UNITED MALT

APPENDIX 4D- Preliminary Final Report
Under ASX Listing Rule 4.3A

Current Reporting Period	1 October 2022 to 31 March 2023
Prior Corresponding Period	1 October 2021 to 31 March 2022

RESULTS FOR ANNOUNCEMENT TO THE MARKET

To be read in conjunction with the HY23 Financial Report.

Key information

	% change		$M (AUD)
Revenue from ordinary activities	16%	to	756.6
Net loss after tax attributable to members for United Malt Group Limited	(330%)	to	(13.8)
Earnings before depreciation, amortisation, interest, and tax	(17%)	to	38.3
Basic loss per share (cents per share)	(330%)	to	(4.6)

Details relating to dividends

	Record Date	Payment Date	Cents per share	$M (AUD)	Franked %	Conduit foreign income %
FY22 Final dividend per share	N/A	N/A	Nil	Nil	N/A	N/A
HY23 Interim dividend per share	N/A	N/A	Nil	Nil	N/A	N/A

Net tangible assets per share

	31 March 2023	30 September 2022
Net tangible assets per share	$2.65	$2.70

Additional information

Additional Appendix 4D disclosure requirements can be found in the Financial Report for the half-year ending 31 March 2023 and accompanying Investor Presentation. This report is based on the consolidated financial statements and notes which have been reviewed by PricewaterhouseCoopers.

Further information regarding the company and its business activities can be obtained by visiting the Company's website at www.unitedmalt.com

UNITED MALT

Financial Report

For the half-year ended
31 March 2023

HYFR 23

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Directors' Report

Directors

The Directors present their report on the consolidated entity (collectively the 'Group') consisting of United Malt Group Limited ('United Malt' or the 'Company') and the entities it controlled at the end of, or during, the half-year ended 31 March 2023.

The following people were Directors of United Malt during the half-year and up to the date of this report:

- Graham Bradley AM (Chairman)
- Mark Palmquist (Managing Director and CEO)
- Barbara Gibson (retired 31 December 2022)
- Jane McAloon (retired 10 February 2023)
- Patrick E. Bowe
- Gary W. Mize
- Terry Williamson
- Christine Feldmanis (appointed 1 January 2023)
- Mary Clarke (appointed 1 March 2023)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Review of Operations

Group Financial Summary

Key Results ($ M)		31 March 2023	31 March 2022 (restated)	Change %
Revenue		756.6	651.6	16.1%
EBITDA[1, 2]		38.3	46.2	(17.1%)
EBIT[2]		5.8	15.9	(63.5%)
Net finance costs		16.4	5.3	209.4%
Tax expense		0.2	4.6	(95.7%)
Net (loss)/profit after tax		(13.8)	6.0	(330.0%)
Shareholder Returns				
Basic (loss)/earnings per ordinary share	cents	(4.6)	2.0	(330.0%)
Return on equity	%	(1.0%)	0.6%	(1.6)pts
Return on capital employed (ROCE)	%	0.8%	4.0%	(3.2)pts
Dividend per ordinary share	cents	Nil	1.5	-

[1] EBITDA is earnings before interest, tax, depreciation and amortisation.
[2] This excludes significant items of $3 million relating to transaction costs in response to the Indicative Proposal received from Malteries Soufflet.

Group revenue increased by 16 per cent to $756.6 million, primarily reflecting improved contract pricing and the higher barley prices during the period.

Underlying EBITDA (before SaaS costs and one-off items) was $52.7 million, up 1 per cent on the prior corresponding period. Earnings improved materially in 2Q from an uplift in gross margin with realised improvements in commercial terms.

During 1H23, the Company incurred one-off costs not included in Underlying EBITDA. These included $5.6 million from closing out ineffective currency hedges and from movements in exchange rates during the period. In addition, $2.0 million in one-off restructuring costs was incurred related to the amalgamation of the Company's North American Processing and Warehouse & Distribution sales teams.

Software as a Service (SaaS) costs for the period were $6.8 million. These were higher than previously anticipated due to the increased use of external resources for the Enterprise Resource Planning and Transport Management System implementation.

EBITDA (including SaaS and one-off costs) was $38.3 million.

The Company reported Significant Items of $3.0 million related to expenses associated with the response to the Indicative Proposal received from Malteries Soufflet.

Reported EBITDA (including Significant Items) was $35.3 million.

Net finance costs increased from $5.3 million to $16.4 million, in line with expectations given higher interest rates and the impact of higher barley inventory costs and the cost of barley required for the Inverness facility in Scotland.

The Group reported a Statutory Net Loss After Tax of $13.8 million compared to a Net Profit After Tax of $6.0 million for the prior corresponding period.

Segment Financial Results

Segment Results ($ M)	1H23 Revenue	1H23 EBITDA[3]	1H22 Revenue	1H22 EBITDA[3] (restated)	% Change Revenue	% Change EBITDA[3]
Processing	612.7	25.8	498.0	31.5	23.0%	(18.1%)
Warehouse & Distribution	161.8	16.5	169.0	19.2	(4.3%)	(14.1%)
Corporate and Eliminations	(17.9)	(4.0)	(15.4)	(4.5)	16.2%	(11.1%)
Total	**756.6**	**38.3**	**651.6**	**46.2**	**16.1%**	**(17.1%)**

In the **Processing** segment, revenue increased by 23 per cent to $612.7 million, primarily reflecting the pass through of significantly higher barley prices and improved commercial terms progressively taking effect.

