



AUSTRALIAN VINTAGE LTD

**Preliminary Final Report of
Australian Vintage Ltd
for the Financial Year Ended 30 June 2018**

(ACN 052 179 932)

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

Current Reporting Period:

Financial Year ending 30 June 2018

Previous Corresponding Period:

Financial Year ending 30 June 2017

Australian Vintage Ltd

Revenue and Net Profit

		Percentage Change %	Amount \$'000
Total operating revenue	Up	16.9%	264,613
Net profit	Up	78.8%	7,694

Brief Explanation of Revenue and Net Profit / (Loss)

See press release.

Dividends

	Date dividend paid / payable	Amount per security ¢	Amount per security of foreign sourced dividend ¢	Franking %
Final dividend – year ended 30 June 2018 (determined subsequent to balance date) ⁽¹⁾	9 November 2018	1.5	-	100%
Final dividend – year ended 30 June 2017	10 November 2017	1.0	-	100%

⁽¹⁾ The record date for determining an entitlement to receipt of the final dividend is 19 October 2018 and the company expects to pay the dividend on 9 November 2018.

Dividend Reinvestment Plans

The Australian Vintage Ltd Dividend Re-investment Plan is in operation. The last date for receipt of election notices for the Dividend Re-investment Plan is 22 October 2018.

Net Tangible Assets Per Security

	2018 \$	2017 \$
Net tangible assets per security	0.75	0.72

Australian Vintage Ltd

Commentary on Results

See attached press release.

Information on Audit or Review

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

- | | |
|---|--|
| <input checked="" type="checkbox"/> The accounts have been audited. | <input type="checkbox"/> The accounts have been subject to review. |
| <input type="checkbox"/> The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> The accounts have not yet been audited or reviewed. |

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

Nil.

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

Nil.

Australian Vintage Ltd

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the financial year ended 30 June 2018

	Note	Consolidated	
		2018 \$'000	2017 \$'000
Revenue	2	264,613	226,450
Cost of sales	2	(198,066)	(170,518)
Gross Profit		66,547	55,932
Fair value (loss) / gain on grapes picked		(569)	1,394
Investment income	2	92	97
Other gains and losses	2	590	2,582
Distribution expenses		(13,179)	(12,981)
Sales and marketing expenses		(29,206)	(28,359)
Administration expenses		(7,987)	(7,613)
Finance costs	2	(5,031)	(5,025)
(Loss) / gain on sale of property, plant and equipment		(92)	224
Profit before income tax	2	11,165	6,251
Income tax expense		(3,471)	(1,948)
Net Profit for the year		7,694	4,303
Other comprehensive income / (loss):			
<u>Items that may be subsequently classified to the profit and loss:</u>			
Net loss on hedging		(254)	(302)
Exchange differences arising on translation of foreign operations		134	(68)
Other comprehensive loss for the year, net of tax		(120)	(370)
Total comprehensive income for the year		7,574	3,933
Earnings Per Share:			
Basic (cents per share)	4	2.8	1.8
Diluted (cents per share)	4	2.7	1.7

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

Australian Vintage Ltd

Consolidated Statement of Financial Position As at 30 June 2018

	Note	Consolidated	
		2018 \$'000	2017 \$'000
Current Assets			
Cash and cash equivalents		7,712	2,616
Trade and other receivables		45,526	40,197
Inventories		139,882	141,553
Other financial assets		-	680
Other		2,020	2,288
Total Current Assets		195,140	187,334
Non-Current Assets			
Inventories		52,164	53,046
Other financial assets		362	396
Property, plant and equipment		109,095	97,308
Goodwill		37,685	37,685
Other intangible assets		5,179	5,296
Water licences		7,554	7,554
Deferred tax assets		33,597	36,945
Total Non-Current Assets		245,636	238,230
Total Assets		440,776	425,564
Current Liabilities			
Trade and other payables		55,523	46,468
Borrowings		503	551
Other financial liabilities		477	194
Provisions		5,539	5,486
Other		596	-
Total Current Liabilities		62,638	52,699
Non-Current Liabilities			
Borrowings		84,435	84,880
Other financial liabilities		15	28
Provisions		795	1,114
Total Non-Current Liabilities		85,245	86,022
Total Liabilities		147,883	138,721
Net Assets		292,893	286,843
Equity			
Issued capital	3	463,961	463,009
Reserves		1,989	1,829
Accumulated losses		(173,057)	(177,995)
Total Equity		292,893	286,843

