

APPENDIX 4E

DIGITAL WINE VENTURES LIMITED

ABN or equivalent company reference	Financial year ended (‘Current period’)	Financial year ended (‘Previous period’)
59 086 435 136	30 June 2020	30 June 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	30-Jun-20	30-Jun-19	Change \$	Change %
Revenues from ordinary activities	\$566,141	\$237,288	\$328,853	139%
Loss from ordinary activities after tax attributable to members	(2,036,474)	(1,655,517)	(380,957)	23%
Loss from the period attributable to members	(2,036,474)	(1,655,517)	(380,957)	23%

Operating Results

Refer to the commentary contained in the accompanying 30 June 2020 financial report.

DIVIDEND AND OTHER RETURNS TO SHAREHOLDERS

There were no dividends paid or proposed during or as at the end of the financial year. There were no share buy backs or proposed share buy backs during the year.

NET TANGIBLE ASSETS

	30-Jun-20	30-Jun-19
Net tangible assets per security	\$0.0002	\$0.0006

AUDIT

The accompanying 30 June 2020 financial report for Digital Wine Ventures Limited has been audited with no disputes or qualifications.

DIGITAL WINE VENTURES LIMITED

ABN 59 086 435 136



FINANCIAL REPORT

30 JUNE 2020

DIGITAL WINE VENTURES LIMITED
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FOR THE YEAR ENDED 30 JUNE 2020



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REVIEW OF OPERATIONS

Principal activities

Digital Wine Ventures Limited (referred to hereafter as ‘Digital Wine’ or the ‘Company’) and its controlled entities (‘Consolidated Entity’ or ‘Group’) aims to identify and invest in early stage technology-driven ventures that have the potential to disrupt and digitally transform segments within the global beverage market and support them by providing access to capital, expertise and shared services.

Digital Wine’s core asset is WINEDEPOT, a cloud-based technology platform that has been designed to connect wine industry stakeholders to reduce the time, margin and capital wasted in the existing supply chain.

Catering for producers, distributors, importers and retailers of all sizes, the vertically integrated trading, order management and logistics platform provides an end-to-end supply chain solution capable of servicing a wide variety of sales channels including the rapidly growing direct-to-consumer and online market segments.

The platform consists of three key components, a smart logistics solution, order management system, and Direct-to-Trade Marketplace (to be launched later this year).

Key benefits for users include:

SUPPLIERS

Increased Customer Reach
 Improved Profit Margins
 Quicker & Guaranteed Payments
 Reduced Costs and Admin
 Reduced Shipping Times
 Incremental Sales

TRADE BUYERS

Single Account Application
 Streamlined Ordering
 Broad Product Range
 Single Invoice & Delivery
 Flexible Payment Options
 Early Payment Discounts

Revenue is generated from:

- Trading Fees (% of the overall transaction)
- Fulfillment Fees (storage, picking, packing, handling & freight)
- Subscription Fees (platform access fees based on number of users and products)

SUMMARY OF STATUTORY FINANCIAL PERFORMANCE

The financial results of the Group for the year ended 30 June 2020 are:

	30-Jun-20	30-Jun-19	Change (\$)	Change %
Revenue (\$)	566,141	237,288	328,853	+139%
Net loss after tax (\$)	(2,036,474)	(1,655,517)	(380,957)	+23%
Cash and cash equivalents (\$)	585,873	889,285	(303,412)	-34%
Net assets (\$)	503,947	900,118	(396,171)	-44%

Operating Results

Digital Wine’s net loss after income tax for the year ended 30 June 2020 totalled \$2,036,474, which compared with a loss of \$1,655,517 in the previous financial year.

The operating loss in the current year was a result of the net loss incurred in the launch and operation of the WINEDEPOT business and closure of the operational side of the Group’s business in China.

Financial Position

During the financial year, net assets of the Company and its controlled entities decreased by \$396,171 to \$503,947 at 30 June 2020. The decrease was a result of the operating loss for the year partially offset by the capital raised during the year.

KEY OPERATIONAL MILESTONES FY20

On 1 July 2019, the Company announced an exclusive partnership with Australia Post, to establish a network of ‘depots’ in capital cities. The partnership greatly reduced the initial capital requirements and allowed the Company to open its first four depots well ahead of the original schedule.

On 10 July 2019, the Company announced it had partnered with Wine Storage and Logistics Pty Ltd (WSL), a privately owned Australian company that provides logistics services to the global wine and beverage industry. Under the agreement, WSL established a dedicated central storage and distribution facility, which will serve as WINEDEPOT’s main depository for suppliers’ inventory and be used to support an expanding network of ‘depots’.

On 17 September 2019, the Company announced that WINEDEPOT had been officially launched at a major wine industry direct-to-consumer (DTC) conference held in Orange NSW. CEO Dean Taylor presented the breakthrough platform in front of 150 senior wine industry leaders, describing the DTC market as a “Sleeping Giant” worth over \$1 billion per year that is allowing wine producers to claw back the margin lost to retailers over the last decade.

On 26 September 2019 the Company announced that WINEDEPOT had entered into strategic partnerships with a number of leading software providers and consultants servicing the global wine industry. Under the Strategic Partnership agreements, the parties will develop and promote a technical integration between their respective software platforms – providing hundreds of Australian wineries using the software applications direct access to the WINEDEPOT platform.

On 21 October 2019, the Company announced that Casella Family Brands, Australia's largest and most successful family owned wine business, had signed up as a customer of WINEDEPOT’s integrated logistics, trading and order management platform.

The Company also announced that Vodka Plus, a craft spirit producer had signed up to use WINEDEPOT for their national distribution. Importantly this increased the size of the addressable market.

On 22 November 2019, the Company announced that it had commenced operations and had processed its first wave of orders on behalf of paying customers. Shortly after that on 11 December 2019, the Company announced that WINEDEPOT had its first 1,000+ order day, showing the potential of the platform to scale and support its customers during major promotions, sales campaigns and seasonal periods.

On 30 January 2020, the Company announced WINEDEPOT’S maiden revenue of \$84,250 and that it had signed up a total of 19 wineries in its first quarter of operation.

On 28 January 2020, the Company announced it had secured a liquor licence, paving the way for the B2B Marketplace launch.

On 5 March 2020, the Company announced that it had appointed Steven Alexander as Chief Operating Officer. With almost two decades of hands on operational experience within the logistics and supply chain industry, Steven was a welcome addition to the team.

On 24 March 2019 the Company announced that WINEDEPOT had released a support package for Australian Wine Producers affected by bushfires and COVID-19. It also advised that the business would remain fully operational despite the government shutdown measures.

The company also announced that one of its foundation customers has experienced 400% growth since moving to WINEDEPOT, strengthening the businesses proof of concept.

On 9 April 2020, the Company announced that it had generated \$182,423 revenue for the 3rd quarter, an increase of 116% on the businesses 2nd quarter maiden revenue. DW8 CEO, Dean Taylor, was pleased with the result given it is always the quietest trading period of the year and the extreme loss of confidence that Australian wine producers have faced during the quarter.

The company also announced that it had expanded its existing product offering by launching a new fulfilment service called Direct-to-Depot (D2D), expanding its addressible market.

The company also announced that it had signed up another 12 customers despite the challenging trading conditions, including iconic Australian wine producer Brokenwood.

On 5 May 2020, the Company announced it had signed up a record number of new customers in April including the legendary Clare Valley producer Jim Barry, the 2019 Halliday Winery of the Year.

The company also announced that it had launched an Investor Blog at www.digitalwine.ventures/blog

On 15 May 2020, the Company announced that it had appointed Matthew Johnson as CFO.

On 3 June 2020, the Company announced that it had launched a 10,000 pallet National Distribution Centre in the Albury-Wodonga region to cater for growth expected from the B2B Marketplace.

The company also announced that it had partnered with Border Express to develop a dedicated national freight service for wineries.

On 9 June 2020, the Company announced that it had processed a record number of orders in May, up 37% on April's record result.

On 18 June 2020, the Company announced that it had signed up McLaren Vale success story Mollydooker Wines and enjoyed another month of record customer growth, signing up another 13 customers.

On 23 June 2020, the Company announced that it had signed up Henschke, one of Australia's most iconic wine brands.

On 14 July 2020, the Company announced that it had shipped a record number of cases in June, up 40% on May's previous record. This combined to produce a 93% growth rate in quarterly order volumes.