Underlying segment EBITDA (before SaaS costs and one-off items) increased by 7 per cent to $37.9 million. Earnings were lower than anticipated, impacted by lower-than-anticipated volumes in 1Q and the two-month delay in commissioning of the Inverness facility which reduced anticipated sales volumes by approximately 15,000 tonnes and led to an EBITDA impact of approximately $3 million.

Sales volumes were 3 per cent above the prior corresponding period, however sales volumes in 1Q were 6-8% lower than anticipated, reflecting lower beer demand consistent with the sales results of brewers. Volume began recovering towards the end of 2Q, reflecting the expected seasonal increase in malt demand as customers build inventory for the northern hemisphere summer.

[3] EBITDA is earnings before interest, tax, depreciation and amortisation. 1H23 excludes significant items of $3 million relating to transaction costs in response to the Indicative Proposal received from Malteries Soufflet.

Earnings increased in 2Q from realised improvement in commercial terms which resulted in significant uplift in gross margin in 2Q compared to 1Q.

Segment EBITDA (including one-off items and SaaS costs) was $25.8 million and was 18 per cent down on the prior corresponding period.

Revenue in the **Warehouse & Distribution** segment declined by 4 per cent to $161.8 million, compared to prior corresponding period reflecting volumes declines.

Underlying EBITDA (before and SaaS costs and one-off items) declined by 10 per cent to $18.8 million, reflecting lower volumes experienced during the period. EBITDA margins on a constant currency basis remained in line with the prior corresponding period.

Including SaaS costs and one-off items, segment EBITDA was $16.5 million and was 14.1 per cent down on the prior corresponding period.

Financial Position and Balance Sheet

Net debt at 31 March 2023 was $639.2 million compared to $453.4 million at 30 September 2022.

As a result of continued high barley prices; the value of barley and malt inventories and the additional accumulation of barley in the UK for the Company's expanded Inverness facility, the Company's net debt/EBITDA at 31 March 2023 was 9.8[4] times. As announced previously, United Malt received covenant amendments from its banks to accommodate the higher net debt/EBITDA level at 31 March 2023.

As previously announced, the Company has also entered into a receivables factoring arrangement of up to $90 million[5] which provides additional short term financing flexibility.

The Company expects the increase in earnings in Q2 from improved commercial terms to continue into the second half. When combined with significantly reduced capital expenditure commitments in 2H23, and capital and costs management initiatives underway, the Company maintains a pathway towards its target gearing range of 2.0 to 2.5 times.

The Company believes it will not need to raise additional capital.

The Company has commenced the refinancing process in relation to its current short-term facilities which mature in November 2023 and its long-term debt facilities which mature in November 2024.

Capital Expenditure

Capital expenditure for the period was $39.9 million; a reduction of 15 per cent on the prior corresponding period.

Growth capital expenditure of $26.9 million included completion of the expansion of the Scottish facility in Inverness to service the distilling market. In total this project has added 79,000 tonnes of capacity at the Arbroath and Inverness sites and the Company expects to generate incremental EBITDA of approximately $18 million[6] on full year run rate basis from this new capacity.

The new Inverness facility has been producing high quality malt since commissioning in March 2023 and is now running at full capacity. The new capacity is more than 95% sold.

Other growth projects included sustainability and efficiency programs, including a new specialty ingredient processing plant in Calgary.

For the next few years, the Company expects capital expenditure to be in the range of ~$55 - $60 million including stay-in-business and safety-related investment in the range of ~$30 - $35 million.

[4] Based on a 12-month rolling EBITDA excluding the impact of AASB16 and net debt excluding finance lease commitment. The impact of AASB16 is a reduction of $21.8 million.
[5] US$60 million receivables factoring arrangement
[6] Subject to FX

Dividend

No interim dividend was declared for 1H23. As the Company's earnings profile improves, the Board expects to resume payment of dividends in line with United Malt's policy to distribute approximately 60 per cent of Underlying Net Profit After Tax as dividends.

Operating Cash Flow

Operating cash flow was negative during 1H23. Working capital was higher due to elevated barley and malt prices and the one-time build of barley inventory for Inverness commissioning in preparation for 2H shipments.

Proceeds from factoring accelerate cash receipt of accounts receivable balances.

Interest paid was higher in 1H23 due to higher average interest rates and elevated levels of both barley and malt across the Group.

Future Business Prospects

United Malt continues to expect a significant increase in earnings in FY23 compared to the prior year.

The Company maintains earnings guidance for FY23, with Underlying EBITDA (before SaaS costs and one-off items) to be in the range of $140-160 million[7], assuming no further material deterioration in market conditions and assuming that continued gross margin improvements in 2H23 will offset any unanticipated reductions in volumes.

Prospective Control Transaction

As previously announced, United Malt has entered into a Process and Exclusivity Deed with Malteries Soufflet in relation to its indicative non-binding proposal to acquire all the shares in United Malt for A$5.00 per share in cash consideration.

Under the terms of the Process Deed, Malteries Soufflet has the opportunity to conduct due diligence on an exclusive basis for 10 weeks and to work cooperatively with United Malt towards entry into a scheme implementation agreement.

Malteries Soufflet, and its commercial, financial and legal advisers, are undertaking a detailed due diligence programme. United Malt is facilitating this by providing (among other things) access to an extensive virtual data room, management Q&A, briefings and presentations, and a global site inspections of United Malt's facilities in the UK, North America and Australia.

