

AUSTRALIAN VINTAGE LTD

**HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2013**

(ACN: 052 179 932 ASX REFERENCE: AVG)

Australian Vintage Ltd

RESULTS FOR ANNOUNCEMENT TO THE MARKET

REVENUE AND NET PROFIT/LOSS	PERCENTAGE CHANGE %	AMOUNT \$'000
Total operating revenue	down 4.3%	104,804
Net profit after tax	up 21.9%	4,034

Dividends (cents)	Amount per security	Franked amount per security
Interim dividend	-	-
Previous corresponding period	-	-

Other information	As at 31/12/13	As at 31/12/12
Net tangible asset per security	\$0.81 per share	\$1.07 per share

Australian Vintage Ltd

Directors' Report

The directors of Australian Vintage Ltd submit herewith the financial report for the half-year ended 31 December 2013. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

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

NAME

Ian D. Ferrier
Neil McGuigan
Brian J. McGuigan
Perry R. Gunner
Richard H. Davis

REVIEW OF OPERATIONS

Australian Vintage today reported a half year net profit of \$4.0 million. The half year result has been impacted by the reduced US bulk wine sales and margin.

Our branded business continues to grow and what is really pleasing is the continued growth of our McGuigan brand.

Vintage has started and the early signs are that crop levels may be down with quality very good. An update will be provided once vintage has been completed.

Sales/Margin

Overall sales for the period were down by 4% due mainly to reduced bulk wine sales into North America and UK/Europe.

Australasia/North America packaged sales were up on last year with an increase in our bottled sales of 15%, predominantly driven by the McGuigan brand, partially offset by a 15% decline in our cask sales. Sales of our McGuigan Black Label brand went up 29% in Australia.

Sales to Asia are marginally down for the period in both volume and dollar sales.

The exchange rates, particularly the GBP, have moved favourably over the 6 month period and resulted in the margin from UK/Europe segment being slightly up on last year.

EBIT and Net Profit

EBIT was \$11.3 million compared to \$11.9 million in the previous year. The 5% decline was due mainly to the reduced contribution from bulk sales to North America (down \$1.7 million on last period) and the lower adjustment to the provision for onerous contracts (down \$0.3 million). Partially offsetting this was the improved contribution from the Australasia/North America packaged (\$0.4 million) and Cellar Door (\$0.3 million) segments and the impairment of water licences (\$0.9 million) that occurred in the prior period.

Net profit improved by \$0.7 million due mainly to reduced interest cost partially offset by the lower EBIT.

Cash Flow

Cash Flow from operating activities was positive \$0.6 million versus negative \$2.7 million in the prior period. Net debt was \$106.4 million versus \$136.5 million as at December 2012, resulting in a gearing ratio of 38%.

Australian Vintage Ltd

Directors' Report

Outlook

The continued growth of our brands is very pleasing. The recent capital raising of \$39.5 million (net) has reduced gearing to a comfortable 38% compared to 58% at the same time last year and we have extended our bank facility to October 2015 at lower margins.

The 2014 vintage has started and there are signs that the frost and recent heat have impacted negatively on vineyard yields. However, it is still too early to accurately predict yield forecasts. The market will be provided with a trading and vintage update at the completion of vintage.

As in previous years, no interim dividend will be paid.

We remain confident that our 2014 result will be significantly better than last year and in line with market expectation. Vintage conditions are likely to negatively affect SGARA, but we believe this will be offset by the favourable adjustment to the provision for onerous contracts.

Australian Vintage Ltd

Directors' Report

INDEPENDENCE DECLARATION BY AUDITOR

The auditor's independence declaration is included on page 5.

ROUNDING OFF OF AMOUNTS

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

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

On behalf of the Directors



Ian D Ferrier
Director

Sydney, 26th February, 2014

Mr R Davis
Chair
Board Audit Committee
Australian Vintage Ltd
275 Sir Donald Bradman Drive
COWANDILLA SA 5033

26 February 2014

Dear Board Members

Australian Vintage Ltd

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Australian Vintage Ltd.

