AUSTRALIAN VINTAGE LTD
ACN 052 179 932

Appendix 4D
For the half-year ended 31 December 2023 (listing rule 4.2)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue and net profit **(All comparisons to half-year ended 31 December 2022)**		**Movement %**	**Amount** **$'000**
Total operating revenue	*Down*	*0.7%*	*136,140*
Underlying earnings before interest, tax, depreciation, amortisation and SGARA	*Up*	*27.1%*	*16,489*
Underlying net profit after tax, before SGARA	*Up*	*84.7%*	*4,186*
Underlying net profit	*Up*	*370.7%*	*4,186*
Net profit	*Down*	*78.4%*	*2,782*

Dividend information	**Date dividend paid / payable**	**Amount per security ¢**	**Amount franked at 30% tax rate**
Interim dividend – half-year ended 31 December 2023	n/a	nil	n/a
Final dividend – year ended 30 June 2023	n/a	nil	n/a
Interim dividend – half-year ended 31 December 2022	n/a	nil	n/a

	2023 **$**	**2022** **$**
Net tangible assets per security ^	0.92	0.97

*^ **note:** net tangible assets used in the net tangible assets per security calculation includes right-of-use assets and lease liabilities.*

Additional Appendix 4D disclosure requirements can be found in the Financial Report that follows which contains the Director's Report and the 31 December 2023 half-year Financial Statements and accompanying notes.

Directors' Report

The directors of Australian Vintage Ltd submit herewith the financial report of Australian Vintage Ltd and its subsidiaries for the half-year ended 31 December 2023.

The names of the directors of the company during or since the end of the half-year are:

Richard H. Davis
Craig Garvin
John D. Davies
Naseema Sparks
Peter Perrin

PRINCIPAL ACTIVITIES
The Group's principal activities in the course of the period were the production, marketing and sales of wine.

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS
Growth over the prior year consistent with AVG's strategic plan despite tough trading conditions.

Key financial highlights:

- Revenue in line with prior year at $136 million
- Margin and underlying earnings improvement in extremely challenging industry
- AVG continued to improve performance across all key markets
- Global leadership in no-and-low with Mid Strength launch UK
- Operating cash flow improvement over prior half
- B Corp certification achieved
- No interim dividend declared

AVG's result is in line with expectations. Given the trading environment, and the challenging industry conditions, the Company is very encouraged to have been able to maintain revenue in line with the prior year and improve earnings in contradiction to industry trends.

Margin and underlying earnings improvement has been achieved as indicated at the Annual General Meeting. Relentless focus on efficient brand investment, innovation and cost out measures have seen earnings and cash flow improvement. In all key markets inflation continued at around 6% in H1 with competitive aggression deflating overall shelf price. Underlying results of EBITDAS $16.5 million and EBITS $8.6 million, are over $3 million higher than the prior year, whilst NPATS of $4 million, is almost double the prior year. AVG has invested $2m in transformational costs, including consultancy fees, redundancies and full market review as announced last year. As cost reductions occur, there is confidence in future performance in an extremely challenging market.

Market share has been maintained, and improved, across key geographies. Whilst the cask and private label business is challenging, branded business is in growth. Emerging markets in Ireland and North America have grown, whilst maintaining revenue in Asia. There are some strong, and encouraging, signals that China will commence re-ordering in Q4 of the financial year with expected improved earnings from Asia in H2.

AVG are the global leaders in no-and-low with McGuigan Zero number 1 in the UK, Ireland, Australia and NZ. In APAC, sales have increased by +15% over the prior year. AVG's position is supported by world leading technology and customer facing innovation. Mid Strength has been launched on shelf in the UK with encouraging early signs of consumer pull through.

Operating cash flow and free cash flow, pre assets sales and dividends, have improved over the prior period. The Company remains focused on a number of actions to reduce net debt, with net debt at comfortable levels as more wine is processed in anticipation of higher F25 sales.

AVG is pleased to announce that B Corp certification has been achieved. B-Corp is the most comprehensive whole-of-business global standard encompassing governance, community, environment, employees and customers. Achieving this certification is a significant independent validation of high Environmental, Social and Governance (ESG) standards.

Finally, the announced strategic review has identified some real and achievable step-change opportunities.