United Malt shareholders do not need to take any action in relation to the indicative proposal.

United Malt will keep United Malt shareholders informed about the Indicative Proposal in accordance with its continuous disclosure obligations.

[7] Underlying EBITDA for FY23 is before one off costs and SaaS which are expected to be ~$10m

Events occurring after the reporting period

The Directors are not aware of any matter or circumstance that has arisen since the end of the reporting period that, in their opinion, has significantly affected or may significantly affect, the Company's operations, the results of those operations or the state of the Company's affairs.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Rounding of amounts

The report is presented in Australian dollars, with all amounts rounded to the nearest one hundred thousand dollars (unless specifically stated otherwise) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

This report is made on 17 May 2023 in accordance with a resolution of the Directors.

Graham Bradley AM
Chairman

Sydney

17 May 2023

Auditor's Independence Declaration

As lead auditor for the review of United Malt Group Limited for the half-year ended 31 March 2023, I declare that to the best of my knowledge and belief, there have been:

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

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of United Malt Group Limited and the entities it controlled during the period.

Scott Walsh
Partner
PricewaterhouseCoopers

Sydney
17 May 2023

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Half-year Financial Report

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 March 2023

	Note	31 March 2023 $ M	31 March 2022 (restated) $ M
Revenue	1.2	756.6	651.6
Other (loss) / income	1.3	(1.5)	0.4
Raw materials and consumables used		(598.4)	(503.7)
Employee benefits expense		(67.0)	(60.1)
Finance costs		(18.6)	(5.7)
Depreciation and amortisation		(32.5)	(30.3)
Occupancy costs		(1.7)	(1.7)
Repairs and maintenance		(11.1)	(9.5)
Other expenses	1.3	(39.4)	(30.4)
(Loss) / profit before income tax		**(13.6)**	**10.6**
Income tax expense	1.4	(0.2)	(4.6)
(Loss) / profit attributable to equity holders of parent entity		**(13.8)**	**6.0**
Other comprehensive loss			
Items that will not be reclassified to profit and loss:			
Remeasurement of retirement benefit obligations		2.5	9.4
Income tax relating to these items	1.4	(1.2)	(2.9)
Items that may be reclassified to profit and loss:			
Changes in fair value of cash flow hedges		1.1	6.1
Income tax relating to these items	1.4	(1.6)	(0.8)
Exchange differences on translation of foreign operations		(8.8)	(33.5)
Other comprehensive loss for the period, net of tax		(8.0)	(21.7)
Total comprehensive loss attributable to the equity holders of the parent entity		**(21.8)**	**(15.7)**

	Note	Cents	(restated) Cents
Earnings per share			
Basic (loss) / earnings per share		**(4.6)**	2.0
Diluted (loss) / earnings per share		**(4.6)**	2.0

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

Consolidated Statement of Financial Position

As at 31 March 2023

	Note	31 March 2023 $ M	30 September 2022 (restated) $ M
Current assets			
Cash and cash equivalents	2.1	159.1	222.9
Trade and other receivables	3.1	245.2	249.7
Inventories	3.1	506.7	475.7
Derivative financial instruments	2.3	9.6	17.0
Current tax assets		8.8	11.5
Assets held for sale		2.4	4.4
Total current assets		**931.8**	**981.2**
Non-current assets			
Trade and other receivables		1.8	1.7
Derivative financial instruments	2.3	8.8	10.4
Deferred tax assets		30.2	29.8
Property, plant and equipment		754.7	754.7
Intangible assets		349.4	356.3
Right of use assets		77.2	85.2
Retirement benefit asset		23.2	16.8
Total non-current assets		**1,245.3**	**1,254.9**
Total assets		**2,177.1**	**2,236.1**
Current liabilities			
Trade and other payables	3.1	152.7	298.6
Borrowings	2.1	353.8	220.2
Lease liabilities		11.7	13.3
Derivative financial instruments	2.3	15.6	24.7
Current tax liabilities		0.5	0.2
Provisions		10.6	9.6
Total current liabilities		**544.9**	**566.6**
Non-current liabilities			
Income received in advance		17.6	17.7
Borrowings	2.1	363.0	367.1
Lease liabilities		69.8	75.7
Derivative financial instruments	2.3	1.2	7.6
Deferred tax liabilities		103.9	104.5
Provisions		5.8	5.9
Retirement benefit obligations		1.4	0.2
Total non-current liabilities		**562.7**	**578.7**
Total liabilities		**1,107.6**	**1,145.3**
Net assets		**1,069.5**	**1,090.8**
Equity			
Contributed equity		166.9	166.9
Reserves		518.6	526.1
Retained earnings		384.0	397.8
Total equity		**1,069.5**	**1,090.8**

