



AUSTRALIAN VINTAGE LTD

**Preliminary Final Report of  
Australian Vintage Ltd  
for the Financial Year Ended 30 June 2014**

(ACN 052 179 932)

This Preliminary Final Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A.

Current Reporting Period: Financial Year ending 30 June 2014

Previous Corresponding Period: Financial Year ending 30 June 2013

# Australian Vintage Ltd

## Revenue and Net Profit

|                         |    | Percentage Change<br>% | Amount<br>\$'000 |
|-------------------------|----|------------------------|------------------|
| Total operating revenue | Up | 3.0%                   | 214,753          |
| Net profit              | Up | 49.1%                  | 10,544           |

## Brief Explanation of Revenue, Net Profit/(Loss) and Dividends (Distributions)

See the attached press release.

## Details Relating to Dividends

|                  |      | Date dividend paid /<br>payable | Amount per<br>security<br>¢ | Amount per security<br>of foreign sourced<br>dividend<br>¢ |
|------------------|------|---------------------------------|-----------------------------|--|
| Final dividend   | 2014 | 19/11/2014                      | 2.20                        | -  |
|                  | 2013 | 18/11/2013                      | 2.60                        | -  |
| Interim dividend | 2014 | -                               | -                           | -  |
|                  | 2013 | -                               | -                           | -  |
| Total            | 2014 | 19/11/2014                      | 2.20                        | -  |
|                  | 2013 | 18/11/2013                      | 2.60                        | -  |

## Total dividend (distribution) per security (interim plus final)

|                     | 2014<br>¢ | 2013<br>¢ |
|---------------------|-----------|-----------|
| Ordinary securities | 2.60      | 2.60      |

## Interim and final dividend (distribution) on all securities

|                     | 2014<br>\$'000 | 2013<br>\$'000 |
|---------------------|----------------|----------------|
| Ordinary securities | 3,451          | 3,432          |
| <b>Total</b>        | <b>3,451</b>   | <b>3,432</b>   |

Any other disclosures in relation to dividends (distributions).

Record date for the payment of the final dividend will be 31<sup>st</sup> October 2014. The dividend will be fully franked.

# Australian Vintage Ltd

## Dividend Reinvestment Plans

The dividend or distribution plans shown below are in operation.

Australian Vintage Ltd Dividend Re-investment Plan is currently suspended.

The last date(s) for receipt of election notices for the dividend or distribution plans  
Net Tangible Assets Per Security

N/A

Net tangible assets per security

| 2014<br>\$ | 2013<br>\$ |
|------------|------------|
| 0.85       | 1.11       |

## Commentary on Results

See attached press release.

## Information on Audit or Review

This preliminary final report is based on accounts to which one of the following applies.

- The accounts have been audited.  The accounts have been subject to review.  
 The accounts are in the process of being audited or subject to review.  The accounts have not yet been audited or reviewed.

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

Nil.

Description of dispute or qualification if the accounts have been audited or subjected to review.

Nil.

# Australian Vintage Ltd

## Consolidated Statement of Profit or Loss and Other Comprehensive Income For the financial year ended 30 June 2014

|  | Note     | Consolidated   |                |
|--|----------|----------------|----------------|
|  |          | 2014<br>\$'000 | 2013<br>\$'000 |
| Revenue  | 2        | 214,753        | 208,549        |
| Cost of sales  | 2        | (155,745)      | (151,380)      |
| <b>Gross Profit</b>  |          | <b>59,008</b>  | <b>57,169</b>  |
| Fair value of grapes picked during the financial year less estimated costs to sell |          | 2,713          | 3,171          |
| Investment income  | 2        | 532            | 403            |
| Other gains and losses   | 2        | 2,002          | 917            |
| Distribution expenses  |          | (11,977)       | (10,856)       |
| Gain on provision for onerous contracts  |          | 4,106          | 4,223          |
| Sales and marketing expenses   |          | (24,984)       | (23,646)       |
| Administration expenses  |          | (7,154)        | (6,531)        |
| Loss on foreign exchange   |          | -              | (459)          |
| Finance costs – interest paid  |          | (8,549)        | (12,920)       |
| Finance costs – interest un-wind   |          | (590)          | (990)          |
| <b>Profit before income tax</b>  | <b>2</b> | <b>15,107</b>  | <b>10,481</b>  |
| Income tax expense   |          | (4,563)        | (3,411)        |
| <b>Net profit for the year</b>   |          | <b>10,544</b>  | <b>7,070</b>   |
| <b>Other comprehensive loss:</b>   |          |                |                |
| <u>Items that may be subsequently classified to the profit and loss:</u>           |          |                |                |
| Gain / (Loss) on interest rate swaps   |          | 491            | 1,453          |
| Valuation of foreign exchange hedges   |          | (257)          | (1,571)        |
| <u>Items that will not be subsequently classified to the profit and loss:</u>      |          |                |                |
| Exchange differences arising on translation of foreign operations                  |          | 73             | 45             |
| Income tax relating to components of other comprehensive income                    |          | (92)           | 21             |
| <b>Other comprehensive loss for the year, net of tax</b>                           |          | <b>215</b>     | <b>(52)</b>    |
| <b>Total comprehensive income for the year</b>                                     |          | <b>10,759</b>  | <b>7,018</b>   |
| <b>Earnings Per Share:</b>   |          |                |                |
| Basic (cents per share)  | 4        | 5.1            | 5.3            |
| Diluted (cents per share)  | 4        | 5.1            | 5.3            |