The company also announced that it expects the launch of the Direct-to-Trade Marketplace to accelerate customer growth rates.

During the period, the Company also completely refreshed the Board, replacing former directors Mr Piers Lewis, Mr Michael Edwards and Mr Sam Atkins with Mr Paul Evans and Mr James Walker, both highly respected and experienced directors and executives.

EVENTS SUBSEQUENT TO BALANCE DATE

On the 6th of August Digital Wine announced the successful completion of a \$5,150,000 share placement, providing capital to fund WINEDEPOT's future expansion. The share placement will comprise the issue of 200,000,000 new fully paid ordinary shares at an issue price of \$0.025 per share. An additional 6,000,000 new fully paid shares related to the Directors participation, which is subject to shareholder approval.

In addition to these amounts a further \$1,000,000 was offered to eligible DW8 shareholders as part of a share purchase plan (SPP). The plan has been oversubscribed and SPP shares will be issued on the 1st of September.

The Company also issued 3,509,560 fully paid ordinary shares to key staff members (none of whom are a 'related party' of the Company) pursuant to the Company's Employee Securities Plan approved at the 2019 Annual General Meeting.

No other matters or circumstances have arisen, since the end of the year, which significantly affected, or may significantly affect, the operations of the Consolidated entity, the results of those operations, or the state of affairs of the Consolidated entity in subsequent financial years.

REMUNERATION REPORT

This report for the year ended 30 June 2020 outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 ('the Act') and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel ('KMP') who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Parent company.

Other than the directors, the Company does not currently have any other executives.

This Remuneration Report covers the following Key Management Personnel:

DIRECTORS	POSITION	APPOINTMENT / (RESIGNATION)
Mr Paul Evans	Non-Executive Chairman	Appointed 1 November 2019
Mr Dean Taylor	Executive Director / Chief Executive Officer	Appointed 1 February 2019
Mr James Walker	Non-Executive Director	Appointed 30 September 2019
Mr Piers Lewis	Non-Executive Chairman	Appointed 23 February 2017 / Resigned 29 November 2019
Mr Michael Edwards	Non-Executive Director	Appointed 23 February 2017 / Resigned 30 September 2019
Mr Sam Atkins	Non-Executive Director	Appointed 23 February 2017 / Resigned 30 September 2019

There have been no other changes after reporting date and up to the date that the financial report was authorised for issue.

The Remuneration Report is set out under the following main headings:

- A Remuneration Philosophy
- B Remuneration Governance, Structure and Approvals
- C Remuneration and Performance
- D Details of Remuneration
- E Contractual Arrangements
- F Share-based Compensation
- G Equity Instruments Issued on Exercise of Remuneration Options
- H Voting and comments made at the Company's 2019 Annual General Meeting
- I Other transactions with KMP

A Remuneration Philosophy

KMP have authority and responsibility for planning, directing and controlling the activities of the Group. KMP of Digital Wine comprise the Board of Directors.

The performance of the Group depends upon the quality of its KMP. To prosper the Company must attract, motivate and retain appropriately skilled Directors and Executives.

The Group's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

No remuneration consultants were employed during the financial year.

B Remuneration Governance, Structure and Approvals

Remuneration of Directors is currently set by the Board of Directors. The Board has not established a separate Remuneration Committee at this point in the Group's development, nor has the Board engaged the services of an external remuneration consultant. It is considered that the size of the Board along with the level of activity of the Group renders this impractical. The Board is primarily responsible for:

- The over-arching executive remuneration framework;
- Operation of the incentive plans which apply to executive directors and senior executives (the executive team), including key performance indicators and performance hurdles;
- Remuneration levels of executives, and
- Non-executive director fees.

Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company.

Non-Executive Remuneration

The remuneration of Non-Executive Directors consists of Directors' fees. The Company's constitution provides that the remuneration of Non-Executive Directors will be not more than the aggregate fixed sum determined by a general meeting. Digital Wine's constitution sets the payment of fees to the Non-Executive Directors, which in aggregate cannot exceed \$500,000 per annum, although this may be varied by ordinary resolution of the Shareholders in general meeting. The remuneration of any executive director that may be appointed to the Board will be fixed by the Board and may be paid by way of fixed salary or consultancy fee.

Remuneration of Non-Executive Directors is based on fees approved by the Board of Directors and is set at levels to reflect market conditions and encourage the continued services of the Directors. The nature and amount of remuneration is collectively considered by the Board of Directors with reference to relevant employment conditions and fees commensurate to a company of similar size and level of activity, with the overall objective of ensuring maximum stakeholder benefit from the retention of high performing Directors.

Non-Executive Directors do not receive retirement benefits but are able to participate in share-based incentive programmes in accordance with Company policy.

The remuneration of Non-Executives is detailed in Table 1, and their contractual arrangements are disclosed in "Section E – Contractual Arrangements".

Executive Remuneration

The nature and amount of remuneration of executives are assessed on a periodic basis with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing Executives.

The main objectives sought when reviewing executive remuneration is that the Company has:

- Coherent remuneration policies and practices to attract and retain Executives;
- Executives who will create value for shareholders;
- Competitive remuneration offered benchmarked against the external market; and
- Fair and responsible rewards to Executives having regard to the performance of the Group, the performance of the Executives and the general pay environment.

The remuneration of Executives is detailed in Table 1, and their contractual arrangements are disclosed in "Section E – Contractual Arrangements".

The Company aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and aligned with market practice. Executive contracts are reviewed annually by the Board, in the absence of a Remuneration Committee, for their approval. The process consists of a review of company, business unit and individual performance, relevant comparative remuneration internally and externally and, where appropriate, external advice independent of management.

Executive remuneration and incentive policies and practices must be aligned with the Company's vision, values and overall business objectives. Executive remuneration and incentive policies and practices must be designed to motivate management to pursue the Company's long-term growth and success and demonstrate a clear relationship between the Company's overall performance and the performance of executives.

C Remuneration and Performance

The following table shows the gross revenue, losses and share price of the Group as at 30 June for the last five financial years:

	30-Jun-20	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16
Revenue (\$)	566,141	237,288	231,333	136,470	45,565
Net loss after tax (\$)	(2,036,474)	(1,655,517)	(2,108,315)	(4,506,480)	(217,374)
Share Price (\$)	0.02	0.005	0.005	0.015	N/A

Relationship between Remuneration and Company Performance

Given the current phase of the Company's development the Board does not consider earnings during the current and previous financial years when determining, and in relation to, the nature and amount of remuneration of KMP.

Short Term Incentive Package

Dean Taylor was awarded \$65,625 in short term incentive relating to his performance against agreed KPIs for the current financial year (2019: \$Nil).

Long Term Incentive Package

Options Holdings of KMP:

The Board considers that for each KMP who receive options, their experience in the Wine industry will greatly assist the Company in achieving its strategy and objectives.

The Board is of the opinion that the expiry date and exercise price of the options currently on issue to the Directors, other KMP and its Executives is a sufficient, long term incentive to reward Executives in a manner which aligns the element of remuneration with the creation of shareholder wealth. Subsequently, the issue of options is not linked to performance conditions because by setting the option price at a level above the current share price at the time the options are granted, provides incentive for management to improve the Group’s performance.

Currently, 221,000,000 unlisted options are on issue, of which none are held by KMP:

CEO Shares and Performance Rights:

In FY19 As part of his appointment of CEO, Mr Dean Taylor was issued 16,666,667 shares and 100,000,000 performance rights.

The terms of the performance rights issued to Mr Taylor are as follows:

Class	A	B
Number	50,000,000	50,000,000
Vesting Condition	Both of the following conditions being satisfied: <ul style="list-style-type: none"> the Company generating at least \$1.25 million of revenue over any consecutive three month period (equating to annualised revenue of at least \$5 million); and a volume weighted average price of the Company's Shares over any consecutive three month period of at least \$0.015. 	Both of the following conditions being satisfied: <ul style="list-style-type: none"> the Company generating at least \$2 million of revenue over any consecutive three month period (equating to annualised revenue of at least \$8 million); and a volume weighted average price of the Company's Shares over any consecutive three month period of at least \$0.025.
Expiry Date	3 years after the date Dean Taylor commences employment with the Company	5 years after the date Dean Taylor commences employment with the Company

The Board is of the opinion that the nature of the performance conditions of the performances rights provide a sufficient, long term incentive to reward Mr Taylor in a manner which aligns the element of remuneration with the creation of shareholder wealth.