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

Consolidated Statement of Changes in Equity

For the half-year ended 31 March 2023

	Hedging reserve $ M	Pension reserve $ M	Share option reserve $ M	Common control reserve $M	Translation reserve $ M	Total reserves $ M	Contributed equity $ M	Retained earnings $ M	Total equity $ M
At 1 October 2021	**2.3**	**(13.4)**	**1.7**	**442.0**	**59.4**	**492.0**	**166.9**	**402.8**	**1,061.7**
Opening retained earnings adjustment[8]								(0.7)	(0.7)
Profit for the period	-	-	-	-	-	-	-	6.0	6.0
Other comprehensive income:									
Exchange differences on translation of foreign operations	-	0.2	-	(0.9)	(32.8)	(33.5)	-	-	(33.5)
Changes in fair value of cash flow hedges	6.1	-	-	-	-	6.1	-	-	6.1
Remeasurements of retirement benefit obligations	-	9.4	-	-	-	9.4	-	-	9.4
Tax effect of above items	(0.8)	(2.9)	-	-	-	(3.7)	-	-	(3.7)
Total other comprehensive income	**5.3**	**6.7**	**-**	**(0.9)**	**(32.8)**	**(21.7)**	**-**	**-**	**(21.7)**
Total comprehensive income for the period (restated)	5.3	6.7	-	(0.9)	(32.8)	(21.7)	-	6.0	(15.7)
Transactions with owners:									
Dividends paid (note 2.2)	-	-	-	-	-	-	-	(10.5)	(10.5)
Share-based payments	-	-	0.9	-	-	0.9	-	-	0.9
Shares vested to employees	-	-	(0.3)	-	-	(0.3)	-	-	(0.3)
At 31 March 2022 (restated)	**7.6**	**(6.7)**	**2.3**	**441.1**	**26.6**	**470.9**	**166.9**	**397.6**	**1,035.4**
At 1 October 2022 (restated)	**1.2**	**(14.8)**	**1.7**	**440.8**	**97.2**	**526.1**	**166.9**	**397.8**	**1,090.8**
Loss for the period	-	-	-	-	-	-	-	(13.8)	(13.8)
Other comprehensive loss:									
Exchange differences on translation of foreign operations	0.3	(0.8)	-	1.0	(9.3)	(8.8)	-	-	(8.8)
Changes in fair value of cash flow hedges	1.1	-	-	-	-	1.1	-	-	1.1
Remeasurements of retirement benefit obligations	-	2.5	-	-	-	2.5	-	-	2.5
Tax effect of above items	(1.6)	(1.2)	-	-	-	(2.8)	-	-	(2.8)
Total other comprehensive loss	**(0.2)**	**0.5**	**-**	**1.0**	**(9.3)**	**(8.0)**	**-**	**-**	**(8.0)**
Total comprehensive income for the period	(0.2)	0.5	-	1.0	(9.3)	(8.0)	-	(13.8)	(21.8)
Transactions with owners:									
Dividends paid (note 2.2)	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	0.9	-	-	0.9	-	-	0.9
Shares vested to employees	-	-	(0.4)	-	-	(0.4)	-	-	(0.4)
At 31 March 2023	**1.0**	**(14.3)**	**2.2**	**441.8**	**87.9**	**518.6**	**166.9**	**384.0**	**1,069.5**

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

[6] The opening retained earnings adjustment relates to a change in accounting treatment. Refer to the Overview section b) in the notes to the financial statements for further details.

Consolidated Statement of Cash Flows

For the half-year ended 31 March 2023

	Note	31 March 2023 $ M	31 March 2022 $ M
Cash flows from operating activities			
Receipts from customers		736.0	659.3
Payments to suppliers and employees		(925.8)	(702.3)
		(189.8)	**(43.0)**
Proceeds from draw down of inventory funding loans		15.0	9.4
Proceeds from factoring receivables	3.1a	62.8	-
Interest received		3.9	0.4
Interest paid		(16.4)	(5.4)
Lease payments (interest component)		(1.6)	(1.5)
Income taxes paid		(0.1)	(14.0)
Net outflow from operating activities		**(126.2)**	**(54.1)**
Cash flows from investing activities			
Payments for property, plant and equipment		(39.7)	(46.5)
Payments for computer software		(0.2)	(0.3)
Net outflow from investing activities		**(39.9)**	**(46.8)**
Cash flows from financing activities			
Proceeds from borrowings		148.4	39.0
Repayment of borrowings		(36.8)	(21.1)
Lease payments (principal component)		(6.9)	(5.9)
Dividends paid	**2.2**	-	(10.5)
Shares purchased for employee share plan		(0.4)	(0.3)
Net inflow from financing activities		**104.3**	**1.2**
Net (decrease) in cash and cash equivalents		**(61.8)**	**(99.7)**
Cash and cash equivalents at the beginning of the period		222.9	286.8
Effects of exchange rate changes on cash and cash equivalents		(2.0)	(8.1)
Cash and cash equivalents at the end of the period	**2.1**	**159.1**	**179.0**

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

Notes to the Financial Statements

Overview

The financial report for the half-year ended 31 March 2023 includes consolidated financial statements for United Malt Group Limited ('United Malt' or the 'Company') and its controlled entities (collectively the 'Group'). United Malt Group Limited is a for-profit company incorporated and domiciled in Australia, limited by shares which are publicly traded on the Australian Securities Exchange. The financial report of United Malt for the half-year ended 31 March 2023 was authorised for issue in accordance with a resolution of the Directors on 17 May 2023.

a) Basis of preparation

This half-year financial report is a general purpose financial report and has been prepared in accordance with Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB), including AASB 134 *Interim Financial Reporting*, and the *Corporation Act 2001*. The report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The half-year financial statements do not include all of the information required for full-year financial statements. Accordingly, these financial statements must be read in conjunction with the consolidated financial statements for the year-ended 30 September 2022 and any public announcements made by the Company during the half-year in accordance with the continuous disclosure requirements for the *Corporations Act 2001*.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, measured at fair value, commodity inventories and the defined benefit plan assets and liabilities, which are recognised as the net total of the plan assets, plus unrecognised past service costs less the present value of the defined benefit obligation.

