

AUSTRALIAN VINTAGE LTD

**HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2017**

(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 18.1%	140,941
Net profit after tax	up 277.4%	4,433

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

Other information	As at 31/12/17	As at 31/12/16
Net tangible asset per security	\$0.73 per share	\$0.75 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 2017. 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
John D. Davies
Perry R. Gunner (Resigned 30 August 2017)
Naseema Sparks
Peter Perrin
Jiang Yuan

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

Key Points

- Net Profit after tax \$4.4 million compared to \$1.6 million in the prior period
- Revenue up 18.1% to \$140.9 million, with improved sales in all segments
- Cash Flow from Operating Activities positive \$11.0 million compared to \$7.8 million in prior period

The significant improvement in the half year result shows that our key strategies are correct. Every segment of our business showed an improvement in sales. What is really pleasing is that our half year result exceeded our full 2017 financial year result. The contribution from our UK/Europe operations increased by \$3.7 million to \$4.7 million due to price increases implemented in January 17, improved sales mix and continued focus on increasing our sales footprint in all channels. This improved UK/Europe result was achieved even though the GBP exchange rate for the 6 months to December 2017 was basically the same as the 6-month period to December 2016.

Our Australasia/North America segment increased contribution by 17% or \$0.8 million due mainly to increased sales of our Tempus Two and Nepenthe brands.

Our cash flow from operating activities continues to improve and for the half year it was up 42% to \$11.0 million. Our capital spend for the half year was \$9.6 million with a further \$9.4 million planned for the next 6 months.

The three core brands continue to perform well with sales of McGuigan, Tempus Two and Nepenthe continuing to grow against some market conditions that have seen wine volumes decline. For the half year, sales of these three core brands increased by 10% with the McGuigan brand growing by 7%, Tempus Two by an impressive 44% and Nepenthe by 35%.

Even though the UK remains our largest overseas market, we continue to have a strong focus on growing and strengthening our distribution channels in the key overseas markets of Asia, United States and Canada. In the 6-month period to December 2017, sales into Asia have increased by 12%, but contribution decreased by 22% due to the decision to increase resources in that region ahead of expected sales growth. As we have said previously, we remain confident that the long-term outlook for sales into Asia look positive, but we must ensure that we manage the growth and depletions and have the right structure and partners.

The focus on our quality of wine has again been rewarded with the company's wines continuing to win awards at significant wine shows. Recently the 2016 McGuigan Shortlist Chardonnay was awarded the Winestate Wine of the year award. Having won the International Winemaker of the Year four times at the prestigious International Wine and Spirits Competition in London, the company continues to produce world leading quality wine.

Australian Vintage Ltd

Directors' Report

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS (CONTINUED)

Sales

Revenue for the half year increased 18.1% or \$21.6 million due to increased sales of our branded products and increased bulk and concentrate sales in the Australasia/North America segment. Australasia/North America packaged sales were up 6% on the prior period with bottled branded sales up 7% and cask sales up 3%.

Sales movements within the Australasia/North America packaged segment:-

Division	Movement in Sales (%)
Australia	2
New Zealand	49
Asia	12
North America	23

- Australian sales increased by 2.5% with bottled branded sales up 2.3% and Cask sales up 3.4%. Sales of the higher margin Tempus Two brand increased by 44% and the McGuigan brand was in line with the prior period.
- Sales to New Zealand have grown by 49% due to increased promotional activity resulting in a 63% growth of the McGuigan Black Label brand
- Asian sales have grown by 12% with total sales to our two key China distributors marginally below expectation. COFCO, our McGuigan distributor in China, performing in line with expectation with large orders anticipated in the second half of this year. Sales to Vintage China, have been slower than expected but Vintage China expect to make up the shortfall in the next 6 months.
- North American sales have performed well with the introduction of new products launched in Canada and the USA.

UK/Europe packaged, and bulk sales were up by 20% with packaged sales up 20% or \$9.3 million and bulk and private label sales marginally down on prior period. The GBP exchange rate was in line with the prior period and therefore had no impact on the sales growth.

Australasia/North America bulk & processing sales increased due to increased low margin bulk sales and additional processing and concentrate sales achieved by our Austflavour business.

