         |       | 116,081                | 69,819                 |
| <b>Total current liabilities</b>     |       | <b>6,794,194</b>       | <b>4,220,248</b>       |
| <b>Non-current liabilities</b>       |       |                        |                        |
| Borrowings                           | 4(d)  | 4,476,185              | 3,181,970              |
| <b>Total non-current liabilities</b> |       | <b>4,476,185</b>       | <b>3,181,970</b>       |
| <b>Total liabilities</b>             |       | <b>11,270,379</b>      | <b>7,402,218</b>       |
| <b>Net assets</b>                    |       | <b>12,090,653</b>      | <b>6,225,866</b>       |
| <b>EQUITY</b>                        |       |                        |                        |
| Contributed equity                   | 6(a)  | 17,984,954             | 11,701,104             |
| Other reserves                       | 6(b)  | 15,000                 | -                      |
| Accumulated losses                   |       | (5,909,301)            | (5,475,238)            |
| <b>Total equity</b>                  |       | <b>12,090,653</b>      | <b>6,225,866</b>       |

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

## Consolidated statement of changes in equity

For the year ended 31 March 2018

|  | Attributable to owners of Wingara AG Limited |                      |  |                   |
|--|--|----------------------|--|-------------------|
|  | Contributed equity<br>\$                     | Other reserves<br>\$ | (Accumulated losses)/<br>Retained earnings<br>\$ | Total<br>\$       |
| <b>Balance at 1 July 2016</b>                                | 9,027,923                                    | -                    | (5,298,995)                                      | 3,728,928         |
| Loss for the period  | -  | -                    | (176,243)  | (176,243)         |
| <b>Total comprehensive loss for the period</b>               | -  | -                    | <b>(176,243)</b>                                 | <b>(176,243)</b>  |
| <b>Transactions with owners in their capacity as owners:</b> |  |                      |  |                   |
| Issue of shares - gross contribution received                | 2,999,000                                    | -                    | -  | 2,999,000         |
| Less: transaction costs                                      | (383,819)                                    | -                    | -  | (383,819)         |
| Issue of shares from conversion of convertible notes         | 58,000                                       | -                    | -  | 58,000            |
|  | 2,673,181                                    | -                    | -  | 2,673,181         |
| <b>Balance at 31 March 2017</b>                              | <b>11,701,104</b>                            | -                    | <b>(5,475,238)</b>                               | <b>6,225,866</b>  |
| <b>Balance at 1 April 2017</b>                               | 11,701,104                                   | -                    | (5,475,238)                                      | 6,225,866         |
| Loss for the period  | -  | -                    | (434,063)  | (434,063)         |
| <b>Total comprehensive loss for the period</b>               | -  | -                    | <b>(434,063)</b>                                 | <b>(434,063)</b>  |
| <b>Transactions with owners in their capacity as owners:</b> |  |                      |  |                   |
| Issue of shares - gross contribution received                | 6(a) 6,735,323                               | -                    | -  | 6,735,323         |
| Less: transaction costs                                      | 6(a) (451,473)                               | -                    | -  | (451,473)         |
| Options vested   | 6(b) -                                       | 15,000               | -  | 15,000            |
|  | 6,283,850                                    | 15,000               | -  | 6,298,850         |
| <b>Balance at 31 March 2018</b>                              | <b>17,984,954</b>                            | <b>15,000</b>        | <b>(5,909,301)</b>                               | <b>12,090,653</b> |

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

## Consolidated statement of cash flows

For the year ended 31 March 2018

|  | Notes    | For the<br>year ended<br>31 March 2018<br>\$ | For the<br>nine months ended<br>31 March 2017<br>\$ |
|--|----------|--|---|
| <b>Cash flows from operating activities</b>                      |          |  |   |
| Receipts from customers  |          | 11,022,125                                   | 8,840,823   |
| Payments to suppliers, employees and others                      |          | (10,636,734)                                 | (8,294,283)   |
| Interest received  |          | 50,407                                       | 36,015  |
| Interest paid  |          | (382,598)                                    | (136,475)   |
| Income taxes paid  |          | (57,000)                                     | (313,185)   |
| <b>Net cash (outflow) inflow from operating activities</b>       | <b>7</b> | <b>(3,800)</b>                               | <b>132,895</b>                                      |
| <b>Cash flows from investing activities</b>                      |          |  |   |
| Purchase of property, plant and equipment                        |          | (5,426,478)                                  | (695,106)   |
| Payments for other non-current assets                            |          | (2,118,000)                                  | (124,348)   |
| Proceeds from termination of term deposit                        |          | 80,000                                       | -   |
| <b>Net cash (outflow) from investing activities</b>              |          | <b>(7,464,478)</b>                           | <b>(819,454)</b>                                    |
| <b>Cash flows from financing activities</b>                      |          |  |   |
| Proceeds from issue of ordinary shares                           | 6(a)     | 6,735,323                                    | 2,863,000   |
| Payments for transaction costs for the issue of ordinary shares  | 6(a)     | (451,473)                                    | (266,000)   |
| Proceeds from issue of convertible notes                         |          | -  | 2,000,000   |
| Proceeds from borrowings   |          | 7,624,439                                    | 1,846,074   |
| Repayment of borrowings  |          | (4,552,263)                                  | (1,087,341)   |
| <b>Net cash inflow from financing activities</b>                 |          | <b>9,356,026</b>                             | <b>5,355,733</b>                                    |
| <b>Net increase in cash and cash equivalents</b>                 |          | <b>1,887,748</b>                             | <b>4,669,174</b>                                    |
| Cash and cash equivalents at the beginning of the financial year |          | 6,814,101                                    | 2,144,927   |
| <b>Cash and cash equivalents at end of period</b>                |          | <b>8,701,849</b>                             | <b>6,814,101</b>                                    |

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

## Notes to the consolidated financial statements

### 31 March 2018

#### 1 Segment information

The group continues to operate in one segment, acting as product processor and marketer of agricultural products in Australia. The segment details are therefore fully reflected in the body of the consolidated financial statements. During the year ended 31 March 2018, revenue from exporting to Asia and domestic sales contributed to 98% and 2%, respectively of the total revenue of the entire group.

During the year ended 31 March 2018, two of the Group's major customers contributed 13% each to the Group's total revenue. No other single customers contributed 10% or more to the Group's revenue for the period.