The report is presented in Australian dollars, with all amounts rounded to the nearest one hundred thousand dollars (unless specifically stated otherwise) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191. The Company is an entity to which this legislative instrument applies. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim period unless otherwise stated. Comparative information has been reclassified where necessary to conform to changes in the current year.

The financial statements are prepared on a going concern basis. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

At 31 March 2023, the Group had a net current asset position of $386.9 million (Sep 2022: $414.6 million), and the Group had $159.1 million (Sep 2022: $222.9 million) available cash and cash equivalents (refer to note 2.1). The Group experienced a loss this half year of $13.8 million (Mar 2022: profit of $6.0 million) and negative cash flows from operating activities. Whilst the first half of the financial year for the Group is always seasonal with results skewed to the second half, this year the Group experienced several one-off costs which have negatively impacted the results.

The Group has implemented substantial changes to pricing and commercial terms for its customers. These renegotiated terms have come into effect commencing calendar year 2023. The Group will be in a position to manage margin risk better.

In March 2023 the Group received consent from its Financiers to amend its covenant requirement in relation to its leverage ratio in respect of its 31 March 2023 calculation date. The calculation uses a rolling 12-month financial metric so the covenant amendment was necessary due to the negative impact on 2H22 profitability from external factors such as the significant deterioration in the North American barley crop, supply chain disruptions, increased costs of imported barley and general cost inflation which could not be fully passed on to customers. This deterioration was disclosed in the 2022 year-end financial statements.

In preparing these financial statements, the Directors have considered earnings forecasts reflecting anticipated trading conditions and assessed them in light of future debt covenant compliance obligations and funding requirements.

The Directors firmly believe that the Group will be successful in implementing the actions necessary to meet its ongoing obligations for a period of at least 12 months from the date of the Directors' Report and have therefore prepared these financial statements on a going concern basis

Overview (continued)

b) Restatement of comparative information

During the half year, the Group implemented the following changes that were applied retrospectively and impacted the prior period's financial statements, following a review of its wheat trading business:

- The Group revised its accounting policy for classifying commodity purchase and sale contracts as derivatives within the scope of AASB 9. As a result, wheat purchase and sale contracts that were previously classified as own-use will now fall within the scope of AASB 9 and be recognised at fair value through profit or loss.
- Wheat inventories were previously valued at the lower of cost and net realisable value. These will now be accounted for at fair value due to entities meeting the definition of a broker-trader as per AASB 102 - Inventories.

These changes were implemented to better align the classification and measurement of wheat inventory and associated sale contracts to the underlying business as a broker-trader, providing reliable and more relevant information about the net effect of wheat transactions on the entity's financial performance. The new accounting policy states the following:

Commodity inventory: Wheat inventory acquired with the purpose of selling in the near future and generating a profit from fluctuation in price or broker-traders' margin, is measured at fair value less costs to sell, with changes in fair value recognised in the Consolidated Income Statement.

Commodity purchase and sale contracts: When a practice of net settlement is established by entering into offsetting contracts that avoid the Group taking delivery of the underlying commodity, or only taking delivery for a very short period, the contracts are classified as derivatives at fair value through profit or loss within the scope of AASB 9. Comparative information has been provided to state the impact as if the accounting policy had always been in place. Adjustments have been reflected as below:

$m As at 1 October 2021 (BS)	Original balances	Adjustment Dr/(Cr)	Restated balances
Retained earnings	(402.8)	0.7	(402.1)
Derivative asset (liability) Current	8.7	(1.1)	7.6
Derivative asset (liability) Non Current	2.4	0.2	2.6
Deferred tax asset	24.7	0.2	24.9
Inventory	339.9	-	339.9

$m For the 6 months ending 31 March 2022 (P&L)	Original balances	Adjustment Dr/(Cr)	Restated balances
M2M (gain) or loss	(4.5)	5.3	0.8
Deferred tax expense / (benefit)	(3.3)	(1.0)	(4.3)
Raw material and consumables used	503.7	-	503.7

$m As at 30 September 2022 (BS)	Original balances	Adjustment Dr/(Cr)	Restated balances
Retained earnings	(399.4)	1.6	(397.8)
Derivative asset (liability) Current	(23.3)	(1.4)	(24.7)
Derivative asset (liability) Non Current	(7.4)	(0.2)	(7.6)
Deferred tax asset	29.8	-	29.8
Inventory	475.7	-	475.7

b) Restatement of comparative information (continued)

$m For the 6 months ending 31 March 2023 (P&L)	Balances under previous accounting policy	Adjustment Dr/(Cr)	Restated balances
M2M (gain) or loss	9.2	(5.2)	4.0
Deferred tax expense / (benefit)	(1.3)	0.9	(0.4)
Raw material and consumables used	598.4	-	598.4

$m As at 31 March 2023 (BS)	Balances under previous accounting policy	Adjustment Dr/(Cr)	Restated balances
Retained earnings	(379.7)	(4.3)	(384.0)
Derivative asset (liability) Current	5.1	4.5	9.6
Derivative asset (liability) Non Current	7.8	1.0	8.8
Deferred tax liability	(103.0)	(0.9)	(103.9)
Inventory	507	(0.3)	506.7

The Group has adopted all mandatory amended Accounting Standards issued that are relevant and effective for the current reporting period but does not early adopt any Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective. There was no significant impact from their adoption.

1. Group Performance

This section provides information on the performance of the Group, including segment results, line items in the consolidated income statement, and income tax.

