



AUSTRALIAN VINTAGE LTD

2021 ANNUAL REPORT





As a company so reliant on our environment and natural resources, we at Australian Vintage Limited are proud to produce our 2021 Annual Report on Carbon Neutral and 100% recycled paper.

EcoStar is an environmentally responsible paper made carbon neutral (CN) and the fibre source has been independently certified by the Forest Stewardship Council (FSC). ecoStar is manufactured from 100% post consumer recycled paper in a process chlorine free environment under the ISO 14001 environmental management system which guarantees continuous improvement. Carbon Neutral: the carbon emissions of the manufacturing process for ecoStar include: Incoming deliveries - raw materials and wrapping; Premises - energy consumption on site, waste treatment and disposal; Energy of materials - raw materials; Outgoing deliveries - transportation of the finished product to Raleigh Paper warehouses have been measured and offset.

Contents

Board of Directors	2	Note 8: Inventories	69
Chairman and Chief Executive Officer's Report	4	Note 9: Property, plant and equipment	70
Company Profile	8	Note 10: Goodwill and other intangible assets	71
Corporate Governance Statement	11	Note 11: Leases	72
Shareholders' Information	25	Note 12: Impairment testing	74
Directors' Report	27	Note 13: Trade and other payables	74
Declaration of Independence	48	Note 14: Provisions	75
Independent Audit Report	49	Note 15: Borrowings	75
Directors' Declaration	56	Note 16: Other financial assets and liabilities	76
		Note 17: Share capital	76
		Note 18: Dividends	76
		Note 19: Reserves	77
Financial Report			
Consolidated statement of profit or loss and other comprehensive income	58	Note 20: Key management personnel compensation	77
Consolidated statement of financial position	59	Note 21: Executive performance rights and share option plan	77
Consolidated statement of changes in equity	60		
Consolidated statement of cash flows	61	Note 22: Remuneration of auditors	79
Notes to the Financial Statements		Note 23: Contingent liabilities	79
Note 1: About this report	62	Note 24: Subsidiaries	79
Note 2: Segment information	63	Note 25: Related party transactions	80
Note 3: Revenue and expenses	65	Note 26: Financial risk management	80
Note 4: Income taxes	66	Note 27: Events after the reporting period	86
Note 5: Earnings per share	68	Note 28: Parent Entity	87
Note 6: Notes to the cash flow statement	68		
Note 7: Trade and other receivables	69		

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 Open Markets Group Ltd, and a director of Knight Frank Australia and Murray River Organics (ASX:MRG). She is also Chair of Sydney Living Museums. Ms Spark's 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's Report



RICHARD DAVIS
Chairman



CRAIG GARVIN
Chief Executive Officer

We are pleased to present the 2021 Annual Report for Australian Vintage Limited (AVL).

We are well established in our strategic journey of putting the *consumer at the heart of everything we do*. Australian Vintage has made real progress in core capability and is well placed to deliver growth over the coming years. We have a culture that embraces continuous improvement, and we are a values based organisation. Our people are our greatest assets. Our latest results demonstrate that we are delivering improved performance in a balanced and sustainable way.

Financial year ended June 2021 has again been a challenging year globally. The COVID-19 pandemic continues to disrupt the lives of so many with challenging working conditions and the way we all live. In the Australian wine industry, we have also seen the significant disruption to sales to mainland China and the dramatic slow down in high quality export as a result. Despite these challenges AVL was able to report a 79% improvement in profit. The significant improvement in AVL's core branded business and leverage of our world class assets has seen a record profit of \$19.6 million. This profit is the highest the Company has achieved over the last 10 years. Earnings per share improved by 79% to 7.0 cents per share and the Return on Capital Employed (ROCE) improved by 70% to 7.5%.

The record result was very pleasing with continued growth in our portfolio of key brands. We focussed very hard on our core markets and portfolio of brands and made our business as simple as possible during the Covid period to ensure improved performance and deliver best in class market execution. During the 12 month period, sales of our pillar brands of McGuigan, Tempus Two, Nepenthe and Barossa Valley Wine Company grew by 12% to \$195.1 million.

As per our strategic plan to be a Consumer Led branded business, our mix of branded sales hit an all time high of 71% of total revenue. This growth and mix improvement, together with the efficiencies generated from our assets, investment in our people and the favourable 2020 and 2021 vintages have underpinned the 79% growth in profit. We are committed to our strategic plan, and it is showing positive signs for our future.

During the year we increased our investment in our brands with marketing spend up 46% with most of the increased marketing spend occurring in the second half of FY21. What is also pleasing is that because of increased investment in our staff and our continued focus on our customers, the Company was awarded the number 1 wine supplier to the Australian retail industry by the Advantage Survey. This Survey is a comprehensive balance scorecard rating of all suppliers across the marketplace as rated by the customer. This award is a significant achievement for AVL's market reputation and credibility and demonstrates real progress for our company as perceived by our core customers.

Covid-19 has had a mixed impact on our business with some increased sales through the major retail chains but has added costs to our production facilities through segregation of shifts and some challenges with supply chain operations.

Whilst it is difficult to calculate the impact of Covid-19 on the business, our key strategies should continue growth post Covid-19. Increased distribution, innovation and consumer engagement is key to this growth, and we have seen this in our Australian and UK business where we are working hard with our customer partners to drive our portfolio. Innovation is key to our strategic plan and the McGuigan Zero range has been an outstanding success and demonstrated what AVL can deliver in market long term. This, together with the benefits from production efficiencies has seen an improvement in our Gross Margin with Branded Portfolio sales now accounting for 71% of sales revenue up from 50% in 2019. This is sustainable for the long-term future and not Covid-19 dependent.

The financial position continues to improve with net borrowings as at 30 June 2021 down \$24.5 million to \$42.8 million. The Company's operating cash flow was a record \$45.0 million. In May 2021, the Company announced a capital restructure involving a return of capital and share consolidation. This was successfully completed in early July 2021 and resulted in all shareholders receiving 8.5 cents per share and a 10% reduction in shares held. The combined impact of the two corporate actions had the same effect as a share buyback of 1 share for every 10 for 85 cents.

For FY21, AVL declared a final dividend of 2.7 cents per share, in line with last year's dividend, bringing the total return to shareholders of 11.2 cents per share. The dividend is partially franked to 60%.

The year saw the improvement in all key measures and was a standout performance despite all of the challenges faced in the market with Covid-19. The AVL team has continued to work with passion in support of our Strategic Plan and delivered not only excellent results but seen us position the company strongly for future growth and performance. Our staff engagement globally again improved significantly verses prior year.

Overview of FY21 Result (by Segment)

Australia and New Zealand

The Australian and New Zealand segment reported a contribution growth of 48% to \$9.0 million. The Australian business outperformed the wine segment 3 to 1 over the last 12 months which is an outstanding result. Overall, our pillar brands have grown in all segments with McGuigan +3%, Tempus Two +15%, Nepenthe +8% and Barossa Valley Wine Company +19%.

The performance of the McGuigan Zero range has been a major success and demonstrated AVL's capability as a leading consumer brand supplier globally.

The Direct-to-Consumer division, which includes our cellar doors, on-line platform and clubs, increased contribution by \$1.3 million. This was as a result of the Company's investment in technology and the refurbishment of the McGuigan and Tempus Two cellar doors. In the next 12 months the Company expects to undertake a major upgrade to the Adelaide Hills Nepenthe cellar door. This is all part of our branded consumer business strategic plan.

The New Zealand division result decreased by 16% to \$0.6 million due to the significant logistic issues experienced in sending wine to New Zealand. This problem is ongoing and will provide challenges in the near future, however our New Zealand business is in growth and will play a key role to our portfolio expansion over the coming years.

The Australian business not only delivered outstanding profit growth but was also awarded the *No1 Wine Supplier* ranking in the prestigious Advantage Survey results. This award shows the significant improvement in AVL's core capability across all aspects of our business and demonstrates our partnership trade-based approach driven by our people.

UK, Europe and Americas

In the UK, our business performance has been very strong, driven by our brand investment and continued distribution gains in major retail. The growth of sales has been impacted by the change in UK tax on wine product which resulted in a decline in our Shy Pig brand sales of \$12.6 million when compared to prior period. Despite this decline the company's overall sales line still grew on the back of higher margin brands as is our strategic intent.

The UK, Europe and Americas segment has performed exceptionally well with contribution up 55% to \$17.2 million. This is despite a \$0.4 million negative impact due to the unfavourable GBP when compared to the prior period. The McGuigan brand continues to grow with sales up 17% compared to the prior period. The McGuigan Zero brand has seen significant success with sales growing \$5.0 million over the prior period. This brand now represents 5% of all McGuigan brand sales into this segment.

As a result of increased investment and distribution in the Tempus Two brand, sales of this brand have increased by 82% from a relatively low base. We have been focused on new customer distribution retail points and investment in brand building. Both are delivering the foundation for growth and in line with our strategic plan.

Americas remains a challenge with this division reporting a slight loss for the period but an improvement on last year. With changes to the leadership structure of the Americas division and the appointment of in market leadership, we are seeing significant improvement, and this is a key part of our long-term growth strategy.

Asia

AVL's direct exposure to the China market is small with less than 1% of all sales going into mainland China prior to the increase in tariff. With the significant increase in China tariff, sales to mainland China have stopped. Sales to other regions within Asia have been pleasing with sales up 6%.

Whilst the Asian segment contribution decreased during the year, the impact was not material.

AVL remains committed to the China market with the support from our major China based distribution company, and we are currently examining several options to continue the sale of our pillar brands into China. We see Asia as a major growth platform for the future and a great market for our premium brands. AVL 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.

Australasia/North America Bulk and Processing

Whilst sales in the segment declined by \$4.7 million, the contribution increased by \$2.0 million due to the expiry of a loss-making bulk wine sales contract back in FY20 and the improved performance of our Austflavor business.

Vineyard

Vineyard contribution improved by \$1.0 million due to the improved SGARA (Self Generating and Regenerating Assets). This improvement is due to the increased yield from our vineyards offset marginally by reduced red grape prices.

2021 Vintage

The 2021 Australian vintage has been estimated at 2.0 million tonnes which is 31% up on last year and 17% above the 10-year average. All regions experienced a substantial increase in tonnes with the biggest increase coming from premium regions such as the Barossa, which was up 112% on the prior year.

The record 2021 vintage together with the loss of sales to China, which was as high as 176 million litres (approximately 240,000 tonnes) in 2018, will put pressure on the Australian wine industry in terms of excess wine supply and reducing grape prices. As China was predominately a red wine market, the impact will be mainly on red wine and red grape prices.

AVG's position, against a backdrop of an oversupply of red wine and reducing red grape prices, is sound with wine stock in balance and with flexibility going forward in terms of grape intake. The loss of the China market will not directly impact AVL's performance in the medium term.

Financial Position

Reported operating cash flow was a record \$45.0 million compared to \$22.3 million in the prior year with the improved cash flow directly attributable to the performance of the Company and a slight reduction in working capital.

Net borrowings reduced to \$42.8 million as of 30 June 2021 and our gearing is at a very comfortable 14%. With the recent capital restructure, which involved the return of \$23.9 million to shareholders, we expect our debt to increase but still be within comfortable levels.

The existing bank facility has recently been extended to September 2024.

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. Over the last year we upgraded our McGuigan and Tempus Two Cellar Doors and this year will see a 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. The last 12 months has been challenging, however our business has performed very strongly which gives us confidence moving forward.

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

Sustainability

Sustainability is fundamental to AVL as we strive to be world class in our overall Carbon Footprint and strive for neutral impact. As a key step forward our major wine processing facility in Australia is powered by 100% renewable energy sources including an onsite solar farm.

In the coming year we will be focusing on a detailed sustainability study with the aim of setting realistic objectives to be carbon neutral in everything we do. Integral to this study is the development of a climate change policy which will establish targets which can be monitored against actual performance. We are currently undertaking a comprehensive audit of our Carbon Footprint from which we will implement actions to be world class.

