



AUSTRALIAN VINTAGE LTD

2011 Annual Report



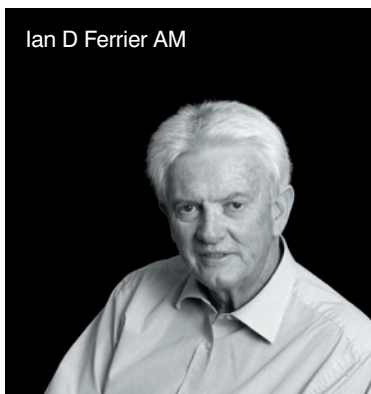
New to Our Portfolio



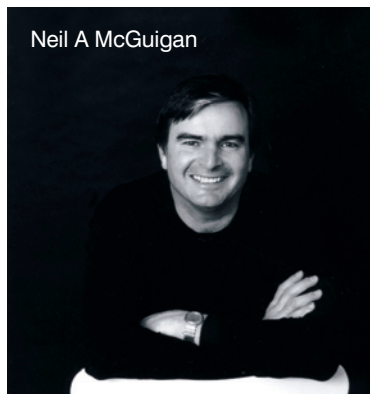
As a company so reliant on our environment and natural resources, we at Australian Vintage Limited are proud to produce our 2011 Annual Report on Carbon Neutral and 100% recycled paper.

EcoStar is an environmentally responsible paper made carbon neutral (CN) and the fibre source has been independently certified by the Forest Stewardship Council (FSC). ecoStar is manufactured from 100% post consumer recycled paper in a process chlorine free environment under the ISO 14001 environmental management system which guarantees continuous improvement. Carbon Neutral: the carbon emissions of the manufacturing process for ecoStar include: Incoming deliveries – raw materials and wrapping; Premises – energy consumption on site, waste treatment and disposal; Energy of materials – raw materials; Outgoing deliveries – transportation of the finished product to Raleigh Paper warehouses have been measured and offset.

Ian D Ferrier AM



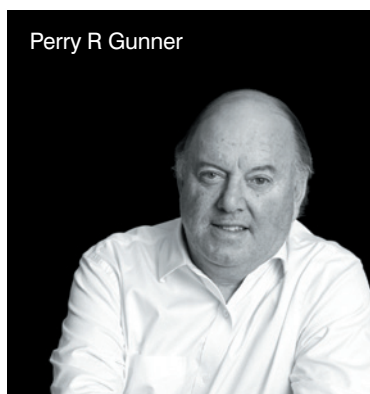
Neil A McGuigan



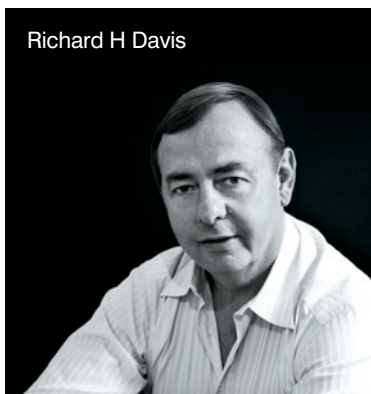
Brian J McGuigan AM



Perry R Gunner



Richard H Davis





Dear shareholder

Australian Vintage grew profitability in the year ended 30 June 2011 despite ongoing turmoil in industry and market fundamentals.

For the first time in 5 years Australian Vintage will pay a dividend to shareholders. This underlies the confidence the Board has in Australian

Vintage's performance, and the confidence it places in the Company's future despite the industry turmoil.

Over the past few years we have reported on the effort Australian Vintage has made to reduce its cost base, build its brands and ensure all of its assets are contributing. We have created a company that is robust, flexible and able to respond to market conditions.

The Environment

Globally, the market continues to be harsh and unforgiving. In Australia, we face the challenge of a high Australian dollar, increasing costs and industry uncertainty. Globally we face fragile markets and oversupply from Australia.

We continue to refine and reassess our assets, production and market focus to meet these challenges.

The sale of the Loxton Winery in August was an important step in continuing the Company's strategic objective to be the lowest cost premium wine producer.

In the past year we continued to focus on exports, which remain critical to our sustainability and growth.

Exchange rates continue to impact on our sales (by \$14.4 million in the year). Australian Vintage has adopted a number of operating and financial strategies over the past year to manage the high Australian dollar, including undertaking packaging and bottling in the UK and putting in place additional hedging.