Notes to the financial statements are included on pages 7 to 16.

# Australian Vintage Ltd

## Consolidated Statement of Financial Position As at 30 June 2014

|                                      | Note | Consolidated   |                |
|--------------------------------------|------|----------------|----------------|
|                                      |      | 2014<br>\$'000 | 2013<br>\$'000 |
| <b>Current Assets</b>                |      |                |                |
| Cash and cash equivalents            |      | 4,202          | 995            |
| Trade and other receivables          |      | 41,698         | 35,613         |
| Inventories                          |      | 168,142        | 151,376        |
| Current tax assets                   |      | 49             | 79             |
| Other                                |      | 3,851          | 3,637          |
| <b>Total Current Assets</b>          |      | <b>217,942</b> | <b>191,700</b> |
| <b>Non-Current Assets</b>            |      |                |                |
| Inventories                          |      | 23,736         | 20,858         |
| Other financial assets               |      | 59             | 59             |
| Biological assets                    |      | 33,184         | 33,184         |
| Property, plant and equipment        |      | 90,058         | 93,171         |
| Goodwill                             |      | 37,685         | 37,685         |
| Other intangible assets              |      | 7,744          | 7,405          |
| Water licences                       |      | 7,554          | 7,467          |
| Deferred tax assets                  |      | 52,100         | 52,288         |
| Other                                |      | 435            | -              |
| <b>Total Non-Current Assets</b>      |      | <b>252,555</b> | <b>252,117</b> |
| <b>Total Assets</b>                  |      | <b>470,497</b> | <b>443,817</b> |
| <b>Current Liabilities</b>           |      |                |                |
| Trade and other payables             |      | 40,996         | 33,019         |
| Borrowings                           |      | 3,606          | 2,305          |
| Other financial liabilities          |      | 1,101          | 1,559          |
| Provisions                           |      | 5,579          | 6,061          |
| Other                                |      | 535            | 48             |
| <b>Total Current Liabilities</b>     |      | <b>51,817</b>  | <b>42,992</b>  |
| <b>Non-Current Liabilities</b>       |      |                |                |
| Borrowings                           |      | 112,349        | 140,748        |
| Deferred tax liabilities             |      | 14,491         | 10,773         |
| Other financial liabilities          |      | 112            | 430            |
| Provisions                           |      | 3,491          | 7,975          |
| <b>Total Non-Current Liabilities</b> |      | <b>130,443</b> | <b>159,926</b> |
| <b>Total Liabilities</b>             |      | <b>182,260</b> | <b>202,918</b> |
| <b>Net Assets</b>                    |      | <b>288,237</b> | <b>240,899</b> |
| <b>Equity</b>                        |      |                |                |
| Issued capital                       | 3    | 443,266        | 403,155        |
| Reserves                             |      | 804            | 670            |
| Accumulated losses                   |      | (155,833)      | (162,926)      |
| <b>Total Equity</b>                  |      | <b>288,237</b> | <b>240,899</b> |

Notes to the financial statements are included on pages 7 to 16.

