AUSTRALIAN VINTAGE LTD

2020 ANNUAL REPORT

McGuigan Cellar Door, Hunter Valley.

A tremendous outcome of teamwork and dedication by our Cellar Door staff to refurbish and renew McGuigan's home in the Hunter Valley during lockdown.

100%

made carbon neutral

As a company so reliant on our environment and natural resources, we at Australian Vintage Limited are proud to produce our 2020 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.

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Australian Vintage Board of Directors

RICHARD DAVIS
Chairman

Chairman of Monash IVF Group Limited and Director (and previously CEO) of InvoCare Limited where he previously spent almost 20 years growing and managing the business. Former accounting partner for a national accounting firm.

CRAIG GARVIN
Chief Executive Officer

Craig was appointed Chief Executive Officer 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, Craig 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. Craig holds an MBA from Harvard Business School.

JOHN DAVIES
Non-Executive Director

Fellow of the Institute of Chartered Accountants having worked for 36 years with Ernst & Young. John was elected to Ernst & Young's Asia Pacific Board of Partners for a 6 year period until his retirement in 2011. During his career he provided professional services to many of Australia's leading wine companies and he also owns a commercial vineyard in central Victoria. John is a director of Golf Australia Ltd and a member of the Two Hands Wines Pty Ltd Advisory Board. Chairman of the Audit Committee.

NASEEMA SPARKS AM
Non-Executive Director

Currently Chairperson of Sniip. Non-Executive Director of Arq Group (previously known as Melbourne IT Limited), AIG Australia and Murray River Organics Ltd. Former Chairperson of Deals Direct Group with extensive experience in marketing and digital media after a successful career with M&C Saatchi, one of Australia's largest and most successful advertising businesses. Naseema holds post graduate market and research qualifications and an MBA from Melbourne Business School. In 2016 was awarded a Member of the Order of Australia in recognition to significant service to business and commerce and to women through advancing female participation and retention in the workforce. Chairperson of the People, Remuneration & Culture Committee.

PETER PERRIN
Non-Executive Director

Former General Manager of Torbreck Vintners. Trustee of The Wolf Blass Foundation. 35 years' experience in the sales and marketing of premium Australian wines both in Australia and overseas. Chairman of the Risk Committee.

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

Founder of www.yesmywine.com, based in China.

Well known for pioneering data analytics and an innovator in imported wines in China, Dixon has considerable experience in distribution and selling of wine into Asia.

Chairman and Chief Executive Officer's Report 2020 Annual Report

The performance of our operations has been particularly pleasing. Despite the industry suffering declines in grape production across the total Australian wine sector, AVL has been able to improve its yield. This combined with our excellent assets sets the Company up well when combined with our focussed portfolio approach.

Dear Shareholder

Welcome to the 2020 Annual Report for Australian Vintage Limited (AVL).

Financial year ended June 2020 has been a challenging year globally. The COVID-19 global pandemic has changed the lives of many of us with changed working conditions and the way we all live our lives. In Australia, the drought and bushfires have significantly impacted many communities. Our priority has been the welfare and safety of our staff, customers and suppliers.

Since the onset of COVID-19, the Company has been able to safely operate all aspects of the business. AVL has maintained the production of all our world class products and ensured that our business continuity plans were appropriate for the current circumstances. COVID-19 has had a mixed impact on our business with above industry increased sales through the major retail chains and reduced sales in our cellar door and on premise businesses. Through the outstanding efforts of all our staff we continued to operate and improve our business.

At the time of writing this report, AVL was advised that the Chinese Ministry of Commerce has started two investigations into Australian wine exports into China. Whilst AVL's business into China is less than 2% of our total sales, it is concerning to the Australian wine industry. AVL remains committed to the China market, and in the long term, plans to grow sales with the support from our China based distribution partners. AVL intends to fully cooperate with the investigation.

Despite the challenges faced during the year, AVL was able to report a 35% improvement in profit. In the year ended 30 June 2020, Net Profit after tax improved to $11.0 million. Ignoring the impact of the new Accounting Standard on leases (AASB 16), the FY20 Net Profit after tax increased 41% on last year at $11.4 million. This was achieved after taking into account the higher cost from the 2019 vintage ($2.3 million), higher water costs and fire ($2.9 million), cellar door closures during the year ($0.7 million) and restructure costs ($0.8 million). This result demonstrates the business improvement achieved in difficult conditions and gives confidence in terms of future performance.

Earnings per share improved by 35% to 3.8 cents per share and the Return on Capital Employed (ROCE) improved by 18% to 5.1% (pre AASB 16 impact).

We are well advanced in our plans to become a consumer led portfolio business. As such it is pleasing that we were able to grow our brands 8% over the prior year. Three of our four pillar brands grew double digit in a very challenging global market. During the second half of the year, AVL customer growth was ahead of its competition again reflecting its consumer focus and brand activation.

The performance of our operations has been particularly pleasing. Despite the industry suffering declines in grape production across the total Australian wine sector, AVL has been able to improve its yield. This, together with our excellent assets, sets the Company up well when combined with our focussed portfolio approach.

Our Asian and North American markets have been underperforming and not consumer focussed. A complete review of the leadership group and strategy has been done and the necessary changes made. The board and management team have worked together closely on the strategic plan and are confident of our ability to deliver future growth based on the FY20 results.

The financial position continues to improve with net borrowings as at 30 June 2020 down $5.1 million to $67.3 million. With a planned 25% reduction in FY21 capital spend, net debt is expected to continue to decrease. The Company's operating cash flow was positive $22.3 million.

For FY20, AVL declared a final dividend of 2.7 cents per share, up 35% on last year's dividend. This dividend is partially franked to 63%.

Overview of FY20 Result (by Segment)

Australasia/North America reported a 30% EBIT decline to $5.5 million. Whilst the Australian division contribution increased by 18%, Asia and North America division reported a decline in contribution.

- Our Australian business performed above expectation and showed improved profit performance over last year. Pleasingly all pillar brands grew and reinforced our strategic intent of a "portfolio of brands". Sales of the McGuigan brand grew by 3% and Tempus Two grew by 42%. Despite on-premise sales declining due to COVID-19, the Australian business delivered a profit result 18% up on prior year. The combination of consumer focus with retail partners, innovation and strong cost control all contributed to the positive result in very challenging circumstances.
- New Zealand EBIT was down $0.2 million due to COVID-19 closure which is a positive result given the shutdown. Recent months have shown significant growth over prior year with our brand focus strategy.
- As a result of COVID-19, Asia sales were significantly down 40%, resulting in a decline in EBIT of $1.9 million. The Company does not expect significant sales to mainland China over the coming six to twelve months as the new management at our major distributor continue to focus on reducing working capital. In the long term we believe that our strategies will result in significant sales growth.
- The Company has addressed its marketplace strategy in North America and expects improvements in sales following a disappointing decline of 18%. Canada and United States remain challenging markets for Australian wines with total Australian volume sales to Canada down 18%. North America EBIT contribution was down $1.0 million.

UK/Europe reported a 6% EBIT growth to $11.9 million. The UK performance was exceptional with sales volumes up against an industry trend that is showing total Australian wine sales volumes to the UK declining by 2%. In the UK, sales of the McGuigan brand increased by 13% through an improved mix of sales, volume increases and targeted marketing. Sales of our higher priced McGuigan Black Label and Reserve ranges increased by 23%. The Tempus Two brand has also performed well in the UK, with sales up 34% from a low base. The Company will continue to invest in the UK market with increased marketing spend planned for FY21 and a strong Tempus Two campaign seeing the introduction of new ranging in major retail.

Cellar Door reported a 75% EBIT decline to $0.2 million. With Cellar doors closed for part of the year, sales declined by 16% to $7.9 million, but is to be expected during COVID-19. During lockdown we have started to execute our cellar door refresh program which should see future upside.

Australasia/North America Bulk and Processing EBIT improved by $1.1 million due mainly to increased contract processing of grapes.

Vineyard Segment (including SGARA) EBIT improved by $3.0 million ($3.5 million before the impact of AASB 16) due to the improved 2020 vintage. Against last year total yield was up 25% or 10,200 tonnes and is an outstanding result. This demonstrates our core competency of vineyard management.

Cash Flow and Financial Position

Reported operating cash flow was $22.3 million compared to $23.6 million in the prior year. Ignoring the impact of AASB 16, FY20 operating cash flow was $16.4 million with the reduced cash flow due mainly to the purchase of $8 million of bulk wine in FY20.

Net borrowings reducing to $67.3 million at 30 June 2020. With a 25% reduction in FY21 planned capital spend and the reduced need to buy bulk wine in FY21, net debt is expected to continue to decrease in the next year. Our gearing is at a comfortable 22% and our existing bank facility expires September 2022.

Future Strategy – "Putting the consumer at the heart of everything we do"

Over the last 3 years the Company has invested heavily in various capital projects, including $11.0 million on a new packaging line and various long-term investments in winemaking, including a $9.0 million premium winery at our Buronga winery facility. These investments have contributed to the improved efficiency in our production facilities and set up a solid base from which to grow.

The strategic intent of our business will see significant investment and focus on our key pillar brands, McGuigan, Tempus Two, Nepenthe and Barossa Valley Wine Company.

Putting the consumer at the heart of everything we do will see marketing and advertising expenditure increase by 20% in FY21 as we deploy a more targeted approach to brand marketing in our various key markets. To support this, we will be investing in our Cellar Doors, Digital Technology and People Talent Development as we move toward world class consumer engagement. Over the last 6 months we took the opportunity to upgrade our McGuigan Cellar Door 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 are developed to ensure we leverage the capital investments made. The last 6 months have 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, Asia and North America 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.

Outlook

The future looks promising based on the recent growth of our key brands. We will continue to improve our mix of business by market, focus on our portfolio of brands and increase consumer investment to maintain the recent sales growth momentum. We have some challenges in Asia and North America, but believe that our strategies are now in place to achieve long term growth in these markets.

With China representing less than 2% of our total forecast FY21 sales, we do not see the recently announced investigation into anti- dumping materially impacting our FY21 earnings. We remain committed to the China market as part of our long term strategy and do not see this as a risk to earnings.

Sustainability is fundamental to AVL as we strive to be world class in water management, renewables and our Carbon Footprint. As a key step forward our major wine processing facility in Australia is powered by 100% renewable energy sources including an on-site solar farm.

AVL has now adopted a much more in depth data rich culture. Measurement of staff engagement, consumer brand awareness, customer partnership health and a balanced scorecard approach are all examples of management's focus on driving world class performance and sustainability.

Continuous improvement is at the core of our culture and FY20 has seen our 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 cash flow remains strong and based on a normal 2021 Vintage, we expect cash flow to improve by $8.0 million to $12.0 million in FY21 due to a forecast decline in FY21 capital spend and bulk wine purchases.

The improved 2020 vintage has resulted in an increased throughput at our Buronga Hill Winery which together with improved packaging efficiency at our Merbein facility, will result in a $3.0 million reduction in our FY21 costs when compared to FY20.

Assuming no material change to the current foreign exchange rates and including the impact of AASB 16, we are targeting a 48% improvement in AVL's ROCE (return on capital employed) to 6.6%.

Our improved sales momentum and contribution mix continues with a very positive start to FY21.

As part of our ongoing confidence in the medium to long term outlook of Australian Vintage, the board has agreed to pay a partially franked (63%) dividend of 2.7c per share. This dividend reflects a payout ratio of 70% and is in line with last year's payout ratio. This dividend will be paid to all shareholders on 6 November 2020 and the Record Date to establish shareholder dividend entitlements is 16 October 2020. The Company's Dividend Reinvestment Plan (DRP) will be suspended for the dividend payable on 6 November 2020.

Corporate Responsibility

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. Our strategies and activities include –

- The planned development of a climate change policy which will regularly monitor performance against set objectives;
- Adhering to product quality and safety standards and certifications to produce exceptional quality wine;
- Good corporate governance and transparency. AVL complies with the ASX Corporate Governance Principles and Recommendations which set out recommended corporate governance practices for ASX listed entities;
- Effective risk management through the establishment of the Risk Management Committee which reviews the Risk Management Policy at least annually. This Policy provides guidance on the management risk in AVL and enforces our commitment to the management of risk to reduce uncertainty in the Company's financial performance;
- Minimising any adverse impacts of AVL's operations and products on the environment through compliance with environmental regulations, reducing and/or optimising resource use, waste reduction and monitoring environmental risk; and
- Monitoring water availability, use and conservation through improved practices in our vineyards and wineries and investment in innovation and technology.

Conclusion and Thanks

Our FY21 priorities continue 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.

We believe AVL is well positioned to get through the challenges associated with the health and economic impacts of COVID-19. As a company, we want to ensure that COVID-19 safe behaviours are applied across our team and the environment that we operate in and make them a normal part of how we live for now.

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


NEPENTHE

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 dynamic and award-winning wine brands are recognised and enjoyed across the globe, and 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, 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

Tempus Two is a cutting edge brand that does things a little differently, designing distinctively bold, elegant wines with an edgy attitude, giving our consumers an unspoken confidence in their own personal expression. Driven by an entrepreneurial spirit and unapologetically challenging the traditions of the wine industry, allows us to redefine boundaries and showcase just how stylish wine can be. Founded in 1997 Tempus Two offers contemporary, fruit driven and textural wines from renowned wine regions and emerging varieties, wrapped in our disruptive and iconic aesthetic. Providing accessible luxury to all around the globe.