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS (CONTINUED)

Profit result (underlying and reported basis)

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

	2023	2022
Reported revenue	**136,140**	**137,130**
Reported gross margin	**39,830**	**41,322**
Reported EBITDAS	*14,491*	*28,269*
Non-underlying items	1,998	(15,291)
Underlying EBITDAS	**16,489**	**12,978**
Depreciation and amortisation	(7,856)	(7,553)
Underlying EBITS	**8,633**	**5,425**
Finance costs	(2,652)	(2,330)
Underlying PBTS	**5,981**	**3,095**
Income tax expense (1)	(1,794)	(828)
Underlying NPATS	**4,187**	**2,266**
Underlying return on capital employed (2)	3.1%	3.9%
Net debt / underlying EBITDAS (post AASB 16 *Leases*)	2.3	1.4

(1) adjusted for the tax impact of non-underlying items
(2) rolling 12-month underlying EBITS divided by capital employed, where capital employed is defined as total assets less current liabilities

PERFORMANCE BY SEGMENT

UK, Europe and Americas
In the UK no-low leadership has been leveraged to successfully manage, and benefit from, the government's introduction of taxation by alcohol volume (Alcohol Duty Reform), Key price points have been protected, with new innovation launched ahead of the competition, including new brands Not Guilty (alcohol free) and McGuigan Mid (7% mid strength).

The innovation programme, including the successful launch of premium McGuigan Gold, has contributed significantly to an improvement in sales mix and gross margin year on year. In the latest Advantage Survey AVG is rated by customers as the No 1 UK supplier for Innovation, providing a foundation for further range additions in calendar year 2024.

In the 12 weeks leading up to Christmas, McGuigan was the number one still wine brand in UK grocery, according to Kantar, and is the number one alcohol free still wine brand. Relative market performance strengthened through H1 with a strong Christmas. Total market volumes remain negative, and the UK will continue to be a challenging volume market throughout 2024.

In Ireland, McGuigan remains the number one Australian wine brand by a clear margin, with sales growth of 11% over the last year.

In Canada a distribution deal has been agreed for the new Not Guilty brand, with confidence in upside opportunities in this important market.

Australia and New Zealand
There has been strong competition in Australia in all segments. Despite this competition AVG continued to deliver market share growth. In particular, Super Premium wines above $15 have grown by +11% YOY vs a total market decline of -1%. The portfolio strategy is evident with retail scan sales for Tempus Two +7%, Nepenthe +20% and Barossa Valley Wine Company +4% versus prior year.

Despite increased competition, the Company remains the leading no-and-low wine supplier in Australia, delivering +15% growth versus prior year.

New Zealand continues to be a key market for the Company. With +11% sales growth for the half, through the active execution of the pillar brand portfolio strategy and the recent introduction of Not Guilty, Mr Stubbs cocktails and Butchers Cellar.

Asia
Asia has been a challenging market for Australian wine exporters. Against this market context, AVG has grown branded sales by +15% over the prior year. The Company is focused on growing this important region with a focus on Taiwan, Hong Kong, Japan, Malaysia, Singapore and Thailand.

AVG is encouraged by the ongoing dialogue with China and the strong signals that re-ordering may commence in Q4 of this financial year presenting a positive growth opportunity for FY25. In conjunction with established partners, the reopening will deliver significant upside to the strategic plan.

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS (CONTINUED)

OTHER FINANCIAL PERFORMANCE

Total sales revenue of $136.1 million was in line with the prior year. Pillar brands were 79% of revenue, an increase of 2pp from the prior year. Over the last 5 years, in line with the strategic objective to grow margin, pillar brand revenue has increased by 4% per annum on a compound annual basis. Over that time, all of the key brands have grown, Tempus Two +12%, Nepenthe +15%, Barossa Valley Wine Company (BVWC) +20% and McGuigan +1%. Some new brands have also been added to the mix through innovation: Not Gulty, The Butcher's Cellar and Tempus One.

AVG's focus on cash flow has generated improvements in operational cash flow and free cash flow, pre assets sales and dividends. Net debt of $68 million was in line with expectations however there is a significant focus on reducing net debt, with net debt expected to be in the range of $43 - $50 million by the end of the financial year, subject to a normal vintage, FX, and agricultural risk, due to:

- Normal second half improvement in operating cashflow with the realisation of cash from Christmas sales;
- lower cash out through efficiencies and cost outs; and
- proposed sale of surplus assets.

In FY24 a further 15-20m litres will be processed to balance inventory in anticipation of higher FY25 sales, especially in the UK and Asia. On that basis targeted debt levels are well balanced.

