23rd Annual Report

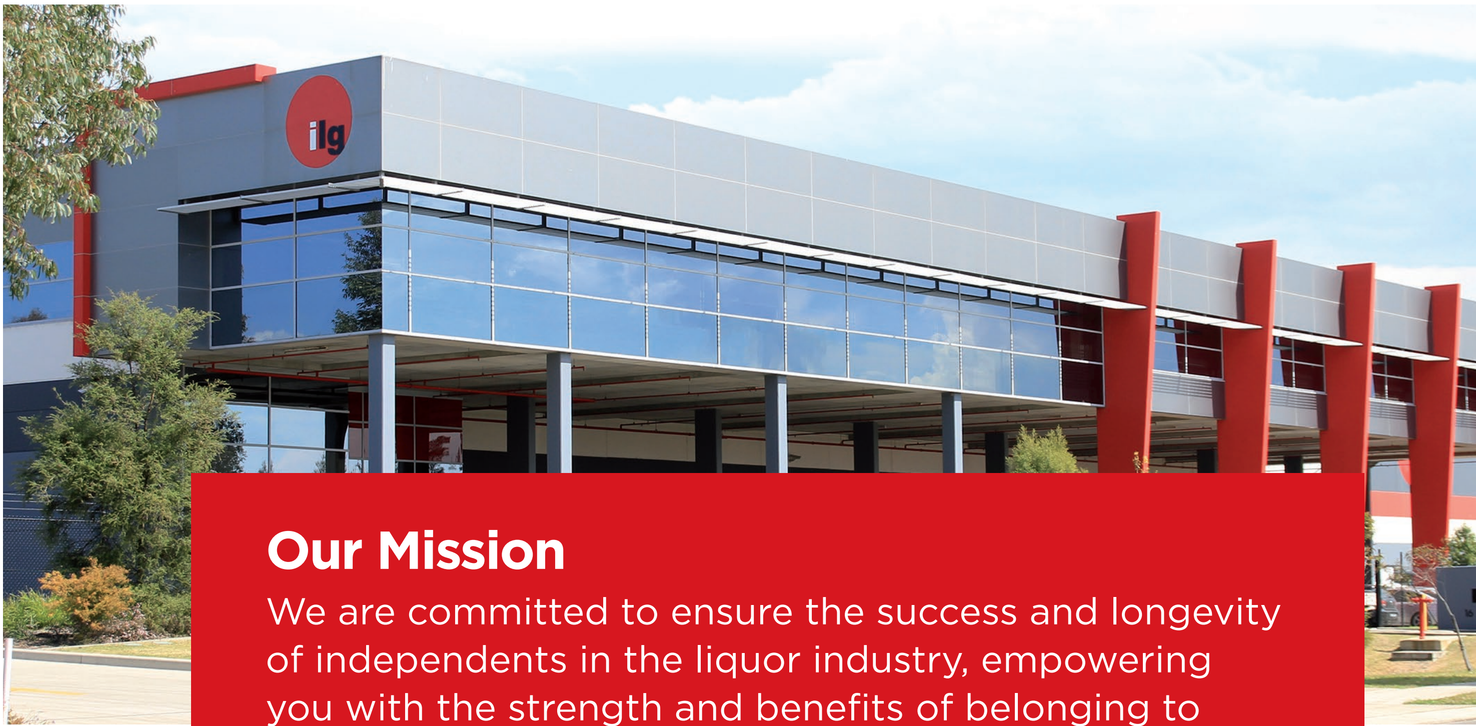
The Independent Liquor Group (Suppliers) Co-operative Limited

Australia's Largest Liquor Co-operative, proudly servicing the liquor industry since 1975.

2023

Contents

Introduction



Our Mission

We are committed to ensure the success and longevity of independents in the liquor industry, empowering you with the strength and benefits of belonging to Australia's largest member owned liquor co-operative.

Our members are the key to our success!

Our Vision

Taking a leadership position
We challenge ourselves to be the best in everything we do from procurement, marketing, education, logistics, and business excellence

Member benefit
Constantly striving to provide benefits that include shareholding rewards, retail support, co-op structure, independence, Australian-owned and operated, flexibility, innovative technology, art studio, bi-annual conference

Mutually beneficial supplier partnerships
We are continually improving the quality and effectiveness of our partnerships with Suppliers to encourage increased support and investment with the ultimate goal to make our members' business more profitable. To investigate and identify service providers that could benefit from our extensive membership base.

Best practice logistics
To continue to be recognized as the Industry leader in logistics services by seeking to always achieve flexible solution-based outcomes

Industry experience
Democratically elected Board drawn from its shareholder members that leads the business and directs management to achieve strategic and commercial objectives. The business seeks to attract and retain the best available and experienced talent.

Co-operative Principles

1. Voluntary and open membership
Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic member control
Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are organised in a democratic manner.

3. Member economic participation
Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4. Autonomy and independence
Co-operatives are autonomous, self help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5. Education, training and information
Co-operatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their co-operatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of co-operation.

6. Co-operation among co-operatives
Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7. Concern for the community
While focusing on member needs, co-operatives work for the sustainable development of their communities through policies accepted by their members.

Our Values

COMMITMENT

INNOVATION

LOYALTY

PASSION

PEOPLE

Registered Trademarks

Other Brands

Your Partner for On Premise Liquor

REGISTERED OFFICE
16 Tyrone Place, Erskine Park
NSW 2759

AUDITOR
Grant Thornton
Level 17, 383 Kent St
Sydney NSW 2000

BANKER
Commonwealth Bank
of Australia

ILGS MANAGEMENT

Paul Esposito
Chief Executive Officer

Karen Anderson
Chief Financial Officer

Patrick Kenny
NSW & VIC Sales Manager

Craig Stephenson
General Manager QLD

2023 at a glance

$13M IN REBATES PAID TO ILG MEMBERS

REVENUE
INCREASED FROM $414M TO A RECORD HIGH OF
$497 MILLION

ILG WELCOMED
182
NEW MEMBERS

EBIT
EARNINGS BEFORE INTEREST, TAXES & MEMBER BENEFITS
$14.6MILLION

NON-CASH BENEFITS TO MEMBERS
$4,700,000

INCREASED SALES REVENUE BY STATE

16% **21%** **33%**

Chairman's Report

I stand before you with a heart full of gratitude and pride as we reflect on the remarkable year that was 2023. On behalf of the Board and management, I extend my warmest congratulations to Mr. Chris Grigoriou for his exceptional leadership during his five-year tenure as the ILG Chairman. Through the challenging times of COVID, he steered us towards consecutive years of growth, leaving an indelible mark on our Cooperative.

It is an honour for me to take the reins as Chairman, having served as Deputy alongside Mr. Grigoriou for five years. The trust and support I've received from the Board and management in this transition are truly heart-warming. I would like to thank my fellow directors, the CEO and the ILG Team for their vote of confidence and I look forward to working with you all for more years of extraordinary growth.

Now, let me share with you the outstanding accomplishments that have propelled us beyond our strategic goals. Our adaptability, resilience, and the continuous support of our members have been pivotal in our success.

GOALS AND STRATEGIES

Our commitment to the 2022-2024 Strategic Plan remains unwavering. This plan is designed to forge a comprehensive service package that keeps us competitive in the market, ensuring the success and endurance of independent players in the liquor industry. This year, our focus remains on expanding our retail membership base, addressing supply chain challenges, and enhancing our capacity to serve members efficiently.

In line with our e-Commerce strategy, we'll introduce to members a digital wallet mobile application, which aims to increase foot traffic at members' physical and online stores. This innovation will first be trialled at Fleet Street Banner Group before rolling out to Bottlers and Super Cellars later this year.

