

AUSTRALIAN VINTAGE LTD

**HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2015**

(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 | up 6.6% | 129,756 |
| Net profit after tax | down 235.6% | (6,027) |
| Net profit after tax (excluding Del Rios Termination costs and other one off costs) | up 80.2% | 3,601 |

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

| Other information | As at 31/12/15 | As at 31/12/14 |
|---------------------------------|-----------------------|-----------------------|
| Net tangible asset per security | \$0.85 per share | \$0.85 per share |

Australian Vintage Ltd

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 2015. 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

Richard H. Davis
Neil McGuigan
Perry R. Gunner
Naseema Sparks
John D. Davies

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

Key Points

- Net Profit after tax and before one off items \$3.6 million versus \$2.0 million prior period
- Total revenue up 7% to \$129.8 million versus \$121.7 million prior period, reflecting higher branded sales in UK/Europe and Australasia/North America
- Cash Flow from operating activities positive \$11.3 million versus positive \$8.4 million in the prior period
- Net debt of \$95.5 million versus \$104.3 million as at June 2015. Gearing at 33%
- Sales of McGuigan, Tempus Two and Nepenthe increased by 26%
- Net loss of \$6.0 million after taking into account the Del Rios termination of \$9.7 million (after tax)

Branded sales continue to grow with McGuigan, Tempus Two and Nepenthe sales up 26%. For the six months to December 2015 these three brands made up 65% of our total sales compared to 56% for the same period last year. Cash flow from operating activities improved by 34% to a positive \$11.3 million.

The business continues to evolve. Ten years ago our branded bottled sales for the six months to December made up 39% of our total sales. Today it is 82%. Ten years ago we had nine winemaking facilities and today we have two very efficient wineries. Our strategy to focus on growing our export business, increasing sales of our brands and a focus on cost control has seen this company evolve from a bulk wine producer to a branded wine business.

The biggest issue over the last ten years has been the onerous nature of most of our grape contracts and vineyard leases. With the recent termination of the Del Rios vineyard lease and the expiry of 'above market' third party grape contracts, we expect to make significant grape cost savings in the future. We still have some other 'above market priced' grape and lease contracts which will expire from 2021. For comparison, if AVL purchased the same volume of fruit and paid the 2015 average grape price, we would expect to save \$10.5 million in 2017, \$10.5 million in 2018 and \$12.4 million in 2019 and beyond. This will significantly improve our future cash flow, reduce our inventory and enhance our already outstanding wine quality. Whilst the cash flow will improve immediately the accounting benefit will take some time.

Australian Vintage Ltd

Directors' Report

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS (CONTINUED)

Sales/Margins

Overall revenue for the period increased by 7% due mainly to increased branded sales. Low margin UK/Europe bulk sales were down by \$4.7 million. Gross margin percent has improved due to the higher mix of branded sales. The three key brands now represent 65% of all our sales with the McGuigan brand currently the forth global wine brand in the UK.

Australasia/North America packaged sales increased by \$6.0 million to \$57.4 million due to increased sales of the McGuigan brand (up 32%) partially offset by lower cask sales (down 21%). Contribution increased by \$0.5 million to \$3.7 million due to increased contribution from the Australian, Asian and North American divisions. Contribution from the New Zealand division was marginally down on the previous year. The Asian division contribution increased by \$0.3 million.

Sales by division:-

| Division | Increase/ (Decrease) in Sales |
|---------------|-------------------------------------|
| Australia | 8% |
| New Zealand | (2)% |
| Asia | 26% |
| North America | 28% |

UK/Europe sales were up by 5% to \$58.2 million due mainly to increased sales of the McGuigan brand (up 25%). Packaged bottled sales increased by 16% to \$56.7 million and low margin bulk sales decreased by 76% to \$1.5 million. Contribution from this segment increased by \$1.8 million. The lower Australian dollar has added \$1.0 million to the contribution when compared to the same period last year, but unfortunately not all the benefits could be retained due to margin pressure.

Sales by Segment

| | Half Year ended 31/12/15 \$000 | Half Year ended 31/12/14 \$000 | Variation | |
|---|---|---|-----------|------|
| | | | \$000 | % |
| Australasia/Nth America packaged | 57,379 | 51,368 | 6,011 | 12 |
| UK/Europe packaged and bulk (see note) | 58,196 | 55,185 | 3,011 | 5 |
| Cellar Door | 4,245 | 4,007 | 238 | 6 |
| Australasia/Nth America bulk & processing | 8,072 | 8,412 | (340) | (4) |
| Vineyards | 1,864 | 2,697 | (833) | (31) |
| | 129,756 | 121,669 | 8,087 | 7 |

Note: Split of UK/Europe revenue

| | | | | |
|--------------------|--------|--------|---------|------|
| UK/Europe Packaged | 56,717 | 49,024 | 7,693 | 16 |
| UK/Europe Bulk | 1,479 | 6,161 | (4,682) | (76) |

Australian Vintage Ltd

Directors' Report

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS (CONTINUED)

EBIT and Net Profit

EBIT before one off items was \$8.2 million compared to \$6.3 million in the previous period. The 30% increase was due predominately to the improved contribution from the Australasia/ Nth America and UK/Europe segments.