The balance sheet is strong with gearing (net debt/ equity) at a comfortable 23% (vs 17% prior year), leverage (net debt/ net debt + equity) 19% (vs 14% prior year) and Net Tangible Assets per share of $0.92 (vs $0.90 prior year). Net debt/ underlying EBITDAS on a post lease (AASB16) basis is 2.3 times (vs 1.4 times prior year).

Underlying ROCE of 3.1% was an improvement on the FY23 result of 2.6%.

OUTLOOK

The fundamentals of AVG's business model are profitable and well placed for the future.

Continuing to invest in brands, innovation and people to premiumise the portfolio and improve mix to higher margin products, is driven by consumer needs.

Asia presents significant growth opportunity outside of China which is anticipated to show improved contribution in the FY24 numbers. AVG anticipates China opening in the next 3 months with the Company working closely with existing strong partnerships.

There is an ongoing focus on efficiencies and cost reductions to drive profit and reduce net debt. Action has been, and will continue to be, taken to offset persisting inflationary pressures through removing ~$9 million in annualised costs out of the business, net of inflation.

Emerging business in high value markets is important to strategic intent. The Middle East and India represent significant business opportunities for Australia with a strategic partner appointed to establish new business in both markets.

Through these actions, AVG expects underlying EBITDAS and NPATS to improve into FY24 from FY23 performance. Underlying EBITDAS is expected to be between FY23 and FY22. There is a continued focus on net bank debt reductions to be between $43 - $50 million. These outcomes are subject to a normal vintage, FX and other agricultural risk.

The ongoing Red Sea drone attacks, and recent DP World disputes, have created significant disruption to international shipping channels creating a potential earnings risk of $2 million to the full year result.

STRATEGIC REVIEW

AVG's previously announced strategic review has highlighted that the wine industry's external shocks have created a unique and challenging operating environment for participants in that industry. Active steps are being taken to enhance resilience and growth prospects. The strategic plan is working and the Company is confident in emerging from this period as a "reset" business with a stronger platform for sustainable growth and shareholder value creation.

Whilst the industry is challenged that is impacting overall profitability there are some real opportunities to create a more sustainable environment. Key to long term sustainability is:

- Efficient scale and cost structures
- Attractive brands and markets
- Strong customer, grower and supplier relationships
- Significant cost reduction through scale and synergy

The strategic review has examined a number of initiatives that were considered against the core "success" factors. AVG is in the process of executing the initiatives, where appropriate, however larger transformational opportunities, including potential mergers, are still in very early stages.

INDEPENDENCE DECLARATION BY AUDITOR

The auditor's independence declaration is included on page 6.

ROUNDING OFF OF AMOUNTS

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

Signed in accordance with a resolution of directors pursuant to section 306(3) of the Corporations Act 2001.

On behalf of the Directors

Richard Davis Chairman	Craig Garvin Chief Executive Officer

21 February 2024

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

As lead auditor for the review of the half-year financial report of Australian Vintage Limited for the half-year ended 31 December 2023, 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 review*;* and
b) No contraventions of any applicable code of professional conduct in relation to the review; and
c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Mark Phelps
Partner
Adelaide
21 February 2024

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Independent auditor's review report to the members of Australian Vintage Limited

Conclusion

We have reviewed the accompanying half-year financial report of Australian Vintage Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Mark Phelps
Partner
Adelaide
21 February 2024

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; and

(b) 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 a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors

Richard Davis Chairman	Craig Garvin Chief Executive Officer

21 February 2024

Consolidated statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2023

	NOTE	2023 $'000	2022 $'000
Revenue	2	136,140	137,130
Cost of sales		(96,394)	(97,105)
Gross Profit		39,746	40,025
Fair value (loss) on grapes		-	(5,447)
Other income	2	121	16,319
Distribution expenses		(8,764)	(9,624)
Sales expenses		(12,938)	(12,283)
Marketing expenses		(5,094)	(8,355)
Administration expenses		(6,436)	(5,346)
Finance costs		(2,652)	(2,350)
Profit before income tax		**3,983**	**12,939**
Income tax expense	7	(1,201)	(34)
Net Profit for the period		**2,782**	**12,905**
Other comprehensive loss, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of hedging instruments		2,285	(632)
Exchange differences arising on translation of foreign operations		13	5
Other comprehensive income / (loss) for the period, net of income tax		**2,298**	**(627)**
Total comprehensive income for the period		**5,080**	**12,278**
Earnings per share:			
Basic (cents per share)		1.1	5.1
Diluted (cents per share)		1.1	5.1