D Details of Remuneration

The table below details the various components of remuneration for each member of the key management personnel of the Group. The term “Key Management Personnel” (or “KMP”) refers to those persons having authority and responsibility for planning, directing and controlling the activities of the group directly or indirectly including any Director (whether executive or otherwise) of the Group.

DIGITAL WINE VENTURES LIMITED
REMUNERATION REPORT
FOR THE YEAR ENDED 30 JUNE 2020



Table 1: Remuneration of KMP of the Group for the year ended 30 June 2020 is set out below:

	Short-term employee benefits			Post-employment benefits	Share-based payments	Total \$
	Salary & fees \$	Non-monetary \$	Other \$	Super-annuation \$	Shares \$	
30-Jun-20						
Directors						
Mr Paul Evans	51,875	-	-	-	-	51,875
Mr Dean Taylor ¹	275,000	-	65,625	-	-	340,625
James Walker	34,833	-	-	-	-	34,833
Mr Piers Lewis	25,000	-	-	-	-	25,000
Mr Michael Edwards	9,000	-	-	-	-	9,000
Mr Sam Atkins	12,000	-	-	-	-	12,000
Total	407,708	-	65,625	-	-	473,333
30-Jun-19						
Directors						
Mr Dean Taylor	114,583	-	-	-	100,000	214,583
Mr Piers Lewis	122,500	-	-	-	-	122,500
Mr Michael Edwards	36,000	-	-	-	-	36,000
Mr Sam Atkins	36,000	-	-	-	-	36,000
Mr Anthony Ramage	14,800	-	-	-	-	14,800
Total	323,883	-	-	-	100,000	423,883

(1) \$22,917 was prepaid to Dean Taylor in FY20 relating to the July 20 period

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration		At risk - STI (%)		At risk - LTI (%)	
	2020	2019	2020	2019	2020	2019
Directors						
Mr Paul Evans	100%	-	-	-	-	-
Mr Dean Taylor	81%	53%	19%	-	-	47%
Mr James Walker	100%	-	-	-	-	-
Mr Piers Lewis	100%	100%	-	-	-	-
Mr Michael Edwards	100%	100%	-	-	-	-
Mr Sam Atkins	100%	100%	-	-	-	-

Table 2: Shareholdings of KMP (Direct and Indirect Holdings)

30-Jun-20	Balance at 1/07/2019	Other changes during the year	Purchased on market	Balance at 30/06/2020
Directors				
Mr Paul Evans	-	23,076,923	-	23,076,923
Mr Dean Taylor	100,000,000	(6,725,804)	2,000,000	95,274,196
Mr James Walker	-	3,846,154	-	3,846,154
Mr Piers Lewis ⁽¹⁾	37,900,000	-	-	37,900,000
Mr Michael Edwards ⁽²⁾	-	-	-	-
Mr Sam Atkins ⁽²⁾	476,814	-	-	476,814
Total	138,376,814	20,197,273	2,000,000	160,574,087

(1) The closing balance represents Mr Lewis' final interests as at the date of his resignation as a director on the 29 November 2019.

(2) The closing balance represents Mr Edwards' and Mr Atkins' final interests as at the date of their resignations as directors on the 30 September 2019.

DIGITAL WINE VENTURES LIMITED
REMUNERATION REPORT
FOR THE YEAR ENDED 30 JUNE 2020



30-Jun-19	Balance at 1/07/2018	Other changes during the year	Purchased on market	Balance at 30/06/2019
Directors				
Mr Piers Lewis	37,900,000	-	-	37,900,000
Mr Dean Taylor ⁽¹⁾	16,666,667	83,333,333 ⁽²⁾	-	100,000,000
Mr Michael Edwards	-	-	-	-
Mr Sam Atkins	476,814	-	-	476,814
Mr Anthony Ramage ⁽³⁾	37,100,001	-	-	37,100,001
Total	92,143,482	83,333,333	-	175,476,815

- (1) The opening balance represents Mr Taylor's initial interests as at the date of his appointment as a director on 1 February 2019.
- (2) Mr Taylor received 83,333,333 shares as consideration for the sale of Wine Depot Holdings Pty Ltd to the Group.
- (3) The closing balance represents Mr Ramage's final interests as at the date of his resignation as a director on 28 November 2018.

Table 3: Option holdings of KMP (Direct and Indirect Holdings)

30-Jun-20	Balance at 1/07/2019	Granted as part of Rights issue	Expired Options	Balance at 30/06/2020	Vested & exercisable
Directors					
Mr Paul Evans	-	5,769,231	-	5,769,231	5,769,231
Mr Dean Taylor	-	2,198,551	-	2,198,551	2,198,551
Mr James Walker	-	961,538	-	961,538	961,538
Mr Piers Lewis ⁽¹⁾	12,000,000	-	-	12,000,000	12,000,000
Mr Michael Edwards ⁽²⁾	12,000,000	-	-	12,000,000	12,000,000
Mr Sam Atkins ⁽²⁾	12,000,000	-	-	12,000,000	12,000,000
Total	36,000,000	8,929,320	-	44,929,320	44,929,320

- (1) The closing balance represents Mr Lewis' final interests as at the date of his resignation as a director on the 29 November 2019.
- (2) The closing balance represents Mr Edwards' and Mr Atkins' final interests as at the date of their resignations as directors on the 30 September 2019.

30-Jun-19	Balance at 1/07/2018	Granted as remuneration	Expired Options	Balance at 30/06/2019	Vested & exercisable
Directors					
Mr Piers Lewis	12,000,000	-	-	12,000,000	12,000,000
Mr Dean Taylor ⁽¹⁾	-	-	-	-	-
Mr Michael Edwards	12,000,000	-	-	12,000,000	12,000,000
Mr Sam Atkins	12,000,000	-	-	12,000,000	12,000,000
Mr Anthony Ramage ⁽²⁾	800,000	-	-	800,000	800,000
Total	36,800,000	-	-	36,800,000	36,800,000

- (1) The opening balance represents Mr Taylors' initial interests as at the date of his appointment as a director on 1 February 2019.
- (2) The closing balance represents Mr Ramage's final interests as at the date of his resignation as a director on 28 November 2018.

Table 4: Performance rights of KMP (Direct and Indirect Holdings)

30-Jun-20	Balance at 1/07/2019	Granted as remuneration	Expired Options	Balance at 30/06/2020	Vested & exercisable
Directors					
Mr Paul Evans	-	-	-	-	-
Mr Dean Taylor	100,000,000	-	-	100,000,000	-
Mr James Walker	-	-	-	-	-
Mr Piers Lewis	-	-	-	-	-
Mr Michael Edwards	-	-	-	-	-
Mr Sam Atkins	-	-	-	-	-
Total	100,000,000	-	-	100,000,000	-

30-Jun-19	Balance at 1/07/2018	Granted as remuneration	Expired Options	Balance at 30/06/2019	Vested & exercisable
Directors					
Mr Piers Lewis	-	-	-	-	-
Mr Dean Taylor	-	100,000,000	-	100,000,000	-
Mr Michael Edwards	-	-	-	-	-
Mr Sam Atkins	-	-	-	-	-
Mr Anthony Ramage	-	-	-	-	-
Total	-	100,000,000	-	100,000,000	-

E Contractual Arrangements

➤ **Mr Paul Evans**

Non-Executive Chairman

- Contract: The Company and Mr Evans entered into an director services agreement dated 1 November 2019, pursuant to which Mr Evans was appointed as Non-Executive Chairman.
- Director Fees: \$75,000 per annum payable by the Company to Mr Evans during the period Mr Evans serves as a Non-Executive Chairman of the Company.
- Director Options: 5,769,231 Director Options, as approved by shareholders at the 2019 AGM.