The Company will continue to mitigate climate change risks through -

- ongoing investment towards innovative water and power solutions to reduce AVL's environmental footprint and save on costs
- working closely with the Bureau of Meteorology to better understand short and long-term weather patterns and their impacts on AVL
- working with key suppliers to ensure that they are managing climate change in a way that is commensurate with AVL's policy and approach

The Company recognises that good management of our social, environmental and governance responsibility is integral to our future growth and prosperity. It is not only important to underpin the reputation and competitive appeal of our brands, but also to evolve our culture with contemporary values. The success of this Company is underpinned by being sustainable in everything we do.

Outlook

The record result for FY21 is very pleasing considering the many challenges that the pandemic has imposed on the Company. Our strategy will continue to focus on investing in core marketing investment and people capability to leverage our strong asset base. Our wine making know-how and consumer led innovation is world class.

Continuous improvement is at the core of our culture and FY21 has seen the Company improve its results significantly. 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.

The Company's ROCE (Return on Capital Employed) has grown by 70% to 7.5% and in the medium term we expect to achieve high single digit ROCE.

The 2021 vintage has resulted in an increased throughput at our Buronga Hill Winery which together with the favourable 2020 vintage, will result in a reduction in our FY22 wine costs when compared to FY21.

Whilst Covid-19 appears to have had an overall positive impact on our business, a significant portion of the growth has come from long term sustainable strategies such as innovation, people capability, improved consumer trading technology and improved production efficiencies.

We have had a positive start to FY22 even after allowing for the closure of our two Hunter Valley cellar doors due to the NSW lockdown. We remain confident that we will continue to drive improved business performance in all key areas in the long term and are well set for growth.

Conclusion and Thanks

Our strategic agenda continues to reflect AVL's transformation into a world class branded wine company. We are creating a business where sales are consumer driven and 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 AVL as we strive to be world-class in water management, renewables, and our Carbon Footprint.

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.

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



Australian Vintage is a leading Australian wine company. With a fully integrated wine business model, the breadth of our capabilities extends to vineyards, boutique and large volume wine production, packaging, marketing and distribution.

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

Our core branded portfolio has continued to outperform the market both domestically and in key export countries. Quality, consistency and value – along with ongoing and sustained international awards and recognition – have 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.

Wine brands

McGuigan Wines

A contemporary brand built on traditional family values, McGuigan Wines is a leading Australian winemaker with its spiritual home in the heart of the famous Hunter Valley. Our philosophy to always make the wine the hero was the vision of Owen McGuigan, the family patriarch who first planted vines in the 1880s and established a long standing passion for grape growing and winemaking. This commitment has served four generations of McGuigan winemaking well with quality, consistency and purity of craftsmanship at the core of a family legacy celebrated by international wine show success across the globe. Our longstanding heritage 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, delivering unbeatable value, constantly exceeding customers' expectations at every price and every occasion.

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 wines 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. And we've even been known to serve wine out of taps.

In a nutshell, we make bold, elegant wines you don't need to be a sommelier to enjoy. Even though the best sommeliers do.

But enough about us. Pass the bubbles.

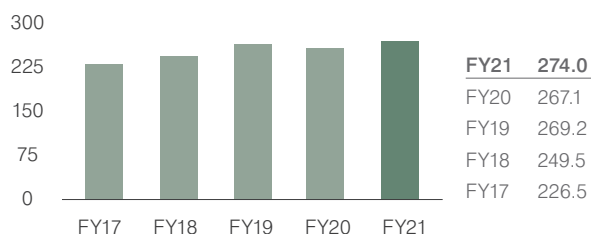
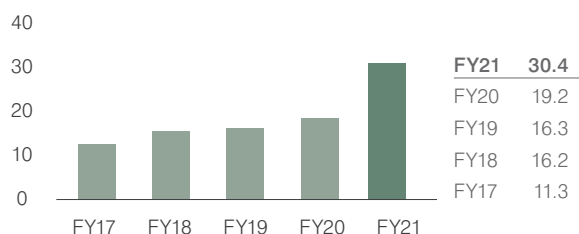
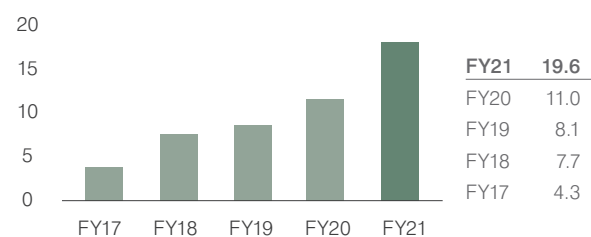
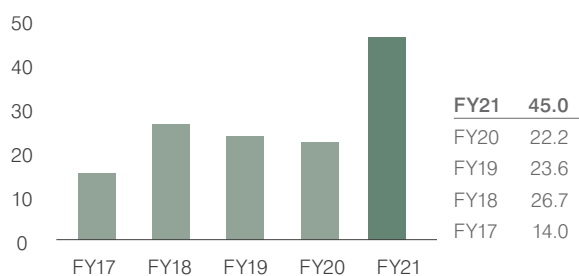
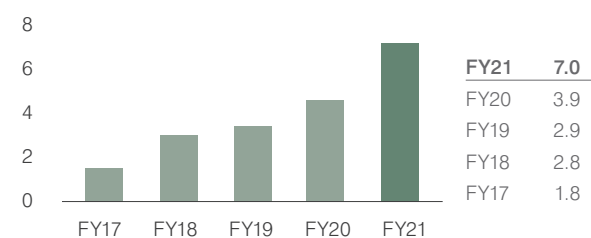
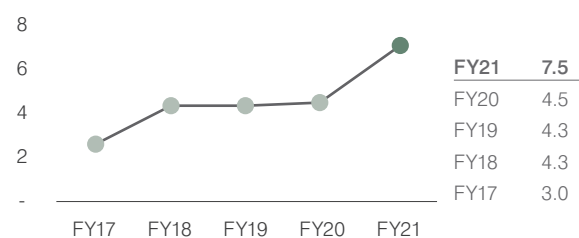
Nepenthe

Nepenthe is situated in the cool climate, high altitude and picturesque Adelaide Hills region in South Australia. Our hand-crafted, premium and award-winning cult wines are built on the strength of varietal faithfulness and subtle regional nuances. Passionate winemaking, innovative grape varieties and careful vineyard management ensure that Nepenthe's exciting and elegant range of wines are the benchmark for the region.

Barossa Valley Wine Company

The Barossa Valley Wine Company has one singular focus, to hand craft the very best expressions of the region. From our spiritual home – the gnarled old Farms vineyard in the renowned Barossa Valley – we are committed to continuing to build on the Barossa's rich history and heritage. Our vision is to create a unique portfolio of wines that leverages the strength and authority of the Barossa region. We're achieving this by combining three core elements – our deep geological connection with the Barossa, our unique piece of land, and the generational legacy of our talented winemakers. These elements not only provide us with a great story, they give us the authority to put a unique twist on the world famous Barossa.



Total Revenue**\$274.0m****EBIT****\$30.4m****Net Profit After Tax****\$19.6m****Operating Cash Flow****\$45.0m****Earnings Per Share****7.0 cents****Return on Capital Employed****7.5%**

Approach to corporate governance

Corporate Governance at Australian Vintage

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 AVL values:

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

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 2021.

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 ESC	<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 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 FY21.

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

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:

	SKILL/ EXPERIENCE	SUMMARY	DIRECTORS WITH SKILL/EXPERIENCE
AVL 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/instituting 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. Jiang Yuan was classified as a non-independent director due to his directorship of Vintage China Fund, a substantial shareholder of the Company.

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 Board coordinates a review of its performance, along with the performance of Board committees and individual directors' performance, on an annual basis, or earlier if circumstances dictate. The performance evaluation has regard to the extent to which the Board has met its responsibilities in the Board Charter and is used to identify any need for existing directors to undertake professional development to perform their functions effectively.

The Board undertakes a peer assessment review of the performance of the Chief Executive Officer each year. Numerous performance indicators have been developed to assist in the assessment comprising the balanced scorecard.

The Chief Executive Officer reviews performance of key executives continuously on an informal basis (by assessing achievements against a range of key performance indicators) and at least twice in each year on a formal basis with a performance review.

These reviews have been conducted in relation to FY21 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.

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.

In FY21, the Board established the 2021 Capital Management Initiative Committee to consider the capital management initiative involving a capital return and share consolidation, which was ultimately approved by shareholders at the Extraordinary General Meeting held in June 2021.

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 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 Chairperson 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 Chairperson 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 AVL 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 AVL's people in order to attract and nurture a diversity of high-performing and emerging talent;
- ensuring that the AVL 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 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 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.

FY21 objectives and results

The objectives for diversity for FY21, along with outcomes achieved are as follows:

Workplace Diversity Objective FY21	Workplace Diversity Outcomes FY21
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. 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 to be launched in FY22, inclusive of specific executive and senior management sessions.
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. Unconscious bias training through management recruitment best practise and specialist targeted diversity and inclusion training programme.
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 37% female representation across all levels. Non-Executive directors remains at 20% female representation. AVL has increased females in leadership roles by 17% across FY21.
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 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. Senior female leadership programme and additional mentoring and global female networking programme to be launched in FY22.
Benefits <ul style="list-style-type: none"> Promote the Company's parental leave procedures and flexible work arrangements policy to retain talent. 	<ul style="list-style-type: none"> Introduction of industry leading parental leave policy along with global flexibility framework.

FY22 objectives

The objectives for diversity for FY22 are as follows:

Workplace Diversity Objective FY22

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 AVL's values and behaviours.
- Deliver a diversity education programme for all employees.

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.

Gender Composition

- The Company is targeting 30% female representation across all levels by 2023, and specifically aims to:
 - increase female representation of non-executive directors to 30% by 2023; and
 - increase female representation in leadership roles to 30% by 2023.

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.
- Implement a female senior leadership and mentoring programme.

Benefits

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

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 2021 compared to 30 June 2020.

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.

Workforce Gender Profile FY20

CATEGORIES OF EMPLOYEES		TOTAL FEMALES	TOTAL MALES	% OF FEMALES	% OF MALES
Total Employees	430	153	277	36	64
Non-Executive Directors	5	1	4	20	80
Senior Executives*	12	3	9	25	75
Non-Production Employees**	151	75	76	50	50
Production Employees	267	75	192	28	72

* 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 FY21 in accordance with the relevant processes.

Material business 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 FY21, 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.

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.

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 FY21, 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 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 AVL behaviours across the business, a new Code of Conduct reflecting these will be launched in FY22.

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 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 share 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 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 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 will be held virtually. While there will not be a physical location, shareholders can participate online in real-time, including asking questions and voting during the AGM.

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 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 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 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 13 September 2021.

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	1,980
5,001 - 10,000	555
10,001 - 100,000	804
100,001 Over	142
	5,081

The percentage of the total holding of the twenty largest holders of Ordinary Shares was 72.58%.

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 *	35,939,389
MA Financial Group Limited	15,629,309

* Provided before the recent capital restructure completed on 13 July 2021.