Pleasingly, operating cash flow was positive \$1.3 million, despite the impact from foreign currency movements and the purchase of \$10 million of bulk wine. This demonstrates the focus of management on tight controls of finance and capital to suit the market conditions.

Production and Markets

Nationally the industry's final crush this year of 1.6 million tonnes was significantly higher than expected, notwithstanding a portion being diverted to concentrate due to lower baume.

In response the supply chain continues to restructure with wine companies buying out or not renewing grape contracts and closure of wineries and vineyards.

As a result we continue to see signs that the wine surplus is reducing.

Australian Vintage's crush was 147,000 tonnes compared to 158,000 tonnes last year. Given the difficult growing conditions the overall quality and quantity is pleasing.

This result, combined with the attention paid by our management and winemakers to produce finished wine at attractive prices, underpins the company's ability to meet supply and demand for our various products.

What we have seen at Australian Vintage is an increasing diversity of variety and packaging to meet new trends and tastes in wines. Increasingly our brands are at the forefront and in demand globally as consumers look for new, exciting and trusted brands.

Outlook

The global financial uncertainty and volatility continues to impact individual countries, global trade and finance. Unfortunately this uncertainty is slowing the recovery of the wine industry.

We are now a low cost, flexible producer with a strong stable of brands.

Our management team is one of the most respected in the industry. They have a deep passion for the industry and are achieving a significant number of awards for our wine. There is more to do in building our brand strength and this is a focus of the Company.

On behalf of shareholders I want to acknowledge and thank the CEO, Neil McGuigan, the management team and all of the staff at Australian Vintage for their ongoing hard work.

While we remain realistically cautious about a near term recovery, the Board is confident in Australian Vintage's ability to respond to the challenges.

Vale David Clarke

David Clarke died in April 2011. He was the founding chairman of McGuigan Wines, McGuigan Simeon and Australian Vintage. He led the company through its initial growth phases and more recently steered it through global industry turmoil. His support of the Company, and its achievements can not be measured and his love of wine and his contribution to the industry are legendary.

Finally thank you to all shareholders for your support of our wines, our strategy and our Company.

Ian Ferrier AM Chairman



Dear fellow shareholders,

This report marks my first full reporting year as Chief Executive of Australian Vintage, having been appointed in July last year.

The year has been one of the most exciting and challenging for Australian Vintage, and for the industry. Uncertainty in the global economy and fragile consumer confidence has impacted retail spending around the world, and the wine industry has not been immune.

In Australia, we've also experienced the impact of the two speed economy, the increasing value of the Australian dollar, and rising costs of production, labour and packaging, which must all be managed. We have also had to deal with ongoing fallout of global overproduction of wine, and the volatility that brings to the market as producers attempt to destock.

Despite these headwinds the team at Australian Vintage delivered a strong performance.

- Net profit (before significant items) increased to \$10.2 million
- Branded bottled sales domestically increased over last year by 5%
- Export branded sales increased 4 per cent compared to 2010, even after allowing for the unfavourable shift in exchange rates

AVL further strengthened its asset base. We had been looking to divest some of our overcapacity in wineries, but would only do so at a price that represented the best option for shareholders and the business. In August 2011 we sold the Loxton Winery and earlier in the year we sold the Lenswood winery and vineyard. The \$27 million raised from these sales will be used to pay down debt.

We have a solid financial base and are one of the most efficient producers of wine in Australia. This is an ongoing journey, and the business continues to review costs. In the last 2 years we have been bottling wine in the UK, which has given us a natural hedge against currency movements. We also extended our banking facility with NAB, who continues to be very supportive of the Company.

A passion for wine

Our fundamental passion for creating outstanding quality wine and the investment in our well-loved wine brands brought Australian Vintage huge success on the show circuit. This year the Company won 19 Trophies, 48 gold, 126 silver and 190 bronze medals for our portfolio of wines.

The outstanding trophies for this year include:

- **Best Riesling in the world** at the International Wine Challenge for the 2004 McGuigan Shortlist Riesling
- **Best Semillon in the world** at the International Wine Challenge for the 2003 Tempus Two Zenith Semillon
- **Best wine of show** at the Cairns Wine Show for the 2005 McGuigan Vineyard Select Semillon
- **Best wine of show** at the Cowra Wine Show for the 2005 McGuigan Vineyard Select Semillon
- **Best South Australian Pinot Noir** at the South Australian Wine of the Year Awards for the 2010 Nepenthe Good Doctor Pinot Noir.