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

Consolidated statement of financial position

As at 31 December 2023

	NOTE	31/12/23 $'000	30/06/23 $'000
Current Assets			
Cash and cash equivalents		9,775	6,900
Trade and other receivables		61,507	43,385
Inventories		179,102	182,038
Total Current Assets		250,384	232,323
Non-Current Assets			
Inventories		31,441	35,110
Other financial assets	6	4,353	3,140
Property, plant and equipment		98,521	99,156
Goodwill and other intangible assets		45,343	44,917
Deferred tax assets		17,654	19,834
Right-of-use assets		47,822	45,797
Total Non-Current Assets		245,134	247,954
Total Assets		495,518	480,227
Current Liabilities			
Trade and other payables		39,873	50,462
Lease liabilities		8,535	7,085
Other financial liabilities	6	55	2,038
Provisions		5,663	6,322
Income received in advance		244	9
Total Current Liabilities		54,370	65,916
Non-Current Liabilities			
Borrowings		77,500	55,000
Lease liabilities		66,432	66,805
Other financial liabilities	6	-	728
Provisions		780	708
Total Non-Current Liabilities		144,712	123,241
Total Liabilities		199,082	189,157
Net Assets		296,436	291,120
Equity			
Issued capital		441,474	441,474
Reserves		2,034	(500)
Accumulated losses		(147,072)	(149,854)
Total Equity		296,436	291,120

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

Consolidated statement of changes in equity
For the half-year ended 31 December 2023

	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 2023	**441,474**	**1,047**	**(1,936)**	**389**	**(149,854)**	**291,120**
Profit for the period	-	-	-	-	2,782	2,782
Net gain on foreign exchange hedges	-	-	3,264	-	-	3,264
Exchange differences arising on translation of foreign operations	-	-	-	19	-	19
Income tax relating to components of other comprehensive income	-	-	(979)	(6)	-	(985)
Total comprehensive income for the period	**-**	**-**	**2,285**	**13**	**2,782**	**5,080**
Transactions with owners in their capacity as owners						
Purchase and issuance of treasury shares to employees	-	-	-	-	-	-
Dividend paid						
Recognition of share based payments	-	236	-	-	-	236
Balance at 31 December 2023	**441,474**	**1,283**	**349**	**402**	**(147,072)**	**296,436**

	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 2022	**441,474**	**954**	**2,419**	**280**	**(145,274)**	**299,853**
Profit for the period	-	-	-	-	12,905	12,905
Net gain on interest rate swaps	-	-	9	-	-	9
Net loss on foreign exchange hedges	-	-	(913)	-	-	(913)
Exchange differences arising on translation of foreign operations	-	-	-	8	-	8
Income tax relating to components of other comprehensive income	-	-	271	(2)	-	269
Total comprehensive income for the period	**-**	**-**	**(633)**	**6**	**12,905**	**12,278**
Transactions with owners in their capacity as owners						
Purchase and issuance of treasury shares to employees	-	(331)	-	-	-	(331)
Dividend paid	-	-	-	-	(8,590)	(8,590)
Recognition of share based payments	-	273	-	-	-	273
Balance at 31 December 2022	**441,474**	**896**	**1,786**	**286**	**(140,959)**	**303,483**

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

Consolidated statement of cash flows
For the half-year ended 31 December 2023

	Note	2023 $'000	2022 $'000
Cash Flows from Operating Activities			
Receipts from customers		124,422	132,757
Payments to suppliers and employees		(130,575)	(146,539)
Cash generated from operations		(6,153)	(13,782)
Interest paid (commercial bills)		(2,290)	(1,850)
Interest paid (resulting from leases under AASB 16)		(2,668)	(1,828)
Income tax paid		-	(1,090)
Net cash provided by operating activities		(11,111)	(18,550)
Cash Flows from Investing Activities			
Payments for property, plant and equipment and intangible assets		(4,218)	(6,308)
Payments for investments held at fair value through profit or loss		(300)	-
Proceeds from sale of property, plant and equipment		80	58,064
Net cash provided by / (used in) investing activities		(4,438)	51,756
Cash Flows from Financing Activities			
Dividends paid	4	-	(8,590)
Repayments of lease liabilities		(4,076)	(3,280)
Net proceeds from / (repayments of) borrowings		22,500	(17,500)
Net cash (used in) / provided by financing activities		18,424	(29,370)
Net increase in cash and cash equivalents		**2,875**	**3,836**
Cash and cash equivalents at the beginning of the period		**6,900**	**2,548**
Cash and cash equivalents at the end of the period		**9,775**	**6,384**

