

# **AUSTRALIAN VINTAGE LTD**

**HALF-YEAR REPORT  
FOR THE HALF-YEAR ENDED  
31 DECEMBER 2014**

**(ACN: 052 179 932 ASX REFERENCE: AVG)**

# Australian Vintage Ltd

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## *RESULTS FOR ANNOUNCEMENT TO THE MARKET*

<b>REVENUE AND NET PROFIT/LOSS</b>	<b>PERCENTAGE CHANGE %</b>	<b>AMOUNT \$'000</b>
Total operating revenue	up 16.1%	121,669
Net profit after tax	up 10.2%	4,446

<b>Dividends (cents)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
Interim dividend	-	-
Previous corresponding period	-	-

<b>Other information</b>	<b>As at 31/12/14</b>	<b>As at 31/12/13</b>
Net tangible asset per security	\$0.85 per share	\$0.81 per share

# Australian Vintage Ltd

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## Directors' Report

The directors of Australian Vintage Ltd submit herewith the financial report of Australian Vintage Ltd and its subsidiaries for the half-year ended 31 December 2014. 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  
Naseema Sparks – appointed 28<sup>th</sup> January 2015  
John D. Davies – appointed 28<sup>th</sup> January 2015

### ***REVIEW OF OPERATIONS***

Australian Vintage today reported a half year net profit of \$4.4 million. Key points :

- Total revenue up 16% to \$121.7 million versus \$104.8 million prior period, reflecting higher UK/Europe and Australasia/North America sales
- Cash Flow from operating activities positive \$8.4 million versus positive \$0.6 million in the prior period
- Net debt of \$95.6 million versus \$111.8 million as at June 2014. Gearing at 33%
- Sales of the McGuigan, Tempus Two and Nepenthe brands increased by 19%
- Finalised sale of the Yaldara winery for \$15.5 million with an after tax profit of \$6.2 million
- Expensed \$3.9 million (after tax) non recoverable incentives to customers

The continued growth of our three key brands is very encouraging. However, due to the higher cost of our 2014 vintage and some large bulk wine sales, the improved sales did not directly translate into improved margin dollars.

Our branded business continues to grow and what is really pleasing is the continued growth of all our three key brands. McGuigan, Tempus Two and Nepenthe increased sales by 19% and these brands now make up 60% of our total wine sales. In comparison, for the 6 month period to December 2010, the sales of these brands made up 39% of total wine sales.

# Australian Vintage Ltd

## Directors' Report

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### Sales/Margin

Overall revenue for the period increased by 16% due mainly to increased branded sales in UK/Europe and Australasia/North America segments.

UK/Europe sales were up by 20% on the previous period due to the increased sales of the McGuigan brand (up 28%). However, contribution from this segment declined by \$0.9 million due mainly to the higher cost of the 2014 vintage and some large non-recurring bulk wine sales. The exchange rates have been favourable, but unfortunately not all the benefits could be retained due to margin pressure.

Australasia/North America packaged sales increased by \$5.5 million to \$51.4 million due to increased sales of the McGuigan brand (up 6%) and low margin cask (up 26%). Contribution decreased by \$0.7 million to \$3.3 million due to increased distribution and marketing costs and the costs associated with the recently opened office in Hong Kong. The higher cost of the 2014 vintage also contributed to the decline in contribution from this segment.

Within the Australasia / North America packaged segment every division recorded increased sales -

Division	Increase in Sales
Australia	10%
New Zealand	42%
Asia	11%
North America	14%

### EBIT and Net Profit

EBIT before one off items was \$6.3 million compared to \$7.2 million in the previous period. The 12% decline was due predominately to the higher cost of the 2014 vintage and some losses on non-recurring bulk wine sales to the UK.

Net profit (after tax and before one off items) improved by 72% to \$2.0 million due to reduced finance costs. Lower interest and margin rates together with reduced borrowing levels contributed to the decline in the finance costs.

### December 2014 One Off Items

#### Provision for Onerous Grower Contracts

In December 2014 an onerous grower contract was renegotiated to normal market grape prices. The onerous \$0.8 million provision for this contract has been reversed.

#### Sale of Yaldara Winery

Yaldara winery and brand was sold for \$15.5 million. This resulted in a profit before tax of \$6.4 million. The tax expense is only \$0.2 million due to the use of capital losses not previously recognised in the accounts of the company.