1.1 Operating segments

a) Description of segments

The Group is organised into two segments based on operational activity. These segments are consistent with internal reports that are reviewed and used by the Group's chief operating decision maker, the Managing Director and Chief Executive Officer, in assessing performance and determining the allocation of resources.

The operating segments are as follows:

- **Processing:** generates earnings from the production and sale of bulk malt to major brewers, craft brewers, distillers, and food companies.
- **Warehouse & Distribution:** generates revenue for the distribution and sale of bagged malt, hops, yeast, adjuncts, and related products to craft brewers, distillers, and food companies.

Corporate includes costs associated with the corporate office function for the Group. Segment performance is based on a measure of EBITDA[9].

It is noted that as part of the Group's streamlining programme, the Group intends to report the FY23 results as a single segment rather than two.

b) Performance of segments

31 March 2023	Processing $ M	Warehouse & Distribution $ M	Reportable segments $ M	Corporate & Eliminations $ M	Total $ M
Reportable segment revenue					
External revenue	594.8	161.8	756.6	-	756.6
Intersegment revenue	17.9	-	17.9	(17.9)	-
Total reportable segment revenue	**612.7**	**161.8**	**774.5**	**(17.9)**	**756.6**
Segment EBITDA[9]	**25.8**	**16.5**	42.3	(4.0)	**38.3**
Net interest	(0.5)	(1.1)	(1.6)	(14.8)	(16.4)
Depreciation and amortisation	(26.6)	(5.8)	(32.4)	(0.1)	(32.5)
Significant items	-	-	-	(3.0)	(3.0)
Profit / (loss) before income tax	**(1.3)**	**9.6**	**8.3**	**(21.9)**	**(13.6)**
Other segment information					
Capital expenditure	39.5	0.4	39.9	-	39.9
Reportable segment assets	1,745.3	295.8	2,041.1	136.0	2,177.1
Reportable segment liabilities	(282.7)	(95.3)	(378.0)	(729.6)	1,107.6

[9] EBITDA is a non-IFRS measure representing earnings before net interest, tax, depreciation and amortisation.

1.1 Operating segments (continued)

31 March 2022 (restated)	Processing $ M	Warehouse & Distribution $ M	Reportable segments $ M	Corporate & Eliminations $ M	Total $ M
Reportable segment revenue					
External revenue	482.6	169.0	651.6	-	651.6
Intersegment revenue	15.4	-	15.4	(15.4)	-
Total reportable segment revenue	**498.0**	**169.0**	**667.0**	**(15.4)**	**651.6**
Segment EBITDA[9]	**31.5**	**19.2**	**50.7**	**(4.5)**	**46.2**
Net interest	(0.4)	(1.1)	(1.5)	(3.8)	(5.3)
Depreciation and amortisation	(24.4)	(5.8)	(30.2)	(0.1)	(30.3)
Profit / (loss) before income tax	**6.7**	**12.3**	**19.0**	**(8.4)**	**10.6**
Other segment information					
Capital expenditure	45.8	1.0	46.8	-	46.8
Reportable segment assets	1,476.9	266.7	1,743.6	192.6	1,936.2
Reportable segment liabilities	(279.3)	(91.7)	(371.0)	(530.1)	(901.1)

1.2 Revenue

	31 March 2023 $ M	31 March 2022 $ M
Revenue from sale of finished goods	743.5	641.5
Service and other revenue	13.1	10.1
Total revenue from contracts with customers	**756.6**	**651.6**

Revenue from the sale of goods and services is recognised when the control of the goods has transferred to the customer. Sales in the Processing segment consist of bulk malt, and control is transferred to the customer in line with shipping terms. Sales in the Warehouse & Distribution segment consist of bagged malt, hops, yeast, and other brewing-related products, and control is transferred to the customer at point of sale. Service revenue relates to tolling contracts in which the customer provides the barley and UMG processes the raw material and is recorded at the time the service is performed. Revenue is recorded at the value of consideration receivable net of discounts and goods and services tax (GST).

1.3 Other income / (loss) and expenses

a) Other income / (loss)

	31 March 2023 $ M	31 March 2022 (restated) $ M
Interest income	2.4	0.4
Net loss on foreign currency derivatives	(4.0)	(0.8)
Sundry income	0.1	0.8
Total other (loss) / income	**(1.5)**	**0.4**

b) Other expenses

	31 March 2023 $ M	31 March 2022 $ M
Insurance	6.8	6.1
Software implementation costs[10]	6.8	5.8
Consulting	5.4	5.4
Communication	4.5	3.1
Legal expenses	1.3	1.1
Marketing costs	1.0	0.8
Travel	1.9	0.7
Transaction costs	3.0	-
Other	8.7	7.4
Total other expenses	**39.4**	**30.4**

[10] Software implementation costs relates to Software as a Service costs that were expensed under the IFRIC pronouncement. Refer to the 2022 Annual Report for further details.