The result; wines that taste as good as they look.

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.

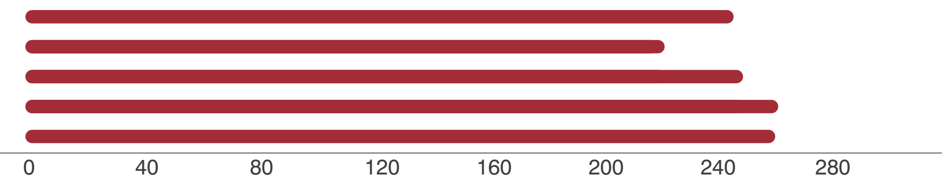
Barossa Valley Wine Company

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.

McGUIGAN WINES NEPENTHE TEMPUS TWO BAROSSA VALLEY WINE COMPANY

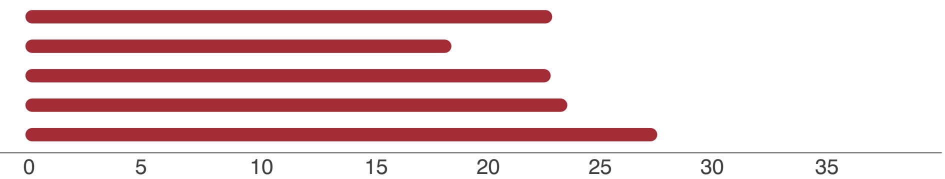
TOTAL REVENUE - $MILLION

2016	242.7
2017	226.5
2018	249.5
2019	269.2
2020	267.1



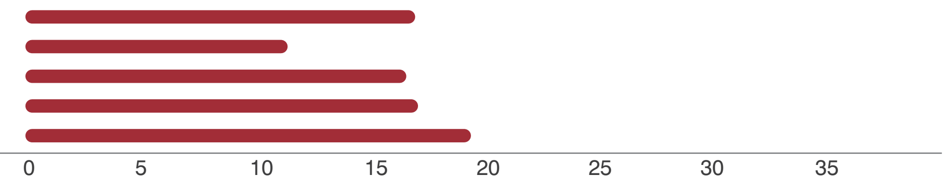
EBITDA (before one off items) - $MILLION

2016	23.8
2017	18.7
2018	23.7
2019	24.2
2020	27.3



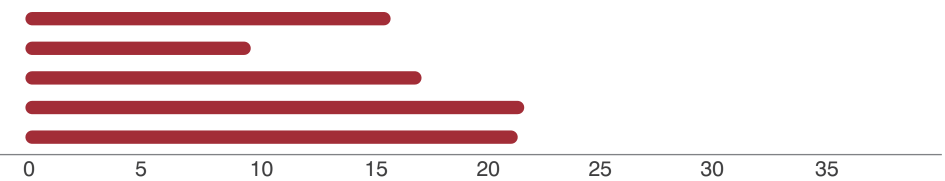
EBIT (before one off items) - $MILLION

2016	16.4
2017	11.3
2018	16.2
2019	16.3
2020	19.2



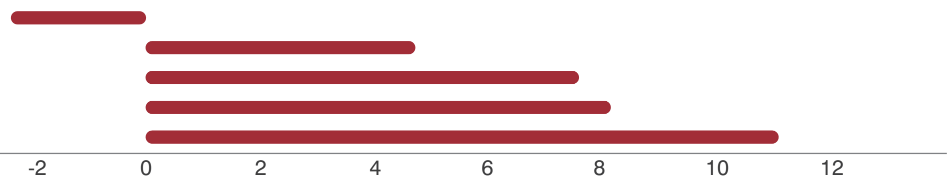
EBITS* (before one off items) - $MILLION

2016	15.8
2017	9.9
2018	16.7
2019	21.7
2020	21.0



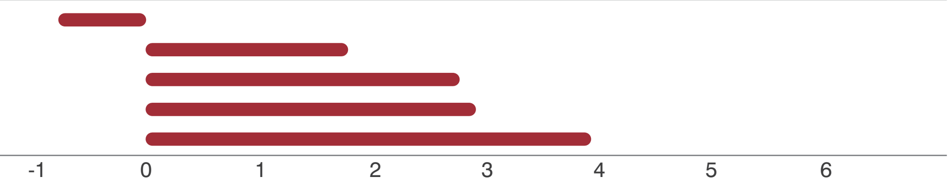
NET PROFIT - $MILLION

2016	(2.2)
2017	4.3
2018	7.7
2019	8.1
2020	11.0



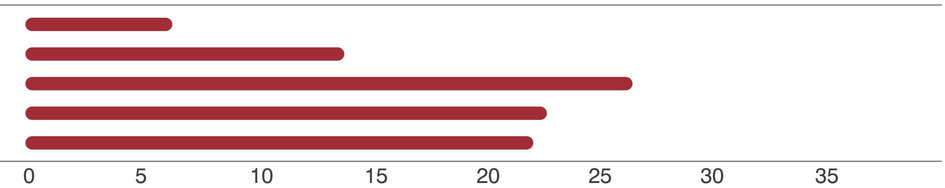
EARNINGS PER SHARE - CENTS

2016	(0.9)
2017	1.8
2018	2.8
2019	2.9
2020	3.9



CASH FLOW FROM OPERATING ACTIVITIES - $MILLION

2016	6.5
2017	14.0
2018	26.7
2019	23.6
2020	22.3



* EBITS is earnings before interest, tax and SGARA.

Corporate Governance Statement

The Directors are responsible for the corporate governance practices of the Company. This statement sets out the main corporate governance practices of the Company which the directors, management and employees of the Company are required to follow.

Following a full review of its corporate governance systems and policies, the Company's corporate governance practices have, in the opinion of the Board, complied with the third edition of the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council, for the period ended 30 June 2020.

Each of the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council ("**ASX Principles**") are referred to consecutively below and the information provided under each Principle is done so in accordance with recommendations made by the ASX Corporate Governance Council.

Introduction

Corporate Governance is the system or process by which a company is directed or controlled. It is concerned with the manner in which the Directors ensure that an organisation's systems and processes are properly controlled and functioning effectively and that management is complying with the policies and directives of the Board. Corporate Governance structures provide a controlled process for risks taken by a company to be subjected to accountability and control systems commensurate with the risks involved.

ASX Principle 1: Lay Solid Foundations for Management and Oversight

Recommendation 1.1 - Roles and Responsibilities of the Board of Directors and Management

Board information contained in this Corporate Governance Statement and the Board Charter can be found at www.australianvintage.com.au.

Responsibility for the overall direction and management of the Company, the Company's corporate governance and the internal workings, including establishing goals for management and monitoring the attainment of these goals, will rest with its board of directors ("**Board**").

The primary responsibilities of the Board include:

- the review and approval of the long-term goals of the Company and strategic plans to achieve those goals as developed by management;
- ensuring that the Company has implemented adequate systems of internal controls and codes of conduct together with appropriate monitoring of compliance activities;
- provision of strategic guidance for the Company and oversight of management of the Company including ensuring that systems are in place to facilitate the effective management of the principal risks of the Company;
- appointing and overseeing the Chief Executive Officer and ratifying the appointments of the Chief Financial Officer and the Company Secretary;
- the review and adoption of annual budgets for the financial performance of the Company and monitoring the results on a monthly basis; and
- establishment of proper succession plans for management of the Company.

The Company's management has authority to implement all other aspects of the management of the Company which are not reserved to the Board or Board committees (including the implementation of Board strategies). The management of the Company is conducted by the Chief Executive Officer. The Chief Executive Officer is accountable to the Board for all authority delegated to executive management. The roles of Chairman and Chief Executive Officer are separate. A further detailed list of Board responsibilities can be found in the Board Charter available at www.australianvintage.com.au in the "Investors" section under "Corporate Governance".

Recommendation 1.2 - Checks and Information

In relation to appointing a new person, or putting forward to shareholders a candidate for election as a director, 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 as per the requirements of the Corporations Act and other relevant legislative requirements.

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.

Recommendation 1.3 - Written Agreements

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

Recommendation 1.4 - 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.

Recommendation 1.5 - Workplace Diversity

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 in the "Investors" section under "Corporate Governance".

In accordance with its Diversity Policy, the Board has adopted measurable objectives for achieving gender diversity. Executive Committee members are required under the Company's Diversity Policy to monitor and report annually to the People, Remuneration & 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 on the Board; and
- reporting on 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 will endeavour to continue to maintain Board diversity in the future.

Similar initiatives are in place to meet the objective of a diverse management team.

The objectives for diversity for FY20, along with outcomes achieved are as follows:

Workplace Diversity Objective FY20	Workplace Diversity Outcomes FY20
Strategy • Continue to drive and bring to life the gender objectives and strategies outlined in the Company's Diversity Policy. • Communicate the Company's diversity agenda to the business and actively promote its benefits.	• The Company has published its Diversity policy and along with other key employee communications supports and advocates for diversity and other workplace initiatives throughout the year.
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.	• Flexible Work Policy updated and communicated to the business in FY20 with uptake by employees to apply for a flexible work request. Further, our workforce has pivoted due to the global pandemic and working from home has become an integral part of our business whilst also continuing to provide a flexible workplace to our employees.
Gender Composition • Maintain female representation at 25% of Independent Non-Executive directors on the Board. • Maintain female representation in management roles in line with national benchmarks.	• Female representation was maintained at 16.67% of the Board, 20% of Non-Executive directors and 25% of Independent Non-Executive directors. • Female representation on the Company's Leadership Team was maintained at 22.27%.

Workplace Diversity Objective FY20	Workplace Diversity Outcomes FY20
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.	• The Company's recruitment and selection processes resulted in 47.17% of all permanent appointments within FY20 being female. • The Company's talent management and succession planning is undertaken on an ongoing basis with a purpose of increasing diversity across the Company and senior management.
Benefits • Promote the Company's parental leave procedures and flexible work arrangements policy to retain talent.	• 7 employees enjoyed the benefits of parental leave during FY20 with a 100% return to work rate in either a full time or part time capacity.

The objectives for diversity for FY21 are as follows:

Workplace Diversity Objective FY21
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. • 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. • Undertake unconscious bias training.

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 programme.
Benefits • Promote the Company's parental leave procedures and flexible work arrangements policy to retain talent.

The following tables show the proportional representation of men and women at various levels within the Company's workforce as at 30 June 2020 compared to 30 June 2019.

Workforce Gender Profile FY20

ALL STAFF		TOTAL FEMALES	TOTAL MALES	% OF FEMALES	% OF MALES
Total Employees	**430**	**150**	**268**	**36**	**64**
Non-Executive Directors	5	1	4	20	80
Senior Executives*	12	3	9	25	75
Other (Non Production) (inc UK / HK)**	151	75	76	50	50
Other (Production)	267	75	192	28	72

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

Workforce Gender Profile FY19

ALL STAFF		TOTAL FEMALES	TOTAL MALES	% OF FEMALES	% OF MALES
Total Employees	**433**	**147**	**286**	**34**	**66**
Non-Executive Directors	5	1	4	20	80
Senior Executives*	9	2	7	22	78
Other (Non Production) (inc UK / HK)**	174	81	93	47	53
Other (Production)	259	66	193	25	75

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

Recommendations 1.6 and 1.7 - Board and Executive Performance Evaluation

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.

The Board also conducts an annual review of Board performance in accordance with the Company's Board Performance Measurement policy, which is available at www.australianvintage.com.au in the "Investors" section under "Corporate Governance".

The Chief Executive Officer reviews performance of key executives continuously on an informal basis (by assessing achievements against budgets and other goals and key performance indicators) and at least once in each year on a formal basis with a face-to-face performance review.

All of these reviews have been conducted in relation to FY20 in accordance with the relevant processes.

ASX Principle 2: Structure the Board to Add Value

Recommendation 2.1 – People, Remuneration & Culture Committee (formerly Remuneration & Nomination Committee)

The Company's aim in determining Board membership is to create a balanced and informed Board to assist the Company in making decisions relating to all corporate matters.

New Directors are nominated by existing Board Members through the delegated functions of the People, Remuneration & Culture Committee. 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.

Details of membership of the People, Remuneration & Culture Committee and its function are provided below under the heading "ASX Principle 8: Remunerate Responsibly and Fairly".

Recommendation 2.2 - Mix of 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 as a whole, against those identified in the skills matrix is set out below:

SKILL/ EXPERIENCE	SUMMARY	DIRECTORS WITH SKILL/EXPERIENCE
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	●●●●●○
Governance	Experience serving on boards in diverse industries and for a range of organisations. An awareness of global practices and trends. Experience in implementing high standards of governance in a large organisation	●●●●●●
Strategic Planning	Experience defining strategic objectives, assessing business plans and driving execution in organisations	●●●●●●
Financial	Experience in financial accounting and reporting, internal financial and risk controls, corporate finance and/or corporate transactions, including ability to probe the adequacies of financial and risk controls	●●●●●●
People & Culture	Experience monitoring a company's culture, overseeing people management and succession planning, and setting remuneration frameworks	●●●●●●
Work Health & Safety	Experience of understanding/instilling a safe work culture	●●●●○○
Risk Management	Experience in recognising and managing risks which have the potential to impact business objectives and reputation	●●●●●●

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

Recommendations 2.3, 2.4 and 2.5 - Independent Directors

The Board is to comprise a majority of non-executive Directors where the Chairman of the Board is also a non-executive, independent Director and hence not the Chief Executive Officer (Managing Director). With the exception of the Chairman all non-executive Directors are appointed on the same terms and conditions. No Director, other than the Chief Executive Officer (Managing Director), shall hold office for any longer than three years without submitting themselves for re-election.

