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AUSTRALIAN VINTAGE LTD

2022 ANNUAL REPORT



Contents

Board of Directors	2
Chairman and Chief Executive Officer's Report	4
Company Profile	9
Sustainability Report	12
Corporate Governance Statement	15
Shareholders' Information	30
Directors' Report	32
Declaration of Independence	55
Independent Audit Report	56
Directors' Declaration	63
Financial Report	
Consolidated statement of profit or loss and other comprehensive income	65
Consolidated statement of financial position	66
Consolidated statement of changes in equity	67
Consolidated statement of cash flows	68
Notes to the Financial Statements	69

As a company so reliant on our environment and natural resources, we at Australian Vintage Limited are proud to produce our 2022 Annual Report on Carbon Neutral and 100% recycled paper.

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TEMPUS
TWO

LIGHTEN UP
PROSECCO

LOWER ALCO.
REDUCED

Australian Vintage Board of Directors



RICHARD DAVIS

Chairman

Mr Davis is Chairman of Monash IVF Group Limited and a non-executive director (and previously CEO) of InvoCare Limited where he spent almost 20 years growing and managing the business. Mr Davis holds a Bachelor of Economics and has a background in venture capital and as an accounting partner for a leading national accounting firm.

Mr Davis has been a non-executive director of the Company since 2009 and currently holds the position of Chairman of Australian Vintage Limited.



CRAIG GARVIN

Chief Executive Officer

Mr Garvin was appointed as Chief Executive Officer and Executive Director in November 2019. He has extensive FMCG experience, having spent nine years as the Australian CEO of global dairy business Parmalat, overseeing some of the country's most-recognised brands, including Pauls, Oak and Vaalia. Prior to his time at Parmalat, Mr Garvin worked in the gaming industry, spending three years as the Managing Director of Star City Casino. His consumer goods and retail experience also includes executive positions at Campbell Arnott's, where he was the General Manager and six years in senior leadership roles at Lion Nathan.



JOHN DAVIES

Non-Executive Director

Offering the board both industry and financial experience, Mr Davies is a Fellow of the Institute of Chartered Accountants and has had a 36 year career with Ernst & Young. Mr Davies was elected to Ernst & Young's Asia Pacific Board of Partners for a six year period until his retirement from the firm in 2011. During his career, Mr Davies provided professional services to many of Australia's leading wine companies, and he also owns a 150 acre vineyard in Heathcote, Victoria.

Mr Davies is Chairman of the Audit Committee and member of the Risk and Sustainability Committee.

**NASEEMA SPARKS AM**

Non-Executive Director

Offering the board expertise in fast growth consumer-facing businesses, Ms Sparks has strong experience at both operational and board level in marketing, branding and customer targeting, with her most recent executive career as Managing Director and Global Partner of M&C Saatchi in Australia. Ms Sparks has been a professional non-executive director since 2007, serving on boards of a diverse range of companies including ASX listed and private companies, Government statutory authorities, not-for-profit arts, health and education boards. Ms Sparks is Chair of Openmarkets Group Ltd and a director of Knight Frank Australia Pty Ltd. She is also Chair of Sydney Living Museums. Ms Sparks' qualifications include an MBA from The University of Melbourne and she is a Fellow of the Australian Institute of Company Directors.

Ms Sparks is Chair of the People, Remuneration & Culture Committee and member of the Audit Committee.

**PETER PERRIN**

Non-Executive Director

Mr Perrin brings a wealth of high level wine industry experience as a past Manager and Director of a number of large listed, private and boutique wine companies in Australia, the United States and New Zealand over a 40 year wine career that focused on sales and marketing both in Australia and overseas. Mr Perrin is a trustee and honorary life member of the Wolf Blass Foundation.

Mr Perrin is Chairman of the Risk & Sustainability Committee and member of the People, Remuneration & Culture Committee.

**JIANG YUAN (DIXON)**Non-Independent,
Non-Executive Director

Mr Yuan is the founder of www.yesmywine.com, the largest imported wine platform in the world, based in China. Well known for pioneering data analytics and an innovator in imported wines in China, Mr Yuan brings to the board considerable experience in distribution and selling of wine into that region.

Chairman and Chief Executive Officer Report



RICHARD DAVIS
Chairman



CRAIG GARVIN
Chief Executive Officer

Continued strong global pillar brand performance, premiumisation and innovation have led to increased market share in all key geographies, and margin improvement, despite global inflationary pressures.

We are pleased to present the 2022 Annual Report for Australian Vintage Limited (AVG).

Our strategic objective of putting *the consumer at the heart of everything we do* is driving innovation into new revenue streams and increasing market share for our pillar brands. We have a culture that embraces innovation, continuous improvement, and is values based.

We are well placed against our strategic imperative of making AVG a branded consumer business. Our recently released wine and spirits based drinks business has been well received providing strong indicators of growth for the future. Our collaboration with Sarah Jessica Parker on mid-strength wine is growing and we believe our innovative mid-strength wine will place AVG in a market leading position in the same way we are still the number 1 zero alcohol still wine in the UK. Our collaboration with Meatstock on The Butcher's Cellar range provides a unique offering to the low and slow BBQ movement across Australia and America.

The focus on our pillar brands has ensured market share and margin growth which is an imperative for the future improvement in shareholder return. Our pillar brands (McGuigan, Tempus Two, Nepenthe, and Barossa Valley Wine Company) have grown to 78% of our revenue, a 7 percentage point increase over the prior year, and on track to represent over 80% of our revenue. With the investment in our pillar brands our underlying gross margin has increased to 35%, well on the way to a sustainable gross margin of 40%. Our super premium and luxury brands have grown by 20% since 2019, contributing 13% to our overall revenue in 2022, and on track to grow by another 20% over the next three to five years.

Our continued investment in marketing, a consumer led approach to our brands and innovation has resulted in a strong underlying profit (before SGARA) of \$21.5 million, a 7% increase over the prior year. Our reported profit of \$17.3 million was impacted by one-off non-recurring costs related to Brexit in the UK (demurrage and stock outs impacting EBIT by \$3.7 million) and Covid lockdowns impacting our cellar doors in Australia (EBIT impact of \$0.8 million). Earnings per share at 6.9 cents per share was in line with the prior year.

We are pleased to be able to provide our shareholders with a 3.4 cents per share dividend (60% franked), representing a payout of 50% and a 26% increase on the prior year's dividend. This dividend payout sits within the dividend payout policy mentioned at the 2021 AGM of between 50%-70% and is on top of the 8.5 cents per share capital return completed in July 2021. Our total shareholder return (TSR) from 1 July 2019 to 30 June 2022 reflects an increase of 80%.

On the 11th of August, Mr Jiang Yuan (Dixon) resigned as a Non-Executive Director of the Board. We would like to thank Dixon for his contribution to AVG's strategic direction over the last 5 years and wish him success in his future activities.

Whilst AVG has world leading technology and extremely efficient assets, we would not have been able to achieve our strong result without our dedicated employees, our suppliers, our growers, and key customer partnerships. We are extremely pleased that our safety metrics are in the single digits and our employee engagement has increased to 70%, at employer of choice levels. Coupled with back-to-back recognition in the Advantage customer survey, with AVG the #2 supplier of choice in Australia and #3 in the UK, our balanced scorecard and consumer led approach to everything we do is translating to sustainable higher returns.

Sustainability and the impact we have on the people and environment around where we operate is important to us. We have released our aspiration to achieve Net Zero by 2040, to be validated by the Science Based Targets Initiative, which is an indicator of our commitment to climate action.

Overview of FY22 Result

We have delivered a 7% growth in underlying profit, despite ongoing global challenges, reinforcing the resilience driven by the execution of our strategic plan. Importantly EBITDAS margin of 16.8%, on a reported basis, is consistent with the prior year, one of peak Covid sales. Underlying EBITDAS margin is 18.5% and EBITS margin for the year was 12.8%. These results have translated into an underlying ROCE of 7.5%, consistent with the prior year, well on the way to double digits from sub 5% a few years ago.

Early in the financial year, results were impacted by the Brexit transition in the UK causing a significant amount of demurrage and stock-outs driven by labour unavailability at the UK ports, impacting EBIT by \$3.7 million. In Australia, we were continuing to deal with the Covid pandemic, where ongoing lockdowns impacted our cellar doors, reducing EBIT by \$0.8 million. We have called out both the Brexit transition in the UK and Covid shutdowns in the cellar doors as one-off non-recurring costs driven by significant external abnormal factors.

In the second half of the financial year, and the beginning of the 2022 calendar year, Russia invaded Ukraine, driving hyperinflation across the globe. Coupled with shipping delays, and less ships available significantly increasing shipping costs, we have absorbed an additional \$4.6 million of inflationary pressures into our underlying results.

The shift in pillar brand strategy over the last two years and increased marketing has resulted in strong margin improvement helping to absorb inflationary costs. Increased investment in super premium and luxury brands are expected to drive CAGR growth by 20% over the next three-to-five years. High margin product lines are showing significant growth on prior year including McGuigan Zero at 55%, Tempus Two at 20%, and Nepenthe at 31%.

Core to our strategic intent is being a global business where AVG will continue to invest in brands, despite inflationary pressures. We have significant growth opportunities in Asia and Canada that we will focus on over the next five years.

Innovation continues to be fundamental to our strategic success. Australian Vintage is world leading in no-and-low alcohol with McGuigan Zero reaching number one zero-alcohol wine in the UK and Australian markets. The recent launch of our new wine and spirits based drinks business creates a tremendous global opportunity for high margin revenue growth and leverages our operational know how and assets. We have been able to add new revenue streams with minimal capital investment, generating a positive contribution net of investment, further supporting our double-digit ROCE ambition.

Covid saw a peak in wine consumption in our key markets driven by retail purchase for home consumption. This year's brand performance is pleasing given the overall market declines in retail post lockdown and has converted to increased market share and brand performance. Australian Vintage is proud that no operational shifts were missed due to Covid and the continued care and investment in our employees has translated to higher engagement across the globe.

A review of our global supply chain and strong management focus has ensured our global finished goods inventory is aligned to longer lead time challenges related to international shipping, further supporting market share gains. At a time when the Australian wine industry is facing a significant wine surplus, Australian Vintage has successfully managed its wine inventory to be in balance with demand.

KEY HIGHLIGHTS

Pillar Brands

78%
of total revenue

Super Premium and Luxury brands increased

20%
since 2019

Reported EBITDAS margin

16.8%

Underlying Profit increased

7%

Declared dividend

3.4cps
(60% franked)

Underlying ROCE

7.5%

Australia and New Zealand

Australian Vintage achieved market share gains in both Australia (growing +5% versus the wine market growing at +3%) and New Zealand (+9% versus +5% growth for total wine). Within this market share growth, we delivered an increase in branded sales of 3%, offset by a decrease in a low margin contract processing arrangement. All four pillar brands were in growth driven by Nepenthe +30%, Tempus Two +10%, Barossa Valley Wine Company +8% and McGuigan +3%.

Towards the end of the year Australian Vintage launched its innovative drinks range and collaborations with Sarah Jessica Parker for Sevenly, through Invivo, and The Butcher's Cellar with Meatstock and The Butchers Alliance. The Spirits and Ready to Drink (RTD) segments are a \$10 billion category in Australia with margins in excess of 50%. The strategic entry into this attractive category has high potential to improve Australian Vintage's performance and help offset global inflation whilst expanding utilisation for the alcohol spun off from our no-and-low alcohol products.

The upgrade of the iconic Adelaide Hills Nepenthe cellar door is well underway and expected to be finalised in early 2023.

AVG OUTPERFORMING IN KEY MARKETS



UK, Europe and Americas

Despite industry wide supply chain issues post Brexit, the UK continues to grow market share led by McGuigan and Tempus Two. Australian Vintage's market share grew at twice the rate of the overall UK wine market which declined by 10%. In the no-and-low category the overall UK market grew by 11% with Australian Vintage products growing by over 50%. McGuigan Zero is now the number one alcohol free still wine brand in the UK.

Higher margin Tempus Two is the fastest growing Top 50 brand in the UK grocery growing at 75% over the prior period.

Australian Vintage has very strong partnerships with its global shipping partners that has maintained an industry leading service level to customers despite very challenging global supply issues.

Strong recovery continues within Canada for Australian Vintage brands and long-standing partnerships, generating growth of 26% in packaged products over the prior period.



Asia

Sales within the Asia segment have improved by 18% over the prior period driven by Taiwan, Malaysia and Singapore. Pillar brand performance was led by Tempus Two +19% and McGuigan +6%, driving a significant increase in the contribution from Asia over the prior year.

Australian Vintage has also launched the Wines of the World program broadening sales channels across Asia whilst remaining committed to the China market through a strategic partnership with COFCO, Australian Vintage's China based importer.

We see Asia as a major growth platform for the future and a great market for our premium brands. AVG is already taking steps to increase sales of our portfolio in Southeast Asia whilst building long term partnership for China growth over the coming years.



Asia ex-China
+18% VALUE

Austflavour

Austflavour is a unique proposition for Australian Vintage that leverages our world leading technology to access markets not traditionally available to a wine company. There is a significant global opportunity for this high margin, high value business. Australian Vintage's juice and concentrate division provides unique grape derived products for confectionary and soft-drinks, winemaking products, and de-alcoholised wines, utilising world leading technology.

We have been supplying grape derived products for over ten years through long term partnerships in Australia, Japan and North America.

Austflavour has delivered an improved margin percentage contribution, despite lower revenue, after exiting lower margin bulk processing arrangements. Australian Vintage is well positioned with capability and know how to leverage global demand and will continue to focus on this high margin business as a strategic priority. Assets are in place with minimal capital investment required.

Vineyards

Australian Vintage sources a majority of its grape supply from owned and leased vineyards and long-term contract supply arrangements. Our overall grape supply is well balanced despite industry wide oversupply, particularly for red wine. This year our harvest was down -9% from prior year compared to an Australian wine grape intake reduction of -13%. Australian Vintage's result was pleasing given the extreme seasonal weather conditions including frost.

With the impact on lower red grape prices from reduced exports to China, the SGARA (Self Generating and Regenerating Assets) assessment of fair value on grapes has reduced contribution by \$0.7 million over the prior year.

Australian Vintage assesses the fair value of SGARA taking into consideration actual underlying vineyard costs and contracted multi-year term rates. Spot market purchases account for less than 10% of grape supply reflecting in SGARA. This demonstrates our commitment to Australian agriculture and fair practice with our suppliers.

2022 Australian Vintage

The 2022 Australian vintage has been estimated at 1.73 million tonnes which is -13% below the record crush last year of 2.0 million tonnes and -2% below the 10-year average of 1.8 million tonnes. The reduction is equivalent to ~ 190 million litres of wine.

The loss of sales to China, which was as high as 176 million litres (approximately 240,000 tonnes) in 2018, has placed pressure on the Australian wine industry in terms of excess wine supply and reducing red grape prices. Across the industry red grape prices declined by 15% to \$707 per tonne whilst the average value of whites increased by 2% to \$548 per tonne.

AVG's position, against a backdrop of an oversupply of red wine and reducing red grape prices, is sound with wine inventory in balance with demand and with flexibility going forward in terms of grape intake.

AVG also believes in ensuring a sustainable supply chain with our growers, and the Company, is not directly impacted by what is occurring in the short term across the industry.

Balance Sheet Strength

In July 2021, Australian Vintage successfully completed a capital restructure involving the capital return of 8.5 cents per share and a 10% share consolidation.

Inventory was strategically increased to partially mitigate the impact of freight disruption on our global supply chain from Brexit. This has been further impacted by the Ukraine war and global shipping delays, resulting in an operating cash flow of \$15.4 million.

Balance sheet strength, with net debt of \$74.5 million, net debt/underlying EBITDAS of 1.5 times, gearing (Net debt/Equity) of 25% and leverage (Net debt/Net debt plus Equity) at 20%, positions Australian Vintage to take advantage of disruptive market opportunities and luxury acquisition opportunities as they arise.

AVG has facilities in place of \$106.3 million.

We have stabilised our underlying ROCE at 7.5% with ROCE well on track to achieve double digits in the long term. This positions AVG well to pursue inflationary disruption and acquisition opportunities. Our operating cash flow of \$15.4 million was impacted by our strategic decision to increase our inventory in the UK to partially mitigate the challenges presented by Brexit and global shipping delays. This along with sound marketing investment saw AVG win market share.

Strategy – “Putting the consumer at the heart of everything we do”

Putting the consumer at the heart of everything we do will see marketing and advertising expenditure continue to increase as we continue to focus on targeted brand marketing in our key markets. To support this, we will continue to invest in our cellar doors, digital technology and people talent development as we move toward world class consumer engagement. FY23 will see the completion of the major redevelopment of our Nepenthe Cellar Door in the Adelaide Hills.

The operational capability of the business is a core strength and the wine we make is world class. As we drive branded growth across our key markets and create a consumer driven business, we will ensure our customer partnerships globally continue to develop as we leverage the capital investments made. We are continuing to operate in a globally challenging environment however, our business has performed very strongly which gives us confidence moving forward, and that up until now execution of the strategic direction is providing resilience.

The changes we have put in place are starting to deliver solid results. Whilst Australia/ New Zealand and the UK have been the primary focus for growth this financial year, North America and Southeast Asia will see improved business performance over the coming years and present significant growth opportunities for us. We believe that we have put in place the right structural changes and strategy to ensure continued improvement.



**WE ARE PROUD TO HAVE ANNOUNCED OUR AMBITIOUS TARGET TO ACHIEVE
NET ZERO BY 2040 ACROSS OUR ENTIRE VALUE CHAIN, TO BE VALIDATED
BY THE SCIENCE BASED TARGETS INITIATIVE**

Sustainability

Sustainability is paramount to our success in the future. It's a critical issue but also one of the biggest opportunities of our time.

It's more than a social licence to operate, it's a value creator and key driver for innovation. Consumers want to support brands and businesses that put people and planet first and we are seeing this in the purchasing decisions of our customers. We are undertaking world-class initiatives and embedding sustainability into our DNA, with an ambition to be Net Positive in everything we do.

In an effort to take action around climate, we are proud to have announced our ambitious target to achieve Net Zero by 2040 across our entire value chain, taking a science-based approach to reduce emissions across scopes 1, 2 & 3, to be validated by the Science Based Targets Initiative.

Our approach to sustainability is a balanced one, encompassing our responsibilities across environment, social and governance (ESG). We have expanded our sustainability section within the annual report (p13) to expand on progress and aspirations in this space.

Our people are important to us and our safety LTIFR statistic for FY22 was 9, half of the LTIFR result in 2019. This improvement has been driven through global roll outs of safety essentials programs, implementation of leading Covid safe ways of operating, shift segregation and risk management. We have also launched an enhanced mental health support programme with the objective to become an accredited mentally fit workplace by FY24.

Outlook

The result for FY22 is very pleasing considering the many challenges that the Company has continued to navigate throughout the year. Our strategy will continue to focus on investing in core marketing investment and people capability to leverage our strong asset base. Our wine making knowhow and consumer led innovation is world class and is translating into potentially significant alternative revenue streams.

Continuous improvement is at the core of our culture and FY22 has seen the Company improve its underlying results significantly, operating at an underlying EBIT margin of 12.8%. Brand performance, Staff Engagement, Safety and Customer Satisfaction have all seen year on year improvement as part of our Balanced Scorecard approach. Our focus on being a responsible and balanced organisation is key to our strategic success.

Global inflation is putting pressure on input costs in all markets. In the UK, inflation coupled with record global shipping costs has seen margin erosion for all suppliers. Australian Vintage will address these challenges via continued focus on growing the higher margin branded wine and drinks business, Austflavour expansion, global brand collaborations, operational efficiencies and actively pursuing price increases.

The launch of Wines of the World enables Australian Vintage to broaden its expansion across Asia and India. Austflavour remains an important and unique growth opportunity that will grow its contribution through world leading technology and increased capability. We are reviewing non-core assets to leverage investment opportunities and accelerate our strategic plan, in an inflationary environment, whilst maintaining conservative debt levels.

Inventory was strategically increased in FY22 to mitigate global shipping delays. Inventory holdings are indexed to global shipping lead times, and as these lead times start to ease, we would expect inventory levels to decrease.

The Company's ROCE (Return on Capital Employed) has been sustained at an underlying 7.5% and in the long term we expect to achieve double digits.

Conclusion and Thanks

Our strategic agenda continues to reflect AVG's transformation into a world class branded wine company. We are creating a business where sales are consumer driven and we are investing in our people, brands, and customer partnerships globally to ensure we leverage the capital investments made over recent years. We are in a strong financial position to deliver sustainable long-term growth for our shareholders. Delivering revenue growth and margin accretion remains a high priority.

Sustainability is fundamental to AVG as we strive to be world-class in our ESG responsibilities.

We would like to thank our team for their efforts during the year, for the care they have shown each other and for the way in which they have responded in the face of the various challenges. The discretionary effort they have put in can be seen in the results and pleasingly employee engagement has increased to best employer levels of 70%.

Finally, we would like to thank our shareholders, for your ongoing investment, support and belief in this Company.

RICHARD DAVIS
Chairman

CRAIG GARVIN
Chief Executive Officer



By putting the consumer at the heart of everything we do, AVG continues to delight and inspire wine drinkers the world over. Our diversity of regions, brands, production capabilities and established winemaking pedigree has resulted in our brands being recognised and enjoyed across the globe.

Our core branded portfolio of McGuigan, Tempus Two, Nepenthe and Barossa Valley Wine Company continue to outperform the market both domestically and in key export countries. Quality, consistency, and value, along with ongoing and sustained international recognition, has resulted in our brands enjoying excellent growth globally. With significant vineyard holdings and leases across South-Eastern Australia and one of the world's most technologically advanced winemaking facilities, we pride ourselves on producing outstanding and innovative wines. This is reflected in our commitment to quality grape and wine production, the strength of our dynamic and award-winning wine brands, and the passion of the people behind them.

Leveraging our world-class assets and innovative know-how, in 2022 the company expanded into spirits and ready-to-drink cocktails to diversify our portfolio and deliver products that consumers are demanding. Developed in response to global drinks trends each brand offers a distinctive point of difference - from a world-first gin to a playful sustainable spirit and high-quality cocktail convenience.

Pillar Brands



McGuigan

With four generations and over 100 years of winemaking to draw on, the McGuigan family has dedicated their life to bringing Australia and the world some of the best wine. McGuigan's Hunter Valley roots is complemented by a progressive spirit, continuing to innovate and make the world's favourite grape varieties accessible to wine lovers across the globe. It's this point of difference that drives us to always make the best possible wine from regions around Australia, delivering unbeatable value, constantly exceeding customers' expectations at every price and every occasion.

Life's complicated – enjoying wine shouldn't be.



Tempus Two

At Tempus Two, we love everything about wine except all the stuffiness. So, our conviction is to do things a little differently from other brands. We don't follow tradition. We go beyond it. And want our drinkers to do the same; to enjoy our products any way they choose. Born with a maverick spirit in 1997, we swirl like no one's watching. We're not shackled to a single region, we're globally sourced and globally sold. Our iconic bottles blow the dust out of any old cellar and ensure our wines look as good as they taste. We make any occasion a celebration. We created a premium range of gins that capture the distinct characteristics of our leading wine varietals. This range includes the world's first Prosecco Gin, Shiraz Gin, as well as a Wild Botanical Gin. And we've even been known to serve wine out of taps. But enough about us. Pass the bubbles.



Nepenthe

Nepenthe is situated in the cool climate, high altitude and picturesque Adelaide Hills region in South Australia. Established in 1994, the brand is driven by the vision to become one of the region's benchmark wineries, known for producing premium wines that showcase the unique nature of our home. We adopt a minimal intervention mentality, believing good wine is made in the vineyard. We source from a variety of sites throughout the region to achieve complexity and maintain quality in our wines. Never one to rest on our laurels we are constantly exploring new vineyards and techniques to capture the essence of our microclimates and varieties. Created at the hands of master craftsmen, Nepenthe wines are vibrant, fresh and textural.



Barossa Valley Wine Company

The Barossa Valley Wine Company was established in 2001 with the sole purpose of hand-crafting the very best expressions of the Barossa Valley. Our vision is to create a unique portfolio of wines that leverages the strength and authority of the Barossa region. Despite being a relative newcomer to the region, Barossa Valley Wine Company has become firmly entrenched in the wine drinking community. In fairness, we have the perfect name – The Barossa Valley Wine Company – which provides the ideal platform on which to develop a fine portfolio of wines and a strong Barossa brand.

The Barossa region needs little introduction. It's widely recognised as the most prestigious wine region in Australia and well-known across the globe for its powerful yet elegant wines. Our home is The Farms, which sits right in the cooler southern region of the Barossa Valley, not far from the small hamlet of Lyndoch. An area often referred to as the 'dress circle' of the Barossa.

Drinks Brands



Rescued Spirit Co

A sustainable and playful brand that ‘rescues’ citrus fruits from local producers in the Murray Darling to give them a second lease on life. This range of fresh and flavourful gins and vodkas is available in lemon and lime peel, or orange peel flavour, and the best part? It does the planet a favour. Pour over ice and add tonic or soda. No need to add fruit as this gin is already bursting with real citrus flavour.



Mr Stubbs

Mr Stubbs is your quirky, moustached mixologist. Hosts with the most can relax, he is here to help you raise the bar with a range of no-fuss, bar-worthy ‘ready to drink’ cocktails that are so like the real deal, even your fancy friends will be impressed. Simply shake and serve these cocktails and add a garnish right as your friends walk in!