➤ **Mr Dean Taylor – Executive Director / Chief Executive Officer**

- Contract: The Company and Mr Taylor entered into a Senior Executive Employment Agreement (“SEEA”) on 16 August 2018, pursuant to which Mr Taylor was appointed as Executive Director on 1 February 2019.
- Sign-on bonus: \$100,000 to be settled by the issue of shares at a deemed issue price of \$0.006 per share
- Remuneration: \$275,000 per annum
- Short term incentive: At the absolute discretion of the Board, an annual bonus up to an amount equal to 25% of the base salary
- Director Options: 2,198,551 Director Options, as approved by shareholders at the 2019 AGM.
- Performance rights: 100,000,000 performance right as approved by shareholders at the 2018 AGM
- Termination: The Company may terminate the SEEA:
 - (i) Without cause by giving not less than three months’ written notice; or
 - (ii) Summarily without notice if Mr Taylor is removed as a director, is of unsound mind, bankrupt, commits any serious breach of the SEEA, commits or is guilty of gross misconduct or is convicted of a criminal offence.

➤ **Mr James Walker – Non-Executive Director**

- Contract: The Company and Mr Walker entered into an director services agreement dated 30 September 2019, pursuant to which Mr Walker was appointed as Non-Executive Director.
- Director Fees: \$50,000 inclusive of Superannuation per annum payable by the Company to Mr Walker during the period Mr Walker serves as a Non-Executive Director of the Company.
- Director Options: 961,538 Director Options, as approved by shareholders at the 2019 AGM.

F Share-based Compensation

The Company rewards Directors and senior management for their performance and aligns their remuneration with the creation of shareholder wealth by issuing share options and or shares. Share-based compensation is at the discretion of the Board and no individual has a contractual right to participate in any share-based plan or to receive any guaranteed benefits.

➤ **Shares**

There were no other shares issued as share-based compensation issued to Directors during the year.

➤ **Options**

The current directors were issued options under the placement approved by shareholders on 29th of November 2019. These are noted in table 3.

At the date of this report, the unissued ordinary shares of Digital Wine under option carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company.

➤ **Performance rights**

During FY19, 100,000,000 performance rights were issued to Mr Dean Taylor under the Senior Executive Employment Agreement and approved by shareholders at the 2018 AGM.

At the date of this report, the performance rights have not vested.

G Equity Instruments Issued on Exercise of Remuneration Options

No remuneration options were exercised during the financial year (2019: nil).

H Voting and comments made at the Company's 2019 AGM

The adoption of the Remuneration Report for the financial year ended 30 June 2019 was put to the shareholders of the Company at the AGM held 29 November 2019. The resolution was passed without amendment. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

I Other transactions with KMP

The following transactions occurred with related parties:

	<u>30-Jun-20</u>	<u>30-Jun-19</u>
	\$	\$
Accounting / Company Secretary Services - Smallcap Corporate Pty Ltd (a Company which Piers Lewis is a Director)	121,921	120,925
	<u>121,921</u>	<u>120,925</u>

END OF REMUNERATION REPORT

INFORMATION ON BOARD OF DIRECTORS

Mr Paul Evans

Non-Executive Chairman (appointed 1 November 2019)
MA

Mr Evans has 29 years of private equity experience with 3i in the United Kingdom and with AMP, Gresham, Ironbridge and Pacific Road in Australia. After six years as a Director of AMP Private Equity, where he led several of Australia's leading management buyouts, Paul left to join Gresham in 2001 as a director. There he led the A\$252 millions buyout of car parts group Repco in 2001.

In 2003 Paul became one of the Founding Partners of Ironbridge and has represented Ironbridge Funds on the Boards of Barbeques Galore, iNova Pharmaceuticals and Amart Furniture. Since 2017, Paul has been Director, Operations for Pacific Road Capital.

Paul obtained a first class Honours degree in Modern Languages from Cambridge University. He is also a keen wine collector and the current Chairman of the Advisory Board at Elderton Wines.

During the past three years, Mr Evans has not held directorships in any other ASX listed companies.

Mr Dean Taylor

Executive Director and Chief Executive Officer (appointed 1 February 2019)
B'ARCH HONS

Originally an architect, Dean established Wine Ark in 2000 a climate-controlled storage business which now manages over \$100m of wine across over a dozen sites around the country. Wine Ark was acquired by National Storage (ASX: NSR) in 2007.

In 2003 he launched Wine Exchange an online wine trading platform and The Cellar Club an ultra premium wine club, which were acquired by Cellarmasters in 2009 and latter sold onto Woolworths in 2011 as part of a \$340m transaction.

In 2010 he founded Crackawines.com.au a direct-to-consumer marketplace that became one of Australia's top 50 online retailers. Catering for niche market segments, he also launched Winegrowers Direct and My Wine Guy, before merging those businesses with The Wine Society to form The Wine Collective. Mr Taylor is a digital pioneer and start-up veteran with seven successful wine ventures under his belt.

During the past three years, Mr Taylor has not held directorships in any other ASX listed companies.

James Walker

Non-Executive Director (appointed 30 September 2019)
B.Com (UNSW), FCA., GAICD

James is a seasoned executive, with a track record in successfully commercialising cutting-edge technology in emerging markets. He has headed a number of Australian and international technology companies, including Chief Executive at DroneShield (ASX:DRO), Chief Financial officer of Seeing Machines (AIM: SEE) and held leadership positions in a number of growth technology companies.

During the past three years, Mr Walker held the following directorships in other ASX listed companies:

- Non-Executive Chairman of thedocyard Limited (resigned August 2020),
- Non-Executive Director of Bluglass Ltd (current).

Your Directors present their report for Digital Wine Ventures Limited (referred to hereafter as ‘Digital Wine’ or the ‘Company’) and its controlled entities (‘Consolidated Entity’ or ‘Group’) for the year ended 30 June 2020.

BOARD OF DIRECTORS

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

DIRECTORS	POSITION	APPOINTMENT / (RESIGNATION)
Mr Paul Evans	Non-Executive Chairman	Appointed 1 November 2019
Mr Dean Taylor	Executive Director / Chief Executive Officer	Appointed 1 February 2019
Mr James Walker	Non-Executive Director	Appointed 30 September 2019
Mr Piers Lewis	Non-Executive Chairman	Appointed 23 February 2017 / Resigned 29 November 2019
Mr Michael Edwards	Non-Executive Director	Appointed 23 February 2017 / Resigned 30 September 2019
Mr Sam Atkins	Non-Executive Director	Appointed 23 February 2017 / Resigned 30 September 2019

The qualifications, experience and special responsibilities of the Directors, including details of other listed company directorships held during the last three years, are detailed on page 6 of this report.

Directors were in office from incorporation until the date of this report unless otherwise stated.

COMPANY SECRETARY

Mr Arron Canicais is a corporate advisory executive of corporate advisory firm Smallcap Corporate Pty Ltd, which specialises in corporate advice and compliance administration to public companies. Mr Canicais has been involved in financial reporting and corporate compliance for over 12 years. Mr Canicais is an associate member of the Institute of Chartered Accountants and an associate member of the Governance Institute of Australia.

CORPORATE STRUCTURE

Digital Wine is a Company limited by shares that is incorporated and domiciled in Australia. The Company is listed on the Australian Securities Exchange (‘ASX’) under ASX code DW8 and whose shares are publicly traded on the Australian Securities Exchange Limited. An overview of the ownership structure for Digital Wine is shown below:

Digital Wine Ventures Limited	- Parent Entity
Wine Depot Holdings Pty Ltd	- 100% owned controlled entity
CGWDH Pty Ltd	- 100% owned controlled entity
Dawine (HK) Limited	- 100% owned CGWDH Pty Ltd
Dawine Trading (Shanghai) Limited	- 100% owned Dawine (HK) Limited

REVIEW OF OPERATIONS

Information on the principal activities, operations and financial position of the Group and its business strategies and prospects is set out in the Operating and Financial Review on pages 3 to 5 of this report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the directors, there were no significant changes in the state of affairs of the Group that occurred during the year under review not otherwise disclosed in this report or in the financial report.

EVENTS SUBSEQUENT TO BALANCE DATE

On the 6th of August Digital Wine announced the successful completion of a \$5,150,000 share placement, providing capital to fund WINEDEPOT’s future expansion. The share placement will comprise the issue of 200,000,000 new fully paid ordinary shares at an issue price of \$0.025 per share. With an additional 6,000,000 new fully paid shares related to the directors participation, which is subject to shareholder approval.

In addition to these amounts a further \$1,000,000 was offered to eligible DW8 shareholders as part of a share purchase plan (SPP). The plan has been oversubscribed and SPP shares will be issued on the 1st of September.