# Australian Vintage Ltd

## Consolidated Statement of Cash Flows For the financial year ended 30 June 2014

|   | Note | Consolidated   |                |
|---|------|----------------|----------------|
|   |      | 2014<br>\$'000 | 2013<br>\$'000 |
| <b>Cash flows from operating activities</b>                       |      |                |                |
| Receipts from customers   |      | 220,898        | 223,481        |
| Payments to suppliers and employees                               |      | (216,593)      | (217,164)      |
| <b>Cash generated from operations</b>                             |      | <b>4,305</b>   | <b>6,317</b>   |
| Interest and other costs of finance paid                          |      | (8,388)        | (10,935)       |
| Interest and bill discounts received                              |      | 447            | 284            |
| <b>Net cash (used in) / provided by operating activities</b>      |      | <b>(3,636)</b> | <b>(4,334)</b> |
| <b>Cash flows from investing activities</b>                       |      |                |                |
| Payments for property, plant and equipment                        |      | (3,069)        | (3,473)        |
| Payments for intangibles  |      | (374)          | (136)          |
| Payment for water licences  |      | (87)           | (751)          |
| Proceeds from sale of property, plant & equipment                 |      | 184            | 1,316          |
| <b>Net cash (used in) / provided by investing activities</b>      |      | <b>(3,346)</b> | <b>(3,044)</b> |
| <b>Cash flows from financing activities</b>                       |      |                |                |
| Loan payment received   |      | 1,843          | 188            |
| Dividends paid  |      | (3,451)        | (3,069)        |
| Net proceeds from share issues                                    |      | 39,383         | -              |
| Proceeds from borrowings  |      | -              | 13,700         |
| Repayment of borrowings   |      | (27,586)       | (2,683)        |
| <b>Net cash provided by / (used in) financing activities</b>      |      | <b>10,189</b>  | <b>8,136</b>   |
| Net increase / (decrease) in cash and cash equivalents            |      | 3,207          | 758            |
| Cash and cash equivalents at the beginning of the financial year  |      | 995            | 237            |
| <b>Cash and cash equivalents at the end of the financial year</b> | 9    | <b>4,202</b>   | <b>995</b>     |

Notes to the financial statements are included on pages 7 to 16.

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## Consolidated Statement of Changes in Equity For the financial year ended 30 June 2014

|   | Share capital<br>\$'000 | Equity -<br>settled<br>employee<br>benefits<br>reserve<br>\$'000 | Hedging<br>reserve<br>\$'000 | Foreign<br>currency<br>translation<br>reserve<br>\$'000 | Accumulated<br>losses<br>\$'000 | Total<br>\$'000 |
|---|-------------------------|--|------------------------------|---|---------------------------------|-----------------|
| Balance at 1 July 2012  | 402,792                 | 1,497  | (865)                        | 9   | (166,564)                       | 236,869         |
| Profit for the period   | -                       | -  | -                            | -   | 7,070                           | 7,070           |
| Profit on interest rate swaps                                     | -                       | -  | 1,453                        | -   | -                               | 1,453           |
| Valuation of foreign exchange hedges                              | -                       | -  | (1,571)                      | -   | -                               | (1,571)         |
| Exchange differences arising on translation of foreign operations | -                       | -  | -                            | 45  | -                               | 45              |
| Income tax relating to components of other comprehensive income   | -                       | -  | 35                           | (14)  | -                               | 21              |
| <b>Total comprehensive income for the period</b>                  | -                       | -  | <b>(83)</b>                  | <b>31</b>   | <b>7,070</b>                    | <b>7,018</b>    |
| <b>Transactions with owners in their capacity as owners:</b>      |                         |  |                              |   |                                 |                 |
| Dividend paid   | -                       | -  | -                            | -   | (3,432)                         | (3,432)         |
| Options   | -                       | 81   | -                            | -   | -                               | 81              |
| Issue of shares   | 363                     | -  | -                            | -   | -                               | 363             |
| <b>Balance at 30 June 2013</b>                                    | <b>403,155</b>          | <b>1,578</b>   | <b>(948)</b>                 | <b>40</b>   | <b>(162,926)</b>                | <b>240,899</b>  |
| Balance at 1 July 2013  | 403,155                 | 1,578  | (948)                        | 40  | (162,926)                       | 240,899         |
| Profit for the period   | -                       | -  | -                            | -   | 10,544                          | 10,544          |
| Profit on interest rate swaps                                     | -                       | -  | 491                          | -   | -                               | 491             |
| Valuation of foreign exchange hedges                              | -                       | -  | (257)                        | -   | -                               | (257)           |
| Exchange differences arising on translation of foreign operations | -                       | -  | -                            | 73  | -                               | 73              |
| Income tax relating to components of other comprehensive income   | -                       | -  | (70)                         | (22)  | -                               | (92)            |
| <b>Total comprehensive income for the period</b>                  | -                       | -  | <b>164</b>                   | <b>51</b>   | <b>10,544</b>                   | <b>10,759</b>   |
| <b>Transactions with owners in their capacity as owners:</b>      |                         |  |                              |   |                                 |                 |
| Dividend paid   | -                       | -  | -                            | -   | (3,451)                         | (3,451)         |
| Options   | -                       | (81)   | -                            | -   | -                               | (81)            |
| Issue of shares   | 40,111                  | -  | -                            | -   | -                               | 40,111          |
| <b>Balance at 30 June 2014</b>                                    | <b>443,266</b>          | <b>1,497</b>   | <b>(784)</b>                 | <b>91</b>   | <b>(155,833)</b>                | <b>288,237</b>  |