Priorities for the business

At Australian Vintage everyone is very focused and committed on achieving the next wave of actions under our strategic priorities: Growing Export, Building Brands and maintaining our High Quality and Low Cost Producer position.

■ Growing Export

AVL continues to look for new opportunities in the UK through our newly formed wholesale business channel. We are pursuing a number of opportunities from this strong base into Europe and Scandinavia.

Wine demand in China and throughout Asia continues to grow exponentially and Australian Vintage has been developing opportunities in the region for a number of years. We are expanding our distribution, channels and agents to capture this growth.

The American market remains challenging but in the longer term could present opportunities. Our sales in Canada are growing well, and demand for Australian wines in North America is still strong.

■ Building Brands

AVL is continuing to grow its core brands of McGuigan, Tempus Two, Miranda and Nepenthe. We have released a number of new products to create excitement around each of these brands.

These new products include:

McGuigan	The Semillon Blanc Sparkling Pinot Grigio
Tempus Two	Blanc de Blanc Briosa Rosa
Miranda	Picked at Noon Summer Hues (Low alcohol)
Nepenthe	Sparkling Sauvignon Blanc Tempranillo

Our senior winemakers travel around Australia and the world representing our brands, but also learning and bringing back new varieties and techniques. This year, we are extending our tasting program across the country, so that more customers can be exposed to our brands and range of wines.

■ High Quality and Low Cost Producer

The benefits of exiting or re-negotiating high priced grape contracts are starting to flow through the results. AVL continues to review all areas of expenditure to ensure that we maintain our position as high quality low cost producer.

Proposed tax changes

Australian Vintage together with other wine companies and grape growers have formed a group named Supporting Australian Wine (SAW) to represent the industry as the government considers a range of tax options including a volumetric tax. To be clear, AVL's position is that a change from an advalorem to volumetric tax would be devastating for the Australian wine industry and the regional economies and communities that rely on the industry for jobs, population and investment.

Conclusion

Even though 2010/11 has been another difficult year I believe our company is in a strong position. If we continue to focus on wine quality, cost savings, innovation and distribution around the globe, I believe AVL has the capacity to return to an acceptable level of profitability.



Neil McGuigan Chief Executive Officer



Australian Vintage is a leading Australian wine company. With a fully-integrated wine business model, the breadth of our capabilities extends to vineyards, boutique and large volume wine production, packaging, marketing and distribution.

As a major vineyard owner and manager in Australia, we pride ourselves on producing outstanding and innovative wines for both domestic and international wine consumers. This is reflected in our commitment to quality grape and wine production, the strength of our dynamic and award-winning wine brands, and the passion of the people behind them.

Today, Australian Vintage Limited is at the forefront of the Australian wine industry. Crushing approximately 10% of total Australian annual production, our vineyards and grape supply capability extends through some of Australia's most captivating and diverse wine regions including the Hunter Valley, Adelaide Hills, Barossa Valley; Murray-Darling, Langhorne Creek and Limestone Coast regions.

Wines produced by Australian Vintage are recognised and awarded the world over. Acclaim for our winemakers and branded ranges is extensive and our diversity also extends to private label wine, where the demand is strengthened by our relationships with Tesco, Sainsbury's in the UK and E&J Gallo Winery in the US.

Innovation remains at the heart of our business and we are committed to being at the forefront of evolving Australian wine styles. Combined with our continued International and National wine show success this makes our wines some of the most revered around the world.



Our wine brands

McGuigan

is synonymous with Australian winemaking. Four generations of the McGuigan family have made wine their life, demonstrating a deep commitment and passion for Australian wine. It is this commitment to quality grape and wine production that has seen outstanding wines produced under the McGuigan brand for both domestic and international wine drinkers and it is the McGuigan spirit and dedication to modern Australian winemaking that still drives the brand today. When it comes to making wine, we have a different point of view; a different mindset. We take a different approach that is entirely focused on evolving Australian wine styles. This has led to the successful launch of our The Semillon Blanc both at home and in the UK.