#### 2 Operating expenses

|   | For the year<br>ended<br>31 March 2018 | For the nine<br>months ended<br>31 March 2017 |
|---|--|---|
|   | \$                                     | \$  |
| Administration Expenses                 |  |   |
| Employee related expenses               | 1,205,230                              | 1,405,774                                     |
| Utilities and other office expenses     | 73,940                                 | 48,996  |
| External consultancy and audit expenses | 280,479                                | 145,509                                       |
| Site expenses                           | 898,825                                | 552,437                                       |
| Other administration expenses           | 295,062                                | 295,143                                       |
|   | 2,753,536                              | 2,447,859                                     |

Transaction costs were associated with expenses incurred in relation to the acquisition of Austco Polar and development of Raywood.

#### 3 Income tax expense

##### (a) Income tax expense

|   | For the year ended<br>31 March 2018 | For the<br>nine months ended<br>31 March 2017 |
|---|-------------------------------------|---|
|   | \$                                  | \$  |
| <i>Current tax</i>                          |                                     |   |
| Current tax                                 | -                                   | 36,794  |
| <b>Total current tax expense</b>            | -                                   | <b>36,794</b>                                 |
| <i>Deferred income tax</i>                  |                                     |   |
| Decrease (increase) in deferred tax assets  | (319,027)                           | 5,729   |
| <b>Total deferred tax expense/(benefit)</b> | <b>(319,027)</b>                    | <b>5,729</b>                                  |
| <b>Income tax expense/(benefit)</b>         | <b>(319,027)</b>                    | <b>42,523</b>                                 |

**(b) Numerical reconciliation of income tax expense to prima facie tax payable**

|  | For the<br>year ended<br>31 March 2018<br>\$ | For the<br>nine months ended<br>31 March 2017<br>\$ |
|--|--|---|
| Loss before income tax expense   | (753,090)                                    | (133,720)   |
| Tax at the Australian tax rate of 27.5% (2017 - 30.0%)                                     | (207,100)                                    | (40,116)  |
| Tax effect of amounts which are not deductible (taxable)<br>in calculating taxable income: |  |   |
| Non-deductible permanent differences   | 9,416  | 82,639  |
| Subtotal   | (197,684)                                    | 42,523  |
| Adjustment for tax benefits from prior periods' tax losses                                 | (121,343)                                    | -   |
| <b>Income tax expense</b>  | <b>(319,027)</b>                             | <b>42,523</b>                                       |

A deferred tax asset has been recognised in respect of carry forward tax losses in the current and prior years. Deferred tax assets have also been brought to account in respect of timing differences. Management are of the view that the Group will likely be in a tax payable position in the next financial year. In the current period had one off transaction costs not been incurred the Group would have been in a tax payable position.

**4 Current assets and liabilities****(a) Trade and other receivables**

|                   | 31 March 2018<br>\$ | 31 March 2017<br>\$ |
|-------------------|---------------------|---------------------|
| Trade receivables | 395,133             | 512,687             |
| Other receivables | -                   | 613                 |
|                   | <b>395,133</b>      | <b>513,300</b>      |

Further information relating to loans to related parties and key management personnel is set out in note 15.

*(i) Classification as trade and other receivables*

Trade receivables are amounts due from customers for goods sold 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 30 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 19(k).

*(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 8.

**(b) Cash and cash equivalents**

|                          | 31 March 2018 | 31 March 2017 |
|--------------------------|---------------|---------------|
|                          | \$            | \$            |
| <b>Current assets</b>    |               |               |
| Cash at bank and in hand | 8,621,849     | 3,314,101     |
| Term deposit             | 80,000        | 3,500,000     |
|                          | 8,701,849     | 6,814,101     |

The term deposit has a duration of 3 months, earning 1.65% interest per annum.

**(i) Classification as cash equivalents**

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest. See note 19(j) for the group's other accounting policies on cash and cash equivalents.

**(c) Trade and other payables**

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature. The Group's exposure to risk is discussed in note 8.

|   | 31 March 2018 | 31 March 2017 |
|---|---------------|---------------|
|   | \$            | \$            |
| Trade payables                              | 1,125,320     | 691,907       |
| Other payables (*)                          | 646,122       | 82,507        |
| Payroll tax and other statutory liabilities | 97,355        | 378,947       |
|   | 1,868,797     | 1,153,361     |

(\*) The balance is primarily attributed to amounts owing to suppliers for purchase of plant and equipment.

**(d) Borrowings**

|                            | 31 March 2018    |                       |                  | 31 March 2017    |                       |                  |
|----------------------------|------------------|-----------------------|------------------|------------------|-----------------------|------------------|
|                            | Current<br>\$    | Non-<br>current<br>\$ | Total<br>\$      | Current<br>\$    | Non-<br>current<br>\$ | Total<br>\$      |
| <b>Secured</b>             |                  |                       |                  |                  |                       |                  |
| Commercial bill & loan     | 2,594,800        | 1,740,000             | 4,334,800        | 2,395,028        | 800,000               | 3,195,028        |
| Asset finance loan         | 237,464          | 2,572,510             | 2,809,974        | 395,481          | 298,085               | 693,566          |
| Other loans                | -                | -                     | -                | 184,005          | -                     | 184,005          |
| Lease liabilities          | 35,052           | 163,675               | 198,727          | 22,554           | 141,885               | 164,439          |
| Total secured borrowings   | 2,867,316        | 4,476,185             | 7,343,501        | 2,997,068        | 1,239,970             | 4,237,038        |
| <b>Unsecured</b>           |                  |                       |                  |                  |                       |                  |
| Convertible notes          | 1,942,000        | -                     | 1,942,000        | -                | 1,942,000             | 1,942,000        |
| Total unsecured borrowings | 1,942,000        | -                     | 1,942,000        | -                | 1,942,000             | 1,942,000        |
| <b>Total borrowings</b>    | <b>4,809,316</b> | <b>4,476,185</b>      | <b>9,285,501</b> | <b>2,997,068</b> | <b>3,181,970</b>      | <b>6,179,038</b> |

(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:

- ANZ tailored commercial facility with a facility limit of \$2,000,000. The facility is subject to an interest charge and line fee of 3.33% and 2.50% respectively.
- Revolving loan facility with a facility limit of \$2,500,000 from 1 August to 30 June each financial year. This facility is subject to BBSY rate plus a margin of 1.50% per annum and a line fee of 2.50% per annum.
- Asset finance loan:
- ANZ asset finance loan bears an interest rate of 5.12% per annum.
- Lease liabilities:
- Finance leases over fixed assets with interest rates of 8.4% and duration of five (5) years.