Twenty largest shareholders

The names of the twenty largest shareholders of Ordinary Shares are as follows:

Shares Held	Number of Ordinary Shares Held	% of Listed Shares
1 Citicorp Nominees Pty Limited	41,984,270	16.62
2 Vintage China Funds GP Limited	32,345,451	12.80
3 J P Morgan Nominees Australia Pty Limited	29,949,177	11.85
4 National Nominees Limited	21,686,832	8.58
5 HSBC Custody Nominees (Australia) Limited	20,436,035	8.09
6 Sandhurst Trustees Ltd (Wentworth Williamson A/C)	6,921,004	2.74
7 BNP Paribas Noms (NZ) Ltd (DRP)	4,833,263	1.91
8 Garrett Smythe Ltd	4,515,739	1.79
9 Certane CT Pty Ltd (AVG Est A/C)	3,432,572	1.36
10 Vintage China Funds GP Limited	2,804,525	1.11
11 BNP Paribas Noms Pty Ltd (DRP)	2,573,943	1.02
12 Mr Graham John Harvey	1,980,000	0.78
13 Sunrise Vineyards Pty Ltd (Moularadellis S/F A/C)	1,818,000	0.72
14 HSBC Custody Nominees (Australia) Limited (NT-Comnwlth Super Corp A/C)	1,396,141	0.55
15 Henleaze Investments Pty Ltd	1,365,000	0.54
16 Neweconomy Com AU Nominees Pty Limited (900 Account)	1,210,844	0.48
17 BNP Paribas Nominees Pty Ltd (IB AU NOMS RETAILCLIENT DRP)	1,048,929	0.42
18 CS Fourth Nominees Pty Limited (HSBC CUST NOM AU LTD 11 A/C)	1,038,416	0.41
19 BNP Paribas Nominees Pty Ltd Six Sis Ltd (DRP A/C)	1,020,637	0.40
20 127 Victoria Pty Ltd	1,000,000	0.40
Total Top 20 Holders of Fully Paid Ordinary Shares	183,360,778	72.58
Total Remaining Holders Balance	69,277,708	27.42

Directors' report

For the financial year ended 30 June 2021

The Directors of Australian Vintage Ltd submit herewith the annual financial report for the financial year ended 30 June 2021. In order to comply with the provisions of the Corporations Act 2001, the Directors report 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 65

(Chairman - appointed 1st June 2015, 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 54

(Chief Executive Officer) Director since 21 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 68

(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 68

(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 Open Markets Group Ltd, and a director of Knight Frank Australia and Murray River Organics (ASX:MRG). 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 64

(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 44

(Non-Independent, Non-Executive) Director since 7 June 2017

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	Since 2012
	Monash IVF Group Limited	Since 2014
Naseema Sparks	Murray River Organics Ltd	Since June 2019
	Arq Group (previously known as Melbourne IT Limited)	2012 to 2020
	IncentiaPay	2017 to 2019

Company Secretary

Alicia Morris (Kinlay) (appointed 1 July 2020)

Alicia joined the Company in 2010 and is currently General Counsel. 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.

Michael H Noack (appointed 23 November 2005, resigned as Company Secretary 1 July 2020)

B Accountancy (University of South Australia), Fellow of ASCPA, Graduate Diploma in Systems Analysis (University of South Australia) and Fellow of the Chartered Secretaries Australia. Michael has been with Australian Vintage Ltd since the merger in 2002 and was previously Chief Financial Officer and Company Secretary of Simeon Wines Limited. Michael has been the Chief Financial Officer since 2002. Michael resigned from the Company Secretary on 1 July 2020 and continues on as Chief Financial Officer.

Principal activities

The consolidated entity'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 consolidated entity other than that referred to in the financial statements or notes thereto.

Environmental regulations

The consolidated 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 2021, a 60% franked dividend of 2.7 cents per share has been declared and will be paid on 17 December 2021. In respect of the financial year ended 30 June 2020, a 63% franked dividend of 2.7 cents per share was paid on the 6 November 2020.

Review of operations and future developments

Key financial highlights:

- Net Profit after tax (NPAT) up 79% to \$19.6 million
- EBIT (Earnings before tax and interest) up 59% to \$30.4 million
- EBITs (earnings before tax, interest and SGARA) up 48% to \$31.2 million
- Total Revenue up \$6.8 million to \$274.0 million
- Cash flow from operating activities up \$22.8 million to \$45.0 million and net debt reduced by \$24.5 million to \$42.8 million
- Sales of our 4 key brands, McGuigan, Tempus Two, Nepenthe and Barossa Valley Wine Company (BVWC) up 12%

Review of operations and future developments (continued)

- Earnings per share up 79% to 7.0 cents per share
- ROCE (Return on Capital Employed) improved by 70% to 7.5%
- Total Shareholder Return ('TSR') of 83% over FY21
- Final dividend of 2.7 cents per share, franked to 60%

A very strong performance in Australian Vintage Limited's (ASX: AVG) core UK and Australian businesses together with improved production efficiencies enabled AVG to record a 79% Net Profit after tax improvement for the 12 months to June 2021. The result is the highest AVG has achieved over the last 10 years.

The record result was very pleasing with continued growth in our portfolio of key brands. During the 12 month period our pillar brands of McGuigan, Tempus Two, Nepenthe and BVWC grew by 12% to \$195.1 million. This growth, together with the efficiencies generated from our recent capital spend, investment in our people and the favourable 2020 and 2021 vintages have underpinned the 79% growth in NPAT.

AVG is committed to our strategic plan, and it is showing positive signs for our future. During the year we have increased the investment in our brands with marketing spend up 46% with most of the increased marketing spend occurring in the second half of FY21. What is also pleasing is that because of increased investment in our staff and our continued focus on our customers, the Company was recently awarded the number 1 wine supplier to the Australian retail industry by the Advantage Survey. This Survey is a comprehensive balance scorecard rating of all suppliers across the marketplace as rated by the customer. On top of that award, we also received the Supply Chain Manager of The Year Award at the Drinks Association Australian Drink Awards. These awards are a significant achievement for AVG's market reputation and credibility.

Covid-19 has had a mixed impact on our business with some increased sales through the major retail chains but has added costs to our production facilities through segregation of shifts and some challenges with supply chain operations. Whilst it is difficult to calculate the impact of Covid-19 on the business, our key strategies should continue growth post Covid-19. Increased distribution, innovation and consumer engagement is key to this growth, and we have seen this in our Australian and UK business where we are working hard with our customer partners to drive our portfolio. The McGuigan Zero range has been an outstanding success and demonstrated the importance of innovation to the portfolio long term. This, together with the benefits from production efficiencies is sustainable for the long-term future and not Covid-19 dependent.

In the UK, our business performance has been very strong, driven by our investment in the McGuigan brand and continued distribution gains in major retail. The growth of sales has been impacted by the change in UK tax on wine product which resulted in a decline in our Shy Pig sales of \$12.6 million when compared to prior period. Excluding the decline in Shy Pig sales, the UK segment improved sales by 20% with our four pillar brands growing by 20%.

Profit Result

	12 MONTHS TO (\$000)		CHANGE	
	June 2021	June 2020	\$000	%
Australia and New Zealand	9,039	6,118	2,921	48%
UK, Europe and Americas	17,248	11,161	6,087	55%
Asia	31	70	(39)	(56)%
Australasia/North America bulk and processing	4,403	2,431	1,972	81%
Vineyard Management	(72)	(28)	(44)	(157)%
Other income (dividend and fair value change in investment)	525	1,241	(716)	(58)%
EBITS	31,174	20,993	10,181	48%
SGARA	(737)	(1,794)	1,057	59%
EBIT	30,347	19,199	11,238	59%
Finance costs	(2,098)	(3,085)	987	32%
Finance costs (resulting from leases under AASB 16)	(553)	(623)	70	11%
Interest received	33	26	7	27%
Net Profit before tax	27,819	15,517	12,302	79%
Tax	(8,216)	(4,564)	(3,652)	(80)%
Net Profit (after tax)	19,603	10,953	8,650	79%

Review of operations and future developments (continued)

Trading Summary

UK, Europe and Americas

The UK, Europe and Americas segment has performed exceptionally well with contribution up 55% to \$17.2 million. This is despite a \$0.4 million negative impact due to the unfavourable GBP when compared to the prior period. The McGuigan brand continues to grow with sales up 17% compared to the prior period. The McGuigan Zero brand has seen significant success with sales growing \$5.0 million over the prior period. This brand now represents 5% of all McGuigan brand sales into this segment. As a result of increased investment and distribution in the Tempus Two brand, sales of this brand has increased by 82% from a relatively low base.

The growth in the UK market is not finished with the Company increasing its footprint and brand investment in the UK. Americas remains a challenge with this division reporting a slight loss for the period but an improvement on last year. With changes to the leadership structure of the Americas division and a change in strategy we expect Americas to improve in the next 12 months.

Australia and New Zealand

The Australian and New Zealand segment has also performed very well with contribution up 48% to \$9.0 million. The McGuigan brand has grown by 3% due mainly to the performance of the McGuigan Zero range which is outperforming expectation and grew sales by \$5.0 million. Tempus Two continues to grow with sales up 15%, Nepenthe grew by 8% and BVWC grew by 19%.

The Direct to Consumer division, which includes our cellar doors and clubs, increased contribution by \$1.3 million as a result of the Company's investment in technology and the refurbishment of the McGuigan and Tempus Two Hunter Valley cellar doors. In the next 12 months the Company expects to undertake a major upgrade to the Adelaide Hills Nepenthe cellar door.

The New Zealand division result decreased by 16% to \$0.6 million due to the significant logistic issues experienced in sending wine to New Zealand. This problem is ongoing and will provide challenges in the near future.

Asia

AVG's direct exposure to the China market is small with less than 1% of all sales going into China prior to the increase in tariff. With the significant increase in China tariff, sales to mainland China have stopped. Sales to other regions within Asia have been pleasing with sales up 6%.

Whilst the Asian segment contribution decreased during the year, the impact was not material. AVG remains committed to the China market with the support from our major China based distribution company, and we are currently examining several options to continue the sale of our pillar brands into China.

Australia/North America Bulk and Processing

Whilst sales in the segment declined by \$4.7 million, the contribution increased by \$2.0 million due to the expiry of loss-making bulk wine sales contracts back in FY20 and the improved performance of our Austflavor business.

Vineyards

Vineyard contribution improved by \$1.0 million due to the improved SGARA (Self Generating and Regenerating Assets). This improvement is due to the increased yield from our vineyards offset marginally by reduced red grape prices.

Financial Position

The cash flow from operating activities increased by \$22.8 million to \$45.0 million due to the improved result and a slight reduction in working capital. Net debt reduced by \$24.5 to \$42.8 million. Over the last 10 years our net debt has decreased by about \$100 million. Gearing is at a comfortable 14%.

In July 2021, the Company successfully completed a share restructure involving the capital return of 8.5 cents per share and a 10% share consolidation. The \$23.9 million return to shareholders will see the debt increase to \$66.8 million, well within the comfortable range.

2021 Vintage

The 2021 vintage has been estimated at 2.0 million tonnes which is 31% up on last year and 17% above the 10 year average. All regions experienced a substantial increase in tonnes with the biggest increase coming from premium regions such as the Barossa, which was up 112% on the prior year.

The record 2021 vintage together with the loss of sales to China, which was as high as 176 million litres (approximately 240,000 tonnes) in 2018, will put pressure on the Australian wine industry in terms of excess wine supply and reducing grape prices. As China was predominately a red wine market, the impact will be mainly on red wine and red grape prices.

AVG's position, against a backdrop of an oversupply of red wine and reducing red grape prices, is sound with wine stock in balance and with flexibility going forward in terms of grape intake. The loss of the China market will not directly impact AVG's performance in the medium term.

Review of operations and future developments (continued)

Outlook

The record result for FY21 is very pleasing considering the many challenges that the pandemic has imposed on the Company. We continue to leverage the past asset investments and combined with our ongoing investment in our pillar brands and people capability, we remain confident that we will continue to not only grow sales but improve the mix of sales and drive an improved balanced scorecard in the long term.

The Company's ROCE (Return on Capital Employed) has grown by 70% to 7.5% and in the medium term we expect to achieve high single digit ROCE.

Whilst Covid-19 appears to have had an overall positive impact on our business, a significant portion of the growth has come from long term sustainable strategies such as innovation, people capability, improved consumer trading technology and improved production efficiencies.

We have had a positive start to FY22 even after allowing for the closure of our 2 Hunter Valley cellar doors due to the NSW lockdown.

A further market update will be provided at our Annual General Meeting in November 2021.

As part of our ongoing confidence in the medium to long term outlook of AVG, the board has agreed to pay a partially franked (60%) dividend of 2.7c per share. This dividend is in line with 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 17 December 2021 and the Record Date to establish shareholder dividend entitlements is 26 November 2021. The Company's Dividend Reinvestment Plan (DRP) will remain suspended for the dividend payable on 17 December 2021.