Miranda

thrives on the heritage of three generations of the Miranda family, whose passion and desire to build a winemaking empire formed its foundation. Reflecting the richness of the Australian climate and terrain, Miranda today is heralded by its multi-award-winning Golden Botrytis. Miranda is also known for its classic spumante sparklings and an array of table, cask and fortified wines.

Nepenthe

flourishes in the cool climate heights of the Adelaide Hills. Nepenthe produces premium, uncompromising and award-winning wines that are built on the strength of varietal faithfulness and subtle Adelaide Hills nuances. Passionate winemaking, interesting grape varieties and innovation in the vineyards ensure that Nepenthe's exciting and sophisticated range of wines truly impress and set a benchmark for the market. The Sauvignon Blanc continues to spearhead the brand and we've taken a leadership approach with this varietal with the introduction of an oak aged Sauvignon Blanc – Petraea.

Passion Pop

has led the flavoured sparkling category for over 30 years. A true market leader, this iconic brand was re-launched in 2007 with new, stylish and relevant packaging. Passion Pop continues to lead the market as the leading sparkling wine product <\$7.99 in Australia.

Tempus Two

was built on a passion to create an ultra-premium wine brand. Sophisticated and boutique, Tempus Two uses innovative winemaking techniques to create modern wine styles. The Tempus Two philosophy of selecting the finest fruit from its most renowned region ensures that the brand applauds those who appreciate quality wine. Its award-winning and unique packaging embodies the innovation, elegance and finesse that are the hallmarks of Tempus Two. It's been a terrific result on the Australian award circuit with Tempus Two which saw us winning world's best Semillon at the International Wine Challenge in London and NSW Wine of the Year for our multi-award winning Zenith Semillon.

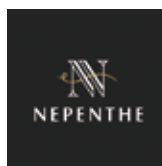
Yaldara

was established in 1947 by German winemaker, Hermann Thumm. Nestled in South Australia's famous Barossa Valley, Yaldara and its magnificent Château have long been recognised as one of the most picturesque and attractive wineries in the country. This brand is led by a superb range of premium ports and fortified wines.