(ii) *Compliance with loan covenants*

Wingara AG Limited has complied with the financial covenants of its borrowing facilities during the 2018 and 2017 reporting periods.

(iii) *Convertible notes*

On 15 August 2016, Wingara AG Limited completed the issue of \$2 million in convertible notes with a duration of 2 years and interest rate of 5% per annum.

The noteholder may elect to receive the note principal either:

- in cash on the Maturity Date plus an additional cash Bonus Premium Payment of 2.5% of the note principal; or
- convert into new fully paid ordinary shares of the Company at each of the following anniversary dates and prices during the note period:

At the 1st interest payment date (31st January 2017), or at any interest payment date semi-annually thereafter, the noteholder may elect to convert up to 10% of the note principal, into new shares of the Company at a conversion price of \$0.19 per share.

At the 2nd interest payment date (31st July 2017), or at any interest payment date semi-annually thereafter, the noteholder may elect to convert up to a further 50% of the note principal, into new shares of the Company at a conversion price of \$0.23 per share.

At the 3rd interest payment date (31st January 2018) or at any interest payment date semi-annually thereafter, the noteholder may elect to convert up to a further 40% of the note principal, into new shares of the Company at a conversion price of \$0.26 per share.

Details on the recognition and measurement of the convertible notes are discussed in note 19(r).

(iv) *Risk exposures*

Details of the group's exposure to risks arising from current and non-current borrowings are set out in note 8.

## 5 **Non-financial assets and liabilities**

This note provides information about the Groups' non-financial assets and liabilities, including:

- Property, plant and equipment
- Intangible assets
- Inventories
- Other non-financial assets/(liabilities)

**(a) Property, plant and equipment**

|                               | 31 March 2018<br>\$ | 31 March 2017<br>\$ |
|-------------------------------|---------------------|---------------------|
| Property, plant and equipment | 3,864,821           | 2,205,570           |
| Capital work-in-progress (*)  | 4,416,290           | -                   |
|                               | 8,281,111           | 2,205,570           |

(\*) This balance comprises of deposits and payments made for development of newly acquired sites in Horsham and Raywood. The Group is still in the process of finalising these projects and thus further capitalisation is expected in the future. These costs will be subsequently transferred to property, plant and equipment when the assets are ready to be commissioned for operation.

**Movements**

|  | Plant and<br>equipment<br>\$ | Furniture,<br>fittings and<br>equipment<br>\$ | Machinery<br>and vehicles<br>\$ | Other<br>\$ | Total<br>\$ |
|--|------------------------------|---|---------------------------------|-------------|-------------|
| <b>At 31 March 2017</b>                |                              |   |                                 |             |             |
| Cost                                   | 2,242,913                    | 28,702  | 571,957                         | 238,989     | 3,082,561   |
| Accumulated depreciation               | (707,654)                    | (12,364)                                      | (92,400)                        | (64,573)    | (876,991)   |
| Net book amount                        | 1,535,259                    | 16,338  | 479,557                         | 174,416     | 2,205,570   |
| <b>At 31 March 2018</b>                |                              |   |                                 |             |             |
| Cost                                   | 3,913,790                    | 91,939  | 877,148                         | 466,795     | 5,349,672   |
| Accumulated depreciation               | (1,110,097)                  | (30,058)                                      | (222,658)                       | (122,038)   | (1,484,851) |
| Net book amount                        | 2,803,693                    | 61,881  | 654,490                         | 344,757     | 3,864,821   |
| <i>Movements</i>                       |                              |   |                                 |             |             |
| <b>Nine months ended 31 March 2017</b> |                              |   |                                 |             |             |
| Opening net book amount                | 1,618,524                    | -   | 256,731                         | -           | 1,875,255   |
| Additions                              | 295,031                      | 14,031  | 309,599                         | 74,662      | 693,323     |
| Disposal                               | -                            | -   | (29,210)                        | -           | (29,210)    |
| Reclassification                       | (147,421)                    | 8,932   | -                               | 138,489     | -           |
| Depreciation charge                    | (230,875)                    | (6,625)                                       | (57,563)                        | (38,735)    | (333,798)   |
| Closing net book amount                | 1,535,259                    | 16,338  | 479,557                         | 174,416     | 2,205,570   |
| <b>Year ended 31 March 2018</b>        |                              |   |                                 |             |             |
| Opening net book amount                | 1,535,259                    | 16,338  | 479,557                         | 174,416     | 2,205,570   |
| Additions                              | 1,644,853                    | 63,010  | 326,238                         | 226,921     | 2,261,022   |
| Depreciation charge                    | (376,419)                    | (17,467)                                      | (151,305)                       | (56,580)    | (601,771)   |
| Closing net book amount                | 2,803,693                    | 61,881  | 654,490                         | 344,757     | 3,864,821   |

(i) *Depreciation methods and useful lives*

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:

- Plant and equipment 2 - 10 years
- Furniture, fittings and equipment 3 - 5 years
- Motor vehicles 5 - 7 years
- Others 3 - 10 years

See note 19(n) for the other accounting policies relevant to property, plant and equipment.

(b) **Intangible assets**

| <b>Non-Current assets</b>               | <b>Goodwill</b> | <b>Export license</b> | <b>Total</b> |
|---|-----------------|-----------------------|--------------|
|   | \$              | \$                    | \$           |
| <b>At 31 March 2017</b>                 |                 |                       |              |
| Cost                                    | 31,711          | 1,784,364             | 1,816,075    |
| Accumulated amortisation and impairment | -               | -                     | -            |
| Net book amount                         | 31,711          | 1,784,364             | 1,816,075    |
| <b>At 31 March 2018</b>                 |                 |                       |              |
| 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 2-year projection period approved by management and extrapolated for a further 4 years using a steady rate, together with a terminal value.

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

The following key assumptions were used in the discounted cash flow model: (a) 14.63% post-tax discount rate (2017: 12.05%); (b) 5.00% per annum projected revenue growth rate (2017: 5%); (c) 49% gross margin (2017: 45%).

- 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 2.00% (2017: 2.00%).

There were no other key assumptions.

(ii) *Sensitivity*

As disclosed in note 19(a)(v), 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.