The Board currently consists of:

Richard Davis	Chairman	Independent, non-executive
Craig Garvin	Chief Executive Officer	Non-Independent, executive
Naseema Sparks		Independent, non-executive
John Davies		Independent, non-executive
Peter Perrin		Independent, non-executive
Jiang Yuan		Non-Independent, non-executive

The terms of office held by each Director are detailed in the Director's Report included in this Annual Report.

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

There are several tests that are applied in determining the independence of each Director. An independent Director must:

- not be a substantial shareholder of the Company (or be associated with a substantial shareholder of the Company);
- not have been employed in an executive capacity within the Company (or a member of the Company's group) and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- not have acted as a material professional adviser or consultant, or a material supplier, customer or contractor to the Company within the last three years;
- not have a material contractual relationship with the Company (other than his or her relationship as Director of the Company). A material contractual relationship between the Company and another entity that a Director is associated with or employed by is based by the Company on a 5% materiality level;
- be free from any interest or business which could be perceived as having a material effect on the Company, or the best interests of the Company;
- not have close family ties with any person who falls within the categories described above; and
- not have been a director of the Company for such a period that his or her independence may have been compromised.

Having regard to the criteria above, the Board generally considers a Director to be independent if he or she is not a member of management and is free of any interest and any other business relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Each Director's independence is assessed by the Board on an individual basis, having regard to the materiality guidelines detailed 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 cross-directorships which may be relevant in considering their independence.

Jiang Yuan was classified as a non-independent director due to his directorship of Vintage China Fund, a substantial shareholder of the Company. All other non-executive Directors were considered to be free of any relationship that could possibly interfere with the Director acting in the best interests of the Company.

Recommendation 2.6 - Induction Program

The Company has established a program for inducting new directors and will continue to provide directors with appropriate professional development opportunities for them to develop and maintain their skills and knowledge needed to perform their role as directors effectively.

ASX Principle 3: Promote Ethical and Responsible Decision Making

Recommendation 3.1 - Ethics and 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 in the "Investors" section under "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.

ASX Principle 4: Safeguard Integrity in Financial Reporting

Recommendation 4.1 - Audit Committee

The Audit Committee consists of three independent non-executive Directors. 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.

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 also 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 (on certain occasions) 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.

The Chairperson of the Audit Committee, who is not the Chair of the Board, attends the Annual General Meeting of the Company in order to respond to any questions which may be raised by shareholders in relation to accounting/financial management, information, control or the contents of any financial reports.

The Audit Committee's Terms of Reference and Charter can be viewed at www.australianvintage.com.au under "Corporate Governance".

Recommendation 4.2 - CEO and CFO Declaration

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.

Recommendation 4.3 - External Auditor at AGM

The Company's external auditor attends the Annual General Meeting of the Company and is available to answer questions from shareholders about the conduct of the audit and the preparation and content of the Audit Report.

ASX Principle 5: Make Timely and Balanced Disclosure

Recommendation 5.1 - 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 in the "Investors" section under "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 under "Company Announcements". This includes ASX announcements, annual reports, notices of meetings, media releases etc. The policy sets out the type of information which requires disclosure as well as the internal policies governing the method and timing of disclosure.

ASX Principle 6: Respect the Rights of Shareholders

Recommendation 6.1 - 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 division of responsibilities between the Board and management is set out in the Board Charter;
- the Company's share trading policy; and
- the Audit Committee, the Risk Committee and People, Remuneration & Culture Committee Terms of Reference and Charters.

This corporate governance information can be located on the Australian Vintage Limited website at www.australianvintage.com.au under "Corporate Governance".

Recommendation 6.2 - 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 in the "Investors" section under "Corporate Governance". Shareholders and other stakeholders are also encouraged to contact the Company directly regarding any enquiries they may have.

Recommendation 6.3 - Shareholder Meetings

The Company allows shareholders who are not able to attend the Annual General Meeting the opportunity to ask questions of, or make comments on, the management of the Company ahead of that meeting. Where appropriate such questions are answered at the Annual General Meeting.

In response to Government restrictions and the potential health risks arising from the COVID-19 pandemic, the Company's 2020 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.

The Company is proposing to amend its Constitution at the 2020 AGM to permit virtual and hybrid general meetings. This would provide the Company with the flexibility to use technology to facilitate participation of shareholders at future AGMs.

Recommendation 6.4 - Electronic Communications

The Company provides shareholders with the option to receive communications from, and send communications to, the Company and its share registry (currently Computershare) electronically.

ASX Principle 7: Recognise and Manage Risk

Recommendation 7.1 - Risk Management

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

Risk Committee

The Risk 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 Committee does not have responsibility for strategic (Board responsibility) or financial risk management, which is the focus of the Company's Audit Committee.

The Risk Committee comprises at least three members, with at least two members being independent non-executive directors. The current members of the Risk Committee are:

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

The Risk Committee Charter is available at www.australianvintage.com.au in the "Investors" section under "Corporate Governance".

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

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 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.

Recommendation 7.2 - Risk Review

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.

These reviews have been conducted in relation to FY20 in accordance with the relevant processes.

Recommendation 7.3 - Internal Audit

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.
- **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.

Recommendation 7.4 - Material Risks

The Company has material exposure to economic risks, in particular, the movement in the GBP. Further details regarding the impact of these risks, as well as other key risks, and how the Company intends to manage those risks are set out in the Director's Report included in this Annual Report.

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 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 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 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 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.

ASX Principle 8: Remunerate Fairly and Responsibly

Recommendation 8.1 - People, Remuneration & Culture Committee (formerly Remuneration & Nomination Committee)

The People, Remuneration & Culture Committee consists of three independent non-executive Directors. The current members of the People, Remuneration & Culture Committee are:

- Naseema Sparks (Chairman)
- 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.

The procedure for establishing and reviewing remuneration for senior executives and non-executive members of the Board is undertaken by the People, Remuneration & Culture Committee. The shareholders in general meeting approve the aggregate remuneration for non-executive Directors.

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

For further details on the roles and responsibilities of the People, Remuneration & Culture Committee see the Committee's Charter and Terms of Reference available at www.australianvintage.com.au in the "Investors" section under "Corporate Governance".

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

Recommendation 8.2 - Policies and Procedures

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 in the "Investors" section under "Corporate Governance".

Non-executive directors will be paid in cash in line with a resolution passed at the Company's Annual General Meeting dated 25 November 2009. Non-executive directors do not receive any performance-based remuneration and are not paid any retirement benefits other than superannuation.

Executives are paid primarily by cash salary (but also, in some cases as to part, with performance rights and options). The Company's Remuneration Policy is reviewed annually by the People, Remuneration & Culture Committee.

In determining Executive remuneration, regard is had to the Executive's level of responsibility, skills, experience, reputation, efforts and results and the ability to retain executives having regard to the competitive nature of hiring key staff.

Recommendation 8.3 - Equity Based Remuneration

The Company issued performance rights and/or options pursuant to the AVG Performance Rights and Option Plan ("**Plan**") which received approval of shareholders of the company at the Annual General Meetings held on 28 November 2012, 17 November 2015 and 20 November 2017.

The Company's policy is that participants in the 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 further information regarding Executive remuneration through options see the Remuneration Report in this Annual Report at www.australianvintage.com.au.

The shareholder information set out below was applicable at 14th September 2020.

Shareholders

Distribution of Shareholders

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

Number of Shares	Number of Shareholders
1 - 1,000	1,454
1,001 - 5,000	1,952
5,001 - 10,000	543
10,001 - 100,000	778
100,001 Over	144
	4,871

The percentage of the total holding of the twenty largest holders of Ordinary Shares was 74.45%.

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	39,056,127
Renaissance Smaller Companies Pty Ltd	20,625,417

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	42,583,507	15.17
2.	Vintage China Funds GP Limited	35,939,389	12.80
3.	J P Morgan Nominees Australia Pty Limited	35,619,174	12.69
4.	HSBC Custody Nominees (Australia) Limited	33,963,619	12.10
5.	National Nominees Limited	22,794,404	8.12
6.	Sandhurst Trustees Ltd (Wentworth Williamson A/C)	10,510,727	3.74
7.	Garrett Smythe Ltd	4,094,041	1.46
8.	Vintage China Funds GP Limited	3,116,138	1.11
9.	BNP Paribas Noms (NZ) Ltd (DRP)	3,000,000	1.07
10.	Secvest Capital Pty Limited	2,680,000	0.95
11.	Mr Graham John Harvey	2,200,000	0.78
12.	Sunrise Vineyards Pty Ltd (Moularadellis S/F A/C)	2,020,000	0.72
13.	BNP Paribas Noms Pty Ltd (DRP)	1,811,587	0.65
14.	Henleaze Investments Pty Ltd	1,500,000	0.53
15.	Mr Jimmy Thomas & Ms Ivy Ruth Ponniah (Thomas Super Fund A/C)	1,493,706	0.53
16.	Neweconomy Com AU Nominees Pty Limited (900 Account)	1,464,232	0.52
17.	Mr Perry Richard Gunner & Mrs Felicity Jane Gunner (Perry Gunner Superfund A/C)	1,100,682	0.39
18.	127 Victoria Pty Ltd	1,100,000	0.39
19.	Valten Pty Limited (The N A McGuigan Super A/C)	1,005,000	0.36
20.	Mr Brian Frederick Ditchfield	1,000,000	0.36
Total Top 20 holders of Fully Paid Ordinary Shares		208,996,206	74.45
Total Remaining Holders Balance		71,711,865	25.55

Directors' report

For the financial year ended 30 June 2020

The Directors of Australian Vintage Ltd submit herewith the annual financial report for the financial year ended 30 June 2020. 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 64
(Chairman - appointed 1st June 2015, Non-Executive) Director since 5 May 2009

Chairman of Monash IVF Group Limited and Director (and previously CEO) of InvoCare Limited where he previously spent almost 20 years growing and managing the business. Former accounting partner for a national accounting firm.

Craig Garvin, Age 53
(Chief Executive Officer) Director since 21 November 2019

Craig was appointed Chief Executive Officer 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, Craig 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. Craig holds an MBA from Harvard Business School.

John D Davies FCA, Dip. Bus S, Age 67
(Non-Executive) Director since 28 January 2015

Fellow of the Institute of Chartered Accountants having worked for 36 years with Ernst & Young. John was elected to Ernst & Young's Asia Pacific Board of Partners for a 6 year period until his retirement in 2011. During his career he provided professional services to many of Australia's leading wine companies and he also owns a commercial vineyard in central Victoria. John is a director of Golf Australia Ltd and a member of the Two Hands Wines Pty Ltd Advisory Board. Chairman of the Audit Committee.

Naseema Sparks AM, Age 67
(Non-Executive) Director since 28 January 2015

Currently Chairperson of Sniip. Non-Executive Director of Arq Group (previously known as Melbourne IT Limited), AIG Australia and Murray River Organics Ltd. Former Chairperson of Deals Direct Group with extensive experience in marketing and digital media after a successful career with M&C Saatchi, one of Australia's largest and most successful advertising businesses. Naseema holds post graduate market and research qualifications and an MBA from Melbourne Business School. In 2016 was awarded a Member of the Order of Australia in recognition to significant service to business and commerce and to women through advancing female participation and retention in the workforce. Chairperson of the People, Remuneration & Culture Committee.

Peter J Perrin, Age 63
(Non-Executive) Director since 28 March 2017

Former General Manager of Torbreck Vintners. Trustee of The Wolf Blass Foundation. 35 years' experience in the sales and marketing of premium Australian wines both in Australia and overseas. Chairman of the Risk Committee.

Jiang Yuan (Dixon), Age 43
(Non-Independent, Non-Executive) Director since 7 June 2017

Founder of www.yesmywine.com, based in China.

Well known for pioneering data analytics and an innovator in imported wines in China, Dixon has considerable experience in distribution and selling of wine into Asia.

Directors retired during the year

Neil A McGuigan B. App. Sc. (OENO), Age 62
Chief Executive Officer & Director from 21 July 2010 to 20 November 2019

Neil retired from his position as CEO of Australian Vintage Limited during November 2019 after having held the position since July 2010.

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	Arq Group (previously known as Melbourne IT Limited)	Since 2012
	Sniip	Since 2017
	Murray River Organics Ltd	Since June 2019
	IncentiaPay	2017 to 2019

Company Secretary

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.

Ms Alicia Morris (Kinlay) was appointed as Company Secretary on 1 July 2020 following Michael's resignation from this position. Ms Morris joined the Company in 2010 and is currently General Counsel. She holds a Bachelor of Laws and Legal Practice (Hons), Bachelor of Behavioural Science (Psychgology), a Graduate Diploma of Applied Corporate Governance and is a fellow member of the Governance Institute of Australia.

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 2020, a 63% franked dividend of 2.7 cents per share has been declared and will be paid on 6 November 2020. In respect of the financial year ended 30 June 2019, a fully franked dividend of 2.0 cents per share was paid on the 8 November 2019.