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

Australian Vintage Ltd

Consolidated Statement of Cash Flows For the financial year ended 30 June 2018

	Note	Consolidated	
		2018 \$'000	2017 \$'000
Cash flows from operating activities			
Receipts from customers		276,850	249,819
Other payments to suppliers and employees		(245,220)	(230,000)
Cash generated from operations		31,630	19,819
Interest and other costs of finance paid		(4,979)	(5,838)
Interest and bill discounts received		16	15
Net cash provided by operating activities		26,667	13,996
Cash flows from investing activities			
Payments for property, plant and equipment		(19,383)	(12,073)
Payments for intangibles		(191)	(16)
Payments for investments		-	(119)
Proceeds from sale of property, plant & equipment		314	635
Net cash used in by investing activities		(19,260)	(11,573)
Cash flows from financing activities			
Proceeds from borrowings		-	5,300
Proceeds from issue of shares		-	18,398
Share issue costs		(46)	(395)
Dividends paid		(1,772)	(1,862)
Repayment of borrowings		(493)	(27,259)
Net cash used in financing activities		(2,311)	(5,818)
Net increase / (decrease) in cash and cash equivalents		5,096	(3,395)
Cash and cash equivalents at the beginning of the financial year		2,616	6,011
Cash and cash equivalents at the end of the financial year	10	7,712	2,616

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

Australian Vintage Ltd

Consolidated Statement of Changes in Equity For the financial year ended 30 June 2018

	Share capital \$'000	Equity - settled employee benefits reserve \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total \$'000
Balance at 1 July 2017	463,009	1,698	46	85	(177,995)	286,843
Profit for the period	-	-	-	-	7,694	7,694
Net gain on interest rate swaps	-	-	215	-	-	215
Net loss on foreign exchange hedges	-	-	(578)	-	-	(578)
Exchange differences arising on translation of foreign operations	-	-	-	191	-	191
Income tax relating to components of other comprehensive income	-	-	109	(57)	-	52
Total comprehensive income for the period	-	-	(254)	134	7,694	7,574
Share issues	984	-	-	-	-	984
Share issue costs	(46)	-	-	-	-	(46)
Tax consequences	14	-	-	-	-	14
Dividend paid	-	-	-	-	(2,756)	(2,756)
Recognition of share based payments	-	280	-	-	-	280
Balance at 30 June 2018	463,961	1,978	(208)	219	(173,057)	292,893
Balance at 1 July 2016	443,266	1,546	348	153	(178,813)	266,500
Profit for the period	-	-	-	-	4,303	4,303
Net gain on interest rate swaps	-	-	334	-	-	334
Net loss on foreign exchange hedges	-	-	(765)	-	-	(765)
Exchange differences arising on translation of foreign operations	-	-	-	(97)	-	(97)
Income tax relating to components of other comprehensive income	-	-	129	29	-	158
Total comprehensive income for the period	-	-	(302)	(68)	4,303	3,933
Share issues	20,020	-	-	-	-	20,020
Share issue costs	(395)	-	-	-	-	(395)
Tax consequences	118	-	-	-	-	118
Dividend paid	-	-	-	-	(3,485)	(3,485)
Recognition of share based payments	-	152	-	-	-	152
Balance at 30 June 2017	463,009	1,698	46	85	(177,995)	286,843

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

Australian Vintage Ltd

Notes to the Financial Statements for the financial year ended 30 June 2018

Note 1 Basis of preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. The accounting policies adopted in the preparation of the preliminary final report are consistent with those adopted and disclosed in the June 2017 full year report other than as listed below.

Application of new and revised International Financial Reporting Standards (IFRSs)

1.1 Application of New and Revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

Apart from the additional disclosures required by AASB107 (refer below), The adoption of these standards did not have a significant impact on the consolidated financial statements.

Amendments to AASB 107 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require disclosures to detail changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group's liabilities arising from financing activities consist of borrowings and certain other financial liabilities.

Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period.

1.2 New and revised Australian Accounting Standards in issue but not yet effective

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective.

Standards and Interpretations in Issue Not Yet Adopted

At the date of authorisation of the financial report, a number of Standards and Interpretations 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', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020

Impact of New and Revised Requirements

AASB 9 'Financial Instruments' (December 2009), and the relevant amending standards

AASB 9 applies to annual periods beginning on or after 1 January 2018 so this would first relate to the half year ending 31 December 2018 and the full year ending 30 June 2019.