(c) **Inventories**

|   | 31 March 2018 | 31 March 2017 |
|---|---------------|---------------|
|   | \$            | \$            |
| <b>Current assets</b>                   |               |               |
| Finished Goods - Hay purchased for sale | 1,224,830     | 1,264,497     |
|   | 1,224,830     | 1,264,497     |

(d) **Other non-financial assets/(liabilities)**

|                                       | 31 March 2018 |             |           | 31 March 2017 |             |         |
|---------------------------------------|---------------|-------------|-----------|---------------|-------------|---------|
|                                       | Current       | Non-current | Total     | Current       | Non-current | Total   |
|                                       | \$            | \$          | \$        | \$            | \$          | \$      |
| GST receivable                        | 240,112       | -           | 240,112   | 648,199       | -           | 648,199 |
| Deposit for business acquisitions (*) | -             | 1,850,000   | 1,850,000 | -             | -           | -       |
| Others (**)                           | 125,092       | 270,500     | 395,592   | 103,841       | 127,668     | 231,509 |
|                                       | 365,204       | 2,120,500   | 2,485,704 | 752,040       | 127,668     | 879,708 |

(\*) *Deposit for the acquisition of the Austco Polar Cold Storage business. The acquisition was completed in 16 April 2018.*

(\*\*) *Other Non-Current Assets includes deposit made for the upgrading of the existing processing facility in Epsom.*

**6 Contributed equity**

|                              | 31 March 2018     | 31 March 2017     | 31 March 2018     | 31 March 2017     |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
|                              | No. of Shares     | No. of Shares     | \$                | \$                |
| Ordinary shares - fully paid | 96,790,360        | 77,546,578        | 17,984,954        | 11,701,104        |
| <b>Total issued capital</b>  | <b>96,790,360</b> | <b>77,546,578</b> | <b>17,984,954</b> | <b>11,701,104</b> |

**Movements in ordinary shares:**

| Details  | Number of shares  | \$                |
|--|-------------------|-------------------|
| Balance 1 July 2016                              | 67,317,915        | 9,027,923         |
| Share issue from conversion of convertible notes | 232,000           | 58,000            |
| Transaction costs relating to share issue        | -                 | (383,819)         |
| Share issue via private placement in August 2016 | 9,996,663         | 2,999,000         |
| <b>Balance 31 March 2017</b>                     | <b>77,546,578</b> | <b>11,701,104</b> |
| Share issue via private placement in March 2018  | 19,243,783        | 6,735,324         |
| Transaction costs relating to share issue        | -                 | (451,473)         |
| <b>Balance 31 March 2018</b>                     | <b>96,790,361</b> | <b>17,984,955</b> |

**Private placement in March 2018**

On 6 March 2018, the Company announced the completion of a private placement, in which 19,243,783 new ordinary shares were issued to sophisticated and institutional investors at a price of \$0.35 per share.

**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<br>2018 | 31 March<br>2017 | 31 March<br>2018 | 31 March<br>2017 |
|------------------------------|------------------|------------------|------------------|------------------|
| Options                      | No. of Options   | No. of Options   | \$               | \$               |
| Options over ordinary shares | 2,000,000        | -                | 15,000           | -                |
| <b>Total issued options</b>  | <b>2,000,000</b> | <b>-</b>         | <b>15,000</b>    | <b>-</b>         |

Options over ordinary shares are calculated as per the companies significant accounting policies on share-based payments under note 19(z).

**Movements in options:**

| Details  | Number of options | \$            |
|--|-------------------|---------------|
| Balance 1 April 2017                                     | -                 | -             |
| Options issued under the Employee Share Option Plan 2016 | 2,000,000         | 15,000        |
| <b>Balance 31 March 2018</b>                             | <b>2,000,000</b>  | <b>15,000</b> |

### Options issued under the Employee Share Option Plan 2016

On 31 October 2017, the Company issued a total of 2,000,000 options over ordinary shares expiring in 36 months from grant date, exercisable at \$0.395 per option) to Marcello Diamante and Kellie Barker under the Employee Share Option Plan 2016 for the successful negotiation and acquisition of the Raywood, Horsham and Epsom properties, which will be pivotal for the future growth of Wingara Ag Ltd.

## 7 Cash flow information

|  | For the year ended<br>31 March 2018<br>\$ | For the year ended<br>31 March 2017<br>\$ |
|--|---|---|
| Loss for the period  | (434,063)                                 | (176,243)                                 |
| Adjustment for   |   |   |
| Depreciation   | 601,771                                   | 335,581                                   |
| Non-cash employee benefits expense - share-based payments  | 15,000                                    | -   |
| Net (gain) loss on sale of non-current assets              | -   | 29,210                                    |
| Change in operating assets and liabilities:                |   |   |
| Decrease in trade and other receivables                    | 118,168                                   | 182,267                                   |
| Decrease in inventories                                    | 39,667                                    | 136,099                                   |
| Increase in deferred tax assets                            | (319,027)                                 | -   |
| Decrease/(Increase) in other current assets                | 423,805                                   | (455,730)                                 |
| Decrease/(Increase) in trade and other payables            | (495,382)                                 | 328,257                                   |
| Decrease in other liabilities                              | -   | (246,546)                                 |
| Increase in employee benefits obligation                   | 46,261                                    | -   |
| <b>Net cash inflow (outflow) from operating activities</b> | <b>(3,800)</b>                            | <b>132,895</b>                            |

## 8 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(d).

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 2018, the Group held \$4,334,800 in variable borrowing rates (31 March 2017: \$3,195,028). Should the market interest rates fluctuate by 50 basis points, there would be no material impact to the Group.

(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.

(iii) *Foreign exchange risk*

With the majority of its export sales denominated in US Dollars (US\$), fluctuations in the US\$ may impact on the Group's financial results and its cash flows. The Group does not engage in any hedging or derivative transactions to manage foreign exchange risk, but instead manages this risk through cash flow forecasting and maintaining adequate reserves of available lines of US\$ credit for its working capital.

The Group is exposed to foreign currency risk on the receivables and US\$ bank accounts denominated in currencies other than the functional currency of the operations.

As at 31 March 2018, the Group held an Australian dollars equivalent of \$2,802,086 in US\$ denominated cash balance (31 March 2017: \$2,932,785) and \$313,922 in US\$ denominated trade receivables (31 March 2017: \$477,810). As at this date, had the US\$ moved by 5%, this would have increased or decreased profit in the Group by \$155,800 (nine months ended 31 March 2017: \$170,531).