GOVERNANCE

Our commitment to whole-organizational governance has led us to engage Mills Oakley Lawyers for a thorough review of our Co-operative Rules. This endeavour aims to harmonize our rules with National Cooperative Law and ensure consistency between ILG Distribution Rules and ILG Suppliers Co-operative Rules where appropriate.

Upon approval at this AGM, our Co-op Rules will stand as a modern governance document, aligned with Cooperative National Law and tailored to our practical needs. Under the ILG Good Governance Project, we've developed key policies to fortify our governance structure in procurement, project management, capital management, work health safety, and stock management.

I extend my acknowledgement and appreciation to our Company Secretary, Susie Zhong, and our dedicated directors for their diligence in driving these governance changes. Special mention goes to Mr. Doug Dalley, who has been appointed to the Audit and Risk Committee following his retirement as an ILG director in October 2022.

I'd also like to acknowledge the invaluable support of our CEO, Paul Esposito, and his executive team in implementing these policies and procedures, leading us towards whole-organization governance.

FINANCIALS

Despite uncertainties and challenges, 2023 stands as a remarkable year for ILG. Led by our CEO, Paul Esposito, our team achieved the strategic goals set for the year while maintaining an outstanding 97% outbound service level to our retail members.

Our sales revenue for 2023 surpassed $497 million, marking a 20% increase from the previous year, setting yet another record for our Cooperative. Additionally, we paid out $13 million in member rebates, witnessed growth in equity from $24.8 million to $27.9 million, and saw total assets rise to $148.6 million.

Notably we have significantly subsidised freight costs and financing costs, a total of $3.4 million. Although it has hindered our profitability, these offerings have helped relieving our members from the increased financial pressure caused by raised inflation and interest rates this year.

I applaud Mr. Esposito and the entire ILG team for their unwavering commitment, resulting in a year of exceptional achievements.

SUCCESS IN UNCERTAIN TIMES

To our valued supplier members, I extend my deepest gratitude for your collaboration and support, especially as you navigate the challenges of global supply chain disruptions, geopolitical tensions, and the ever-evolving landscape of AI, high inflation rates, and environmental, social, and governance issues.

We are extremely grateful to our retail members, your loyalty and contributions to the Co-operative are the bedrock of our success. Your patience, understanding, and resilience embody the spirit of independence in our industry.

On behalf of the Board, I'd like to express my gratitude to all our staff and their families for their steadfast support and growth alongside the Co-operative. Our core values: Commitment, Innovation, Loyalty, Passion, and People, are the pillars upon which our Co-operative stands.

In closing, let us reaffirm our dedication to ensuring the success and longevity of independents in the liquor industry. Together, we empower each other with the strength and benefits of belonging to Australia's largest member-owned liquor Co-operative. Remember, our members are not just independent; we are a family.

Yours Faithfully,

Damien Bottero
Chairman of the Board

CEO's Report

Dear Members,

I would like to welcome you to this year's annual report. It has been another outstanding year for ILG, delivering a record year of growth. This year's results continue to highlight the success and momentum ILG has experienced over the last five years. These results are driven by passionate members and staff alike, with a want to build a stronger ILG.

FY23 broke all records; highlighted by a huge uplift in sales revenue, record return to members and record membership. These results have been delivered on the back of a strong strategic plan to futureproof ILG.

FY23 Highlights

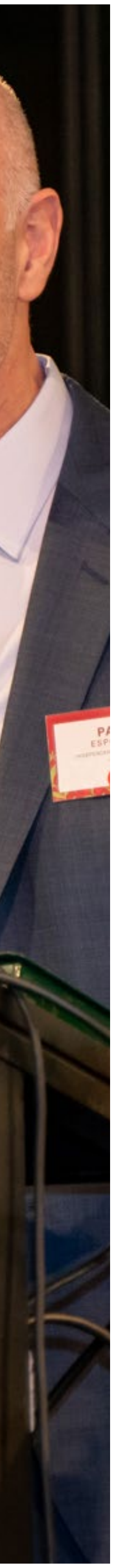
- Sales Revenue increased from $414M to a record high of $497M.
- ILG underlying EBIT reported was $14.6m before member benefits.
- Members benefits paid $13.025m
- Non-Cash Benefits to members $4.7m
- ILG welcomed 182 new members
- ILG increased sales revenue by 20%
- Supercellars increased sales revenue by 33%
- Bottler increased sales revenue by 23%
- Fleet Street increased sales revenue by 19%
- NSW increased sales revenue by 16%
- QLD increased sales revenue by 21%
- Victoria increased sales revenue by 33%.

ILG total liquor sales revenue increased by 20% for FY23 and 82% over the last three years. This was driven by improved sales in our on premise channel, growth in our retail banners and new members joining the Cooperative.

The ILG network currently consists of three distribution centers, Townsville and Richlands in Qld, Erskine Park in NSW and a small distribution center in Bacchus Marsh Victoria, with a larger warehouse to be operational in Dandenong in late 2023. The ILG wholesale network currently services 1,544 members/customers. Our tier 1 banners consist of 582 Supercellars stores, 375 Bottler stores and 29 Fleet Street stores.

We continue to invest in digital solutions and e-commerce platforms. To date this has delivered an additional 105,000 orders which represents $6M in sales. The newly formed digital team has been working on new initiatives such as digital wallets, loyalty programs and designing new banner apps to help boost sales. Our digital wallet is currently in the trial process, and it will be available to all members early 2024.

The growth we have experienced, and the move into Victoria, has resulted in ILG expanding the Trading and Marketing team. We now have a team of ten people focusing on categories and different state programs, as we expand into different markets. The trading team will also focus on expanding our exclusive lines and members own brands, and they will be working with our supplier partners to develop brands to enhance margins and deliver value.



Work continues with the implementation of our ERP and warehouse management systems. The team are in the process of implementing the new members portal which is currently in test mode and will be live for members in October 2023. The finance modules will be implemented in November 2023 followed by the warehouse management systems in early 2024.

The retail pillar continues to provide us opportunities outside of our membership base. We have relaunched Liquorstop Warehouse, which is a B2B online marketplace that provides ILG an opportunity to sell to non ILG customers. It currently operates in NSW and is soon to be launched into Victoria by November 2023.

Looking forward, even with the cost-of-living pressures, I expect momentum to continue, and we will welcome new members to ILG.

It has been another fast-paced successful year, however not without issues. In these difficult times we are not immune from theft or cyber scams. We have introduced changes internally and will continue to look at ways we can reduce the incidence of theft and phishing attacks.

Based on our strategic plan, our focus will be

- Continue to grow our membership base.
- Growth in value and volume.
- Deliver value for our members.
- Grow member benefits and provide better subsidies.
- Provide an e-commerce platform for our members free of charge.
- Expand into other markets.

ILG has been actively involved in fundraising activities with an 'Auction Night' forming part of its annual study tour program since its early inception. This started as merely a means of sharing sponsored giveaways with the opportunity to help the less fortunate.

Over the years, the co-operative has raised close to a $1MILLION in funds through the generous support and participation of the members. Charities we have helped include the Westmead Children's Hospital, Soldier On, Youth off the Streets, Share the Dignity, to name a few.

To officially formalize this undertaking, the ILG Foundation was incorporated in November last year with the simple mission of giving back to the community. It is a testament of our commitment to ardently live by one of the principles and values of being a co-operative.

I would like to thank my staff for their support, and for their commitment and contribution. I would like to also thank the ILG board for their continued support and the assistance they provide in achieving our goals.