Net profit (after tax and before one off items) improved by 80% to \$3.6 million. Lower interest and margin rates contributed to the decline in the finance costs.

December 2015 One off Items

Vineyard Lease Termination

In November 2015 Australian Vintage Limited served notice to the owners of the Del Rios vineyard to terminate the lease on this vineyard. The effective date of termination was 31 December 2015. The lease was due to expire after the 2023 vintage but was terminated early under the provisions in the lease.

The early termination delivers a material financial benefit to the Company. Based on the 2015 average price for grapes in the appropriate region, the net benefit is \$35 million over the original lease term. This benefit takes into account the payment of a termination payment and the write off of vineyard and other costs (mainly legal):-

| | \$m |
|---|------------|
| Early Termination Payment * | 4.9 |
| Write off of vineyard running and other costs | 8.9 |
| Total before tax | 13.8 |
| Tax | (4.1) |
| | 9.7 |

*The actual termination payment will be made in late February 2016.

Australian Vintage Ltd

Directors' Report

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS (CONTINUED)

| Segment Profit Results Summary (\$000) | 6 months to | | Change | |
|---|----------------|--------------|-----------------|--------------|
| | 31/12/15 | 31/12/14 | \$000 | % |
| Australasia / North America Packaged | 3,747 | 3,251 | 496 | 15 |
| UK / Europe | 3,743 | 1,905 | 1,838 | 96 |
| Cellar Door | 827 | 745 | 82 | 11 |
| Australasia / North America bulk and processing | (314) | (27) | (287) | (1,063) |
| Vineyards | 177 | 441 | (264) | (60) |
| Admin | - | - | - | - |
| Total | 8,180 | 6,315 | 1,865 | 30 |
| Finance costs | (2,973) | (3,351) | 378 | 11 |
| Interest received | 9 | 26 | (17) | (65) |
| Profit Before Tax | 5,216 | 2,990 | 2,226 | 74 |
| Tax | (1,615) | (992) | (623) | (63) |
| Net Profit | 3,601 | 1,998 | 1,603 | 80 |
| Adjustment to provision for onerous contracts (<i>note</i>) | 35 | 826 | | |
| Tax | (11) | (248) | | |
| Profit of Sale of Yaldara | | 6,354 | | |
| Tax | | (170) | | |
| Overseas Customer Incentives written off | | (5,559) | | |
| Tax | | 1,668 | | |
| Vineyard Lease Exit | (13,789) | (604) | | |
| Tax | 4,137 | 181 | | |
| Total one off items (after tax) | (9,628) | 2,448 | (12,076) | |
| Total Net Profit | (6,027) | 4,446 | (10,473) | (236) |
| EBIT Before one off items | 8,180 | 6,315 | 1,865 | 30 |
| EBIT After one off items | (5,574) | 7,332 | (12,906) | (176) |

Financial Position

Cash flow from operating activities was positive \$11.3 million compared to \$8.4 million in the previous period. The \$2.9 million improvement is due to increased cash generated from operations and lower interest costs.

Net debt of \$95.5 million is \$8.8 million below the net debt position as at June 2015. Since June 2013 our net debt has decreased by \$46.6 million and our gearing has declined from 59% in June 2013 to 33%.

Australian Vintage Ltd

Directors' Report

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS (CONTINUED)

Outlook

Ten Years ago our branded sales made up 39% of our total sales. Today it is 82%. During that period export branded sales increased 157%.

We have rationalised our production base resulting in a significant improvement in production efficiencies. Ten years ago we had nine wineries and today we have two.

Our strategy to focus on growing our export business, increase sales of our three key brands and focus on cost control has seen this company evolve from a bulk wine producer to a branded wine business.

Our biggest issue over the last ten years has been the onerous nature of most of our grape contracts and vineyard lease agreements. However, with the recent termination of the Del Rios vineyard lease and the near term expiry of some of our 'above market' priced grower contracts, we expect a significant reduction in our future grape costs. This will also result in a reduction of our inventory.