Notes to the financial statements are included on pages 7 to 16.

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## Notes to the Financial Statements for the financial year ended 30 June 2014

### Note 1 Basis of preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The accounting policies adopted in the preparation of the preliminary final report are consistent with those adopted and disclosed in the June 2013 full year report other than as listed below.

#### Adoption of new and revised Accounting Standards

In the current year, the Group has applied a number of new and revised AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2013.

| Standard/<br>Interpretation  | Requirements  | Effect on Financial Statements   |
|--|---|--|
| AASB 2011-4<br>'Amendments<br>to Australian Accounting<br>Standards to Remove<br>Individual Key<br>Management<br>Personnel Disclosure<br>Requirements'   | This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures'   | As a result the Group only discloses the key management personnel compensation in total and for each of the categories.<br><br>Individual key management personnel information is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013. |
| AASB 2012-2<br>'Amendments<br>to Australian Accounting<br>Standards – Disclosures –<br>Offsetting Financial<br>Assets<br>and Financial Liabilities'  | The Group has applied the amendments to AASB 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' for the first time in the current year. The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.  | The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of the amendments does not have any material impact on the consolidated financial statements.   |
| AASB 2012-5<br>'Amendments<br>to Australian Accounting<br>Standards arising from<br>Annual Improvements<br>2009-2011 Cycle'  | The Annual Improvements to AASBs 2009 - 2011 have made a number of amendments to AASBs. The amendments that are relevant to the Group are the amendments to AASB 101 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented.   | The adoption of this amending standard does not have any material impact on the consolidated financial statements.   |
| AASB 2012-9<br>'Amendment to AASB<br>1048 arising from the<br>Withdrawal of Australian<br>Interpretation 1039'   | This standard makes amendment to AASB 1048 'Interpretation of Standards' following the withdrawal of Australian Interpretation 1039 'Substantive Enactment of Major Tax Bills in Australia'.  | The adoption of this amending standard does not have any material impact on the consolidated financial statements.   |
| AASB CF 2013-1<br>'Amendments to the<br>Australian Conceptual<br>Framework' and AASB<br>2013-9 'Amendments to<br>Australian Accounting<br>Standards – Conceptual<br>Framework, Materiality<br>and Financial Instruments'<br>(Part A Conceptual<br>Framework) | This amendment has incorporated IASB's Chapters 1 and 3 Conceptual Framework for Financial Reporting as an Appendix to the Australian Framework for the Preparation and Presentation of Financial Statements.<br><br>As a result the Australian Conceptual Framework now supersedes the objective and the qualitative characteristics of financial statements, as well as the guidance previously available in Statement of Accounting Concepts SAC 2 'Objective of General Purpose Financial Reporting'. | The adoption of this amending standard does not have any material impact on the consolidated financial statements.   |