Most of all, I would like to thank the ILG members and supplier members for another record year, together we have achieved almost 'half a billion dollars' in sales!

I am looking forward to what will be another successful year for our Cooperative.

Warm Regards,

Paul Esposito
Chief Executive Officer

Member Benefits

Business Development Workshops

We delivered twenty workshops within six months in the last financial year. Courses run from July to September and resumes in April to June allowing a break over the last and first quarters of the calendar year to make way for the festive trading as well as the much-deserved post festive holidays for members.

Our well attended workshops average fifteen participants, a perfect size for a robust discussion and yet still intimate enough for our facilitator Peter Hall to allow time to listen and grasp their individual objectives.

Retail courses cover all aspects of liquor retailing and ideas generated from dialogue between Peter Hall and the participants themselves. Hospitality courses cover aspects of stock control, margin boosting, expense control and staff management.

Attendees are a mix of new staff who get extremely motivated with the learnings and take outs and current staff who are appreciative of the refresher programs. The workshops conclude with case studies that provide participants the opportunity to put their own skills under the microscope.

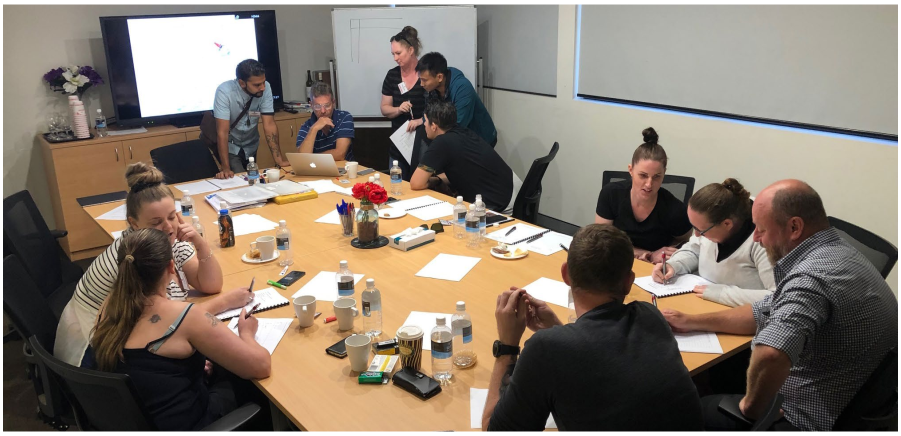
These workshops have been keenly sought after so check when they're going to be running and ask your ILG BDE for details.

"Both my managers are still talking about the training course and the positive attributes that have come from them. I would personally recommend these training seminars to anyone."

- Peter Cox, Maclean Cellars

" We have used Peter Hall's Manager Mentoring program to improve the professionalism and management skills of one of our key managers. She has worked with Peter over 5 months and the results in her performance are clear to see. This has been brilliant for our business."

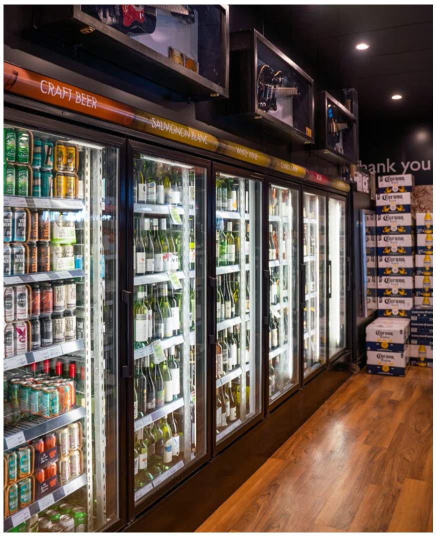
- Adam Williams, Heathcote Hotel



Retail Services Support

Our retail services team has been under the pump with more and more members seeking assistance with improved store layouts and presence.

We are very pleased with the ongoing response to this member benefit. A well-organized store layout ensures shopper satisfaction. As competition in the retail environment gets tougher, your store setting adds to your point of difference and personality and how it appeals to the retail market.



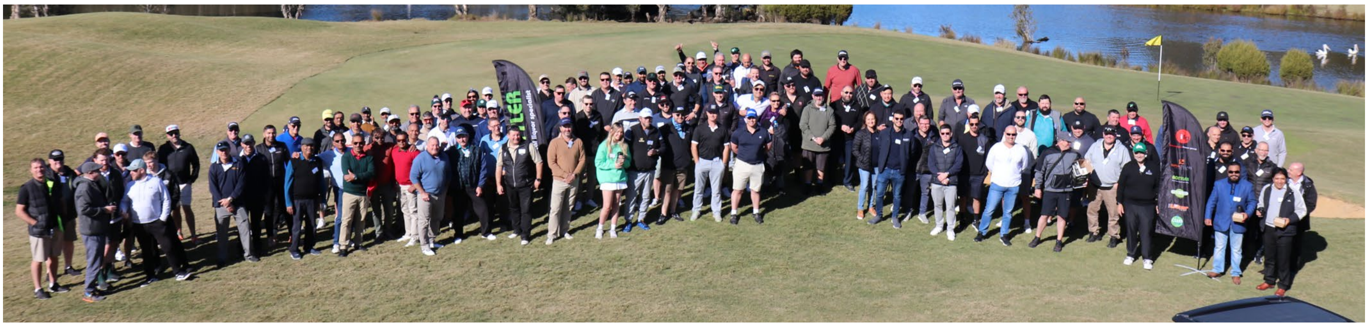
Let’s Get Together Events

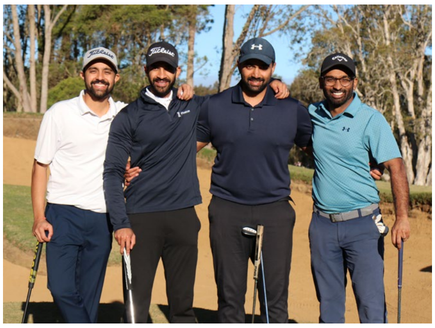
2023 saw the ILG Calendar of Events resume in full swing, apart form the QLD Race Day which was cancelled due to venue refurbishments. Members were delighted with the return of the much-missed fact to face gatherings. Nothing compares with the pleasure of a personal engagement that captures instantaneous reaction and feedback.

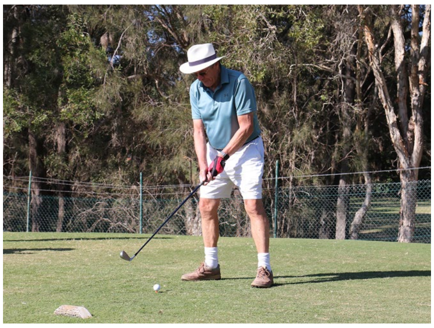
From our Golf Days to Race Days and the big family reunions in October, ILG does create different platforms where members feel most relaxed connecting with each other. These experiences are what keeps the ILG family bonded, converting business interactions to lasting friendships.

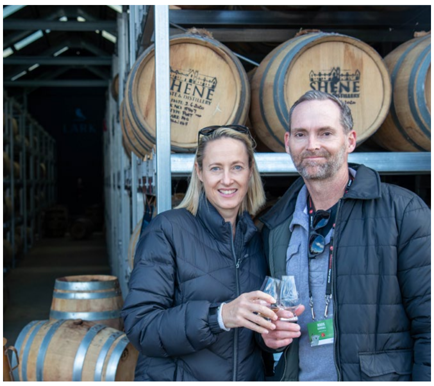
Last year was also our first Study Tour after Covid. The trip to Hobart was a well-received venture within home soil that made the experience more special.An impressive destination right in our own backyard that indisputably stunned over 130 delegates.