The Del Rios vineyard lease termination will result in annual grape payments reducing by approximately \$5.5 million to \$6.0 million when compared to the average price paid for grapes in 2015. In addition, a number of third party grape contracts will expire over the next three years resulting in further annual reductions of \$5.0 million in 2017, \$5.0 million in 2018 and \$6.9 million thereafter. These ongoing savings will significantly improve our cash flow, reduce our debt and in due course, will also improve our profit result based on current sales and margins.

Global industry conditions still remain challenging. However, with the lower Australian dollar and the recently signed trade agreements we are seeing signs of improved conditions in the wine industry.

For the next six months we expect the Australian dollar to be higher against the GBP than the first six months. The Company has also experienced a slowing down of cask sales and a delay in bulk sales. As a result some higher priced 2014 vintage wine will be sold in the next six months.

The 2016 vintage has started and the early signs are encouraging. We are seeing yields down in some regions and up in other regions. Quality seems very good.

Subject to normal 2016 vineyard yields and forecast foreign exchange, we remain confident that our 2016 net profit before one off items will be up by 10% to 15% on last year's \$7.1 million net profit after tax and before one off items.

As in previous years, no interim dividend will be paid. However, based on the projected cash flow for the remainder of the year, the Board intends to reintroduce a final dividend.

Australian Vintage Ltd

Directors' Report

INDEPENDENCE DECLARATION BY AUDITOR

The auditor's independence declaration is included on page 8.

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



Richard Davis
Chairman



Neil McGuigan
Chief Executive Officer

Sydney, 24th February 2016

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

24 February 2016

Dear Board Members

Re: 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 2015, 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 consolidated statement of financial position as at 31 December 2015, and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated 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 11 to 21.

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 2015 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 2015 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, 24 February 2016

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



Richard Davis
Chairman



Neil McGuigan
Chief Executive Officer

Sydney, 24th February 2016

Australian Vintage Ltd

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income as at 31st December 2015

| | Note | CONSOLIDATED | |
|--|------|--|--|
| | | Half-Year Ended 31/12/15 \$'000 | Half-Year Ended 31/12/14 \$'000 |
| Revenue | | 129,756 | 121,669 |
| Cost of sales | | (96,586) | (92,443) |
| Gross Profit | | 33,170 | 29,226 |
| Other gains and losses | | 362 | 867 |
| Interest received | | 9 | 26 |
| Distribution expenses | | (7,446) | (7,334) |
| Sales and marketing expenses | | (14,209) | (13,137) |
| Administration expenses | | (3,425) | (3,481) |
| (Loss) / gain on foreign exchange | | (462) | 126 |
| Finance costs | | (2,973) | (3,351) |
| Gain on sale of other property, plant and equipment | | 190 | 48 |
| Gain on sale of Yaldara winery and brand name | | - | 6,354 |
| Gain on provision for onerous contracts | | 35 | 826 |
| Vineyard lease exit | | (13,789) | (604) |
| Non-recoverable incentives to customers | | - | (5,559) |
| (Loss) / Profit before income tax | | (8,538) | 4,007 |
| Income tax benefit | | 2,511 | 439 |
| Net (Loss) / Profit for the period | | (6,027) | 4,446 |
| 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 | | - | 60 |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Valuation of foreign exchange hedges | | 726 | (333) |
| Gain on interest rate swaps | | 30 | 38 |
| Income tax relating to components of other comprehensive income | | (227) | 70 |
| Other comprehensive loss for the period, net of income tax | | 529 | (165) |
| Total comprehensive income for the period | | (5,498) | 4,281 |
| Earnings per share: | | | |
| Basic (cents per share) | | (2.6) | 1.9 |
| Diluted (cents per share) | | (2.6) | 1.9 |

Notes to the financial statements are included on pages 16 to 21.