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 AVL 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 AVL in the following areas:</p> <ul style="list-style-type: none"> - Wellbeing and health of our people - Disruption in supply chain logistics <p>Rapidly changing Government laws and regulations</p>	<p>AVL has undertaken a COVID-19 pandemic risk assessment 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. <p>The mitigation strategies noted above have ensured our people are looked after and that we continue to deliver great quality products to our customers.</p>
Climate change	<p>Climate change is expected to impact on AVL increasingly in terms of regulation and associated costs and poses 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 <p>Third party suppliers' ability to respond to climate change impacts</p>	<p>AVL is in the planning stages of developing a climate change policy and will regularly monitor performance against set objectives. 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 AVL'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 AVL • Working with key suppliers to ensure they are managing climate change in a way that is commensurate with AVL's policy and approach so as to not negatively impact AVL's ability to effectively source grapes and wine

Review of operations and future developments (continued)

Material business risk	Details of risk	Mitigation strategies in place
Imposition of Tariffs on Australian Wine in China	The current imposition of tariffs on Australian wine exported to China and the potential ongoing tariff policies. The resulting impacts on AVL's inventory management and profitability as well as the impact on the wider Australian wine industry.	<ul style="list-style-type: none"> Long-term vintage planning and ongoing integrated business planning processes allow for reallocation of inventory to other markets and varying grape supply as required. Flexibility with supply of grapes from third parties. Increase focus on sales to other Asia Pacific countries Lobby the Australian government to support the wine industry at the highest level.
Constrained grape supply	<p>AVL'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 AVL 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 AVL 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>	<ul style="list-style-type: none"> Long-term vintage planning and ongoing integrated business planning processes. Where possible, balanced grape intake between owned/leased vineyards and third party suppliers. Multi-regional growing and sourcing. Innovative agronomic practices. Strong grower relationships and defined agreements.
Brand reputation	<p>The strength of AVL'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 AVL'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	<p>AVL'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.</p> <p>Inability to retain key leaders and talent can impact relationships with AVL's key partners, result in lost business knowledge, increase risk of employee burnout and hamper the business' ability to deliver on key initiatives.</p>	<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 AVL's vision and growth behaviours.
Partner performance	AVL relies on a number of key partners (suppliers, distributors, retailers) to support delivery of key strategic initiatives. The performance of these partners, and/or their market concentration and power, could have a significant impact on AVL's ability to deliver these initiatives.	<ul style="list-style-type: none"> Defined and pre-approved terms of engagement. Investment in strong partner relationships. Joint business planning processes to support and align internal and partner incentives. Regular performance reviews.

Review of operations and future developments (continued)

Material business risk	Details of risk	Mitigation strategies in place
Changing laws and government regulations	<p>AVL 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 AVL'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 in these markets.</p>	<ul style="list-style-type: none"> • Company-wide policies, standards and procedures. • AVL'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>AVL'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 AVL'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>AVL 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 AVL'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.
Infrastructure supporting growth	<p>The business relies on IT infrastructure, systems and processes to support ongoing business growth. Where such infrastructure cannot efficiently support the changing needs of the business, there is risk of process inefficiency and/or error increasing costs, processing time and damaging business reputation.</p>	<ul style="list-style-type: none"> • Defined IT roadmap and strategy approved by the Board/Executive Leadership Team. • IT policies and supporting procedures (security, change management, project management, etc.). • Documentation and mapping of key processes and controls across the business.

Directors' meetings

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 10 Board Meetings, 2 Audit Committee Meetings, 2 Risk & Sustainability Committee Meetings and 2 People, Remuneration & Culture Committee meetings.

Directors'	Board Meetings Attended	Audit Committee Attended	Risk & Sustainability Committee Attended	People, Remuneration & Culture Committee Attended
Richard H Davis	10	2	2	2
Craig A Garvin	10	2	2	2
John D Davies	10	2	2	2
Naseema Sparks	10	2	2	2
Peter J Perrin	10	2	2	2
Jiang Yuan	10	2	2	0
Total Meetings Held	10	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	99,000	-
Craig A Garvin ⁽¹⁾	678,542	739,951
John D Davies	585,000	-
Naseema Sparks	60,678	-
Peter Perrin	199,057	-
Jiang Yuan	39,055,527	-

(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:

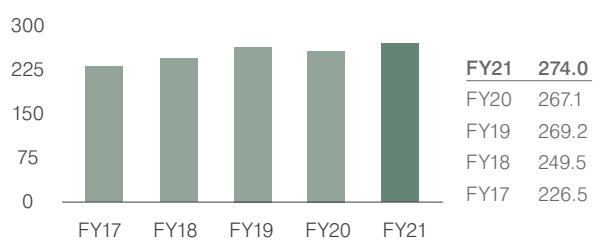
Issuing Entity	Number of Shares Under Option / Right	Class of Shares	Exercise Price of Option / Right	Expiry Date of Option / Right
Australian Vintage Ltd	300,000	Ordinary	\$0.528	1 November 2021
Australian Vintage Ltd	925,000	Ordinary	\$0.439	1 November 2022
Australian Vintage Ltd	1,221,674	Ordinary	N/A (Rights)	31 October 2021
Australian Vintage Ltd	1,221,674	Ordinary	N/A (Rights)	31 October 2023
	3,668,348			

Remuneration report

COMPANY PERFORMANCE GRAPHS

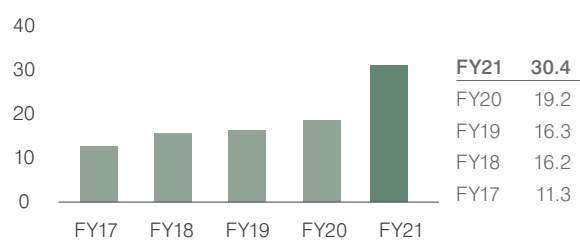
Total Revenue

\$274.0m



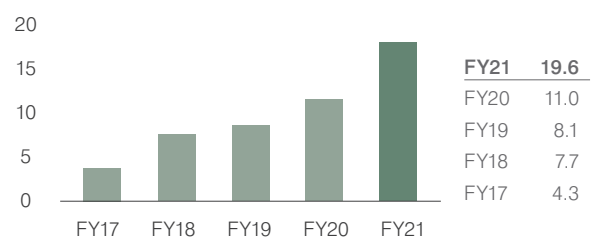
EBIT

\$30.4m



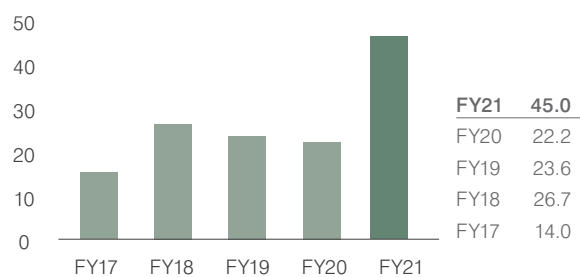
Net Profit After Tax

\$19.6m



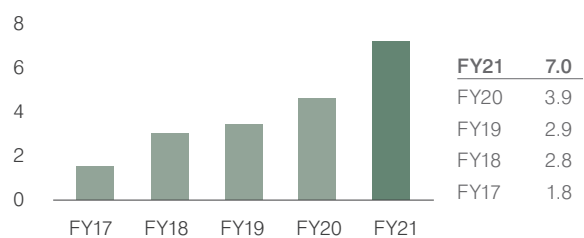
Operating Cash Flow

\$45.0m



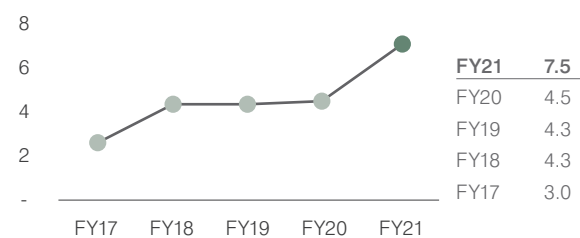
Earnings Per Share

7.0 cents



Return on Capital Employed

7.5%



Remuneration report (continued)

Introduction

Over FY21 Australian Vintage has aligned the Executive pay structure to illustrate the importance of the achieving our Long-Term strategy, enhancing cultural alignment, and ensuring consistency and commitment to employee engagement and diversity. These changes have been implemented through four actionable strategies listed below;

- **Balanced Scorecard:** Creation of an executive KPI measure using a balanced scorecard which aligns directly to our Long-Term Strategy and putting the consumer at the heart of everything we do. This KPI Balanced Scorecard comprises specific performance measures on – Behaviours & Engagement, Safety, EBITs, ROCE and Branded Growth & Innovation.
- **Gender Diversity:** AVL has implemented a 5-year Gender Diversity strategy with an aim to increase female representation across all levels of the business
- **Employee Engagement:** Investment has been made into a 5-year Employee Engagement strategy. AVL has an ambitious strategy to build on Employee Engagement over a 5-year period with the aim of becoming a Global Best Employer.
- **Behavioural Framework:** As of FY21 AVL have launched and introduced a new behavioural framework which is ingrained throughout the annual remuneration process

AVL's new behavioural framework will form part of AVLs formal annual performance reviews. AVLs Behaviours will be used as a gateway to any bonus or salary increase payments for all employees. 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

AVL is committed to driving an achievement-based culture which will result in continued growth, enhanced business performance and better align executive incentives with shareholder returns. Our behavioural framework underpins the way in which we expect all employees to act, these behaviours are;

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 AVL 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.

Remuneration report (continued)

These AVL 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 AVL 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 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	Non-executive Director	Full Year
Executives		
Craig Garvin	Chief Executive Officer ('CEO')	Full Year
Mike Noack	Chief Financial Officer ('CFO')	Full Year
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

For the purpose of the 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. For the year ended 30 June 2020, the People, Remuneration & Culture Committee formed the view that Non-Executive Director compensation is aligned with the market. 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 was restructured in FY21 to better reflect the time spent by Non-Executive directors on board sub-committees 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 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.

Remuneration Report (continued)

Remuneration Objectives & 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

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

EXECUTIVE TOTAL REWARD FRAMEWORK		
At Risk Remuneration		
Fixed Remuneration 50% for CEO 60% for other Executives	Variable Cash Incentive	Deferred Equity Incentive
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 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 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.

For FY21, the CEO has elected for no increase to fixed remuneration.

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.

Remuneration Report (continued)

2. Variable Cash Incentive (continued)

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

KPI / Objective	CEO / CFO Weighting	Key Management Personnel Weighting	FY21 Achievement %	FY21 Achievement actual
Employee Engagement Achieve company employee engagement target of 65%	10%	10%	100%	65%
Safety Achieve company LTIFR target of 10 or less	10%	10%	146%	5.4
Financial Achieve company EBITs of \$25.1m	60%	60%	124%	\$31.2m
ROCE Achieve company return on capital employed of 6.6%	10%	10%	113%	7.5%
Branded Growth Achieve company gross margin across four key pillar brands of \$59.2m	10%	10%	102%	\$60.2m
Operational / Divisional Specific Targets	N/A	20%	Dependent on individual KPIs	Dependent on individual KPIs

Performance is measured against targets for EBITs (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.

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 FY21, the breakdown between financial and operational key performance indicator targets and the actual percentage of the maximum Variable Cash incentive achieved:

VARIABLE	2021 MINIMUM VARIABLE CASH \$	2021 MAXIMUM CASH ⁽¹⁾ \$	KEY PERFORMANCE TARGETS			2021 % GRANTED
			FINANCIAL	PEOPLE & SAFETY	OPERATIONAL	
Craig Garvin	0	420,000	60%	20%	20%	120%
Michael Noack	0	147,112	60%	20%	20%	120%
Julian Dyer	0	161,658	40%	20%	40%	120%
Thomas Jung	0	119,712	40%	20%	40%	110%
Jeff Howlett	0	118,132	40%	20%	40%	120%

(1) Maximum variable cash opportunity is based on achievement of 120% of financial target. For the FY20 year 114% of the financial target was achieved.