#### Legal Fees

We are currently involved in a legal dispute with a vineyard owner. The legal costs to the end of December 2014 were \$0.6 million (\$0.4 million after tax). It is expected that this dispute will be concluded prior to 30 June 2015.

#### Non Recoverable Incentives to Customers

The company has made a decision to write off previous incentives made to various customers. The decision to write these amounts off was based on recent developments where we concluded that the benefits from these were unlikely to eventuate. A significant portion of the \$5.6 million (\$3.9 million after tax) related to overseas customers and included both cash and stock incentives.

# Australian Vintage Ltd

## Directors' Report

### Segment Result

	Half Year ended 31/12/14 \$000	Half Year ended 31/12/13 \$000	Variation	
			\$'000	%
Australasia / North America Packaged	3,251	3,999	(748)	(19)
UK / Europe	1,905	2,792	(887)	(32)
Cellar Door	745	611	134	22
Australasia / North America bulk and processing	(27)	(337)	310	92
Vineyards	441	94	347	369
<b>Total</b>	<b>6,315</b>	<b>7,159</b>	<b>(844)</b>	<b>(12)</b>
Finance costs	(3,351)	(5,534)	2,183	39
Interest received	26	134	(108)	(81)
Profit Before Tax	2,990	1,759	1,231	70
Tax	(992)	(599)	(393)	(66)
<b>Net Profit</b>	<b>1,998</b>	<b>1,160</b>	<b>838</b>	<b>72</b>
Adjustment to provision for onerous contracts ( <i>note</i> )	826	4,106		
Tax	(248)	(1,232)		
Profit on sale of Yaldara	6,354	-		
Tax	(170)	-		
Customer incentives	(5,559)	-		
Tax	1,668	-		
Legal costs associated with dispute with vineyard owner	(604)	-		
Tax	181	-		
<b>Total one off times (after tax)</b>	<b>2,448</b>	<b>2,874</b>	<b>(426)</b>	
<b>Total Net Profit</b>	<b>4,446</b>	<b>4,034</b>	<b>412</b>	<b>10</b>

*Note: Due to the favourable negotiations on existing vineyard agreements, some contracts were no longer considered onerous and consequently \$0.8 million (\$4.1 million in previous period) was written back to profit.*

### Financial Position

Cash Flow from operating activities was positive \$8.4 million versus positive \$0.6 million in the prior period. The \$7.8 million improvement is due to improved sales and lower interest costs.

Net debt of \$95.6 million is \$16.2 million below the net debt position at June 2014. Since June 2013 our net debt has decreased by \$46.5 million and our gearing has declined from 59% in June 13 to 33%. During this period the company has paid total cash dividends of \$8.6 million.

# Australian Vintage Ltd

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## Directors' Report

### Outlook

The continued growth of our three key brands is very pleasing. We remain confident that our strategy of growing the export business, increasing our branded sales and controlling our costs is the correct strategy.

We continue to face short term challenges due to our high cost from the 2014 vintage and the ever increasing margin pressure from our competitors and from our major customers. However, from 2016 onwards the company has a number of significant onerous and above market priced grower contracts that expire. The expectation is that these growers will be replaced with fair market priced contracts. Whilst the accounting benefits will take some time to flow through, the cash benefits will be immediate. Based on contracts that expire from 2016 to 2018 and using the average weighted 2014 grape prices, the expected cash flow benefit is \$6.5 million per annum. As well, there may be further benefits which will assume to the company as a result of favourable exchange rate movements in the future.

The 2015 vintage has started and the early signs are quite encouraging. Yield and quality seem very good. As per usual, a vintage and trading update will be provided at the completion of vintage.

At this stage and subject to normal 2015 vineyard yields and forecast FX, we expect our 2015 profit (after tax and one off items) to be slightly above the 2014 result.

# Australian Vintage Ltd

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## Directors' Report

### *INDEPENDENCE DECLARATION BY AUDITOR*

The auditor's independence declaration is included on page 7.