The Company also issued 3,509,560 fully paid ordinary shares to key staff members (none of whom are a 'related party' of the Company) pursuant to the Company's Employee Securities Plan approved at the 2019 Annual General Meeting.

No other matters or circumstances have arisen, since the end of the year, which significantly affected, or may significantly affect, the operations of the Consolidated entity, the results of those operations, or the state of affairs of the Consolidated entity in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATION

The Company will continue to pursue its principal activity of wine distribution as outlined under the heading 'Review of Operations' of this Report.

ENVIRONMENTAL REGULATIONS

There have been no recorded incidents of non-compliance with any applicable international, national or local declarations, treaties, conventions or regulations associated with environmental issues during the year. There have not been any known significant breaches of any environmental regulations during the period under review and up until the date of this report.

MEETINGS OF DIRECTORS

The number of Director's meetings held during the financial year and the number of meetings attended by each Director during the time the Director held office are:

	Number eligible to attend	Number attended
Mr Dean Taylor	8	8
Paul Evans	5	5
James Walker	6	6
Mr Piers Lewis	3	3
Mr Michael Edwards	2	2
Mr Sam Atkins	2	2

DIRECTORS' SHAREHOLDINGS (DIRECT AND INDIRECT HOLDINGS)

The following table sets out each current Director's relevant interest in shares and options to acquire shares of the Company or a related body corporate as at the date of this report.

Directors	Fully Paid Ordinary Shares	Listed Share Options	Performance rights
Mr Paul Evans	23,076,923	5,769,231	-
Mr Dean Taylor	95,274,196	2,198,551	100,000,000
Mr James Walker	3,846,154	961,538	-
Total	122,197,273	8,929,320	100,000,000

DIVIDENDS

No dividends were paid during the year and no recommendation is made as to dividends.

OPTIONS

During the year the Company issued 50,788,339 free attaching options pursuant to capital raises, of which the directors were issued 8,929,320 free attaching options under their entitlement. (2019: 27,000,000 unlisted options were issued to consultants and advisors)

No ordinary shares have been issued as a result of the exercise of options during or since the end of the financial year.

INDEMNIFYING OFFICERS OR AUDITOR

During the financial year, the Company paid a premium in respect of a contract insuring all its Directors and current and former executive officers against a liability incurred as such a Director or executive officer to the extent permitted by the Corporation Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditors of the Company against a liability incurred as such an officer or auditor.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

NON-AUDIT SERVICES

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

There were no non-audit services provided by the auditor (Bentleys Audit & Corporate (WA) Pty Ltd) during the year.

The Board of Directors has considered the position and 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 independent requirements of the Corporations Act 2001 for the following reasons:

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

12. CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviours and accountability, the directors of Digital Wine support and have adhered to the principles of corporate governance and have established a set of policies and manuals for the purpose of managing corporate governance. The Company's detailed Corporate Governance Statement is lodged with ASX and available from the Company's website.

13. LEAD AUDITOR INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under s 307C of the Corporations Act 2001 is set out on page 17.

REMUNERATION REPORT

Information on Digital Wine's remuneration framework and the outcomes for FY20 for Key management personnel and the proposed framework for FY21, is included in the remuneration report on pages 6 to 12 of this report.

CORPORATE GOVERNANCE

Our Corporate Governance Plan is available from our website:

<https://www.digitalwine.ventures/DW8-Corporate-Governance-Plan.pdf>

This directors' report is signed in accordance with a resolution of the Board of Directors:



Paul Evans
Non-Executive Chairman

Sydney, Australia
Dated: 31 August 2020

**Bentleys Audit & Corporate
(WA) Pty Ltd**

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To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit Partner for the audit of the financial statements Digital Wine Ventures Limited for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours Faithfully,



BENTLEYS
Chartered Accountants



MARK DELAURENTIS CA
Partner

Dated at Perth this 31st day of August 2020

DIGITAL WINE VENTURES LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020



	Notes	30-Jun-20	30-Jun-19
		\$	\$
Sale of goods		510,195	235,262
Sales return		-	(196,010)
Cost of sales		(492,515)	(113,440)
Gross (loss) / profit		17,680	(74,188)
Other income	9	55,946	2,026
Expenses			
Administration, consulting and other expenses	10	(891,614)	(894,599)
Advertising and marketing expenses		(118,853)	(123,822)
Amortisation expense	18	(39,565)	-
Depreciation expense	17	(1,638)	(8,407)
Director fees		(473,333)	(323,883)
Foreign exchange loss		2,325	7,983
Office and warehouse expenses		(8,005)	(88,860)
Salaries and wages		(504,386)	(74,024)
Travel expenses		(27,260)	(18,966)
Website expenses		(300)	(40,269)
Provision for doubtful debts		(47,471)	(18,508)
Loss from continuing operations before income tax		(2,036,474)	(1,655,517)
Income tax expense	12	-	-
Loss from continuing operations after income tax		(2,036,474)	(1,655,517)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		23,199	30,220
Other comprehensive income for the year, net of tax		23,199	30,220
Total comprehensive loss for the year		(2,013,275)	(1,625,297)
Loss per share attributable to ordinary equity holders			
- Basic loss per share	13	(0.002)	(0.002)
- Diluted loss per share	13	(0.002)	(0.002)

The accompanying notes form part of these financial statements.

DIGITAL WINE VENTURES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020



	Notes	30-Jun-20 \$	30-Jun-19 \$
ASSETS			
Current Assets			
Cash and cash equivalents	14	585,873	889,285
Trade and other receivables	15	246,141	53,228
Inventories	16	16,296	-
Total Current Assets		848,310	942,513
Non-Current Assets			
Plant and equipment	17	1,901	6,935
Intangible assets	18	356,086	339,003
Total Non-Current Assets		357,987	345,938
TOTAL ASSETS		1,206,297	1,288,451
LIABILITIES			
Current Liabilities			
Trade and other payables	19	702,350	388,333
Total Current Liabilities		702,350	388,333
TOTAL LIABILITIES		702,350	388,333
NET ASSETS		503,947	900,118
EQUITY			
Issued capital	20	9,545,478	7,928,374
Reserves	21	1,587,832	1,587,637
Accumulated losses	22	(10,629,363)	(8,615,893)
TOTAL EQUITY		503,947	900,118

The accompanying notes form part of these financial statements.

DIGITAL WINE VENTURES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020



	Issued Capital	Share-based Payment & Option Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2018	6,410,021	1,491,755	30,507	(6,960,376)	971,907
Comprehensive income:					
Loss for the year	-	-	-	(1,655,517)	(1,655,517)
Other comprehensive income	-	-	30,220	-	30,220
Total comprehensive loss for the year	-	-	30,220	(1,655,517)	(1,625,297)
Transactions with owners in their capacity as owners:					
Shares issued	1,630,113	-	-	-	1,630,113
Capital raising costs	(111,760)	-	-	-	(111,760)
Options issues	-	35,155	-	-	35,155
Total equity transactions	1,518,353	35,155	-	-	1,553,508
At 30 June 2019	7,928,374	1,526,910	60,727	(8,615,893)	900,118
At 1 July 2019					
Comprehensive income:					
Loss for the year	-	-	-	(2,036,474)	(2,036,474)
Other comprehensive income	-	-	23,199	-	23,199
Total comprehensive loss for the year	-	-	23,199	(2,036,474)	(2,013,275)
Transactions with owners in their capacity as owners:					
Shares issued	1,716,041	-	-	-	1,716,041
Capital raising costs	(98,937)	-	-	-	(98,937)
Options issues	-	(23,004)	-	23,004	-
Total equity transactions	1,617,104	(23,004)	-	23,004	1,617,104
At 30 June 2020	9,545,478	1,503,906	83,926	(10,629,363)	503,947

The accompanying notes form part of these financial statements.

DIGITAL WINE VENTURES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020



	Notes	30-Jun-20	30-Jun-19
		\$	\$
Cash flows used in operating activities			
Receipts from customers		406,966	147,158
Payments to suppliers and employees		(2,218,430)	(1,337,982)
Interest received	9	946	2,002
Net cash flows used in operating activities	14	(1,810,518)	(1,188,822)
Cash flows used in investing activities			
Purchase of plant and equipment	17	-	(1,996)
Purchase of intangible assets	18	(56,648)	(45,012)
Net cash flows used in investing activities		(56,648)	(47,008)
Cash flows from financing activities			
Proceeds from issue of securities and securities subscriptions, net of costs		1,563,754	1,106,000
Net cash flows from financing activities		1,563,754	1,106,000
Net increase in cash and cash equivalents		(303,412)	(129,830)
Cash and cash equivalents at the beginning of the year		889,285	1,019,115
Cash and cash equivalents at the end of the year	14	585,873	889,285

The accompanying notes form part of these financial statements.