We acknowledge the generous support of our Supplier Members who make these occasions a realization.









Ownership & Security

We take delight in sharing the recent market valuations of the co-operative's distribution centres in NSW and QLD.

Built in 2007 for $18M, our Erskine Park depot in Sydney has appreciated to $45.7M.

Purchased in 2015 for $4.5M, our Townsville depot in Far North Queensland appreciated to $6.7M.

Our Board of Directors

The members voice, working closely together in the best interest of the membership

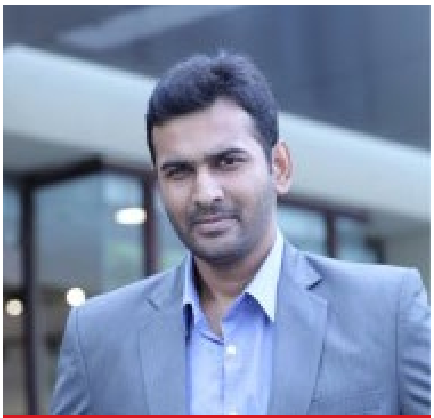
DAMIEN BOTTERO
Pittwater Cellars
Chairman of the Board

CHRIS GRIGORIOU
Fairfield West Cellars
Deputy Chairman

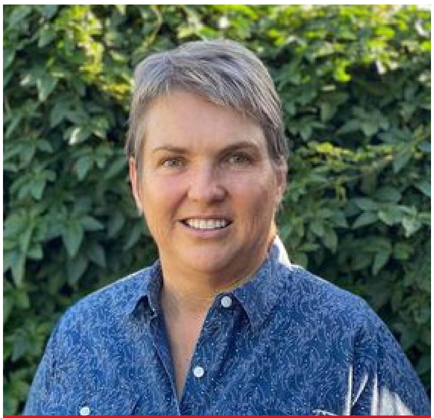
ROBERT MCGHEE
Adams Tavern
Director

PETER COX
Dorrigo Cellars
Director

SERGIO COLOSIMO
Momento Hospitality
Director



RIPPLE PAREKH
Foodworks Lake Cargellico
Director



TRACY HATCH
Wellshot Hotel
Director

SHAUGHN MURPHY
Lucky Star Tavern
Director

The Directors' Report

The Directors of The Independent Liquor Group (Suppliers) Co-operative Limited present their report for the financial year ended 30 June 2023.

The following persons were directors of The Independent Liquor Group (Suppliers) Co-operative Limited during the whole of the financial year and continued in office at the date of this report, unless otherwise stated:

Name	Background	Member	Meeting Eligibility	Attended
Mr D Bottero (Chairman)	Business Owner	Pittwater Cellars	12	12
Mr C Grigoriou (Deputy Chairman)	Business Owner	Fairfield West Cellars	12	11
Mr P Cox	Business Owner	Dorrigo Cellars	12	11
Mr S Colosimo	Business Owner	Memento Hospitality	12	10
Mr D Dalley	Business Owner	Mackay Northern Beaches Bowls Club	5	4
Mrs T Hatch	Business Owner	Wellshot Hotel	7	6
Mr R McGhee	Business Owner	Adams Tavern	12	12
Mr S Murphy	Business Owner	Lucky Star Tavern	12	10
Mr R Parekh	Business Owner	Foodworks Lake Cargellico	12	12

Company Secretary

The Company Secretary of the Co-operative is Susie Zhong.

Principal activities

The principal activity of the Co-operative during the financial year was the acquisition of liquor and related products from its members for wholesale sale. No significant change in the nature of that activity occurred during the financial year.

The net profit of the Co-operative for the financial year after providing for income tax, amounted to $1,628,784 (2022: profit of $1,811,754). No significant changes in the Co-operative state of affairs occurred during the financial year.

No information has been disclosed in respect of likely developments in the operations of the Co-operative and the expected results of those operations in subsequent financial years, as in the opinion of the Directors, it would prejudice the interests of the Co-operative to include such information.

Environmental matters

The Co-operative's operations are not regulated by any significant environmental regulation under the law of the Commonwealth or of a State or Territory.

Events subsequent to reporting date

No matters or circumstances have arisen since the end of the financial year, which significantly affected or may significantly affect the operations of the Co-operative, the results of those operations, or the state of affairs of the Co-operative in future financial years.

Directors' interest

Since the end of the previous financial year, no Director of the Co-operative has received or become entitled to receive a benefit, other than a benefit included in related party transaction note shown in the accounts or the salary of an employee of the Co-operative or of a related entity, by reason of a contract made by the Co-operative or a related entity with the Director or with a firm of which the director is a member or with an entity in which the director has a substantial financial interest.

Directors' insurance

The Co-operative has paid premiums to insure each director against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Co-operative, other than conduct involving a wilful breach of duty in relation to the Co-operative.

Proceedings on behalf of the Co-operative

No proceedings have been brought or intervened in on behalf of the Co-operative.

Indemnity and insurance of auditor

The Co-operative has not during or since the end of the reporting period, indemnified or agreed to indemnify its auditor, Grant Thornton Audit Pty Limited or any related entity against a liability incurred by the auditor. During the reporting period, the Co-operative has not paid a premium in respect of a contract to insure Grant Thornton Audit Pty Limited or any related entity.

Auditor's independence

The lead auditor's independence declaration for the year ended 30 June 2023 has been received as required under section 307C of the Corporations Act 2001 and section 278 of the Co-operatives (Adoption of National Law) Act 2012.

This directors' report is signed in accordance with a resolution of the Board of Directors, pursuant to section 278 of the Cooperatives (Adoption of National Law) Act 2012.

Damien Bottero
Chairman

Christopher Grigoriou
Deputy Chairman

Sydney, NSW
27th September 2023

Independent Auditor's Report

GrantThornton

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW
1230

T +61 2 8297 2400

Independent Auditor's Report

To the Members of The Independent Liquor Group (Suppliers) Co-operative Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of The Independent Liquor Group (Suppliers) Co-operative Limited (the Entity), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of The Independent Liquor Group (Suppliers) Co-operative Limited is in accordance with the *Corporations Act 2001* and *Co-operatives National Law (NSW)*, including:

a. giving a true and fair view of the Entity's financial position as at 30 June 2023 and of its performance for the year ended on that date; and

b. complying with Australian Accounting Standards *AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Independent Auditor's Report cont.

Material uncertainty related to going concern

We draw attention to Note 1(b) in the financial report, which indicates that the Entity's cash and cash equivalents and financing requirements, along with other matters as set forth in Note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Entity's annual report for the year ended 30 June 2023 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.

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 Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standard – *AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*, *Corporations Act 2001* and the *Co-operatives National Law (NSW)*. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the 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 Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Independent Auditor's Report cont.

- 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 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 audit report. However, future events or conditions may cause the 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.

We communicate with those charged with governance 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.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

B Narsey
Partner – Audit & Assurance

Sydney, 27 September 2023

Independence Declaration

GrantThornton

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW 1230

T +61 2 8297 2400

Auditor's Independence Declaration

To the Directors of The Independent Liquor Group (Suppliers) Co-operative Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of The Independent Liquor Group (Suppliers) Co-operative Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

B Narsey

B Narsey
Partner – Audit & Assurance

Sydney, 27 September 2023

Directors' Declaration

The Directors of The Independent Liquor Group (Suppliers) Co-operative Limited (the Co-operative) declare that:

a) The financial statements of The Independent Liquor Group (Suppliers) Co-operative Limited, comprising of the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes, are in accordance with the Co-operatives National Law (NSW) including:

   (ii) giving a true and fair view of the Co-operative's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and

   (iii) complying with Australian Accounting Standards – Simplified Disclosure and the Co-operatives National Law (NSW); and

b) There are reasonable grounds to believe that The Independent Liquor Group (Suppliers) Co-operative Limited will be able to pay its debts as and when they become due and payable.