Review of operations and future developments

Key Financial Year Highlights

- Net Profit after Tax (NPAT) up 35% to $11.0 million
- NPAT before impact of new accounting standard on leases (AASB 16) up 41% to $11.4 million
- EBIT (Earnings before Interest and Tax) up 18% to $19.2 million
- EBITS (Earnings before Interest, Tax and SGARA) down 3% due to higher wine cost from 2019 Vintage
- Positive Operating Cashflow of $22.3 million
- Reduction in Net Debt: $67.3 million vs $72.4 million FY19
- Improved revenue mix from brand growth

Review of operations and future developments (continued)

- Branded Sales up 8%
- Earnings per share up 35% to 3.8 cents per share
- 35% increase in final dividend: 2.7 cent per share partially franked (63%)

The company's net profit after tax (NPAT) of $11.0 million, up 35% on the previous financial year with NPAT (before the impact of new leasing accounting standard) of $11.4 million, up 41% over the previous financial year.

Earnings before interest and tax (EBIT) is up 18% to $19.2 million on revenues of $267.1 million in a challenging twelve months impacted by droughts, bushfires and the COVID-19 pandemic.

This strong performance underlines the strengths of our brands, and the ongoing transformation of our business. Especially in a year which was not without its challenges.

AVL is well advanced in our plans to grow our brands and our business over the coming twelve months. Our Asian and North American markets have been underperforming and have not been consumer focussed. The company has taken the necessary corrective action which makes the 2020 result all the more positive. The team has worked hard on setting up our business for strong growth in our portfolio which is a key focus moving forward. We are very aware of offsetting the risks this business faced and now move to a branded portfolio strategy. The performance of our operations has been particularly pleasing. Despite the industry suffering declines in grape production across the total Australian wine sector, AVL has been able to improve its yield. This combined with our excellent assets sets up well when combined with our portfolio approach.

A complete review of the leadership group and strategy has been completed and the necessary changes made. The company is well placed to deliver stronger return on investment in line with market expectations moving forward.

Profit Result

	12 Months to 30/06/20			12 Months to 30/06/19	Change (pre AASB 16)	
	Reported Profit	Impact of AASB 16	(before impact of AASB 16)		$000	%
Australasia/North America Packaged [1]	5,531	(192)	5,339	7,905	(2,566)	(32)
UK/Europe	11,574		11,574	10,919	655	6
Cellar Door	244		244	991	(747)	(75)
Australasia/North America bulk and processing	2,431		2,431	1,307	1,124	86
Vineyard Management	(28)		(28)	609	(637)	(105)
Other income (dividend and fair value change in investment) [2]	1,241		1,241	-	1,241	NA
EBITS	**20,993**	**(192)**	**20,801**	**21,731**	**(930)**	**(4)**
SGARA	(1,794)	497	(1,297)	(5,450)	4,153	76
EBIT	**19,199**	**305**	**19,504**	**16,281**	**3,223**	**20**
Finance costs	(3,085)	-	(3,085)	(3,799)	714	19
Interest Expense (from change in accounting for leases - AASB 16)	(388)	388	-		-	NA
Interest Expense (existing finance leases)	(235)		(235)	(260)	25	10
Interest received	26		26	25	1	4
Net Profit before tax	15,517	693	16,210	12,247	3,963	32
Tax	(4,564)	(208)	(4,772)	(4,124)	(648)	(16)
Net Profit (after tax)	**10,953**	**485**	**11,438**	**8,123**	**3,315**	**41**

1 Refer table below.

2 Dividend income and fair value adjustment from AVL's investment in a New Zealand distributor.

	Sales ($000)			EBIT ($000)		
	FY20	FY19	% Change	FY20	FY19	% Change
Australia	82,405	78,106	6	4,943	4,174	18
New Zealand	5,295	5,622	(6)	852	1,079	(21)
Asia	8,585	14,226	(40)	150	2,037	(93)
North America	6,474	7,916	(18)	(414)	615	(167)
	102,759	105,870	(3)	5,531	7,905	(30)

Review of operations and future developments (continued)

Trading Summary

Our Australian business performed well and showed improved profit performance over last year. Pleasingly all pillar brands grew and reinforced our strategic intent of a "portfolio of brands". Sales of the McGuigan brand grew by 3% and Tempus Two grew by 42%. Despite the on-premise and cellar door segments declining due to COVID-19, the Australian business delivered a profit result 18% up on one year ago. The combination of consumer focus with retail partners, innovation and strong cost control all contributed to the positive result in very challenging circumstances.

The UK performance was exceptional with sales volumes up against an industry trend that is showing total Australian wine sales to the UK declining by 2%. In the UK, sales of the McGuigan brand increased by 13% through an improved mix of sales, volume increases and targeted marketing. Sales of our higher priced McGuigan Black Label and Reserve ranges increased by 23%. The Tempus Two brand has also performed well in the UK, with sales up 34% from a low base. The company will continue to invest in the UK market with increased marketing spend planned for FY21 and a strong Tempus Two campaign seeing the introduction of new ranging in major retail.

Asia sales were significantly down 40%, resulting in a decline in EBIT of $1.9 million. The company does not expect significant sales to mainland China over the coming six to twelve months as the new management at our major distributor continue to focus on reducing working capital. In the long term we believe that our strategies will result in sales growth.

The company has addressed its marketplace strategy in North America and expects improvements in sales following a disappointing decline of 18%. Canada and United States remain challenging markets for Australian wines with total Australian volume sales to Canada down 18%. North America EBIT contribution was down $1.0 million.

With Cellar doors closed for part of the year, contribution declined by 75% to $0.2 million but is to be expected during COVID-19. During lockdown we have started to execute our cellar door refresh program which should see future upside.

This result includes: increased wine costs amounting to $2.3 million due to the disappointing 2019 vintage, an adverse SGARA financial impact of $2.9 million, against expectation, attributable to higher cost of water and fire damage, increased investment of $1.2 million in marketing to both grow and maintain brands in our key markets, closure during the year of our Cellar Doors resulting in a $0.7 million decline in contribution, and restructure and onerous contract costs of $0.8 million.

Other

- New Zealand EBIT was down $0.2 million due to COVID-19 closure.
- Favourable foreign currency during the year provided an extra $1.1 million to EBIT.
- Australasia/North America Bulk and Processing Sales declined by $2.5 million due to the reduced low margin bulk wine sales. However, EBIT improved by $1.1 million due mainly to increased contract processing of grapes.
- Vineyard Segment (including SGARA) EBIT improved by $3.0 million ($3.5 million before the impact of AASB 16) due to the improved 2020 vintage. Against last year total yield was up 25% or 10,200 tonnes.

Net Borrowings

The company reports net borrowings reducing to $67.3 million at 30 June 2020. With a 25% reduction in FY21 capital spend and the reduced need to buy bulk wine in FY21, net debt is expected to continue to decrease.

Operating Cashflows

Reported operating cash flow of $22.3 million vs $23.6 million in FY19. Ignoring the impact of AASB 16, FY20 operating cash flow was $16.4 million with the reduced cash flow due mainly to the purchase of $8 million of bulk wine in FY20.

Dividend

The Board has declared a final dividend (partially franked) of 2.7 cents per share, up 35% on prior corresponding period.

COVID-19 Update

The COVID-19 virus has provided AVL with some challenges with supply chain operations, segregation of shifts and the ongoing need for some of our staff to work from home. However, these have all been managed well with no material disruption to our business. During this period our market performance has improved. The Company continues to take appropriate measures to safeguard the ongoing roles of our employees.

Review of operations and future developments (continued)

Future Strategy – "Putting the consumer at the heart of everything we do"

Over the last 3 years the Company has invested heavily in various capital projects, including $11 million on a new packaging line and various long-term investments in winemaking, including a $9 million premium winery at our Buronga winery facility. These investments have contributed to the improved efficiency in our production facilities and set up a solid base from which to grow.

Going forward the focus will be on investing in our key brands, McGuigan, Tempus Two and Nepenthe. We will also be investing in our next pillar brand, Barossa Valley Wine Company.

Putting the consumer at the heart of everything we do will see marketing and advertising expenditure increase by 20% in FY21 as we deploy a more targeted approach to brand marketing in our various key markets. Included in this increased marketing spend will be a real focus on promoting our Tempus Two brand. The Company is also planning a major redevelopment of our Nepenthe Cellar Door in the Adelaide Hills. We are investing in our people capability and ensuring we build long term customer relationships.

With demonstrated operational capability of the business, our focus now shifts to driving branded growth across our key markets. We are creating a business where sales are consumer driven. To do so we must invest in our people, brands, and customer partnerships globally to ensure we leverage the capital investments made. The last 6 months have been challenging however our business has performed very strongly. 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, Asia and North America will see improved business performance over the coming years and present significant growth opportunities for AVL. AVL has put in place the right structural changes and strategy to ensure continued improvement.

Outlook

The future looks promising based on the recent growth of our key brands. We will continue to improve our mix of business by market, focus on our portfolio of brands and increase consumer investment to maintain the recent sales growth momentum.

We have some challenges in Asia and North America but believe that our strategies are now in place to achieve long term growth in these markets.

Recently it was announced that the Ministry of Commerce of the People's Republic of China will be undertaking an anti-dumping investigation into Australian wine exports into China. AVL plans to cooperate fully in relation to any requests for information received as part of this investigation. We remain committed to the China market as part of our long term strategy and do not see this as a risk to earnings.

The cash flow remains strong and based on a normal 2021 Vintage, we expect cash flow to improve by $8 million to $12 million in FY21 due to a forecast decline in FY21 capital spend and bulk wine purchases.

The improved 2020 vintage has resulted in an increased throughput at our Buronga Hill Winery which together with improved packaging efficiency at our Merbein facility, will result in a $3 million reduction in our FY21 costs when compared to FY20.

Assuming no material change to the current foreign exchange rates and including the impact of AASB 16, we are targeting a 48% improvement in AVL's ROCE (return on capital employed) to 6.6%.

Our improved sales momentum and contribution mix continues with a very positive start to FY21.

A further market update will be provided at our Annual General meeting in November 2020.

As part of our ongoing confidence in the medium to long term outlook of Australian Vintage, the board has agreed to pay a partially franked (63%) dividend of 2.7c per share. This dividend reflects a payout ratio of 70% and is in line with last year's payout ratio. This dividend will be paid to all shareholders on 6 November 2020 and the Record Date to establish shareholder dividend entitlements is 16 October 2020. The Company's Dividend Reinvestment Plan (DRP) will be suspended for the dividend payable on 6 November 2020.

Review of operations and future developments (continued)

Material business risks

The Group has an established risk 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')	COVID-19 has created risks for AVL in the following areas: - Wellbeing and health of our people - Disruption in supply chain logistics - Rapidly changing Government laws and regulations	AVL has undertaken a COVID-19 pandemic risk assessment and developed the following responses to mitigate the risk posed to the business: - 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. The mitigation strategies noted above have ensured our people are looked after and that we continue to deliver great quality products to our customers.
Climate change	Climate change is expected to impact on AVL increasingly in terms of regulation and associated costs and poses the following risks: - Restrictions on access to water and energy whilst working within possible carbon price and emission reduction targets - The ability to effectively respond to climate related change impacts that could have adverse effects on business performance Third party suppliers' ability to respond to climate change impacts	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: - 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
Constrained grape supply	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. 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.	• 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	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. Failure to protect and effectively manage brands could have significant reputational and financial repercussions.	• 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.

Review of operations and future developments (continued)

Material business risk	Details of risk	Mitigation strategies in place
Loss of key leadership and talent	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. 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.	• 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.	• 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.
Changing laws and government regulations	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. 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.	• 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 Committee. • Relationships and engagement (where relevant) with key government, industry advocacy and regulatory bodies.
Significant business disruption	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. 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.	• Dedicated health and safety team oversight, audit programs and training. • Preventative repair and maintenance program. • Comprehensive insurance program.
Foreign exchange	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.	• Active foreign exchange hedging strategy. • Partial natural hedges (purchases and sales within the same currency) where possible.
Cyber security	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.	• 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	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.	• 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 14 Board Meetings, 2 Audit Committee Meetings, 2 Risk Committee Meetings and 2 People, Remuneration & Culture Committee meetings (note: the Remuneration Committee has been renamed to be the People, Remuneration & Culture Committee as of 1 July 2019).

Directors'	Board Meetings Attended	Audit Committee Attended	Risk Committee Attended	People, Remuneration & Culture Committee Attended
Richard H Davis	13	2	2	2
Craig A Garvin(1)	9	1	1	1
John D Davies	12	2	2	1
Naseema Sparks	13	2	2	2
Peter J Perrin	12	2	2	2
Jiang Yuan	10	0	0	0
Neil A McGuigan(1)	5	1	1	1
Total Meetings Held	**13**	**2**	**2**	**2**

(1) Craig Garvin was appointed Chief Executive Officer and Director of the Company on 21 November 2019. Neil McGuigan resigned from the Company on 20 November 2019.

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	110,000	-
Craig A Garvin(1)	-	869,925
John D Davies	400,000	-
Naseema Sparks	43,240	-
Peter Perrin	121,174	-
Jiang Yuan	39,055,527	-

(1) Craig Garvin was appointed Chief Executive Officer and Director of the Company on 21 November 2019. Neil McGuigan resigned from the Company on 20 November 2019.