Sales by Segment

	6 Months to		Change	
	31/12/17 \$000	31/12/16 \$000	Variation \$000	%
Australasia/North America Packaged	58,421	54,994	3,427	6
UK/Europe (see note)	56,873	47,580	9,293	20
Cellar Door	5,959	5,391	568	11
Australasia/North America bulk & processing	16,643	8,769	7,874	90
Vineyards	3,045	2,598	447	17
	140,941	119,332	21,609	18

Note: Split of UK/Europe revenue

UK/Europe Packaged	55,965	46,627	9,338	20
UK/Europe Bulk and Private Label	908	953	(45)	(5)

Australian Vintage Ltd

Directors' Report

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS (CONTINUED)

EBIT and Net Profit

EBIT increased by \$4.4 million or 88% to \$9.3 million with the UK/Europe segment contributing 83% of the increase as a result of the January 2017 price increase, the improved sales mix through the introduction of the McGuigan Black Label brand and the added focus on expanding our sales footprint in all channels.

Australasia / North America Packaged EBIT increased by 17% due mainly to improved mix of sales in Australia with increased sales of Tempus Two, and increased sales in both the New Zealand and North American regions. Even though sales into Asia increased, contribution was slightly down due to the decision to increase resources in that region ahead of potential sales growth.

Australasia/North America Bulk segment contribution declined by \$0.3 million due to losses on some bulk wine sales. These bulk sales were made to remove wine that was not required for future sales and to increase throughput at our Wineries.

Finance costs were slightly up on the prior period due to higher margins on funding. These higher margins will reverse in the next 6 months with full year finance costs expected to be in line with last year.

	6 Months to		Change	
	31/12/17	31/12/16	\$'000	%
Australasia / North America Packaged	5,097	4,341	756	17
UK / Europe	4,669	1,043	3,626	348
Cellar Door	1,010	998	12	1
Australasia / North America bulk and processing	(386)	(45)	(341)	(758)
Vineyards	(1,091)	(1,392)	301	22
EBIT	9,299	4,945	4,354	88
Finance costs	(2,900)	(2,627)	(273)	(10)
Interest received	11	7	4	57
Profit Before Tax	6,410	2,325	4,085	176
Tax	(1,977)	(727)	(1,250)	(172)
Net Profit (after tax)	4,433	1,598	2,835	177

Financial Position

The Company recently signed an extension to the existing funding facility to September 2020 and with a positive operating cash flow, the financial position is sound. The gearing ratio remains at a comfortable 29% (29% as at 30 June 2017).

Outlook

The Company continues to focus on growing its three key brands, McGuigan, Tempus Two and Nepenthe and the last 6 months have shown that this strategy is correct. Our sales mix is improving with 44% growth of the Tempus Two brand and the introduction of the McGuigan Black Label brand into UK Supermarkets. Sales growth into Asia have been slower than expected but we believe that we have the right strategy for sustainable long-term growth in that region.

The cash flow from operating activities continues to improve with operating cash flow up 42% over the prior period. Even though we are committed to a significant capital spend of \$19 million this year we expect our operating cash flow to fully fund this capital expenditure.

Australian Vintage continues to transform from a bulk wine company to a quality and well respected branded wine business. This global transformation will continue as we push into the Asian and US markets. Our persistence on improving efficiency will mean that the company will invest \$19.0 million on capital projects this fiscal year.

Australian Vintage Ltd

Directors' Report

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS (CONTINUED)

Based on the exchange rate remaining at around the current level and a normal 2018 vintage, we expect our 2018 result to be at least 60% up on the 2017 result.

This forecast comparison to the prior year takes into account the large 2017 vintage which resulted in a higher than expected SGARA in the second half of the 2017 financial year. At this early stage, we are expecting this year's vintage to be about average which is slightly down on last year.

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

INDEPENDENCE DECLARATION BY AUDITOR

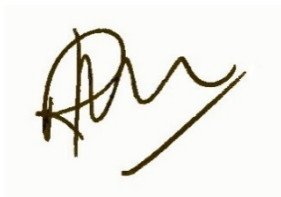
The auditor's independence declaration is included on page 6.