1.4 Taxation

	Note	31 March 2023 $ M	31 March 2022 (restated) $ M
Income tax expense recognised in the consolidated income statement			
Current tax		2.8	7.5
Deferred tax		(2.6)	(4.3)
Under / (over) provision in prior years		-	1.4
		0.2	**4.6**
Reconciliation to effective tax rate			
(Loss) / Profit subject to tax		(13.6)	10.6
Income tax expense / (benefit) calculated at 30% (2022: 30%)		(4.1)	3.2
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income			
Non-deductible / non-assessable items		0.3	(0.5)
Change in substantially enacted tax rates		(0.4)	-
Tax losses for which no deferred tax asset has been recognised		4.1	1.5
Under provision in prior years		-	1.4
Difference in overseas tax rates		0.3	(1.0)
Income tax expense		**0.2**	**4.6**
Effective tax rate[11]		**(1.5%)**	**43.4%**
Tax (credit) / expense relating to items of other comprehensive income			
Change in fair value of cash flow hedges		1.6	0.8
Remeasurement of retirement benefit obligations		1.2	2.9
		2.9	**3.7**
Unused tax losses for which no deferred tax asset has been recognised (not tax effected)		42.3	19.0

[11] Effective tax rate is calculated as the income tax expense divided by profit subject to tax.

2 Capital and Financial Risk Management

The Group manages its capital to safeguard its ability to maintain an optimal capital structure so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Group's capital consists of net debt and equity. Net debt is calculated as total borrowings and lease liabilities, net of cash assets.

The capital structure of the Group is continuously monitored and can be changed by adjusting the amount of dividends paid to shareholders, returning capital to shareholders or issuing new shares.

2.1 Net debt

	31 March 2023 $ M	30 September 2022 $ M
Total borrowings (note 2.1(a))	716.8	587.3
Cash and cash equivalents	(159.1)	(222.9)
Net debt	**557.7**	**364.4**
Lease liabilities	81.5	89.0
Net debt including lease liabilities	**639.2**	**453.4**

a) Borrowings

	Facility limits		Drawn amounts	
	31 March 2023 $M	30 September 2022 $M	31 March 2023 $M	30 September 2022 $M
Current				
Working capital facilities	150.0	160.0	114.3	-
Commodity inventory funding facilities	339.0	293.4	239.5	220.2
Total current borrowings	**489.0**	**453.4**	**353.8**	**220.2**
Non-current				
Term debt facilities	363.2	367.1	363.0	367.1
Total non-current borrowings	**363.2**	**367.1**	**363.0**	**367.1**

The commodity inventory funding facilities are secured by the related inventory.

Loans under term and working capital funding facilities are secured by a negative pledge, and these facilities provide the related entities in the Group, that are party to the pledge, the flexibility in funding their respective liquidity requirements as needed. The facilities impose certain financial covenants on the Group. There has been no breach of covenant ratios during the reporting period. The maturity date of the long term debt facilities expire in November 2024.

The current working capital and inventory funding facilities expire in November 2023.

The Group received a covenant amendment from its banks in respect of 31 March 2023.

2.2 Dividends

Dividends paid and declared	31 March 2023 $ M	31 March 2022 $ M
Dividends paid		
Nil prior year final dividend declared (2022: 3.5 cents, 0% franked)	-	10.5
Total dividends paid in the period	**-**	**10.5**
Dividends declared		
Nil current year interim declared (2022: 1.5 cents, 0% franked)	**-**	**4.5**

The Directors have not declared a dividend for the half year.

Franking credits

Immediately after the Demerger from GrainCorp, the Group's franking account balance was nil. There have been no additions to the franking account balance since then.

There will be limited capacity for franking credits with a substantial proportion of the Group's earnings being derived outside Australia and which therefore may not be subject to Australian income tax.

2.3 Financial instruments and risk management

a) Classification of financial instruments

United Malt classifies its financial instruments into categories in accordance with AASB 9 *Financial Instruments* depending on the purpose for which the financial instruments were acquired, which is determined at initial recognition based on the business model. The following table presents the Group's financial assets and liabilities measured and recognised at fair value.

$M	31 March 2023		30 September 2022	
	Current	Non-current	Current	Non-current
Derivative assets				
Derivative financial instruments – fair value through profit and loss				
Commodity futures and options	-	-	1.9	-
Commodity Contracts (forward purchases and sales)	3.3	0.7	-	-
Foreign currency derivatives	4.6	0.6	10.8	3.1
Crop production contract	-	1.5	-	-
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	1.7	0.4	2.5	0.4
Interest rate swap contracts	-	5.6	1.8	6.9
Total derivative assets	**9.6**	**8.8**	**17.0**	**10.4**
Derivative liabilities				
Derivative financial instruments – fair value through profit and loss				
Commodity futures and options	3.6	-	1.2	-
Commodity Contracts (forward purchases and sales)	-	-	1.4	0.2
Foreign currency derivatives	2.7	0.5	9.1	2.6
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	9.3	0.6	13.0	4.8
Interest rate swap contracts	-	0.1	-	-
Total derivative liabilities	**15.6**	**1.2**	**24.7**	**7.6**

The Group's derivative instruments are measured at fair value at the end of each reporting period. Derivative instruments are grouped into Levels 1 to 3 based on the degree to which fair value measurement inputs are observable. The fair value of derivative instruments has been determined as follows:

- **Level 1** financial instruments held by the Group are instruments which are traded on an active market. The fair value of these financial instruments is the quoted market settlement price on the reporting date.
- **Level 2** financial instruments held by the Group are financial instruments that are not traded on an active market. The fair value is determined using valuation techniques which maximise observable market data and rely as little as possible on entity-specific estimates.
- **Level 3** financial instruments do not have quoted market prices available. If one or more of the significant inputs is not based on observable market data, the instrument is Level 3. The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. Management considers the valuation of these financial instruments to be an area of judgement.