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	2,055,000	Ordinary	$0.376	1 November 2020
Australian Vintage Ltd	985,200	Ordinary	$0.528	1 November 2021
Australian Vintage Ltd	1,625,000	Ordinary	$0.439	1 November 2022
Australian Vintage Ltd	2,268,455	Ordinary	N/A (Rights)	31 October 2020
	6,933,655			

Remuneration report

Over FY20 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 three actionable strategies listed below –

1. 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 Brand Growth Gross Margin
2. AVL has implemented a 5-year Gender Diversity strategy with an aim to increase female representation across all levels of the business
3. Investment has been made into a 5-year Employee Engagement strategy. AVL has incorporated employee engagement scores into all KPIs and has an ambitious strategy to build on Employee Engagement over a 5 year period with the aim of becoming a Global Best Employer

AVL is committed to driving an achievement-based culture which will result in continued growth and enhanced business performance and better align executive incentives with shareholder returns.

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.

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')	From 21 November 2019
Neil McGuigan	Chief Executive Officer ('CEO')	Resigned 20 November 2019
Mike Noack	Company Secretary & Chief Financial Officer	Full Year
Julian Dyer	Chief Operating Officer, UK/Europe	Full Year
Thomas Jung	Operations Director	From 1 December 2019
Jeff Howlett	General Manager – Australia and New Zealand	From 1 December 2019
Cameron Ferguson	Chief Operating Officer, Australasia / North America	Resigned 1 December 2019

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.

Remuneration Components for Non-Executive Directors

Non-executive Directors receive remuneration in cash, superannuation and wine which has no variable component.
The compensation for Non-executive Directors will be restructured for FY21 to better reflect the time spent by some Non-executive directors on board sub-committees. The restructure will not result in a material increase in total Non-executive director fees.

Remuneration Report (continued)

People, Remuneration & Culture Committee and Executive Compensation

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

The Chief Executive Officer ('CEO') 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 current market rates and 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 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	
50% for CEO 60% for other Executives	Variable Cash Incentive	Deferred Equity Incentive
Comprises: • Cash salary (base); • Salary sacrificed items; • Company motor vehicles; • Allowances; and • Employer superannuation contributions in line with statutory obligations.	A Variable Cash Incentive targeting: • 25% of Total Remuneration for the CEO • 20% of Total Remuneration for other Executives.	From 1st July 2018, comprises a deferred equity scheme targeting: • 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

Remuneration Report (continued)

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.

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 (KPIs) covering both financial and non-financial measures of performance. Non-financial measures may include items such as corporate risk control and work health and safety outcomes, as well as related organisational behaviours that impact culture and performance.

Annual targets will be agreed between the Board, CEO and executives. The structure is as follows:

Variable Cash Incentive

	CEO/CFO	COO'S	KEY MANAGEMENT PERSONNEL	TYPE OF AWARD
Financial	60%	35%	55%	Cash Payment
Behaviours	15%	15%	15%	
Operations/Divisional	25%	50%	30%	
	100%	100%	100%	

The primary measure is performance against financial targets (in particular EBITS, (Earnings before interest, tax and Self-Generating and Regenerating Assets income (SGARA)). 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 Inventive payments for FY20, the breakdown between financial and operational key performance indicator targets and the actual percentage of the maximum Variable Cash incentive achieved:

	2020 MINIMUM VARIABLE CASH	2020 MAXIMUM VARIABLE CASH[1]	KEY PERFORMANCE TARGETS			2020 % OF MAXIMUM GRANTED
	$	$	FINANCIAL	BEHAVIOURS	OPERATIONAL	
Craig Garvin[2]	0	420,000	60%	20%	20%	90%
Michael Noack	0	140,107	60%	15%	25%	90%
Julian Dyer	0	165,097	50%	15%	35%	89%
Thomas Jung	0	115,108	50%	15%	35%	88%
Jeff Howlett	0	100,968	40%	15%	45%	83%

(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.

(2) Maximum variable cash aligned to portion of the year employed.

Remuneration Report (continued)

3. Deferred Equity Incentive

From the 1st July 2018 to 30th June 2020

At the beginning of each financial year the Board will determine the maximum number of Performance Rights that each executive will be entitled to. If the target Return on Capital Employed (1) (ROCE - defined as EBIT divided by capital employed where capital employed is total assets less current liabilities.) is achieved for that financial year then those Performance Rights will be converted to AVG shares, which will be escrowed for a period of 3 years.

The target ROCE is:

- For FY19 the target ROCE was in the range of 4.2% to 5.1%.
- For FY20 the target ROCE is in the range 4.3% to 5.7%.

Changes to the Deferred Equity Scheme - from 1st July 2020

After consulting with major shareholders, we propose some changes to our deferred equity incentive scheme to better align key management incentives with that of shareholder return.

These changes are:

- The introduction of a 3 year earnings per share ('EPS') compound annual growth return ('CAGR') target which will be applied to 50% of the Deferred Equity Component. 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 FY21 Share Rights is –

	EPS CAGR
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
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 2,268,455 Performance Rights issued in the Deferred Equity Incentive scheme during the year. These Rights were based on the achievement of 120% of the target ROCE. For 2020, the ROCE was 104%, and as a result 1,965,994 rights will be converted into shares. In FY19, the required ROCE target was not met and the 1,652,366 Rights were cancelled.

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 FY16 (exercise price $0.376):

- 20% of options will vest if continuous employment is maintained up to 1st July 2019.
- 40% of the options are subject to an EPS hurdle. If the EPS Compound Annual Growth Rate ('CAGR') for the three years FY16 to FY18 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 on a straight line between 25% and 100%.
- 40% of the options are subject to a Total Shareholder Return ('TSR') hurdle. If TSR for the three years FY16 to FY18 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 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	869,925	N/A	7 January 2020	31 October 2020
Mike Noack	Rights	337,280	N/A	7 January 2020	31 October 2020
	Options	270,000	$0.376	4 December 2015	1 November 2020
	Options	85,200	$0.528	19 December 2016	1 November 2021
	Options	200,000	$0.439	20 December 2017	1 November 2022
Julian Dyer	Rights	274,613	N/A	7 January 2020	31 October 2020
	Options	240,000	$0.376	4 December 2015	1 November 2020
	Options	85,200	$0.528	19 December 2016	1 November 2021
	Options	200,000	$0.439	20 December 2017	1 November 2022
Thomas Jung	Rights	209,505	N/A	7 January 2020	31 October 2020
	Options	240,000	$0.376	4 December 2015	1 November 2020
	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	62,138	N/A	7 January 2020	31 October 2020
TOTAL		3,359,061			

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:

2020	BALANCE @ 1/7/19 No.	GRANTED AS REMUNERATION No.	RECEIVED ON EXERCISE OF OPTIONS No.	NET OTHER CHANGE No.	BALANCE @ 30/6/20 No.	BALANCE HELD NOMINALLY No.
Non-executive Directors						
Richard H Davis	110,000	-	-	-	110,000	-
John Davies	400,000	-	-	-	400,000	-
Naseema Sparks	43,420	-	-	-	43,420	-
Peter Perrin	121,174	-	-	-	121,174	-
Jiang Yuan	39,055,527	-	-	-	39,055,527	-
Executives						
Craig Garvin	-	-	-	-	-	-
Neil McGuigan(1)	1,005,000	-	-	(1,005,000)	-	-
Michael Noack	320,454	-	-	-	320,454	-
Julian Dyer	-	-	-	-	-	-
Thomas Jung	-	-	-	-	-	-
Jeff Howlett	-	-	-	-	-	-
Cameron Ferguson(1)	100,000	-	-	(100,000)	-	-
	41,155,575	-	-	(1,105,000)	40,050,575	-

(1) Net other change relates to ceasing to be key management personnel.

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

2019	BAL. @ 1/7/19 No.	GRANTED AS REMUNERATION No.	EXERCISED No.	EXPIRED/ CANCELLED No.	BAL. @ 30/6/20 No.	BAL. VESTED @ 30/6/20 No.	VESTED BUT NOT EXERCIS-ABLE No.	VESTED AND EXERCIS-ABLE No.	OPTIONS VESTED DURING THE YEAR No.
Craig Garvin	-	869,925	-	-	869,925	-	-	-	-
Neil McGuigan	4,500,000	-	-	(2,050,000)	2,450,000	1,800,000	-	1,800,000	1,000,000
Michael Noack	954,000	337,280	-	(398,800)	892,480	355,200	-	355,200	175,200
Julian Dyer	924,000	274,613	-	(398,800)	799,813	325,200	-	325,200	165,200
Thomas Jung	924,000	209,505	-	(398,800)	734,705	325,200	-	325,200	165,200
Jeff Howlett	-	62,138	-	-	62,138	-	-	-	-
Cameron Ferguson	924,000	-	(240,000)	(684,000)	-	-	-	-	165,200
	8,226,000	1,753,461	(240,000)	(3,930,400)	5,809,061	2,805,600	-	2,805,600	1,670,800

Remuneration Report (continued)

Key Management Personnel Remuneration

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

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 (c)	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 (d)	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
Thomas Jung	306,370	102,638		21,840	25,000	-	-	11,449	83,802	551,099
Jeff Howlett	263,309	84,140	-	26,200	25,014	-	-	-	24,855	423,518
Cameron Ferguson (e)	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

2019	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	79,358	-	-	-	3,209	-	-	-	-	82,567
Sub-total	400,820	-	-	8,000	33,747	-	-	-	-	442,567
Executives										
Neil McGuigan	750,841	237,150	-	1,200	15,250	-	-	63,894	-	1,068,335
Michael Noack	396,182	114,180	-	89,176	25,000	-	-	15,498	-	640,036
Cameron Ferguson	391,507	129,292	-	26,200	37,193	-	-	15,045	-	599,237
Julian Dyer	381,210	142,922	-	-	18,486	-	-	15,045	-	557,663
Sub-total	1,919,740	623,544	-	116,576	95,929	-	-	109,482	-	2,865,271
TOTAL	2,320,560	623,544	-	124,576	129,676	-	-	109,482	-	3,307,838

(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) Remuneration paid in Hong Kong Dollars with total paid exceeding $80,000 due to exchange rate movements.

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

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

The compensation structure for Non-Executive Directors will be amended during FY21 to better reflect the induvial Director participation in Board committees. No director or executive appointed during the period received a payment as part of his or her consideration for agreeing to the position.

Remuneration Report (continued)

Company Performance

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to 30 June 2020

	30 JUNE 2016 $ M	30 JUNE 2017 $ M	30 JUNE 2018 $ M	30 JUNE 2019 $ M	30 JUNE 2020 $ M
Operating Cash Flow	6.5	14.0	26.7	23.6	22.2
Total Revenue	242.7	226.5	249.5	269.2	267.1
EBITS (before one off items) [1]	15.8	9.9	16.7	21.7	21.0
EBIT	3.2	11.3	16.2	16.3	19.2
EBIT (before one off items)	16.4	11.3	16.2	16.3	19.2
Net Profit/(Loss) after tax	(2.2)	4.3	7.7	8.1	11.0
Net Profit/(Loss) after tax before one off items	7.0	4.3	7.7	8.1	11.0

(1) EBITS is earnings before interest, tax and SGARA.

	30 JUNE 2016	30 JUNE 2017	30 JUNE 2018	30 JUNE 2019	30 JUNE 2020
Earnings per share - cents	(0.9)	1.8	2.8	2.9	3.9
Dividends declared - cents	1.5	1.0	1.5	2.0	2.7
Market capitalisation - $ million	131.2	117.1	151.4	134.7	115.1
Enterprise value (debt + equity) - $ million	373.9	372.3	377.8	379.3	435.8
Share price at start of year - $ per share	0.365	0.565	0.425	0.545	0.480
Share price at end of year - $ per share	0.565	0.425	0.545	0.480	0.410

Changes to Key Management Personnel

Resignations

(i) Neil McGuigan (CEO) resigned as CEO effective 20/11/2019, Neil McGuigan remains in the business as a consulting Technical Advisor 10 weeks a year on a 5-year contract

(ii) Cameron Ferguson (COO) resigned from the business effective 01/12/2019, Cameron's position has been filled internally by Jeff Howlett taking responsibility for Sales across ANZ and Thomas Jung stepping into the Operations Director role and taking responsibility for Packaging & Logistics.

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.

Remuneration Report (continued)

Service Agreements of Key Management Personnel (continued)

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.

Thomas Jung

(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.

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.

Jeff Howlett

(i) Term of agreement - no specified term.

(ii) Compensation includes:

a. Base salary, superannuation, motor vehicle allowance and wine allowance.

b. Variable Cash incentive - entitlement to a bonus subject to certain key performance criteria. Key performance criteria include defined financial (including company profitability), commercial and behavioural targets.

c. Deferred Equity - entitlement to an issue of Performance Rights. The Performance Rights are subject to meeting set ROCE and are subject to certain conditions.

(iii) If Mr 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.

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 21 to the financial statements.

The directors are of the opinion that the services as disclosed in note 21 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 42.

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 2020 a 63% franked dividend of 2.7 cents per share was declared on the 26th August 2020 and will be paid on the 6th November 2020.