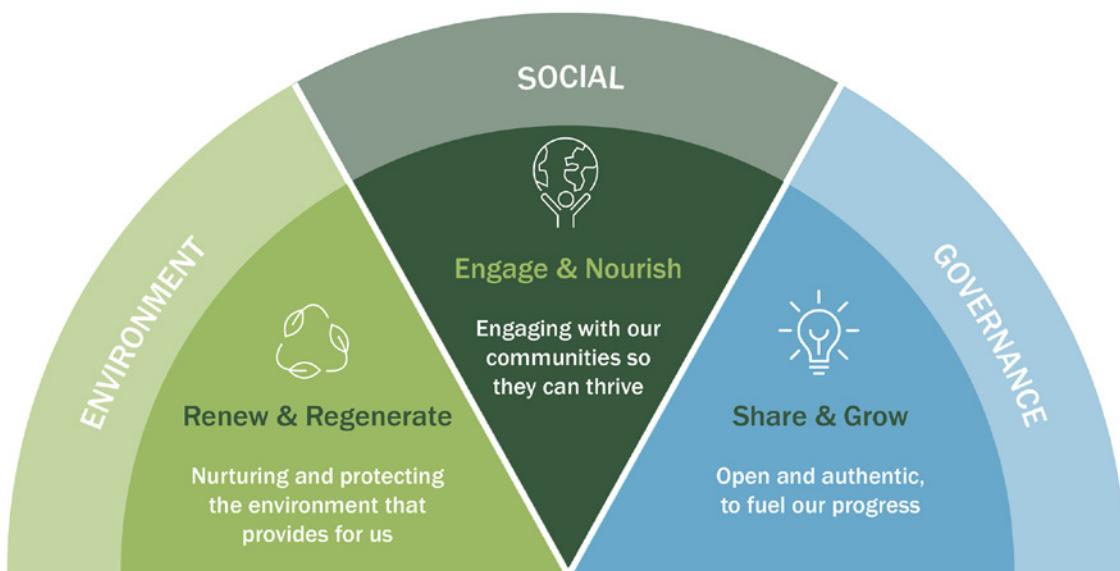
Gelato Drink Co

Inspired by that moment when you indulge in a cold, creamy gelato; Gelato Drink Co have created a range of drinks that are so close to the real thing, your taste buds will think you’re in Italy, almost. These cheeky treats are influenced by the traditional processes of crafting gelato; made with real cream and all natural flavours, to bring you the same velvety, smooth experience as a cold gelato but ready to pour when you are! These creamy, dreamy pleasures are so delicious, just pour over ice and you’ll be (almost) gramming your Gelato Drink from a yacht in the Amalfi.

WE ARE COMMITTED TO BUILDING A MORE RESPONSIBLE,
SUSTAINABLE AND INCLUSIVE ORGANISATION THAT ALLOWS
PEOPLE AND PLANET TO THRIVE.



Our Buronga Hill winery and Merbein packaging facility
are powered by **100% wind and solar**



SUSTAINABILITY REPORT

AVG is on a journey towards becoming Net Positive - a new way of doing business which puts back more into society, the environment and the global economy than it takes out.

With an ESG (environment, social, governance) strategy “*to create good times for our future*”, AVG’s three strategic priorities are to: *renew and regenerate our environment; engage and nourish our people and communities; share and grow as an impactful business*. We are committed to building a more responsible, sustainable and inclusive organisation that allows people and planet to thrive.

During FY22, the organisation utilised globally recognised frameworks and partnerships to design a business fit for the future. We are proud to be taking a science-based approach to environmental sustainability, a human-centric approach to social impact and harnessing the power of partnerships to drive progress and authenticity.

Social and environmental impact is now creating a balanced approach to planning and reporting of the business strategy, with the appointment of a Sustainability Management team and supported by the Board and Executive Committee.

Environment – Renew & Regenerate

Climate action towards true zero

Climate change is a significant threat to the planet and AVG is making ambitious plans for climate action, taking responsibility for our role in avoiding global warming of 1.5C above pre-industrial levels.

In FY22, AVG undertook a detailed greenhouse gas (GHG) assessment, measuring emissions across scopes 1,2 and 3 from a base year of 2021. This best practice climate science approach (following the guidelines of the Science Based Targets Initiative) has informed the setting of high-level targets and emission interventions across material impact areas.

AVG is committed to reducing absolute scope 1, 2 and 3 emissions 90% by 2040 from a 2021 base year according to the Net-Zero Standard.

On the journey towards achieving these targets, AVG has set a near-term target to reduce absolute scope 1 and 2 emissions 42% by 2030 and scope 3 emissions 52% within the same timeframe.

Emission interventions within the Net Zero roadmap include 100% transition to renewable energy sources, addressing downstream transportation emissions and innovating around sustainable packaging solutions. Due to the significant scope 3 emissions levels of the organisation, a thorough analysis of purchased goods and services suppliers will be undertaken in FY23 to inform a sustainable procurement policy and process.

Sustainable winegrowing practices

As an agribusiness dependent on the natural environment, it is a business priority that the land, soil and water that forms the ecosystem around AVG is resilient and can thrive into the future. Sustainable winemaking is a key component of the *renew and regenerate* pillar and will be a focus for FY23, with viticulture, winemaking and production teams completing certification training with Sustainable Winegrowing Australia (SWA). Each site certification with SWA considers the environmental elements around winemaking including water, energy, biodiversity, land and soil, waste and people and business.

Renewable energy to power us

Building on a foundation of existing solar and wind production at selected sites, AVG is on the path to becoming 100% powered by renewable energy sources by 2024. With the Buronga Hill winery and Merbein packaging facility already being powered by 100% wind and solar, this is an opportunity to expand across all other production and office sites.

The Nepenthe cellar door - currently under refurbishment - is incorporating 30 kW solar panels and 30kW battery storage on the roof of the building which will power the site, alongside an electronic vehicle charging station available for visitors’ use.

Packaging for a circular future

In alignment with strategic priorities, AVG is a signatory of the Australian Packaging Covenant Organisation (APCO), a collective commitment to achieving the 2025 Australian Packaging Targets. The APCO commitment supports the transition to materials that can be reused and recycled, removing problematic packaging entirely from the supply chain and working towards a circular economy model.

As part of this commitment, a full audit of all packaging and materials across the AVG supply chain will commence in FY23, alongside compulsory annual reporting requirements to the organisation.

Social – Engage & Nourish

AVG's strategy is to put people at the heart of everything we do, therefore the health and happiness of employees and the people and communities surrounding the organisation is of the highest importance.

Employee health & wellbeing

Employee health and wellbeing are a priority for our most important asset – our people – and a focus on the path to becoming an employer of choice. Recently added benefits include sabbaticals, superannuation payments on parental leave and mental health training for managers, increasing engagement levels to 70% in the past year and landing AVG in the top quartile of Australian businesses.

Community engagement

As a significant employer in regional Australian areas of Buronga Hill / Mildura, Adelaide Hills and Hunter Valley, AVG is looking to increase engagement and support of these communities through employment, local investment and give back programs.

Responsible enjoyment of alcohol

AVG is taking a leadership role in responsible enjoyment of alcohol by developing no-and-low alcohol products that support moderated consumption such as market-leading McGuigan Zero, Tempus Two Zero, Lighten Up and a strategic partnership with Sarah Jessica Parker and Invivo on the low-alcohol range Sevenly.

In an effort to promote education, awareness and partnerships to reduce alcohol-related harm, AVG is a contributor to industry group, DrinkWise. Annual allocations fund campaigns to inform at-risk groups around the alcohol misuse as well as moderation messaging within Cellar Door and retail environments. In the United Kingdom, AVG contributes to Community Alcohol Partnerships (CAP) supporting local programs to reduce alcohol related harm in young people and driving industry awareness and support.

Governance – Share & Grow

With a renewed focus on environmental and social impact, AVG is committed to using business as a force for good, creating shared value for all stakeholders.

Diversity & inclusion

Significant progress has been made against diversity and inclusion targets in FY22, including increasing female representation to 38% globally across all levels and 30% across leadership roles. AVG also received the award for *Most Improved Gender Equality* category at the Drinks Association Awards 2022.



Responsible supply chain

AVG is dependent on many partners and suppliers across all stages of the value chain. In an effort to become a force for good in the world, we are looking to partner with like-minded partners who are aligned on a vision for a more transparent and ethical business community. Procurement is also an important factor with regard to achieving Net Zero targets by reducing Scope 3 carbon emissions. In FY23 AVG will be undertaking a full audit of suppliers and incorporate ESG objectives into the tender process going forward.

Measurement, reporting & transparency

To measure progress and address challenges, AVG is embracing best practice guidelines to create a strong foundation for improvement, with an intention to report progress using the GRI Standards and TCFD (task force for climate related financial disclosures).

AVG is beginning to incorporate climate-related financial disclosures into reporting according to the TCFD framework, including disclosure of scopes 1, 2 and 3 emissions and setting absolute reduction targets across each scope.

AVG's balanced approach to serving people and planet alongside profits is the first part of our journey towards becoming NET POSITIVE in everything we do. We will continue to build on our roadmap in FY23 to drive change in the areas we feel we can make the most impact.

Approach to corporate governance

Meaning of Corporate Governance

The ASX Recommendations define corporate governance as the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled within corporations. It encompasses the mechanisms by which companies and those in control are held to account.

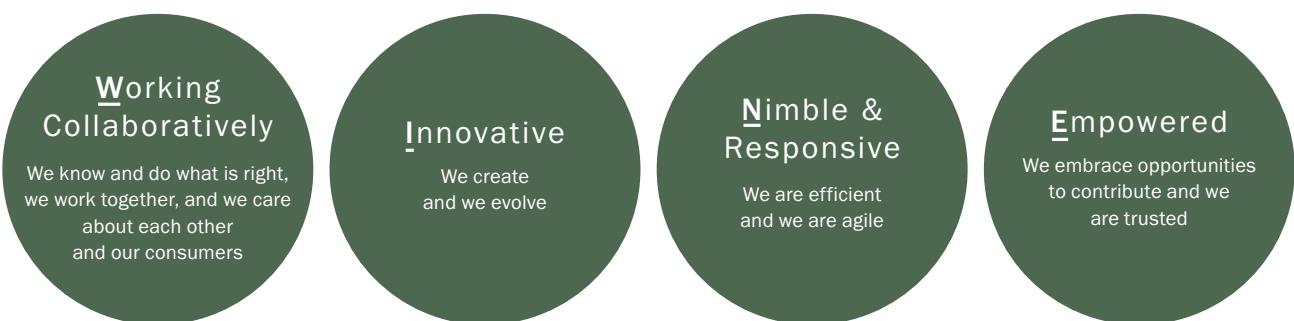
Importance

Australian Vintage Limited (**Company**) recognises that good corporate governance underpins sustainable business performance and enhances long-term shareholder value.

Responsibility

Whilst the Board is responsible for establishing and maintaining the corporate governance framework of the Company, good corporate governance practices are also the responsibility of the CEO, CFO, Company Secretary and the Executive Committee, all working together to embed a culture aligned with the following Company values:

OUR VALUES



For more information on the Company's values and behaviours, see the Remuneration Report within this Annual Report.

ASX Governance Recommendations

Following a full review of its corporate governance systems and policies, the Company's corporate governance practices have, in the opinion of the board of directors of the Company (**Board**), complied with the fourth edition of the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council (**ASX Recommendations**), for the period ended 30 June 2022.

This statement describes the key corporate governance policies and practices of the Company.

Board of directors

Role and responsibilities of the board

The role of the Board is to provide overall strategic guidance and leadership for the Company and effective oversight of management.

The Board Charter sets out the division of responsibilities between the Board and management and the framework for the operation of the Board as well as membership of the Board.

The primary responsibilities of the Board include:

Leadership, Culture and Values	<ul style="list-style-type: none"> • demonstrating leadership • defining the Company's purpose • approving the Company's statement of values and Code of Conduct to underpin the desired culture within the Company • monitoring compliance with the Code of Conduct • actively promoting ethical and responsible decision-making
Nomination and Appointment	<ul style="list-style-type: none"> • appointing the Chair of the Board, CEO, CFO and Company Secretary • recruitment of new directors, including evaluating the balance of skills, knowledge and experience, independence and diversity on the Board • oversight of the performance evaluation process of the Board, its committees and individual directors • succession planning for the Board, CEO and senior executives
Strategy and Performance	<ul style="list-style-type: none"> • providing input into and final approval of management's development of corporate strategy and strategic performance objectives • overseeing management in its implementation of the Company's strategic objectives • satisfying itself that the Company has in place an appropriate risk management framework (for both financial and non-financial risks) • setting the risk appetite within which the Board expects management to operate • satisfying itself that the Company's remuneration policies are aligned with the Company's purpose, values, strategic objectives and risk appetite
Audit	<ul style="list-style-type: none"> • appointing and monitoring the external auditor • assessing whether the external auditor's provision of non-audit services impairs or appears to impair their judgment or independence • ensuring receipt of the CEO and CFO declarations required by law
Stakeholders and ESG	<ul style="list-style-type: none"> • establishing and monitoring policies governing the Company's relationships with other stakeholders and the broader community • establishing and maintaining environmental, social, governance, employment and occupational, health and safety policies • overseeing compliance with other regulatory and statutory requirements

Management is responsible for all other aspects of the management of the Company which are not reserved to the Board or Board committees. This includes the management and operation of the Company on a day-to-day basis, implementing the Company's strategic objectives, instilling and reinforcing the Company's values, operating within the values, Code of Conduct, budget and risk appetite set by the Board and providing the Board with accurate, timely and clear information on the Company's operations, financial performance, compliance with material legal and regulatory requirements and any conduct which is materially inconsistent with the values or Code of Conduct.

Further information can be found in the Board Charter available at <https://www.australianvintage.com.au/investors/corporate-governance/>.

Composition of the board

The Board comprises a majority of non-executive Directors where the Chairman of the Board is a non-executive, independent Director and not the Chief Executive Officer.

Details of the current directors of the Board are set out below. Each of these directors served during FY22.

Director	Position	Independent
Richard Davis	Chairman, Non-Executive Director	Yes
Naseema Sparks	Non-Executive Director	Yes
John Davies	Non-Executive Director	Yes
Peter Perrin	Non-Executive Director	Yes
*Jiang Yuan	Non-Executive Director	No
Craig Garvin	Chief Executive Officer, Executive Director	No

* Resigned with effect from 11 August 2022

The terms of office held by each Director and remuneration information is detailed in the Director's Report included in this Annual Report.

Directors are appointed in accordance with the Company's Constitution. In terms of election:

- one-third of the Board is required to retire at each Annual General Meeting (AGM) and may stand for re-election. The directors to retire will be those who have been longest in office since their last election, noting that directors must retire three years since their last election;
- a director who has been appointed by the Board to fill a casual vacancy is required to retire and stand for election by the shareholders at the next AGM; and
- the Managing Director is not required to stand for election/re-election as the position of Director is linked to an executive office.

Board skills

Members of the Board have been brought together to provide a blend of qualifications, skills and experience required for managing a company operating in the wine industry. Taking into account the current and future strategic direction of the Company, the Board regularly reviews the current and desired skills and experience of individual directors and the Board as a whole.

A summary of the key skills and experience, collectively across the Board, is set out in the following skills matrix:

GENERAL DIRECTOR SKILLS / EXPERIENCE	SKILL/ EXPERIENCE	SUMMARY	DIRECTORS WITH SKILL/EXPERIENCE
AVG STRATEGIC THEMES	Wine Industry Experience	Good working knowledge of the structure, operations and opportunities in the Australian wine industry	
	Retail & FMCG Experience	Experience in the retail and fast moving consumer goods (FMCG) industry, particularly in the alcohol industry, including an in-depth knowledge of merchandising, product development, exporting, logistics and customer strategy	
	Mergers & Acquisitions	Experience in M&A including implementation advisory	
	Marketing	Experience in promoting a product or service or building brands	
	Innovation	Experience in developing new ideas for the purpose of gaining social or economic value	
	Digital Technology	Expertise and experience in adopting new digital technologies or implementing technology projects, and digital disruption, leveraging digital technologies or understanding the use of data and data analytics	
	International Business	International business experience and exposure to different political, cultural, regulatory and business environments	
	Sustainability	Skills or experience in understanding/improving sustainability initiatives in companies	
GENERAL DIRECTOR SKILLS / EXPERIENCE	Governance	Experience serving on boards in diverse industries and for a range of organisations. An awareness of global practices and trends. Experience in implementing high standards of governance in a large organisation	
	Strategic Planning	Experience defining strategic objectives, assessing business plans and driving execution in organisations	
	Financial	Experience in financial accounting and reporting, internal financial and risk controls, corporate finance and/or corporate transactions, including ability to probe the adequacies of financial and risk controls	
	People & Culture	Experience monitoring a company's culture, overseeing people management and succession planning, and setting remuneration frameworks	
	Work Health & Safety	Experience of understanding/instilling a safe work culture	
	Risk Management	Experience in recognising and managing risks which have the potential to impact business objectives and reputation	

The experience, expertise and period in office of each Director are detailed in the Director's Report included in this Annual Report.

Board independence

The Board has adopted the definition of independence set out in the ASX Recommendations.

The Board assesses the independence of each Director, having regard to:

- any disclosures made by Directors regarding their independence;
- the definition of independence set out in the ASX Recommendations;
- the relationships affecting the independent status of a Director as described in the ASX Recommendations; and
- any other matters the Board considers relevant.

Each Director's independence is assessed by the Board on an individual basis, having regard to the above and focussing on an assessment of each Director's capacity to bring independence of judgement to Board decisions. In this context, Directors are required to promptly disclose to the Board their interests in contracts, family ties and directorships which may be relevant in considering their independence.

The Board has reviewed the position and relationships relevant to each of the Directors in office and with the exception of the CEO and Jiang Yuan, considers that all non-executive Directors are independent. Although Richard Davis has served on the Board for a number of years, the other Directors have determined on balance that his independence remains uncompromised. Jiang Yuan was classified as a non-independent director due to his directorship of Vintage China Fund, a substantial shareholder of the Company. Noting that Jiang Yuan has resigned with effect from 11 August 2022.

Other board information

Board selection and appointment

The Company's aim in determining Board membership is to create a Board with the appropriate balance of skills, knowledge and experience, independence and diversity to ensure it can properly fulfil its duties.

New Directors are nominated by the Board through the processes set out in the Board Charter. For independent non-executive directors, nomination follows a search process to identify suitably qualified candidates. Where appropriate, this is undertaken by an independent service provider. New Directors are invited to become members of the Board on the basis of a majority vote of Directors. Consideration is given to Director's experience and qualifications with a view to ensuring effectiveness and an appropriate balance of skills.

In relation to appointing a new director, or putting forward to shareholders a candidate for election, the Company will verify via appropriate independent checks that any new proposed director is capable of holding a position as a director and is a fit and proper person for that purpose.

In addition, the Company will continue to provide shareholders with all material information in its possession relevant to a decision whether or not to elect or re-elect a Director.

The Company has written agreements in place with each Director and Senior Executive setting out the terms of their appointment.

Director induction

All newly appointed Directors will participate in an induction program, which includes provision of information relevant to their new role, attendances at key sites and introductions to key staff. This induction includes briefings on the Company's business, strategy, financial, operational and risk management matters, and factors relevant to the industry in which the Company operates.

Performance review of board, committees and directors

The Company has a range of processes in place relating to performance evaluation of the Board, the Board Committees and individual directors.

The process of evaluating the performance of the Board as a whole is the responsibility of the Board under the direction of the Chairman.

The evaluation of Board performance involves review and discussion of Board effectiveness, including a review of:

- Board papers, minutes and conduct of Board meetings;
- strategic planning, monitoring business performance and risk management;
- Board culture and commitment to vision and strategy;
- relationship with management;
- Board structure and skills mix; and
- interactions with external stakeholders.

Board reviews are conducted annually utilising a confidential questionnaire completed by the Board and senior executives. Responses are collated by the Company Secretary and discussed by the Board.

Individual director performance is assessed annually, by means of:

- self-assessment survey;
- peer review survey; and
- one-on-one interview with the Chairman.

Individual director reviews assess:

- director skills and experience;
- support for Company vision values and contribution to setting the tone at the top;
- acting in the best interests of the company;
- active participation in board meetings; and
- embodiment of Company behaviours including being a role model for integrity, respect, courage, collaboration, resilience and trust.

Board Committee Charters provide for periodic Committee performance reviews. These reviews generally take place annually and utilise a confidential questionnaire completed by members of the Committee and relevant management to guide discussion of performance. Where necessary, recommendations are made to the Board for improving the effectiveness of the Committee.

The Board undertakes a review of the performance of the Chief Executive Officer each year against the balanced scorecard. The balanced scorecard targets consist of a number of key performance indicators covering both financial and non-financial measures of performance. Non-financial measures include items such as safety and employee engagement, as well as related organisational behaviours that impact culture and performance. The specific balanced scorecard targets for FY22 are set out in the Directors' Report enclosed in this Annual Report.

These reviews have been conducted in relation to FY22 in accordance with the relevant processes.

Director professional development

The professional development needs of existing directors is periodically reviewed as part of the Board and individual director evaluation process occurring annually.

It is also reviewed when Committee responsibilities are changed, for example the change from the Remuneration Committee to the People, Remuneration and Culture Committee and the Risk Committee to the Risk and Sustainability Committee.

Company Secretary

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

Details of the qualifications of the Company Secretary are set out in the Directors' Report enclosed in this Annual Report.

Committees

Establishment of committees

The Board has three standing committees to assist in the discharge of its responsibilities. These are the:

- Audit Committee;
- Risk and Sustainability Committee; and
- People, Remuneration and Culture Committee.

As and when required, the Board establishes special purpose sub-committees to give detailed consideration to specific matters and report back to the board with recommendations.

Purpose and responsibilities of committees

Each Board committee has a committee charter, detailing its purpose and responsibilities (Charter). A summary is set out below. Each Charter is reviewed annually to ensure it aligns with best practice and evolving regulatory requirements.

The committee Charters can be viewed at <https://www.australianvintage.com.au/investors/corporate-governance/>.

Audit Committee

Composition

The Audit Committee comprises three members, all of whom are non-executive directors and independent. The Audit Committee is chaired by an independent, non-executive director who is not the Board Chairman.

Membership

The current members of the Audit Committee are:

- John Davies (Chairman)
- Richard Davis
- Naseema Sparks

Details of the qualifications of Audit Committee members and their attendance at committee meetings throughout the financial year are detailed in the Directors' Report enclosed in this Annual Report.

Purpose and responsibilities

The nomination and review of existing audit arrangements is undertaken by the Audit Committee. The Audit Committee addresses issues surrounding the integrity of financial information presented to the Board and shareholders, including the review of external auditor engagements and internal financial reporting policies and controls.

The Audit Committee is responsible for reviewing the consistency of the Company's internal accounting policies on a year-to-year basis as well as compliance with relevant accounting standards and legislation. The Audit Committee is also responsible for reviewing the processes and controls for the identification and management of financial risks.

The Audit Committee advises the Board and makes recommendations in relation to policy and procedures and application of principles of Corporate Governance. The Committee addresses issues of proper Corporate Governance procedures and practices in order to ensure that the Company maintains the highest integrity and best practice with respect to such matters.

The Audit Committee generally invites the Chief Financial Officer and external auditors to attend Audit Committee meetings.

The Audit Committee or its Chairman meets formally with the Board at least twice a year to discuss the relationship with external auditors, the Company's financial reporting and any other matters of relevance called upon by the Board or the Chairman of the Audit Committee for discussion.

Risk and Sustainability Committee

Composition

The Risk and Sustainability Committee comprises three members, all of whom are non-executive directors and independent. The Risk and Sustainability Committee is chaired by an independent, non-executive director who is not the Board Chairman.

Membership

The current members of the Risk and Sustainability Committee are:

- Peter Perrin (Chairman)
- Richard Davis
- John Davies

The attendance of committee members at each committee meeting during the financial year is detailed in the Directors' Report enclosed in this Annual Report.

Purpose and responsibilities

The Committee is established by the Board to support and advise the Board in relation to material and emerging risks that may impact the Company meeting its corporate objectives and vision, delivering shareholder returns, and its reputation and standing in the community.

Key responsibilities of the Committee include:

- Overseeing the effectiveness of the Company's risk management framework, and making recommendations in respect of the development and embedding of the risk management framework and risk appetite to the Board;
- Assisting the Board with the monitoring and review of the Company's risk culture;
- Reviewing, monitoring and approving the Company's sustainability strategy and providing advice to management on associated implementation plans and other issues that may impact the Company's sustainability;
- Approving policies and initiatives that ensure best practice risk management, reflect stakeholder expectations and influence the Company's reputation as a responsible and sustainable organisation; and
- Reviewing and monitoring the Company's compliance with legal and regulatory obligations, internal policies and industry standards.

Further detail about the Committee's role in overseeing the effectiveness of the Company's risk management framework is set out below under the heading Risk Framework.

People, Remuneration and Culture Committee

Composition

The People, Remuneration and Culture Committee comprises three members, all of whom are non-executive directors and independent. The People, Remuneration and Culture Committee is chaired by an independent, non-executive director who is not the Board Chairman.

Membership

The current members of the People, Remuneration and Culture Committee are:

- Naseema Sparks (Chair)
- Richard Davis
- Peter Perrin

The attendance of committee members at each committee meeting during the financial year is detailed in the Directors' Report enclosed in this Annual Report.

Purpose and responsibilities

The Company recognises that its people are its primary asset and valuable brand ambassadors and that a values-driven culture underpins sustainable business performance and positive engagement within the Company's stakeholder community.

Key responsibilities of the Committee include:

- promoting a culture of lawful, ethical, sustainable and responsible behaviour, which supports the Company's strategic vision and objectives;
- providing a safe, harmonious and supportive environment for the Company's people in order to attract and nurture a diversity of high-performing and emerging talent;
- ensuring that the Company talent pool is remunerated fairly, responsibly and in line with shareholder expectations; and
- fulfilling the Company's statutory, fiduciary and regulatory responsibilities in relation to remuneration and associated employee matters.

Remuneration policies and practices

The Company has developed a Remuneration Policy which describes the Company's remuneration policies and the rationale behind them. The Remuneration Policy is available at <https://www.australianvintage.com.au/investors/corporate-governance/>.

The Company's Remuneration Policy is reviewed annually by the People, Remuneration and Culture Committee.

Particulars concerning Director and Executive remuneration and the Company's performance rights and option plan are set out in notes to the financial statements and the Remuneration Report.

Non executive directors do not receive any performance-based remuneration and are not paid any retirement benefits other than superannuation. The Company has a policy that participants in the AVG Performance Rights and Option Plan are specifically prohibited from hedging the exposure to the Company's share price during the vesting period in respect of their unvested options or performance rights. This prohibition is reflected in the terms of the letter of offer to participate in the Plan.

For more information on the Company's remuneration, see the Remuneration Report within this Annual Report.

Approach to diversity and inclusion

Diversity and inclusion

At Australian Vintage we recognise that an inclusive culture which embraces diversity is integral to our continuing success. The Company is committed to supporting a diverse workplace and has implemented a group-wide Diversity Policy. The details of the Policy are available at <https://www.australianvintage.com.au/investors/corporate-governance/>.

In accordance with its Diversity Policy, the Board has adopted measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally. Executive Committee members are required under the Company's Diversity Policy to monitor and report annually to the People, Remuneration and Culture Committee of the Board on the progress and effectiveness of these objectives.

In relation to the constitution of the Board, the Company has a number of initiatives in place to meet its strategic imperative of ensuring the Company has a diverse Board and to achieve its measurable objective regarding Board diversity. These include:

- ensuring a diverse range of qualified candidates is considered for Board appointments;
- evolving a Board skills matrix and using the matrix to identify any gaps in the experience, skills and background, including gender and diversity generally, of Directors of the Board; and
- the use of professional intermediaries (such as external search firms) to identify and assess qualified candidates.