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

Damien Bottero
Chairman

Christopher Grigoriou
Deputy Chairman

Sydney, NSW
27th September 2023

Statement of Profit or Loss and other Comprehensive Income

for the year ended 30 June 2023

	Note	2023 $	2022 $
Revenue	2	497,672,112	414,727,866
Less: Members rebates		-	-
Total Revenue		**497,672,112**	**414,727,866**
Cost of sales		483,005,236	403,620,393
Less: Supplier rebates		(9,560)	(51,234)
Cost of Sales		**482,995,676**	**403,569,159**
Gross profit		**14,676,436**	**11,158,707**
Other income	2	2,310,762	1,920,310
Distribution expenses	3	(4,109,888)	(2,868,499)
Administration expenses	3	(12,489,442)	(8,318,872)
Finance costs	3	(320,496)	(68,078)
Profit before income tax		**67,372**	**1,823,568**
Income tax benefit / (expense)	4	1,561,412	(11,814)
Profit for the year		**1,628,784**	**1,811,754**
Other comprehensive income		-	-
Total comprehensive income for the year		**1,628,784**	**1,811,754**

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2023

	Note	2023 $	2022 $
ASSETS			
Current assets			
Cash and cash equivalents	5	64,513	99,867
Trade and other receivables	6	25,933,143	26,775,364
Inventories	7	43,728,446	31,454,641
Current tax asset		253,534	378,498
Total current assets		**69,979,636**	**58,708,370**
Non-current assets			
Financial assets	8	8,230	8,230
Deferred tax assets	9	2,100,989	504,080
Property, plant and equipment	10	22,394,442	22,609,968
Right of use asset	11	2,429,588	-
Intangible assets	12	769,430	533,783
Total non-current assets		**27,702,679**	**23,656,061**
Total assets		**97,682,315**	**82,364,431**
LIABILITIES			
Current liabilities			
Trade and other payables	13	61,093,676	50,346,037
Lease liabilities	14	1,281,844	230,035
Provisions	15	1,333,793	1,248,762
Share capital repayable on demand	17	648,000	586,500
Borrowings	16	500,000	5,939,372
Total current liabilities		**64,857,313**	**58,350,706**
Non-current liabilities			
Lease Liabilities	14	1,918,401	473,158
Deferred tax liabilities	9	82,347	46,850
Provisions	15	129,377	135,770
Borrowings	16	5,439,372	-
Total non-current liabilities		**7,569,497**	**655,778**
Total liabilities		**72,426,810**	**59,006,484**
Net assets		**25,255,505**	**23,357,947**
EQUITY			
Building contribution fund	18	1,052,869	784,095
Accumulated funds	18	24,202,636	22,573,852
Total equity		**25,255,505**	**23,357,947**

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

Statement of Changes in Equity

for the year ended 30 June 2023

	Accumulated Funds	Building Contribution Fund	Total Equity
Balance at 30 June 2021	**20,762,098**	**521,313**	**21,283,411**
Total comprehensive income for the year			
Profit for the year	1,811,754	-	1,811,754
Other comprehensive income	-	-	-
Total comprehensive income for the year	1,811,754	-	1,811,754
Contributions from members	-	262,782	262,782
Contributions from members utilised	-	-	-
Balance at 30 June 2022	**22,573,852**	**784,095**	**23,357,947**
Total comprehensive income for the year			
Profit for the year	1,628,784	-	1,628,784
Other comprehensive income	-	-	-
Total comprehensive income for the year	1,628,784	-	1,628,784
Contributions from members	-	268,774	268,774
Contributions from members utilised	-	-	-
Balance at 30 June 2023	**24,202,636**	**1,052,869**	**25,255,505**

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Cash Flows

as at 30 June 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Cash receipts from customers		560,156,644	462,057,841
Cash paid to suppliers and employees		(558,940,633)	(460,232,316)
Interest paid		(320,496)	(68,078)
Income tax refunded / paid		124,963	(900,626)
Net cash inflow from operating activities	19	**1,020,478**	**856,821**
Cash flows from investing activities			
Purchase of property, plant and equipment		(521,304)	(794,603)
Purchase of intangible assets		(235,647)	(80,014)
Proceeds from sale of property, plant and equipment		2,750	83,817
Net cash (outflow) from investing activities		**(754,201)**	**(790,800)**
Cash flows from financing activities			
Proceeds from building contribution fund		268,774	262,783
Proceeds from issue of shares		116,000	80,500
Payments for shares bought back		(54,500)	(60,000)
Repayment of T-Corp		(5,939,372)	(1,000,000)
Proceeds from bank loan		5,939,372	-
Proceeds from lease finance		268,387	985,035
Repayment of lease finance		(900,292)	(452,222)
Net cash outflow from financing activities		**(301,631)**	**(183,904)**
Net decrease in cash and cash equivalents		(35,354)	(117,883)
Cash and cash equivalents at beginning of year		99,867	217,750
Cash and cash equivalents at end of year	5	**64,513**	**99,867**

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

Notes to the Financial Statements

for the year ended 30 June 2023

The Independent Liquor Group (Suppliers) Co-operative Limited ("Suppliers") is a Co-operative incorporated in NSW and is domiciled in Australia. The financial report was authorised for issue in accordance with a resolution of the directors on 27 September 2023.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards - Simplified Disclosure as issued by the Australian Accounting Standards Board, other authoritative pronouncements of the Australian Accounting Standards Board and the Co-operatives National Law (NSW) and Regulations.

(b) Going concern

At year end, the entity's current assets exceeded its current liabilities by $5,122,320 and it had recorded a profit before tax for the year of $67,372. This entity and The Independent Liquor Group Distribution Co-operative Limited ("Distribution") Group (ILGD Group) are dependent upon each other to support their combined positive working capital position, excluding the bank finance facility in Distribution, which is secured against the assets of this entity and the assets of The Independent Liquor Group Distribution Co-operative Limited and its subsidiaries.

At year end, ILGD Group's current assets exceeded its current liabilities, by $16,573,815 excluding its current bank finance facility of $11,198,292 and the $400,000 loan from this entity. At year end for the two entities combined, current assets exceed their combined current liabilities by $10,097,846 and the combined current assets exceed the combined current liabilities by $21,296,138 excluding the bank finance facility of $11,198,292 in Distribution and excluding all inter co-operative balances.

Both entities have provided each other letters of financial support indicating they will each provide the other with the necessary financial support to enable the other entity to continue as a going concern and meets its debts and the debts of both combined entities as and when they fall due for a period not less than 12 months from the date of the signing of this financial report (which is dated the same day as Distribution's 2023 financial report).

As disclosed in Note 23, the entity has a contingent liability as a result of a legal matter unrelated to trading activities. The Directors consider any potential exposure from the contingency can be managed within existing operating cash flows. Since year end, for the period to 31 August 2023, the unaudited results indicate this entity has achieved a profit of $320,953 and its working capital was $7,601,369 as of 31 August 2023 (unaudited). Combined with Distribution, as of 31 August 2023, the combined entities had a working capital surplus of $4,333,273, and the combined entities had an operating loss of $292,927.