There have been no other matters or circumstances, other than that referred to in note 26 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
26th August 2020

CRAIG GARVIN
Chief Executive Officer
26th August 2020

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

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

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

As lead auditor for the audit of the financial report of Australian Vintage Limited for the financial year ended 30 June 2020, 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.

Ernst & Young

Mark Phelps
Partner
Adelaide
26 August 2020

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

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

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Australian Vintage Limited (the Company or AVL) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of 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 2020 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.

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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.

Intangibles – Impairment of Assets

Why significant	How our audit addressed the key audit matter
AVL holds $37m of goodwill and $13m of other intangible assets (excluding leases) at 30 June 2020. 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. As disclosed in Note 11, 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). For impairment testing purposes, the Group uses assumptions in respect of future market and economic conditions including economic growth, exchange rates, inflation 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 11 to the consolidated financial statements. 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.	As part of our audit, our procedures included: ➢ Agreeing the projected cash flows for FY21 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 VIU models for the CGUs. This included comparison to external sources and similar companies in the same industry. ➢ Comparing the recoverable amount calculated within the VIU models to the carrying value recorded at 30 June 2020 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 market capitalisation bridge 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 11 based on the requirements of Australian Accounting Standards.

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Tax – Recoverability of Tax Balances

Why significant	How our audit addressed the key audit matter
As disclosed in Note 4 of the consolidated financial statements, AVL has net deferred tax assets (DTA) of $25.5m at 30 June 2020. 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. Because of the factors referred to above, we considered this to be a key audit matter in the current period.	As part of our audit, our work consisted of: ➢ 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.

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 2020 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.

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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.

- 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.

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- 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 the directors' report for the year ended 30 June 2020.

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

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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
26 August 2020

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 23 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
26th August 2020

CRAIG GARVIN
Chief Executive Officer
26th August 2020

2020 Financial Report

FOR THE FINANCIAL YEAR
ENDED 30 JUNE 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	NOTE	2020 $'000	2019 $'000
Revenue	3	267,138	269,166
Cost of sales	3	(190,945)	(194,296)
Gross Profit		76,193	74,870
Fair value (loss) / gain on grapes picked		(1,794)	(5,450)
Other income	3	1,822	957
Distribution expenses		(13,838)	(14,338)
Sales and marketing expenses		(33,168)	(31,365)
Administration expenses		(10,016)	(8,368)
Finance costs	3	(3,682)	(4,059)
Profit before tax		15,517	12,247
Income tax expense	4	(4,564)	(4,124)
Net Profit for the year		10,953	8,123
Other comprehensive income / (loss), net of income tax:			
Items that may be subsequently classified to profit or loss:			
Change in fair value of hedging instruments		2,326	231
Exchange differences arising on translation of foreign operations		(27)	72
Other comprehensive profit / (loss) for the year, net of income tax		2,299	303
Total comprehensive income for the year		13,252	8,426
Earnings Per Share:			
Basic (cents per share)	5	3.9	2.9
Diluted (cents per share)	5	3.8	2.8

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 2020

	NOTE	2020 $'000	2019 $'000
Current Assets			
Cash and cash equivalents	6	7,656	8,057
Trade and other receivables	7	56,172	49,357
Inventories	8	149,917	156,346
Other financial assets	15	1,435	57
Total Current Assets		**215,180**	**213,817**
Non-Current Assets			
Inventories	8	32,944	34,268
Other financial assets	15	4,407	816
Property, plant and equipment	9	114,086	117,246
Goodwill and other intangible assets	10	50,734	50,485
Deferred tax assets	4	25,553	29,380
Right-of-use assets	14	51,480	-
Total Non-Current Assets		**279,204**	**232,195**
Total Assets		**494,384**	**446,012**
Current Liabilities			
Trade and other payables	12	50,551	59,353
Borrowings	14	-	470
Lease liabilities	14	6,928	-
Other financial liabilities	15	582	331
Provisions	13	5,960	5,933
Income received in advance		188	88
Total Current Liabilities		**64,209**	**66,175**
Non-Current Liabilities			
Borrowings	14	75,000	79,965
Lease liabilities	14	50,485	-
Other financial liabilities	15	476	321
Provisions	13	805	720
Total Non-Current Liabilities		**126,766**	**81,006**
Total Liabilities		**190,975**	**147,181**
Net Assets		**303,409**	**298,831**
Equity			
Capital and reserves			
Issued capital	16	465,490	465,490
Reserves	18	5,729	2,443
Accumulated losses		(167,810)	(169,102)
Total Equity		**303,409**	**298,831**

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 2020

	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 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 loss on interest rate swaps	-	-	(406)	-	-	(406)
Net gain on foreign exchange contracts	-	-	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
Balance at 1 July 2018	463,961	1,978	(208)	219	(173,057)	292,893
Profit for the period	-	-	-	-	8,123	8,123
Net (loss) on interest rate swaps	-	-	(645)	-	-	(645)
Net gain on foreign exchange hedges	-	-	975	-	-	975
Exchange differences arising on translation of foreign operations	-	-	-	103	-	103
Income tax relating to components of other comprehensive income	-	-	(99)	(31)	-	(130)
Total comprehensive income for the period	-	-	231	72	8,123	8,426
Share issues	1,543	-	-	-	-	1,543
Share issue costs	(21)	-	-	-	-	(21)
Tax consequences	7	-	-	-	-	7
Dividend paid	-	-	-	-	(4,168)	(4,168)
Recognition of share based payments	-	151	-	-	-	151
Balance at 30 June 2019	465,490	2,129	23	291	(169,102)	298,831

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 2020

	NOTE	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		279,846	283,647
Payments to suppliers and employees		(250,013)	(256,168)
Cash generated from operations		29,833	27,479
Interest paid (commercial bills)		(3,354)	(3,886)
Interest paid (resulting from leases under AASB 16)		(4,223)	-
Net cash provided by operating activities	6 (a)	22,256	23,593
Cash flows from investing activities			
Payments for property, plant and equipment		(10,218)	(16,177)
Proceeds from sale of property, plant & equipment		70	78
Net cash used in investing activities		(10,148)	(16,099)
Cash flows from financing activities			
Share issue costs		-	(21)
Dividends paid		(5,614)	(2,625)
Repayments of borrowings	6 (c)	(1,000)	(4,503)
Repayments of principal amounts of lease liabilities	6 (c)	(5,895)	-
Net cash used in financing activities		(12,509)	(7,149)
Net (decrease) / increase in cash and cash equivalents		(401)	345
Cash and cash equivalents at the beginning of the financial year		8,057	7,712
Cash and cash equivalents at the end of the financial year		7,656	8,057

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 26 August 2020. 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 23. 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 11)
- Recognition of income tax losses (note 4)
- Determining lease term of contracts with renewal options (note 14)

New and amended standards adopted by the Group

AASB 16 Leases

Overview

AASB 16 replaces the current standard on lease accounting, AASB 117 *Leases and AASB Interpretation 4 Determining Whether an Arrangement contains a Lease*. AASB 16 introduces a single lessee accounting model and requires the lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

Transition and initial impact

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. The Group applied AASB 16 to all leases except leases of intangible assets (water licenses). Right-of-use assets relating to vineyard leases are initially measured under Option 1, retrospectively as if AASB 16 had applied from the commencement of the lease. All other non-vineyard leases are initially measured under Option 2, equal to the lease liability at the date of adoption. Comparatives were not restated and the cumulative difference between the lease liability and Right-of-use assets for vineyard leases at adoption date is adjusted in opening retained earnings.

Note 1: About this report (Continued)

The Group applied the following practical expedients in the transition to AASB 16:

- single discount rate to a portfolio of leases which share similar characteristics
- use of hindsight to determine the lease term of vineyard leases
- exemptions for short-term leases and leases of low-value assets (see further details in accounting policy below)
- election not to separate non-lease components from lease components for vehicle leases
- election not to include the initial direct costs of vineyard leases, where the original contract commenced many years ago and it is not practical to source such information

The impact on the Group's consolidated statement of financial position (as at 1 July 2019) is as follows. The Group's right-of-use assets and lease liabilities at 1 July 2019 are comprised of the new balances brought on as a result of adopting AASB 16, and the existing finance lease liabilities and plant & equipment, which were previously already recorded on the balance sheet.

	Impact of adopting AASB 16 $'000	Existing finance leases $'000	TOTAL as at 1 July 2019 $'000
Right-of-use assets	44,402	4,859	49,261
Lease liabilities	(50,184)	(4,435)	(54,619)
Deferred tax asset	1,735		
Retained earnings	(4,047)		

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments of the Group disclosed in the 30 June 2019 financial statements as follows:

	$'000
Operating lease commitments at 30 June 2019	77,526
Impact of discounting using AVL's incremental borrowing rate	(24,437)
Leases of intangible assets that are not recognised as lease liabilities under AASB 16	(2,840)
Short term leases (<12 months) not recognised as a lease liability under AASB 16	(65)
Additional lease liabilities recognised on adoption of AASB 16 at 1 July 2019	**50,184**
Carrying value of existing finance leases at 30 June 2019	4,435
Balance of lease liabilities at 1 July 2019	**54,619**

Amounts recognised in balance sheet and profit and loss for the year ended 30 June 2020

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year ended 30 June 2020.

	Right-of-use assets					Lease liabilities
	Vineyards	Property	Equipment^	Vehicles	TOTAL	
($'000)						
As at 1 July 2019	38,376	4,404	5,537	944	**49,261**	54,619
Additions and modifications	5,614	1,694	1,006	363	**8,677**	8,694
Amortisation expense	(3,762)	(1,485)	(698)	(513)	**(6,458)**	-
Interest expense						4,223
Lease payments						(10,123)
As at 30 June 2020	**40,228**	**4,613**	**5,845**	**794**	**51,480**	**57,413**

^ ***note:*** *the equipment class includes leases previously accounted for as finance leases under AASB 117*

New accounting policies

Set out in note 14 are the new accounting policies of the Group upon adoption of AASB 16. The accounting policies are applicable to the Group as a lessee. The Group does not currently have any significant contracts acting as a lessor.

Note 2: Segment information

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.

- Australasia / North America packaged: supplies packaged wine within Australia, New Zealand, Asia and North America through retail and wholesale channels.
- UK / Europe: supplies packaged and bulk wine in the United Kingdom and Europe through retail and distributor channels.
- Cellar door: supplies wine direct to the consumer through regional outlets and internet based sales.
- 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 2020 $'000	Revenue 2019 $'000	Profit before tax 2020 $'000	Profit before tax 2019 $'000
Australasia / North America packaged	102,759	105,870	5,531	7,905
UK / Europe	128,730	121,180	11,574	10,919
Cellar door	7,947	9,441	244	991
Australasia / North America bulk wine and processing	25,138	27,644	2,431	1,307
Vineyards	2,564	5,031	(1,822)	(4,841)
Total	267,138	269,166	17,958	16,281

Unallocated corporate amounts

Other income (dividend income and fair value changes corporate investments)	1,241	-
Interest expense (excluding amounts under AASB 16)	(3,059)	(3,774)
Interest expense (resulting from leases under AASB 16) ^	(388)	-
Interest expense (existing finance leases)	(235)	(260)
Profit before tax	15,517	12,247

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

Note 2: Segment information (Continued)

Geographical breakdown of revenues

Segments	Australasia / North America packaged	UK / Europe	Cellar door	Australasia / North America bulk wine and processing	Vineyards	TOTAL
	For the twelve months ended 30 June 2020					
	$'000	$'000		$'000	$'000	$'000
Type of goods or service						
Sale of goods	102,759	128,730	7,947	21,001	1,323	261,760
Contract processing	-	-	-	4,137	-	4,137
Rendering of vineyard services	-	-	-	-	1,241	1,241
	102,759	**128,730**	**7,947**	**25,138**	**2,564**	**267,138**
Geographical breakdown						
Australia	82,405	-	7,947	15,294	2,564	**108,210**
UK / Europe	-	128,730	-	-	-	**128,730**
Asia	8,585	-	-	3,506	-	**12,091**
North America	6,474	-	-	5,230	-	**11,704**
Other	5,295	-	-	1,108	-	**6,403**
	102,759	**128,730**	**7,947**	**25,138**	**2,564**	**267,138**

Segments	Australasia / North America packaged	UK / Europe	Cellar door	Australasia / North America bulk wine and processing	Vineyards	TOTAL
	For the twelve months ended 30 June 2019					
	$'000	$'000		$'000	$'000	$'000
Type of goods or service						
Sale of goods	105,870	121,180	9,441	25,438	736	262,665
Contract processing	-	-	-	2,206	-	2,206
Rendering of vineyard services	-	-	-	-	4,295	4,295
	105,870	**121,180**	**9,441**	**27,644**	**5,031**	**269,166**
Geographical breakdown						
Australia	78,107	-	9,441	12,666	5,031	**105,245**
UK / Europe	-	121,180	-	-	-	**121,180**
Asia	14,225	-	-	5,820	-	**20,045**
North America	7,916	-	-	8,149	-	**16,065**
Other	5,622	-	-	1,009	-	**6,631**
	105,870	**121,180**	**9,441**	**27,644**	**5,031**	**269,166**

The Group has two major customers (2019: two) who individually account for greater than 10% of annual sales, one each within the Australasia / North America packaged and the UK / Europe segments. The total sales for these customers in 2020 is $83.6 million (2019: $79.8 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.