The Board will continue to review its structure and membership to ensure that it meets operational requirements and to continue to improve Board diversity in the future.

FY22 objectives and results

The objectives for diversity for FY22, along with outcomes achieved are as follows:

Workplace Diversity Objective FY22	Workplace Diversity Outcomes FY22
Strategy <ul style="list-style-type: none"> Continue to drive and bring to life the gender objectives and strategies outlined in the Company's Diversity Policy. Continue to communicate the Company's diversity agenda to the business and actively promote its benefits. Continue to build a safe and inclusive culture where employees act in line with the Company's values and behaviours. Deliver a diversity education programme for all employees. 	<ul style="list-style-type: none"> Creation of behavioural framework embedded from recruitment all the way through to performance management using inclusive behaviours to ensure a safe and constructive working culture for all employees. Continuous communication and measure of diversity and inclusion through annual engagement survey with local action plan follow ups. Global diversity and education programme launched in FY22, inclusive of specific executive and senior management sessions, with UK employees being the first to complete.
Stakeholder Management <ul style="list-style-type: none"> Actively promote the Company's diversity agenda in day to day activities with management to achieve buy in and to integrate into the Company's culture. Undertake unconscious bias training. 	<ul style="list-style-type: none"> Diversity agenda promoted through annual engagement survey and behavioural framework. Inclusive cultures through specialist targeted diversity and inclusion training program via external provider, UK employees first to complete. Unconscious bias coaching provided to management via recruitment best practice training.
Gender Composition <ul style="list-style-type: none"> The Company is targeting 30% female representation across all levels by 2023, and specifically aims to: <ul style="list-style-type: none"> increase female representation of non-executive directors to 30% by 2023; and increase female representation in leadership roles to 30% by 2023. 	<ul style="list-style-type: none"> The company has reached 38% female representation across all employee levels. Non-Executive directors remains at 20% female representation. The Company has increased to 30% female representation in leadership roles across FY22.
Talent Pipeline <ul style="list-style-type: none"> Ensure that the Company's recruitment and selection procedure reflects candidate and interview panel diversity along with equal gender candidate split where possible. Analyse talent matrix to identify female talent for mentoring/ succession planning. Implement a female senior leadership and mentoring programme. 	<ul style="list-style-type: none"> Dedicated resource responsible for educating employees on diverse and inclusive recruitment activity. This also includes ensuring where possible 50/50 gender split at interviews. Robust global annual talent management and succession planning process in place. Launched a leadership development program incorporating opportunities for female leaders to further develop and additional mentoring program to be launched in FY23.
Benefits <ul style="list-style-type: none"> Promote and review the Company's benefits to ensure the Company attracts and retains a diverse talent pool. 	<ul style="list-style-type: none"> Introduction of industry leading parental leave policy along with global flexibility framework in September 2021.

FY23 objectives

The objectives for diversity for FY23 are as follows:

Workplace Diversity Objective FY23

Strategy

- Continue to drive and bring to life the gender objectives and strategies outlined in the Company's Diversity Policy.
- Continue to communicate the Company's diversity agenda to the business and actively promote its benefits.
- Continue to build a safe and inclusive culture where employees act in line with the Company's values and behaviours.
- Continue to deliver an inclusive cultures education program for all employees globally.
- Roll out a recruitment unconscious bias program for all employees globally.

Stakeholder Management

- Actively promote the Company's diversity agenda in day to day activities with management to achieve buy in and to integrate into the Company's culture.
- Launch a 'Belonging at AVG' committee to ensure employee voices and opinions are heard.

Gender Composition

- The Company is targeting 30% female representation across all levels, and specifically aims to:
 - increase female representation of non-executive directors to 30% by 2024;
 - maintain female representation in leadership roles at 30%; and
 - increase female representation at production employee level to 30%.

Talent Pipeline

- Ensure that the Company's recruitment and selection procedure reflects candidate and interview panel diversity along with equal gender candidate split where possible.
- Analyse talent matrix to identify female talent for mentoring/succession planning.
- Continue with leadership development programs with a focus on providing opportunities to female leaders and implement a mentoring program.

Benefits

- Continue to promote and review the Company's benefits to ensure the Company attracts and retains a diverse talent pool.

Data

- Utilise annual engagement survey to collate data around demographics and benchmark questions on ensuring employees feel included regardless of how they identify and characteristics.
- Continue to collect data to develop a sound base to measure progress on diversity, inclusion and belonging progress beyond gender.

Workforce gender profile

The following tables show the proportional representation of men and women at various levels within the Company's workforce as at 30 June 2022 compared to 30 June 2021.

Workforce Gender Profile FY22

CATEGORIES OF EMPLOYEES		TOTAL FEMALES	TOTAL MALES	% OF FEMALES	% OF MALES
Total Employees	455	174	281	38	62
Non-Executive Directors	5	1	4	20	80
Senior Executives*	10	3	7	30	70
Non-Production Employees**	166	95	71	57	43
Production Employees	279	76	203	27	73

* Senior Executive has been defined as a member of the Company's Executive Team including the CEO.

** Excludes the Senior Executives.

Workforce Gender Profile FY21

CATEGORIES OF EMPLOYEES		TOTAL FEMALES	TOTAL MALES	% OF FEMALES	% OF MALES
Total Employees	452	165	287	37	63
Non-Executive Directors	5	1	4	20	80
Senior Executives*	10	2	8	20	80
Non-Production Employees**	160	89	71	56	44
Production Employees	282	74	208	26	74

* Senior Executive has been defined as a member of the Company's Executive Team including the CEO.

** Excludes the Senior Executives.

Risk framework

Risk management and identification

The Board, through the Risk and Sustainability Committee and Audit Committee, reviews and oversees the Company's risk management systems.

The Risk and Sustainability Committee determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Risk and Sustainability Committee does not have responsibility for financial risk management, which is the focus of the Company's Audit Committee.

The Board identifies and discusses areas of significant business risk. The Board ensures, together with management, that processes are in place to manage those risks and reviews those arrangements annually. The Board has reviewed the Group's risk management framework during the year and confirmed that it remains sound.

The Board has delegated to the Audit Committee the responsibility to oversee financial risk and to the Risk and Sustainability Committee all other risks associated with the business.

The Board, committees and management ensure that appropriate insurance programmes for the Company are also in place to provide insurance cover in areas of the business assessed as appropriate for cover having regard to all of the relevant circumstances.

Comprehensive practices are established such that:

- capital expenditure and revenue commitments above a certain size require prior Board approval;
- financial exposures are controlled, including the use of derivatives (as overseen by the Audit Committee);
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations; and
- business transactions are properly authorised and executed.

All reports to the Board on strategic and operational issues incorporate an assessment by management of the associated risks, which ensures that the Board is in a position to make fully-informed business judgements on these issues. In addition, the committees receive risk management updates which address the material business risks facing the Company and the systems and policies in place to manage those risks.

The Company does not have an internal audit function but has implemented the following processes to evaluate and continually improve the effectiveness of its risk management and internal control processes.

The Board is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities.

The Board has instigated the following internal control framework:

- **Risk Manager** – Appointment of a Risk Manager who works closely with management to identify and mitigate risk and review internal control processes as required to ensure effectiveness.
- **Financial reporting** – Monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared regularly.
- **Continuous disclosure** – A comprehensive policy and process is in place to identify matters that may have a material effect on the price of the Company's securities and notify them to the ASX and post them on the Company's website. The Board and the Company Secretary are responsible for all communications with the ASX.
- **Quality and integrity of personnel** – Formal appraisals are conducted at least annually for all employees (every 6 months for most employees).
- **Operating units control** – The Chief Executive Officer and Chief Financial Officer ensure compliance with financial controls and procedures including information systems controls detailed in procedures manuals.
- **Investment appraisal** – Guidelines for capital expenditure include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.
- **Management representation letters** – Each senior executive provides a management representation letter to the CEO and CFO every 6 months as part of the full year and half year audit process.

As part of the Board delegation of the oversight of risk to the committees referred to above, each committee will be required to review the Company's risk management framework (as it applies to the relevant risks) annually to satisfy themselves that it continues to be sound.

As part of this annual review, it will be determined whether the Company is operating with due regard to the formal risk appetite statement set by the Board.

These reviews have been conducted in relation to FY22 in accordance with the relevant processes.

Material business risks

Process to identify material business risks

Each senior executive, with input and assistance from their direct reports, identifies key risks for their areas of responsibility and function which are in turn aggregated into an overall corporate risk register. Each risk is assessed and assigned an inherent risk rating and risk mitigation strategies are developed by senior executives designed to reduce the inherent risk profile to an acceptable level consistent with the requirements of the Risk and Sustainability Committee and the Board.

The risk register is continuously reviewed and maintained as new risks are identified or incidents occur, or mitigating controls change. Extracts of the risk register are provided to the Risk and Sustainability Committee (or Audit Committee in the case of financial risks), together with specific commentary or information on significant changes to the risks or the ratings.

Specific major risks or incidents are reported, as and when they occur, to the CEO and other key management personnel who are responsible for escalating these to the Risk and Sustainability Committee (or Audit Committee in the case of financial risks) and Board, where necessary, if the event occurs outside the regular cycle of Committee meetings. The Risk or Audit Committee (as the case requires) is informed of the effectiveness of actions to mitigate the impact of risk events. In addition, the Risk and Sustainability Committee considers developments or improvements in risk management and controls, including the adequacy of insurance programmes.

Separate records and registers are maintained for other more common or recurring risks; for example, arising from customer complaints and occupational health and safety issues. These are managed and reported to the Committee by relevant managers.

Environmental and social risks

The Company has material exposure to environmental and social risks, including climate change risk. The details of material business risks and relevant mitigation strategies are set out in the Director's Report included in this Annual Report.

In recognition of the increasing importance of environmental, social and climate risk to long term sustainable shareholder returns, in FY22, the Risk Committee expanded its ambit to become the Risk and Sustainability Committee. See above under the heading Risk and Sustainability Committee for further details regarding this Committee.

The Company took the following steps in developing its sustainability strategy in FY22:

- **Head of Sustainability** – Appointed a Head of Sustainability reporting directly to the CEO;
- **Environment** – Taking climate action towards true zero, transitioning all owned and managed sites to 100% renewable energy sources, working towards Sustainable Winegrowing Australia certification, APCO 2025 sustainable packaging targets;
- **Social** – Competitive employee benefits and mental health training, promoting moderation through partnerships with DrinkWise (Australia) and Community Alcohol Partnerships (CAP, UK) and giveback partnership with 1% for the Planet.

For more information on the Company's sustainability strategy see the sustainability update within this Annual Report.

Integrity of corporate reporting

The Audit Committee monitors the internal control policies and procedures designed to maintain the integrity of the Company's financial reporting.

The Company has implemented a process where the Chief Financial Officer and Chief Executive Officer declare in writing to the Board, prior to approval of the Company's financial statements for a financial period, that:

- the Company's financial records have been properly maintained;
- the financial reports present a true and fair view in all material respects of the Company's financial condition and operational results and are in accordance with relevant accounting standards; and
- their opinion has been formed on a sound system of risk management and internal compliance and control which operates efficiently and effectively in all material respects.

Supporting these declarations are certifications provided by other senior managers within the Company.

The external auditor reviews the director's report contained in the Company's Annual Report and provides an independent opinion that the Company's statutory accounts are true and fair.

In FY22, the Company did not disclose any periodic corporate report other than what was contained in the Annual Report.

A culture of acting lawfully, ethically and responsibly

Code of Conduct

The Board and management ensure that the business processes of the Company are at all times conducted according to sound ethical and legal principles. The Board has established a formal Ethics and General Conduct Code. This code is available at <https://www.australianvintage.com.au/investors/corporate-governance/>.

The Code has been established to define the practices necessary to maintain confidence in the Company's integrity and comply with the Company's legal obligations and other obligations to legitimate stakeholders. The Code deals with numerous issues including confidentiality, conflicts of interest, compliance with the law, fair dealing, unethical behaviour, corporate fiduciary duties, care and diligence as well as the reporting requirements and action to be taken in the event of failure to comply with the Code.

Following the refresh of the Company vision and values and implementation of the core Company behaviours across the business, a new Code of Conduct is being prepared to reflect these and will be launched in FY23.

Anti-Bribery and Corruption Policy

The Company strives to maintain a high standard of integrity, investor confidence and good corporate governance. This can only be achieved and maintained if the community is confident that employees are not influenced by gifts, benefits or bribery.

The Company has an Anti-Bribery and Corruption Policy which prohibits:

- giving or receiving bribes or other forms of improper payment;
- making facilitation payments;
- providing or accepting benefits, including gifts, entertainment, meals, travel/accommodation, training or other things of value which are contrary to the Anti-Bribery and Corruption Policy; and
- making political, charitable or community donations without authorisation.

Any breach of the Anti-bribery and Corruption Policy is treated as a serious matter and may give rise to disciplinary action, including dismissal. Material breaches are reported to the Board or a committee of the Board.

Whistleblower Policy

The Company has a Whistleblower Policy which provides a safe environment where information regarding potential misconduct or an improper state of affairs within the Company may be disclosed confidentially and without fear of reprisal, victimisation or detrimental treatment for the person making the disclosure.

The Whistleblower Policy is available at <https://www.australianvintage.com.au/investors/corporate-governance/>.

Communications with shareholders

Information Available via Website

The Company, in addition to providing shareholders and the market generally information about the Company through distribution of the Annual Report, the Half Yearly Report, the Chairman's and Chief Executive Officer's addresses to the Annual General Meeting, provides information about the Company and its corporate governance on the Company's website.

All Company Corporate Governance charters, policies and procedures are publicly available. This includes:

- the Board Charter;
- the Company's Securities Trading Policy; and
- the Audit Committee, the Risk and Sustainability Committee and the People, Remuneration and Culture Committee Charters.

This corporate governance information can be located on the Australian Vintage Limited website at <https://www.australianvintage.com.au/investors/corporate-governance/>.

Investor Relations

The Company has also implemented an Investor Relations Strategy to facilitate effective two-way communication with investors, which is available at <https://www.australianvintage.com.au/investors/corporate-governance/>.

Shareholders and other stakeholders are also encouraged to contact the Company directly regarding any enquiries they may have.

Facilitating Shareholder Participation

The Company provides shareholders the option to receive communications from and send communications to the Company and its share registry electronically.

At the 2020 Annual General Meeting the shareholders voted in favour of amending the Company's Constitution to permit virtual and hybrid general meetings. This provides the Company with the flexibility to use technology to facilitate participation of shareholders at future AGMs.

In response to Government restrictions and the potential health risks arising from the COVID-19 pandemic, the Company's 2021 Annual General Meeting was held virtually. Despite there not being a physical location, shareholders were able to participate online in real-time, including asking questions and voting during the AGM.

The Company's 2022 Annual General Meeting will be held as a hybrid meeting, providing shareholders with the opportunity to participate either in person or virtually. In accordance with the Corporations Act, shareholders will be given the opportunity to ask questions verbally or in writing and are able to vote in person or online.

Shareholders are encouraged to participate in the Company's AGM and use this opportunity to ask questions. The Company's practice at the AGM (and any other general meeting) is for all resolutions to be decided by a poll rather than a show of hands. A recording of the AGM is made available on the Company's website. The AGM will remain the primary forum for shareholder engagement each year. The external auditor also attends the AGM and is available to answer questions about the conduct of the audit and the preparation and content of the external auditor's report.

Continuous disclosure

The Company has a written policy in place for complying with its continuous disclosure obligations under the Australian Securities Exchange Listing Rules and the Corporations Act, which is available at <https://www.australianvintage.com.au/investors/corporate-governance/>.

This policy establishes procedures to ensure that the Directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information. When the Company makes an announcement the announcement is released to the ASX and the Company Secretary is responsible for communications with the ASX. All material information released to the ASX is published on the Company's website at <https://www.australianvintage.com.au/investors/>. This includes ASX announcements, annual reports, notices of meetings and media releases. The policy sets out the type of information which requires disclosure as well as the internal policies governing the method and timing of disclosure.

The Company ensures that the whole Board reviews material market announcements before release to provide the Board with the opportunity to critique the announcement. The directors receive copies of all material information issued to the ASX promptly after they have been made.

New or substantive investor or analyst presentation materials are issued to the ASX in advance.

Shareholders

The shareholder information set out below was applicable at 9 September 2022.

Distribution of Shareholders

Analysis of shareholders of fully paid ordinary shares by size of holdings:

Number of Shares	Number of Shareholders
1 - 1,000	1,600
1,001 - 5,000	1,904
5,001 - 10,000	521
10,001 - 100,000	757
100,001 Over	140
	4,922

The percentage of the total holding of the twenty largest holders of Ordinary Shares was 73.58%.

Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Name	Ordinary Shares (as per last substantial holder notice)
Allan Gray Investment Management	54,973,464
Vintage China Funds GP Limited	35,939,386
MA Financial Group Limited	22,680,021

Twenty largest shareholders

The names of the twenty largest shareholders of Ordinary Shares as at 9 September 2022 are as follows:

Shares Held	Number of Ordinary Shares Held	% of Listed Shares
1. Citicorp Nominees Pty Limited	42,406,959	16.79
2. J P Morgan Nominees Australia Pty Limited	32,593,715	12.90
3. Vintage China Funds GP Limited	32,345,451	12.80
4. National Nominees Limited	21,607,054	8.55
5. HSBC Custody Nominees (Australia) Limited	18,354,957	7.27
6. Sandhurst Trustees Ltd (Wentworth Williamson A/C)	7,121,004	2.82
7. Garrett Smythe Ltd	4,772,022	1.89
8. BNP Paribas Noms (NZ) Ltd (DRP)	4,545,558	1.80
9. BNP Paribas Noms Pty Ltd (DRP)	3,477,476	1.38
10. HSBC Custody Nominees (Australia) Limited (NT-Comnwth Super Corp A/C)	3,060,069	1.21
11. Vintage China Funds GP Limited	2,804,525	1.11
12. Certane Ct Pty Ltd (Avg Est A/C)	2,296,264	0.91
13. Mr Graham John Harvey	2,100,000	0.83
14. Sunrise Vineyards Pty Ltd (Mouilaradellis S/F A/C)	1,818,000	0.72
15. Neweconomy Com AU Nominees Pty Limited (900 Account)	1,261,513	0.50
16. Henleaze Investments Pty Ltd	1,200,000	0.47
17. Prime Value Asset Mgmt Ltd Atf Prime Value Siv Emg Co Prot Fd	1,128,392	0.45
18. 127 Victoria Pty Ltd	1,000,000	0.40
19. Mr Brian Frederick Ditchfield	1,000,000	0.40
20. Mr Perry Richard Gunner + Mrs Felicity Jane Gunner (Perry Gunner Superfund A/C)	990,614	0.39
Totals: Top 20 Holders of Fully Paid Ordinary Shares (Total)	185,883,573	73.58
Total Remaining Holders Balance	66,754,913	26.42

DIRECTORS' REPORT

The Directors of Australian Vintage Limited (the Company) submit herewith the annual financial report for the Company and its controlled entities (the Group) for the financial year ended 30 June 2022. In order to comply with the provisions of the Corporations Act 2001, the Directors report is presented as follows:

Directors

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Current directors

Richard H Davis B. Ec, Age 66

Chairman since 1 June 2015 and Non-Executive Director since 5 May 2009

Mr Davis is Chairman of Monash IVF Group Limited and a non-executive director (and previously CEO) of InvoCare Limited where he spent almost 20 years growing and managing the business. Mr Davis holds a Bachelor of Economics and has a background in venture capital and as an accounting partner for a leading national accounting firm.

Mr Davis has been a non-executive director of the Company since 2009 and currently holds the position of Chairman of Australian Vintage Limited.

Craig Garvin, Age 55

Chief Executive Officer and Executive Director since 20 November 2019

Mr Garvin was appointed as Chief Executive Officer and Executive Director in November 2019. He has extensive FMCG experience, having spent nine years as the Australian CEO of global dairy business Parmalat, overseeing some of the country's most-recognised brands, including Pauls, Oak and Vaalia. Prior to his time at Parmalat, Mr Garvin worked in the gaming industry, spending three years as the Managing Director of Star City Casino. His consumer goods and retail experience also includes executive positions at Campbell Arnott's, where he was the General Manager and six years in senior leadership roles at Lion Nathan.

John D Davies FCA, Dip. Bus S, Age 69

Non-Executive Director since 28 January 2015

Offering the board both industry and financial experience, Mr Davies is a Fellow of the Institute of Chartered Accountants and has had a 36 year career with Ernst & Young. Mr Davies was elected to Ernst & Young's Asia Pacific Board of Partners for a six year period until his retirement from the firm in 2011. During his career, Mr Davies provided professional services to many of Australia's leading wine companies, and he also owns a 150 acre vineyard in Heathcote, Victoria.

Mr Davies is Chairman of the Audit Committee and member of the Risk and Sustainability Committee.

Naseema Sparks AM, Age 69

Non-Executive Director since 28 January 2015

Offering the board expertise in fast growth consumer-facing businesses, Ms Sparks has strong experience at both operational and board level in marketing, branding and customer targeting, with her most recent executive career as Managing Director and Global Partner of M&C Saatchi in Australia. Ms Sparks has been a professional non-executive director since 2007, serving on boards of a diverse range of companies including ASX listed and private companies, Government statutory authorities, not-for-profit arts, health and education boards. Ms Sparks is Chair of Openmarkets Group Ltd and a director of Knight Frank Australia Pty Ltd. She is also Chair of Sydney Living Museums. Ms Sparks' qualifications include an MBA from The University of Melbourne and she is a Fellow of the Australian Institute of Company Directors.

Ms Sparks is Chair of the People, Remuneration & Culture Committee and member of the Audit Committee.

Peter J Perrin, Age 65

Non-Executive Director since 28 March 2017

Mr Perrin brings a wealth of high level wine industry experience as a past Manager and Director of a number of large listed, private and boutique wine companies in Australia, the United States and New Zealand over a 40 year wine career that focused on sales and marketing both in Australia and overseas. Mr Perrin is a trustee and honorary life member of the Wolf Blass Foundation.

Mr Perrin is Chairman of the Risk & Sustainability Committee and member of the People, Remuneration & Culture Committee.

Jiang Yuan (Dixon), Age 45

Non-Independent, Non-Executive Director since 7 June 2017, resigned on 11 August 2022

Mr Yuan is the founder of www.yesmywine.com, the largest imported wine platform in the world, based in China. Well known for pioneering data analytics and an innovator in imported wines in China, Mr Yuan brings to the board considerable experience in distribution and selling of wine into that region.

Directorships of other listed companies

Directorships of other listed companies held by Directors in the 3 years immediately before the end of the financial year are as follows:

NAME	COMPANY	PERIOD OF DIRECTORSHIP
Richard H Davis	InvoCare Limited Monash IVF Group Limited	Since 2012 Since 2014
Naseema Sparks	Openmarkets Group Ltd (previously Openmarkets Group Pty Ltd) Murray River Organics Ltd (currently Murray River Organics Pty Ltd) Arq (ARQ) Group (previously known as Melbourne IT Limited)	Since 2021 2019 to 2021 2012 to 2020

Company Secretary

Alicia Morris

General Counsel and Company Secretary

Alicia joined Australian Vintage Limited in October 2010 and leads AVG's legal team and governance portfolio. She holds a Bachelor of Laws and Legal Practice (Hons), Bachelor of Behavioural Science (Psychology), a Graduate Diploma of Applied Corporate Governance and is a fellow member of the Governance Institute of Australia. She has over 12 years' legal, commercial and governance experience.

Principal activities

The Group's principal activities in the course of the financial year were wine making, wine marketing and vineyard management.

Changes in state of affairs

During the financial year there was no significant change in the state of affairs of the Group other than that referred to in the financial statements or notes thereto.

Environmental regulations

The Group entity holds licences issued by the Environmental Protection Authorities in various states which specify limits associated with the discharge of winery waste. There have been no known breaches of the licence conditions.

Dividends

In respect of the financial year ended 30 June 2022, a 60% franked (at a 30% tax rate) dividend of 3.4 cents per share has been declared and will be paid on 16 December 2022. In respect of the financial year ended 30 June 2021, a 60% franked dividend of 2.7 cents per share was paid on 17 December 2021.

Review of operations and future developments

Continued strong global pillar brand performance, premiumisation and innovation have led to increased market share and margin improvement.

Key financial highlights:

- Market share growth in all key geographies despite global freight disruption
- Pillar brand sales increased to 78% of total sales revenue, a 7 percentage point increase over the prior year
- Underlying gross margin of 35%, an increase of 3 percentage points over the prior year.
- Underlying EBIT\$ of \$33.3 million, 7% higher than prior year

Review of operations and future developments (continued)

- Reported EBITS of \$28.8 million, 8% lower than prior year, driven by FX (-\$1.0 million) and previously announced one-off non-recurring items (-\$4.5 million)
- Underlying NPATS up 8% to \$21.5 million
- Reported NPAT of \$17.3 million, impacted by one-off non-recurring items identified above, FX and lower SGARA
- Cash flow from operating activities \$15.4 million driven by strategically higher inventory to offset continued global shipping delays
- Strong balance sheet with net debt at \$74.5 million, net debt/ underlying EBITDAS of 1.5 times, gearing at 25% and leverage at 20%, with AVG well positioned for inflationary disruption and luxury acquisition
- Underlying ROCE at 7.5% (reported ROCE at 6.5%)
- Earnings per share at 6.9 cents per share, in line with prior year
- Total Shareholder Return since 1 July 2019 is 80%
- Final dividend of 3.4 cents per share, franked to 60%

The result is in line with expectations. Over the last two years pillar brand sales have increased to 78% of total revenue, despite global logistics challenges causing shelf out of stocks. As announced at the half year results, the one-off non-recurring costs include the temporary closure of the cellar doors due to Covid restrictions (impacting EBITS by \$0.8 million) and additional demurrage and out of stocks in the UK arising from Brexit (impacting EBITS by \$3.7 million). Gross margin normalised for the one-off non-recurring items at 35% which is an increase of 3 percentage points over the prior year, reflecting the move to higher aspirational brands in line with our strategic plan.