(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.

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 2018. For outstanding balance greater than the normal term at 31 March 2018 and 31 March 2017, management has worked with senior management of the respective counter parties to implement a more reasonable repayment schedule.

(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.

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, it 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<br>2018<br>\$ | 31 March<br>2017<br>\$ |
|-----------------------------------|------------------------|------------------------|
| <b>Commercial bill &amp; loan</b> |                        |                        |
| Facility limit                    | 19,534,000             | 3,416,875              |
| Less: amount used                 | (4,334,800)            | (3,195,028)            |
| Undrawn amount                    | <u>15,199,200</u>      | <u>221,847</u>         |
| <b>Asset finance</b>              |                        |                        |
| Facility limit                    | 4,675,000              | 850,000                |
| Less: amount used                 | (3,138,618)            | (693,566)              |
| Undrawn amount                    | <u>1,536,382</u>       | <u>156,434</u>         |
| <b>Overdraft</b>                  |                        |                        |
| Facility limit                    | 600,000                | 800,000                |
| Less: amount used                 | -                      | -                      |
| Undrawn amount                    | <u>600,000</u>         | <u>800,000</u>         |
| <b>Bank guarantee</b>             |                        |                        |
| Facility limit                    | 80,000                 | 80,000                 |
| Less: amount used                 | (80,000)               | (80,000)               |
| Undrawn amount                    | <u>-</u>               | <u>-</u>               |
| <b>Corporate card</b>             |                        |                        |
| Facility limit                    | 50,000                 | 25,000                 |
| Less: amount used                 | (20,739)               | -                      |
| Undrawn amount                    | <u>29,261</u>          | <u>25,000</u>          |
| <b>Total facilities</b>           |                        |                        |
| Facility limit                    | 24,939,000             | 5,171,875              |
| Less: amount used                 | (7,574,157)            | (3,968,594)            |
| Undrawn amount                    | <u>17,364,843</u>      | <u>1,203,281</u>       |

### Maturities of financial liabilities

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

#### (a) 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 |
|-------------------------|-----------|---------------|----------------|-------------|------------------------------|
| <b>At 31 March 2018</b> | \$        | \$            | \$             | \$          | \$                           |
| Trade receivables       | 388,080   | 7,053         | -              | -           | 395,133                      |
| Trade payables          | (674,700) | (450,620)     | -              | -           | (1,125,320)                  |
| Borrowings              | (42,175)  | (2,154,579)   | (2,612,562)    | (4,476,185) | (9,285,502)                  |
| <b>At 31 March 2017</b> |           |               |                |             |                              |
| Trade receivables       | 484,078   | 28,579        | -              | -           | 512,657                      |
| Trade payables          | (654,234) | (37,674)      | -              | -           | (691,907)                    |
| Borrowings              | (222,404) | (196,723)     | (2,577,942)    | (3,181,971) | (6,179,038)                  |

## 9 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 consolidated entity 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.

### (b) Dividends

During the year ended 31 March 2018, no dividends were declared or paid by the Group.

## 10 Contingent liabilities and contingent assets

The Group had no contingent assets or liabilities at 31 March 2018 (2017: nil), other than the bank guarantee as disclosed in note 8.

## 11 Commitments

### (a) Capital commitments

As at 31 March 2018, the Group had an outstanding commitment of US\$1,284,500 in relation to the purchase of new processing machine, which is due and payable within the next 12 months.

### (b) Non-cancellable operating leases

The Group has warehouse and storage facilities in Bendigo with a remaining lease term of 4 years at \$145,000 pa 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. The Group also leases an office space in Kew with a lease term of 3 years at \$2,500 payable monthly plus outgoings.

|  | 31 March<br>2018<br>\$ | 31 March<br>2017<br>\$ |
|--|------------------------|------------------------|
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: |                        |                        |
| Within one year  | 175,000                | 172,372                |
| Later than one year but not later than five years  | 301,069                | 463,065                |
| Later than five years  | -                      | -                      |
|  | 476,069                | 635,437                |

During the period, an amount of \$172,669 (2017: \$134,857) was charged to the profit and loss in-respect of its operating leases and is classified as an administration expense.

## 12 Events occurring after the reporting period

On 16 April 2018, the Group completed the asset acquisition of Austco Polar Cold Storage for a total consideration of \$18.5 million, funded by debt and equity. At the date of writing this report management is still determining the fair value of the assets and liabilities acquired.

No other matters or circumstances have arisen since 31 March 2018 that have significantly affected the Group's operations, results or the state of affairs, or may do so in future years.

### 13 Legal parent entity financial information

#### (a) Summary financial information

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

|                                  | As at and for the<br>year ended<br>31 March 2018<br>\$ | As at and for<br>the year ended<br>31 March 2017<br>\$ |
|----------------------------------|--|--|
| <b>Assets and liabilities</b>    |  |  |
| Current assets                   | 4,656,179  | 4,468,149  |
| Non-current assets               | 7,570,801  | 3,735,279  |
| Total assets                     | 12,226,980   | 8,203,429  |
| Current liabilities              | (2,159,983)  | (924,759)  |
| Non-current liabilities          | -  | (1,942,000)  |
| Total liabilities                | (2,159,983)  | (2,866,759)  |
| <b>Shareholders' equity</b>      |  |  |
| Issued capital                   | 17,984,954   | 11,701,104   |
| Reserves                         |  |  |
| Other equity reserves            | 15,000   | -  |
| Retained earnings                | (6,338,181)  | (6,364,434)  |
| <b>Total equity / net assets</b> | <b>11,661,773</b>                                      | <b>5,336,670</b>                                       |
| <b>Loss for the period</b>       | <b>1,600,774</b>                                       | <b>1,180,736</b>                                       |
| <b>Total comprehensive loss</b>  | <b>1,600,774</b>                                       | <b>1,180,736</b>                                       |

#### (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 2018 or 31 March 2017. 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 2018 or 31 March 2017.

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

The accounting policies of the legal parent entity are consistent with those of the consolidated entity as disclosed in note 19.

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

On 16 April 2018, the Group completed the asset acquisition of Austco Polar Cold Storage for a total consideration of \$18.5 million, funded by debt and equity. At the date of writing this report management is still determining the fair value of the assets and liabilities acquired.