Australian Vintage Ltd

Condensed Consolidated Statement of Financial Position as at 31st December 2015

| | NOTE | CONSOLIDATED | |
|--------------------------------------|------|--------------------|-------------------|
| | | 31/12/15 \$'000 | 30/6/15 \$'000 |
| Current Assets | | | |
| Cash and cash equivalents | | 5,656 | 2,309 |
| Trade and other receivables | | 43,685 | 39,193 |
| Inventories | | 151,911 | 165,459 |
| Current tax assets | | 101 | 119 |
| Other | | 4,128 | 4,867 |
| Total Current Assets | | 205,481 | 211,947 |
| Non-Current Assets | | | |
| Other financial assets | | 59 | 59 |
| Trade and other receivables | | - | 446 |
| Property, plant and equipment | | 82,946 | 83,200 |
| Inventories | | 26,470 | 33,543 |
| Biological assets | | 32,828 | 32,828 |
| Goodwill | | 37,685 | 37,685 |
| Deferred tax assets | | 55,118 | 50,739 |
| Water Licences | | 7,554 | 7,554 |
| Other Intangible assets | | 5,837 | 6,102 |
| Other | | 154 | - |
| Total Non-Current Assets | | 248,651 | 252,156 |
| Total Assets | | 454,132 | 464,103 |
| Current Liabilities | | | |
| Trade and other payables | | 39,910 | 40,305 |
| Borrowings | 6 | 298 | 1,514 |
| Other financial liabilities | | 479 | 1,534 |
| Provisions | | 5,879 | 5,956 |
| Other | | 420 | 495 |
| Total Current Liabilities | | 46,986 | 49,804 |
| Non-Current Liabilities | | | |
| Borrowings | 6 | 100,857 | 105,047 |
| Deferred tax liabilities | | 16,823 | 14,728 |
| Other financial liabilities | | 232 | 20 |
| Provisions | | 2,372 | 2,144 |
| Total Non-Current Liabilities | | 120,284 | 121,939 |
| Total Liabilities | | 167,270 | 171,743 |
| Net Assets | | 286,862 | 292,360 |
| Equity | | | |
| Issued capital | | 443,266 | 443,266 |
| Reserves | | 1,200 | 671 |
| Accumulated losses | | (157,604) | (151,577) |
| Total Equity | | 286,862 | 292,360 |

Notes to the financial statements are included on pages 16 to 21.

Australian Vintage Ltd

Condensed Consolidated Statement of Cash Flows for the Half-Year Ended 31st December 2015

| | Inflows/(Outflows) | |
|--|---------------------------------------|---------------------------------------|
| | Half-Year Ended 31/12/15 \$'000 | Half-Year Ended 31/12/14 \$'000 |
| <i>Cash Flows from Operating Activities</i> | | |
| Receipts from customers | 134,239 | 133,889 |
| Payments to suppliers and employees | (120,176) | (121,831) |
| Cash generated from operations | 14,063 | 12,058 |
| Interest and other costs of finance paid | (2,789) | (3,661) |
| Interest received | 9 | 27 |
| Net cash provided by / (used in) operating activities | 11,283 | 8,424 |
| <i>Cash Flows from Investing Activities</i> | | |
| Payment for property, plant and equipment | (2,669) | (2,301) |
| Proceeds from sale of property, plant and equipment | 193 | 15,222 |
| Net cash provided by / (used in) investing activities | (2,476) | 12,921 |
| <i>Cash Flows from Financing Activities</i> | | |
| Dividends paid | - | (5,110) |
| Repayment of borrowings | (5,460) | (12,460) |
| Net cash provided by / (used in) financing activities | (5,460) | (17,570) |
| <i>Net Increase in cash and cash equivalents</i> | 3,347 | 3,775 |
| <i>Cash and cash equivalents at the beginning of the period</i> | 2,309 | 4,202 |
| <i>Cash and cash equivalents at the end of the period</i> | 5,656 | 7,977 |

Notes to the financial statements are included on pages 16 to 21.

Australian Vintage Ltd

Condensed Consolidated Statement of Changes in Equity for the Half Year Ended 31st December 2015

| | 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 2014 | 443,266 | 1,497 | (784) | 91 | (155,833) | 288,237 |
| 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 |
| Total comprehensive income for the period | - | - | (207) | 42 | 4,446 | 4,281 |
| Transactions with owners in their capacity as owners: | | | | | | |
| Dividend paid | - | - | - | - | (5,110) | (5,110) |
| Balance at 31 December 2014 | 443,266 | 1,497 | (991) | 133 | (156,497) | 287,408 |
| Balance at 1 July 2015 | 443,266 | 1,497 | (1,027) | 201 | (151,577) | 292,360 |
| Profit for the period | - | - | - | - | (6,027) | (6,027) |
| Exchange differences arising on translation of foreign operations | - | - | - | - | - | - |
| Valuation of foreign exchange hedges | - | - | 726 | - | - | 726 |
| Gain on interest rate swaps | - | - | 30 | - | - | 30 |
| Income tax relating to components of other comprehensive income | - | - | (227) | - | - | (227) |
| Total comprehensive income for the period | - | - | 529 | - | (6,027) | (5,498) |
| Transactions with owners in their capacity as owners: | | | | | | |
| Dividend paid | - | - | - | - | - | - |
| Balance at 31 December 2015 | 443,266 | 1,497 | (498) | 201 | (157,604) | 286,862 |

Notes to the financial statements are included on pages 16 to 21.