### *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, 17<sup>th</sup> February, 2015

The Board of Directors  
Australian Vintage Ltd  
275 Sir Donald Bradman Drive  
COWANDILLA SA 5033

17 February 2015

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 2014, 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



Jody Burton  
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 Ltd, which comprises the condensed statement of financial position as at 31 December 2014, 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 10 to 20.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the Australian Vintage Ltd 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 Ltd's financial position as at 31 December 2014 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 Ltd, 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 Ltd, 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 Ltd is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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



Jody Burton  
Partner  
Chartered Accountants  
Adelaide, 17 February 2015

# Australian Vintage Ltd

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## 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, 17<sup>th</sup> February, 2015

# Australian Vintage Ltd

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income as at 31 December 2014

	Note	CONSOLIDATED	
		Half-Year Ended 31/12/14 \$'000	Half-Year Ended 31/12/13 \$'000
Revenue		121,669	104,804
Cost of sales		(92,443)	(77,850)
Gross Profit		29,226	26,954
Other income		867	587
Interest Received		26	134
Distribution expenses		(7,334)	(6,000)
Sales and marketing expenses		(13,137)	(11,818)
Administration expenses		(3,481)	(3,289)
Gain on foreign exchange		126	623
Finance costs		(3,351)	(5,534)
Gain on provision for onerous contracts		826	4,106
Gain on sale of other property, plant and equipment		48	102
Gain on sale of Yaldara winery and brand name		6,354	-
Legal fees on vineyard lease dispute		(604)	-
Non-recoverable incentives to customers		(5,559)	-
<b>Profit before income tax</b>		<b>4,007</b>	<b>5,865</b>
Income tax benefit / (expense)		439	(1,831)
<b>Net profit for the period</b>		<b>4,446</b>	<b>4,034</b>
<b>Other comprehensive loss, net of income tax:</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Exchange differences arising on translation of foreign operations		60	64
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Valuation of foreign exchange hedges		(333)	(1,547)
Gain on interest rate swaps		38	561
Income tax relating to components of other comprehensive income		70	277
<b>Other comprehensive loss for the period, net of income tax</b>		<b>(165)</b>	<b>(645)</b>
<b>Total comprehensive income for the period</b>		<b>4,281</b>	<b>3,389</b>
<b>Earnings per share:</b>			
Basic (cents per share)		1.9	2.2
Diluted (cents per share)		1.9	2.2

Notes to the financial statements are included on pages 15 to 20.

# Australian Vintage Ltd

## Condensed Consolidated Statement of Financial Position as at 31 December 2014

	CONSOLIDATED		
	NOTE	31/12/14 \$'000	30/6/14 \$'000
<b><i>Current Assets</i></b>			
Cash and cash equivalents		7,977	4,202
Trade and other receivables		34,655	41,698
Inventories		150,052	168,142
Current tax assets		87	49
Other		5,738	3,851
<b><i>Total Current Assets</i></b>		<b><i>198,509</i></b>	<b><i>217,942</i></b>
<b><i>Non-Current Assets</i></b>			
Other financial assets		59	59
Trade and other receivables		430	-
Property, plant and equipment		84,070	90,058
Inventories		24,545	23,736
Biological assets		33,202	33,184
Goodwill		37,685	37,685
Deferred tax assets		55,986	52,100
Water Licences		7,554	7,554
Other Intangible assets		6,199	7,744
Other		-	435
<b><i>Total Non-Current Assets</i></b>		<b><i>249,730</i></b>	<b><i>252,555</i></b>
<b><i>Total Assets</i></b>		<b><i>448,239</i></b>	<b><i>470,497</i></b>
<b><i>Current Liabilities</i></b>			
Trade and other payables		27,948	40,996
Borrowings		2,724	3,606
Other financial liabilities		1,458	1,101
Provisions		5,557	5,579
Other		511	535
<b><i>Total Current Liabilities</i></b>		<b><i>38,198</i></b>	<b><i>51,817</i></b>
<b><i>Non-Current Liabilities</i></b>			
Borrowings		100,855	112,349
Deferred tax liabilities		17,849	14,491
Other financial liabilities		53	112
Provisions		3,876	3,491
<b><i>Total Non-Current Liabilities</i></b>		<b><i>122,633</i></b>	<b><i>130,443</i></b>
<b><i>Total Liabilities</i></b>		<b><i>160,831</i></b>	<b><i>182,260</i></b>
<b><i>Net Assets</i></b>		<b><i>287,408</i></b>	<b><i>288,237</i></b>
<b><i>Equity</i></b>			
Issued capital		443,266	443,266
Reserves		639	804
Accumulated losses		(156,497)	(155,833)
<b><i>Total Equity</i></b>		<b><i>287,408</i></b>	<b><i>288,237</i></b>

Notes to the financial statements are included on pages 15 to 20.