No other matters or circumstances have arisen since 31 March 2018 that have significantly affected the Group's operations, results or the state of affairs, or may do so in future years.

#### 14 Interests in controlled entities

The Group's principal subsidiaries at 31 March 2018 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/<br>country of<br>incorporation | Ownership interest held<br>by the group |       | Ownership interest held<br>by non-controlling<br>interests |      | Principal activities  |
|---|---|---|-------|--|------|---|
|   |   | 2018                                    | 2017  | 2018   | 2017 |   |
|   |   | %                                       | %     | %  | %    |   |
| Elect Performance Group Pty Ltd ("Elect") | Australia   | 100.0                                   | 100.0 | -  | -    | Product processor and marketer of agricultural products                                     |
| Superior Property Pty Ltd ("Superior")    | Australia   | 100.0                                   | 100.0 | -  | -    | Product processor and marketer of agricultural products                                     |
| Austco Polar Cold Storage Pty Ltd         | Australia   | 100.0                                   | -     | -  | -    | Entity vehicle which will hold the Austco Polar business after the acquisition is completed |

#### 15 Related party transactions

##### (a) Parent entities

Wingara AG Limited is the legal parent entity.

##### (b) Subsidiaries

Interests in controlled entities is set out in note 14.

##### (c) Key management personnel compensation

|                              | For the<br>year ended<br>31 March 2018<br>\$ | For the nine<br>months ended<br>31 March 2017<br>\$ |
|------------------------------|--|---|
| Short-term employee benefits | 636,284                                      | 468,769   |
| Post-employment benefits     | 60,344                                       | 42,205  |
| Share-based payment          | 15,000                                       | -   |
|                              | 711,628                                      | 510,974   |

Key management personnel are all listed in the remuneration report on pages 13 to 18.

##### (d) Transactions with other related parties

The following transactions occurred with related parties:

|   | For the year ended<br>31 March 2018<br>\$ | For the nine months ended<br>31 March 2017<br>\$ |
|---|---|--|
| Repayments of inventory facility            | -   | (1,070,537)                                      |
| Proceeds from issue of convertible notes    | -   | 420,000  |
| Payments for office rental (*)              | (30,000)                                  | (12,604)   |
| Payment of interest on Convertible Note (*) | (10,586)                                  | -  |

(\*) Transactions were carried at the same rates to market.

## 16 Share-based payments

### Employee Option Plan

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

|  | 2018                                    |                   | 2017                                    |                   |
|--|---|-------------------|---|-------------------|
|  | Average exercise price per share option | Number of options | Average exercise price per share option | Number of options |
| As at 1 April                                      | -                                       | -                 | -                                       | -                 |
| Granted during the year                            | 0.395                                   | 2,000,000         | -                                       | -                 |
| Exercised during the year                          | -                                       | -                 | -                                       | -                 |
| Forfeited during the year                          | -                                       | -                 | -                                       | -                 |
| As at 31 March                                     | 0.395                                   | 2,000,000         | -                                       | -                 |
| Vested and exercisable at closing balance 31 March | 0.395                                   | 277,777           | -                                       | -                 |

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<br>31 March 2018 | Share options<br>31 March 2017 |
|---|-----------------|----------------|--------------------------------|--------------------------------|
| 31 October 2017   | 30 October 2020 | 0.395          | 2,000,000                      | -                              |
| Weighted average remaining contractual life of options outstanding at end of period |                 |                | 2.6                            |                                |

Options are vested in monthly increments over 36 months over the life of the option from date of issue and linked to continuing employment at the company.

#### *Fair value of options granted*

The model inputs for options granted during the year ended 31 March 2018 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 |
|-------------|----------------|---------------------------|---------------------------------|-----------------|----------------|-------------------------|-------------------------------------|
|             | AUD            |                           |                                 |                 |                |                         | \$                                  |
| 31-Oct-2017 | 0.395          | 2,000,000                 | 45%                             | 3               | Nil            | 2.00%                   | 0.054                               |
|             |                | 2,000,000                 |                                 |                 |                |                         |                                     |

**17 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**

|  | For the<br>year ended<br>31 March 2018<br>\$ | For the<br>nine months<br>ended<br>31 March 2017<br>\$ |
|--|--|--|
| <i>Audit and other assurance services</i>                        |  |  |
| Audit and review of financial statements                         | 38,000                                       | 26,600   |
| <i>Other assurance services</i>                                  |  |  |
| Due diligence services   | 95,759                                       | 32,000   |
| <b>Total remuneration for audit and other assurance services</b> | <b>133,759</b>                               | <b>58,600</b>  |

**(ii) Taxation services**

|   |                |               |
|---|----------------|---------------|
| <i>Taxation services</i>                        |                |               |
| Tax compliance services                         | 9,293          | 6,850         |
| <b>Total remuneration for taxation services</b> | <b>9,293</b>   | <b>6,850</b>  |
| <b>Total remuneration of William Buck</b>       | <b>143,052</b> | <b>65,450</b> |

**18 Loss per share**
**(a) Reconciliation of loss used in calculating loss per share**

|   | For the<br>year ended<br>31 March 2018<br>\$ | For the<br>nine months<br>ended<br>31 March 2017<br>\$ |
|---|--|--|
| Loss attributable to the ordinary equity holders of the Group used in calculating basic earnings per share: | (434,063)                                    | (176,243)  |

**(b) Weighted average number of shares used as the denominator**

|  | For the<br>year ended<br>31 March 2018<br>No. of shares | For the<br>nine months<br>ended<br>31 March 2017<br>No. of shares |
|--|---|---|
| Weighted average number of ordinary shares used as the denominator in calculating basic & diluted loss per share | 78,868,108  | 74,856,381  |

The Group is currently in a loss making position and thus the impact of any potential shares is concluded as anti-dilutive.

## 19 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.

### (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.

#### (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).

#### (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 early adopted AASB 15 Revenue from Contracts with Customers. The new standard is based on the principle that revenue is recognised when a performance obligation has been satisfied. This occurs when the good or service transfers to the customer by the Group.

The adoption of this standard did not have any impact on reported amounts in these financial statements.