# Australian Vintage Ltd

## Notes to the Financial Statements for the financial year ended 30 June 2014

### Note 1 Basis of preparation (continued)

#### Adoption of new and revised Accounting Standards (continued)

|   |  |   |
|---|--|---|
| New and revised Standards on consolidation, joint arrangements, associates and disclosures  | In August 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising: <ul style="list-style-type: none"> <li>• AASB 10 'Consolidated Financial Statements'</li> <li>• AASB 11 'Joint Arrangements'</li> <li>• AASB 12 'Disclosure of Interests in Other Entities'</li> <li>• AASB 127 'Separate Financial Statements'</li> <li>• AASB 128 'Investments in Associates and Joint Ventures'.</li> </ul> Subsequent to the issue of these standards, amendments to AASB 10, AASB11 and AASB 12 were issued to clarify certain transitional guidance on first-time application. | The adoption of this amending standard does not have any material impact on the consolidated financial statements.  |
| AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'             | AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements.<br>AASB 13 includes extensive disclosure requirements and requires prospective application from 1 July 2013.  | The Group has applied AASB 13 for the first time in the current year.<br>In accordance with the transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2013 comparative period.<br>Other than the additional disclosures, the application of AASB 13 does not have any material impact on the amounts recognised in the consolidated financial statements. |
| AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'                           | This standard amends AASB 10 and various Australian Accounting Standards to revise the transition guidance on the initial application of those Standards. This standard also clarifies the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.  | The adoption of this amending standard does not have any material impact on the consolidated financial statements.  |
| AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)' | AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets.<br>In addition, AASB 119 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.  | In the current year, the Group has applied AASB 119 (as revised in 2011) 'Employee Benefits' and the related consequential amendments for the first time.<br>The adoption of this amending standard does not have any material impact on the consolidated financial statements  |

#### Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

| Standard/Interpretation  | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|--|--|---|
| AASB 9 'Financial Instruments', and the relevant amending standards  | 1 January 2017   | 30 June 2018  |
| AASB 1031 'Materiality' (2013)   | 1 January 2014   | 30 June 2015  |
| AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'  | 1 January 2014   | 30 June 2015  |
| AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'   | 1 January 2014   | 30 June 2015  |
| AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'   | 1 January 2014   | 30 June 2015  |
| AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'  | 1 January 2014   | 30 June 2015  |
| AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'  | 1 January 2014   | 30 June 2015  |
| INT 21 'Levies'  | 1 January 2014   | 30 June 2015  |
| AASB 2014-1 'Amendments to Australian Accounting Standards'<br>- Part A: 'Annual Improvements 2010–2012 and 2011–2013 Cycles'<br>- Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'<br>- Part C: 'Materiality' | 1 July 2014  | 30 June 2015  |
| AASB 2014-1 'Amendments to Australian Accounting Standards' – Part D: 'Consequential Amendments arising from AASB 14'  | 1 January 2016   | 30 June 2017  |
| AASB 2014-1 'Amendments to Australian Accounting Standards' – Part E: 'Financial Instruments'  | 1 January 2015   | 30 June 2016  |
| AASB 14 'Regulatory Deferral Accounts'   | 1 January 2016   | 30 June 2017  |

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## Notes to the Financial Statements for the financial year ended 30 June 2014

### Note 1 Basis of preparation (continued)

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

| Standard/Interpretation  | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|--|--|---|
| Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)                   | 1 January 2016   | 30 June 2017  |
| Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) | 1 January 2016   | 30 June 2017  |
| IFRS 15 'Revenue from Contracts with Customers'  | 1 January 2017   | 30 June 2018  |
| Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)   | 1 January 2016   | 30 June 2017  |

The potential effects of the above Standards and Interpretations on the Group's financial statements has not yet been determined.

#### **Standards and Interpretations affecting the reported results or financial position**

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

#### **Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, directors are required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

On the following page are the critical judgements that directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

##### *Inventories*

The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell which approximates fair value less cost to sell. The key assumptions require the use of management judgment. These key assumptions are the variables affecting the estimated costs to sell and the expected selling price.

The write down is based on assuming a selling price of the wine either through packaged goods or as bulk wine. Should the key assumptions applied in the estimation of revenue from the sale of the inventory when sold vary the ultimate realisable value may differ from that recorded at balance date.

##### *Income tax losses*

The company 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 company will have sufficient taxable income in the foreseeable future and against which the deferred tax assets can be recovered.

The assessment of whether there will be sufficient taxable income 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.