As lead audit partner for the review of the financial statements of Australian Vintage Ltd for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Stephen Harvey
Partner
Chartered Accountants

Independent Auditor's Review Report to the members of Australian Vintage Ltd

We have reviewed the accompanying half-year financial report of Australian Vintage Limited, which comprises the condensed statement of financial position as at 31 December 2013, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 16.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Australian Vintage Limited 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 Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 Australian Vintage Limited's financial position as at 31 December 2013 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*. As the auditor of Australian Vintage Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Vintage Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

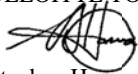
Conclusion

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 Australian Vintage Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2013 and of its 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*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Stephen Harvey
Partner Chartered Accountants
Adelaide, 26 February 2014

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

Australian Vintage Ltd

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 s.303(5) of the Corporations Act 2001.

On behalf of the Directors



Ian D Ferrier
Director

Sydney, 26th February, 2014

Australian Vintage Ltd

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half-Year ended 31 December 2013

	Note	CONSOLIDATED	
		Half-Year Ended 31/12/13 \$'000	Half-Year Ended 31/12/12 \$'000
Revenue		104,804	109,524
Cost of sales		(77,850)	(81,034)
Gross Profit		26,954	28,490
Other income		587	964
Interest Received		134	180
Gain / (Loss) on sale of property, plant and equipment		102	(81)
Impairment of water licences		-	(901)
Distribution expenses		(6,000)	(6,161)
Gain on provision for onerous contracts		4,106	4,423
Sales and marketing expenses		(11,818)	(11,856)
Administration expenses		(3,289)	(3,176)
Gain on foreign exchange		623	148
Finance costs		(5,534)	(7,002)
Profit before income tax		5,865	5,028
Income tax expense		(1,831)	(1,718)
Net profit for the period		4,034	3,310
 Other comprehensive loss, net of income tax:			
 Items that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		45	10
 Items that may be reclassified subsequently to profit or loss:			
Valuation of foreign exchange hedges		(1,083)	(448)
Gain on interest rate swaps		393	266
Other comprehensive loss for the period, net of income tax		(645)	(172)
Total comprehensive income for the period		3,389	3,138
 Earnings per share:			
Basic (cents per share)		2.2	2.5
Diluted (cents per share)		2.2	2.5

Notes to the financial statements are included on pages 12 to 16.

Australian Vintage Ltd

Condensed Consolidated Statement of Financial Position as at 31 December 2013

	NOTE	CONSOLIDATED	
		31/12/13 \$'000	30/6/13 \$'000
<i>Current Assets</i>			
Cash and cash equivalents		3,181	995
Trade and other receivables		35,898	35,613
Inventories		146,204	151,376
Current tax assets		182	79
Other		6,889	3,637
<i>Total Current Assets</i>		<i>192,354</i>	<i>191,700</i>
<i>Non-Current Assets</i>			
Other financial assets		59	59
Property, plant and equipment		91,401	93,171
Inventories		18,069	20,858
Biological assets		33,184	33,184
Goodwill		37,685	37,685
Deferred tax assets		57,496	52,288
Water Licences		7,554	7,467
Other Intangible assets		7,221	7,405
<i>Total Non-Current Assets</i>		<i>252,669</i>	<i>252,117</i>
<i>Total Assets</i>		<i>445,023</i>	<i>443,817</i>
<i>Current Liabilities</i>			
Trade and other payables		24,366	33,019
Borrowings		2,493	2,305
Other financial liabilities		2,377	1,559
Provisions		5,216	6,061
Other		764	48
<i>Total Current Liabilities</i>		<i>35,216</i>	<i>42,992</i>
<i>Non-Current Liabilities</i>			
Borrowings		107,108	140,748
Deferred tax liabilities		16,793	10,773
Other financial liabilities		73	430
Provisions		4,832	7,975
<i>Total Non-Current Liabilities</i>		<i>128,806</i>	<i>159,926</i>
<i>Total Liabilities</i>		<i>164,022</i>	<i>202,918</i>
<i>Net Assets</i>		<i>281,001</i>	<i>240,899</i>
<i>Equity</i>			
Issued capital		443,273	403,155
Reserves		71	670
Accumulated losses		(162,343)	(162,926)
<i>Total Equity</i>		<i>281,001</i>	<i>240,899</i>

Notes to the financial statements are included on pages 12 to 16.