1. REPORTING ENTITY

Digital Wine Ventures Limited (referred to hereafter as 'Digital Wine' or the 'Company') is a Company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2020 comprise the Company and its controlled entities ('Consolidated Entity' or 'Group'). The Group is a for-profit entity and its principal business is providing software and logistics services related to wine distribution.

The address of the Company's registered office is Suite 8H, 325 Pitt Street, Sydney NSW 2000.

2. BASIS OF PREPARATION

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Digital Wine is a for-profit entity for the purpose of preparing the financial statements.

The consolidated financial statements were authorised for issue by the Board of Directors on 31 August 2020.

(a) Compliance with IFRS

The consolidated financial statements of the Consolidated Entity also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

(b) Basis of measurement

The consolidated financial statements have been prepared on a going concern basis in accordance with the historical cost convention, unless otherwise stated.

(c) Going concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss for the year of \$2,036,474 (2019: \$1,655,517) and net cash outflows from operating activities of \$1,810,518 (2019: \$1,188,822).

As at 30 June 2020, the Group has a working capital position of \$145,960 (2019: \$544,180).

On the 6th of August Digital Wine announced the successful completion of a \$5,150,000 share placement, providing capital to fund WINEDEPOT's future expansion. The share placement will comprise the issue of 200,000,000 new fully paid ordinary shares at an issue price of \$0.025 per share. An additional 6,000,000 new fully paid shares related to the Directors participation, which is subject to shareholder approval.

In addition to these amounts a further \$1,000,000 was offered to eligible DW8 shareholders as part of a share purchase plan (SPP). The plan has been oversubscribed and SPP shares will be issued on the 1st of September.

The directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the foreseeable future from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate.

3. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2020 and the results of all subsidiaries for the year ended 30 June 2020. Digital Wine Ventures Limited and its subsidiaries together are referred to in these financial statements as the 'Consolidated entity' or 'Group'.

(i) Business combination

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

(ii) Subsidiaries

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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

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

(iii) Loss of control

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

4. FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings are presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, within finance costs. All other foreign exchange gains and losses are presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a net basis within other income or other expenses.

(iii) Group companies

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

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

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

5. KEY JUDGEMENTS AND ESTIMATES

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

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

Share Based Payment Transactions

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

Income Tax Expenses

Judgment is required in assessing whether deferred tax assets and liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised. Refer to Note 12 for further details.

6. OTHER ACCOUNTING POLICIES

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

7. SUMMARY NEW ACCOUNTING POLICIES ADOPTED SINCE THE PREVIOUS REPORTING PERIOD

The company has adopted all of the new, revised or amended Accounting Standards that are mandatory for the current accounting period.

The adoption of these Accounting Standards and Interpretations are described below:

AASB 16 Leases

The Group has adopted AASB 16: leases retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 July 2019. In accordance with AASB 16 the comparatives for the 2019 reporting period have not been restated.

Based on the assessment by the Group, it was determined there was no impact on the Group as it has no leases greater than 12 months. As such, the Group has not recognised a lease liability and a right-of-use asset for its leases.

There have been no significant change from prior year treatment for leases where the Group is a lessor.

Lease liabilities are measured at the present value of the remaining lease payments, where applicable.

The changes in accounting policies resulting from the adoption of AASB 16 did not have a material impact on the Group's financial statements, nor required an restatement of previous periods accounts.

8. SEGMENT INFORMATION

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

The Group operates only in one reportable segment being predominately 'wine distribution'. During the period, the Group acquired the Wine Depot Platform (refer Note 11) as part of a changed strategy to service the industry. The Board considers its business operations in wine distribution to be its primary reporting function. Results are analysed as a whole by the chief operating decision maker, this being the Board of Directors. Consequently revenue, profit, net assets and total assets for the operating segment are reflected in this financial report.

9. REVENUE FROM CONTINUING OPERATIONS

	<u>30-Jun-20</u>	<u>30-Jun-19</u>
	\$	\$
Other income		
Interest income	946	2,002
Miscellaneous income	10,000	24
Government Grants and assistance	45,000	-
	<u>55,946</u>	<u>2,026</u>

RECOGNITION AND MEASUREMENT

Wine Sales revenue

The Group recognises revenue from two major sources:

- *Wine storage:* Revenue for wine storage services are recognised over the period of time that the service is provided.
- *Wine distribution:* Revenue for wine distribution is recognised at the point of time that wine is picked from storage by the distributor.

Government Grants and Assistance

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

Interest Income

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

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

10. EXPENSES

	30-Jun-20	30-Jun-19
	\$	\$
Administration, consulting and other expenses		
Accounting and company secretary fees	218,245	182,018
Audit fees	30,474	31,249
Corporate consulting fees	301,622	438,277
Legal fees	44,469	72,674
Other expenses	296,804	170,381
Total Administration, consulting and other expenses	891,614	894,599

11. ASSET ACQUISITION

(a) WINE DEPOT HOLDINGS PTY LTD

On 23 April 2019, the Group acquired 100% of the ordinary share capital and voting rights of Wine Depot Holdings Pty Ltd.

The acquisition was considered by management not to be a business combination as per AASB 3.

(b) Acquisition consideration

As consideration for the issued capital of Wine Depot Holdings Pty Ltd, the Company issued 83,333,333 shares to the shareholders of Wine Depot Holdings Pty Ltd, representing total consideration of \$333,333. No cash was paid as part of the acquisition consideration. The asset acquired was considered to be the Wine Depot Platform intangible – refer Note 18.

12. INCOME TAX EXPENSE

	30-Jun-20	30-Jun-19
	\$	\$
(a) Income Tax Expense		
Reconciliation of income tax expense to prima facie tax payable:		
Loss before income tax expense	(2,036,474)	(1,655,517)
Prima facie income tax at 27.5% (2019: 27.5%)	(560,030)	(455,267)
Tax effect of amounts not deductible (taxable) in calculating taxable income	11,483	6,800
Deferred tax asset not brought to account on temporary differences & tax losses	19,336	(27,255)
Tax losses carried forward	529,211	475,722
Income tax effect	-	-
(b) Deferred tax assets not recognised		
Timing differences	175,008	104,693
Tax losses - revenue	13,576,685	11,652,285
Tax losses - capital	5,643,444	5,643,444
Deferred tax assets not brought to account	19,395,137	17,400,422

RECOGNITION AND MEASUREMENT

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current taxes

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred taxes

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit and loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurements also reflect the manner in which management expects to recover or settle that carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Current assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in the future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

13. EARNINGS PER SHARE

	30-Jun-20	30-Jun-19
Net loss attributable to the ordinary equity holders of the Group (\$)	(2,036,474)	(1,655,517)
Weighted average number of ordinary shares for basis per share (No)	1,047,674,215	680,896,434
Continuing operations		
- Basic loss per share (\$)	(0.002)	(0.002)

At the end of the 2020 financial year, the Group has 221,000,000 (2019: 237,000,000) unissued shares under option. The Group does not report diluted earnings per share on annual losses generated by the Group. During the 2020 financial year the Group's unissued shares under option were anti-dilutive.

14. CASH AND CASH EQUIVALENTS

	30-Jun-20	30-Jun-19
	\$	\$
Cash at bank and on hand	585,873	889,285

Cash at bank earns interest at floating rates based on daily bank deposit rates.