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## Notes to the Financial Statements for the financial year ended 30 June 2014

### **Note 1 Basis of preparation (continued)**

#### Critical accounting judgements and key sources of estimation uncertainty (continued)

##### *Onerous Contracts*

The Company is party to a variety of grape supply agreements including vineyard lease agreements; grower grape supply agreements; and management of vineyard agreements. The agreements provide for the Company to acquire grapes at various prices some of which exceed market values.

The agreements in the current market are onerous.

Each contract has been reviewed and it has been determined that there is an unavoidable cost of meeting the obligations under the grape supply agreements that exceeds the forecast economic benefits (the onerous amount).

The provision for the onerous contracts has been brought to account using the best estimate of the onerous amount.

There are a number of future events the company expects will affect the amount required to settle the contracts and these events are reflected in the amount of the provisions where there is sufficient objective evidence that they will occur.

The onerous contracts provision has been adjusted to the present value (at 8.5% discount rate – 2013 : 8.5%) of the expenditures expected to be required to settle the onerous obligations.

##### *Impairment of goodwill and other intangibles*

The goodwill arising from the acquisition of businesses has been reassessed through the estimation of the value in use of the cash generating units (CGU) to which goodwill has been allocated. The value in use calculations require the Group to estimate the future cash flows expected to arise from the CGU and select a risk adjusted discount rate in order to calculate present value.

A discounted cash flow analysis was performed on the CGU's associated with the goodwill balances, using a pre-tax discount rate of 13.42% (2013 : 13.12%) (bulk wine business), which indicated that the fair value of assets (including goodwill), based upon discounted cash flows, was higher than the carrying value.

The carrying value of the brand names have been individually assessed as part of separate CGU's.

Impairment tests were performed on brand names using a discounted cash flow model and a pre-tax discount rate of 19.0% (2013 : 19.5%) (branded wine business).

There have been estimations applied to assumptions in the cash flows from the CGUs. Should these estimations vary the carrying amount of the intangible assets would need to be reassessed.

##### *Revaluation of biological assets*

The company reviewed the long term value of vineyards and adopted the net present values of the cash flows as a Directors' Valuation for the year ended 30 June 2014.

In determining the fair value of the biological assets, the forecast cash flows from the vineyards have been discounted using a 15.14% (2013 : 14.32%) pre-tax discount rate.

# Australian Vintage Ltd

## Notes to the Financial Statements for the financial year ended 30 June 2014

### Note 2 Profit / (Loss) from operations

|   | Consolidated   |                |
|---|----------------|----------------|
|   | 2014<br>\$'000 | 2013<br>\$'000 |
| <b>(a) Revenue</b>  |                |                |
| Revenue from the sale of goods  | 200,904        | 193,158        |
| Revenue from contract processing  | 10,067         | 11,959         |
| Revenue from rendering vineyard contract services   | 3,782          | 3,432          |
| <b>Total revenue</b>  | <b>214,753</b> | <b>208,549</b> |
| <p>A portion of the Group's revenue from the sale of goods denominated in foreign currencies is cash flow hedged. The amounts disclosed above for revenue from the sale of goods include the recycling of the effective amount of the foreign currency derivatives that are used to hedge foreign currency revenue.</p> |                |                |
| <b>Investment Income</b>  |                |                |
| Rental revenue  | 85             | 91             |
| Interest received   | 447            | 312            |
| Total   | 532            | 403            |
| <b>Other gains / (losses)</b>   |                |                |
| (Loss) / Gain on sales of other property, plant and equipment   | 178            | (32)           |
| Wine equalisation tax rebate  | 500            | 500            |
| Gain on foreign exchange  | 229            | -              |
| Other rebates   | 538            | 740            |
| Government grants   | -              | 136            |
| Impairment of water licences  | -              | (901)          |
| Other   | 557            | 474            |
| Total   | 2,002          | 917            |
| <b>(b) Profit / (Loss) before income tax</b>  |                |                |
| <p>Profit / (Loss) before income tax has been arrived at after crediting/(charging) the following gains and losses:</p>   |                |                |
| Profit / (Loss) on disposal of property, plant and equipment  | 178            | (32)           |
| Profit / (Loss) on foreign exchange   | 229            | (459)          |
| <p>Profit / (Loss) before income tax has been arrived at after charging the following expenses:</p>   |                |                |
| Cost of sales   | 155,745        | 151,380        |
| Finance costs:  |                |                |
| Interest on loans   | 8,021          | 12,259         |
| Finance lease interest  | 528            | 661            |
| Total finance costs   | <b>8,549</b>   | <b>12,920</b>  |
| Depreciation of non-current assets – charged to cost of sales / inventory   | 5,323          | 5,402          |
| Depreciation of non-current assets – other  | 1,184          | 1,157          |
| Amortisation of non-current assets  | 567            | 511            |
| Total depreciation and amortisation expense   | <b>7,074</b>   | <b>7,070</b>   |
| Operating lease rental expenses (minimum lease payments)  | 10,708         | 13,137         |
| <b>(c) Earnings before interest and tax (EBIT)</b>  |                |                |
| Earnings before interest and tax  | 23,799         | 24,079         |