Remuneration Report (continued)

3. Deferred Equity Incentive

Deferred Equity Scheme - from 1st July 2020

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 FY21 Issued
Minimum (90% target achieved)	28.3%
At 100%	31.5%
Maximum (120% target achieved)	37.8%

- The remaining 50% of the Deferred Equity Scheme will not change. Return on Capital Employed (ROCE) remains as the target and the shares issued will be held in escrow for a 3 year period. The target ROCE for FY21 is –

	ROCE Target FY21 Issued
Minimum (90% target achieved)	5.9%
At 100%	6.6%
Maximum (120% target achieved)	7.9%

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 high single 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. AVL will have regard to performance against target and the performance period elapsed in determining any award.

There were 2,714,830 (FY20: 2,268,455) 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 2021 the ROCE was 113%, and as a result 1,088,511 share rights will be converted into shares. For 2020, the ROCE was 104%, and as a result 1,965,994 rights were converted into shares.

Remuneration Report (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 (exercise price \$0.528):

- 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 (exercise price \$0.4387):

- 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 (2019: 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.

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	GRANT DATE	EXPIRY DATE
Craig Garvin	Rights	441,084	N/A	10 December 2020	31 October 2021
	Rights	441,084	N/A	10 December 2020	31 October 2023
Mike Noack	Rights	192,430	N/A	10 December 2020	31 October 2021
	Rights	192,430	N/A	10 December 2020	31 October 2023
	Options	85,200	\$0.528	19 December 2016	1 November 2021
Julian Dyer	Rights	157,501	N/A	10 December 2020	31 October 2021
	Rights	157,501	N/A	10 December 2020	31 October 2023
	Options	85,200	\$0.528	19 December 2016	1 November 2021
Thomas Jung	Rights	126,907	N/A	10 December 2020	31 October 2021
	Rights	126,907	N/A	10 December 2020	31 October 2023
	Options	85,200	\$0.528	19 December 2016	1 November 2021
	Options	200,000	\$0.439	20 December 2017	1 November 2022
Jeff Howlett	Rights	91,212	N/A	10 December 2020	31 October 2021
	Rights	91,212	N/A	10 December 2020	31 October 2023
TOTAL		2,473,868			

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:

2021	BALANCE @ 1/7/20 No.	GRANTED AS REMUNERATION No.	RECEIVED ON EXERCISE OF OPTIONS No.	NET OTHER CHANGE No.	BALANCE @ 30/6/21 No.	BALANCE HELD NOMINALLY No.
Non-executive Directors						
Richard H Davis	110,000	-	-	-	110,000	-
John Davies	400,000	-	-	250,000	650,000	-
Naseema Sparks	43,420	-	-	24,000	67,420	-
Peter Perrin	121,174	-	-	100,000	221,174	-
Jiang Yuan	39,055,527	-	-	-	39,055,527	-
Executives						
Craig Garvin	-	753,935	-	-	753,935	-
Michael Noack	320,454	292,309	470,000	63,913	1,146,676	-
Julian Dyer	-	237,998	306,382	-	544,380	-
Thomas Jung	-	181,571	-	-	181,571	-
Jeff Howlett	-	53,853	-	-	53,853	-
	40,050,575	1,519,666	776,382	437,913	42,784,536	-

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:

2021	BAL. @ 1/7/20 No.	GRANTED AS REMUNERATION No.	EXERCISED No.	EXPIRED/ CANCELLED No.	BAL. @ 30/6/21 No.	BAL. VESTED @ 30/6/21 No.	VESTED BUT NOT EXERCIS- ABLE No.	VESTED AND EXERCIS- ABLE No.	VESTED DURING THE YEAR No.
Craig Garvin	869,925	882,168	(753,935)	(115,990)	882,168	-	-	-	753,935
Michael Noack	892,480	384,859	(762,309)	(44,971)	470,059	85,200	-	85,200	492,309
Julian Dyer	799,813	315,002	(544,381)	(170,232)	400,202	85,200	-	85,200	437,998
Thomas Jung	734,705	253,814	(181,571)	(267,934)	539,014	285,200	-	285,200	381,571
Jeff Howlett	62,138	182,424	(53,853)	(8,285)	182,424	-	-	-	53,853
	3,359,061	2,018,267	(2,296,049)	(607,412)	2,473,867	455,600	-	455,600	2,119,666

Remuneration Report (continued)

Key Management Personnel Remuneration

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

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

2020	SHORT-TERM BENEFITS				POST EMPLOYMENT		SHARE BASED PAYMENTS			TOTAL
	Salary & Fees \$	Bonus \$	Other \$	Non - Monetary (a) \$	Super - annuation \$	Other \$	Cash Settled \$	Equity Settled Options ^(b) \$	Equity Settled Shares \$	\$
Non-Executive directors										
Richard Davis	107,763	-	-	2,000	10,237	-	-	-	-	120,000
John Davies	71,233	-	-	2,000	6,767	-	-	-	-	80,000
Naseema Sparks	71,233	-	-	2,000	6,767	-	-	-	-	80,000
Peter Perrin	71,233	-	-	2,000	6,767	-	-	-	-	80,000
Jiang Yuan	85,043	-	-	-	3,438	-	-	-	-	88,481
Sub-total	406,505	-	-	8,000	33,976	-	-	-	-	448,481
Executives										
Craig Garvin	561,500	378,000	-	1,200	20,833	-	-	-	347,970	1,309,503
Neil McGuigan ^(c)	296,532	72,000	-	500	9,821	554,004	-	45,072	-	977,929
Michael Noack	405,181	126,096	-	89,176	25,000	-	-	11,449	134,912	791,814
Julian Dyer	411,461	147,211	-	-	18,783	-	-	11,449	109,845	698,749
Jeff Howlett	263,309	84,140	-	26,200	25,014	-	-	-	24,855	423,518
Thomas Jung	306,370	102,638	-	21,840	25,000	-	-	11,449	83,802	551,099
Cameron Ferguson ^(d)	166,647	-	-	10,917	56,352	695,216	-	11,449	-	940,581
Sub-total	2,411,000	841,102	-	149,833	180,803	1,249,220	-	90,868	701,384	5,693,193
TOTAL	2,817,505	910,085	-	157,833	214,779	1,249,220	-	90,868	701,384	6,141,674

(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.

(c) Retired 20 November 2019. Other post-employment benefit relates to payment of leave balances and other leaving costs.

(d) Redundancy effective 1 December 2019. Other post-employment benefit relates to payment of leave balances and redundancy costs.

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.

Michael Noack

- (i) Term of agreement - no specified term.
- (ii) Compensation includes:
 - a. Base salary, superannuation, life/trauma insurance, 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 Noack's employment is terminated by the company, the company must pay Mr Noack the equivalent of one year's total remuneration (excluding Variable Cash incentive). Mr Noack 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)

Service Agreements of Key Management Personnel (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.

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 2021) 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 Corporation 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 48.

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 2021 a 60% franked dividend of 2.7 cents per share was declared on the 25th August 2021 and will be paid on the 17th December 2021.

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
25th August 2021



CRAIG GARVIN
Chief Executive Officer
25th August 2021



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

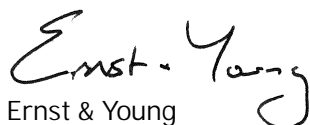
Tel: +61 8 8417 1600
Fax: +61 8 8417 1775
ey.com/au

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 2021, 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; and
- b) no contraventions of 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.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Mark Phelps'.

Mark Phelps
Partner
Adelaide
25 August 2021

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 2021, 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 2021 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.



**Building a better
working world**

Impairment of Intangible Assets

Why significant	How our audit addressed the key audit matter
<p>AVL holds \$37.7m of goodwill and \$13.8m of other intangible assets (excluding leases) at 30 June 2021.</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 judgment 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"> ➤ Assess managements determination of CGU's ➤ Agreeing the projected cash flows for FY22 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 business valuation specialists to assess the 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 2021 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 and key estimates 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.



**Building a better
working world**

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 \$19.8m at 30 June 2021.</p> <p>The recognition of deferred tax assets entails a high level of judgement by management in assessing the quantification, probability and sufficiency of future taxable profits against which they may be offset, future reversals of existing taxable temporary differences and the tax planning opportunities considered by the Group.</p> <p>Because of the factors referred to above, we considered this to be a key audit matter in the current period.</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 accounting advice of the Group's tax advisors on the assessment of the Group's tax obligations and assessing the competence, capability and the objectivity of the 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 forecasts used as a basis to utilise the DTA with the actual historical results obtained and evaluating the reasonableness of the time period in which the Group expects to recover these assets. ➤ Assessing the disclosures in note 4 on the recoverability of the DTA using the requirements of Australian Accounting Standards.



**Building a better
working world**

Valuation of Inventory

Why significant	How our audit addressed the key audit matter
<p>The Group holds \$190.7m of inventory at 30 June 2021. The valuation of inventories of finished goods and work in progress is a key audit matter as we need to consider estimates and judgements made by the Group. These include inherently subjective judgements about grape harvests, forecast future demand and estimated 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 judgments 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. In the current year, this includes the tariff of Australian wine imports to China. 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 judgment 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.



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 2021 annual report, but does not include the financial report and our auditor's report thereon.

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



**Building a better
working world**

- ▶ 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.



Report on the audit of the Remuneration Report

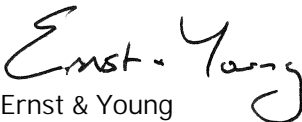
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 20 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Australian Vintage Limited for the year ended 30 June 2021, 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
25 August 2021

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
25th August 2021



CRAIG GARVIN
Chief Executive Officer
25th August 2021



2021
Financial Report

FOR THE FINANCIAL YEAR
ENDED 30 JUNE 2021

Consolidated statement of profit or loss and other comprehensive income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	NOTE	2021 \$'000	2020 \$'000
Revenue	3	273,960	267,138
Cost of sales		(187,759)	(190,945)
Gross Profit		86,201	76,193
Fair value (loss) / gain on grapes		(737)	(1,794)
Other income	3	1,385	1,822
Distribution expenses		(13,176)	(13,838)
Sales expenses		(23,106)	(25,502)
Marketing expenses		(11,176)	(7,666)
Administration expenses		(8,954)	(10,016)
Finance costs	3	(2,618)	(3,682)
Profit before tax		27,819	15,517
Income tax expense	4	(8,216)	(4,564)
Net Profit for the year		19,603	10,953
Other comprehensive income / (loss), net of income tax:			
<i>Items that may be subsequently classified to profit or loss:</i>			
Net change in fair value of hedging instruments		(1,587)	2,326
Exchange differences arising on translation of foreign operations		69	(27)
Other comprehensive (loss) / profit for the year, net of income tax		(1,518)	2,299
Total comprehensive income for the year		18,085	13,252
Earnings Per Share:			
Basic (cents per share)	5	7.0	3.9
Diluted (cents per share)	5	7.0	3.9

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 2021

	NOTE	2021 \$'000	2020 \$'000
Current Assets			
Cash and cash equivalents	6	3,655	7,656
Trade and other receivables	7	51,580	56,172
Inventories	8	153,513	149,917
Other financial assets	16	493	1,435
Total Current Assets		209,241	215,180
Non-Current Assets			
Inventories	8	37,223	32,944
Other financial assets	16	3,176	4,407
Property, plant and equipment	9	111,793	114,086
Goodwill and other intangible assets	10	51,531	50,734
Deferred tax assets	4	19,787	25,553
Right-of-use assets	11	46,110	51,480
Total Non-Current Assets		269,620	279,204
Total Assets		478,861	494,384
Current Liabilities			
Trade and other payables	13	57,726	50,551
Income tax payable	4	1,770	-
Lease liabilities	11	5,913	6,928
Other financial liabilities	16	506	582
Provisions	14	6,444	5,960
Income received in advance		-	188
Total Current Liabilities		72,359	64,209
Non-Current Liabilities			
Borrowings	15	46,500	75,000
Lease liabilities	11	46,443	50,485
Other financial liabilities	16	46	476
Provisions	14	831	805
Total Non-Current Liabilities		93,820	126,766
Total Liabilities		166,179	190,975
Net Assets		312,682	303,409
Equity			
Capital and reserves			
Issued capital	17	465,490	465,490
Reserves	19	2,978	5,729
Accumulated losses		(155,786)	(167,810)
Total Equity		312,682	303,409