# Australian Vintage Ltd

## Condensed Consolidated Statement of Cash Flows for the Half-Year Ended 31 December 2014

	Inflows/(Outflows)	
	Half-Year Ended 31/12/14 \$'000	Half-Year Ended 31/12/13 \$'000
<b><i>Cash Flows from Operating Activities</i></b>		
Receipts from customers	133,889	109,374
Payments to suppliers and employees	(121,831)	(103,122)
Cash generated from operations	12,058	6,252
Interest and other costs of finance paid	(3,661)	(5,820)
Interest received	27	134
Net cash provided by / (used in) operating activities	8,424	566
<b><i>Cash Flows from Investing Activities</i></b>		
Payment for property, plant and equipment	(2,301)	(1,367)
Proceeds from sale of property, plant and equipment	15,222	107
Net cash provided by / (used in) investing activities	12,921	(1,260)
<b><i>Cash Flows from Financing Activities</i></b>		
Loan payment received	-	63
Dividends paid	(5,110)	(3,451)
Net proceeds from share issues	-	39,394
Repayment of borrowings	(12,460)	(33,126)
Net cash provided by / (used in) financing activities	(17,570)	2,880
<b><i>Net Increase in cash and cash equivalents</i></b>	<b>3,775</b>	<b>2,186</b>
<b><i>Cash and cash equivalents at the beginning of the period</i></b>	<b>4,202</b>	<b>995</b>
<b><i>Cash and cash equivalents at the end of the period</i></b>	<b>7,977</b>	<b>3,181</b>

Notes to the financial statements are included on pages 15 to 20.

# Australian Vintage Ltd

## Condensed Consolidated Statement of Changes in Equity for the Half Year Ended 31<sup>st</sup> December 2014

	Share capital \$'000	Equity- settled employee benefits reserve \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Accum – ulated losses \$'000	Total \$'000
<b>Balance at 1 July 2013</b>	<b>403,155</b>	<b>1,578</b>	<b>(948)</b>	<b>40</b>	<b>(162,926)</b>	<b>240,899</b>
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)
Loss on interest rate swaps	-	-	561	-	-	561
Income tax relating to components of other comprehensive income	-	-	296	(19)	-	277
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(690)</b>	<b>45</b>	<b>4,034</b>	<b>3,389</b>
<b>Transactions with owners in their capacity as owners:</b>						
Dividend paid	-	-	-	-	(3,451)	(3,451)
Options	-	46	-	-	-	46
Issue of shares	40,118	-	-	-	-	40,118
<b>Balance at 31 December 2013</b>	<b>443,273</b>	<b>1,624</b>	<b>(1,638)</b>	<b>85</b>	<b>(162,343)</b>	<b>281,001</b>
<b>Balance at 1 July 2014</b>	<b>443,266</b>	<b>1,497</b>	<b>(784)</b>	<b>91</b>	<b>(155,833)</b>	<b>288,237</b>
Profit for the period	-	-	-	-	4,446	4,446
Exchange differences arising on translation of foreign operations	-	-	-	60	-	60
Valuation of foreign exchange hedges	-	-	(333)	-	-	(333)
Gain on interest rate swaps	-	-	38	-	-	38
Income tax relating to components of other comprehensive income	-	-	88	(18)	-	70
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(207)</b>	<b>42</b>	<b>4,446</b>	<b>4,281</b>
<b>Transactions with owners in their capacity as owners:</b>						
Dividend paid	-	-	-	-	(5,110)	(5,110)
<b>Balance at 31 December 2014</b>	<b>443,266</b>	<b>1,497</b>	<b>(991)</b>	<b>133</b>	<b>(156,497)</b>	<b>287,408</b>

Notes to the financial statements are included on pages 15 to 20.

# Australian Vintage Ltd

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## Notes to the Financial Statements for the Half-Year Ended 31 December 2014

### 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 2014 annual financial report for the financial year ended 30 June 2014, 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.