# Australian Vintage Ltd

## Notes to the Financial Statements for the financial year ended 30 June 2014

### Note 3: Issued capital

|   | Consolidated   |                |
|---|----------------|----------------|
|   | 2014<br>\$'000 | 2013<br>\$'000 |
| 232,262,382 Fully paid ordinary shares (2013 : 132,720,637) | 443,266        | 403,155        |
|   | <b>\$'000</b>  | <b>Number</b>  |
| <b>Fully paid ordinary share capital</b>                    |                |                |
| Beginning of financial year                                 | 403,155        | 132,720,637    |
| Issued during the year                                      | 40,111         | 99,541,745     |
| End of financial year                                       | 443,266        | 232,262,382    |

All shares have equal rights to voting and dividends.

### Note 4: Earnings per share

|   | Consolidated                                  |   |
|---|---|---|
|   | 2014<br>Cents<br>Per share                    | 2013<br>Cents<br>Per share                    |
| Basic earnings per share  | 5.1   | 5.3   |
| Diluted earnings per share  | 5.1   | 5.3   |
|   | <b>\$'000</b>                                 | <b>\$'000</b>                                 |
| Profit for the year   | 10,544  | 7,070   |
|   | <b>2014<br/>Number of<br/>Shares<br/>'000</b> | <b>2013<br/>Number of<br/>Shares<br/>'000</b> |
| Weighted average number of ordinary shares used in calculating basic earnings per share   | 207,738                                       | 132,438                                       |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 207,738                                       | 132,438                                       |

### Note 5: Dividends

|                                   | Company 2014       |                 | Company 2013       |                 |
|-----------------------------------|--------------------|-----------------|--------------------|-----------------|
|                                   | Cents<br>Per share | Total<br>\$'000 | Cents<br>Per share | Total<br>\$'000 |
| Fully paid ordinary shares:       |                    |                 |                    |                 |
| Interim dividend – franked to 30% | -                  | -               | -                  | -               |
| Final dividend – franked to 30%   | 2.6                | 3,451           | 2.6                | 3,432           |
|                                   |                    | 3,451           |                    | 3,432           |
| Adjusted franking account balance |                    | 11,109          |                    | 12,588          |

In respect of the financial year ended 30 June 2014, a final dividend of 2.20 cents per share was declared on 27<sup>th</sup> August 2014 and will be paid on 19<sup>th</sup> November 2014.

# Australian Vintage Ltd

## Notes to the Financial Statements for the financial year ended 30 June 2014

### Note 6: Borrowings

During the 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 covenants. In addition, the company is able to declare a dividend provided the dividend is underwritten or approved by the National Australia Bank.

### Note 7: Subsequent events

On the 24<sup>th</sup> July 2014, the company signed a binding heads of agreement with 1847 (SA) Pty Ltd (1847) for the sale of its Yaldara Winery and Yaldara brand for \$15.5M. Settlement which is subject to 1847 obtaining a liquor licence for the winery, is expected to occur in November or December 2014.

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

### Note 8: 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 financial year ended 30 June 2014

### Note 8: Segment information (continued)

The following is an analysis by reportable operating segment for the period under review:

#### Business Segments

##### Segments Revenue, Results, Assets and Liabilities

|  | Revenue<br>2014<br>\$'000 | Revenue<br>2013<br>\$'000 | Results<br>2014<br>\$'000 | Results<br>2013<br>\$'000 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| Australasia / North America packaged                 | 88,855                    | 79,903                    | 7,956                     | 5,214                     |
| UK / Europe  | 87,560                    | 88,847                    | 3,903                     | 3,350                     |
| Cellar door  | 7,538                     | 6,843                     | 1,213                     | 708                       |
| Australasia / North America bulk wine and processing | 27,018                    | 29,524                    | 3,384                     | 8,000                     |
| Vineyards  | 3,782                     | 3,432                     | 3,237                     | 3,485                     |
| <b>Total</b>   | <b>214,753</b>            | <b>208,549</b>            | <b>19,693</b>             | <b>20,757</b>             |
| Finance costs – interest paid                        |                           |                           | (8,549)                   | (12,920)                  |
| Finance costs – interest un-wind                     |                           |                           | (590)                     | (990)                     |
| Impairment of water licences                         |                           |                           | -                         | (901)                     |
| Gain on provision for onerous contracts              |                           |                           | 4,106                     | 4,223                     |
| Interest received                                    |                           |                           | 447                       | 312                       |
| <b>Profit before tax</b>                             |                           |                           | <b>15,107</b>             | <b>10,481</b>             |

#### Geographical Segments

|               | Revenue from external<br>customers |                |
|---------------|------------------------------------|----------------|
|               | 2014<br>\$'000                     | 2013<br>\$'000 |
| Australia     | 107,345                            | 99,091         |
| UK / Europe   | 87,560                             | 88,847         |
| North America | 6,272                              | 7,926          |
| Other         | 13,576                             | 12,685         |
|               | <b>214,753</b>                     | <b>208,549</b> |

The Group has sales to three major customers who individually account for greater than 10% of annual sales. The total sales for these customers were \$88.6M (2013 : \$96.4M). Of these sales, \$52.1M (2013 : \$61.0M) is included within the UK / Europe division and \$36.5M (2013 : \$35.4M) is included within the Australasia / North America Packaged division.

# Australian Vintage Ltd

## Notes to the Financial Statements for the financial year ended 30 June 2014

### Note 9: Notes to the statement of cash flow

#### (a) Reconciliation of cash

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the Statement of Financial Position as follows:

|   | Consolidated   |                |
|---|----------------|----------------|
|   | 2014<br>\$'000 | 2013<br>\$'000 |
| Cash  | 4,202          | 995            |
| <b>(b) Financing Facilities</b>   |                |                |
| Unsecured bank overdraft facility, reviewed annually and payable at call: |                |                |
| Amount Used   | -              | -              |
| Amount Unused   | 5,000          | 5,000          |
|   | 5,000          | 5,000          |
| Reducing lease facility:  |                |                |
| Amount Used   | 3,661          | 5,841          |
| Amount Unused   | -              | -              |
|   | 3,661          | 5,841          |
| Unsecured revolving lease facility:                                       |                |                |
| Amount Used   | 273            | -              |
| Amount Unused   | 77             | 250            |
|   | 350            | 250            |
| Bank Guarantee/Surrender facility:  |                |                |
| Amount Used   | 1,543          | 1,351          |
| Amount Unused   | 1,107          | 1,399          |
|   | 2,650          | 2,750          |
| Corporate purchasing card facility:                                       |                |                |
| Amount Used   | 8              | 216            |
| Amount Unused   | 492            | 284            |
|   | 500            | 500            |
| Cash advance facility:  |                |                |
| Amount Used   | 111,000        | 135,700        |
| Amount Unused   | 4,000          | 12,000         |
|   | 115,000        | 147,700        |
| Total facility  | 127,161        | 162,041        |

#### (c) Non-cash financing and investing activities

During the half-year reporting period Australian Vintage Ltd issued 99,541,745 ordinary shares (2013 : Nil) for \$40,111 thousand net of issue costs (2013 : Nil). There were no shares issued to Directors as remuneration for the year ending 30<sup>th</sup> June 2014 (2013: Nil).

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 reporting period 1,156,514 (2013 : 1,383,400) options were issued. These rights had a fair value at grant date of \$0.38 per option (2013 : \$0.27 per option). There were no other share options issued or exercised during the reporting period (2013: Nil).

During the financial year the company did not issue any shares (2013 : 726,945 for \$363,000) under its Dividend Reinvestment Plan. There were no other movements in ordinary share capital or issued capital in the current or prior period.

#### (d) Business acquired

During the financial year there were no businesses acquired.



# Australian Vintage Ltd

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## Notes to the Financial Statements for the financial year ended 30 June 2014

### **Note 10: Contingent assets and liabilities**

There are no contingent assets and liabilities.