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 2021

	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 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
Balance at 1 July 2019	465,490	2,129	23	291	(169,102)	298,831
Effect of adoption of new accounting standards	-	-	-	-	(4,047)	(4,047)
Balance at 1 July 2019 (restated)	465,490	2,129	23	291	(173,149)	294,784
Profit for the period	-	-	-	-	10,953	10,953
Net change in fair value of interest rate swaps used in hedging	-	-	(406)	-	-	(406)
Net change in fair value of foreign exchange contracts used in hedging	-	-	3,729	-	-	3,729
Exchange differences arising on translation of foreign operations	-	-	-	(37)	-	(37)
Income tax relating to components of other comprehensive income	-	-	(997)	10	-	(987)
Total comprehensive income for the period	-	-	2,326	(27)	10,953	13,252
Transactions with owners in their capacity as owners						
Purchase and issuance of treasury shares to employees	-	(33)	-	-	-	(33)
Dividend paid	-	-	-	-	(5,614)	(5,614)
Recognition of share based payments	-	1,020	-	-	-	1,020
Balance at 30 June 2020	465,490	3,116	2,349	264	(167,810)	303,409

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 2021

	NOTE	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Receipts from customers		295,816	279,846
Payments to suppliers and employees		(244,435)	(250,013)
Cash generated from operations		51,381	29,833
Interest paid (commercial bills)		(2,173)	(3,354)
Interest paid (resulting from leases under AASB 16)		(4,182)	(4,223)
Net cash provided by operating activities	6 (a)	45,026	22,256
Cash flows from investing activities			
Payments for property, plant & equipment and intangible assets		(6,417)	(10,218)
Proceeds from sale of property, plant & equipment		15	70
Net cash used in investing activities		(6,402)	(10,148)
Cash flows from financing activities			
Dividends paid		(7,579)	(5,614)
Repayments of borrowings	6 (c)	(28,500)	(1,000)
Repayments of principal amounts of lease liabilities	6 (c)	(6,546)	(5,895)
Net cash used in financing activities		(42,625)	(12,509)
Net (decrease) / increase in cash and cash equivalents		(4,001)	(401)
Cash and cash equivalents at the beginning of the financial year		7,656	8,057
Cash and cash equivalents at the end of the financial year		3,655	7,656

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 25 August 2021. 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 balance sheet 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)

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 2020, AVL 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 certain geographic regions moving between segments to be under different managerial responsibility. The comparative segment information has been restated to reflect the Group's new segment structure. Below is the Group's new accounting policy on segment reporting.

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').

The CODM assesses the performance of the Group by the following five identified segments. The Group's segments are identified based on separate geographic regions and by the type of products sold, or the function performed by the segment, which are detailed below. All the amounts noted in the segment disclosures below are presented on a consolidated basis – there are no intersegment revenues or transactions requiring elimination.

- Australia / New Zealand: supplies packaged wine within Australia, New Zealand and the Pacific region through retail and wholesale channels.
- UK, Europe & Americas: supplies packaged and bulk wine in the United Kingdom, Europe & the Americas through retail and distributor channels.
- Asia: supplies packaged wine to the Asia region through wholesale channels.
- Australasia / North America bulk wine and processing: supplies bulk wine, grapes, concentrate and winery processing services throughout Australia, New Zealand, Asia and North America.
- Vineyards: provides vineyard management and maintenance services within Australia. This segment includes fair value gains and losses resulting from the harvest of grapes from AVL's owned and leased vineyards.

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 2021 \$'000	Revenue 2020 (Restated) \$'000	Profit before tax 2021 \$'000	Profit before tax 2020 \$'000
Australia / New Zealand	99,585	96,336	9,039	6,118
UK, Europe & Americas	145,949	135,204	17,248	11,161
Asia	6,079	7,896	31	70
Australasia / North America bulk wine and processing	20,476	25,138	4,403	2,431
Vineyards	1,871	2,564	(809)	(1,822)
Total	273,960	267,138	29,912	17,958

Unallocated corporate amounts

Dividend income and fair value adjustment to investments	525	1,241
Interest expense (commercial bills)	(2,065)	(3,059)
Interest expense (AASB 16 Leases) ^	(553)	(623)
Profit before tax	27,819	15,517

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

Note 2: Segment information (continued)

Geographical breakdown of revenues

For the twelve months ended 30 June 2021						
Segments	Australia / New Zealand	UK / Europe & Americas	Asia	Australasia / North America bulk wine and processing	Vineyards	TOTAL
	\$'000	\$'000		\$'000	\$'000	\$'000
Type of goods or service						
Sale of goods	99,585	145,949	6,079	16,742	1,129	269,484
Contract processing	-	-	-	3,734	-	3,734
Rendering of vineyard services	-	-	-	-	742	742
	99,585	145,949	6,079	20,476	1,871	273,960
Geographical breakdown						
Australia	93,407	-	-	12,220	1,871	107,498
UK / Europe	-	139,350	-	29	-	139,379
Asia	615	-	6,079	3,627	-	10,321
North America	-	6,599	-	4,582	-	11,181
Other	5,563	-	-	18	-	5,581
	99,585	145,949	6,079	20,476	1,871	273,960

For the twelve months ended 30 June 2020 (restated)						
Segments	Australia / New Zealand	UK / Europe & Americas	Asia	Australasia / North America bulk wine and processing	Vineyards	TOTAL
	\$'000	\$'000		\$'000	\$'000	\$'000
Type of goods or service						
Sale of goods	96,336	135,204	7,896	21,001	1,323	261,760
Contract processing	-	-	-	4,137	-	4,137
Rendering of vineyard services	-	-	-	-	1,241	1,241
	96,336	135,204	7,896	25,138	2,564	267,138
Geographical breakdown						
Australia	90,352	-	-	15,294	2,564	108,210
UK / Europe	-	128,730	-	-	-	128,730
Asia	689	-	7,896	3,506	-	12,091
North America	-	6,474	-	5,230	-	11,704
Other	5,295	-	-	1,108	-	6,403
	96,336	135,204	7,896	25,138	2,564	267,138

The Group has two major customers (2020: 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 2021 is \$86.0 million (2020: \$83.6 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.

- Sale of goods 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.
- 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 on the balance sheet, 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 on the balance sheet. Cash flows are presented on a gross basis, with any consumption taxes relating to investing or financing activities being recorded in operating cash flows.

	2021 \$'000	2020 \$'000
(a) Revenue from contracts with customers		
Sale of goods	269,484	261,760
Contract processing	3,734	4,137
Rendering contract vineyard services	742	1,241
	273,960	267,138
(b) Other income		
Gain on changes in fair value of investments held at fair value through profit or loss	497	530
Wine equalisation tax rebate	350	350
Gain / (Loss) on unrealised foreign exchange	228	(153)
Other rebates and grants	211	201
(Loss) / gain on disposal of property, plant and equipment	(86)	50
Rental income	81	68
Interest income	33	26
Dividend income from investments held at fair value through profit or loss	28	711
Other	43	39
	1,385	1,822
(c) Disclosure of specific expenses		
Employee benefits expense	43,049	42,979
Superannuation expense	3,161	3,064
Restructuring and onerous contract costs	300	825
(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)	2,065	3,038
Interest expense (resulting from leases under AASB 16) ^	553	623
Unwinding of discounts	-	21
	2,618	3,682

^ 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.

	2021 \$'000	2020 \$'000
(a) Income tax recognised in profit or loss		
Income tax comprises		
Current tax expense	1,770	-
Net deferred tax expense	6,446	4,576
(Over) / Under provision from prior year	-	(12)
	<u>8,216</u>	<u>4,564</u>
(b) Reconciliation of income tax expense to prima facie tax payable		
Accounting profit before tax	27,819	15,517
Tax at the Australian Corporate tax rate of 30%	8,346	4,654
Non-assessable dividend income from investments held at fair value through profit or loss	(8)	(209)
Non-deductible expenses	32	91
Recognition of previously un-recognised deferred tax assets	(223)	-
Under provision from prior year	69	28
Total tax expense / (benefit)	<u>8,216</u>	<u>4,564</u>

Note 4: Income taxes (continued)

(c) Deferred tax assets and liabilities

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		790	-	-	3,259
Tax losses	32,241		(5,932)	-	-	26,309
Right-of-use assets and lease liabilities (net amount)	1,995		(1,427)	-	-	568
Other	425		417	680	-	1,522
	40,217		(6,441)	680	-	34,456
Net deferred tax asset	25,553		(6,446)	680	-	19,787

2020 composition and movement schedule	Opening Balance \$'000	Adjustment on adoption of AASB 16 \$'000	Charged to Income \$'000	Charged to Equity \$'000	Acquisitions/ Disposals \$'000	Closing Balance \$'000
Gross deferred tax liabilities:						
Inventories	(3,853)	-	(706)	-	-	(4,559)
Intangibles	(1,630)	-	-	-	-	(1,630)
Property, plant and equipment	(7,262)	-	138	-	-	(7,124)
Other	(26)	-	(1,325)	-	-	(1,351)
	(12,771)	-	(1,893)	-	-	(14,664)
Gross deferred tax assets:						
Inventories	1,931	-	(392)	-	-	1,539
Trade and other payables	1,239	-	309	-	-	1,548
Provisions	2,180	-	289	-	-	2,469
Tax losses	36,306	-	(4,065)	-	-	32,241
Right-of-use assets and lease liabilities (net amount)	-	1,735	260	-	-	1,995
Other	495	-	916	(986)	-	425
	42,151	1,735	(2,683)	(986)	-	40,217
Net deferred tax asset	29,380	1,735	(4,576)	(986)	-	25,553

There are no unrecognised revenue tax losses relating to the Group. The Group has not recognised \$1,666,402 (2020: \$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.

	2021	2020
Weighted average number of ordinary shares ('000) used in calculating basic earnings per share	280,708	280,708
Weighted average number of ordinary shares ('000) used in calculating diluted earnings per share	280,708	280,708
	2021	2020
	\$'000	\$'000
Profit / (Loss) for the year	19,603	10,953
Basic earnings per share (cents per share)	7.0	3.9
Diluted earnings per share (cents per share)	7.0	3.9

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 on the balance sheet.

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

	2021	2020
	\$'000	\$'000
Profit from ordinary activities after income tax	19,603	10,953
Depreciation and amortisation of non-current assets (inc. amortisation of AASB 16 ROU assets)	14,759	14,602
(Gain) on changes in fair value of investments held at fair value through profit or loss	(497)	(530)
Loss / (gain) on sale of non-current assets	86	(50)
Share based payments	276	1,019
Net cash provided by operating activities before net changes in assets and liabilities	34,227	25,994
<i>Changes in assets and liabilities, net of effects from acquisition and disposal of businesses</i>		
Decrease / (increase) in trade and other receivables	4,592	(6,815)
(Increase) / decrease in inventories	(7,875)	7,753
Decrease in deferred tax assets	7,536	3,827
Increase / (decrease) in trade and other payables	8,019	(8,802)
(Decrease) / increase in provisions and other liabilities	(183)	618
Other	(1,290)	(319)
Net cash provided by operating activities	45,026	22,256

(b) Net debt reconciliation

Cash and cash equivalents	3,655	7,656
Borrowings (non-current)	(46,500)	(75,000)
Net debt	(42,845)	(67,344)

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

	Lease liabilities	Borrowings	Total
	\$'000	\$'000	\$'000
Balances at 30 June 2019	(4,435)	(76,000)	(80,435)
Adjustment on adoption of AASB 16	(50,184)	-	(50,184)
<i>Financing cash flows</i>			
Repayment of principal	5,895	1,000	6,895
<i>Non-cash changes</i>			
Additions and modifications to lease liabilities	(8,689)	-	(8,689)
Balances at 30 June 2020	(57,413)	(75,000)	(132,413)
<i>Financing cash flows</i>			
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)

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 65 days (2020: 66 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.