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model, as opposed to an incurred credit loss model. The expected credit loss model requires an entity to account for expected lifetime and 12-month expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

The main impact on the company is the re-assessment of the provision for doubtful debts based on previous bad debt history and consideration of providing for a proportion of all trade debts due, including those within payment terms. The impact is not expected to be material.

All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted.

Hedge accounting

As the new hedge accounting requirements will align more closely with the Group's risk management policies, with generally more qualifying hedging instruments and hedged items, an assessment of the Group's current hedging relationships indicates that they will qualify as continuing hedging relationships upon application of AASB 9.

Similar to the Group's current hedge accounting policy, the directors do not intend to exclude the forward element of foreign currency forward contracts from designated hedging relationships.

Apart from the above, the directors of the Company anticipate that the application of AASB 9 in the future is not anticipated to have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities, but will require additional disclosures with respect to financial instruments and the company's risk management policies in the Group's consolidated financial statements.

Australian Vintage Ltd

Notes to the Financial Statements for the financial year ended 30 June 2018

Note 1 Basis of preparation (continued)

AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15, and AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15

AASB 15 applies to annual periods beginning on or after 1 January 2018 so this would first relate to the half year ending 31 December 2018 and the full year ending 30 June 2019. The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services

Accordingly, the new revenue standard requires that consideration payable, such as some rebates, be accounted for as a reduction of the transaction price. This would result in a proportion of rebates being classified out of cost of sales and as a reduction in revenue.

The company has performed a preliminary calculation and expects that the application of the standard would require a reduction in revenue and cost of sales of approximately \$10 million to \$15 million per annum. This estimate has been calculated on current rebate structures and is subject to major changes in these structures. There is no effect on the Net Profit of the company or the consolidated group. The application of AASB 15 in the future will also impact some of the disclosures on the Group's revenue transactions made in the Group's consolidated financial statements.

AASB 16 'Leases'

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors.

The new standard distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees

The accounting model will require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the outstanding lease payments. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

The classification of cash flows will also be affected as operating lease payments are currently presented as operating cash flows; whereas under the new standard, the lease payments will be split into principal and interest which will be presented as financing and operating cash flows.

AASB 16 applies to annual periods beginning on or after 1 January 2019 so this would first relate to the half year ending 31 December 2019 and the full year ending 30 June 2020.

As at 30 June 2018, the Group has non-cancellable operating lease commitments of approximately \$19.7 million. A preliminary assessment indicates that these arrangements will meet the definition of a lease under AASB 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases and any other leases contained within contracts upon the application of AASB 16.

The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements. The company has commenced a process to review all existing lease agreements and performed a preliminary calculation and expects that the application of the standard could have the following impact on the Group's consolidated financial statements:

Balance Sheet - (based on "prospective basis" per transitional provisions of AASB 16)

- Recognition of Right to Use asset and Lease Liability of approximately \$17 million to \$22 million based on current committed leases at balance date
- Recognition of a further Right to Use asset and Lease Liability of approximately \$27 million to \$32 million based on planned extensions of current lease agreements

Ongoing Profit and Loss impacts – (based on "prospective basis" per transitional provisions of AASB 16)

- Lease expense (operating item), with the majority recorded in inventory/cost of sales as a large proportion relates to lease payments on leased vineyards, replaced with depreciation/amortisation and interest.
- EBITDA increases by approximately \$7 million to \$8 million
- Depreciation/amortisation increases by approximately \$6.5 million to \$7.5 million
- Interest expense increases by approximately \$0.1 million to \$0.3 million

The company is still reviewing the transitional provisions of the standard and the impact they would have on the Group's consolidated financial statements. If a choice is made to transition using the retrospective or modified retrospective basis, then this will impact the above disclosed ranges. The above impact will change if new leases are entered into prior to adoption of the standard.

Australian Vintage Ltd

Notes to the Financial Statements for the financial year ended 30 June 2018

Note 1 Basis of preparation (continued)

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Inventories

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

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

Income tax losses

The Group has recognised deferred tax assets in relation to unused tax losses and temporary differences as at the end of the reporting period. The recognition of deferred tax assets is after considering whether it is probable that the Group will have sufficient taxable income in the foreseeable future and against which the deferred tax assets can be recovered.

The assessment of whether there will be sufficient taxable income is subject to a level of judgement and if the actual conditions vary to the assumptions adopted, the carrying value of the asset would need to be reassessed.