All derivative financial instruments are considered Level 2 financial instruments except for commodity contracts and the crop production contract which are Level 3. Commodity contracts and commodity inventory at fair value: the fair values are calculated by amending market price values obtained from traders and brokers for location and grade differentials.

3 Operating Assets and Liabilities

This section shows the assets used to generate the Group's operating performance and liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in Section 2 Capital and Financial Risk Management.

3.1 Working capital

	31 March 2023 $ M	30 September 2022 $ M
Trade receivables	245.2	249.7
Inventories	506.7	475.7
Trade and other payables	(152.7)	(298.6)
	599.2	**426.8**

a) Trade and other receivables

	31 March 2023 $ M	30 September 2022 $ M
Trade receivables	239.1	248.5
Allowance for doubtful receivables	(19.0)	(18.8)
	220.1	229.7
Prepayments	24.0	18.3
Other receivables	1.1	1.7
Total current trade and other receivables	**245.2**	**249.7**

The Group has factoring arrangements which provides for the sale of certain accounts receivables to provide short term flexibility. Receivables are derecognised when the Group's contractual rights to the cash flows from the financial asset expire or when the Group transfers the risks and rewards of ownership.

b) Inventories

	31 March 2023 $ M	30 September 2022 $ M
Raw materials	303.6	287.6
Work in progress	15.6	14.8
Finished goods	185.1	173.3
Commodity inventory at fair value less cost to sell	2.4	-
Total inventories	**506.7**	**475.7**

c) Trade and other payables

Current	31 March 2023 $ M	30 September 2022 $ M
Trade payables	82.0	195.7
Accrued expenses	67.1	99.4
Income received in advance	3.6	3.5
Total current trade and other payables	**152.7**	**298.6**

4 Impairment test for goodwill

For purposes of impairment testing, goodwill acquired through business combination is allocated to cash-generating units (CGUs):

	31 March 2023 $ M	30 September 2022 $ M
Processing	235.6	239.4
Warehouse & Distribution	106.3	109.7
Total goodwill	**341.9**	**349.1**

Goodwill and intangible assets with indefinite lives are tested for impairment annually or more frequently if circumstances indicate that an asset may be impaired. Impairment testing has been performed at the half year, due to the low levels of headroom at the previous year end testing date. In assessing impairment, the recoverable amount of assets is estimated to determine the extent of the impairment loss. The recoverable amount for goodwill is assessed at each of the CGU levels and is based on value in use (VIU) calculations. Management uses judgement in determining the recoverable amount of assets including expected future cash flows, long term growth rates and discount rates.

In assessing VIU, estimated future cash flows are based on the Group's most recent estimates covering a period of four and a half years. Projected cash flows are based on past performance and management's future expectations, taking into account the Group's production capacity, long-term customer agreements, and market information in key geographies. Cash flows beyond the four and a half year period are extrapolated using an estimated growth rate. The growth rate does not exceed the long-term average growth rate for the business in which the CGUs operate.

Assumptions made within the Company's modelling, which are not considered certain, include:

- The gross margin of each CGU is sensitive to future assumptions in Barley commodity prices and quality of crop. The forecast assumes a trend towards more historical, pre-Covid averages for margins from FY24 and a good quality crop.
- The Group has applied pre-tax discount rates to the forecasted future cashflows; 11.33% (September 2022: 10.98%) for the Processing CGU and 11.33% (September 2022: 11.45%) for the Warehousing & Distribution CGU. These discount rates reflect the current market assessment of the time value of money and risks specific to the relative CGU, as well as an additional Asset Risk Premium to reflect risks in the cashflows such as uncertainty over potential increases in the cost of inputs and the Group's ability to pass them on to customers.
- A long-term nominal growth rate of 2.0% (September 2022: 1.97%) for the Processing CGU and 2.0% (September 2022: 2.03%) for the Warehouse & Distribution CGU.

Based on the impairment testing performed at 31 March 2023, the recoverable amount of the respective CGU exceeds its carrying amount by $75 million in the Processing CGU, and $277 million in the Warehouse & Distribution CGU. The Directors and Management have considered and assessed reasonably possible changes in key assumptions. There is ample headroom in the W&D CGU however the recoverable amount of the Processing CGU is sensitive to any change in discount rates, underlying EBITDA and terminal growth rates.

The recoverable amount of the Processing CGU would equal its carrying amount if the key assumptions were to change as follows:

- An increase in the pre-tax discount rate by 0.46%
- A decrease in underlying EBITDA of 4.0%
- A decrease in terminal growth rate of 0.4%

5 Other

5.1 Events subsequent to reporting date

The Directors are not aware of any matter or circumstance which has arisen from the end of the reporting period to the date of this report that, in their opinion, has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group.

Directors' Declaration

In the Directors' opinion:

a) The financial statements and notes set out on pages 7 to 22 are in accordance with the *Corporations Act 2001*, including:

   i. Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   ii. Giving a true and fair view of the consolidated entity's financial position as at 31 March 2023 and of its performance for the financial year ended on that date; and

b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made on 17 May 2023 in accordance with a resolution of the Directors.

Graham Bradley AM
Chairman

Sydney
17 May 2023

Independent auditor's review report to the members of United Malt Group Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of United Malt Group Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 March 2023, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes 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 accompanying half-year financial report of United Malt Group Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 March 2023 and of its performance for the half-year ended on that date

2. 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors 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.

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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 March 2023 and of 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Scott Walsh
Partner

Sydney
17 May 2023

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