		2020 $'000	2019 $'000
(a)	Revenue from contracts with customers		
	Sale of goods	261,760	262,665
	Contract processing	4,137	2,206
	Rendering contract vineyard services	1,241	4,295
		267,138	269,166
(b)	Cost of goods sold		
	Cost of goods sold	190,945	194,735
	Amounts related to prior year SGARA change	-	(439)
		190,945	194,296
(c)	Other income		
	Dividend income from investments held at fair value through profit or loss	711	-
	Gain on changes in fair value of investments held at fair value through profit or loss	530	-
	Wine equalisation tax rebate	350	350
	(Loss) / Gain on unrealised foreign exchange	(153)	157
	Other rebates and grants	201	150
	Rental income	68	78
	Gain on disposal of property, plant and equipment	50	34
	Interest income	26	25
	Other	39	163
		1,822	957
(d)	Disclosure of specific expenses		
	Employee benefits expense	42,979	38,973
	Superannuation expense	3,064	2,867
	Operating lease rental expense	-	8,168
	Depreciation and amortisation (excluding amortisation as a result of AASB 16)	8,144	7,914
	Restructuring and onerous contract costs	825	-

Note 3: Revenue and expenses (continued)

(e) 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.

	2020 $'000	2019 $'000
Interest expense (commercial bills)	3,038	3,766
Interest expense (resulting from leases under AASB 16) ^	623	-
Interest on obligations under finance lease #	-	260
Unwinding of discounts	21	33
	3,682	4,059

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

note: 2019 comparatives relate to finance leases under AASB 117, which has been superseded by AASB 16 as of 1 July 2019

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 23.

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.

	2020 $'000	2019 $'000
(a) Income tax recognised in profit or loss		
Income tax comprises		
Current tax expense	-	-
Net deferred tax expense	4,576	4,094
(Over) / Under provision from prior year	(12)	30
	4,564	4,124

Note 4: Income taxes (continued)

		2020 $'000	2019 $'000
(b)	**Reconciliation of income tax expense to prima facie tax payable**		
	Accounting profit before tax	15,517	12,247
	Tax at the Australian Corporate tax rate of 30%	4,654	3,674
	Non-assessable dividend income from investments held at fair value through profit or loss	(209)	-
	Non-deductible expenses	91	73
	(Over) / Under provision from prior year	28	377
	Total tax expense / (benefit)	4,564	4,124

(c) Deferred tax assets and liabilities

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**

2019 composition and schedule movement	Opening Balance $'000	Charged to Income $'000	Charged to Equity $'000	Acquisitions/ Disposals $'000	Closing Balance $'000
Gross deferred tax liabilities:					
Inventories	(4,305)	452	-	-	(3,853)
Intangibles	(1,471)	(159)	-	-	(1,630)
Property, plant and equipment	(7,252)	(10)	-	-	(7,262)
Other	(25)	(1)	-	-	(26)
	(13,053)	**282**	**-**	**-**	**(12,771)**
Gross deferred tax assets:					
Inventories	694	1,237	-	-	1,931
Trade and other payables	1,343	(104)	-	-	1,239
Provisions	2,237	(57)	-	-	2,180
Tax losses	41,674	(5,368)	-	-	36,306
Other	702	(84)	(123)	-	495
	46,650	(4,376)	(123)	-	42,151
Net deferred tax asset	**33,597**	**(4,094)**	**(123)**	**-**	**29,380**

There are no unrecognised revenue tax losses relating to the Group. The Group has not recognised $1,666,402 (2019: $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.

	2020	2019
Weighted average number of ordinary shares ('000) used in calculating basic earnings per share	280,708	279,670
Weighted average number of ordinary shares ('000) used in calculating diluted earnings per share	287,958	289,982

	2020 $'000	2019 $'000
Profit / (Loss) for the year	10,953	8,123
Basic earnings per share (cents per share)	3.9	2.9
Diluted earnings per share (cents per share)	3.8	2.8

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

	2020 $'000	2019 $'000
Profit from ordinary activities after income tax	10,953	8,123
Depreciation and amortisation of non-current assets (inc. amortisation of AASB 16 ROU assets)	14,602	7,914
Gain on changes in fair value of investments held at fair value through profit or loss	(530)	-
Gain on sale of non-current assets	(50)	(34)
Share based payments	1,019	151
Net cash provided by operating activities before net changes in assets and liabilities	**25,994**	**16,154**
Changes in assets and liabilities, net of effects from acquisition and disposal of businesses		
(Increase) in trade and other receivables	(6,815)	(1,811)
Decrease in inventories	7,753	1,432
Decrease deferred tax assets	3,827	4,217
(Decrease) / increase in trade and other payables	(8,802)	3,830
Increase in provisions and other liabilities	618	319
Other	(319)	(548)
Net cash provided by operating activities	**22,256**	**23,593**

(b) Net debt reconciliation

Cash and cash equivalents	7,656	8,057
Borrowings (current)	-	(470)
Borrowings (non-current)	(75,000)	(79,965)
Net debt	**(67,344)**	**(72,378)**

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

	Lease liabilities $'000	Borrowings $'000	Total $'000
Balances at 30 June 2018	(4,938)	(80,000)	(84,938)
Financing cash flows	503	4,000	4,503
Non-cash movements	-	-	-
Balances at 30 June 2019	(4,435)	(76,000)	(80,435)
Adjustment on adoption of AASB 16	(50,184)	-	(50,184)
Financing cash flows			
Repayment of principal	5,895	1,000	6,895
Non-cash changes			
Additions to lease liabilities	(8,694)	-	(8,694)
Other adjustments	5	-	5
Balances at 30 June 2020	(57,413)	(75,000)	(132,413)

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 66 days (2019: 60 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 25.

	2020 $'000	2019 $'000
Trade receivables	51,905	44,638
Loss allowance	(390)	(144)
	51,515	44,494
Prepayments	3,436	4,056
Other receivables	1,221	807
	56,172	49,357

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 approximately 101k tonnes of grapes in the 2020 vintage year (2019: 83k).

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.

	2020 $'000	2019 $'000
Current		
Bulk wine	103,911	101,224
Bottled wine	39,868	42,827
Work in progress	780	7,363
Consumables and raw materials	5,358	4,932
	149,917	156,346
Non-current		
Bulk wine	30,851	31,780
Bottled wine	2,093	2,254
Consumables and raw materials	-	234
	32,944	34,268

The cost of inventory recognised as an expense in cost of sales during the year was $183 million (2019: $184 million).

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 5-33 years (straight line method)
- Plant and equipment under lease 5-15 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 11.

Accounting policy – finance leases (2019 – replaced by AASB 16 Leases for 2020)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

As at 30 June 2020 ($'000)

	Freehold land	*Vineyard improvements*	*Vines*	*Plant and equipment*	*Leased plant and equipment*	*Buildings*	*Work in progress*	*Total*
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	61,152	5,630	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	-	8,419	(1,039)	1,987	(11,138)	-
Depreciation	-	(900)	(770)	(5,971)	268	(553)	-	(7,926)
Carrying amount at 30 June 2020	**14,296**	**6,741**	**8,215**	**64,976**	**-**	**16,676**	**3,182**	**114,086**

As at 30 June 2019 ($'000)

	Freehold land	*Vineyard improvements*	*Vines*	*Plant and equipment*	*Leased plant and equipment*	*Buildings*	*Work in progress*	*Total*
At cost	12,876	16,279	29,704	124,296	6,340	21,782	7,651	218,928
Accumulated depreciation	-	(10,460)	(20,719)	(63,145)	(710)	(6,649)	-	(101,683)
Net book value	**12,876**	**5,819**	**8,985**	**61,151**	**5,630**	**15,133**	**7,651**	**117,245**
Reconciliations								
Carrying amount at 1 July 2019	12,868	5,082	9,590	51,178	5,854	14,095	10,428	109,095
Additions	-	132	-	4,942	-	461	10,405	15,940
Disposals	-	-	-	(44)	-	-	-	(44)
Transfers	8	1,360	223	10,515	-	1,076	(13,182)	-
Depreciation	-	(755)	(828)	(5,439)	(224)	(499)	-	(7,745)
Carrying amount at 30 June 2019	**12,876**	**5,819**	**8,985**	**61,152**	**5,630**	**15,133**	**7,651**	**117,246**

Note 10: 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 10 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 11.

As at 30 June 2020 ($'000)

	Goodwill	*Water licenses*	*Brand names*	*Software*	*Work in progress*	*Total*
At cost	44,085	7,554	4,828	4,099	355	60,921
Accumulated impairment losses	(6,400)	-	-	-	-	(6,400)
Accumulated amortization	-	-	-	(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**

As at 30 June 2019 ($'000)

	Goodwill	*Water licenses*	*Brand names*	*Software*	*Work in progress*	*Total*
At cost	44,085	7,554	4,828	3,875	354	60,696
Accumulated impairment losses	(6,400)	-	-	-	-	(6,400)
Accumulated amortisation	-	-	-	(3,811)	-	(3,811)
Net book value	**37,685**	**7,554**	**4,828**	**64**	**354**	**50,485**
Reconciliations						
Carrying amount at 1 July 2019	37,685	7,554	4,828	233	118	50,418
Additions	-	-	-	-	236	236
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Amortisation	-	-	-	(169)	-	(169)
Carrying amount at 30 June 2019	**37,685**	**7,554**	**4,828**	**64**	**354**	**50,485**

Note 11: 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 it's fair value less costs of disposal and it's 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]	
	2020 %	2019 %	2020 %	2019 %
Overall AVL Group[2]	2.5	2.5	11.8	11.6
Nepenthe brand name CGU	2.5	2.5	14.0	14.3
All other CGUs	2.5	2.5	13.1	11.6

(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.

Discount rates for certain CGUs noted above have increased from last year to reflect the individual risks associated with the stand alone businesses, compared to the overall Group which is diversified in business operations and geography. The recoverable amount 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 1%)
- Merbein packaging CGU (increase in pre-tax discount rate of 0.7%)
- Simeon bulk wine CGU (increase in pre-tax discount rate 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 2.5% with there still being material headroom in the model.

Note 12: 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 42 days (2019: 45 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.

	2020 $'000	2019 $'000
Trade payables	33,483	41,417
Other payables	17,068	17,936
	50,551	59,353

Note 13: 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.

Current	2020 $'000	2019 $'000
Employee benefits	5,660	5,707
Onerous contracts	300	226
	5,960	5,933
Non-current		
Employee benefits	805	720
	805	720

Note 14: Borrowings and leases

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.

Accounting policy – leases (2019 – replaced by AASB 16 Leases for 2020)

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in current and non-current Borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

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

Note: from 1 July 2019 the Group has adopted AASB 16 Leases, which replaces the accounting policy for leases detailed above. See the section that follows for the Group's new accounting policies and balances relating to leases.

Current	2020 $'000	2019 $'000
Finance lease liability (under AASB 117)	-	470
	-	470
Non-current		
Finance lease liability (under AASB 117)	-	3,965
Bank loan - commercial bills	75,000	76,000
	75,000	79,965

Note 14: Borrowings and leases (continued)

Undrawn facilities available to the Group

Details of undrawn debt facilities with National Australia Bank are listed in Financial Risk Management, note 25.

Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the 2020 and 2019 reporting periods.

Assets pledged as security

100% of the Group's inventory, trade receivables and property, plant and equipment (2019: 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 2.5% (2019: 3.6%).

Finance lease commitments (2019 – replaced by AASB 16 from 1 July 2019)

The following sets out the commitments to future lease payments relating to finance leases, which are recognised as liabilities:

	2020 $'000	2019 $'000
Within one year	-	705
Later than one year but not later than five years	-	2,820
Later than five years	-	1,802
Minimum lease payments	-	5,327
Future interest charge	-	(892)
	-	4,435

Operating lease commitments (2019 – replaced by AASB 16 Leases for 2020)

The following sets out the commitments to future lease payments relating to operating leases, which are not recognised as liabilities:

	2020 $'000	2019 $'000
Minimum lease payments		
- not longer than 1 year	-	9,489
- longer than 1 year and not longer than 5 years	-	29,261
- longer than 5 years	-	38,776
	-	77,526

Capital expenditure commitments

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

	2020 $'000	2019 $'000
Property, Plant and Equipment – no longer than 1 year	225	2,504
	225	2,504

Accounting policy – leases (2020 – replaces AASB 117 from 1 July 2019)

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.

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. Right-of-use assets are subject to impairment assessments under AASB 136 *Impairment of Assets* (see note 11 for further details).

Lease liabilities

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. 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.

Note 14: Borrowings and leases (continued)

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.

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).

Below is a summary of the Group's lease liabilities and associated Right-of-use assets.

	2020 $'000	2019 $'000
Lease liabilities		
Vineyards	46,682	-
Property	4,762	-
Equipment	5,152	-
Vehicles	817	-
	57,413	-
Right-of-use assets		
Vineyards	40,228	-
Property	4,613	-
Equipment	5,845	-
Vehicles	794	-
	51,480	-

See note 1 for a reconciliation of the movements in lease liabilities and Right-of-use assets from 1 July to 30 June 2020 and the amounts charged to profit or loss in this period.