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

Notes to the financial statements
For the half-year ended 31 December 2023

Note 1: About this report

General information

Australian Vintage Ltd 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 interim condensed consolidated financial statements of Australian Vintage Ltd (the 'Company') and its subsidiaries (collectively, the 'Group') for the six months ended 31 December 2023 (herein referred to as the 'half-year financial report') were authorised for issue in accordance with a resolution of the directors on 21 February 2024.

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 general purpose half-year financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. The half-year financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial report for the year ended 30 June 2023.

Accounting policies, significant accounting estimates and judgements

The accounting policies, significant accounting estimates and judgements adopted in the preparation of the half-year financial report are consistent with those followed in the preparation of the Group's annual financial report for the year ended 30 June 2023, except where otherwise noted in the notes that follow for any updated or new accounting policies.

Accounting policy & significant accounting estimates and judgements - 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. The determination of fair value is a significant judgement. Where fair value is not reliable and unable to be determined, grapes are measured at cost as provided for under AASB 141 *Agriculture*.

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.

Note 2: Revenue and expenses

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

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

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

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

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

	2023 $'000	2022 $'000
(a) Revenue from contracts with customers		
Sales of wine	133,804	136,461
Other	2,336	669
	136,140	**137,130**

Notes to the financial statements
For the half-year ended 31 December 2023

Note 2: Revenue and expenses (continued)

(b)	**Other income**		
	(Loss) on unrealised foreign exchange	(590)	(124)
	Gain on changes in fair value of investments held at fair value through profit and loss	248	-
	Wine equalisation tax rebate	175	175
	Other rebates and grants	129	53
	Gain on disposal of property, plant and equipment	70	64
	Interest income	43	19
	Dividend income from investments held at fair value through profit and loss	14	13
	Rental income	2	35
	Other gain / (loss)	30	(59)
	Gain on sale and leaseback of vineyard assets *(see note 7)*	-	16,143
		121	**16,319**
(c)	**Specific expenses**		
	Depreciation and amortisation	7,856	7,553

Note 3: 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').

- Australia / New Zealand: engaged in the manufacturing, sales and marketing of wine in Australia, New Zealand and the Pacific through wholesale and retail channels.
- UK, Europe & Americas: engaged in the packaging, sales and marketing of wine in the United Kingdom, Europe & the Americas through wholesale, distributor and retail channels.
- Asia: engaged in the sales and marketing of wine in Asia through wholesale channels.

The following table presents revenue and profit information for the Group's operating segments for the six months ended 31 December 2023 and 2022, respectively:

	Revenue		**Profit before tax**	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Australia / New Zealand	64,015	63,171	4,081	4,394
UK, Europe & Americas	68,332	70,181	2,254	22
Asia	3,793	3,778	38	163
Total	**136,140**	**137,130**	**6,373**	**4,579**
Unallocated corporate expenses				
Dividend income and fair value adjustment to investments			262	13
Net interest expense (commercial bills)			(2,516)	(2,153)
Interest expense (AASB 16) ^			(136)	(196)
Gain on sale and leaseback of vineyard assets			-	16,143
Fair value adjustment to grapes due to floods			-	(5,447)
Profit before tax			**3,983**	**12,939**

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

Notes to the financial statements
For the half-year ended 31 December 2023

Note 3: Segment information (continued)

Set out below is the disaggregation of the Group's revenue from contracts with customers:

For the six months ended 31 December 2023

Segments	Australia / New Zealand	UK, Europe & Americas	Asia	TOTAL
	$'000	$'000	$'000	$'000
Type of goods or service				
Sales of wine	61,679	68,332	3,793	133,804
Other	2,336	-	-	2,336
	64,015	68,332	3,793	136,140
Geographical breakdown				
Australia	53,215	-	-	53,215
UK / Europe	-	64,211	-	64,211
New Zealand	3,277	-	-	3,277
Asia	5,588	-	3,793	9,381
North America	1,460	4,104	-	5,564
Other	475	17	-	492
	64,015	68,332	3,793	136,140