#### List of Standards and Interpretations in issue not yet effective

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 <sup>1</sup>	1 January 2018	31 December 2018
• AASB 2014-1 'Amendments to Australian Accounting Standards'	1 July 2014	31 December 2015
- Part A: 'Annual Improvements 2010–2012 and 2011–2013 Cycles'		
- Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'		
- Part C: 'Materiality'		
• AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2017	31 December 2017
• AASB 2014-6 'Amendments to Australian Accounting Standards – Agriculture: Bearer Plants'	1 January 2016	31 December 2016



# Australian Vintage Ltd

## Notes to the Financial Statements for the Half-Year Ended 31 December 2014

<b>Standard/Interpretation</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
• AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	31 December 2016
• AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	31 December 2016
• AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	31 December 2016

<sup>1</sup> The AASB has issued the following versions of AASB 9 and the relevant amending standards;

- AASB 9 'Financial Instruments' (December 2009), AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures', AASB 2013-9 'Amendment to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' – Part C: Financial Instruments and AASB 2014-1 'Amendment to Australian Accounting Standards' – Part E: Financial Instruments
- AASB 9 'Financial Instruments' (December 2010), AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure', AASB 2013-9 'Amendment to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' – Part C: Financial Instruments and AASB 2014-1 'Amendment to Australian Accounting Standards' – Part E: Financial Instruments
- AASB 9 'Financial Instruments' (December 2014) and AASB 2014-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)'
- AASB 2014-8 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)'. For annual reporting periods beginning on or after 1 January 2015, an entity may elect to early adopt either AASB 9 (December 2009) or AASB 9 (December 2010) and the relevant amending standards if the entity's relevant date of initial application is before 1 February 2015, however after that point if an entity wishes to early adopted AASB 9, it must adopt the AASB 9 (December 2014) version

## 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

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## Notes to the Financial Statements for the Half-Year Ended 31 December 2014

### 3. CONTINGENT ASSETS & LIABILITIES

There have been no material changes in contingent assets and liabilities from those disclosed at 30th June 2014.

### 4. ISSUANCES OF SECURITIES

During the half-year reporting period Australian Vintage Ltd did not issue any ordinary shares (2013 : 99,541,745 for \$40,118 thousand). There were no shares issued (2013: Nil) to Directors as remuneration for the half year ending 31<sup>st</sup> December 2014.

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. There were no options issued during the half year (2013 : 1,156,514 with a fair value at grant date of \$0.38 per option). There were no other share options issued or exercised during the half-year reporting period (2013: Nil).

Australian Vintage Ltd did not issue any shares during the half year (2013: Nil) 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 31/12/14		Half-Year Ended 31/12/13	
	Cents per share	Total \$'000	Cents per share	Cents per share
Fully paid ordinary shares				
Final dividend	2.2	5,110	2.6	3,451

### 6. BORROWINGS

During the half year the company reached agreement with the National Australia Bank to extend its debt facility until September 2017. 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 approved by the National Australia Bank or underwritten.

# Australian Vintage Ltd

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## Notes to the Financial Statements for the Half-Year Ended 31 December 2014

### 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, legal fees on vineyard lease dispute, incentive payments to overseas customers, gain on sale of Yaldara winery and brand, 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 2014

### 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 31/12/14 \$'000	Half-Year Ended 31/12/13 \$'000
<b>Segment revenue</b>		
Australasia / North America packaged	51,368	45,848
UK / Europe	55,185	46,014
Cellar Door	4,007	3,678
Australasia / North America bulk wine and processing	8,412	7,174
Vineyards	2,697	2,090
<b>Total segment revenue</b>	<b>121,669</b>	<b>104,804</b>
<b>Segment profit</b>		
Australasia / North America packaged	3,251	3,999
UK / Europe	1,905	2,792
Cellar Door	745	611
Australasia / North America bulk wine and processing	(27)	(337)
Vineyards	441	94
<b>Total of all segments</b>	<b>6,315</b>	<b>7,159</b>
Finance costs	(3,351)	(5,534)
Interest received	26	134
Gain on provision for onerous contracts	826	4,106
Legal fees on vineyard lease dispute	(604)	-
Non-recoverable incentives to customers	(5,559)	-
Gain on sale of Yaldara winery and brand	6,354	-
Profit before income tax expense	4,007	5,865
Income tax benefit / (expense)	439	(1,831)
<b>Profit for the period</b>	<b>4,446</b>	<b>4,034</b>

# Australian Vintage Ltd

## Notes to the Financial Statements for the Half-Year Ended 31 December 2014

### 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 31/12/14 \$ 000	Fair value as at 30/6/14 \$ 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 \$1,123	Liabilities \$787	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 \$389	Liabilities \$426	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.

### 9. KEY MANAGEMENT PERSONNEL

Remuneration arrangements of key management personnel are disclosed in the annual financial report.