TEMPUS TWO



MIRANDA
WINES



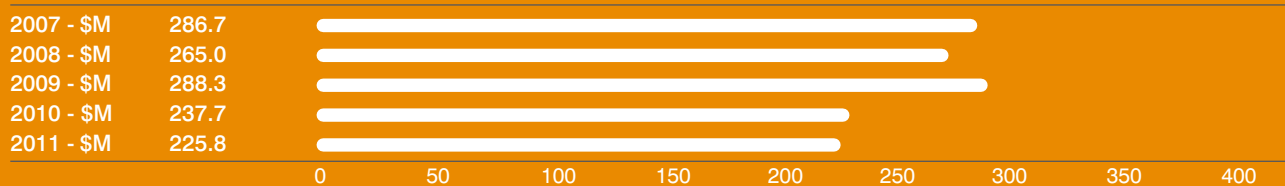
YALDARA

MC GUIGAN
WINES

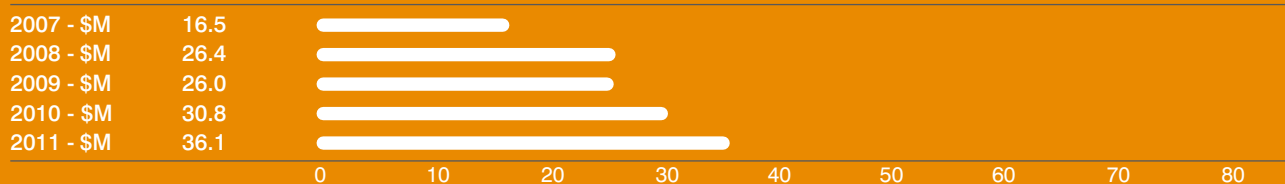
PASSION POP

8 | COMPANY PROFILE

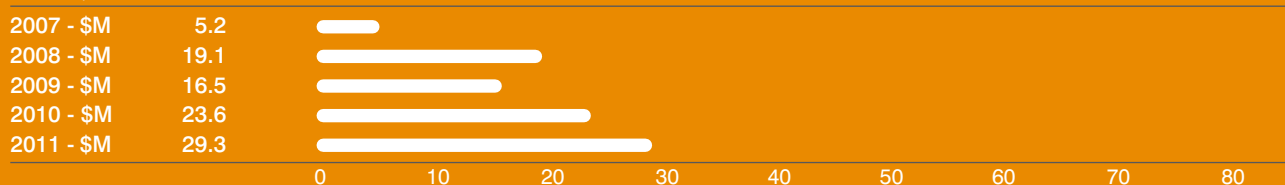
TOTAL REVENUE - \$M



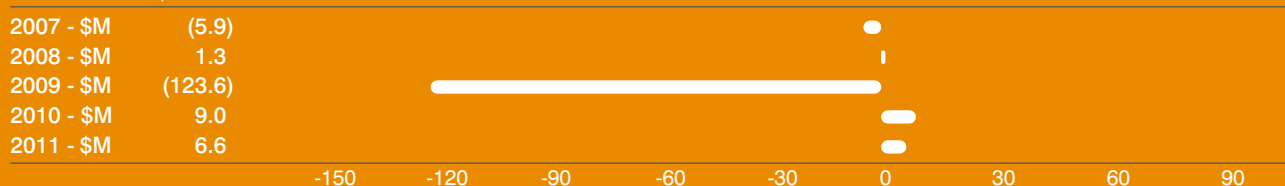
EBITDA - \$M



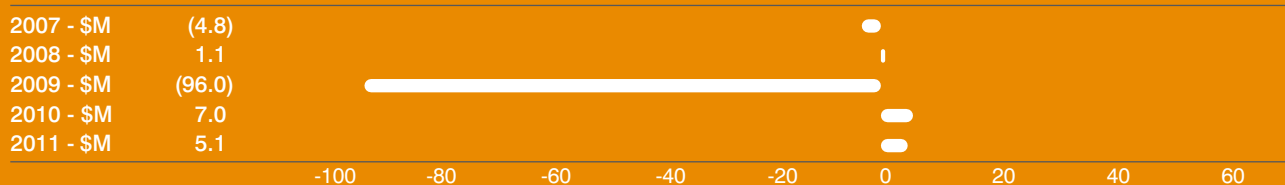
EBIT - \$M



NET PROFIT - \$M



EARNINGS PER SHARE - CENTS



CASH FLOW FROM OPERATING ACTIVITIES



Note : EBITDA and EBIT are before significant items.

NET PROFIT - \$M (BEFORE SIGNIFICANT ITEMS)



The Directors are responsible for the corporate governance practices of the Company. This statement sets out the main corporate governance practices of the Company which the Directors, Management and Employees of the Company are required to follow. As at the date of this report, the Company's corporate governance practices have, in the opinion of the Board, complied with the second edition of the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council.

Each of the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council ("ASX Principles") is referred to consecutively below and the information provided under each Principle is done so in accordance with recommendations made by the ASX Corporate Governance Council.

Introduction

Corporate Governance is the system or process by which a company is directed or controlled. It is concerned with the manner in which the Directors ensure that an organisation's systems and processes are properly controlled and functioning effectively and that management is complying with the policies and directives of the Board. Corporate Governance structures provide a controlled process for risks taken by a company to be subjected to accountability and control systems commensurate with the risks involved.

ASX Principle 1: Lay Solid Foundations for Management and Oversight

Board of Directors

Board information contained in this Corporate Governance Statement and the Board Charter can be found at www.australianvintage.com.au

Responsibility for the overall direction and management of the Company, the Company's corporate governance and the internal workings, including establishing goals for management and monitoring the attainment of these goals, of the Company will rest with its board of Directors (the "Board").

The primary responsibilities of the Board include:

- The establishment of the long-term goals of the Company and strategic plans to achieve those goals;
- Ensuring that the Company has implemented adequate systems of internal controls and codes of conduct together with appropriate monitoring of compliance activities;
- Provision of strategic guidance for the Company and oversight of management of the Company including ensuring that systems are in place to facilitate the effective management of the principal risks of the Company;
- Appointing and overseeing the Chief Executive Officer and ratifying the appointments of the Chief Financial Officer and the Company Secretary;
- The review and adoption of annual budgets for the financial performance of the Company and monitoring the results on a monthly basis; and
- Establishment of proper succession plans for management of the Company.

A further detailed list of Board responsibilities can be found in the Board Charter available at www.australianvintage.com.au under "Corporate Governance".