	<u>30-Jun-20</u>	<u>30-Jun-19</u>
	\$	\$
Reconciliation of net loss after income tax to net cash flows used in operating activities:		
Net loss after income tax	(2,036,474)	(1,655,517)
Adjustments for:		
Amortisation expense	39,565	-
Depreciation expense	1,638	8,407
Profit on sale of investments	(946)	(2,002)
Share based payments	-	134,152
Provision for Doubtful Debts	47,471	18,508
Investing related costs recognised in profit or loss	-	39,342
Change in assets and liabilities:		
(Increase) / decrease in trade and other receivables	(192,913)	111,639
(Increase) / decrease in inventories	(16,296)	53,480
Increase / (decrease) in trade and other payables	347,437	103,169
Net cash flows used in operating activities	<u>(1,810,518)</u>	<u>(1,188,822)</u>

RECOGNITION AND MEASUREMENT

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

15. TRADE AND OTHER RECEIVABLES

	<u>30-Jun-20</u>	<u>30-Jun-19</u>
	\$	\$
Trade Receivables	146,421	-
Provision for Doubtful Debts	(12,525)	-
GST / VAT recoverable	24,022	24,901
Prepayments	58,114	14,159
Other receivables	23,353	14,168
Deposit for Office	6,756	-
	<u>246,141</u>	<u>53,228</u>

RECOGNITION AND MEASUREMENT

Trade receivables

Trade receivables, which generally have 7 day terms, are recognised and carried at original invoice amount less an allowance for lifetime expected credit losses using the simplified approach in accordance with AASB 9: Financial Instruments. Bad debts are written off when identified.

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

Goods and Services Tax ('GST')

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the Consolidated Statement of Financial Position.

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

Other receivables

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

Impairment of assets

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

16. INVENTORIES

	<u>30-Jun-20</u>	<u>30-Jun-19</u>
	\$	\$
Inventories	16,296	-
	<u>16,296</u>	<u>-</u>

RECOGNITION AND MEASUREMENT

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

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

17. PLANT AND EQUIPMENT

	OFFICE EQUIPMENT	COMPUTER EQUIPMENT	TOTAL
	\$	\$	\$
<u>Year Ended 30 June 2020</u>			
Opening net book amount	6,111	824	6,935
Additions	-	1,308	1,308
Depreciation expense	(592)	(1,046)	(1,638)
Impairment	(4,704)	-	(4,704)
Closing net book amount	815	1,086	1,901
<u>At 30 June 2020</u>			
Cost	12,019	6,221	18,240
Accumulated depreciation and impairment	(11,204)	(5,135)	(16,339)
Net book amount	815	1,086	1,901
<u>Year Ended 30 June 2019</u>			
Opening net book amount	17,582	1,992	19,574
Additions	1,996	-	1,996
Depreciation expense	(7,239)	(1,168)	(8,407)
Impairment	(6,228)	-	(6,228)
Closing net book amount	6,111	824	6,935
<u>At 30 June 2019</u>			
Cost	24,989	4,913	29,902
Accumulated depreciation and impairment	(18,878)	(4,089)	(22,967)
Net book amount	6,111	824	6,935

RECOGNITION AND MEASUREMENT

Owned assets

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

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

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

Subsequent costs

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

Depreciation

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

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

- Office equipment: 5 years
- Computer equipment: 3 years

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

18. INTANGIBLE ASSETS

	WINE DEPOT PLATFORM DEVELOPMENT		TOTAL	
	\$		\$	
<u>Year Ended 30 June 2020</u>				
Opening net book amount	339,003		339,003	
Additions	56,648		56,648	
Amortisation expense	(39,565)		(39,565)	
Closing net book amount	356,086		356,086	

At 30 June 2020				
Cost	395,651		395,651	
Accumulated amortisation and impairment	(39,565)		(39,565)	
Net book amount	356,086		356,086	

	WINE DEPOT PLATFORM DEVELOPMENT		TOTAL	
	\$		\$	
<u>Year Ended 30 June 2019</u>				
Opening net book amount	-		-	
Acquired via acquisition of Wine Depot Holdings Pty Ltd	333,333		333,333	
Additions	5,670		5,670	
Amortisation expense	-		-	
Closing net book amount	339,003		339,003	

At 30 June 2019				
Cost	339,003		339,003	
Accumulated amortisation and impairment	-		-	
Net book amount	339,003		339,003	

Wine Depot Platform:

The Group acquired the rights to the Wine Depot Platform intellectual property as a result of its acquisition of Wine Depot Holdings Pty Ltd (refer Note 11). The Wine Depot Platform is an integrated trading and logistics platform which has been delivered to market and has begun generating revenues.

RECOGNITION AND MEASUREMENT

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are only recognised when there is technical feasibility of completing the intangible asset, where there is an intention and ability to use the asset and the intangible asset is expected to deliver future economic benefits and these benefits can be measured reliably.

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

Amortisation

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

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

- Software Development: 5 years

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

19. TRADE AND OTHER PAYABLES

	30-Jun-20	30-Jun-19
	\$	\$
Trade and other payables	263,026	124,434
Accruals	142,347	59,508
Other payables ⁽¹⁾	296,977	204,391
	702,350	388,333

⁽¹⁾ Included in other payables is an amount of \$196,010 that is the outcome of a sale return and owed to the customer. Inline with the Company’s strategy to reduce costs in China, it was mutually agreed with the customer to cancel the sale under the previous contract as the wine was left stored at the Group’s premises. The Group sold the stock to other third parties in the period, clearing the stock in order to action cost reductions in relation to the Group’s China operations.

RECOGNITION AND MEASUREMENT

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

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

20. ISSUED CAPITAL

	30-Jun-20		30-Jun-19	
	\$	No.	\$	No.
(a) Fully paid ordinary shares	9,545,478	1,158,074,574	7,928,374	884,923,430

(b) Movement in ordinary shares	\$	No.	Issue price
Balance at 30 June 2019	7,928,374	884,923,430	
Shares issued on 19 July 2019	53,350	8,891,667	0.006
Shares issued on 8 November 2019	827,740	127,344,683	0.007
Shares issued on 18 December 2019	341,867	56,977,814	0.006
Shares issued on 18 December 2019	175,000	26,923,077	0.007
Shares issued on 23 December 2019	318,083	53,013,903	0.006
Capital raising costs	-	(98,937)	-
Balance at 30 June 2020	9,545,478	1,158,074,574	

Ordinary shares

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

(c) Capital risk management

The Group’s objectives when managing capital are to:

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

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

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

RECOGNITION AND MEASUREMENT

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

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

21. RESERVES

	30-Jun-20		30-Jun-19	
	\$	No.	\$	No.
Options reserve	1,503,906	221,000,000	1,526,910	237,000,000
Foreign currency translation reserve	83,926	-	60,727	-
	1,587,832	221,000,000	1,587,637	237,000,000

	30-Jun-20	30-Jun-19
	\$	\$
<u>Movement reconciliation</u>		
Options reserve		
Opening Balance	1,526,910	1,491,755
Expiry of options	(23,004)	35,155
Closing Balance	1,503,906	1,526,910
Foreign currency translation reserve		
Opening Balance	60,727	30,507
Effect of translation of foreign currency operations to group presentation	23,199	30,220
Closing Balance	83,926	60,727

(i) Issue of options

On the 31 May 2020, the following options lapsed:

- 8,000,000 options exercisable at \$0.015 each with an expiry date 12 months from issue;
- 8,000,000 options exercisable at \$0.015 each with an expiry date 12 months from issue that vests upon the Company achieving a 30-day VWAP of \$0.02 or above;

As at 30 June 2020, the amount recognised as a share based payment expense is \$nil.

As part of the rights issue there were 50,788,339 free attached options issued.

(ii) Issue of Performance Rights

As part of his appointment as CEO, Mr Dean Taylor was issued 100,000,000 performance rights as approved at the Annual General Meeting held on 30 November 2018.

The terms of the performance rights issued to Mr Taylor are as follows:

Class	A	B
Number	50,000,000	50,000,000
Vesting Condition	Both of the following conditions being satisfied: <ul style="list-style-type: none"> • the Company generating at least \$1.25 million of revenue over any consecutive three month period (equating to annualised revenue of at least \$5 million); and • a volume weighted average price of the Company's Shares over any consecutive three month period of at least \$0.015. 	Both of the following conditions being satisfied: <ul style="list-style-type: none"> • the Company generating at least \$2 million of revenue over any consecutive three month period (equating to annualised revenue of at least \$8 million); and • a volume weighted average price of the Company's Shares over any consecutive three month period of at least \$0.025.
Expiry Date	3 years after the date Dean Taylor commences employment with the Company	5 years after the date Dean Taylor commences employment with the Company

As at 30 June 2020, the amount recognised as a share based payment expenses is \$nil.