	2021 \$'000	2020 \$'000
Trade receivables	46,349	51,905
Loss allowance	(464)	(390)
	45,886	51,515
Prepayments	4,480	3,436
Other receivables	1,214	1,221
	51,580	56,172

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 on the balance sheet 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 117k tonnes of grapes in the 2021 vintage year (2020: 101k).

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.

	2021 \$'000	2020 \$'000
Current		
Bulk wine	99,925	95,453
Bottled wine	38,113	39,868
Work in progress	10,826	9,238
Consumables and raw materials	4,649	5,358
	153,513	149,917
Non-current		
Bulk wine	35,157	30,851
Bottled wine	2,066	2,093
	37,223	32,944

The cost of inventory recognised as an expense in cost of sales during the year was \$181 million (2020: \$183 million). As at 30 June 2021 the Group is holding a provision of \$1.6 million (2020: \$0.8 million) to adjust inventory to its net realisable value. The balances above are net of this provision. During the year, the Group utilised \$0.4 million of this provision (2020: \$0.5 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 2021 (\$'000)

	<i>Freehold land</i>	<i>Vineyard improvements</i>	<i>Vines</i>	<i>Plant and equipment</i>	<i>Leased plant and equipment</i>	<i>Buildings</i>	<i>Work in progress</i>	<i>Total</i>
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

As at 30 June 2020 (\$'000)

	<i>Freehold land</i>	<i>Vineyard improvements</i>	<i>Vines</i>	<i>Plant and equipment</i>	<i>Leased plant and equipment</i>	<i>Buildings</i>	<i>Work in progress</i>	<i>Total</i>
At cost	14,296	18,101	29,704	132,857	-	23,878	3,182	222,018
Accumulated depreciation	-	(11,360)	(21,489)	(67,882)	-	(7,202)	-	(107,933)
Net book value	14,296	6,741	8,215	64,975	-	16,676	3,182	114,085
Reconciliations								
Carrying amount at 1 July 2019	12,876	5,819	8,985	61,923	4,859	15,133	7,651	117,246
Change due to AASB 16 – transfer to ROU assets	-	-	-	-	(4,859)	-	-	(4,859)
Additions	1,407	64	-	1,396	-	109	6,953	9,929
Disposals	-	-	-	(20)	-	-	(284)	(304)
Transfers	13	1,758	-	7,380	-	1,987	(11,138)	-
Depreciation	-	(900)	(770)	(5,703)	-	(553)	-	(7,926)
Carrying amount at 30 June 2020	14,296	6,741	8,215	64,976	-	16,676	3,182	114,086

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 licenses 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 2021 (\$'000)

	<i>Goodwill</i>	<i>Water licenses</i>	<i>Brand names</i>	<i>Software</i>	<i>Work in progress</i>	<i>Total</i>
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

As at 30 June 2020 (\$'000)

	<i>Goodwill</i>	<i>Water licenses</i>	<i>Brand names</i>	<i>Software</i>	<i>Work in progress</i>	<i>Total</i>
At cost	44,085	7,554	4,828	4,099	355	60,921
Accumulated impairment losses	(6,400)	-	-	-	-	(6,400)
Accumulated amortisation	-	-	-	(3,787)	-	(3,787)
Net book value	37,685	7,554	4,828	312	355	50,734
Reconciliations						
Carrying amount at 1 July 2019	37,685	7,554	4,828	64	354	50,485
Additions	-	-	-	29	261	290
Disposals	-	-	-	-	-	-
Transfers	-	-	-	260	(260)	-
Amortisation	-	-	-	(41)	-	(41)
Carrying amount at 30 June 2020	37,685	7,554	4,828	312	355	50,734

Note 11: Leases

Accounting policy – leases

Identification of a lease

AVL 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 2021 (\$'000)

	<i>Vineyards</i>	<i>Property</i>	<i>Equipment</i>	<i>Vehicles</i>	<i>Total</i>
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

As at 30 June 2020 (\$'000)

	<i>Vineyards</i>	<i>Property</i>	<i>Equipment</i>	<i>Vehicles</i>	<i>Total</i>
At cost	43,474	6,098	6,990	1,252	57,814
Accumulated amortisation	(3,246)	(1,485)	(1,145)	(458)	(6,334)
Net book value	40,228	4,613	5,845	794	51,480
Reconciliations					
Carrying amount at 1 July 2019	38,376	4,404	5,537	944	49,261
Additions	4,983	-	1,011	363	6,357
Disposals	-	-	-	-	-
Modifications	631	1,694	(5)	-	2,320
Amortisation	(3,762)	(1,485)	(698)	(513)	(6,458)
Carrying amount at 30 June 2020	40,228	4,613	5,845	794	51,480

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 2021 (\$'000)

	<i>Vineyards</i>	<i>Property</i>	<i>Equipment</i>	<i>Vehicles</i>	<i>Total</i>
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

As at 30 June 2020 (\$'000)

	<i>Vineyards</i>	<i>Property</i>	<i>Equipment</i>	<i>Vehicles</i>	<i>Total</i>
Reconciliations					
Carrying amount at 1 July 2019	44,159	4,404	5,114	943	54,620
Additions	4,983	-	1,011	362	6,356
Termination of lease contracts	-	-	-	-	-
Modifications	646	1,694	(4)	-	2,336
Accretion of interest charges	3,602	278	292	52	4,224
Lease repayments	(6,708)	(1,614)	(1,261)	(540)	(10,123)
Carrying amount at 30 June 2020	46,682	4,762	5,152	817	57,413

Note 12: Impairment testing

Accounting policy - impairment testing

Goodwill, brand name and water license assets are tested annually for impairment. Other assets are tested for impairment when there are triggers present that indicate the carrying value of the assets may not be recoverable. The Group's Goodwill is allocated in full to the Simeon bulk wine CGU and the brand name asset is allocated in full to the Nepenthe brand name CGU. Water licenses belong to the Vineyard CGUs.

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 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.

	TERMINAL GROWTH RATE		DISCOUNT RATE ⁽¹⁾	
	2021 %	2020 %	2021 %	2020 %
Overall AVL Group ⁽²⁾	2.5	2.5	11.1	11.8
Nepenthe brand name CGU	2.5	2.5	13.2	14.0
All other CGUs	2.5	2.5	12.4	13.1

(1) Pre-tax weighted average cost of capital

(2) Impairment testing is undertaken at the CGU level, however an overall business valuation is prepared as part of cross-checks and a reconciliation of individual CGU VIU to the valuation of the overall AVL Group.

Impact of possible changes on key assumptions

Management has performed sensitivity analysis over the key assumptions and assessed whether there are any reasonably possible changes that would cause impairment in any of the CGUs.

The recoverable amount of the CGU would be equal to the carrying amount of the assets if the pre-tax discount rate was to change by the following amounts in the CGUs noted below.

- Nepenthe brand name CGU: increase in pre-tax discount rate of 4.0% (2020: increase of 1.0%)
- Merbein packaging CGU: increase in pre-tax discount rate of 5.0% (2020: increase of 0.7%)
- Simeon bulk wine CGU: increase in pre-tax discount rate of 2.7% (2020: increase of 0.5%)

Due to the Group being an integrated wine producer, there are internal revenues used in the value-in-use models where certain CGUs provide services to other business units of the Group. The most significant relates to the Simeon bulk wine processing CGU, which manufactures the wine for the AVL Group. The internal revenues of the Simeon CGU are recorded as costs in the impairment models of the other Group CGUs that use these services. Management has benchmarked the internal processing rates used to market rates, to ensure they are accurate and appropriate. Sensitivity has been performed and the processing rates can be reduced by 10% (2020: reduced by 2.5%) with there still being material headroom in the model.

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 41 days (2020: 42 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.

	2021 \$'000	2020 \$'000
Trade payables	36,982	33,483
Other payables	20,744	17,068
	57,726	50,551

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.

	2021 \$'000	2020 \$'000
Current		
Employee benefits	6,145	5,660
Onerous contracts	300	300
	6,445	5,960
Non-current		
Employee benefits	832	805
	832	805

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.

	2021 \$'000	2020 \$'000
Non-current		
Bank loan - commercial bills	46,500	75,000
	46,500	75,000

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 2021 and 2020 reporting periods.

Assets pledged as security

100% of the Group's inventory, trade receivables and property, plant and equipment (2020: 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. The current weighted average interest rate on the bills is 2.9% (2020: 2.5%).

Capital expenditure commitments

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

	2021 \$'000	2020 \$'000
Property, Plant and Equipment – no longer than 1 year	1,689	225
	1,689	225

Note 16: Other financial assets and liabilities

	2021 \$'000	2020 \$'000
Current assets		
Derivative financial instruments – foreign currency forward contracts	493	1,435
	493	1,435
Non-current assets		
Investments held at fair value through profit and loss	1,205	708
Loan receivable	638	640
Security deposits	172	-
Prepaid borrowing costs	14	66
Derivative financial instruments – foreign currency forward contracts	1,147	2,993
	3,176	4,407
Current liabilities		
Derivative financial instruments – interest rate swaps	506	582
	506	582
Non-current liabilities		
Derivative financial instruments – interest rate swaps	46	476
	46	476

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.

	2021		2020	
	\$'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	465,490	280,708,071	465,490	280,708,071

All shares have equal rights to voting and dividends. The Group's shares have no par value.

Note 18: Dividends

	2021		2020	
	Cents per share	Total \$'000	Cents per share	Total \$'000
2020 final dividend – 63% franked at a tax rate of 30%				
2020: 2019 final dividend - 100% franked at a tax rate of 30%	2.7	7,579	2.0	5,614
		7,579		5,614
Adjusted franking account balance		4,138		2,055

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

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

	2021 \$'000	2020 \$'000
Employee equity-settled benefits (i)	1,883	3,116
Hedging reserve (ii)	762	2,349
Foreign currency translation reserve (iii)	333	264
	<u>2,978</u>	<u>5,729</u>

Nature and purpose of reserves

- (i) 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.
- (ii) 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.
- (iii) 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:

	2021 \$	2020 \$
Short-term employee benefits	3,647,549	3,885,423
Post-employment benefits	156,995	214,779
Share based payments	211,985	792,252
Termination benefits	-	1,249,220
	<u>4,016,529</u>	<u>6,141,674</u>

Note 21: Executive performance rights and share option plan

Accounting policy – share-based payments

Share-based compensation is provided to AVL 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 for FY20 rights and ROCE & EPS for FY21 rights) are achieved for that financial year then those Performance Rights will be converted to AVG shares. These shares will be escrowed for a period of 3 years. There were 2,714,830 rights issued in the current year under this plan to employees (2020: 2,268,455). In FY20, the required ROCE target was met and 1,965,995 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 (2020: Nil). These rights and options were priced using a binominal option pricing model.