#### (iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

| Title of standard            | Nature of change   | Impact  | Date of adoption by group  |
|------------------------------|--|---|--|
| AASB 9 Financial Instruments | AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.  | Management has considered the measurement requirements of AASB 9 in conjunction with the existing convertible note agreements in place. Management have determined that there will be no material impact to the accounts as the convertible notes will be repaid or converted before the standard comes into effect.  | Accounting periods beginning on or after 1 April 2018  |
| AASB 16 Leases               | AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low-value leases.<br><br>The accounting for lessors will not significantly change. | Management has considered the recognition and measurement requirements of AASB16 in conjunction with the existing operating lease agreements between the Group and its suppliers. Based on this assessment management have concluded that there will be a material impact to the financial statements when AASB 16 is adopted and applied, which is likely to be the value of operating commitment in Note 11b being included in the statement of financial position. | Mandatory for financial years commencing on or after 1 April 2019. At this stage, the Group does not intend to adopt the standard before its effective date. |

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(v) *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.
- Valuation of share-based payment expense: the value attributed to share options issued is an estimate calculated using an appropriate mathematical formula based on an option pricing model. The choice of models and the resultant option value require assumptions to be made in relation to the likelihood and timing of the conversion of the options to share and the value of volatility of the price of the underlying shares. Refer to note 16 for more details.
- Deferred tax asset: the Group's accounting policy for taxation requires management's judgment in assessing whether deferred tax assets are recognised on the statement of financial position. Deferred tax assets, including those arising from un-recouped tax losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits in the Australian tax jurisdiction.
- Capitalisation of other costs against property, plant and equipment: The Group's accounting policy for property, plant and equipment requires management's 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.

(vi) *Reclassification of expenses*

Wingara AG Limited decided in the current financial year to change the classification of certain expense items in the consolidated statement of profit or loss to provide more relevant information to its stakeholders. The comparative information has been reclassified accordingly.

**(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 19(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 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.

**(c) Segment reporting**

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

The Group continues to operate in one segment, acting as product processor and marketer of agricultural products in Australia. The segment details are therefore fully reflected in the body of the consolidated financial statements.

**(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 dollars (\$), which is Wingara AG Limited's functional and presentation currency.

*(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 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 revenue 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's 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.

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) Leases**

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. 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 property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 11). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

### (h) 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 subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

### (i) 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 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 an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### (j) 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.

### (k) 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 for further information about the group's accounting for trade receivables.

### (l) 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.

### (m) Financial instruments

#### (i) Recognition and initial measurement

Financial assets and financial liabilities are recognised when the consolidated entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the consolidated entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs.

#### (ii) Classification and subsequent measurement

Financial assets are classified on initial recognition as those to be subsequently measured at amortised cost using the effective interest method or cost. Financial liabilities are classified as those to be subsequently measured at fair value or amortised cost.

**(iii) Impairment**

At the end of each reporting year, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

**(iv) De-recognition**

Financial assets are de-recognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the consolidated entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are de-recognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**(n) 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.

The depreciation methods and periods used by the group are disclosed in note 5(a).

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 19(i)).

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 it's useful life begins.

**(o) Intangible assets****(i) Goodwill**

Goodwill is measured as described in note 19(h). 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 and are subsequently carried at cost less accumulated amortisation and impairment losses. These assets with indefinite useful life are tested for impairment annually.

**(p) 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.

**(q) 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.

**(r) Convertible notes**

AASB 139 requires that convertible notes are assessed based on their characteristics and that each component of the convertible note be separated and accounted for as required. In assessing convertible notes on issue,

management consider whether there are any components with equity or derivative characteristics. Where a convertible note on which the number of shares to be issued varies based on a non financial variable, the conversion option does not meet the definition of a derivative and instead the convertible note, in its entirety is carried at amortised cost using the effective interest method as required by AASB 139.

**(s) Borrowing costs**

Borrowing costs are expensed in the period in which they are incurred.

**(t) 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.

**(u) 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.

**(v) 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.

**(w) Loss per share**

*(i) Basic loss per share*

Basic loss per share is calculated by dividing:

- 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.

**(x) 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.

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.

**(y) 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.

**(z) Parent entity financial information**

The financial information for the parent entity, Wingara AG Limited, disclosed in note 13 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.

## Directors' declaration

31 March 2018

In the directors' opinion:

- a) the financial statements and notes set out on pages 18 to 51 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 2018 and of its performance for the 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 19(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  
30 May 2018

## Independent auditor's report to the members of Wingara AG Limited



### 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 2018, 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 2018 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* (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.

#### 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 period. 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.

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| ASSESSMENT OF CARRYING VALUE OF EXPORT LICENCE   |  |
|--|--|
| Area of focus<br>Refer also to note 5(b) and 19  | How our audit addressed it   |
| <p>As a result of the reverse acquisition that occurred in the 2016 financial year and the accounting parent being Elect Performance Group Pty Ltd, the entity has a significant amount of intangible assets by way of an export licence, which is included in the Group's single Cash Generating Unit ("CGU").</p> <p>Given the value, there is a risk that the entity may not trade in line with budgeted forecasts, resulting in the carrying amount of the export licence exceeding the recoverable amount and therefore requiring impairment.</p> <p>The recoverable amount of the CGU has been calculated based on value-in-use. This recoverable amount uses discounted cash flow forecasts in which the Directors make judgements over certain key inputs, and for example but not limited to revenue growth, discount rates applied, and profitability.</p> <p>Overall due to the high level of judgement involved, and the significant carrying amounts involved, we have determined that this is a key judgemental area that our audit concentrated on.</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— Reviewed identification of the CGU;</li> <li>— A detailed evaluation of the CGU's budgeting procedures upon which the forecasts are based and testing the principles and integrity of the discounted future cash flow models;</li> <li>— A review of the historical accuracy of the forecast process; and</li> <li>— Testing the accuracy of the calculation derived from the forecast model and we assessed key inputs in the calculations such as revenue growth, discount rates and working capital assumptions, by reference to the Board approved forecasts, data external to the group and our own views.</li> </ul> <p>We also considered the adequacy of the Group's disclosures in relation to the impairment testing.</p> |
| INVENTORY  |  |
| Area of focus<br>Refer also to notes 5(c) and 19   | How our audit addressed it   |
| <p>The Group's inventory of \$1.2 million is significant to the financial statements.</p> <p>The valuation of inventory involves significant judgement by management given that the inventory is hay.</p>  | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— We evaluated management's judgement and assumptions in determining the valuation of the hay at balance date;</li> <li>— A review of 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</li> <li>— We assessed management's judgements in relation to the need for provisioning against the value of the hay.</li> </ul> <p>We have also assessed the adequacy of disclosures in the notes to the financial report.</p>   |