Note 15: Other financial assets and liabilities

	2020 $'000	2019 $'000
Current assets		
Derivative financial instruments – foreign currency forward contracts	1,435	57
	1,435	57
Non-current assets		
Investments held at fair value through profit and loss	708	178
Loan receivable	640	-
Prepaid borrowing costs	66	35
Derivative financial instruments – foreign currency forward contracts	2,993	603
	4,407	816
Current liabilities		
Derivative financial instruments – interest rate swaps	582	331
	582	331
Non-current liabilities		
Derivative financial instruments – interest rate swaps	476	321
	476	321

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 25.

Note 16: 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

	2020		2019	
	$'000	Number	$'000	Number
Fully paid ordinary share capital				
Beginning of financial year	465,490	280,708,071	463,961	277,838,771
Dividend reinvestment plan	-	-	1,543	2,869,300
Share issue costs	-	-	(21)	-
Tax consequences of share issue costs	-	-	7	-
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 17: Dividends

	2020		2019	
	Cents per share	Total $'000	Cents per share	Total $'000
2019 final dividend (2019: 2018 final dividend) – 100% franked at a tax rate of 30%	2.0	5,614	1.5	4,168
		5,614		4,168
Adjusted franking account balance		2,055		4,458

In respect of the financial year ended 30 June 2020, a 63% franked dividend (at a tax rate of 30%) of 2.7 cents per share will be paid on 6 November 2020.

Note 18: Reserves

	2020 $'000	2019 $'000
Employee equity-settled benefits (i)	3,116	2,129
Hedging reserve (ii)	2,349	23
Foreign currency translation reserve (iii)	264	291
	5,729	2,443

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 20.

(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 hedge 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 19: Key management personnel compensation

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

	2020 $	2019 $
Short-term employee benefits	3,885,423	3,068,680
Post-employment benefits	214,779	129,676
Share based payments	792,252	109,482
Termination benefits	1,249,220	-
	6,141,674	3,307,838

Note 20: 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.

<u>From the 1st July 2019 – Deferred Equity Incentive</u>

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 ROCE is 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 2,268,455 rights issued in the current year under this plan to employees (2019: 1,651,336. In FY19, the required ROCE target was not met and the 1,651,366 Rights were cancelled.

<u>Prior to 30th June 2019 - Performance Rights and Option Plan</u>

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 (2019: Nil). These rights and options were priced using a binominal option pricing model.

The table below summarises all rights and options on issue:

	2020 NUMBER	2019 NUMBER
Balance at the beginning of the financial year (i)	9,663,000	11,193,000
Granted during the financial year (ii)	2,268,455	1,651,336
Exercised during the financial year	(240,000)	-
Lapsed/cancelled during the financial year (iii)	(4,757,800)	(3,181,336)
Balance at the end of the financial year (iv)	6,933,655	9,663,000

(i) Balance at the Beginning of the Financial Year

2020	No.	Vested No.	Unvested No.	Grant Date	Vesting Date	Expiry Date	Exercise Price $
Options issued 17 November 15	1,200,000	800,000	400,000	17/11/15	31/08/18	01/11/20	0.376
Options issued 4 December 15	1,095,000	730,000	365,000	04/12/15	31/08/18	01/11/20	0.376
Options issued 23 November 16	2,000,000	-	2,000,000	23/11/16	31/08/19	01/11/21	0.528
Options issued 19 December 16	1,568,000	-	1,568,000	19/12/16	31/08/19	01/11/21	0.528
Options issued 20 November 17	1,300,000	-	1,300,000	20/11/17	31/08/20	01/11/22	0.4387
Options issued 20 December 17	2,500,000	-	2,500,000	20/12/17	31/08/20	01/11/22	0.4387
	9,663,000	1,530,000	8,133,000				

(ii) Granted during the Financial Year

2020	No.	Vested No.	Unvested No.	Grant Date	Vesting Date	Expiry Date	Exercise Price $
Rights issued 7 January 20	2,268,455	-	2,268,455	07/01/20	30/06/20	31/10/20	Nil
	2,268,455	-	2,268,455				

The weighted average fair value of the rights granted during the financial year is $0.462 (2019 issued options: $0.465). Rights issued during the year were priced using a binomial option pricing model.

Note 20: Executive performance rights and share option plan (continued)

Rights grant date	No.	Grant date Share Price	Exercise Price	Expected Volatility	Option Life (days)	Dividend Yield	Risk-free Interest Rate
Rights issued 7 January 20	2,268,455	0.52	Nil	22.1%	174	3.85%	1.50%

(iii) Lapsed/cancelled during the Financial Year

2020	No.	Vested No.	Unvested No.	Grant Date	Vesting Date	Expiry Date	Exercise Price $
Options issued 23 November 16	1,400,000	-	1,400,000	23/11/16	31/08/19	01/11/21	0.528
Options issued 19 December 16	1,182,800	-	1,182,800	19/12/16	31/08/19	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	1,525,000	-	1,525,000	20/12/17	31/08/20	01/11/22	0.4387
	4,757,800	-	4,757,800				

(iv) Exercised during the Financial Year

2020	No.	Vested No.	Unvested No.	Grant Date	Vesting Date	Expiry Date	Exercise Price $
Options issued 4 December 15	240,000	240,000	-	04/12/15	31/08/18	18/11/19	0.376

(v) Balance at End of Financial Year

2020	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				

Note 21: Remuneration of auditors

	2020 $	2019 $
Auditor of the parent company		
Audit or review of financial report	355,000	408,600
Other services		
Assurance related	-	61,901
Taxation compliance	-	59,451
Assurance related (required by regulators)	-	-
	355,000	529,952

The auditor of Australian Vintage Ltd is Ernst & Young (2019: Deloitte Touche Tohmatsu).

Note 22: Contingent liabilities

	2020 $'000	2019 $'000
Bank guarantees	1,870	1,446

Note 23: Subsidiaries

NAME OF ENTITY	COUNTRY OF INCORPORATION	OWNERSHIP OF INTEREST 2020 %	2019 %
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 (Europe) Limited [2]	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.

(2) Effective 4 August 2020 Australian Vintage (Europe) Limited changed its registered name to Australian Vintage (UK) Ltd.

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

	2020 $'000	2019 $'000
Current Assets	215,140	213,768
Non-Current Assets	279,204	232,195
Total Assets	**494,344**	**445,963**
Current Liabilities	64,210	66,166
Non-Current Liabilities	126,766	81,006
Total Liabilities	**190,976**	**147,172**
Net Assets	**303,368**	**298,791**
Equity	**303,368**	**298,791**

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 24: 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 23 to the financial statements.

Key management personnel remuneration

Details of key management personnel compensation are disclosed in note 19 to the financial statements.

Other transactions with related parties

(i) During the year the Group entered into the following transactions with Woodnibs Pty Ltd and HVV Management Pty Ltd (entities associated with Neil McGuigan):

  (a) The Group charged rent to the value of $9,181 (2019: $9,063) on normal commercial terms.

  (b) The Group performed contract processing services for and sold concentrate to the value of $34,436 (2019: $3,212) on normal commercial terms.

(ii) During the year the Group sold packaged wine to Vintage China (entity associated with Jiang Yuan) to the value of $200,169 on normal commercial terms (2019: $670,942)

Note 25: 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.

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.

Note 25: Financial risk management (continued)

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

Financial assets	2020 $'000	2019 $'000
Financial assets at amortised cost		
Trade and other receivables	52,736	45,301
Loan receivable	640	-
Cash and cash equivalents	7,656	8,057
Derivative financial instruments		
Foreign currency forward contracts	4,428	660
Investments held at fair value through profit and loss ('FVPL')	708	178
Total	66,168	54,196

Financial liabilities	2020 $'000	2019 $'000
Liabilities at amortised cost		
Trade and other payables	50,551	59,353
Lease liabilities	57,413	
Borrowings	75,000	80,435
Derivative financial instruments		
Interest rate swaps	1,058	652
Total	184,022	140,440

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.

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.

(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.

Note 25: Financial risk management (continued)

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:

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

2019 (AUD $'000)	USD	GBP	EUR	CAD	Total
Cash	62	5,550	29	188	5,829
Trade receivables	213	10,751	869	2,111	13,944
Trade payables	(760)	(8,250)	(20)	-	(9,030)
Foreign currency forwards (buy foreign currency – cash flow hedges)	-	816	104	(260)	660

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:

	2020 (AUD $'000 – unless stated otherwise)	2019 (AUD $'000 – unless stated otherwise)
Type of hedge	Cash flow hedge	Cash flow hedge
Carrying amount of asset / (liability)	4,428	660
Notional amount (GBP)	40,350	28,250
Notional amount (EUR)	7,935	8,670
Notional amount (CAD)	7,370	11,850
Maturity date	Jul'20 – Feb '23	Jul '19 – May '22
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 July	3,768	1,145
Change in value of hedged item used to determine hedge effectiveness	(3,768)	(1,145)
Weighted average hedged rate for the year (GBP)	GBP 0.52: AUD 1	GBP 0.54: AUD 1
Weighted average hedged rate for the year (EUR)	EUR 0.58: AUD 1	EUR 0.60: AUD 1
Weighted average hedged rate for the year (CAD)	CAD 0.94: AUD 1	CAD 0.94: AUD 1

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.

2020 (AUD $'000)	USD	GBP	EUR	CAD
Impact on profit (pre-tax)				
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)
Impact on cash flow hedge reserve				
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 25: Financial risk management (continued)

2019 (AUD $'000)	USD	GBP	EUR	CAD
Impact on profit (pre-tax)				
AUD strengthened by 10% against each referenced currency	(70)	(3,304)	(388)	(371)
AUD weakened by 10% against each referenced currency	86	4,038	475	453
Impact on cash flow hedge reserve				
AUD strengthened by 10% against each referenced currency	-	(5,136)	(1,412)	(1,292)
AUD weakened by 10% against each referenced currency	-	5,136	1,412	1,292

(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 53% (2019 – 66%) of the variable loan principal outstanding. The fixed interest rates of the swaps range between 1.26% and 2.08% (2019 – 2.04% 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:

	2020 (AUD $'000)	2019 (AUD $'000)
Type of hedge	Cash flow hedge	Cash flow hedge
Carrying amount of asset (liability)	(1,058)	(652)
Notional amount	40,000	50,000
Maturity date	Jul '20 – Aug '22	Jul '19 – Feb '22
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 July	(406)	(652)
Change in value of hedged item used to determine hedge effectiveness	406	652

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 $0.2m (2019: $0.1m).

(c) Credit risk

Description of risk

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

Management of risk

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

Note 25: Financial risk management (continued)

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.

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

	Expected loss rate %	2020 Gross carrying amount ($'000)	Provision ($'000)
Domestic	0.3	26,846	66
Export	0.9	18,430	159
Bulk	2.5	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.

	2020 $'000	2019 $'000
Movement in the allowance of doubtful debts		
Balance at the beginning of the year (2019: calculated under AASB 139)	(144)	(7)
Adjustment for recalculation of loss allowance on adopting AASB 9	-	(154)
Impairment recognised on receivables	(246)	-
Amounts written off as not collectable	-	17
Balance at the end of the year	(390)	(144)

(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.

	2020 $'000	2019 $'000
Total facilities		
Bank overdrafts	5,000	5,000
Bank facilities	102,935	102,935
	107,935	107,935
Used at 30 June		
Bank overdrafts	-	-
Bank facilities	80,942	82,162
	80,942	82,162
Unused at 30 June		
Bank overdrafts	5,000	5,000
Bank facilities	21,992	20,773
	26,992	25,773

Note 25: Financial risk management (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 22.

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)**

2019 ($'000)	Within 3 months	3-12 months	1-5 years	5 years +	Total	Carrying amount of (asset) / liability
Non-derivatives						
Trade and other payables	59,353	-	-	-	59,353	59,353
Bank facilities	494	1,482	78,860	-	80,836	76,000
Lease liabilities	235	529	4,563	-	5,327	4,435
Total non-derivatives	**60,082**	**2,011**	**83,423**	**-**	**145,516**	**139,788**
Derivatives						
Forward exchange contracts	49	(114)	(595)	-	(660)	(660)
Interest rate swaps	94	247	228	-	569	652
Total Derivatives	**143**	**133**	**(367)**	**-**	**(91)**	**(8)**

Note 26: Events after the reporting period

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

Note 27: 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 2020 financial year and other information regarding the parent entity.

Financial Position	2020 $'000	2019 $'000
Assets		
Current assets	220,057	210,445
Non-current assets	298,062	255,525
Total assets	518,119	465,970
Liabilities		
Current liabilities	105,608	61,879
Non-current liabilities	155,099	143,392
Total liabilities	260,707	205,271
Net Assets	257,412	260,699
Equity		
Issued Capital	465,490	465,490
Accumulated Losses	(230,327)	(229,365)
Profit reserve	16,884	22,498
Equity settled employee benefits	3,116	2,130
Hedging	2,349	23
Foreign currency translation	(100)	(77)
Total equity	257,412	260,699

Profit and loss	Year ended 30 June 2020 $'000	Year ended 30 June 2019 $'000
Profit / (Loss) for the year	3,085	22,498
Other comprehensive income/(Loss)	2,326	231
Total comprehensive income	5,411	22,729

The contingent liabilities and capital commitments of the parent entity are the same as those of the Group, which are detailed in note 22 and note 14, respectively. The parent entity has entered into a deed of cross guarantee with subsidiaries as indicated in note 23.

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

AUSTRALIAN VINTAGE LTD

ACN 052 179 932