Australian Vintage Ltd

Notes to the Financial Statements

for the Half-Year Ended 31st December 2015

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 2015 annual financial report for the financial year ended 30 June 2015, 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.

Australian Vintage Ltd

Notes to the Financial Statements for the Half-Year Ended 31st December 2015

List of 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 2018 | 30 June 2019 |
| AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15' | 1 January 2017 | 30 June 2018 |
| AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations' | 1 January 2016 | 30 June 2017 |
| AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation' | 1 January 2016 | 30 June 2017 |
| AASB 2014-6 'Amendments to Australian Accounting Standards – Agriculture: Bearer Plants' | 1 January 2016 | 30 June 2017 |
| AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements' | 1 January 2016 | 30 June 2017 |
| AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle' | 1 January 2016 | 30 June 2017 |
| AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101' | 1 January 2016 | 30 June 2017 |
| AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality' | 1 January 2015 | 30 June 2017 |

It is expected that the adoption of AASB 2014-6 from 1st January 2016 will have an impact on the financial statements. The company is still in the process of determining the value of this impact. The potential effects of the other Standards and Interpretations above on the Group's financial statements have not yet been determined.

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 31st December 2015

3. CONTINGENT ASSETS & LIABILITIES

There have been no material changes in contingent assets and liabilities from those disclosed at 30th June 2015.

4. ISSUANCES OF SECURITIES

During the half-year reporting period Australian Vintage Ltd did not issue any ordinary shares (2014 : Nil). There were no shares issued (2014: Nil) to Directors as remuneration for the half year ending 31st December 2015.

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 (2014 : Nil). There were no other share options issued or exercised during the half-year reporting period (2014: Nil). Under the terms of this Plan, it was approved at the annual general meeting in 2015 that 2,000,000 options would be granted to Neil McGuigan. As at the date of this report these options have not been issued but are expected to be issued before 30th June 2016.

Australian Vintage Ltd did not issue any shares during the half year (2014: 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 31/12/15 | | Half-Year Ended 31/12/14 | |
|----------------------------|-----------------------------|-----------------|-----------------------------|--------------------|
| | Cents per share | Total \$'000 | Cents per share | Cents per share |
| Fully paid ordinary shares | | | | |
| Final dividend | - | - | 2.2 | 5,110 |

6. BORROWINGS

During the prior 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.

Australian Vintage Ltd

Notes to the Financial Statements for the Half-Year Ended 31st December 2015

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 branded and private label packaged wine within Australia, New Zealand, Asia and North America through retail and wholesale channels.
- UK / Europe
 - supplies branded and private label packaged wine 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 31st December 2015

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 31/12/15 \$'000 | Half-Year Ended 31/12/14 \$'000 |
| Segment revenue | | |
| Australasia / North America packaged | 57,379 | 51,368 |
| UK / Europe | 58,196 | 55,185 |
| Cellar Door | 4,245 | 4,007 |
| Australasia / North America bulk wine and processing | 8,072 | 8,412 |
| Vineyards | 1,864 | 2,697 |
| Total segment revenue | 129,756 | 121,669 |
| Segment profit | | |
| Australasia / North America packaged | 3,747 | 3,251 |
| UK / Europe | 3,743 | 1,905 |
| Cellar Door | 827 | 745 |
| Australasia / North America bulk wine and processing | (314) | (27) |
| Vineyards | 177 | 441 |
| Total of all segments | 8,180 | 6,315 |
| Finance costs | (2,973) | (3,351) |
| Interest received | 9 | 26 |
| Gain on provision for onerous contracts | 35 | 826 |
| Vineyard lease exit | (13,789) | (604) |
| Non-recoverable incentives to customers | - | (5,559) |
| Gain on sale of Yaldara winery and brand | - | 6,354 |
| Profit before income tax expense | (8,538) | 4,007 |
| Income tax benefit / (expense) | 2,511 | 439 |
| Profit for the period | (6,027) | 4,446 |

Australian Vintage Ltd

Notes to the Financial Statements for the Half-Year Ended 31st December 2015

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 31/12/15 \$ 000 | Fair value as at 30/6/15 \$ 000 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|--|--|---------------------------------------|-------------------------|---|---|--|
| A) Foreign currency forward contracts | Liabilities \$251 | Liabilities \$733 | Level 2 | (1) | N/A | N/A |
| B) Foreign currency options | Liabilities \$151 | Liabilities \$481 | Level 2 | (1) | N/A | N/A |
| C) Interest rate swaps | Liabilities \$309 | Liabilities \$340 | 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 |

(1) 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

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.