ROUNDING OFF OF AMOUNTS

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Report) Instrument 2016/191, dated 24 March 2016, in accordance with that Corporations Instrument amounts in the directors' report and the half-year financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

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

On behalf of the Directors



Richard Davis
Chairman



Neil McGuigan
Chief Executive Officer

Sydney, 21st February 2018

21 February 2018

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

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 2017, 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 faithfully



DELOITTE TOUCHE TOHMATSU



Stephen Harvey
Partner
Chartered Accountants

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

We have reviewed the accompanying half-year financial report of Australian Vintage Ltd, which comprises the condensed consolidated statement of financial position as at 31 December 2017, and the condensed consolidated statement of profit or loss and other 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, notes comprising a summary of significant accounting policies and other explanatory information, 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 9 to 20.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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 consolidated entity's financial position as at 31 December 2017 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 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Stephen Harvey
Partner
Chartered Accountants
Adelaide, 21 February 2018

Australian Vintage Ltd

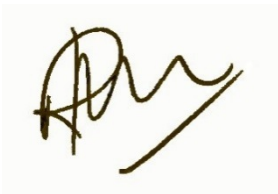
Directors' Declaration

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 section 303(5) of the Corporations Act 2001.

On behalf of the Directors



Richard Davis
Chairman



Neil McGuigan
Chief Executive Officer

Sydney, 21st February 2018

Australian Vintage Ltd

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half-Year Ended 31st December 2017

	CONSOLIDATED	
	Half-Year Ended 31/12/17 \$'000	Half-Year Ended 31/12/16 \$'000
Revenue	140,941	119,332
Cost of sales	(104,614)	(88,350)
Gross Profit	36,327	30,982
Fair value of grapes	(1,222)	(1,689)
Other gains and losses	386	753
Interest received	11	7
Distribution expenses	(7,153)	(6,929)
Sales and marketing expenses	(15,028)	(15,155)
Administration expenses	(3,591)	(3,558)
(Loss) / Gain on foreign exchange	(497)	310
Finance costs	(2,900)	(2,627)
Gain on sale of other property, plant and equipment	77	231
Profit before income tax	6,410	2,325
Income tax expense	(1,977)	(727)
Net Profit for the period	4,433	1,598
 Other comprehensive loss, net of income tax:		
 Items that may be reclassified subsequently to profit or loss:		
Net (loss) / gain on hedging	(294)	152
Exchange differences arising on translation of foreign operations	76	(31)
Other comprehensive (loss) / income for the period, net of income tax	(218)	121
Total comprehensive income for the period	4,215	1,719
 Earnings per share:		
Basic (cents per share)	1.6	0.7
Diluted (cents per share)	1.5	0.7

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

Australian Vintage Ltd

Condensed Consolidated Statement of Financial Position as at 31st December 2017

	NOTE	CONSOLIDATED	
		31/12/17 \$'000	30/6/17 \$'000
<i>Current Assets</i>			
Cash and cash equivalents		7,173	2,616
Trade and other receivables		47,827	40,197
Inventories		123,777	141,553
Other financial assets		-	680
Other		3,749	2,288
<i>Total Current Assets</i>		<i>182,526</i>	<i>187,334</i>
<i>Non-Current Assets</i>			
Other financial assets		308	396
Property, plant and equipment		103,273	97,308
Inventories		49,785	53,046
Goodwill		37,685	37,685
Deferred tax assets		35,108	36,945
Water Licences		7,554	7,554
Other Intangible assets		5,128	5,296
<i>Total Non-Current Assets</i>		<i>238,841</i>	<i>238,230</i>
<i>Total Assets</i>		<i>421,367</i>	<i>425,564</i>
<i>Current Liabilities</i>			
Trade and other payables		34,642	46,468
Borrowings	6	551	551
Other financial liabilities		385	194
Provisions		5,309	5,486
Other		380	-
<i>Total Current Liabilities</i>		<i>41,267</i>	<i>52,669</i>
<i>Non-Current Liabilities</i>			
Borrowings	6	89,661	84,880
Other financial liabilities		-	28
Provisions		1,082	1,114
<i>Total Non-Current Liabilities</i>		<i>90,743</i>	<i>86,022</i>
<i>Total Liabilities</i>		<i>132,010</i>	<i>138,721</i>
<i>Net Assets</i>		<i>289,357</i>	<i>286,843</i>
<i>Equity</i>			
Issued capital		463,961	463,009
Reserves		1,714	1,829
Accumulated losses		(176,318)	(177,995)
<i>Total Equity</i>		<i>289,357</i>	<i>286,843</i>