For the six months ended 31 December 2022

Segments	Australia / New Zealand	UK, Europe & Americas	Asia	TOTAL
	$'000	$'000	$'000	$'000
Type of goods or service				
Sales of wine	62,502	70,181	3,778	136,461
Other	669	-	-	669
	63,171	70,181	3,778	137,130
Geographical breakdown				
Australia	51,667	-	-	51,667
UK / Europe	-	66,045	-	66,045
New Zealand	2,963	-	-	2,963
Asia	5,712	-	3,778	9,490
North America	2,430	4,136	-	6,566
Other	399	-	-	399
	63,171	70,181	3,778	137,130

Notes to the financial statements
For the half-year ended 31 December 2023

Note 4: Dividends

	2023		2022	
	Cents per share	Total $'000	Cents per share	Total $'000
2023 final dividend – n/a (2022: 2022 final dividend – 60% franked at a tax rate of 30%)	n/a	n/a	3.4	8,590

No dividend was declared in respect of the half-year ended 31 December 2023 (2022: nil).

Note 5: Impairment testing

Accounting policy - impairment testing
The Group tests for impairment by determining the recoverable amount of each cash generating unit ('CGU') and compares this to its carrying value. A CGU is the smallest identifiable group of assets that generate independent cashflows. As at 31 December 2023, the recoverable amounts of CGUs exceeded their carryings values and as a result no impairment has been recognised (as at 30 June 2023: nil).

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

- *AVL's 5-year plan:* cashflow forecasts are based on AVL's board approved 5-year plan, which takes into account current and future estimated economic conditions. In 2023, the Group's 5-year plan addresses industry challenges such as the downturn in export volumes, higher inflation and higher global freight costs with a focus on continued innovation in the no-and-low category, premiumisation of pillar brands and increased contribution from the sales of concentrates and ingredients.
- *Discount rate (pre-tax weighted average cost of capital):* 13.2% (as at 30 June 2023: 13.2%)
- *Terminal growth rate*: 2.5% (as at 30 June 2023: 2.5%)

Sensitivity analysis
Changes to key assumptions in the VIU calculations may result in the recoverable amount of the ANZ CGU being lower than its carrying value. The following changes in key assumptions would result in the headroom for the ANZ CGU being reduced to nil.

- Reduction in earnings before income tax of 20% in each of the 5 forecast years and the terminal year; or
- Increase in discount rate (pre-tax weighted average cost of capital) by 2.9%; or
- Terminal growth rate of nil.

Notes to the financial statements
For the half-year ended 31 December 2023

Note 6: Other financial assets and liabilities

	31/12/23 $'000	30/06/23 $'000
Non-current assets		
Investments held at fair value through profit and loss	3,125	2,577
Derivative financial instruments – foreign currency forward contracts	553	-
Loan receivable	477	472
Security deposits	40	40
Prepaid borrowing costs	158	51
	4,353	**3,140**
Current liabilities		
Derivative financial instruments – foreign currency forward contracts	55	2,038
	55	**2,038**
Non-current liabilities		
Derivative financial instruments – foreign currency forward contracts	-	728
	-	**728**

Derivative financial instruments are the Group's only significant financial assets and liabilities that are measured at fair value. Details on the methods used to value the Group's derivative financial instruments are noted below.

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 forward curves. Credit risk on these contracts is considered in the valuation and is generally not material. In the fair value hierarchy referred to in AASB 13, 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 forward curves. Credit risk on these contracts is considered in the valuation and is generally not material. In the fair value hierarchy referred to in AASB 13, these are Level 2 valuations.

Notes to the financial statements
For the half-year ended 31 December 2023

Note 7: Income taxes

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

Deferred tax liabilities are recognised for taxable temporary differences. Deferred income tax assets are recognised for deductible temporary Differences, to the extent it is probable there will be sufficient future profits in the Group to utilise them against. Deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the way the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

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

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

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

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

	2023 $'000	2022 $'000
Reconciliation of income tax expense to prima facie tax payable		
Accounting profit before tax	3,983	12,939
Tax at the Australian Corporate tax rate of 30%	1,195	3,882
Previously unrecognised capital losses now recouped	-	(3,704)
Over provision from prior year	(7)	(168)
Other	13	24
Total tax expense	1,201	34

Note 8: Other

Contingent liabilities

	31/12/23 $'000	30/06/23 $'000
Bank guarantees	5,879	3,682

Events after the reporting period
There have been no matters or circumstances, other than those referred to in the half-year report or notes thereto, that have arisen since 31 December 2023, 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.