Australian Vintage Ltd

Condensed Consolidated Statement of Cash Flows for the Half-Year Ended 31 December 2013

	Inflows/(Outflows)	
	Half-Year Ended	Half-Year Ended
	31/12/13	31/12/12
	\$'000	\$'000
<i>Cash Flows from Operating Activities</i>		
Receipts from customers	109,374	118,556
Payments to suppliers and employees	(103,122)	(116,601)
Cash generated from operations	6,252	1,955
Interest and other costs of finance paid	(5,820)	(4,973)
Interest received	134	284
Net cash provided by / (used in) operating activities	566	(2,734)
<i>Cash Flows from Investing Activities</i>		
Payment for property, plant and equipment	(1,367)	(1,517)
Proceeds from sale of property, plant and equipment	107	1,195
Net cash (used in) / provided by investing activities	(1,260)	(322)
<i>Cash Flows from Financing Activities</i>		
Loan payment received	63	62
Dividends paid	(3,451)	(3,069)
Net proceeds from share issues	39,394	-
Proceeds from borrowings	-	13,000
Repayment of borrowings	(33,126)	(1,319)
Net cash provided by / (used in) financing activities	2,880	8,674
<i>Net Increase / (decrease) in cash and cash equivalents</i>	2,186	5,618
<i>Cash and cash equivalents at the beginning of the period</i>	995	237
<i>Cash and cash equivalents at the end of the period</i>	3,181	5,855

Notes to the financial statements are included on pages 12 to 16.

Australian Vintage Ltd

Condensed Consolidated Statement of Changes in Equity for the Half-Year Ended 31 December 2013

	Share capital \$'000	Equity- settled employee benefits reserve \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Accum – ulated losses \$'000	Total \$'000
Balance at 1 July 2012	402,792	1,497	(865)	9	(166,564)	236,869
Profit for the period	-	-	-	-	3,310	3,310
Exchange differences arising on translation of foreign operations	-	-	-	14	-	14
Valuation of foreign exchange hedges	-	-	(640)	-	-	(640)
Loss on interest rate swaps	-	-	380	-	-	380
Income tax relating to components of other comprehensive income	-	-	78	(4)	-	74
Total comprehensive income for the period	-	-	(182)	10	3,310	3,138
Transactions with owners in their capacity as owners:						
Dividend paid	-	-	-	-	(3,432)	(3,432)
Options	-	35	-	-	-	35
Issue of shares	363	-	-	-	-	363
Balance at 31 December 2012	403,155	1,532	(1,047)	19	(166,686)	236,973
Balance at 1 July 2013	403,155	1,578	(948)	40	(162,926)	240,899
Profit for the period	-	-	-	-	4,034	4,034
Exchange differences arising on translation of foreign operations	-	-	-	64	-	64
Valuation of foreign exchange hedges	-	-	(1,547)	-	-	(1,547)
Gain on interest rate swaps	-	-	561	-	-	561
Income tax relating to components of other comprehensive income	-	-	296	(19)	-	277
Total comprehensive income for the period	-	-	(690)	45	4,034	3,389
Transactions with owners in their capacity as owners:						
Dividend paid	-	-	-	-	(3,451)	(3,451)
Options	-	46	-	-	-	46
Issue of shares	40,118	-	-	-	-	40,118
Balance at 31 December 2013	443,273	1,624	(1,638)	85	(162,343)	281,001

Notes to the financial statements are included on pages 12 to 16.

Australian Vintage Ltd

Notes to the Financial Statements for the Half-Year Ended 31 December 2013

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2013 annual financial report for the financial year ended 30 June 2013, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations have not had a material impact and have not resulted in changes to the Company's presentation of, or disclosure in the consolidated financial statements.

2. SUBSEQUENT EVENTS

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

Australian Vintage Ltd

Notes to the Financial Statements for the Half-Year Ended 31 December 2013

3. CONTINGENT ASSETS & LIABILITIES

There have been no material changes in contingent assets and liabilities from those disclosed at 30th June 2013.