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 31st December 2017

	Inflows/(Outflows)	
	Half-Year Ended 31/12/17 \$'000	Half-Year Ended 31/12/16 \$'000
<i>Cash Flows from Operating Activities</i>		
Receipts from customers	147,235	132,957
Payments to suppliers and employees	(133,544)	(121,694)
Cash generated from operations	13,691	11,263
Interest and other costs of finance paid	(2,665)	(3,484)
Interest received	11	7
Net cash provided by operating activities	11,037	7,786
<i>Cash Flows from Investing Activities</i>		
Payment for property, plant and equipment	(9,616)	(5,391)
Proceeds from sale of property, plant and equipment	174	551
Net cash used in investing activities	(9,442)	(4,840)
<i>Cash Flows from Financing Activities</i>		
Share issue costs	(46)	(132)
Proceeds from issue of shares	-	1,862
Dividends paid	(1,772)	(1,862)
Proceeds from / (repayment of) borrowings	4,780	(3,176)
Net cash provided by / (used in) financing activities	2,962	(3,308)
<i>Net increase / (decrease) in cash and cash equivalents</i>	4,557	(362)
<i>Cash and cash equivalents at the beginning of the period</i>	2,616	6,011
<i>Cash and cash equivalents at the end of the period</i>	7,173	5,649

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 31st December 2017

	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 2016	443,266	1,546	348	153	(177,205)	268,108
Profit for the period	-	-	-	-	1,598	1,598
Exchange differences arising on translation of foreign operations	-	-	-	(44)	-	(44)
Valuation of foreign exchange hedges	-	-	(35)	-	-	(35)
Valuation of interest rate swaps	-	-	253	-	-	253
Income tax relating to components of other comprehensive income	-	-	(66)	13	-	(53)
Total comprehensive income for the period	-	-	152	(31)	1,598	1,719
Dividends paid	-	-	-	-	(3,485)	(3,485)
Issue of shares	3,485	-	-	-	-	3,485
Share issue costs	(134)	-	-	-	-	(134)
Recognition of share based payments	-	41	-	-	-	41
Balance at 31 December 2016	446,617	1,587	500	122	(179,092)	269,734

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 31st December 2017

	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 2017	463,009	1,698	46	85	(177,995)	286,843
Profit for the period	-	-	-	-	4,433	4,433
Exchange differences arising on translation of foreign operations	-	-	-	108	-	108
Valuation of foreign exchange hedges	-	-	98	-	-	98
Valuation of interest rate swaps	-	-	(518)	-	-	(518)
Income tax relating to components of other comprehensive income	-	-	126	(32)	-	94
Total comprehensive income for the period	-	-	(294)	76	4,433	4,215
Dividend paid	-	-	-	-	(2,756)	(2,756)
Issue of shares	984	-	-	-	-	984
Share Issue Costs	(32)	-	-	-	-	(32)
Recognition of share based payments	-	103	-	-	-	103
Balance at 31 December 2017	463,961	1,801	(248)	161	(176,318)	289,357

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

Australian Vintage Ltd

Notes to the Financial Statements for the Half-Year Ended 31st December 2017

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 Corporations (Rounding in Financials/Directors' Report) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument 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 2017 annual financial report for the financial year ended 30 June 2017, 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.

New accounting standards and interpretations

Since 30 June 2017 we have adopted the following new and amended accounting standards.

Reference	Title	Application
AASB 2016-1	Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
AASB 2016-2	Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107	1 January 2017

The adoption of these standards did not have a significant impact on the consolidated financial statements.

Australian Vintage Ltd

Notes to the Financial Statements for the Half-Year Ended 31st December 2017

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Issued but not yet effective accounting standards

The following relevant accounting standards have recently been issued or amended but are not yet effective and have not been adopted for this half year reporting period.