Our consumer led portfolio approach is working, reinforcing AVG's continued investment in marketing, as we improve overall margin, product mix and market share in key geographies. Super premium and luxury brands have grown by 20% since 2019 and are now contributing 13% to total revenue. These brands are expected to continue to grow by 20% CAGR of the next three-to-five years. High margin product lines are showing significant growth on prior year including McGuigan Zero at 55%, Tempus Two at 20%, and Nepenthe at 31%. Core to our strategic intent AVG will continue to invest in brands, despite inflationary pressures. Core to our strategic intent is being a global business where AVG will continue to invest in brands, despite inflationary pressures. We have significant growth opportunities in Asia and Canada over the next five years as we have now implemented key people and operational changes.

Innovation continues to be fundamental to our strategic success. Australian Vintage is world leading in no-and-low alcohol with McGuigan Zero reaching number one zero-alcohol wine in the UK and Australian markets. The recent launch of our new wine and spirits based drinks business creates a tremendous global opportunity for high margin revenue growth and leverages our operational know how and assets. We have been able to add new revenue streams with minimal capital investment, generating a positive contribution net of investment, further supporting our double-digit ROCE ambition.

Covid saw a peak in wine consumption in our key markets driven by retail purchase for home consumption. This year's brand performance is pleasing given the overall market declines in retail post lockdown and has converted to increased market share and brand performance. Australian Vintage is proud that no operational shifts were missed due to Covid and the continued care and investment in our employees has translated to higher engagement across the globe.

A review of our global supply chain and strong management focus has ensured our global finished goods inventory is aligned to longer lead time challenges related to international shipping, further supporting market share gains. At a time when the Australian wine industry is facing a significant wine surplus, Australian Vintage has successfully managed its wine storage to be in balance with demand.

Our strategic imperatives are on track with improvements in portfolio, market share, employee engagement, customer alignment and safety. Recently we assessed our global carbon footprint and have set an ambitious target informed by current climate science. Taking an evidence-based approach to achieving net zero, Australian Vintage has set a long-term target to achieve Net Zero by 2040 and developed an ESG roadmap which now forms part of our balanced scorecard. Further information on this exciting initiative will be included in the Annual Report.

Despite the global challenges, and hyper-inflation impacting the ASX, Australian Vintage has delivered TSR growth of 80% from 1 July 2019 to 30 June 2022.

Review of operations and future developments (continued)

Profit result (underlying basis)

The profit result was impacted by a number of non-recurring items. The table below summarises the underlying performance of the Group, removing the impact of significant, non-recurring items as noted.

	2022	2021
<i>Reported revenue</i>	260,099	273,960
<i>Reported gross margin</i>	85,348	86,201
One-off non-recurring costs		
Closure of cellar doors due to Covid-19	804	-
Demurrage costs and stock-outs	3,694	-
Total one-off non-recurring costs	4,498	-
Underlying gross margin	89,846	86,201
Underlying EBITDAS	48,200	45,933
Depreciation and amortisation	(14,917)	(14,759)
Underlying EBITS	33,283	31,174
Finance costs	(2,688)	(2,618)
Underlying PBTS	30,595	28,556
Income tax expense ⁽¹⁾	(9,102)	(8,437)
Underlying NPATs	21,493	20,119
SGARA (net of tax expense)	(1,000)	(516)
Underlying NPAT	20,493	19,603
Underlying basic earnings per share (cents)	8.1	7.0
Underlying return on capital employed ⁽²⁾	7.5%	7.5%
Underlying EBITDAS margin	18.5%	16.8%

(1) adjusted for the tax impact of SGARA

(2) capital employed is defined as total assets less current liabilities

Profit result (reported basis)

	2022	2021
Revenue	260,099	273,960
Gross margin	85,348	86,201
Earnings before interest, tax, depreciation, amortisation and SGARA (EBITDAS)	43,702	45,933
Depreciation and amortisation	(14,917)	(14,759)
Earnings before interest, tax and SGARA (EBITS)	28,785	31,174
Finance costs	(2,688)	(2,618)
Profit before tax and SGARA (PBTS)	26,097	28,556
Income tax expense (1)	(7,764)	(8,437)
Net profit after tax and before SGARA (NPATs)	18,333	20,119
SGARA (net of tax expense)	(1,000)	(516)
Net profit after tax (NPAT)	17,333	19,603
Basic earnings per share (cents)	6.9	7.0
Return on capital employed (2)	6.5%	7.5%
EBITDAS margin	16.8%	16.8%
Net debt (3)	74,452	42,845
Net debt/equity	24.8%	13.7%
Net debt/net debt + equity	19.9%	12.1%

(1) adjusted for the tax impact of SGARA

(2) capital employed is defined as total assets less current liabilities

(3) net debt is calculated as total borrowings less cash and cash equivalents (excludes lease liabilities)

Review of operations and future developments (continued)

Trading Summary

UK, Europe and Americas

Despite industry wide supply chain issues post Brexit, the UK continues to grow market share led by McGuigan and Tempus Two. Australian Vintage's market share grew at twice the rate of the overall UK wine market which declined by 10%. In the no-and-low category the overall UK market grew by 11% with Australian Vintage products growing by over 50%. McGuigan Zero is now the number one alcohol free still wine brand in the UK.

Higher margin Tempus Two is the fastest growing Top 50 brand in the UK grocery growing at 75% over the prior period.

Australian Vintage has very strong partnerships with its global shipping partners that has maintained an industry leading service level to customers despite very challenging global supply issues.

Strong recovery continues within Canada for Australian Vintage brands and long-standing partnerships, generating growth of 26% in packaged products over the prior period.

Australia and New Zealand

Australia/New Zealand delivered an increase in branded sales of 3%, offset by a decrease in a low margin contract processing arrangement. All four pillar brands were in growth driven by Nepenthe +30%, Tempus Two +10%, BVWC +8% and McGuigan +3%. Australian Vintage achieved market share gains in both Australia (growing +5% versus the wine market growing at +3%) and New Zealand (+9% versus +5% growth for total wine).

The results have been underpinned by our continued focus on customer centricity. The recent 2022 Advantage Group Survey confirmed Australian Vintage remains the overall #2 ranked total liquor supplier to Australian retail (out of 35 suppliers) for the second straight year. In addition, Australian Vintage were also awarded the joint Supply Chain Management award.

Towards the end of the year Australian Vintage launched its innovative drinks range and collaborations with Sarah Jessica Partner for Sevenly, through Invivo, and Butcher's Cellar with Meatstock and The Butchers Alliance. The Spirits/ RTD segments is a \$10 billion category in Australia with margins in excess of 50%. The strategic entry into this attractive category has high potential to improve Australian Vintage's performance and help offset global inflation.

The Direct to Consumer division, which includes our cellar doors and wine clubs, were impacted by Covid related closures in the first half. The upgrade of the iconic Adelaide Hills Nepenthe cellar door is well underway and expected to be finalised in early 2023.

Austflavour

There is a significant global opportunity for this high margin, high value business. Australian Vintage's juice and concentrate division provides unique grape derived products including winemaking products, confectionary, soft-drinks and de-alcoholised wines, utilising world leading technology.

Through long term partnerships in Australia, Japan and North America, Austflavour has delivered an improved margin percentage contribution, despite lower revenue, after exiting lower margin bulk processing arrangements. Australian Vintage is well positioned with capability and know how to leverage global demand and will continue to focus on this high margin business as a strategic priority. Assets are in place with minimal capital investment required.

Asia

Sales within the Asia segment have improved by 18% over the prior period driven by Taiwan, Malaysia and Singapore. Pillar brands performance was led by Tempus Two +19% and McGuigan +6%, driving a significant increase in the contribution from Asia over the prior year.

Australian Vintage has also launched the Wines of the World program broadening sales channels across Asia whilst remaining committed to the China market through a strategic partnership with COFCO, Australian Vintage's China based importer. The Asia business has been brought under the Australia/ NZ leadership group and redefined as Australasia.

Vineyards

Australian Vintage sources ~80% of its grape supply from owned and long-term contract supply arrangements. Our overall grape supply is well balanced despite industry wide oversupply, particularly for red wine. This year our harvest was down -9% from prior year compared to an Australia wine grape intake reduction of -13%. Australian Vintage's result was pleasing given the extreme seasonal weather conditions including frost.

With the impact on lower red grape prices from reduced exports to China, the SGARA (Self Generating and Regenerating Assets) assessment of fair value on grapes has reduced contribution by \$0.7 million over the prior year. Australian Vintage assesses the fair value of SGARA taking into consideration actual underlying vineyard costs and contracted multi-year term rates. Spot market purchases account for less than 10% of grape supply reflecting in SGARA. This demonstrates our commitment to Australian agriculture and fair practice with our suppliers.

Review of operations and future developments (continued)

Financial Position

Total Pillar Brand sales has increased in revenue contribution representing 78% of total revenue, an increase of 7 percentage points. This translated to increased reported Gross Margin at 33%, and underlying gross margin at 35%, as we move toward our medium-term goal of 40% plus gross margin.

Reported EBITDAS of \$43.7 million reflects an EBITDAS margin of 16.8%, in line with the prior year, however underlying EBITDAS of \$48.2 million reflects an EBITDAS margin of 18.5%, an increase of 1.7 percentage points over the prior year. The underlying numbers include negative foreign exchange movement of \$1.0 million, higher freight costs of \$2.5 million, and higher energy costs of \$0.8 million. Excluded from the underlying numbers are the one-off non-recurring costs, identified in the first half results, comprising cellar door closure arising from Covid lockdowns (\$0.8 million) and demurrage and stock outs (\$3.5 million) arising from Brexit in the UK.

Reported NPAT of \$17.3 million is \$2.3 million lower than the prior year impacted by one-off non-recurring factors, FX and SGARA. Excluding the one-off non-recurring items underlying profit was \$20.5 million, \$0.9 million higher than the record prior year result.

In July 21, Australian Vintage successfully completed a capital restructure involving the capital return of 8.5 cents per share and a 10% share consolidation.

Inventory was strategically increased to partially mitigate the impact of freight disruption on our global supply chain from Brexit. This has been further impacted by the Ukraine war and global shipping delays.

Balance sheet strength, with net debt of \$74.5 million, net debt/ underlying EBITDAS of 1.5 times, gearing (Net debt/Equity) of 25% and leverage (Net debt/Net debt plus Equity) at 20%, positions Australian Vintage to take advantage of disruptive market opportunities and luxury acquisition opportunities as they arise.

ROCE (return on capital employed) on a reported basis was 6.5% and on an underlying basis 7.5% in line with the 2021 peak performance year.

Outlook

Global inflation is putting pressure on input costs in all markets. In the UK, inflation coupled with record global shipping costs have seen margin erosion for all suppliers. Australian Vintage will address these challenges via continued focus on growing the higher margin branded wine and drinks business, Austflavour expansion, operational efficiencies and actively pursuing price increases.

The launch of Wines of the World enables Australian Vintage to broaden its expansion across Asia and India. Austflavour remains an important and unique growth opportunity that will grow its contribution through world leading technology and increased capability.

Inventory was strategically increased in FY22 to mitigate global shipping delays. Inventory holdings are indexed to global shipping lead times, and as these lead times start to ease, we would expect inventory levels to decrease.

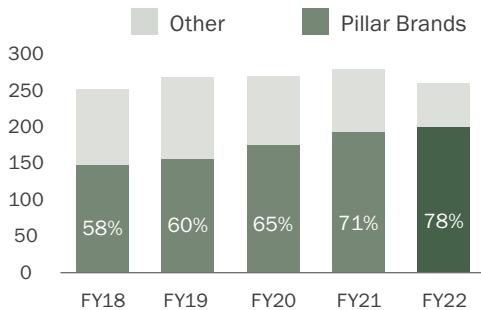
The Company's ROCE (Return on Capital Employed) is strategically on track to achieve double digits in the long term.

As part of our ongoing confidence in the medium to long term outlook of Australian Vintage, the board has agreed to pay a partially franked (60%) dividend of 3.4 cents per share. This dividend represents a 26% increase on the previous year and is in addition to the recent capital return of 8.5 cents per share all shareholders received in July 2021. The dividend will be paid to all shareholders on 16 December 2022 and the Record Date to establish shareholder dividend entitlements is 25 November 2022. The Company's Dividend Reinvestment Plan (DRP) will remain suspended.

Company Performance

Total Revenue

\$260.1m



EBITDAS

\$48.2m (underlying) 1



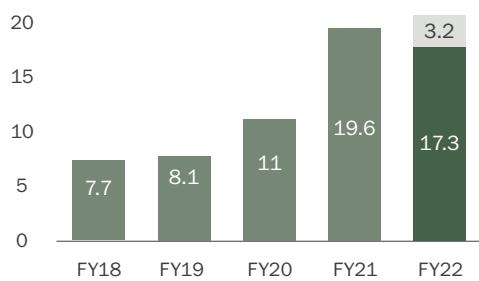
EBITs

\$33.3m (underlying) 1



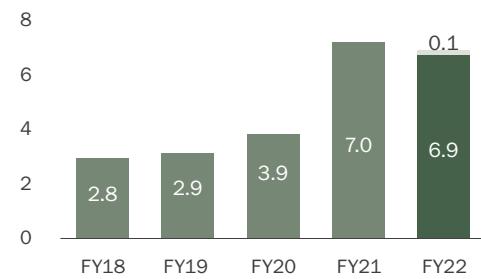
Net Profit After Tax

\$20.5m (underlying) 1



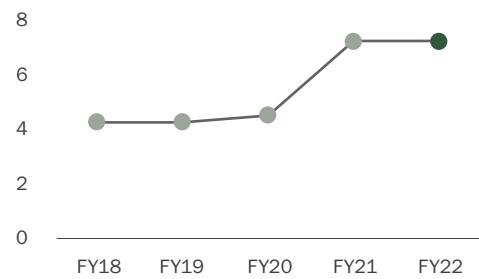
Earnings Per Share

7.0 cents (underlying) 1



Return on Capital Employed

7.5% (underlying) 1



1 One-off non-recurring items for demurrage, stock outs and COVID cellar door closures totals \$4.5 million.

Review of operations and future developments (continued)

Material business risks

The Group has an established Risk & Sustainability Committee, which monitors risks to the business on an ongoing basis and ensures they are identified in a timely manner and managed accordingly. Below are those risks that AVG considers of greatest materiality to the business, and existing mitigations against these risks.

Material business risk	Details of risk	Mitigation strategies in place
Coronavirus ('COVID-19')	<p>COVID-19 has created risks for AVG in the following areas:</p> <ul style="list-style-type: none"> - Wellbeing and health of our people - Disruption in supply chain logistics - Disruption in manufacturing processes - Disruption within AVG's customers - Rapidly changing Government laws and regulations 	<p>AVG has undertaken a COVID-19 pandemic risk assessments and developed the following responses to mitigate the risk posed to the business:</p> <ul style="list-style-type: none"> - Robust business continuity plan that protects the health and wellbeing of our people, whilst maintaining the safe operations of our vineyards, winery and production facilities. - Worked with key third party stakeholders such as suppliers in Australia and overseas to ensure the ongoing operations of supply chain logistics and third party packaging can continue without disruptions.
Climate change	<p>Climate change is expected to impact on AVG increasingly in terms of regulation and associated costs, posing the following risks:</p> <ul style="list-style-type: none"> - Restrictions on access to water and energy whilst working within possible carbon price and emission reduction targets - The ability to effectively respond to climate related change impacts that could have adverse effects on business performance - Third party suppliers' ability to respond to climate change impacts - Consumer awareness and retailer requirement for sustainability strategies that could impact listings and sales offtake 	<p>AVG is in the planning stages of developing a climate change policy and will regularly monitor performance against set objectives. AVG expects to release its Net Zero Roadmap at the AGM in November 2022. In addition, the following activities are ongoing to mitigate climate change risks:</p> <ul style="list-style-type: none"> - Further investment towards innovative water and power solutions to reduce AVG's environmental footprint and save on costs - Work more closely with the Bureau of Meteorology to better understand short and long term weather patterns and the impacts on AVG - Working with key suppliers to ensure they are managing climate change in a way that is commensurate with AVG's policy and approach so as to not negatively impact AVG's ability to effectively source grapes and wine - Establishment of Sustainability Management team along with a road map to net zero that will also include Australian and International accreditation milestones achieved along the way <p>The mitigation strategies noted above, in conjunction with AVG's Net Zero roadmap, will place AVG in a strong position to mitigate potential impacts of climate change</p>
Challenging global shipping environment	<p>The disruption in the global shipping environment is having an impact on the reliability of supply and the cost of that supply. In the first half of FY22, AVG experienced stock-outs and demurrage costs that have been captured under the on-off non-recurring costs.</p>	<p>AVG has long standing partnerships with key shipping providers that provides certainty of shipping spots, mitigating the disruption issues experienced in the first half of FY 22.</p> <p>Contractual reliability of supply, coupled with fall positions in our contracts, provides a foundation to mitigate those costs.</p>

Review of operations and future developments (continued)

Material business risk	Details of risk	Mitigation strategies in place
Grape supply	<p>AVG's ability to fulfil demand, in particular growing demand for wine, is restricted by the availability of grapes. Climate change, agricultural and other factors, such as disease, pests, extreme weather conditions, water scarcity and competing land use, create increased risk that AVG will be unable to fulfil demand.</p> <p>To the extent that any of the foregoing impact the quality and quantity of grapes available to AVG for the production of wine, the financial prospects of operations could be adversely affected, both in the year of harvest and in future periods.</p> <p>Australian oversupply risk, with red grapes, that could impact competitor behaviour in the supply chain.</p>	<p>AVG strategically plans out its demand requirements to ensure demand is in balance with supply. Through that strategic planning, and where possible, grape intake is balanced between owned/leased vineyards and third party suppliers.</p> <ul style="list-style-type: none"> • Multi-regional growing and sourcing. • Innovative agronomic practices. • Strong grower relationships and defined agreements. • Ensuring commercial sustainability across Australian Vintage's supply chain with third party growers and for own/ leased vineyards.
Share price lower than Net Tangible Assets	The share price has been lower than the net tangible assets per share, tracking in line with overall ASX market movements. This places AVG as a takeover target with a potential risk fair value will not translate in the transaction.	To mitigate potential takeover threats AVG has modelled a take over defence position. Any take over proposal is required to be agreed by AVG's major shareholders. As there is limited liquidity based on the ownership of shares this will provide a natural hedge against potential takeover opportunities.
Global Hyper-inflation	The ongoing war in the Ukraine is driving higher energy and fuel costs across the globe, directly impacting our global bottling operations and cost of distribution. Coupled with increased staffing costs, increased consumables, and increased inflation the cost of doing business is increasing.	<p>AVG has long term contracts in place for all key aspects of the supply chain. On a regular basis those contracts are tested through a tender process.</p> <p>AVG relies on key partnerships across the supply chain, and in working with our partners, we strive to ensure that short term environmental impacts do not disrupt long term arrangements.</p>
Brand reputation	<p>The strength of AVG's portfolios of brands is key to the success of the business. As a brand-led organisation, managing the reputation of brands is critical to AVG's ongoing success.</p> <p>Failure to protect and effectively manage brands could have significant reputational and financial repercussions.</p>	<ul style="list-style-type: none"> • Brand portfolio and product strategy, including portfolio rationalisation, prioritisation and targeted investment in consumer marketing. • Consumer insights supporting the monitoring and awareness of brand health and consumer trends. • Product pricing strategy. • Corporate Responsibility program.
Loss of key leadership and talent	AVG's ability to deliver on strategic targets is reliant on attracting and retaining experienced, skilled and motivated talent in core functions such as winemaking, sales, marketing and finance.	<ul style="list-style-type: none"> • Talent review and succession planning processes. • Employee safety (including health and wellbeing) program. • Incentive and reward programs aligned to AVG's vision and growth behaviours.
Risk of decline in the sub \$10 product category	Global demand for the sub \$10 category in wine is in decline. As AVG sells some of the McGuigan branded products in this category there is a risk to revenue if this is not mitigated.	AVG's investment in pillar brands, especially those in higher categories than the sub \$10, develops a broader brand portfolio. In addition, growth in global geographic locations will expand growth opportunities potentially mitigating the decline in some markets.

Review of operations and future developments (continued)

Material business risk	Details of risk	Mitigation strategies in place
Changing laws and government regulations	<p>AVG operates in a highly regulated industry in many of the markets in which it makes and sells wine. Each of these markets have differing regulations that govern many aspects of AVG's operations, including taxation, production, manufacturing, pricing, marketing, advertising, distribution and sales of wine.</p> <p>Remaining compliant with and abreast of changes to such regulations requires diligent and ongoing monitoring by the business. Additionally, changes and additional regulations can significantly impact the nature of operations.</p>	<ul style="list-style-type: none"> Company-wide policies, standards and procedures. AVG's compliance framework. Business Continuity Plans. Specialised and experienced resources and teams. Executive Leadership Team oversight via the Risk & Sustainability Committee. Relationships and engagement (where relevant) with key government, industry advocacy and regulatory bodies.
Significant business disruption	<p>AVG's scope of operations exposes it to a number of business disruption risks, such as environmental catastrophes, natural and man-made hazards and incidents or politically motivated violence.</p> <p>Significant business disruption could result in AVG's sites or employees being harmed or threatened, loss of key infrastructure, inventory shortages or loss, customer dissatisfaction, or financial and reputation loss.</p>	<ul style="list-style-type: none"> Dedicated health and safety team oversight, audit programs and training. Preventative repair and maintenance program. Comprehensive insurance program.
Foreign exchange	<p>AVG is exposed to foreign exchange risk from a number of sources, namely from the export of Australian produced wine to offshore markets. Foreign exchange rate movements impact AVG's earnings.</p>	<ul style="list-style-type: none"> Active foreign exchange hedging strategy. Partial natural hedges (purchases and sales within the same currency) where possible.
Cyber security	<p>Data/information security is essential to protect business critical intellectual property and privacy of data. Continuing advances in technology, systems and communication channels mean increasing amounts of private and confidential data are now stored electronically. This, together with increasing cyber-crime, heightens the need for robust data security measures.</p>	<ul style="list-style-type: none"> Information Security Policy, supporting framework and specialised resources. Restricted and segregated management of sensitive business/supplier/customer data. Periodic employee training and alerts to ensure secure handling of sensitive data. Crisis management and IT Disaster Recovery Plans.

Directors' meetings

The following table sets out the composition of the Director's meetings.

Directors	Board Meetings	Audit Committee Meetings	Risk & Sustainability Committee Meetings	People, Remuneration & Culture Committee Meetings
Richard Davis	Chair	Member	Member	Member
Craig Garvin	Member	Invitee	Invitee	Invitee
John D Davies	Member	Chair	Member	Invitee
Naseema Sparks	Member	Member	Invitee	Chair
Peter Perrin	Member	Invitee	Chair	Member
Jiang Yuan	Member	Invitee	Invitee	Invitee

The following table sets out the number of Directors' meetings (including meetings of Committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or Committee Member).

During the financial year the company held 12 Board Meetings, 2 Audit Committee Meetings, 2 Risk & Sustainability Committee Meetings and 2 People, Remuneration & Culture Committee meetings.

Directors'	Board Meetings Attended	Audit Committee Meetings Attended	Risk & Sustainability Committee Meetings Attended	People, Remuneration & Culture Committee Meetings Attended
Richard Davis	12	2	2	2
Craig Garvin	12	2	2	2
John D Davies	12	2	2	2
Naseema Sparks	12	1	2	2
Peter Perrin	12	2	2	2
Jiang Yuan	12	1	1	1
Total Meetings Held	12	2	2	2

Directors' shareholdings

The following table sets out each Director's relevant interest in shares and options in shares of the Company as at the date of this report.

	Fully Paid Ordinary Shares	Executive Performance Rights and Options
Richard Davis	225,814	-
Craig Garvin ⁽¹⁾	1,052,361	895,137
John Davies	700,000	-
Naseema Sparks	77,878	-
Peter Perrin	264,057	-
Jiang Yuan	35,149,976	-

(1) Craig Garvin's fully paid ordinary shares are held in trust under escrow.

Details of unissued shares or interests under option / performance right as at the date of this report are:

Issuing Entity	Number of Shares Under Option / Right	Class of Shares	Exercise Price of Option / Right	Expiry Date of Option / Right
Australian Vintage Ltd	247,500	Ordinary	\$0.3891	1 November 2022
Australian Vintage Ltd	1,155,941	Ordinary	N/A (rights)	31 October 2023
Australian Vintage Ltd	722,888	Ordinary	N/A (rights)	31 October 2022
Australian Vintage Ltd	722,889	Ordinary	N/A rights	31 October 2024
	2,849,218			





Remuneration report

Introduction

Up to and including FY22 people have been fundamental to our success at Australian Vintage. The importance of our talent in a challenging environment has further highlighted our need to invest, attract and retain our people. In a post-COVID environment where talent is scarce and competition for this talent has never been greater, Australian Vintage is extremely proud to have hit top quartile in our annual employee engagement survey, increased our female representation throughout the business, reduced staff turnover and managed the business safely through the ever-changing challenges that COVID continues to present.

AVG's approach to remuneration ensures that building an inclusive and diverse workplace is at the forefront of all our key people decisions. We recognise that having an inclusive workplace is essential for the sustainability of our business and in turn drives shareholder return. The result of building our inclusive workplace is now showing within our employee engagement score which is driving discretionary effort from employees and business performance.

Our holistic approach to remuneration is well understood throughout the business and is motivating and inspiring our executive and their teams to drive long term business results. Linking executive remuneration to our balanced scorecard keeps the executive focussed on driving long term value and shareholder returns.

Over FY22 Australian Vintage has continued to ensure we have an aligned executive pay structure which illustrates the importance of achieving our Long-Term strategy, enhancing cultural alignment, and ensuring consistency and commitment to employee engagement and diversity. Consistency and performance is measured through our balanced scorecard approach. Our scorecard is an executive KPI measure which aligns directly to our Long-Term Strategy and putting the consumer at the heart of everything we do. This KPI Balanced Scorecard comprises of specific performance measures on – Behaviours & Engagement, Safety, EBITs, ROCE, and Branded Growth & Innovation.

AVGs Vision, Purpose, Values & Behaviours

AVGs behavioural framework is an integral part of the remuneration structure at AVG for all employees. The AVG behaviours are ingrained throughout the organisation and set a standard for the way in which all employees operate and behave daily. This framework forms part of the annual performance review and behaviours are a gateway to any salary or bonus payments. Key principles of the behavioural gateway are;

- If an employee scores below satisfactory on their behavioural assessment, they will not be eligible for a salary increase or a bonus payment
- If an employee scores below satisfactory on their behavioural assessment, they will be provided with the support and tools to improve their behaviours
- The executive team have a higher threshold of maintaining strong performance on their behavioural assessment, they are expected to be role models in their behaviour

Remuneration report (continued)

These AVG behaviours underpin the corporate strategy and form the foundation of our engaged and achievement focussed culture;

OUR VISION

To be the first choice for every occasion

OUR PURPOSE

Make the world a smaller place through sharing good times

OUR VALUES

Working Collaboratively

We know and do what is right, we work together, and we care about each other and our consumers

Innovative

We create and we evolve

Nimble & Responsive

We are efficient and we are agile

Empowered

We embrace opportunities to contribute and we are trusted

Integrity

We act with integrity, always being honest and doing what we know is right by our colleagues & our customers.