Onerous Contracts

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

The agreements in the current market are onerous.

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

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

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

The onerous contracts provision has been adjusted to the present value (at 8.5% discount rate – 2017 : 8.5%) of the expenditures expected to be required to settle the onerous obligations.

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Notes to the Financial Statements for the financial year ended 30 June 2018

Note 1 Basis of preparation (continued)

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

Impairment of goodwill and other intangibles

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

A discounted cash flow analysis was performed on the CGU's associated with the goodwill balances, using a pre-tax discount rate of 12.0% (2017 : 12.0%) (bulk wine business), which indicated that the fair value of assets (including goodwill), based upon discounted cash flows, was higher than the carrying value.

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

Impairment tests were performed on brand names using a discounted cash flow model and a pre-tax discount rate of 17.04% (2017 : 16.98%) (branded wine business).

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

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Notes to the Financial Statements for the financial year ended 30 June 2018

Note 2 Profit / (Loss) from operations

	Consolidated	
	2018 \$'000	2017 \$'000
(a) Revenue		
Revenue from the sale of goods	257,971	222,130
Revenue from contract processing	1,079	521
Revenue from rendering vineyard contract services	5,563	3,799
Total revenue	264,613	226,450
Investment Income		
Rental revenue	76	82
Interest received	16	15
Total	92	97
Other gains / (losses)		
Wine equalisation tax rebate	500	500
(Loss) / Gain on unrealised foreign exchange	(587)	1,284
Other rebates	594	488
Other	83	310
Total	590	2,582
(b) Profit / (Loss) before income tax		
Profit / (Loss) before income tax has been arrived at after crediting/(charging) the following gains and losses:		
(Loss) / Gain on disposal of property, plant and equipment	(92)	224
(Loss) / Gain on unrealised foreign exchange	(587)	1,284
Profit from rendering contract vineyard services	332	200
Profit / (Loss) before income tax has been arrived at after charging the following expenses:		
Cost of sales	198,066	170,518
Finance costs:		
Interest on loans	4,695	4,902
Finance lease interest	289	22
	4,984	4,924
Unwinding of discounts	47	101
Total finance costs	5,031	5,025
Depreciation of non-current assets – charged to cost of sales	5,189	4,943
Depreciation of non-current assets – other	1,999	2,002
Amortisation of non-current assets	308	504
Total depreciation and amortisation expense	7,496	7,449
Operating lease rental expenses (minimum lease payments)	6,705	6,533
(c) Earnings before interest and tax (EBIT)		
Earnings before interest and tax	16,180	11,261

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Notes to the Financial Statements for the financial year ended 30 June 2018

Note 3: Issued capital

	Consolidated	
	2018 \$'000	2017 \$'000
277,838,771 Fully paid ordinary shares (2017 : 275,568,321)	463,961	463,009
	\$'000	Number
Fully paid ordinary share capital		
Beginning of financial year	463,009	275,568,321
Dividend reinvestment plan	984	2,270,450
Share issue costs	(46)	-
Tax consequences of share issue costs	14	-
End of financial year	463,961	277,838,771

All shares have equal rights to voting and dividends.

Note 4: Earnings per share

	Consolidated	
	2018 Cents Per share	2017 Cents Per share
Basic earnings per share	2.8	1.8
Diluted earnings per share	2.7	1.7
	\$'000	\$'000
Profit for the year	7,694	4,303
	2018 Number of Shares '000	2017 Number of Shares '000
Weighted average number of ordinary shares used in calculating basic earnings per share	277,011	242,577
Weighted average number of ordinary shares used in calculating diluted earnings per share	281,675	248,681

Australian Vintage Ltd

Notes to the Financial Statements for the financial year ended 30 June 2018

Note 5: Dividends

	Date dividend paid / payable	Amount per security ¢	Amount per security of foreign sourced dividend ¢	Franking %
Final dividend – year ended 30 June 2018 (determined subsequent to balance date) ⁽¹⁾	9 November 2018	1.5	-	100%
Final dividend – year ended 30 June 2017	10 November 2017	1.0	-	100%

⁽¹⁾ The record date for determining an entitlement to receipt of the final dividend is 19 October 2018 and the company expects to pay the dividend on 9 November 2018.

A dividend of \$2,756,000 was paid during the year in respect of the year ended 30 June 2017 (\$3,484,000 in the prior year in respect of the year ended 30 June 2016).