Share-Based Payment Transactions

Equity settled transactions:

The Group provides benefits to executive directors, employees and consultants of the Group in the form of share-based payments, whereby those individuals render services in exchange for shares or rights over shares (equity-settled transactions).

When provided, the cost of these equity-settled transactions with these individuals is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant individuals become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award

and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

22. ACCUMULATED LOSSES

	<u>30-Jun-20</u>	<u>30-Jun-19</u>
	\$	\$
Balance at the beginning of the year	(8,615,893)	(6,960,376)
Net loss attributable to members	(2,036,474)	(1,655,517)
Expiry of options	23,004	-
Balance at the end of the year	<u>(10,629,363)</u>	<u>(8,615,893)</u>

23. AUDITOR'S REMUNERATION

	<u>30-Jun-20</u>	<u>30-Jun-19</u>
	\$	\$
Amounts received / receivable by Bentleys Audit & Corporate (WA) Pty		
An audit or review of the financial report of the entity	25,478	31,249
Total auditor remuneration	<u>25,478</u>	<u>31,249</u>

24. COMMITMENTS

There are no operating lease or commitments as at 30 June 2020.

25. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets and liabilities as at 30 June 2020.

26. DIVIDENDS

There were no dividends paid or declared during the year ended 30 June 2020.

27. EVENTS SUBSEQUENT TO REPORTING DATE

On the 6th of August Digital Wine announced the successful completion of a \$5,150,000 share placement, providing capital to fund Wine Depot's future expansion. The share placement will comprise the issue of 200,000,000 new fully paid ordinary shares at an issue price of \$0.025 per share. An additional 6,000,000 new fully paid shares relate to the directors participation and is subject to shareholder approval.

In addition to these amounts a further \$1,000,000 was offered to eligible DW8 shareholders as part of a share purchase plan (SPP). The plan has been oversubscribed and SPP shares will be issued on the 1st of September.

The Company also issued 3,509,560 fully paid ordinary shares to key staff members (none of whom are a 'related party' of the Company) pursuant to the Company's Employee Securities Plan approved at the 2019 Annual General Meeting.

No other matters or circumstances have arisen, since the end of the year, which significantly affected, or may significantly affect, the operations of the Consolidated entity, the results of those operations, or the state of affairs of the Consolidated entity in subsequent financial years.

28. RELATED PARTIES

a. Subsidiary companies

Interests in subsidiaries are set out in Note 6 of the Directors Report.

b. KMP compensation

	<u>30-Jun-20</u>	<u>30-Jun-19</u>
	\$	\$
Short-term employee benefits	473,333	323,883
Post-employment benefits	-	-
Equity compensation benefits	-	100,000
	<u>473,333</u>	<u>423,883</u>

Information regarding individual Directors and Executive compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the Directors' report.

c. Transactions with other related parties

The following transactions occurred with related parties:

	<u>30-Jun-20</u>	<u>30-Jun-19</u>
	\$	\$
Accounting / Company Secretary Services - Smallcap Corporate Pty Ltd (a Company which Piers Lewis is a Director)	121,921	120,925
	<u>121,921</u>	<u>120,925</u>

There are no other transactions with KMP during the financial year ended 30 June 2020.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

Risk Exposures and Responses

Foreign exchange risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the Group's functional currency. The Group's main exposure to foreign currency is its cash & cash equivalents and trade & other receivables which it holds in Chinese Yuan Renminbi (CNY).

At reporting date, the Group had the following financial assets exposed to foreign exchange risk:

	30-Jun-20	30-Jun-19
	CNY	CNY
Cash and cash equivalents	72,442	954,514
Trade and other receivables	811	3,575
Trade and other payables	(978,248)	(964,200)
	(904,995)	(6,111)

Interest Rate Risk

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

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

	30-Jun-20		30-Jun-19	
	Interest bearing	Non-interest bearing	Interest bearing	Non-interest bearing
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	450,193	135,680	496,157	393,128
Net exposure	450,193	135,680	496,157	393,128

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. The 0.5% (2019: 0.5%) sensitivity is based on reasonably possible changes, over a financial year, using an observed range of historical LIBOR movements over the last 3 years.

At 30 June 2020, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit and equity relating to financial assets of the Group would have been affected as follows:

	30-Jun-20	30-Jun-19
	\$	\$
Judgements of reasonably possible movements		
<i>Post tax profit - higher / (lower)</i>		
Increase 0.5%	2,251	2,481
Decrease 0.5%	(2,251)	(2,481)

Liquidity Risk

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

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

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

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

Maturities of financial liabilities

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

	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	5+ years	Total contractual cash flows	Carrying amount of liabilities
	\$	\$	\$	\$	\$	\$	\$
30-Jun-20							
Trade and other payables	702,350	-	-	-	-	702,350	702,350
	702,350	-	-	-	-	702,350	702,350
30-Jun-19							
Trade and other payables	388,333	-	-	-	-	388,333	388,333
	388,333	-	-	-	-	388,333	388,333

Credit risk

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

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

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

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

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

RECOGNITION AND MEASUREMENT – FINANCIAL INSTRUMENTS

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

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

Classification and subsequent measurement

Financial assets

Financial assets are subsequently measured at:

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

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

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

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

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

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

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

Financial liabilities

Financial liabilities are subsequently measured at:

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

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

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

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

Derecognition

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

Derecognition of financial assets

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

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

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

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

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

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

Derecognition of financial liabilities

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

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

Impairment

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

Loss allowance is not recognised for:

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

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

Simplified approach

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

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

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

Recognition of expected credit losses in financial statements

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

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

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

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

DIGITAL WINE VENTURES LIMITED
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2020



The Directors of the company declare that:

- 1) The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001; and
 - (a) comply with Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2020 and of its performance for the year ended on that date.
- 2) In the Directors opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- 3) The Consolidated Entity has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Board of Directors and is signed on behalf of the Directors by:

A handwritten signature in black ink, appearing to be "PE", written over a light blue horizontal line.

Paul Evans
Non-Executive Chairman

Sydney, Australia
Dated: 31 August 2020

Independent Auditor's Report

To the Members of Digital Wine Ventures Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Digital Wine Ventures Limited (“the Company”) and its subsidiaries (“the Consolidated Entity”), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other 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:

- a. the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity’s financial position as at 30 June 2020 and of its financial performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. 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 Consolidated Entity 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.



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Independent Auditor's Report

To the Members of Digital Wine Ventures Limited (Continued)



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.

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition</p> <p>During the year, the consolidated entity generated sales of \$510,195.</p> <p>The recognition of revenue was considered a key audit matter due to the judgement and estimates involved in determining when performance obligations are met and revenue is recognized.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none">— Obtaining an understanding of the processes relating to revenue recognition;— Reviewing the revenue recognition policy for compliance with AASB 15 Revenue from contracts with customers;— Testing revenue on a sample basis to supporting documentation;— Assessing cut-off of revenue at year end to ensure revenue has been recorded in the correct reporting period; and— Assessing the adequacy of the Consolidated Entity's revenue disclosures within the financial statements.
<p>Carrying value of intangible assets</p> <p>As disclosed in note 18 to the financial statements the Consolidated Entity has intangible assets with a carrying value of \$356,086.</p> <p>No impairment write-down was recorded for the year ended 30 June 2020. No indicators of impairment have been noted.</p> <p>Intangible assets are considered to be a key audit matter due to the size of the balance having a pervasive impact on the financial statements and the judgement requirement in assessing for impairment.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none">➤ Assessing whether there are any indicators of impairment of the asset, including understanding management's planned future activities;➤ Comparing market capitalisation as at sign-off date to the carrying value of net assets and capitalised intangible assets at year-end;➤ We assessed the reasonableness of the useful life of the intangible asset, which was completed during the year and commenced amortization; and➤ Assessing the appropriateness of the disclosures included in Note 18 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

Independent Auditor's Report

To the Members of Digital Wine Ventures Limited (Continued)



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 Note 2, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity's ability 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 Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. 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 Consolidated Entity'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 Consolidated Entity'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

Independent Auditor's Report

To the Members of Digital Wine Ventures Limited (Continued)



auditor's report. However, future events or conditions may cause the Consolidated Entity 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 Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity 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

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.

Auditor's Opinion

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

BENTLEYS
Chartered Accountants

MARK DELAURENTIS CA
Partner

Dated at Perth this 31st day of August 2020