Respect

We respect our colleagues as equal no matter what their role in the business. We value diversity & differences.

Courage

We show courage, stepping up to address difficult issues, saying what needs to be said.

Collaboration

We collaborate, always putting team AVG first. Supporting each other, building partnerships, and working with others to meet shared objectives.

Resilience

We show resilience. Rebounding from setbacks and adversity when facing difficult situations.

Trust

We build successful relationships with our customers and each other because we trust each other.

OUR MISSION

We put the consumer at the heart of everything we do

Remuneration Report (continued)

Key Remuneration Objectives and Principles

Remuneration objectives and principles with respect to both the Chief Executive Officer and Executive compensation are as follows:

1. To provide a fair and reasonable remuneration structure for all employees
2. To provide attractive rewards and incentives to retain key individuals
3. To link senior executive rewards to accretion in shareholder wealth
4. The remuneration strategy must be easily understood by the Board, management and shareholders and must:
 - a) Reinforce organisation strategy and the objectives of the five-year plan
 - b) Facilitate corporate values and behaviours identified as core to the culture
 - c) Be proactive and dynamic so as to reflect changes in trends and future business opportunities

Key Management Personnel for the year comprised:

Name	Position	Dates
Non-executive Directors		
Richard H Davis	Chairman	Full Year
John D Davies	Non-executive Director	Full Year
Naseema Sparks	Non-executive Director	Full Year
Peter Perrin	Non-executive Director	Full Year
Jiang Yuan ⁽¹⁾	Non-executive Director	Full Year
Executives		
Craig Garvin	Chief Executive Officer ('CEO')	Full Year
Adam Rigano	Chief Financial Officer ('CFO')	Appointed 21st March 2022
Mike Noack	Chief Financial Officer ('CFO')	Resigned 4th March 2022
Julian Dyer	Chief Operating Officer, UK, Europe, Americas	Full Year
Thomas Jung	Operations Director	Full Year
Jeff Howlett	General Manager – Australia and New Zealand	Full Year

(1) Resigned 11th August 2022

For the purpose of disclosure Key Management Personnel (KMP) are defined as an individual who is responsible for strategic planning, management and performance of a division or function and reports directly to the Chief Executive Officer.

People, Remuneration & Culture Committee and Director Compensation

The People, Remuneration & Culture Committee reviews the fee levels for Non-Executive Directors from time-to-time utilising appropriate remuneration benchmark data from comparable Australian ASX listed companies of similar size as a guide to independent market levels of remuneration such positions attract. Shareholders have approved a pool of funds up to \$600,000 per annum to compensate all Non-Executive Directors remuneration for their ordinary services as Directors.

The current level of Non-Executive Director compensation sits comfortably within the pool of funds approved by the Shareholders.

The compensation for Non-Executive Directors reflects the time spent by Non-Executive directors on board sub-committees and is allocated as follows:

Position	Fee \$
Board Chair	120,000
Committee Chair Fee	20,000
Committee Member Fee	10,000
Non-Executive Director Fee	50,000

Remuneration Report (continued)

Remuneration Components for CEO and Key Management Personnel

The People, Remuneration & Culture Committee reviews the compensation package for the Chief Executive Officer on an annual basis and makes applicable remuneration changes and variable incentive recommendations to the Board for approval.

The Chief Executive Officer reviews the compensation packages of all other Executives and makes recommendations to the People, Remuneration & Culture Committee for approval.

Compensation packages are reviewed and determined with due regard to the position's scope, key functions, and current market rates. They are benchmarked against comparable industry salaries, as well as utilising appropriate remuneration benchmark data from comparable Australian ASX listed companies of similar size as a guide. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's diverse operations.

The below represents a target pay mix for the Chief Executive Officer and other Executives.

EXECUTIVE TOTAL REWARD FRAMEWORK		
At Risk Remuneration		
Fixed Remuneration	Variable Cash Incentive	Deferred Equity Incentive
50% for CEO 60% for other Executives		
Comprises: <ul style="list-style-type: none"> • Cash salary (base)*; • Salary sacrificed items; • Company motor vehicles; • Allowances; and • Employer superannuation contributions in line with statutory obligations. 	A Variable Cash Incentive targeting: <ul style="list-style-type: none"> • 25% of Total Remuneration for the CEO & CFO • 20% of Total Remuneration for other Executives 	A deferred equity incentive scheme targeting: <ul style="list-style-type: none"> • 25% of Total Remuneration for the CEO & CFO • 20% of Total Remuneration for other Executives.

Remuneration Components

The Chief Executive Officer and other KMP compensation packages consist of the below three components:

- Fixed Remuneration
- Variable Cash Incentive
- Deferred Equity Incentive

1. Fixed Remuneration

This component is not performance linked and generally consists of salary, motor vehicle, wine allowance and post-employment superannuation entitlement (where applicable). The base amount for the CEO is reviewed annually by the People, Remuneration & Culture Committee. The base amount for other Executives is reviewed by the CEO, who makes recommendations to the People, Remuneration & Culture Committee for approval. Any adjustments made during the year will either be as a result of market rate changes in order for the Company to remain competitive or to reflect any changes in level of responsibility.

* The CEO will receive a 5% increase to his base salary for the coming financial year. This is above the company's 3% average increase pool for the year, and is the first increase the CEO has received since joining the business and is reflective of inflation, market rate and performance.

2. Variable Cash Incentive

Variable Cash incentive payments take into account the extent to which specific financial, operating and cultural targets are achieved during the financial year. The targets consist of a number of key performance indicators driven from the balances scorecard (KPIs) covering both financial and non-financial measures of performance. Non-financial measures include items such as safety and employee engagement, as well as related organisational behaviours that impact culture and performance.

Annual targets are agreed between the Board, CEO and executives. The structure of all KPI's is driven from the company's balanced scorecard and is structured as follows:

Remuneration Report (continued)

2. Variable Cash Incentive (continued)

KPI / Objective	CEO / CFO Weighting	KMP Weighting
Employee Engagement Achieve company employee engagement target of 67%	10%	10%
Safety Achieve company LTIFR target of 8 or less	10%	10%
Financial EBITS (% of sales)	60%	40%
ROCE % Achieve company return on capital employed	10%	10%
Branded Growth %	10%	10%
Business unit specific deliverables	N/A	20%

Performance is measured against targets for EBIT (Earnings before interest, tax and Self-Generating and Regenerating Assets income (SGARA)) and ROCE ("Return on Capital Employed"). Company Performance is set at a minimum of 90% achievement of the financial year budget and is the first gate to determine the incentive opportunity to be made available for individual assessment. The People, Remuneration & Culture Committee may, from time to time, elect to make exceptions to this principle in the event of extraordinary circumstances and in the circumstances where an incentive payment may support retention of critical talent. No exceptions have been exercised by the People, Remuneration & Culture Committee to the payment of incentives this financial year.

Due to the organisation's ability to exceed its financial year budget, the Variable Cash incentive can be assessed to a maximum of 120% achievement. Objectives KPIs are determined annually as follows:

- **Chief Executive Officer** – by the People, Remuneration & Culture Committee and approved by the Board, following consultation with the CEO
- **Key Management Personnel** – by the CEO and approved by the People, Remuneration & Culture Committee, following consultation with each Executive member

For the purpose of determining eligibility for payment of variable cash incentives, corporate financial and behavioural objectives as well as individual performance is assessed against set performance targets agreed each year. The table below shows the maximum Variable Cash Incentive payments for FY22, the breakdown between financial and operational key performance indicator targets and the actual percentage of the maximum Variable Cash incentive achieved:

	2022 MINIMUM VARIABLE CASH	2022 MAXIMUM VARIABLE CASH ⁽¹⁾	KEY PERFORMANCE TARGETS			2022 % OF MAXIMUM GRANTED
			\$	\$	FINANCIAL	
Craig Garvin	0	420,000	70%	20%	10%	79%
Adam Rigano ⁽²⁾	0	43,831	70%	20%	10%	79%
Michael Noack ⁽³⁾	0	99,150	70%	20%	10%	79%
Julian Dyer	0	165,015	60%	20%	20%	80%
Thomas Jung	0	122,705	60%	20%	20%	79%
Jeff Howlett	0	121,085	60%	20%	20%	80%

(1) Maximum variable cash opportunity is based on achievement of 120% of financial target.

(2) Appointed 21st March 2022 and has been awarded a pro-rata variable cash incentive.

(3) Resigned 4th March 2022. Maximum payable is a pro-rata calculation to resignation date.

Executive performance was not paid out at 100% due to assessment of our balanced scorecard falling slightly below target on safety. After a challenging year with COVID-19 and an ambitious LTIFR target the company saw an increase in minor incidents across operational sites due to COVID-19 fatigue.

Remuneration Report (continued)

3. Overall Company Performance (reported)

The overview of company performance over the last five years is highlighted in the table below:

FINANCIAL YEAR ENDED 30 JUNE 2022	2018	2019	2020	2021	2022
EBITS performance (A\$m)	16.8	21.7	21.0	31.2	28.8
Earnings per share (cents)	2.8	2.9	3.9	7.0	6.9
Dividends paid per share (cents)	1.0	1.5	2.0	2.7	3.4
Franked (%)	100%	100%	63%	60%	60%
Return on capital employed (%)	4.3	4.3	4.5	7.5	6.5

4. Deferred Equity Scheme

Deferred Equity Scheme – from 1st July 2018

From 1st July 2020, an earnings per share ('EPS') target was introduced to better align key management incentives with that of shareholder return.

The Deferred Equity has 2 components:

- 50% based on a 3 year earnings per share EPS compound annual growth return ('CAGR') target. If the target is met the Share Rights will be converted to shares and there will be no escrow period. The target 3 year EPS CAGR for the issue of Share Rights is –

	EPS CAGR Target FY22 Issued
Minimum (90% target achieved)	10.6%
At 100%	11.8%
Maximum (120% target achieved)	14.1%

- 50% based on Capital Employed (ROCE), with shares issued held in escrow for a 3 year period. The target ROCE is –

	ROCE Target FY21 Issued
Minimum (90% target achieved)	6.4%
At 100%	7.1%
Maximum (120% target achieved)	8.5%

The ROCE calculations take into account the new Leasing Standard, AASB 16 Leases, which is mandatory from 1 January 2019. The impact of this new Leasing standard on the Company's ROCE is to reduce the return by approximately 0.5%.

- All other terms and conditions of the Deferred Equity Scheme remain unchanged (refer next section details).

Over the next 5 years, and subject to normal agricultural risks, the target ROCE is expected to increase to double digit returns.

It is planned that the shares will be purchased on market. However, this will be a year by year decision based on future cash flow projections. The Board will have discretion to release the shares from escrow, if for example, an Executive is classified a good leaver. Dividends received from the shares will be paid to the Executives progressively.

Certain conditions apply to the issue of the incentives as follows:

- No retesting – there will be no retest applied to the Deferred Equity award other than if a bad leaver.
- Bad Leaver – In the case of a bad leaver, no shares will be transferred. The shares will remain in the Trust to be used in future Deferred Equity awards.
- Clawback – there will be no clawback unless specifically stated.
- Control Event – the Board has the discretion to determine the treatment of any award on a change of control event. If a change of control event occurs during the 12 month performance period, Executives will receive at least a pro-rata payment of the total award.
- Cessation of Employment – should an executive resign or be terminated during a performance period, no automatic award will be provided. AVG will have regard to performance against target and the performance period elapsed in determining any award.

There were 1,445,777 (FY21: 2,174,830) Performance Rights issued in the Deferred Equity Incentive scheme during the year. These Rights were based on the achievement of 120% of the targets. For 2022 the reported ROCE was 6.5%, and as a result 548,189 shares will be purchased on market. For 2021, the ROCE was 113%, and as a result 1,088,511 shares were purchased on market. The rights subject to a 3-year EPS CAGR target will be first assessed in the period ended 30 June 2023.

Remuneration Report (continued)

4. Deferred Equity Scheme (continued)

Prior to 1st July 2018 – Performance Rights and Options Plan

Established in August 2012, this plan provided a right to an issue of shares. This right or option was subject to the achievement of Earnings per share ('EPS') and Total Shareholder Return ('TSR') hurdles until the vesting date and the satisfaction of continuous employment criteria. The plan was available to selected senior management as approved by the Board. Rights and options can be exercised if the following criteria are met:

Options issued FY17 (original exercise price \$0.5280, capital return adjusted exercise price \$0.4870):

- 30% of options will vest if continuous employment is maintained up to 1st July 2020.
- 30% of the options are subject to an EPS hurdle. If the EPS CAGR for the three years FY17 to FY19 inclusive is less than 7.5% no options will vest under this performance condition. If the EPS CAGR is between 7.5% and 15% vesting occurs in a straight line between 25% and 100%.
- 40% of the options are subject to a TSR hurdle. If TSR for the three years FY17 to FY19 is less than 10%, no options will be vested under this performance condition. If the TSR is between 10% and 15% vesting occurs in a straight line between 25% and 100%.

Options issued FY18 (original exercise price \$0.4387, capital return adjusted exercise price \$0.3891):

- 50% of the options are subject to an EPS hurdle. If the EPS CAGR for the three years FY18 to FY20 inclusive is less than 10% no options will vest under this performance condition. If the EPS CAGR is between 10% and 20% vesting occurs in a straight line between 25% and 100%.
- 50% of the options are subject to a TSR hurdle. If TSR for the three years FY18 to FY20 is less than 15%, no options will be vested under this performance condition. If the TSR is between 15% and 20% vesting occurs in a straight line between 25% and 100%.

As this Performance Rights and Option Plan ceased on 30th June 2018, there were no share options issued during the year (2021: Nil) to Key Management Personnel as part of their remuneration. No shares were issued during or since the end of the financial year as a result of the exercise of performance rights or options under this Plan. All of the options issued in FY17 have now either been exercised or have expired. The balance of options issued in FY18 expire on 1 November 2022.

Key Management Personnel equity, option and performance rights

As at the date of this report, Key Management Personnel hold the following performance rights and options:

KEY MANAGEMENT PERSONNEL		NUMBER GRANTED	EXERCISE PRICE	PERFORMANCE ASSESSMENT DATE	GRANT DATE	FAIR VALUE ON GRANT DATE	EXPIRY DATE
Craig Garvin	Rights	396,976	N/A	1 Jul 2023	10 December 2020	257,196	31 October 2023
	Rights*	249,081	N/A	1 July 2022	25 February 2022	179,986	31 October 2022
	Rights	249,080	N/A	1 July 2024	25 February 2022	167,981	31 October 2024
Michael Noack	Rights	173,186	N/A	1 Jul 2023	10 December 2020	112,206	31 October 2023
Julian Dyer	Rights	141,751	N/A	1 Jul 2023	10 December 2020	91,839	31 October 2023
	Rights*	103,595	N/A	1 July 2022	25 February 2022	74,857	31 October 2022
	Rights	103,594	N/A	1 July 2024	25 February 2022	69,864	31 October 2024
Thomas Jung	Rights	114,216	N/A	1 July 2023	10 December 2020	74,000	31 October 2023
	Options	180,000	\$0.3891	N/A	20 December 2017	23,500	1 November 2022
	Rights*	90,350	N/A	1 July 2022	25 February 2022	65,827	31 October 2022
	Rights	90,350	N/A	1 July 2024	25 February 2022	60,933	31 October 2024
Jeff Howlett	Rights	82,090	N/A	1 July 2023	10 December 2020	53,186	31 October 2023
	Rights*	79,897	N/A	1 July 2022	25 February 2022	57,733	31 October 2022
	Rights	79,897	N/A	1 July 2024	25 February 2022	53,882	31 October 2024
TOTAL		2,134,063				1,342,990	

* These rights represent performance rights issued to meet the ROCE target that vest in a shorter time frame than the EPS CAGR performance rights

It is expected that the options listed above will be exercisable.

Remuneration Report (continued)

Key Management Personnel equity, option and performance rights (continued)

Fully paid ordinary shares issued by Australian Vintage Ltd and held by key management personnel are as follows:

	BALANCE @ 1/7/21 No.	SHARES PURCHASED FROM RIGHTS No.	RECEIVED ON EXERCISE OF OPTIONS No.	NET OTHER CHANGE ⁽¹⁾ No.	BALANCE @ 30/6/22 No.	BALANCE HELD NOMINALLY No.
Non-executive Directors						
Richard H Davis	110,000	-	-	115,814	225,814	-
John Davies	650,000	-	-	50,000	700,000	-
Naseema Sparks	67,420	-	-	10,458	77,878	-
Peter Perrin	221,174	-	-	42,883	264,057	-
Jiang Yuan	39,055,527	-	-	(3,905,553)	35,149,974	-
Executives						
Craig Garvin	753,935	373,819	-	(75,393)	1,052,361	-
Adam Rigano	-	-	-	-	-	-
Michael Noack	1,146,676	163,084	76,680	(1,386,440)	-	-
Julian Dyer	544,380	133,482	-	(54,438)	623,424	-
Thomas Jung	181,571	107,554	-	(18,157)	270,968	-
Jeff Howlett	53,853	77,303	-	(5,386)	125,770	-
	42,784,536	855,242	76,680	(5,226,212)	38,490,246	-

(1) Includes reduction in shares from capital consolidation

Balances include shares held in trust under escrow.

Performance Rights and Options issued by Australian Vintage Ltd and held by key management personnel are as follows:

	BAL. @ 1/7/21 No.	GRANTED AS REMUNERATION No.	EXERCISED No.	EXPIRED/ CANCELLED ⁽¹⁾	BAL. @ 30/6/22 No.	BAL. VESTED @ 30/6/22 No.	VESTED BUT NOT EXERCIS- ABLE No.	VESTED AND EXERCIS- ABLE No.	VESTED DURING THE YEAR No.
Craig Garvin	882,168	498,162	(373,819)	(111,374)	895,137	-	-	-	373,819
Adam Rigano	-	-	-	-	-	-	-	-	-
Michael Noack	470,059	-	(239,764)	(57,109)	173,186	-	-	-	163,084
Julian Dyer	400,202	207,189	(133,482)	(124,969)	348,940	-	-	-	133,482
Thomas Jung	539,014	180,700	(107,554)	(137,244)	474,916	180,000	-	180,000	107,554
Jeff Howlett	182,424	159,794	(77,303)	(23,031)	241,884	-	-	-	77,303
	2,473,867	1,045,845	(931,922)	(453,727)	2,134,063	180,000	-	180,000	855,242

(1) Includes reduction in shares from capital return

Remuneration Report (continued)

Key Management Personnel Remuneration

The following table discloses the remuneration on statutory basis for Key Management Personnel of the Company:

2022	SHORT-TERM BENEFITS			POST EMPLOYMENT		SHARE BASED PAYMENTS			TOTAL	
	Salary & Fees \$	Bonus \$	Non-Monetary ^(a) \$	Super-annuation \$	Other \$	Cash Settled \$	Equity Settled Options ^(b) \$	Equity Settled Shares \$	\$	Performance Related %
Non-Executive directors										
Richard Davis	125,455	-	2,000	12,545	-	-	-	-	140,000	0%
John Davies	70,909	-	2,000	7,091	-	-	-	-	80,000	0%
Naseema Sparks	70,909	-	2,000	7,091	-	-	-	-	80,000	0%
Peter Perrin	70,909	-	2,000	7,091	-	-	-	-	80,000	0%
Jiang Yuan	47,817	-	-	2,391	-	-	-	-	50,208	0%
Sub-total	385,999	-	8,000	36,209	-	-	-	-	430,208	0%
Executives										
Craig Garvin	674,491	331,665	1,200	27,500	-	-	-	104,575	1,139,431	38%
Adam Rigano	124,346	34,612	300	12,435	-	-	-	-	171,693	20%
Michael Noack	288,941	78,296	60,346	18,610	-	-	-	35,592	481,785	24%
Julian Dyer	419,678	132,345	-	9,868	-	-	-	38,694	600,585	29%
Jeff Howlett	335,664	97,194	26,200	33,567	-	-	-	24,245	516,870	29%
Thomas Jung	346,670	97,331	21,839	27,500	-	-	-	31,813	525,153	25%
Sub-total	2,189,790	771,443	109,885	129,480	-	-	-	234,919	3,435,517	29%
TOTAL	2,575,789	771,443	117,885	165,689	-	-	-	234,919	3,865,725	26%

(a) Non-monetary items include provision of motor vehicle, insurance and wine benefits and applicable fringe benefits tax.

(b) Amortisation of share rights and options granted over the vesting period.

2021	SHORT-TERM BENEFITS			POST EMPLOYMENT		SHARE BASED PAYMENTS			TOTAL	
	Salary & Fees \$	Bonus \$	Non-Monetary ^(a) \$	Super-annuation \$	Other \$	Cash Settled \$	Equity Settled Options ^(b) \$	Equity Settled Shares \$	\$	Performance Related %
Non-Executive directors										
Richard Davis	107,763	-	2,000	10,237	-	-	-	-	120,000	0%
John Davies	71,233	-	2,000	6,767	-	-	-	-	80,000	0%
Naseema Sparks	71,233	-	2,000	6,767	-	-	-	-	80,000	0%
Peter Perrin	71,233	-	2,000	6,767	-	-	-	-	80,000	0%
Jiang Yuan	55,181	-	-	2,630	-	-	-	-	57,811	0%
Sub-total	376,643	-	8,000	33,168	-	-	-	-	417,811	0%
Executives										
Craig Garvin	673,800	420,000	1,200	25,000	-	-	-	90,749	1,210,749	42%
Michael Noack	425,410	147,112	89,176	25,000	-	-	1,455	39,591	727,744	26%
Julian Dyer	403,294	161,658	-	18,031	-	-	1,455	32,404	616,842	32%
Jeff Howlett	324,171	118,132	26,200	30,796	-	-	-	18,766	525,318	26%
Thomas Jung	337,958	109,736	25,059	25,000	-	-	1,455	26,110	518,065	27%
Sub-total	2,164,633	956,638	141,635	123,827	-	-	4,365	207,620	3,598,718	33%
TOTAL	2,541,276	956,638	149,635	156,995	-	-	4,365	207,620	4,016,529	29%

(a) Non-monetary items include provision of motor vehicle, insurance and wine benefits and applicable fringe benefits tax.

(b) Amortisation of share rights and options granted over the vesting period.

Remuneration Report (continued)

Service Agreements of Key Management Personnel

Compensation and other terms of employment for Key Management Personnel (excluding Non-Executive Directors) are formalised in service agreements or letters of appointment. Termination benefits disclosed below do not apply in cases of misconduct or other specified circumstances.

Craig Garvin

- (i) Term of agreement – no specified term.
- (ii) Compensation includes:
 - a. Base salary, superannuation and wine allowance.
 - b. Variable Cash incentive - entitlement to a bonus subject to certain key performance criteria. Key performance criteria include defined financial (including company profitability), commercial and behavioural targets.
 - c. Deferred Equity - entitlement to an issue of Performance Rights. The Performance Rights are subject to meeting set ROCE and are subject to certain conditions.
- (iii) If Mr Garvin's employment is terminated by the Company, the Company must pay the equivalent of 6 months total remuneration (excluding Variable Cash incentive). Mr Garvin may resign by providing 6 months written notice to the Company or a lesser period as agreed by the company.

Adam Rigano

- (i) Term of agreement - no specified term.
- (ii) Compensation includes:
 - a. Base salary, superannuation and wine allowance.
 - b. Variable Cash incentive - entitlement to a bonus subject to certain key performance criteria. Key performance criteria include defined financial (including company profitability), commercial and behavioural targets.
 - c. Deferred Equity - entitlement to an issue of Performance Rights. The Performance Rights are subject to meeting set ROCE and are subject to certain conditions.
- (iii) If Mr Rigano's employment is terminated by the company, the Company may restrain Mr Rigano from working for a Business in Competition/Company customer for a period of up to 3 months. The Company will pay Base Salary for the period in which the restraint is enforced. Mr Rigano may resign by providing 3 months written notice to the Company or a lesser period as agreed by the company.

Julian Dyer

- (i) Term of agreement - no specified term.
- (ii) Compensation includes:
 - a. Base salary and United Kingdom pension payment.
 - b. Variable Cash incentive - entitlement to a bonus subject to certain key performance criteria. Key performance criteria include defined financial (including company profitability), commercial and behavioural targets.
 - c. Deferred Equity - entitlement to an issue of Performance Rights. The Performance Rights are subject to meeting set ROCE and are subject to certain conditions.
- (iii) If Mr Dyer's employment is terminated by the Company, the Company may restrain Mr Dyer from working for a Business in Competition/Company customer for a period of up to 3 months The Company will pay Base Salary for the period in which the restraint is enforced. Mr Dyer may resign by providing 6 months written notice to the Company or a lesser period as agreed by the company.

Remuneration Report (continued)

Jeff Howlett

- (i) Term of agreement - no specified term.
- (ii) Compensation includes:
 - a. Base salary, superannuation and wine allowance.
 - b. Variable Cash incentive - entitlement to a bonus subject to certain key performance criteria. Key performance criteria include defined financial (including company profitability), commercial and behavioural targets.
 - c. Deferred Equity - entitlement to an issue of Performance Rights. The Performance Rights are subject to meeting set ROCE and are subject to certain conditions.
- (iii) If Mr Howlett's employment is terminated by the Company, the Company may restrain Mr Howlett from working for a Business in Competition/Company customer for a period of up to 3 months. The Company will pay Base Salary for the period in which the restraint is enforced. Mr Howlett may resign by providing 3 months written notice to the Company or a lesser period as agreed by the company.

Thomas Jung

- (i) Term of agreement - no specified term.
- (ii) Compensation includes:
 - a. Base salary, superannuation, motor vehicle allowance and wine allowance.
 - b. Variable Cash incentive - entitlement to a bonus subject to certain key performance criteria. Key performance criteria include defined financial (including company profitability), commercial and behavioural targets.
 - c. Deferred Equity - entitlement to an issue of Performance Rights. The Performance Rights are subject to meeting set ROCE and are subject to certain conditions.
- (iii) If Mr Jung's employment is terminated by the Company, the Company may restrain Mr Jung from working for a Business in Competition/Company customer for a period of up to 3 months. The Company will pay Base Salary for the period in which the restraint is enforced. Mr Jung may resign by providing 3 months written notice to the Company or a lesser period as agreed by the company.