Reference	Title	Application
AASB 15	Revenue from Contracts with Customers	1 January 2018
AASB9	Financial Instruments (December 2014)	1 January 2018
AASB 2014-5	Amendments to Australian Accounting Standards arising from AASB 15	1 January 2018
AASB 2014-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	1 January 2018
AASB 2015-8	Amendments to Australian Accounting Standards - Effective Date of AASB 15	1 January 2018
AASB 2016-3	Amendments to Australian Accounting Standards - Clarifications to AASB 15	1 January 2018
AASB 2016-5	Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions	1 January 2018
Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
AASB 2017-4	Amendments to Australian Accounting Standards - Uncertainty over Income Tax Treatments	1 January 2019
AASB 16	Leases	1 January 2019

Other than the impact of AASB 16 Leases outlined below, these standards are not expected to have a material impact on the Group's financial position or its performance.

AASB 16 Leases

AASB 16 Leases was released in February 2016 by the Australian Accounting Standards Board. This standard removes the lease classification test for lessees and will require the group to bring all material leases with lease terms greater than one year onto the balance sheet. There is also new guidance on when an arrangement would meet the definition of a lease.

The new standard is mandatory for annual reporting periods beginning after 1 January 2019, but is available to be early adopted. The Group is in the process of performing an initial assessment of the potential impact on its consolidated financial statements. The Group will be required to recognise new assets and liabilities for its operating leases including vineyards, buildings, equipment and motor vehicles, and the nature of the expenses related to those leases will change as AASB 16 replaces the straight-line operating lease expense with a depreciation charge for the right-of-use assets and interest expense on the lease liabilities.

The Group intends to apply the full retrospective transition option.

The Group expects to disclose a more detailed impact assessment in the 2018 Annual Report.

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 2017

3. CONTINGENT ASSETS & LIABILITIES

There have been no material changes in contingent assets and liabilities from those disclosed at 30th June 2017.

4. ISSUANCES OF SECURITIES

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 4,100,000 options issued during the half year (2016 : 4,000,000). There were no other share options issued or exercised during the half-year reporting period (2016: Nil).

Australian Vintage Ltd issued 2,270,450 shares during the half year (2016: 3,429,898) under its Dividend Re-investment Plan. The balance of the dividend was paid in cash (2016 : balance was subject to an underwriting agreement and 3,936,652 ordinary shares were issued as a result of this agreement). There were no shares issued (2016: Nil) to Directors as remuneration for the half-year ending 31st December 2017.

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:

	Date dividend paid / payable	Amount per security (cents)	Franking %
Final dividend – year ended 30 June 2017	10 th November 2017	1.0	100%
Final dividend – year ended 30 June 2016	9 th November 2016	1.5	100%

6. BORROWINGS

The Group’s debt facility with the National Australia Bank was extended in January 2018 and now expires in September 2020 (previously September 2019). The company is subject to various commercial covenants.

Australian Vintage Ltd

Notes to the Financial Statements for the Half-Year Ended 31st December 2017

7. SEGMENT INFORMATION

AASB 8 'Operating Segments' 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, 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 2017

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 31/12/17 \$'000	Half-Year Ended 31/12/16 \$'000
Segment revenue		
Australasia / North America packaged	58,421	54,994
UK / Europe	56,873	47,580
Cellar Door	5,959	5,391
Australasia / North America bulk wine and processing	16,643	8,769
Vineyards	3,045	2,598
Total segment revenue	140,941	119,332
Segment profit		
Australasia / North America packaged	5,097	4,341
UK / Europe	4,669	1,043
Cellar Door	1,010	998
Australasia / North America bulk wine and processing	(386)	(45)
Vineyards	(1,091)	(1,392)
Total of all segments	9,299	4,945
Finance costs	(2,900)	(2,627)
Interest received	11	7
Profit before income tax expense	6,410	2,325
Income tax expense	(1,977)	(727)
Profit for the period	4,433	1,598

Australian Vintage Ltd

Notes to the Financial Statements for the Half-Year Ended 31st December 2017

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 31/12/17 \$ 000	Fair value as at 30/6/17 \$ 000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
A) Forward exchange contracts	Liabilities \$261	Assets \$111	Level 2	(1)	N/A	N/A
B) Foreign currency options	Assets \$0	Assets \$569	Level 2	(1)	N/A	N/A
C) Interest rate swaps	Liabilities \$124	Liabilities \$222	Level 2	(2)	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.
- (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.

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.