| CAPITALISATION OF PROPERTY, PLANT AND EQUIPMENT  |   |
|--|---|
| Area of focus  | How our audit addressed it  |
| Refer also to notes 5(a) and 19  |   |
| <p>During the course of the financial year the Group entered into agreements to purchase land and buildings in Horsham, Raywood and Epsom in Victoria. In addition, during the period the Group also acquired a significant amount of plant and equipment.</p> <p>The capitalisation of these assets requires significant judgment as cost is only recognised as an asset if it is probable that future economic benefits will flow to the entity and that the cost 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.</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— A review of the purchase documentation associated with the purchase of assets;</li> <li>— Performed audit procedures around other directly attributable costs capitalised in conjunction with the purchases; and</li> <li>— Performed an assessment of the ongoing depreciation policy in respect of the assets.</li> </ul> <p>We have also assessed the adequacy of disclosures in the notes to the financial report.</p> |

#### 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 2018, 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 report as a whole is 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 the 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible



for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## 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 2018.

In our opinion, the Remuneration Report of Wingara AG Limited, for the year ended 31 March 2018, 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



**N. S. Benbow**  
Director  
Melbourne, 30 May 2018

## Shareholder Information

The shareholder information set out below was applicable as at 14 June 2018.

### A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

| Holding          | No. of holders | Shares            |
|------------------|----------------|-------------------|
| 1 - 1000         | 858            | 56,737            |
| 1,001 - 5,000    | 47             | 133,851           |
| 5,001 - 10,000   | 84             | 769,688           |
| 10,001 - 100,000 | 211            | 8,697,741         |
| 100,001 and over | 83             | 87,132,344        |
|                  | <b>1,283</b>   | <b>96,790,361</b> |

### B. Equity security holders

*Twenty largest quoted equity security holders*

The names of the twenty largest holders of quoted equity securities are listed below:

| Name  | Ordinary shares   |                                 |
|---|-------------------|---------------------------------|
|   | Number held       | Percentage of issued shares (%) |
| NATIONAL NOMINEES LIMITED   | 19,337,220        | 19.98                           |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                         | 13,700,184        | 14.15                           |
| MS KELLIE ANNE BARKER   | 10,000,000        | 10.33                           |
| MR GAVIN XING   | 10,000,000        | 10.33                           |
| GLENEAGLE ASSET MANAGEMENT LIMITED <ALIMUM ALPHA FUND A/C>        | 2,857,146         | 2.95                            |
| JANE SUPERANNUATION PTY LTD <JANE SUPER FUND A/C>                 | 2,857,146         | 2.95                            |
| MR GRAHAM JOHN BAILEY   | 2,000,000         | 2.07                            |
| JB ADVISORY PTY LTD <CALLANAN FAMILY A/C>                         | 2,000,000         | 2.07                            |
| MR ERIC JIANG   | 2,000,000         | 2.07                            |
| AUSNOM PTY LTD <THE J & K CHEGS SHARE A/C>                        | 1,866,937         | 1.93                            |
| DAVID GAZAL + JACLYN GAZAL <DAVID GAZAL FAMILY A/C>               | 1,500,000         | 1.55                            |
| ADDERSTONE HOLDINGS PTY LTD <NC SHOOBERT FAMILY A/C>              | 1,355,000         | 1.40                            |
| MR GRAHAM JOHN BAILEY + MRS ANNETTE MAREE BAILEY <BAILEY S/F A/C> | 1,133,333         | 1.17                            |
| YUEN SOON JUENG + JOEN HING JENNY <CW & CA SUPER FUND A/C>        | 1,000,000         | 1.03                            |
| J P MORGAN NOMINEES AUSTRALIA LIMITED                             | 890,834           | 0.92                            |
| MRS MELINDA PENSINI   | 714,285           | 0.74                            |
| O'DONNELL FAMILY PTY LTD <J O'DONNELL FAMILY SMSF A/C>            | 566,667           | 0.59                            |
| AVZATH PTY LTD <DMCD DIAMANTE SUPER FUND A/C>                     | 550,000           | 0.57                            |
| BCPC PROPERTIES PTY LTD   | 450,000           | 0.46                            |
| JB ADVISORY PTY LIMITED <CALLANAN FAMILY A/C>                     | 404,000           | 0.42                            |
|   | <b>75,182,752</b> | <b>77.68</b>                    |

### C. Substantial holders

Substantial holders in the company are set out below:

|   | <b>Number</b>     | <b>Percentage held (%)</b> |
|---|-------------------|----------------------------|
| NATIONAL NOMINEES LIMITED                 | 19,337,200        | 19.98%                     |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 13,700,184        | 14.15%                     |
| MS KELLIE ANNE BARKER                     | 10,000,000        | 10.33%                     |
| MR GAVIN XING                             | 10,000,000        | 10.33%                     |
|   | <b>53,037,384</b> | <b>54.79%</b>              |

### D. Voting rights

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### E. Shareholder enquiries

Shareholders with enquiries about their shareholdings should contact the share registry:

Computershare Investor Services Pty Ltd  
Level 11, 172 St Georges Terrace  
Perth Western Australia 6000

1300 55 70 10 (within Australia) & +61 8 9323 2000 (overseas)

Website: [www.computershare.com.au](http://www.computershare.com.au)

### F. Change of address, change of name, consolidation of shareholdings

Shareholders should contact the Share Registry to obtain details of the procedure required for any of these changes.

### G. Annual report

Shareholders do not automatically receive a hard copy of the Company's Annual Report unless they notify the Share Registry in writing. An electronic copy of the Annual Report can be viewed on the Company's website.

### H. Tax file numbers

It is important that Australian resident Shareholders, including children, have their tax file number or exemption details noted by the Share Registry.

### I. CHESS (Clearing House Electronic Subregister System)

Shareholders wishing to move to uncertified holdings under the Australian Securities Exchange CHESS system should contact their stockbroker.

### J. Uncertified share register

Shareholding statements are issued at the end of each month that there is a transaction that alters the balance of an individual/company's holding.

### K. Listing rule 4.10.19 disclosure

For the purpose of ASX Listing Rule 4.10.19, the Board confirms that during the period from reinstatement on 9 February 2016 to 31 March 2018 the Company used its cash and assets readily convertible to cash in a manner consistent with its stated business objectives.

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