This Remuneration Report (for the year ended 30 June 2022) has been prepared in accordance with section 300A of the Corporations Act 2001 and the Corporations Regulations 2001 and has been audited.

Non-audit services

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Audit Committee, in conjunction with the Chief Financial Officer, assesses the provision of non-audit services by the auditors to ensure that the auditor independence requirements of the Corporations Act 2001 in relation to the audit are met.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 22 to the financial statements.

The directors are of the opinion that the services as disclosed in note 22 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditors' independence declaration

The Auditors independence declaration is included on page 55.

Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company (as named previously), the Company Secretaries and all Executive Officers of the Company and of any related Body Corporate against a liability incurred as a Director, Secretary or Executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial / Directors Reports) instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the Directors' Report and the Financial Report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Subsequent Events

In respect of the financial year ended 30 June 2022 a 60% franked dividend of 3.4 cents per share was declared on 24 August 2022 and will be paid on 16 December 2022.

There have been no other matters or circumstances, other than that referred to in note 27 to the financial statements, that have arisen since the end of the financial year, that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors



RICHARD DAVIS
Chairman
24 August 2022



CRAIG GARVIN
Chief Executive Officer
24 August 2022



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Ernst & Young
121 King William Street
Adelaide SA 5000 Australia
GPO Box 1271 Adelaide SA 5001

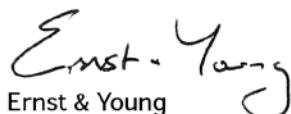
Tel: +61 8 8417 1600
Fax: +61 8 8417 1775
ey.com/au

Auditor's Independence Declaration to the Directors of Australian Vintage Limited

As lead auditor for the audit of the financial report of Australian Vintage Limited for the financial year ended 30 June 2022, I declare 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;
- b) No contraventions of any applicable code of professional conduct in relation to the audit; and
- c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Australian Vintage Limited and the entities it controlled during the financial year.


Ernst & Young


Mark Phelps
Partner
Adelaide
24 August 2022



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Ernst & Young
121 King William Street
Adelaide SA 5000 Australia
GPO Box 1271 Adelaide SA 5001

Tel: +61 8 8417 1600
Fax: +61 8 8417 1775
ey.com/au

Independent Auditor's Report to the Members of Australian Vintage Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Australian Vintage Limited (the Company or AVL) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.



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Impairment of Intangible Assets

Why significant	How our audit addressed the key audit matter
<p>AVL holds \$37.7m of goodwill and \$13.4m of other intangible assets (excluding leases) at 30 June 2022.</p> <p>As required by Australian Accounting Standards, the Group assesses at the end of each reporting period whether there is any indication that assets may be impaired. In addition, goodwill and indefinite life intangibles are tested for impairment at least annually.</p> <p>As disclosed in Note 12, AVL has performed its impairment test of assets, including goodwill and intangible assets to determine the recoverable amount of its individual cash generating units (CGUs).</p> <p>For impairment testing purposes, the Group uses assumptions in respect of future market and economic conditions including economic growth, exchange rates, demographic developments, revenue and terminal growth rates, margin development and applicable discount rates. Key assumptions relating to the impairment test are disclosed in Note 12 to the consolidated financial statements.</p> <p>Given the high level of management judgement in the impairment assessment, and the size of the amounts involved, we considered this to be a key audit matter.</p>	<p>As part of our audit, our procedures included:</p> <ul style="list-style-type: none"> ➢ Assessing management's determination of CGU's ➢ Agreeing the projected cash flows for FY23 to the Board approved five-year plan and budget. ➢ Testing the mathematical accuracy of the cash flow models. ➢ Evaluating management's assumptions by analysing and considering which inputs the impairment test is most sensitive to. ➢ Assessing the historical accuracy of management's budgeting process. ➢ Involving our valuation specialists to assess the key input assumptions, such as discount rate, growth rates and terminal values used in the Value in Use (VIU) models for the CGUs. This included comparison to external sources and comparable companies. ➢ Comparing the recoverable amount calculated within the VIU models to the carrying value recorded at 30 June 2022 and assessing the allocation of assets to the individual CGUs. ➢ Considering the relationship between market capitalisation and net assets of the Group and assessing the related analysis completed by management. ➢ Considering multiple sensitivities over the forecasts including the key input assumptions for the CGUs, including possible changes in growth rates, discount rates and budget accuracy. ➢ Assessing the adequacy and completeness of the disclosures in Note 10 and 12 based on the requirements of Australian Accounting Standards.



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Valuation of Inventory

Why significant	How our audit addressed the key audit matter
<p>The Group holds \$222.4m of inventory at 30 June 2022.</p> <p>The valuation of inventories of finished goods and work in progress includes inherently subjective judgements about grape harvests, forecast future demand and estimates of forecast market prices at the time the grapes are harvested and wine is expected to be sold. Refer to Note 8 for disclosure of AVL's accounting policy.</p> <p>We focus our audit procedures on assessing the judgements contained in the valuation models for:</p> <ul style="list-style-type: none"> ➤ The estimated market value of harvested grapes and allocation of costs over the period of time between the grape harvest and conversion from bulk wine to bottled wine ready for sale (vintage costing). ➤ The forecast demand and market sales prices, which can fluctuate significantly are influenced by the fundamentals of the global wine industry including fluctuations in demand and supply and other factors that impact agricultural outputs. This includes the large supply/quality of Australian red grapes in the current year. These factors influence AVL's determination of the most likely market and conditions in determining estimated net realisable value. ➤ A key indicator for at-risk inventory values, including finished goods and bulk wine is the identification of current slow-moving inventory. These can signal changes in consumer demand patterns or potential oversupply issues within the market which may impact forecast future prices. <p>Given the high level of management judgement in the valuation of inventory, and the size of the amounts involved, we considered this to be a key audit matter.</p>	<p>As part of our audit, our procedures included:</p> <ul style="list-style-type: none"> ➤ Testing the integrity of vintage costing, including the mathematical accuracy of the underlying calculation formulas. ➤ Assessing the reasonableness of management's assumptions in respect of determination of market value at the time of harvest and allocation of costs over the vintage period. ➤ Performing year-end inventory counts in significant locations, which included observing the process of identifying slow moving and potentially obsolete inventory. ➤ Testing key controls designed by the Group to identify slow moving and obsolete inventories. ➤ Testing year-end inventory listings and provisions, in particular the identification and valuation of bulk wine and finished goods where the costs may potentially exceed the estimated net realisable value at the time of sale. ➤ Assessing the adequacy and completeness of the disclosures in Note 8 based on the requirements of Australian Accounting Standards.



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Recoverability of Deferred Tax Assets

Why significant	How our audit addressed the key audit matter
<p>As disclosed in Note 4 of the consolidated financial statements, AVL has net deferred tax assets (DTA) of \$14.2m at 30 June 2022</p> <p>The recognition of deferred tax assets includes a high level of management judgement in assessing whether DTAs are probable of recovery, including:</p> <ul style="list-style-type: none"> ➤ The estimation of sufficient future taxable profits against which the DTAs may be recovered. ➤ The forecast timing of the reversal of existing taxable temporary differences. ➤ Tax planning opportunities considered by the Group. <p>Because of the factors referred to above, we considered this to be a key audit matter.</p>	<p>As part of our audit, our work consisted of:</p> <ul style="list-style-type: none"> ➤ Identifying and evaluating the design and implementation of the controls associated with the process of estimating the recoverability of deferred tax assets. ➤ Reviewing the advice from the Group's tax advisors on the assessment of the Group's tax obligations and assessing the competence, capability and the objectivity of those advisors. ➤ Involving our tax specialists to assess the conclusions reached by Group's tax advisors. ➤ Performing an independent assessment of management's application of the recognition criteria and the main assumptions used by the Group in estimating the future taxable profits to utilise the recorded DTA. ➤ Comparing the earnings forecasts used as a basis to assess the recoverability of the DTA with historical results to evaluate the reasonableness of the time period in which the Group expects to recover its DTA. ➤ Assessing the disclosures in note 4 on the recoverability of the DTA using the requirements of Australian Accounting Standards.



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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 Company's 2022 annual report other than the financial report and our auditor's report thereon. We obtained the directors' report that is to be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the remuneration report and our related assurance opinion.

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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or 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 judgment 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.



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- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year 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.



Building a better
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Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 21 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Australian Vintage Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Mark Phelps
Partner
Adelaide
24 August 2022

Directors' declaration

The Directors declare that:

- (a) 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;
- (b) the attached financial statements are in compliance with International Financial Reporting Standards as stated in note 1 to the financial statements;
- (c) In the Directors' opinion, the attached Financial Statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving true and fair view of the financial position and performance of the consolidated entity; and
- (d) The Directors' have been given the declarations required by s.295A of the Corporations Act 2001.

At the date of this declaration, the Company is within the class of companies affected by *ASIC Corporations (wholly owned companies) Instrument 2016/78*. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Director's opinion, there are reasonable grounds to believe that the Company and the companies to which the *ASIC Corporations (wholly owned companies) Instrument 2016/785* applies, as detailed in note 24 to the Financial Statements will, as a group, be able to meet any obligations or liabilities to which they are or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

RICHARD DAVIS
Chairman
24 August 2022

CRAIG GARVIN
Chief Executive Officer
24 August 2022

2022 Financial Report

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Consolidated statement of profit or loss and other comprehensive income	65
Consolidated statement of financial position	66
Consolidated statement of changes in equity	67
Consolidated statement of cash flows	68

Notes to the Financial Statements

Note 1: About this report	69
Note 2: Segment information	70
Note 3: Revenue and expenses	72
Note 4: Income taxes	73
Note 5: Earnings per share	75
Note 6: Notes to the cash flow statement	75
Note 7: Trade and other receivables	76
Note 8: Inventories	76
Note 9: Property, plant and equipment	77
Note 10: Goodwill and other intangible assets	78
Note 11: Leases	79
Note 12: Impairment testing	81
Note 13: Trade and other payables	81
Note 14: Provisions	82
Note 15: Borrowings	82
Note 16: Other financial assets and liabilities	83
Note 17: Share capital	83
Note 18: Dividends	83
Note 19: Reserves	84
Note 20: Key management personnel compensation	84
Note 21: Executive performance rights and share option plan	84
Note 22: Remuneration of auditors	86
Note 23: Contingent liabilities	86
Note 24: Subsidiaries	86
Note 25: Related party transactions	87
Note 26: Financial risk management	87
Note 27: Events after the reporting period	93
Note 28: Parent Entity	94



Consolidated statement of profit or loss and other comprehensive income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	NOTE	2022 \$'000	2021 \$'000
Revenue	3	260,099	273,960
Cost of sales		(174,752)	(187,759)
Gross Profit		85,347	86,201
Fair value loss on grapes		(1,428)	(737)
Other income	3	3,515	1,385
Distribution expenses		(15,171)	(13,176)
Sales expenses		(23,821)	(23,106)
Marketing expenses		(11,648)	(11,176)
Administration expenses		(9,437)	(8,954)
Finance costs	3	(2,688)	(2,618)
Profit before tax		24,669	27,819
Income tax expense	4	(7,336)	(8,216)
Net Profit for the year		17,333	19,603
Other comprehensive income , net of income tax:			
<i>Items that may be subsequently classified to profit or loss:</i>			
Net change in fair value of hedging instruments		1,657	(1,587)
Exchange differences arising on translation of foreign operations		(53)	69
Other comprehensive profit / (loss) for the year, net of income tax		1,604	(1,518)
Total comprehensive income for the year		18,937	18,085
Earnings Per Share:			
Basic (cents per share)	5	6.9	7.0
Diluted (cents per share)	5	6.9	7.0

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

Consolidated statement of financial position

AS AT 30 JUNE 2022

	NOTE	2022 \$'000	2021 \$'000
Current Assets			
Cash and cash equivalents	6	2,548	3,655
Trade and other receivables	7	44,826	51,580
Inventories	8	179,822	153,513
Other financial assets	16	1,595	493
Total Current Assets		228,791	209,241
Non-Current Assets			
Inventories	8	42,621	37,223
Other financial assets	16	5,224	3,176
Property, plant and equipment	9	114,445	111,793
Goodwill and other intangible assets	10	51,058	51,531
Deferred tax assets	4	14,238	19,787
Right-of-use assets	11	41,624	46,110
Total Non-Current Assets		269,210	269,620
Total Assets		498,001	478,861
Current Liabilities			
Trade and other payables	13	63,210	57,726
Income tax payable	4	2,421	1,770
Lease liabilities	11	6,400	5,913
Other financial liabilities	16	9	506
Provisions	14	6,275	6,444
Income received in advance		144	-
Total Current Liabilities		78,459	72,359
Non-Current Liabilities			
Borrowings	15	77,000	46,500
Lease liabilities	11	41,970	46,443
Other financial liabilities	16	-	46
Provisions	14	719	831
Total Non-Current Liabilities		119,689	93,820
Total Liabilities		198,148	166,179
Net Assets		299,853	312,682
Equity			
<i>Capital and reserves</i>			
Issued capital	17	441,474	465,490
Reserves	19	3,653	2,978
Accumulated losses		(145,274)	(155,786)
Total Equity		299,853	312,682

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

Consolidated statement of changes in equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Share capital \$'000	Equity - settled employee benefits reserve \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total \$'000
Balance at 1 July 2021	465,490	1,883	762	333	(155,786)	312,682
Profit for the period	-	-	-	-	17,333	17,333
Net change in fair value of interest rate swaps used in hedging	-	-	543	-	-	543
Net change in fair value of foreign exchange contracts used in hedging	-	-	1,824	-	-	1,824
Exchange differences arising on translation of foreign operations	-	-	-	(76)	-	(76)
Income tax relating to components of other comprehensive income	-	-	(710)	23	-	(687)
Total comprehensive income for the period	-	-	1,657	(53)	17,333	18,937
 Transactions with owners in their capacity as owners						
Purchase and issuance of treasury shares to employees	-	(1,233)	-	-	-	(1,233)
Dividend paid	-	-	-	-	(6,821)	(6,821)
Recognition of share based payments	-	304	-	-	-	304
Capital return, net of transaction costs	(24,016)	-	-	-	-	(24,016)
Balance at 30 June 2022	441,474	954	2,419	280	(145,274)	299,853
 Balance at 1 July 2020	465,490	3,116	2,349	264	(167,810)	303,409
Profit for the period	-	-	-	-	19,603	19,603
Net change in fair value of interest rate swaps used in hedging	-	-	506	-	-	506
Net change in fair value of foreign exchange contracts used in hedging	-	-	(2,773)	-	-	(2,773)
Exchange differences arising on translation of foreign operations	-	-	-	99	-	99
Income tax relating to components of other comprehensive income	-	-	680	(30)	-	650
Total comprehensive income for the period	-	-	(1,587)	69	19,603	18,085
 Transactions with owners in their capacity as owners						
Purchase and issuance of treasury shares to employees	-	(1,509)	-	-	-	(1,509)
Dividend paid	-	-	-	-	(7,579)	(7,579)
Recognition of share based payments	-	276	-	-	-	276
Balance at 30 June 2021	465,490	1,883	762	333	(155,786)	312,682

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

Consolidated statement of cash flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	NOTE	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Receipts from customers		280,179	295,816
Payments to suppliers and employees		(256,672)	(244,435)
Cash generated from operations		23,507	51,381
Interest paid (commercial bills)		(2,558)	(2,173)
Interest paid (resulting from leases under AASB 16)		(3,808)	(4,182)
Income tax paid		(1,790)	-
Net cash provided by operating activities	6 (a)	15,351	45,026
Cash flows from investing activities			
Payments for property, plant & equipment and intangible assets		(11,353)	(6,417)
Payments for investments held at fair value through profit or loss		(200)	-
Proceeds from sale of property, plant & equipment		1,850	15
Net cash used in investing activities		(9,703)	(6,402)
Cash flows from financing activities			
Proceeds from / (repayment of) borrowings	6 (c)	30,500	(28,500)
Capital return		(24,070)	-
Dividends paid	18	(6,821)	(7,579)
Repayments of principal amounts of lease liabilities	6 (c)	(6,364)	(6,546)
Net cash used in financing activities		(6,755)	(42,625)
Net (decrease) / increase in cash and cash equivalents		(1,107)	(4,001)
Cash and cash equivalents at the beginning of the financial year		3,655	7,656
Cash and cash equivalents at the end of the financial year		2,548	3,655

The above consolidated statement of cash flows should be read along with the accompanying notes.

Note 1: About this report

General information

Australian Vintage Ltd (the 'Company') is a for-profit entity, incorporated and domiciled in Australia and limited by shares which are traded on the Australian Securities Exchange (trading under the ticker code 'AVG'). The consolidated financial report comprises the Company and its controlled entities (the 'Group') and was authorised for issue by the Board of Directors on 24 August 2022. The Directors have the power to amend and reissue the financial report.

The Group's registered office is 275 Sir Donald Bradman Drive, Cowandilla SA 5033 and its principal activities are wine making, wine marketing, and vineyard management.

Basis of preparation

This financial report:

- is a general purpose financial report;
- has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB'), International Financial Reporting Standards ('IFRSs') and the *Corporations Act 2001*;
- has been prepared on a historical cost basis except for those items measured at fair value, as detailed in the policies that follow;
- is presented in Australian dollars, which is the Group's functional and presentational currency, with all values rounded to the nearest thousand, as permitted under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* unless otherwise stated;
- includes foreign currency denominated transactions and assets and liabilities that are translated into the Group's functional currency using the prevailing exchange rate at the date of the transaction for transactions in profit or loss and the exchange rate at the period-end date for assets and liabilities;
- where required, presents restated comparative information to enhance comparability; and
- has been prepared on a going concern basis.

Basis of consolidation

The consolidated financial report incorporates the financial report of the Company and its subsidiaries. Subsidiaries are entities over which the Company has control. A list of such entities is provided in Note 24. The Company controls an entity when it has:

- power to direct the activities of the entity, through voting rights;
- exposure to variable returns from its involvement with the entity; and
- the ability to use its power to affect its returns.

Total comprehensive income of subsidiaries is attributed to the owners of the Company. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. All amounts referenced in these financial statements and the accompanying notes are the Consolidated Group figures, unless otherwise indicated.

Significant accounting estimates and judgements

Management has identified the following critical accounting policies where significant judgements, estimates and assumptions are made. Actual results may differ from these estimates and may materially affect financial results or the financial position reported in future periods. Further information on policies where critical estimates and judgements are made, are listed within the following notes:

- Key assumptions used in impairment testing for goodwill and other intangible assets (note 12)
- Recognition of income tax losses (note 4)
- Determining lease term of contracts with renewal options (note 11)

Impact of climate change

The Group's accounting policies encompass making estimates about the future, which necessarily includes a consideration of the impact of climate change. Estimates in significant areas such as future business forecasts used in impairment testing and the useful lives of the Group's assets are made using the most relevant and current information. There is significant uncertainty as to the future potential impacts of climate change on the Group. The Group continues to develop its Sustainability Strategy, including setting targets and emission interventions across material impact areas.

New and amended standards adopted by the Group

The Group adopted certain amendments to accounting standards during the period. These amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Note 2: Segment information

Effective from 1 July 2021, AVG has amended the structure of the Group's operating segments. The underlying operations of the Group remain the same and the changes are due to better aligning operating segments with how the Group monitors its core business. The comparative segment information has been restated to reflect the Group's new segment structure.

Accounting policy – segment reporting

Operating segments are determined based on the reporting to the Chief Operating Decision Maker ('CODM'). The Group's CODM, who is responsible for allocating resources and assessing the performance of the Group has been identified as the Chief Executive Officer ('CEO').

- Australia / New Zealand: engaged in the manufacturing, sales and marketing of wine in Australia, New Zealand and the Pacific through wholesale and retail channels. In addition, the Australia / New Zealand segment sells concentrate and other commercial products to customers globally.
- UK, Europe & Americas: engaged in the packaging, sales and marketing of wine in the United Kingdom, Europe & the Americas through wholesale, distributor and retail channels.
- Asia: engaged in the sales and marketing of wine in Asia through wholesale channels.

The accounting policies of the reportable segments are the same as the Group's accounting policies noted in these financial statements. Finance cost and income and gains/losses from investments are not allocated to segments, as this type of activity is driven by the central finance function, which manages the cash and investments of the Group. The segment information provided to the CODM, which is reviewed on at least a monthly basis is as follows:

Revenue and profit information by segment

	Revenue 2022 \$'000	Revenue 2021 (restated) \$'000	Profit before tax 2022 \$'000	Profit before tax 2021 (restated) \$'000
Australia / New Zealand	118,499	121,932	14,208	12,634
UK, Europe & Americas	134,451	145,949	11,570	17,248
Asia	7,149	6,079	366	31
Total	260,099	273,960	26,144	29,913

Unallocated corporate amounts

Dividend income and fair value adjustment to investments	1,213	525
Net interest expense (commercial bills)	(2,191)	(2,065)
Interest expense (AASB 16 Leases) ^	(497)	(553)
Profit before tax	24,669	27,820

[^] note: net of interest capitalised to inventory under AASB 102

Note 2: Segment information (continued)

Geographical breakdown of revenues

Segments	For the twelve months ended 30 June 2022			
	Australia / New Zealand \$'000	UK / Europe & Americas \$'000	Asia \$'000	TOTAL \$'000
Type of goods or service				
Sales of wine	115,126	134,451	7,149	256,726
Other	3,373	-	-	3,373
	118,499	134,451	7,149	260,099
Geographical breakdown				
Australia	101,786	-	-	101,786
UK / Europe	-	125,811	-	125,811
New Zealand	6,656	-	-	6,656
Asia	5,773	-	7,149	12,922
North America	4,284	8,640	-	12,924
Other	-	-	-	-
	118,499	134,451	7,149	260,099

Segments	For the twelve months ended 30 June 2021 (restated)			
	Australia / New Zealand \$'000	UK / Europe & Americas \$'000	Asia \$'000	TOTAL \$'000
Type of goods or service				
Sales of wine	118,053	145,949	6,079	270,081
Other	3,879	-	-	3,879
	121,932	145,949	6,079	273,960
Geographical breakdown				
Australia	107,714	-	-	107,714
UK / Europe	28	139,350	-	139,378
New Zealand	5,563	-	-	5,563
Asia	4,017	-	6,079	10,096
North America	4,582	6,599	-	11,181
Other	28	-	-	28
	121,932	145,949	6,079	273,960

The Group has two major customers (2021: two) who individually account for greater than 10% of annual sales, one each within the Australia / New Zealand and the UK, Europe & Americas segments. The total sales for these customers in 2022 is \$78.8 million (2021: \$86.0 million).

Note 3: Revenue and expenses

Accounting policy - revenue

Revenue is measured based on the consideration to which the group expects to be entitled in a contract with a customer. The group recognises revenue when it transfers control of a product or service to a customer. The transaction price is net of rebates and discounts. Credit terms granted to customers is generally between 30 days and 60 days depending on the customer type and shipping arrangements.

- Sales of wine is the sale of bottled and bulk wine and wine products to wholesale and retail customers. There is one performance obligation associated with the sale of goods, being the delivery of the product to the location specified in the agreement with the customer. Accordingly, revenue is recognised at the point in time at which control of the product is passed from the Group to the customer. This is typically by way of delivery to the customer's warehouse for wholesale customers, or at the point of sale at a cellar door outlet for a retail customer.

Other revenue from contracts with customers is comprised of the following:

- Contract processing involves manufacturing a wine product based on the agreed specifications required by the customer. There is one performance obligation, being the delivery of the completed wine product to the site or location in the agreement with the customer. Accordingly, revenue is recognised at a point in time once control of the completed product has passed to the customer.
- Vineyard services is the development of customer's vineyards. This involves planting vines and installing trellising and irrigation. There is one performance obligation being the provision of vineyard services in line with the agreed budget and timeline over the life of the contract. This obligation is satisfied over time as activities are undertaken. The allocation of the transaction price is determined by the budgeted costs for each period of time that the services are undertaken, which is agreed in advance with the customer.

Any amounts received from customers prior to the performance obligations being completed are recorded as Income received in advance and held in the consolidated statement of financial position, until the relevant performance obligations have been completed in line with the policies above.

Accounting policy – consumption taxes

Revenues, expenses and assets are recognised net of consumption taxes. Receivables and payables are recorded gross of consumption taxes, with the net amount of consumption taxes recoverable from, or payable to the relevant tax authority recorded in the consolidated statement of financial position. Cash flows are presented on a gross basis, with any consumption taxes relating to investing or financing activities being recorded in operating cash flows.

	2022 \$'000	2021 \$'000
(a) Revenue from contracts with customers		
Sales of wine	256,726	270,081
Other	3,373	3,879
	260,099	273,960
(b) Other income		
Gain / (loss) on disposal of property, plant and equipment	1,375	(86)
Gain on changes in fair value of investments held at fair value through profit or loss	1,171	497
Other rebates and grants	400	211
Wine equalisation tax rebate	350	350
Rental income	70	81
Interest income	47	33
Dividend income from investments held at fair value through profit or loss	42	28
(Loss) / Gain on unrealised foreign exchange	(35)	228
Other	95	43
	3,515	1,385
(c) Disclosure of specific expenses		
Employee benefits expense	45,569	43,049
Superannuation expense	3,548	3,161
Restructuring and onerous contract costs	-	300
(d) Finance costs		
Accounting policy – borrowing costs		
Borrowing costs incurred for the production or construction of a qualifying asset are added to the cost base of the asset during the time the asset is being prepared for its intended use. Other borrowing costs are expensed as incurred.		
Interest expense (commercial bills)	2,191	2,065
Interest expense (resulting from leases under AASB 16) ^	497	553
	2,688	2,618

[^] note: net of interest capitalised to inventory under AASB 102

Note 4: Income taxes

Accounting policy – income taxes

Income tax expense is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities. This is calculated based on tax laws enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised for taxable temporary differences. Deferred income tax assets are recognised for deductible temporary differences, to the extent it is probable there will be sufficient future profits in the Group to utilise them against. 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.

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. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the way the Group 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 Group intends to settle its current tax assets and liabilities on a net basis.

Tax consolidation

The company and all its wholly owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Australian Vintage Ltd is the head entity in the tax-consolidated group. The members of the tax-consolidated group are identified in note 24.

Current tax liabilities and assets, and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Australian Vintage Ltd and each of the entities in the tax-consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

Significant accounting estimates and judgement – recognition of income tax losses

The Group has recognised deferred tax assets in relation to unused tax losses and temporary differences as at the end of the reporting period. The recognition of deferred tax assets is after considering whether it is probable that the Group will have sufficient taxable profit in the foreseeable future and against which the deferred tax assets can be recovered.