The Directors expect to achieve an operating surplus across the two Co-operatives in FY24. In order to strengthen the overall liquidity position, the Directors will be negotiating with lenders in the next 12 months to review the "Suppliers" and "Distribution's" funding structure and potentially introduce property-backed financing to replace or partially replace the working capital financing (current liability). If required, the Directors will curb discretionary spending to ensure the cash flow of the Co-operative is within its financing facility limits.

The entity has reviewed the relevant conditions and events surrounding its ability to continue as a going concern. Based upon the trading performance, the Directors consider that the entity will continue to operate as a going concern given the entity's ability to maintain a positive financial operating performance. The entity's cash and cash equivalents and financing requirements give rise to a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern.

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities by the entity and the realisation of its assets and settlement of its liabilities in the ordinary course of business at the amounts stated in this financial report. Should the entity be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying value amounts of the amounts of liabilities that might result should the entity be unable to continue as a going concern and meet its debts as and when they fall due.

Notes to the Financial Statements *(continued)*

for the year ended 30 June 2023

(c) Adoption of new and revised accounting standards

The Co-operative has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Co-operative.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in bank.

(e) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate plus related on-costs expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Co-operative in respect of services provided employees up to reporting date. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows.

Contributions to superannuation plans are expensed when incurred.

(f) Impairment of assets

At each reporting date, the Co-operative reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Co-operative estimates the recoverable amount of the cash-generating unit to which the asset belongs. Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the statement of profit and loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the statement of profit and loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the Financial Statements *(continued)*

for the year ended 30 June 2023

(g) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive statement of financial position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Co-operative expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Co-operative intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or benefit in the statement of profit and loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of inventories are determined after deducting rebates and discounts. Net realisable value represents the estimated selling price less all estimated costs necessary to make the sale.

Determining the net realisable value of inventories relies on key assumptions that require the use of management judgement. These assumptions are the variables affecting the expected selling price and are reviewed annually. Any reassessment of the selling price in a particular year will affect the cost of goods sold.

(i) Leases

The Co-operative as a lessee

A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition the Co-operative assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Co-operative
- the Co-operative has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Co-operative has the right to direct the use of the identified asset throughout the period of use. The Co-operative assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

Notes to the Financial Statements *(continued)*

for the year ended 30 June 2023

Measurement and recognition of leases as a lessee

At lease commencement date, the Co-operative recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Co-operative depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Co-operative also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Co-operative measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Co-operative's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. The Co-operative has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Right of use assets

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

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

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

The Co-operative's accounting for leases as a lessor remains largely unchanged under AASB 16. The Co-operative classifies leases as an operating or finance lease based on whether substantially all the risks and rewards are transferred to the lessee. Leases with tenants of the Co-operative's owned properties are classified as operating leases.

(j) Property, plant and equipment

Property, plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairments.

Land is not depreciated. Depreciation on other assets is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Buildings 40 years
- Plant and equipment 2.5 to 20 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Notes to the Financial Statements *(continued)*

for the year ended 30 June 2023

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in profit and loss in the year that the item is derecognised.

(k) Provisions

Provisions are recognised when the Co-operative has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(l) Revenue recognition

Revenue arises mainly from the sale of liquor and related products to the Co-operative’s customers. To determine whether to recognise revenue, the Co-operative follows a 5-step process: 1) Identifying the contract with a customer 2) Identifying the performance obligations 3) Determining the transaction price 4) Allocating the transaction price to the performance obligations 5) Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Co-operative satisfies performance obligations by transferring the promised goods or services to its customers. The Co-operative recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Co-operative satisfies a performance obligation before it receives the consideration, it recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

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

Sale of goods

Revenue from sale of liquor and related products for a fixed price is recognised when the Co-operative has transferred control of the assets to the customer. Invoices for goods or services transferred are due upon receipt of goods. Where the transaction price is variable, the Co-operative estimates an amount of variable consideration using either the expected value or the most likely amount method to determine the amount of revenue to be recognised. The key variable component on the Co-operative's sales may include any rebates it provides to its customers.

Finance fee

Finance fees represent charges to customers when they are invoiced for goods supplied and are recognised as invoices are raised for sales.

Interest income

Interest revenue is recognised using the effective interest rate method, which for floating financial assets is the rate inherent to the instrument.

Other income

Other income is income derived from activities unrelated to the main focus of a business.

Management income represent the annual recharge between ILGD & ILGS for the costs of shared key staff members.

Rental income represents monthly fees collected from renting out warehouse spaces to other third party companies.

Accounting fee represents the fee ILG charges it's members for paying their accounts late. ILG invoices this charge monthly at the end of the month.

Notes to the Financial Statements *(continued)*

for the year ended 30 June 2023

(m) Financial instruments

Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Co-operative becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable) For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI) All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

(n) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. The Co-operative's key debtor is its related entity, The Independent Liquor Group Distribution Co-operative Limited, to which it supplies most of its goods. Trade receivables also include discounts and rebates receivable from suppliers for purchases of inventories. Rebates associated with the purchases of inventory are recorded as a reduction in the cost of inventory on hand until the inventory is sold.

Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Co-operative holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. The Co-operative applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

(o) Trade payables

Trade and other payables represent liabilities for goods and services provided to the Co-operative prior to the year end and which are unpaid. These amounts are unsecured and have payment terms of 30 to 210 days. They are recognised at amortised cost.

(p) Borrowings

Bills of exchange are recorded at an amount equal to the net proceeds, with the premium or discount amortised bills of exchange are recorded at an amount equal to the net proceeds received, with the premium or discount amortised over the period until maturity. Interest expense is recognised on an effective yield basis.

Debentures, bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis. Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing.

Notes to the Financial Statements *(continued)*

for the year ended 30 June 2023

All borrowings are classified as current liabilities unless the Co-operative has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(q) Good and Services Tax (GST)

Revenues, expenses are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(r) Share capital repayable on demand

Refer to Note 17.

(s) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(t) Critical accounting estimates and judgements

Revenue recognition

For sale of goods, revenue is recognised when the goods are delivered as this is the point in time at which the Co-operative has transferred control of the assets to the customer, delivered its service and hence satisfied its performance obligations. The Cooperative needs to assess when it has transferred control of the assets to the customer. Where the transaction price is variable, the Co-operative estimates an amount of variable consideration using either the expected value or the most likely amount method to determine the amount of revenue to be recognised. The transaction price may be varied due to rebates and discounts offered to customers. The Co-operative may therefore have to use its judgement in determining and applying the variation in the transaction price. This may impact the revenue recognised by the Co-operative for sale of goods.

Impairment

The Co-operative assesses impairment at each reporting date by evaluating conditions and events specific to the Co-operative that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Provision for impairment of receivables

AASB 9's impairment requirements use more forward looking information to recognize expected credit losses – the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Co-operative considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and

Notes to the Financial Statements *(continued)*

for the year ended 30 June 2023

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. The concentration of impairment is limited due to the customer base being large and unrelated. The impairment allowance for trade receivables was $21,221 at 30 June 2023 (2022: $36,000).

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain items of property, plant and equipment.

Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Cooperative's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits.

Lease term

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

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

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Co-operative estimates it would have to pay a third party to borrow funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Extension options

The Co-operative assesses at lease commencement whether it is reasonably certain to exercise extension options, and where it is reasonably certain, the extension period is included in the lease liability.

(u) Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. Significant costs associated with software are deferred and amortised (once available for use) on a straight-line basis over the period of their expected benefit.