The franking account balance at 30 June 2018 was \$6,244,000 (2017 : 7,425,000).

Note 6: Borrowings

The Group currently has a debt facility with the National Australia Bank until September 2020. The Group is subject to various covenants. In addition, the Group is able to declare a dividend provided certain ratios are met or the dividend is approved by the National Australia Bank or the dividend is underwritten.

Note 7: Subsequent events

In respect of the financial year ended 30 June 2018 there are no matters or circumstances, other than that referred to in the financial statements or notes thereto, that have arisen since the end of the financial year, that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Note 8: Contingent liabilities

	Consolidated	
	2018 \$'000	2017 \$'000
Bank guarantees	1,472	865

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Notes to the Financial Statements for the financial year ended 30 June 2018

Note 9: Segment information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group 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 Group'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 Group'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, grapes, concentrate and winery processing services throughout Australia, New Zealand, Asia and North America.
- Vineyards
 - provides vineyard management and maintenance services within Australia and includes fair value of grapes picked.

The revenue reported represents revenue generated from external customers.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment revenue represents revenue generated from external customers. There were no inter-segment sales in the current year (2017 : Nil).

Segment profit represents the profit earned by each segment without allocation of interest revenue, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Australian Vintage Ltd

Notes to the Financial Statements for the financial year ended 30 June 2018

Note 9: Segment information (continued)

The following is an analysis of the group's revenue and results by reportable operating segment for the period:

Business Segments

Segments Revenue, Results, Assets and Liabilities

	Revenue 2018 \$'000	Revenue 2017 \$'000	Results 2018 \$'000	Results 2017 \$'000
Australasia / North America packaged	107,261	103,830	7,382	6,100
UK / Europe	111,003	88,454	5,614	208
Cellar door	10,588	10,009	1,617	1,614
Australasia / North America bulk wine and processing	30,198	20,358	(470)	(1,075)
Vineyards	5,563	3,799	2,037	4,414
Total	264,613	226,450	16,180	11,261
Finance costs			(5,031)	(5,025)
Interest received			16	15
Profit before tax			11,165	6,251

Geographical Segments

	Revenue from external customers	
	2018 \$'000	2017 \$'000
Australia	110,431	105,781
UK / Europe	111,003	88,454
North America	15,719	13,342
Asia	21,925	14,371
Other	5,535	4,502
	264,613	226,450

The Group has sales to two major customers who individually account for greater than 10% of annual sales. The total sales for these customers were \$76.1 million (2017 : \$63.4 million).

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Notes to the Financial Statements for the financial year ended 30 June 2018

Note 10: Notes to the statement of cash flow

(a) Reconciliation of cash

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

	Consolidated	
	2018 \$'000	2017 \$'000
Cash	7,712	2,616
(b) Financing Facilities		
Unsecured bank overdraft facility, reviewed annually and payable at call:		
Amount Used	-	-
Amount Unused	5,000	5,000
	5,000	5,000
Reducing lease facility:		
Amount Used	4,938	5,300
Amount Unused	-	-
	4,938	5,300
Unsecured revolving lease facility:		
Amount Used	-	-
Amount Unused	350	350
	350	350
Bank Guarantee/Surrender facility:		
Amount Used	1,472	865
Amount Unused	1,178	1,785
	2,650	2,650
Corporate purchasing card facility:		
Amount Used	247	12
Amount Unused	253	488
	500	500
Cash advance facility:		
Amount Used	80,000	80,000
Amount Unused	25,000	30,000
	105,000	110,000
Total facility	118,438	123,800

(c) Non-cash financing and investing activities

During the current year, the Group entered into the following non-cash investing and finance activities which are not reflected in the statement of cash flows:

- Australian Vintage Ltd operates a "Performance Rights and Options Plan". This long term incentive plan provides the right to an issue of shares or a right to a share option subject to continuous employment, and achievement of set growth rates in earnings per share and total shareholder return over a 4 year period. During the reporting period there were 4,100,000 options issued with a fair value of \$0.099 per option (2017: 4,000,000 with fair value of \$0.095 per option). During the period 1,709,912 options lapsed or were forfeited (2017: 1,737,002).
- The Group issued 2,270,450 shares for \$984,000 (2017 : 3,429,898 for \$1,622,000) under it's Dividend Reinvestment Plan.

(d) Business acquired

During the financial year there were no businesses acquired.