The assessment of whether there will be sufficient taxable profit is subject to a level of judgement and if the actual conditions vary to the assumptions adopted, the carrying value of the asset would need to be reassessed.

	2022 \$'000	2021 \$'000
(a) Income tax recognised in profit or loss		
Income tax comprises		
Current tax expense	2,421	1,770
Net deferred tax expense	4,839	6,446
Under provision from prior year	76	-
	7,336	8,216
(b) Reconciliation of income tax expense to prima facie tax payable		
Accounting profit before tax	24,669	27,819
Tax at the Australian Corporate tax rate of 30%	7,401	8,346
Capital losses recognised	(105)	-
Under provision from prior year	76	69
Non-deductible expenses	31	32
Recognition of previously un-recognised deferred tax assets	16	(223)
Non-assessable dividend income from investments held at fair value through profit or loss	(13)	(8)
Other	(70)	-
	7,336	8,216

Note 4: Income taxes (continued)

(c) Deferred tax assets and liabilities

2022 composition and movement schedule	Opening Balance \$'000	Charged to Income \$'000	Charged to Equity \$'000	Acquisitions/ Disposals \$'000	Closing Balance \$'000
Gross deferred tax liabilities:					
Inventories	(5,071)	(278)	-	-	(5,349)
Intangibles	(1,630)	-	-	-	(1,630)
Property, plant and equipment	(7,126)	(1,669)	-	-	(8,795)
Other	(842)	(986)	-	-	(1,828)
	(14,669)	(2,933)	-	-	(17,602)
Gross deferred tax assets:					
Inventories	1,023	(648)	-	-	375
Trade and other payables	1,775	(1,168)	-	-	607
Provisions	1,643	1,086	-	-	2,729
Tax losses	26,309	(1,915)	-	-	24,394
Right-of-use assets and lease liabilities (net amount)	2,184	254	-	-	2,438
Other	1,522	485	(710)	-	1,297
	34,456	(1,906)	(710)	-	31,840
Net deferred tax asset	19,787	(4,839)	(710)	-	14,238
2021 composition and movement schedule	Opening Balance \$'000	Charged to Income \$'000	Charged to Equity \$'000	Acquisitions/ Disposals \$'000	Closing Balance \$'000
Gross deferred tax liabilities:					
Inventories	(4,559)	(512)	-	-	(5,071)
Intangibles	(1,630)	-	-	-	(1,630)
Property, plant and equipment	(7,124)	(2)	-	-	(7,126)
Other	(1,351)	509	-	-	(842)
	(14,664)	(5)	-	-	(14,669)
Gross deferred tax assets:					
Inventories	1,539	(516)	-	-	1,023
Trade and other payables	1,548	227	-	-	1,775
Provisions	2,469	(826)	-	-	1,643
Tax losses	32,241	(5,932)	-	-	26,309
Right-of-use assets and lease liabilities (net amount)	1,995	189	-	-	2,184
Other	425	417	680	-	1,522
	40,217	(6,441)	680	-	34,456
Net deferred tax asset	25,553	(6,446)	680	-	19,787

There are no unrecognised revenue tax losses relating to the Group. The Group has not recognised \$1,314,836 (2021: \$1,666,402) of capital losses.

Note 5: Earnings per share

Accounting policy – earnings per share

Basic earnings per share is determined by dividing net profit attributable to equity holders of Australian Vintage Limited, by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share uses an adjusted weighted average number of ordinary shares in the same calculation, which assumes the conversion of all dilutive potential ordinary shares.

	2022	2021
	\$'000	\$'000
Weighted average number of ordinary shares ('000) used in calculating basic earnings per share	252,638	280,708
Weighted average number of ordinary shares ('000) used in calculating diluted earnings per share	252,638	280,708
	2022	2021
Profit / (Loss) for the year	17,333	19,603
Basic earnings per share (cents per share)	6.9	7.0
Diluted earnings per share (cents per share)	6.9	7.0

Note 6: Notes to the cash flow statement

Accounting policy – cash and cash equivalents

Cash comprises cash on hand, term deposits and deposits held on demand with financial institutions. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and have an original maturity of less than 3 months. Bank overdrafts are presented as current liabilities in the consolidated statement of financial position.

(a) Reconciliation of profit / (loss) for the period to net cash flows from operating activities

	2022 \$'000	2021 \$'000
Profit from ordinary activities after income tax	17,333	19,603
Depreciation and amortisation of non-current assets (inc. amortisation of AASB 16 ROU assets)	14,927	14,759
(Gain) on changes in fair value of investments held at fair value through profit or loss	(1,171)	(497)
(Gain) / loss on sale of non-current assets	(1,375)	86
Share based payments	304	276
Net cash provided by operating activities before net changes in assets and liabilities	30,018	34,227
<i>Changes in assets and liabilities, net of effects from acquisition and disposal of businesses</i>		
Decrease in trade and other receivables	6,753	4,592
(Increase) in inventories	(31,707)	(7,875)
Decrease in deferred tax assets	5,550	7,536
Increase in trade and other payables	5,485	8,019
(Decrease) in provisions and other liabilities	(681)	(183)
Other	(67)	(1,290)
Net cash provided by operating activities	15,351	45,026

(b) Net debt reconciliation

Cash and cash equivalents	2,548	3,655
Borrowings (non-current)	(77,000)	(46,500)
Net debt	(74,452)	(42,845)

(c) Reconciliation of movements in liabilities from financing activities to cash flows from financing activities

	Lease liabilities \$'000	Borrowings \$'000	Total \$'000
Balances at 30 June 2020	(57,413)	(75,000)	(132,413)
<i>Financing cash flows</i>			
Net repayment of principal	6,546	28,500	35,046
<i>Non-cash changes</i>			
Additions and modifications to lease liabilities	(1,489)	-	(1,489)
Balances at 30 June 2021	(52,356)	(46,500)	(98,856)
<i>Financing cash flows</i>			
Net repayment / (drawdown) of principal	6,364	(30,500)	(24,136)
<i>Non-cash changes</i>			
Additions and modifications to lease liabilities	(2,378)	-	(2,378)
Balances at 30 June 2022	(48,370)	(77,000)	(125,370)

Note 7: Trade and other receivables

Accounting policy – trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. The average credit period granted to customers for trade receivables is 62 days (2021: 65 days) and therefore are all classified as current. Trade receivables are recognised initially at the transaction price per the relevant contract with the customer unless they contain significant financing components, when they are recognised at fair value. The Group 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. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 26.

	2022 \$'000	2021 \$'000
Trade receivables	41,774	46,349
Loss allowance	(270)	(464)
	41,504	45,886
Prepayments	1,821	4,480
Other receivables	1,501	1,214
	44,826	51,580

Note 8: Inventories

Accounting policy – inventories

Inventories are measured at the lower of cost and net realisable value. Costs, an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each class of inventory, with the majority being valued on a first in first out basis. The costs include the transfer of grapes at their fair value at the point of harvest to inventory. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

Accounting policy – biological assets and produce extracted from vines

The Group has owned and leased vineyards that produce grapes, which are biological assets under AASB 141 *Agriculture*. Grapes growing on the vines are measured at fair value less estimated costs to sell up to the point of harvest. Fair value adjustments as the grapes are growing is recorded in *Fair value (loss) / gain on grapes picked* in the Consolidated statement of profit or loss and other comprehensive income. Once harvested, grapes are transferred into the cost of wine at their fair value at that point in time and accounted for under AASB 102 *Inventories* and used to make wine products.

All of the Group's vineyards are located in Australia and accordingly there are no agricultural assets in the consolidated statement of financial position at 30 June of each year due to seasonality (all grapes have been harvested and crushed by this time and are in the cost base of wine inventories). The Group crushed 102k tonnes of grapes in the 2022 vintage year (2021: 117k).

Inventory is assessed for obsolescence on an ongoing basis and adjusted to net realisable value as required. The assessment considers the quality, age and saleability of the inventory on hand.

	2022 \$'000	2021 \$'000
Current		
Bulk wine	114,417	99,925
Bottled wine	49,635	38,113
Work in progress	10,957	10,826
Consumables and raw materials	4,813	4,649
	179,822	153,513
Non-current		
Bulk wine	40,014	35,157
Bottled wine	2,607	2,066
	42,621	37,223

The cost of inventory recognised as an expense in cost of sales during the year was \$173 million (2021: \$181 million). As at 30 June 2022 the Group is holding a provision of \$1.6 million (2021: \$1.6 million) to adjust inventory to its net realisable value. The balances above are net of this provision. During the year, the Group utilised \$0.8 million of this provision (2021: \$0.4 million) to write off inventory.

Note 9: Property, plant and equipment

Accounting policy – property, plant and equipment

Property, plant and equipment are shown at historical cost, less accumulated depreciation and impairment losses. Cost includes expenditure that is directly related to the acquisition of the asset and bringing it to its condition of use.

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

Depreciation of property, plant and equipment is calculated using the following methods and useful lives for each asset class:

- Buildings 50 years (straight line method)
- Vineyard improvements 15-20 years (straight line method)
- Plant and equipment 3-50 years (straight line method)
- Vines 30 years (diminishing value method)

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. Depreciation related to wineries, production and some vineyards is capitalised into inventory and ultimately classified in the Statement of profit or loss and other comprehensive income as a cost of goods sold. Property, plant & equipment assets are tested for impairment as per the policy and details in note 12.

As at 30 June 2022 (\$'000)

	Freehold land	Vineyard improvements	Vines	Plant and equipment	Buildings	Work in progress	Total
At cost	12,599	18,992	32,127	140,508	24,891	6,598	235,715
Accumulated depreciation	-	(12,458)	(22,997)	(77,448)	(8,367)	-	(121,270)
Net book value	12,599	6,534	9,130	63,060	16,524	6,598	114,445
Reconciliations							
Carrying amount at 1 July 2021	14,296	6,540	9,564	61,975	16,240	3,178	111,793
Additions	-	111	179	6,434	689	4,595	12,008
Disposals	(1,420)	-	-	(163)	(116)	-	(1,699)
Transfers	(277)	435	134	592	358	(1,175)	67
Depreciation	-	(552)	(747)	(5,778)	(647)	-	(7,724)
Carrying amount at 30 June 2022	12,599	6,534	9,130	63,060	16,524	6,598	114,445

As at 30 June 2021 (\$'000)

	Freehold land	Vineyard improvements	Vines	Plant and equipment	Buildings	Work in progress	Total
At cost	14,296	18,445	31,813	135,319	24,019	3,178	227,070
Accumulated depreciation	-	(11,905)	(22,249)	(73,344)	(7,779)	-	(115,277)
Net book value	14,296	6,540	9,564	61,975	16,240	3,178	111,793
Reconciliations							
Carrying amount at 1 July 2020	14,296	6,741	8,215	64,976	16,676	3,182	114,086
Additions	-	188	199	2,701	111	2,355	5,554
Disposals	-	-	-	(17)	-	(84)	(101)
Transfers	-	156	1,910	179	30	(2,275)	-
Depreciation	-	(545)	(760)	(5,864)	(577)	-	(7,746)
Carrying amount at 30 June 2021	14,296	6,540	9,564	61,975	16,240	3,178	111,793

Note 10: Goodwill and other intangible assets

Accounting policy – goodwill and business combinations

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed.

Accounting policy – water licenses

Water allocations with permanent rights are measured at cost on the date of acquisition. Water licences have an indefinite useful life and are not subject to amortisation – this assessment is supported by the water licences giving the Group indefinite rights to water allocations which are key in operating the Group's vineyards into the future. Water allocations with permanent rights are assessed for impairment in each reporting period, with reference to current market prices. Water allocations with temporary rights are expensed in the year of purchase.

Accounting policy – brand names

Brand names are assessed to have an indefinite useful life and are not amortised – this assessment is supported by the Group's intention and ability to operate a branded wine business indefinitely into the future. Each period, the useful life of this type of asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment at least annually or more frequently if impairment indicators are identified.

Accounting policy – software

Costs incurred in acquiring software that will contribute to future period financial benefits through revenue generation and/or cost reduction is capitalised as intangible assets. Costs capitalised include external direct costs of materials and service and direct payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis for the estimated useful life of the software, which for current software assets held is 3 years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset. Amortisation expense relating to software is classified in the Statement of profit or loss and other comprehensive income as Administration expenses.

Intangible assets are tested for impairment as per the policy and details in note 12.

As at 30 June 2022 (\$'000)

	Goodwill	Water licenses	Brand names	Software	Work in progress	Total
At cost	44,085	7,293	4,828	5,521	-	61,727
Accumulated impairment losses	(6,400)	-	-	-	-	(6,400)
Accumulated amortisation	-	-	-	(4,269)	-	(4,269)
Net book value	37,685	7,293	4,828	1,252	-	51,058
Reconciliations						
Carrying amount at 1 July 2021	37,685	7,554	4,828	780	684	51,531
Additions	-	-	-	187	-	187
Disposals	-	(261)	-	-	-	(261)
Transfers	-	-	-	617	(684)	(67)
Amortisation	-	-	-	(332)	-	(332)
Carrying amount at 30 June 2022	37,685	7,293	4,828	1,252	-	51,058

As at 30 June 2021 (\$'000)

	Goodwill	Water licenses	Brand names	Software	Work in progress	Total
At cost	44,085	7,554	4,828	4,717	684	61,868
Accumulated impairment losses	(6,400)	-	-	-	-	(6,400)
Accumulated amortisation	-	-	-	(3,937)	-	(3,937)
Net book value	37,685	7,554	4,828	780	684	51,531
Reconciliations						
Carrying amount at 1 July 2020	37,685	7,554	4,828	312	355	50,734
Additions	-	-	-	262	684	946
Disposals	-	-	-	-	-	-
Transfers	-	-	-	355	(355)	-
Amortisation	-	-	-	(149)	-	(149)
Carrying amount at 30 June 2021	37,685	7,554	4,828	780	684	51,531

Note 11: Leases

Accounting policy – leases

Identification of a lease

AVG enters into leases primarily for vineyards where grapes are sourced for the production of wine, as well as equipment (mostly machinery used on vineyards), fleet vehicles for staff and properties for the Group's corporate and sales offices and a cellar door retail outlet. The Group reviews all relevant arrangements and contracts entered into to determine if it contains a lease. Under AASB 16, a lease exists if the arrangement or contract grants the Group the rights to control the use of an identified asset in exchange for consideration for a specified time period.

Lease recognition exemptions and scope exclusions

The Group applies the short-term lease recognition exemption for any leases that have a lease term of 12 months or less. The Group also applies the low-value asset recognition exemption, for leases of assets that are deemed to be low-value under the rules of AASB 16. In addition, the Group does not apply AASB 16 to leases of intangible assets such as water licenses, as is permitted under the standard. Payments for these exempt and excluded leases are recognised in profit or loss on a straight line basis over the term of the lease.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Amortisation for leases that are related to wineries, production and vineyards is capitalised into inventory and ultimately classified in the Statement of profit or loss and other comprehensive income as a cost of goods sold. Right-of-use assets are subject to impairment assessments under AASB 136 Impairment of Assets (see note 12 for further details).

As at 30 June 2022 (\$'000)

	Vineyards	Property	Equipment	Vehicles	Total
At cost	44,670	6,904	7,658	1,257	60,489
Accumulated amortisation	(11,523)	(4,481)	(2,126)	(735)	(18,865)
Net book value	33,147	2,423	5,532	522	41,624
Reconciliations					
Carrying amount at 1 July 2021	36,658	3,347	5,647	458	46,110
Additions	-	-	768	522	1,290
Disposals	-	-	-	-	-
Modifications	486	626	-	(12)	1,100
Amortisation	(3,997)	(1,550)	(883)	(446)	(6,876)
Carrying amount at 30 June 2022	33,147	2,423	5,532	522	41,624

As at 30 June 2021 (\$'000)

	Vineyards	Property	Equipment	Vehicles	Total
At cost	44,187	6,279	6,912	1,223	58,601
Accumulated amortisation	(7,529)	(2,932)	(1,265)	(765)	(12,491)
Net book value	36,658	3,347	5,647	458	46,110
Reconciliations					
Carrying amount at 1 July 2020	40,228	4,613	5,845	794	51,480
Additions	-	185	583	104	872
Disposals	-	-	(43)	(11)	(54)
Modifications	570	52	-	46	668
Amortisation	(4,140)	(1,503)	(738)	(475)	(6,856)
Carrying amount at 30 June 2021	36,658	3,347	5,647	458	46,110

Note 11: Leases (continued)

Lease liabilities (Group as a Lessee)

At the commencement date of the lease the Group recognises lease liabilities, measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and includes variable lease payments that depend on an index. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the rate implicit in the lease. If this is not readily determinable, the Group's incremental borrowing rate at the lease commencement date is used. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The associated interest charges for vineyard leases is capitalised into inventory as is permitted under AASB 102 *Inventories* and ultimately classified in the Statement of profit or loss and other comprehensive income as a cost of goods sold. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group has not entered into any material arrangements as a Lessor.

Significant accounting estimates and judgements – determining lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases for additional terms, the most significant of which are vineyard leases for which some have extension options of 5 years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

As at 30 June 2022 (\$'000)

	Vineyards	Property	Equipment	Vehicles	Total
Reconciliations					
Carrying amount at 1 July 2021	43,668	3,555	4,649	484	52,356
Additions	-	-	768	412	1,180
Termination of lease contracts	-	-	-	-	-
Modifications	485	622	(5)	96	1,198
Accretion of interest charges	3,397	195	265	38	3,895
Lease repayments	(6,545)	(1,748)	(1,478)	(488)	(10,259)
Carrying amount at 30 June 2022	41,005	2,624	4,199	542	48,370

As at 30 June 2021 (\$'000)

	Vineyards	Property	Equipment	Vehicles	Total
Reconciliations					
Carrying amount at 1 July 2020	46,682	4,762	5,152	817	57,413
Additions	-	249	524	102	875
Termination of lease contracts	-	-	(60)	-	(60)
Modifications	555	(9)	79	49	674
Accretion of interest charges	3,629	245	268	39	4,181
Lease repayments	(7,198)	(1,692)	(1,314)	(523)	(10,727)
Carrying amount at 30 June 2021	43,668	3,555	4,649	484	52,356

Note 12: Impairment testing

Effective from 1 July 2021, AVG has re-assessed its cash generating units ('CGUs') for impairment testing purposes. Based on this review, it was determined a change in the CGU structure was justified for the primary reason that the new CGU structure better reflects the current operations of the Group, which is the integrated process of growing grapes, manufacturing wine and the marketing & sales of finished products into different geographical markets.

Accounting policy - impairment testing

The Group tests for impairment by determining the recoverable amount of each cash generating unit ('CGU') and compares this to its carrying value. A CGU is the smallest identifiable group of assets that generate independent cashflows.

The Group's Goodwill and other indefinite lived intangible assets are allocated in full to the Australia / New Zealand CGU and tested for impairment annually. Other CGUs are tested for impairment when there are triggers present that indicate the carrying value of the assets may not be recoverable. The recoverable amount of each CGU is the higher of its fair value less costs of disposal and its value-in-use ('VIU').

The Group calculates VIU by using discounted cash flow calculations. These calculations use profit and loss forecasts from the Group's board approved 5-year plan for a period of 5 years and a terminal value applied to the cashflows. An impairment charge is recorded if the recoverable amount of a CGU is less than the carrying value of the assets of any CGU.

Significant accounting estimates and judgements – key assumptions used for value-in-use calculations

The following assumptions are significant to the value-in-use calculations. These assumptions are continually evaluated by management based on historical and other factors to ensure they remain up to date and appropriate.

	2022 %	2021 %
Discount rate (pre-tax weighted average cost of capital)	12.0	11.1
Terminal growth rate	2.5	2.5

Impact of possible changes on key assumptions

Management has performed sensitivity analysis over the key assumptions and determined there are no reasonably possible changes that would cause impairment in any of the CGUs. The following sensitivity scenarios results in no impairment charges being recorded and material headroom remaining in the discounted cash flow models for each of the Group's CGUs:

- Increase in discount rate (pre-tax weighted average cost of capital) by 3.5%;
- Terminal growth rate at nil;
- Forecast volumes reduced by 5%; and
- Prices reduced by 2.5%

Note 13: Trade and other payables

Accounting policy – trade and other payables

Trade payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are paid in the average credit period of 51 days (2021: 41 days) granted by suppliers. Other payables to the Group represent accruals, volume and marketing rebates payable to customers and consumption tax payable to the relevant tax authorities. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

	2022 \$'000	2021 \$'000
Trade payables	47,879	36,982
Other payables	15,331	20,744
	63,210	57,726

Note 14: Provisions

Accounting policy - provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Short term employee benefit obligations include liabilities for salaries, wages and annual leave and are expected to be settled within the next 12 months. Short term employee benefit provisions also include long service leave amounts for those employees who have reached their legal present entitlement. They are measured at the amount expected to be paid to settle the liability.

Long term employee benefit obligations consist of probability estimates of long service leave amounts, for employees who have not yet reached their legal present entitlement.

Onerous contracts provisions are recognised when the Group has a contract for which the expected benefits to the Group are less than the unavoidable cost of meeting the Group's obligations under the contract.

	2022 \$'000	2021 \$'000
Current		
Employee benefits	6,275	6,144
Onerous contracts	-	300
	6,275	6,444
Non-current		
Employee benefits	719	831
	719	831

Note 15: Borrowings

Accounting policy - borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

	2022 \$'000	2021 \$'000
Non-current		
Bank loan - commercial bills	77,000	46,500
	77,000	46,500

Undrawn facilities available to the Group

Details of undrawn debt facilities with National Australia Bank are listed in Financial Risk Management, note 26.

Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the 2022 and 2021 reporting periods.

Assets pledged as security

100% of the Group's inventory, trade receivables and property, plant and equipment (2021: 100%) have been pledged as security to National Australia Bank under the Facilities Agreement in relation to the bank loans noted above.

Interest rates

The commercial bills are subject to a variable interest rate, being the bank bill bid swap rate ('BBSY'). The current weighted average interest rate on the bills is 3.2% (2021: 2.9%).

Capital expenditure commitments

The Group is contractually committed to the following future capital expenditure at balance date, for which no liability is recognised.

	2022 \$'000	2021 \$'000
Property, Plant and Equipment – no longer than 1 year	967	1,689
	967	1,689

Note 16: Other financial assets and liabilities

	2022 \$'000	2021 \$'000
Current assets		
Derivative financial instruments – foreign currency forward contracts	1,595	493
	1,595	493
Non-current assets		
Investments held at fair value through profit and loss	2,577	1,205
Loan receivable	463	638
Security deposits	211	172
Prepaid borrowing costs	103	14
Derivative financial instruments – foreign currency forward contracts	1,870	1,147
	5,224	3,176
Current liabilities		
Derivative financial instruments – interest rate swaps	9	506
	9	506
Non-current liabilities		
Derivative financial instruments – interest rate swaps	-	46
	-	46

The derivative financial instruments above relate to the Group's hedge accounting arrangements. Investments held at fair value through profit and loss relate to investments in unlisted securities. Additional information on the Group's risk management and hedge accounting policies, and information on fair values of the above assets and liabilities are detailed in Note 26.

Note 17: Share capital

Accounting policy – share capital

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

	2022		2021	
	\$'000	Number	\$'000	Number
Fully paid ordinary share capital				
Beginning of financial year	465,490	280,708,071	465,490	280,708,071
End of financial year	441,474	252,638,486	465,490	280,708,071

Movement in equity in 2022 due to capital return. All shares have equal rights to voting and dividends. The Group's shares have no par value.

Note 18: Dividends

	Cents per share	Total \$'000	Cents per share	Total \$'000
2021 final dividend – 60% franked at a tax rate of 30%				
(2021: 2020 final dividend - 63% franked at a tax rate of 30%)	2.7	6,821	2.7	7,579
		6,821		7,579
Adjusted franking account balance		2,467		1,780

In respect of the financial year ended 30 June 2022, a 60% franked dividend (at a tax rate of 30%) of 3.4 cents per share will be paid on 16 December 2022. This dividend will be 60% franked out of existing franking credits, or out of franking credits arising from the payment of income tax in the year ending 30 June 2023.

The adjusted franking credit balance includes franking credits that will arise from the settlement of liabilities for income tax and dividends after the end of the year.

Note 19: Reserves

	2022 \$'000	2021 \$'000
Employee equity-settled benefits	954	1,883
Hedging reserve	2,419	762
Foreign currency translation reserve	280	333
	<u>3,653</u>	<u>2,978</u>

Nature and purpose of reserves

- The employee equity-settled benefits reserve arises on the granting of shares, performance rights and share options to directors and employees. The fair value of share based payments provided to directors and employees of the Group are recorded within the reserve account and amounts are released into issued capital as options are exercised. Further details on share based payments are made in Note 21.
- The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the profit and loss when the hedged transaction impacts the profit or loss
- The foreign currency translation reserve contains exchange differences relating to the translation from the functional currencies of the Group's foreign controlled entities into Australian dollars.

Note 20: Key management personnel compensation

The aggregate compensation of the key management personnel of the Group and the company is set out below:

	2022 \$	2021 \$
Short-term employee benefits	3,465,118	3,647,549
Post-employment benefits	165,688	156,995
Share based payments	234,919	211,985
	<u>3,865,725</u>	<u>4,016,529</u>

Note 21: Executive performance rights and share option plan

Accounting policy – share-based payments

Share-based compensation is provided to AVG executives through the Deferred Equity Incentive and the Performance Rights and Option Plan. The fair value of the rights and options granted under these plans is recorded as an employee benefit expense over the period in which the employee becomes unconditionally entitled to the awards, with a corresponding decrease to equity. Further details on the plans and the methods to calculate the fair value of the rights and options is detailed in the next sections.

The following share based payments arrangements were in existence during the current and prior reporting periods.

From the 1st July 2019 – Deferred Equity Incentive

At the beginning of each financial year the board will determine the maximum number of Performance Rights that each executive will be entitled to as Deferred Equity. If the target performance targets (ROCE & EPS) are achieved for the relevant period then those Performance Rights will be converted to AVG shares. These shares will be escrowed for a period of up to 3 years. There were 1,445,777 rights issued in the current year under this plan to employees (2021: 2,714,830). In FY21, the required ROCE target was met and 1,088,512 rights were converted to shares and the remaining rights were cancelled.