The table below summarises all rights and options on issue:

	2021 Number	2020 Number
Balance at the beginning of the financial year (i)	6,933,655	9,663,000
Granted during the financial year (ii)	2,714,830	2,268,455
Exercised/converted to shares during the financial year (iii)	(4,692,378)	(240,000)
Lapsed/cancelled during the financial year (iv)	(1,016,277)	(4,757,800)
Balance at the end of the financial year (iv)	<u>3,939,830</u>	<u>6,933,655</u>

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

(i) Balance at the Beginning of the Financial Year

2021	No.	Vested No.	Unvested No.	Grant Date	Vesting Date	Expiry Date	Exercise Price \$
Options issued 17 November 15	1,200,000	1,200,000	-	17/11/15	31/08/18	01/11/20	0.376
Options issued 4 December 15	855,000	855,000	-	04/12/15	31/08/18	01/11/20	0.376
Options issued 23 November 16	600,000	-	600,000	23/11/16	01/07/20	01/11/21	0.528
Options issued 19 December 16	385,200	-	385,200	19/12/16	01/07/20	01/11/21	0.528
Options issued 20 November 17	650,000	-	650,000	20/11/17	31/08/20	01/11/22	0.4387
Options issued 20 December 17	975,000	-	975,000	20/12/17	31/08/20	01/11/22	0.4387
Rights issued 7 January 20	2,268,455	-	2,268,455	07/01/20	30/06/20	31/10/20	Nil
	6,933,655	2,055,000	4,878,655				

(ii) Granted during the Financial Year

2021	No.	Vested No.	Unvested No.	Grant Date	Vesting Date	Expiry Date	Exercise Price \$
Rights issued 10 December 20	1,357,415	-	1,357,415	21/12/20	01/07/21	31/10/21	Nil
Rights issued 10 December 20	1,357,415	-	1,357,415	21/12/20	01/07/23	31/10/23	Nil
	2,714,830	-	2,714,830				

The weighted average fair value of the rights granted during the financial year is \$0.59 (2020 issued rights: \$0.462). 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 10 December 20	1,357,415	0.627	Nil	40.0%	310	4.0%	0.15%
Rights issued 10 December 20	1,357,415	0.627	Nil	40.0%	1,040	4.0%	0.15%

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

2021	No.	Vested No.	Unvested No.	Grant Date	Vesting Date	Exercise Date	Exercise Price \$
Options issued 17 November 15	1,200,000	1,200,000	-	17/11/15	31/08/18	30/09/20	0.376
Options issued 4 December 15	106,383	106,383	-	04/12/15	31/08/18	20/10/20	0.376
Options issued 4 December 15	270,000	270,000	-	04/12/15	31/08/18	02/09/20	0.376
Options issued 23 November 16	600,000	600,000	-	23/11/16	01/07/20	15/06/21	0.528
Options issued 20 December 17	550,000	550,000	-	20/12/17	31/08/20	10/03/21	0.4387
Rights issued 7 January 20	1,965,995	1,965,995	-	07/01/20	30/06/20	24/09/20	Nil
	4,692,378	4,692,378					

(iv) Lapsed/cancelled during the Financial Year

2021	No.	Vested No.	Unvested No.	Grant Date	Vesting Date	Expiry Date	Exercise Price \$
Options issued 4 December 15	478,617	478,617	-	04/12/15	31/08/18	01/11/20	0.376
Options issued 19 December 16	85,200	85,200	-	19/12/16	31/08/19	01/11/21	0.528
Options issued 20 December 17	150,000	150,000	-	20/12/17	31/08/20	01/11/22	0.4387
Rights issued 7 January 20	302,460	302,460	-	07/01/20	30/06/20	31/10/20	Nil
	1,016,277	1,016,277	-				

(v) Balance at End of Financial Year

2021	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	0.528
Options issued 20 November 17	650,000	650,000	-	20/11/17	31/08/20	01/11/22	0.4387
Options issued 20 December 17	275,000	275,000	-	20/12/17	31/08/20	01/11/22	0.4387
Rights issued 10 December 20	1,357,415	-	1,357,415	21/12/20	01/07/21	31/10/21	Nil
Rights issued 10 December 20	1,357,415	-	1,357,415	21/12/20	01/07/23	31/10/23	Nil
	3,939,830	1,225,000	2,714,830				

Note 22: Remuneration of auditors

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

	2021 \$	2020 \$
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	365,650	355,000
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	-	-
	365,650	355,000

Note 23: Contingent liabilities

	2021 \$'000	2020 \$'000
Bank guarantees	3,761	1,870

Note 24: Subsidiaries

NAME OF ENTITY	COUNTRY OF INCORPORATION	OWNERSHIP OF INTEREST	
		2021 %	2020 %
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 (formerly Australian Vintage (Europe) Limited)	United Kingdom	100	100
MGW Executive Options Pty Limited ⁽¹⁾	Australia	100	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.

	2021 \$'000	2020 \$'000
Current Assets	209,199	215,140
Non-Current Assets	267,851	279,204
Total Assets	477,050	494,344
Current Liabilities	70,589	64,210
Non-Current Liabilities	93,820	126,766
Total Liabilities	164,409	190,976
Net Assets	312,641	303,368
Equity	312,641	303,368

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

- (i) During the year the Group sold packaged wine to Vintage China (entity associated with Jiang Yuan) to the value of \$6,390 on normal commercial terms (2020: \$200,169)
- (ii) During the prior year the Group entered into the following transactions with Woodnibs Pty Ltd and HVV Management Pty Ltd (entities associated with Neil McGuigan). These entities are not a related entity for the 2021 financial year as Neil McGuigan ceased to be a related party after his retirement on 20 November, 2019.
 - (a) The Group charged rent to the value of \$9,181 in the 2020 year on normal commercial terms.
 - (b) The Group performed contract processing services for and sold concentrate in the 2020 year to the value of \$34,436 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.

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.

Liabilities at amortised cost

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. Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When 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.

	2021 \$'000	2020 \$'000
Financial assets		
Financial assets at amortised cost		
Trade and other receivables	47,100	52,736
Loan receivable	638	640
Cash and cash equivalents	3,655	7,656
Derivative financial instruments		
Foreign currency forward contracts	1,640	4,428
Investments held at fair value through profit and loss ('FVPL')	1,205	708
Total	54,238	66,168
Financial liabilities		
Liabilities at amortised cost		
Trade and other payables	57,726	50,551
Lease liabilities	52,355	57,413
Borrowings	46,500	75,000
Derivative financial instruments		
Interest rate swaps	552	1,058
Total	157,133	184,022

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 FVPL

Investments in unlisted securities 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.

(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 balance sheet 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:

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
2020 (AUD \$'000)	USD	GBP	EUR	CAD	Total
Cash	2	6,477	20	1	6,500
Trade receivables	396	12,360	1,842	1,555	16,153
Trade payables	(847)	(8,207)	(62)	-	(9,116)
Foreign currency forwards (buy foreign currency – cash flow hedges)	-	3,999	442	(13)	4,428

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:

	2021 (AUD \$'000 – unless stated otherwise)	2020 (AUD \$'000 – unless stated otherwise)
Type of hedge	Cash flow hedge	Cash flow hedge
Carrying amount of asset / (liability)	1,640	4,428
Notional amount (GBP)	38,250	40,350
Notional amount (EUR)	5,750	7,935
Notional amount (CAD)	5,875	7,370
Maturity date ⁽¹⁾	Jul '21 – Apr '24	Jul '20 – Feb '23
Hedge ratio	1:1	1:1
Net change in fair value of outstanding hedging instruments since 1 July	(2,788)	3,768
Net change in value of hedged item used to determine hedge effectiveness	2,788	(3,768)
Weighted average hedged rate for the year (GBP)	GBP 0.53: AUD 1	GBP 0.52: AUD 1
Weighted average hedged rate for the year (EUR)	EUR 0.59: AUD 1	EUR 0.58: AUD 1
Weighted average hedged rate for the year (CAD)	CAD 0.94: 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 2021				
GBP	23,250	15,000	-	38,250
EUR	3,250	2,500	-	5,750
CAD	2,925	1,750	1,200	5,875
As at 30 June 2020				
GBP	14,600	17,250	8,500	40,350
EUR	3,185	3,250	1,500	7,935
CAD	4,070	3,300	2,750	10,120

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.

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
2020 (AUD \$'000)	USD	GBP	EUR	CAD
<i>Impact on profit (pre-tax)</i>				
AUD strengthened by 10% against each referenced currency	(46)	(3,574)	(531)	76
AUD weakened by 10% against each referenced currency	56	4,368	649	(93)
<i>Impact on cash flow hedge reserve</i>				
AUD strengthened by 10% against each referenced currency	-	(7,226)	(1,299)	(785)
AUD weakened by 10% against each referenced currency	-	7,226	1,299	785

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 maintain at least 50% of its borrowings at fixed rate using floating-to-fixed interest rate swaps to achieve this when necessary. Generally, the Group enters into long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly.

Management of risk

Swaps currently in place cover approximately 86% (2020 – 53%) of the variable loan principal outstanding as at balance date. The fixed interest rates of the swaps range between 1.26% and 2.08% (2020 – 1.26% and 2.08%). 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:

	2021 (AUD \$'000)	2020 (AUD \$'000)
Type of hedge	Cash flow hedge	Cash flow hedge
Carrying amount of asset (liability)	(552)	(1,058)
Notional amount	40,000	40,000
Maturity date	Jul '22 – Aug '22	Jul '20 – Aug '22
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 July	506	(406)
Change in value of hedged item used to determine hedge effectiveness	(506)	406

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 50 basis points higher/lower, profit would have decreased/increased by \$0.1m (2020: \$0.2m).

(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 of AA-.

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 from the previous 4 years 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:

<i>As at 30 June 2021</i>	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

<i>As at 30 June 2020</i>	Expected loss rate %	Gross carrying amount (\$'000)	Provision (\$'000)
Domestic	0.2	26,750	66
Export	0.8	18,436	159
Bulk	2.4	6,719	165
		51,905	390

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.

	2021 \$'000	2020 \$'000
Movement in the credit loss allowance		
Balance at the beginning of the year	(390)	(144)
Impairment recognised on receivables	(74)	(246)
Amounts written off as not collectable	-	-
Balance at the end of the year	(464)	(390)

(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.

	2021 \$'000	2020 \$'000
Total facilities		
Bank overdrafts	5,000	5,000
Bank facilities	91,819	102,935
	96,819	107,935
Used at 30 June		
Bank overdrafts	-	-
Bank facilities	53,730	80,942
	53,730	80,942
Unused at 30 June		
Bank overdrafts	5,000	5,000
Bank facilities	38,089	21,992
	43,089	26,992

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.

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)

2020 (\$'000)	Within 3 months	3-12 months	1-5 years	5 years +	Total	Carrying amount of (asset) / liability
Non-derivatives						
Trade and other payables	50,551	-	-	-	50,551	50,551
Bank facilities	328	984	76,886	-	78,198	75,000
Lease liabilities	2,539	7,748	40,873	30,301	81,461	57,413
Total non-derivatives	53,418	8,732	117,759	30,301	210,210	182,964
Derivatives						
Forward exchange contracts	(12)	(1,420)	(2,996)	-	(4,428)	(4,429)
Interest rate swaps	145	437	500	-	1,082	1,058
Total Derivatives	133	(983)	(2,496)	-	(3,346)	(3,371)

Note 27: Events after the reporting period

On 24 May 2021 the Group announced to the Australian Securities Exchange ('ASX') that the Board is proposing a capital return and share consolidation by way of an 8.5 cent cash payment per share and a 10% share consolidation. The resolution for this proposal was carried after voting was held on the matter at an Extraordinary General Meeting on 30 June 2021. The capital return and consolidation was completed as per the "Capital Return Timetable" communicated to the ASX on 24 May 2021, with the payment for the capital return of amount \$23.9 million being made on 13 July 2021.

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.

Financial Position	2021 \$'000	2020 \$'000
Assets		
Current assets	209,467	220,057
Non-current assets	288,264	298,062
Total assets	497,731	518,119
Liabilities		
Current liabilities	65,073	105,608
Non-current liabilities	177,297	155,099
Total liabilities	242,370	260,707
Net Assets	255,361	257,412
Equity		
Issued Capital	465,490	465,490
Accumulated Losses	(222,046)	(230,327)
Profit reserve	9,305	16,884
Equity settled employee benefits	1,883	3,116
Hedging	762	2,349
Foreign currency translation	(33)	(100)
Total equity	255,361	257,412

	Year ended 30 June 2021 \$'000	Year ended 30 June 2020 \$'000
Profit and loss		
Profit / (Loss) for the year	8,281	3,085
Other comprehensive income / (loss)	(1,587)	2,326
Total comprehensive income	6,694	5,411

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

Sydney Office

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

Registered Office

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

Company Secretary

Michael Noack (resigned 1/7/20)
Alicia Morris (appointed 1/7/20)

Chief Financial Officer

Michael Noack

Auditor

Ernst & Young
121 King William Street
Adelaide SA 5000

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

www.australianvintage.com.au
ACN 052 179 932

**McGuigan Hunter Valley
Cellar Door & Administration**

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

Tempus Two Cellar Door

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

Nepenthe Cellar Door

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

Buronga Hill Winery

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

Merbein Packaging

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



Barossa Valley
WINE COMPANY
GRAVEL TRACK
BAROSSA VALLEY
2019