Notes to the Financial Statements *(continued)*

for the year ended 30 June 2023

Note 2 – Revenue and other income

	2023 $	2022 $
Revenue recognised at a point in time		
Revenue from the sale of goods	497,602,479	414,647,262
Finance fee	69,633	80,604
	497,672,112	**414,727,866**
Other income		
Management fee	2,138,316	1,791,401
Sundry income	172,446	128,909
	2,310,762	**1,920,310**

Note 3 – Expenses

	2023 $	2022 $
Profit before income tax includes the following specific expenses:		
Employee benefits	8,070,990	6,924,861
Interest expense	320,496	68,078
Rental expenses relating to short-term and low-value leases	153,648	106,784
Bad and doubtful debts - current receivables	-	(12,000)
Depreciation expense:		
Property, plant and equipment	734,080	719,791
Right-of-use assets	699,366	-
Total depreciation	1,433,446	719,791

Notes to the Financial Statements *(continued)*

for the year ended 30 June 2023

Note 4 – Income tax expense

	2023 $	2022 $
Current tax	-	132,923
Deferred tax	(1,561,412)	(121,109)
Total income tax expense	**(1,561,412)**	**11,814**
Reconciliation of the effective tax rate		
Profit before income tax expense	67,372	1,823,568
Tax at the Australian tax rate of 30% (2022: 30%)	20,212	547,071
(less) tax effect of:		
- tax deductible repayment of loan	(1,781,812)	(300,000)
- Other permanent and timing differences and utilised tax losses	200,188	(235,257)
Income tax expense in the income statement	**(1,561,412)**	**11,814**

Note 5 – Cash and cash equivalents

	2023 $	2022 $
Cash on hand	1,500	1,500
Cash at bank	63,013	98,367
	64,513	**99,867**

Note 6 – Trade and other receivables

	2023 $	2022 $
Trade receivables	8,823,084	7,899,586
Trade receivables – related parties	13,807,105	16,719,962
Allowance for credit losses	(21,221)	(21,221)
	22,608,968	24,598,327
Other receivables	775,914	734,134
Other receivables – related parties	1,638,756	898,298
Prepayments	909,505	544,605
	25,933,143	**26,775,364**

Movements in allowance for expected credit losses

	2023	2022
Opening Balance	(21,221)	(36,000)
Remeasurement of loss allowance	-	12,000
Allowance written back during the year	-	2,779
Closing balance	**(21,221)**	**(21,221)**

Notes to the Financial Statements *(continued)*

for the year ended 30 June 2023

Note 7 – Inventories

	2023 $	2022 $
Finished goods at cost	43,849,634	31,676,135
Provision for stock obsolescence	(121,188)	(221,494)
	43,728,446	**31,454,641**

Note 8 – Financial assets

	2023 $	2022 $
Listed securities	**8,230**	**8,230**

Listed securities
Equity securities comprise investments in ordinary shares listed on the Australian Securities Exchange. For equity securities, fair value is determined by reference to closing bid prices on the Australian Securities Exchange.

Note 9 – Deferred tax

	2023 $	2022 $
Deferred tax assets		
Deferred tax assets comprise temporary differences and tax losses:		
Amounts recognised in profit or loss		
Doubtful debts	6,366	6,366
Employee benefits	438,951	415,360
General accruals	17,659	15,906
Provision for stock obsolescence	36,356	66,448
Tax losses	1,601,657	-
Total deferred tax assets	**2,100,989**	**504,080**
Movements in deferred tax assets		
Opening balance 1 July	504,080	376,843
Change in Statement of profit or loss	1,596,909	127,237
Closing balance 30 June	**2,100,989**	**504,080**
Deferred tax liabilities		
Deferred tax liabilities comprise temporary differences:		
Amounts recognised in profit or loss		
Income accrued but not yet invoiced	82,347	46,850
Total deferred tax liabilities	**82,347**	**46,850**
Movements in deferred tax liabilities		
Opening balance at 1 July	46,850	40,722
Change in Statement of profit or loss	35,497	6,128
Closing balance at 30 June	**82,347**	**46,850**

Notes to the Financial Statements *(continued)*

for the year ended 30 June 2023

Note 10 – Property, plant and equipment

	2023 $	2022 $
Freehold land at cost	10,365,974	10,365,974
	10,365,974	10,365,974
Buildings at cost	16,024,312	15,893,739
Accumulated depreciation	(5,632,029)	(5,215,283)
	10,392,283	10,678,456
Plant and equipment at cost	7,266,843	6,878,862
Accumulated depreciation	(5,630,658)	(5,313,324)
	1,636,185	1,565,538
Total property, plant and equipment	**22,394,442**	**22,609,968**

Movements in carrying amounts

Reconciliations of the carrying amounts of each class of property, plant & equipment at the beginning and end of the current and previous financial year are set out below:

	2023 $	2022 $
Freehold Land		
Carrying amount at beginning of financial year	10,365,974	10,365,974
Carrying amount at end of financial year	10,365,974	10,365,974
Total Buildings		
Carrying amount at beginning of financial year	10,678,456	11,084,600
Additions	130,573	9,720
Depreciation	(416,746)	(415,864)
Carrying amount at end of financial year	10,392,283	10,678,456
Total Plant and Equipment		
Carrying amount at beginning of financial year	1,565,538	1,129,940
Additions	387,982	784,883
Disposals	-	(45,358)
Depreciation	(317,335)	(303,927)
Carrying amount at end of financial year	1,636,185	1,565,538

Notes to the Financial Statements *(continued)*

for the year ended 30 June 2023

Note 11 – Right-of-use assets

	2023 $	2022 $
Right-of-use assets	3,128,954	-
Accumulated depreciation	(699,366)	-
	2,429,588	**-**

Note 12 – Intangible assets

	2023 $	2022 $
Software under development at cost	**769,430**	**533,783**

Note 13 – Trade and other payables

	2023 $	2022 $
Trade payables	54,791,495	44,297,873
Other payables	744,223	2,086,788
Amounts payable to other related parties	5,557,958	3,961,376
	61,093,676	**50,346,037**

Note 14 – Lease liabilities

	2023 $	2022 $
Current lease liabilities	1,281,844	230,035
Non-current lease liabilities	1,918,401	473,158
Total lease liabilities	**3,200,245**	**703,193**
Rental expenses relating to short term and low value leases	344,259	106,784
Interest expense on lease liabilities	113,253	21,320

Notes to the Financial Statements *(continued)*

for the year ended 30 June 2023

Note 15 – Provisions

	2023 $	2022 $
Current employee entitlements provision	1,333,793	1,248,762
Non-current employee entitlements provision	129,377	135,770
Total provisions	**1,463,170**	**1,384,532**

Note 16 – Borrowings

	2023 $	2022 $
Current		
NSW Treasury Corporation loan	-	5,939,372
Bank loan	500,000	-
Non-current		
Bank loan	5,439,372	-
Total borrowings	**5,939,372**	**5,939,372**

The NSW Treasury Corporation Loan is secured by a bank guarantee for the principal and interest amounts owing at any point in time. The loan of $5,939,372 has a variable rate and final payment was due on 30 June 2023. The Co-operative repaid the NSW Treasury Corporation loan during the year via another loan obtained from the Co-operative's bank payable 3 years from the date of funding. The bank loan is subject to annual review and the entity's right to defer settlement is conditional on compliance with covenants. Other than the repayments due over the 12 months following balance date, the loan has been classified as a non-current liability based on the conditions present at reporting date.