Prior to 30th June 2019 - Performance Rights and Option Plan

Established in August 2012 and ceased in June 18, this long-term incentive provided either a right to an issue of shares or an option to purchase shares. These rights and options are subject to the achievement of set growth rates in earnings per share over a 4-year period up until the vesting date and continuous employment which are assessed annually. The plan was available to senior management as approved by the board. There were no options issued in the current year under this plan to employees as the plan ceased (2021: Nil). These rights and options were priced using a binomial option pricing model.

The table below summarises all rights and options on issue:

	2022 Number	2021 Number
Balance at the beginning of the financial year (i)	3,939,830	6,933,655
Granted during the financial year (ii)	1,445,777	2,714,830
Exercised/converted to shares during the financial year (iii)	(1,750,191)	(4,692,378)
Lapsed/cancelled during the financial year (iv)	(786,198)	(1,016,277)
Balance at the end of the financial year (iv)	<u>2,849,218</u>	<u>3,939,830</u>

Note 21: Executive performance rights and share option plan (continued)

(i) Balance at the Beginning of the Financial Year

	No.	Vested No.	Unvested No.	Grant Date	Vesting Date	Expiry Date	Exercise Price \$
Options issued 19 December 16	300,000	300,000	-	19/12/16	01/07/20	01/11/21	0.487
Options issued 20 November 17	650,000	650,000	-	20/11/17	31/08/20	01/11/22	0.3891
Options issued 20 December 17	275,000	275,000	-	20/12/17	31/08/20	01/11/22	0.3891
Rights issued 10 December 20	1,357,415	-	1,357,415	10/12/20	01/07/21	31/10/21	Nil
Rights issued 10 December 20	1,357,415	-	1,357,415	10/12/20	01/07/23	31/10/23	Nil
	3,939,830	1,225,000	2,714,830				

(ii) Granted during the Financial Year

	No.	Vested No.	Unvested No.	Grant Date	Vesting Date	Expiry Date	Exercise Price \$
Rights issued 25 February 22	722,888	-	722,888	25/02/22	01/07/22	31/10/22	Nil
Rights issued 25 February 22	722,889	-	722,889	25/02/22	01/07/24	31/10/24	Nil
	1,445,777	-	1,445,777				

The weighted average fair value of the rights granted during the financial year is \$0.70 (2021 issued rights: \$0.59). Rights issued during the year were priced using a binomial option pricing model.

Rights grant date	No.	Grant date Share Price	Exercise Price	Expected Volatility	Option Life (days)	Dividend Yield	Risk-free Interest Rate
Rights issued 25 February 22	722,888	0.74	Nil	31.95%	237	3.45%	0.66%
Rights issued 25 February 22	722,889	0.74	Nil	31.95%	968	3.45%	1.48%

(iii) Exercised / converted to shares during the Financial Year

	No.	Vested No.	Unvested No.	Grant Date	Vesting Date	Exercise Date	Exercise Price \$
Options issued 19 December 16	76,680	76,680	-	19/12/16	31/08/19	01/11/21	0.3891
Options issued 20 December 17	585,000	585,000	-	20/12/17	31/08/20	10/03/21	0.3891
Rights issued 10 December 20	1,088,511	1,088,511	-	10/12/20	30/06/20	24/09/20	Nil
	1,750,191	1,750,191	-				

(iv) Lapsed / cancelled during the Financial Year (includes reduction due to share consolidation in July 21)

	No.	Vested No.	Unvested No.	Grant Date	Vesting Date	Expiry Date	Exercise Price \$
Options issued 19 December 16	223,320	223,320	-	19/12/16	31/08/19	01/11/21	0.528
Options issued 20 November 17	65,000	65,000	-	20/11/17	31/08/20	01/11/22	0.3891
Options issued 20 December 17	27,500	27,500	-	20/12/17	31/08/20	01/11/22	0.3891
Rights issued 10 December 20	268,903	268,903	-	10/12/20	01/07/21	31/10/21	Nil
Rights issued 10 December 20	201,475	-	201,475	10/12/20	01/07/23	31/10/23	Nil
	786,198	584,724	201,474				

(v) Balance at End of Financial Year

	No.	Vested No.	Unvested No.	Grant Date	Vesting Date	Expiry Date	Exercise Price \$
Options issued 20 December 17	247,500	247,500	-	20/12/17	31/08/20	01/11/22	0.3891
Rights issued 10 December 20	1,155,941	-	1,155,941	10/12/20	01/07/23	31/10/23	Nil
Rights issued 25 February 22	722,888	-	722,888	25/02/22	01/07/22	31/10/22	Nil
Rights issued 25 February 22	722,889	-	722,889	25/02/22	01/07/24	31/10/24	Nil
	2,849,218	247,500	2,601,718				

Note 22: Remuneration of auditors

The auditor of Australian Vintage Ltd is Ernst & Young Australia.

	2022 \$	2021 \$
Fees to Ernst & Young Australia		
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	368,550	365,650
Fees for assurance services that are required by legislation to be provided by the auditor	-	-
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	-	-
Fees for other services	-	-
	368,550	365,650
Fees to other overseas member firms of Ernst & Young (Australia)		
Fees for auditing the financial report of any controlled entities	8,000	-
	8,000	-

Note 23: Contingent liabilities

	2022 \$'000	2021 \$'000
Bank guarantees	3,682	3,761

Note 24: Subsidiaries

Name of entity	Country of Incorporation	Ownership of Interest	
		2022 %	2021 %
Parent Entity			
Australian Vintage Ltd	Australia		
Controlled Entity			
Simeon Wines Pty Ltd ⁽¹⁾	Australia	100	100
Vintners Australia Pty Limited ⁽¹⁾	Australia	100	100
Barossa Valley Wine Company Pty Limited ⁽¹⁾	Australia	100	100
Coldridge Development Pty Limited ⁽¹⁾	Australia	100	100
McGuigan Simeon Wines Pty Ltd ⁽¹⁾	Australia	100	100
Mourquong Pty Limited ⁽¹⁾	Australia	100	100
Buronga Hill Pty Limited ⁽¹⁾	Australia	100	100
Austvin Pty Ltd ⁽¹⁾	Australia	100	100
Australian Flavours Pty Limited ⁽¹⁾	Australia	100	100
Austvin Holdings Pty Limited ⁽¹⁾	Australia	100	100
Australian Vintage (Domestic) Pty Ltd ⁽¹⁾	Australia	100	100
Miranda Wines Pty Limited ⁽¹⁾	Australia	100	100
Miranda Wines (Leasing) Pty Limited ⁽¹⁾	Australia	100	100
Miranda Family Investments Pty Limited ⁽¹⁾	Australia	100	100
Miranda Wines Holdings Pty Ltd ⁽¹⁾	Australia	100	100
Australian Vintage (UK) Ltd	United Kingdom	100	100
Australian Vintage (Europe) Ltd	Ireland	100	100
MGW Executive Options Pty Limited ⁽¹⁾ - deregistered 18/8/21	Australia	-	100

(1) These wholly owned controlled entities have entered into a deed of cross guarantee with Australian Vintage Ltd pursuant to ASIC Corporations (wholly owned companies) Instrument 2016/785 and are relieved from the requirement to prepare and lodge an audited financial report.

As a condition of this Instrument, Australian Vintage Ltd has guaranteed to pay any deficiency in the event of winding up of any of its controlled entities. The controlled entities have also given a similar guarantee in the event Australian Vintage Ltd is wound up. These wholly owned controlled entities all form part of the tax consolidated group. Australian Vintage Ltd is the head entity within the tax consolidated group.

Note 24: Subsidiaries (continued)

Set out below is a condensed consolidated statement of financial position for the Closed Group.

	2022 \$'000	2021 \$'000
Current Assets	228,751	209,199
Non-Current Assets	269,210	267,851
Total Assets	497,961	477,050
Current Liabilities	78,460	70,589
Non-Current Liabilities	119,688	93,820
Total Liabilities	198,148	164,409
Net Assets	299,813	312,641
Equity	299,813	312,641

The profit and loss of the Closed Group is the same as the Group, as presented in the primary Consolidated statement of profit or loss and other comprehensive income.

Note 25: Related party transactions

Balances and transactions between the Group and its subsidiaries, which are related parties of the Group are eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Equity interests in related parties

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 24 to the financial statements.

Key management personnel remuneration

Details of key management personnel compensation are disclosed in note 20 to the financial statements.

Other transactions with related parties

During the prior year (2021), the Group sold packaged wine to Vintage China (entity associated with Jiang Yuan) to the value of \$6,390 on normal commercial terms.

Note 26: Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

The Group is exposed to certain financial risks including market risk (foreign exchange rates, interest rates), credit risk and liquidity risk. The Group's risk management policies seek to minimise exposure to these risks, where they are material to the Group's operations.

The Group finance team assesses the risk in these areas and evaluates the potential option to minimise the potential impact on the Group. Examples of these risks and management's responses to them are detailed within this note and include entering into derivative financial instrument contracts to offset exposure to foreign currency risk and to variable interest rate risk. The Group does not enter into derivative financial instrument contracts for the purpose of speculating and generally due to this, hedge accounting is able to be applied on such arrangements.

The Board is responsible for approving the Group's risk management policies and the responses to the identified financial risks. See the sections that follow for more detailed information on each area of financial risk.

(a) Financial instruments

Accounting policy – financial instruments

Financial assets at amortised cost

Financial assets at amortised cost are those items that are held with the objective of collecting contractual cash flows (solely payments of principal and interest). These mainly comprise trade receivables, which consist of principal payments contracted to fall on specified dates per the relevant contract. Refer to the accounting policies for the specific asset classes within this category for further details.

Investments held at fair value through profit or loss ('FVTPL')

This category is comprised of unlisted equity investments which the Group has not irrevocably elected to classify at fair value through other comprehensive income. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Note 26: Financial risk management (continued)

(a) Financial instruments (continued)

Derivative financial instruments

The Group enters into foreign exchange forward contracts and interest rate swaps in line with the Group's risk management policies in relation to market risk, which are detailed within the sections that follow. Derivatives are initially recognised at fair value when they are entered into and revalued to fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, changes in fair value are recorded in other comprehensive income in the Consolidated statement of profit or loss and other comprehensive income. Supply contracts entered by the Group which contain embedded derivatives, which meet the requirements of the 'own-use' exemption under AASB 9 are accordingly not treated as derivatives and expensed to profit and loss as the relevant goods or services are supplied to the Group.

Financial liabilities at amortised cost

Financial liabilities at amortised cost consist of trade and other payables, lease liabilities and the Group's borrowings. Refer to the accounting policies for the specific asset classes within this category for further details.

Accounting policy – hedge accounting

Hedge accounting is applied to all the Group's derivative financial instruments provided the requirements of AASB 9 are met. As the Group only enters into derivative contracts for hedging purposes, at any given time all derivatives meet this requirement. The Group has cashflow hedges in relation to the highly probable forecast variable interest payments on its bank loans and highly probable forecast sales and expenses that are denominated in a foreign currency. There are no material sources of ineffectiveness for the Group's hedge relationships. Hedging relationships are formally documented at their inception.

The effective portion of changes in the fair value of derivatives that are designed as and qualify as cash flow hedges are deferred in equity. Any ineffective portion is recorded immediately in profit or loss. Amounts deferred in equity are released to profit or loss when the hedged item is recognised in profit or loss. In the event that a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

The table below summarises the financial assets and liabilities held by the Group at balance date.

	2022 \$'000	2021 \$'000
Financial assets		
Financial assets at amortised cost		
Trade and other receivables	43,005	47,100
Loan receivable	463	638
Cash and cash equivalents	2,548	3,655
Derivative financial instruments		
Foreign currency forward contracts	3,465	1,640
Investments held at fair value through profit and loss ('FVTPL')	2,577	1,205
Other	314	186
Total	52,372	54,424
 Financial liabilities		
Liabilities at amortised cost		
Trade and other payables	63,210	57,726
Lease liabilities	48,370	52,356
Borrowings	77,000	46,500
Derivative financial instruments		
Interest rate swaps	9	552
Total	188,589	157,134

Fair value measurements

Details on the methods used to value the Group's assets and liabilities recorded at fair value are noted below.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Note 26: Financial risk management (continued)

(a) Financial instruments (continued)

Forward Exchange Contracts ('FECs')

FECs are measured using models which utilise inputs such as quoted foreign currency exchange rates, the date of maturity of each contract and foreign currency futures curves. Credit risk on these contracts is considered in the valuation and is generally not material. These are Level 2 valuations.

Interest rate swaps

Interest rate swaps are measured using models which utilise inputs such as quoted interest rates, the date of maturity of each contract and interest rate futures curves. Credit risk on these contracts is considered in the valuation and is generally not material. These are Level 2 valuations.

Biological assets

Prior to harvest, grapes growing on the Group's owned and leased vines are measured using published district prices relevant to the region and grape variety and expected yields from the vineyards. At balance date all grapes have been harvested and are based on actual quantities rather than estimates. There are no biological assets on hand at balance date, as the grapes have been harvested, crushed and accounted for in the cost of the wine under AASB 2 Inventories. These are Level 2 valuations.

Investments held at fair value through profit or loss ('FVTPL')

Investments held at FVTPL are measured using two significant inputs, being business valuation multiples for comparable companies and profit forecasts for the business. These are Level 3 valuations.

The fair value of all financial assets and liabilities except derivative financial instruments and investments held at fair value through profit or loss, approximate their carrying value due to their short term nature and borrowings being subject to a variable interest rate.

(b) Market risk

(i) Foreign exchange risk

Description of risk

The Group's activities, including sales of wine products overseas denominated in foreign currencies exposes it to foreign exchange risk. The key currencies relevant to the Group's foreign exchange risk are the British Pound ('GBP'), Canadian Dollar ('CAD'), United States Dollars ('USD'), New Zealand Dollar ('NZD') and Euro ('EUR'). This risk is due to forecast transactions denominated in these currencies, which is different to the Group's functional and presentational currency of Australian Dollars ('AUD'), as well as assets and liabilities recognised on the consolidated statement of financial position, which are denominated in these foreign currencies.

Management of risk

The Group manages this risk by entering into Forward Exchange Contracts ('FECs') to fix the conversion of foreign denominated cashflows into AUD. This activity is governed by the Board approved Foreign Exchange Management Policy. The key details of this policy are as follows (applied to forecast net revenues and expenses of highly probable foreign denominated transactions):

- 25-75% of net exposure for the next 12 months
- 0-50% of net exposure for between 1 year and 2 years
- 0-25% of net exposure for between 3 years and 4 years

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in AUD is as follows:

2022 (AUD \$'000)	USD	GBP	EUR	CAD	Total
Cash	83	1,245	42	1	1,371
Trade receivables	142	11,170	1,981	1,577	14,870
Trade payables	(1,843)	(8,639)	(44)	-	(10,526)
Foreign currency forwards (buy foreign currency - cash flow hedges)		3,322	363	(220)	3,465
2021 (AUD \$'000)	USD	GBP	EUR	CAD	Total
Cash	43	2,723	24	1	2,791
Trade receivables	47	12,424	1,450	727	14,648
Trade payables	(757)	(5,183)	(123)	-	(6,063)
Foreign currency forwards (buy foreign currency - cash flow hedges)	-	1,142	560	(62)	1,640

Note 26: Financial risk management (continued)

(b) Market risk (continued)

Effects of hedge accounting on the financial position and performance

The effects of FEC's on the Group's financial position and performance are as follows:

	2022 (AUD \$'000 – unless stated otherwise)	2021 (AUD \$'000 – unless stated otherwise)
Type of hedge	Cash flow hedge	Cash flow hedge
Carrying amount of asset / (liability)	3,465	1,640
Notional amount (GBP)	35,395	38,250
Notional amount (EUR)	1,800	5,750
Notional amount (CAD)	4,199	5,875
Maturity date ⁽¹⁾	Jul '22 – Mar '25	Jul '21 – Apr '24
Hedge ratio	1:1	1:1
Net change in fair value of outstanding hedging instruments since 1 July	1,824	(2,788)
Net change in value of hedged item used to determine hedge effectiveness	(1,824)	2,788
Weighted average hedged rate for the year (GBP)	GBP 0.53: AUD 1	GBP 0.53: AUD 1
Weighted average hedged rate for the year (EUR)	EUR 0.58: AUD 1	EUR 0.59: AUD 1
Weighted average hedged rate for the year (CAD)	CAD 0.93: AUD 1	CAD 0.94: AUD 1

(1) The table below sets out the maturity dates of the Group's FEC's based on their gross notional amounts (in denominated currency, '000).

	Maturity date within 1 year	Maturity date 1-2 years	Maturity date 2-3 years	Total notional value of FEC's
As at 30 June 2022				
GBP	10,395	16,000	9,000	35,395
EUR	1,800	-	-	1,800
CAD	2,699	1,200	300	4,199
As at 30 June 2021				
GBP	23,250	15,000	-	38,250
EUR	3,250	2,500	-	5,750
CAD	2,925	1,750	1,200	5,875

Sensitivity

Below is a sensitivity analysis on the Group's profit and cash flow hedge reserve in the case of a strengthening or weakening of the AUD against the significant foreign currencies the Group deals in.

2022 (AUD \$'000)	USD	GBP	EUR	CAD
<i>Impact on profit (pre-tax)</i>				
AUD strengthened by 10% against each referenced currency	110	(1,213)	(755)	(171)
AUD weakened by 10% against each referenced currency	(134)	1,483	923	209
<i>Impact on cash flow hedge reserve</i>				
AUD strengthened by 10% against each referenced currency	-	(6,241)	(923)	(209)
AUD weakened by 10% against each referenced currency	-	6,241	923	209
2021 (AUD \$'000)	USD	GBP	EUR	CAD
<i>Impact on profit (pre-tax)</i>				
AUD strengthened by 10% against each referenced currency	(30)	(3,900)	(765)	74
AUD weakened by 10% against each referenced currency	36	4,767	935	(91)
<i>Impact on cash flow hedge reserve</i>				
AUD strengthened by 10% against each referenced currency	-	(6,997)	(904)	(629)
AUD weakened by 10% against each referenced currency	-	6,997	904	629

Note 26: Financial risk management (continued)

(b) Market risk (continued)

(i) Interest rate risk

Description of risk

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. Group policy is to hedge between 0% and 70% of its borrowings, depending on qualitative factors and the Board's risk appetite at fixed rate using floating-to-fixed interest rate swaps to achieve this when necessary.

Management of risk

Swaps currently in place cover approximately 32% (2021 – 86%) of the variable loan principal outstanding as at balance date. The fixed interest rates of the swaps are 1.3% (2021 – 1.3% and 2.1%). The swap contracts require settlement of net interest receivable or payable depending on the contractual terms of the agreement, which is generally between 30 and 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

Effects of hedge accounting on the financial position and performance

The effects of the interest rate swaps on the Group's financial position and performance are as follows:

	2022 (AUD \$'000)	2021 (AUD \$'000)
Type of hedge	Cash flow hedge	Cash flow hedge
Carrying amount of asset (liability)	(9)	(552)
Notional amount	25,000	40,000
Maturity date	Jul '22 – Aug '22	Jul '22 – Aug '22
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 July	543	506
Change in value of hedged item used to determine hedge effectiveness	(543)	(506)

Sensitivity

Profit or loss of the Group would be impacted by changes in interest rates as it relates to the unhedged portion of the Group's borrowings, which attracts variable interest. If interest rates were 250 basis points higher/lower, profit would have decreased/increased by \$1.3m (2021: if interest rates were 50 basis points higher/lower, profit would have decreased/increased by \$0.1m).

(c) Credit risk

Description of risk

The Group is exposed to credit risk from the following sources: credit extended to customers by way of sale of goods on normal trading terms and counterparty credit risk with respect to financial institutions where the Group holds cash deposits and has entered into contracts for derivative financial instruments.

Management of risk

Financial institutions: The Group only deals with financial institutions with an investment grade credit rating and any banking arrangements require approval from the Board. The Group's banker is National Australia Bank, which has a strong long-term credit rating.

Trading: The Group has a significant number of customers from trading, which are spread across several country jurisdictions. Group management has a dedicated credit team who are responsible for performing credit worthiness reviews on every customer before credit is granted to them in line with the Group's credit policy. The Group only extends credit when such checks are performed, and the Group is satisfied any credit granted to the customer will be payable by that party. Where required by the policy, credit guarantee insurance may be taken out. Aging of debtor balances and assessments of recoverability of the Group's debtor book is reported to the Board on a monthly basis for their review.

Impairment of financial assets – trade receivables

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics.

The expected loss rates are based on grouping customers of a similar geography and business type and estimating a loss rate by analysing past write-offs including the current financial year and adjusting these historical rates to reflect current and forward looking macroeconomic factors. Adjustments made to the historical rates are not material.

Note 26: Financial risk management (continued)

(c) Credit risk (continued)

The basis for the Group's calculation is summarised below:

As at 30 June 2022	Expected loss rate %	Gross carrying amount (\$'000)	Provision (\$'000)
Domestic	0.4	21,123	93
Export	0.6	16,876	101
Bulk	2.0	3,775	76
		41,774	270

As at 30 June 2021	Expected loss rate %	Gross carrying amount (\$'000)	Provision (\$'000)
Domestic	0.6	24,988	158
Export	0.8	16,334	135
Bulk	3.4	5,027	171
		46,349	464

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

	2022 \$'000	2021 \$'000
Movement in the credit loss allowance		
Balance at the beginning of the year	(464)	(390)
Allowance released / (impairment recognised) on receivables	160	(74)
Amounts written off as not collectable	34	-
Balance at the end of the year	(270)	(464)

(d) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included below is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

	2022 \$'000	2021 \$'000
Total facilities		
Bank overdrafts	5,000	5,000
Bank facilities	101,294	91,819
	106,294	96,819
Used at 30 June		
Bank overdrafts	-	-
Bank facilities	83,626	53,730
	83,626	53,730
Unused at 30 June		
Bank overdrafts	5,000	5,000
Bank facilities	17,668	38,089
	22,668	43,089

Note 26: Financial risk management (continued)

(d) Liquidity risk (continued)

The following table details the Group's financial liabilities that will be settled on a gross basis and their maturities. The amounts disclosed below are undiscounted contractual cashflows. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates or foreign exchange rates, as is relevant. Contractual obligations that are settled on a net-basis are presented as net cashflows. The bank facilities above are inclusive of the bank guarantee that is disclosed in note 23.

2022 (\$'000)	Within 3 months	3-12 months	1-5 years	5 years +	Total	Carrying amount of (asset) / liability
Non-derivatives						
Trade and other payables	63,210	-	-	-	63,210	63,210
Bank facilities	540	1,619	82,571	-	84,730	77,000
Lease liabilities	2,388	7,247	28,157	23,951	61,743	48,370
Total non-derivatives	66,138	8,866	110,728	23,951	209,683	188,580
Derivatives						
Forward exchange contracts	2	(1,597)	(1,870)	-	(3,465)	(3,465)
Interest rate swaps	9	-	-	-	9	9
Total Derivatives	11	(1,597)	(1,870)	-	(3,456)	(3,456)

2021 (\$'000)	Within 3 months	3-12 months	1-5 years	5 years +	Total	Carrying amount of (asset) / liability
Non-derivatives						
Trade and other payables	57,726	-	-	-	57,726	57,726
Bank facilities	203	610	49,065	-	49,878	46,500
Lease liabilities	2,454	7,383	30,698	30,509	71,044	52,356
Total non-derivatives	60,383	7,993	79,763	30,509	178,648	156,582
Derivatives						
Forward exchange contracts	(199)	(376)	(1,065)	-	(1,640)	(1,640)
Interest rate swaps	150	330	38	-	518	552
Total Derivatives	(49)	(46)	(1,027)	-	(1,122)	(1,088)

Note 27: Events after the reporting period

There have been no other matters or circumstances, other than that referred to in the financial statements or notes thereto, that have arisen since the end of the financial year, that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Note 28: Parent entity

The ultimate parent company of the Group is Australian Vintage Ltd. The below tables detail the financial position at balance date, the profit and loss for the financial year and other information regarding the parent entity.

	2022 \$'000	2021 \$'000
Financial Position		
Assets		
Current assets	229,941	209,467
Non-current assets	290,840	288,264
Total assets	<u>520,781</u>	<u>497,731</u>
Liabilities		
Current liabilities	71,440	65,073
Non-current liabilities	219,108	177,297
Total liabilities	<u>290,548</u>	<u>242,370</u>
Net Assets	<u>230,233</u>	<u>255,361</u>
Equity		
Issued Capital	441,474	465,490
Accumulated Losses	(222,046)	(222,046)
Profit reserve	7,509	9,305
Equity-settled employee benefits reserve	954	1,883
Hedging reserve	2,418	762
Foreign currency translation reserve	(76)	(33)
Total equity	<u>230,233</u>	<u>255,361</u>
Profit and loss	Year ended 30 June 2022 \$'000	Year ended 30 June 2021 \$'000
Profit for the year	5,026	8,281
Other comprehensive income	1,611	(1,587)
Total comprehensive income	<u>6,637</u>	<u>6,694</u>

The contingent liabilities and capital commitments of the parent entity are the same as those of the Group, which are detailed in note 23 and note 15, respectively. The parent entity has entered into a deed of cross guarantee with subsidiaries as indicated in note 24.



Head Office

275 Sir Donald Bradman Drive
Cowandilla SA 5033
T +61 8 8172 8333
F +61 8 8172 8399

McGuigan Hunter Valley

Cellar Door & Administration
Cnr Broke & McDonalds Roads
Pokolbin NSW 2320
T +61 2 4998 4199
F +61 2 4998 4188

Sydney Office

2 Queens Place
Balmain NSW 2041
T +61 2 8345 6377
F +61 2 8345 6366

Tempus Two Cellar Door

Cnr Broke & McDonalds Roads
Pokolbin NSW 2320
T +61 2 4993 3999
F +61 2 4993 3988

Registered Office

275 Sir Donald Bradman Drive
Cowandilla SA 5033
T +61 8 8172 8333
F +61 8 8172 8399

Nepenthe Cellar Door

93 Jones Road
Balhannah SA 5242
T +61 8 8398 8899
F +61 8 8398 8895

Company Secretary

Alicia Morris

Buronga Hill Winery

557A Silver City Highway
Buronga NSW 2739
T +61 3 5022 5100
F +61 3 5022 5135

Chief Financial Officer

Adam Rigano

Auditor

Ernst & Young
121 King William Street
Adelaide SA 5000

Merbein Packaging

2 Wentworth Road
Merbein Vic 3505
T +61 3 5021 9303
F +61 3 5021 6490

Bankers

National Australia Bank
500 Bourke Street
Melbourne Vic 3000

Share Register

Computershare Investor Services
115 Grenfell Street
Adelaide SA 5000
T +61 8 8236 2300
F +61 8 8236 2305



ACN 052 179 932