4. ISSUANCES OF SECURITIES

During the half-year reporting period Australian Vintage Ltd issued 99,541,745 ordinary shares (2012 : Nil) for \$40,118 thousand (2012 : Nil). There were no shares issued (2012: Nil) to Directors as remuneration for the year ending 30th June 2013.

Australian Vintage Ltd operates a "Performance Rights and Options Plan". This long term incentive plan provides the right to an issue of shares subject to the achievement of set growth rates in earnings per share over a 4 year period. During the half-year reporting period 1,156,514 (2012 : 1,383,400) options were issued. These options had a fair value at grant date of \$0.38 per option (2012 : \$0.27 per option). There were no other share options issued or exercised during the half-year reporting period (2012: Nil).

Australian Vintage Ltd did not issue any shares during the half year (2012: 726,945 for \$363,000) under its Dividend Re-investment Plan.

There were no other movements in the ordinary share capital or issued capital in the current or prior half-year reporting period.

5. DIVIDENDS

During the period, Australian Vintage Ltd made the following dividend payments:

	Half-Year Ended 31/12/13		Half-Year Ended 31/12/12	
	Cents per share	Total \$'000	Cents per share	Cents per share
Fully paid ordinary shares				
Final dividend	2.6	3,451	2.6	3,432

6. BORROWINGS

During the half year the company reached agreement with the National Australia Bank to extend its debt facility until October 2015. The company will continue to be subject to various commercial covenants. In addition the company is able to declare a dividend provided the dividend is underwritten or approved by the National Australia Bank.

Australian Vintage Ltd

Notes to the Financial Statements for the Half-Year Ended 31 December 2013

7. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Company's Chief Executive Officer for the purpose of resource allocation and assessment of performance is specifically focused on the nature and location of the supply. The Company's reportable segments under AASB 8 are therefore as follows:

- Australasia / North America Packaged
 - supplies packaged wine within Australia, New Zealand, Asia and North America through retail and wholesale channels.
- UK / Europe
 - supplies packaged and bulk wine in the United Kingdom and Europe through retail and distributor channels.
- Cellar Door
 - supplies wine direct to the consumer through regional outlets.
- Australasia / North America bulk wine and processing
 - supplies bulk wine, concentrate and winery processing services throughout Australia, New Zealand, Asia and North America.
- Vineyards
 - provides vineyard management and maintenance services within Australia.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Company's accounting policies.

The revenue reported represents revenue generated from external customers. There were no intersegment sales during the period.

Segment profit represents the profit earned by each segment without allocation of share of profits of associates, investment and interest revenue, gain on onerous contracts, impairment of water licences, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Australian Vintage Ltd

Notes to the Financial Statements for the Half-Year Ended 31 December 2013

7. SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Company's revenue, results by reportable operating segment for the period under review:

	Consolidated	
	Half-Year Ended 31/12/13 \$'000	Half-Year Ended 31/12/12 \$'000
Segment revenue		
Australasia / North America packaged	45,848	42,528
UK / Europe	46,014	51,616
Cellar Door	3,678	3,475
Australasia / North America bulk wine and processing	7,174	9,771
Vineyards	2,090	2,134
Total segment revenue	104,804	109,524
Segment profit		
Australasia / North America packaged	3,998	3,593
UK / Europe	2,792	2,733
Cellar Door	611	350
Australasia / North America bulk wine and processing	(337)	1,402
Vineyards	94	250
Total of all segments	7,158	8,328
Unallocated (a)	(1,293)	(3,300)
Profit before income tax expense	5,865	5,028
Income tax (expense) / benefit	(1,831)	(1,718)
Profit for the period	4,034	3,310

(a) Unallocated result includes finance costs, interest received, impairment of water licences and gain on provision for onerous contracts.

Australian Vintage Ltd

Notes to the Financial Statements for the Half-Year Ended 31 December 2013

8. FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

8.1 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ Financial liabilities	Fair value as at 31/12/13 \$ 000	Fair value as at 31/12/12 \$ 000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Foreign currency forward contracts	Liabilities \$2,096	Assets \$555 Liabilities \$0	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
2) Interest rate swaps	Liabilities \$354	Liabilities \$1,988	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

There were no items relating to Levels 1 and 3 in the period or the prior period.

8.2 Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.