Notes to the Financial Statements *(continued)*

for the year ended 30 June 2023

	2023 Shares	2023 $	2022 Shares	2022 $
Share capital				
Ordinary shares				
Fully paid	324,000	648,000	293,250	586,500

Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$
30 June 2021	**Closing balance**	283,000		566,000
	Shares issued less shares redeemed	10,250	$2.00	20,500
30 June 2022	**Closing balance**	293,250		586,500
	Shares issued less shares redeemed	30,750	$2.00	61,500
30 June 2023	**Closing balance**	324,000		648,000

The Co-operative's share capital consists of the amount of shares issued to the members by the Cooperative. From time to time, existing members leave the Co-operative and new members join the Cooperative. Members who leave the Co-operative are entitled to have their share capital amounts repaid to them. New members are required to purchase shares in the Co-operative. The Co-operative's Rules (and National Law NSW) require that when a member is not presently an active member nor has been an active member at any time during the past three years, the Co-operative must declare the membership of the member cancelled and then has twelve months within which to repay to the former member the amount of the paid up value of the former member's shares. Due to the Co-operative's above obligations, the Co-operative's share capital meets the definition of financial liabilities as per AASB 9: *Financial Instruments* and hence the issued paid up capital is classified as a financial liability.

Note 18 – Building contribution and accumulated funds

	2023 $	2022 $
Members building contribution fund		
Balance at start of the year	784,095	521,313
Contributions from members	268,774	262,782
Balance at end of the year	**1,052,869**	**784,095**
Accumulated funds		
Balance at start of the year	22,573,852	20,762,098
Net profit for the year	1,628,784	1,811,754
Balance at end of the year	**24,202,636**	**22,573,852**

Notes to the Financial Statements *(continued)*

for the year ended 30 June 2023

Note 19 – Cash flow information

	2023 $	2022 $
Reconciliation of profit after income tax to net cash flow from operating activities		
Profit for the year	1,628,784	1,811,754
Depreciation and amortisation	1,433,446	719,791
Net (gain) / loss on sale of property, plant and equipment	-	(38,459)
Changes in assets and liabilities:		
- (Increase) / decrease in trade and other receivables	842,221	(728,547)
- (Increase) / decrease in inventories	(12,273,805)	(3,995,963)
- (Increase) / decrease in current tax assets	124,964	(767,704)
- (Increase) / decrease in deferred tax assets	(1,596,909)	(127,237)
- (Decrease) / increase in deferred tax liabilities	35,497	6,128
- (Decrease) / increase in trade & other payables	10,747,639	3,731,213
- (Decrease) / increase in provisions	78,641	245,845
Net cash flow from operating activities	**1,020,478**	**856,821**

Note 20 – Auditor's remuneration

	2023 $	2022 $
Grant Thornton		
Audit of financial statements	68,500	62,000
Other services	7,500	-
	76,000	**62,000**

Notes to the Financial Statements *(continued)*

for the year ended 30 June 2023

Note 21 – Related party transactions

(a) Key management personnel remuneration

	2023 $	2022 $
Directors' fees	106,723	117,328
Other key management personnel compensation	2,168,921	1,961,166

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel. Key management personnel of the Co-operative include the Directors, the CEO and the Executive team.

The Directors or their related private businesses may be members of the Co-operative and transact with the entity on arm's length commercial basis.

(b) Independent Liquor Group Distribution Co-operative Ltd (ILGD)

Independent Liquor Group Distribution Co-operative Ltd is a related entity of the Co-operative due to the common membership and Directorship of the two entities. There is interdependency between the two entities and the relationship between them is governed via an agreement. Shown below are the transactions and balances with (ILGD).

	2023 $	2022 $
Operating transactions		
Sales of goods	497,602,479	414,647,262
Income from management fee	2,138,316	1,791,401
Income from rental or motor vehicles, equipment, and premises	66,012	66,012
Payments for management fee	4,683,583	2,180,413

Receivables

The aggregate amounts receivable from ILGD at balance date are:

	2023 $	2022 $
Trade receivables	13,807,105	16,719,962
Other receivables	1,638,756	898,298
	15,445,861	**17,618,260**

Payables

The aggregate amounts payable to ILGD at reporting date are:

	2023 $	2022 $
Other payables	**5,557,958**	**3,961,376**

Notes to the Financial Statements *(continued)*

for the year ended 30 June 2023

(c) Company secretarial fees

In the prior year the year, the Co-operative had the following transactions with the previous Company Secretary and related entities. The amount for 2022 was the transactions with previous Company Secretary who was a Contractor to the Co-operative. Since October 2021, ILG has employed a full time Company Secretary. The remuneration of the in-house Company Secretary was paid by Independent Liquor Group Distribution Co-operative Ltd.

	2023 $	2022 $
a) Company secretarial fees	-	56,182

(d) Transactions with director related entities

The Co-operative had the following transaction with director related entities.

	2023 $	2022 $
a) Other transactions - event sponsorship	25,000	5,500

(e) Other related party transactions

The Co-operative had the following transaction with other related party transactions.

	2023 $	2022 $
a) Other transactions - Forte Information Solutions	49,816	38,557

Forte Information Solutions Pty Ltd is an entity controlled by the spouse of CEO, Paul Esposito, and in which the CEO has a minority interest. This vendor provides full customer relationship management (CRM) services and tools specifically designed for the liquor Industry. The company was initially engaged in 2014 and in September 2020, the Company renewed a further contract term of three-years with ILG.

All related party transactions are on normal commercial terms.

Note 22 – Commitments

	2023 $	2022 $
Lease commitments		
Non-cancellable operating leases – future minimum lease payments		
Within one year	92,419	26,582
Later than one year but not later than 5 years	131,486	7,596
Later than 5 years	-	-
	223,905	34,178

Notes to the Financial Statements *(continued)*

for the year ended 30 June 2023

Note 23 – Contingent liabilities and assets

The Co-operative's assets are secured against the $5.9m Bank Loan this Co-operative has with the Commonwealth Bank of Australia and the $23m Bank Finance Facility of its sister cooperative, The Independent Liquor Group Distribution Co-operative Ltd.

The entity's assets are provided as security for the guarantee from Commonwealth Bank of Australia. The balance guaranteed by Commonwealth Bank of Australia at year end was $6,050,000 (2022: $7,030,000).

The securities above are by fixed and floating charge over all their assets and uncalled capital of the Co-operative and a mortgage over its land and building.

As indicated in Note 1 (b) the entity and the Independent Liquor Group Distribution Co-operative Ltd have provided each other letters of financial support indicating they will each provide the other with the necessary financial support to enable the other entity to continue as a going concern and meets its debts and the debts of both combined entities as and when they fall due for a period not less than 12 months from the date of the signing of this financial report (which is dated the same day as Distribution's annual financial report for the year ended 30 June 2023).

The Independent Liquor Group Suppliers Co-operative Ltd ("Suppliers") has a contingent liability as a result of a legal matter unrelated to trading activities. The extent of the contingency is uncertain and maybe material in addition to the amount provided in the financial statements. The contingent liability could potentially be off-set to a degree by a contingent asset, represented by a cross-claim against the other party. Given the commercial nature of the matter, further detail has not been disclosed. The Directors consider any potential exposure from the contingency can be managed within existing operating cash flows.

Note 24 – Events subsequent to reporting date

No matters or circumstances have arisen since 30 June 2023 that have significantly affected or may significantly affect the Co-operative's operations.

Registered office and principal place of business

16 Tyrone Place
ERSKINE PARK NSW 2759

(SUPPLIERS) CO-OPERATIVE LIMITED

independent liquor group

16 Tyrone Place Erskine Park NSW 2759
Phone 02 9675 8400 **Fax** 02 9834 1857
Web www.ilg.com.au **Email** ilg@ilg.com.au