*ASX Principle 2: Structure the Board to Add Value***Composition and criteria of Board membership**

The Company's aim in determining Board membership is to create a balanced and informed Board to assist the Company in making decisions relating to all corporate matters. New Directors are nominated by existing Board Members through the delegated functions of the Remuneration and Nomination Committee and invited to become members on the basis of a majority vote of Directors. Consideration is given to Director's experience and qualifications with a view to ensuring effectiveness and an appropriate balance of skills.

The Board is to comprise a majority of non-executive Directors where the Chairman of the Board is also a non-executive, independent Director and hence not the Chief Executive Officer (Managing Director). Non-executive Directors are appointed for an indefinite time on terms and conditions voted on from time to time. With the exception of the Chairman all non-executive Directors are appointed on the same terms and conditions. No Director, other than the Chief Executive Officer (Managing Director), shall hold office for any longer than three years without submitting themselves for re-election.

Members of the Board have been brought together to provide a blend of qualifications, skills and experience required for managing a Company operating in the wine industry. The skills, experience, expertise and period in office of each Director is detailed in this Annual Report.

Details of the members of the Remuneration and Nomination Committee, attendance at meetings by members and its function are provided below under ASX Principle 8: "Remunerate Responsibly and Fairly".

Board independence:

The Board currently consists of:

Ian D Ferrier	Chairman	Independent, Non-Executive
Neil A McGuigan	Chief Executive Officer	Non-Independent, Executive
Richard H Davis		Independent, Non-Executive
Perry R Gunner		Independent, Non-Executive
Brian J McGuigan		Independent, Non-Executive

The terms of office held by each Director are detailed in the Directors' Report enclosed in this Annual Report.

The Board has adopted the definition of independence set out in the ASX Principles.

There are several tests that are applied in determining the independence of each Director.

An independent Director must:

- Not be a substantial shareholder of the Company (or be associated with a substantial shareholder of the Company);
- Not have been employed in an executive capacity within the Company (or a member of the Company's group) in the last three years;
- Not have acted as a material professional adviser or consultant, or a material supplier, customer or contractor to the Company within the last three years.
- Not have a material contractual relationship with the Company (other than his or her relationship as Director of the Company). A material financial relationship between the Company and another entity that a Director is associated with or employed by is based by the Company on a 5% materiality level.
- Not have served on the Board for a length of time that would be considered to materially affect the Director's ability to act in the best interest of the Company.

- Be free from any interest or business which could be perceived as having a material affect on the Company, or the best interests of the Company.
- Each non-executive Director was considered to be free of any relationship that could possibly interfere with the Director acting in the best interests of the Company. Accordingly, a majority of the Board is considered independent.

Having regard to the criteria above, the Board generally considers a Director to be independent if he or she is not a member of management and is free of any interest and any other business relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Each Director's independence is assessed by the Board on an individual basis, having regard to the materiality guidelines detailed above and focussing on an assessment of each Director's capacity to bring independence of judgement to Board decisions. In this context, Directors are required to promptly disclose to the Board their interests in contracts, family ties and cross-directorships which may be relevant in considering their independence.

Board and Executive performance evaluation

The Board undertakes a peer assessment review of the performance of the Chief Executive Officer each year. Numerous performance indicators have been developed to assist in the assessment. The Board also conducts an annual review of Board performance in accordance with the Company's Board Performance Measurement policy, which is available at www.australianvintage.com.au under "Corporate Governance".

The Chief Executive Officer reviews performance of key executives continuously on an informal basis (by assessing achievements against budgets and other goals and key performance indicators) and at least twice in each year on a formal basis with a face-to-face performance review.

Relationship with management

The Company's management has authority to implement all other aspects of the management of the Company which are not reserved to the Board or Board committees (including the implementation of Board strategies). The management of the Company is conducted by the Chief Executive Officer. The Chief Executive Officer is accountable to the Board for all authority delegated to executive management. The roles of Chairman and Chief Executive Officer are separate.

The division of responsibilities between the Board and management is set out in the Board Charter available at www.australianvintage.com.au under "Corporate Governance".

Independent professional advice

With the prior approval of the Chairman, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfill their duties and responsibilities as a Director of the Company.

Committees

The Board has established three separate committees of Directors, namely the Audit Committee, the Remuneration and Nomination Committee and the Occupational Health and Safety and Environment Committee. Each committee has a dedicated Terms of Reference and Committee Charter.

The Audit Committee and its function are described below under ASX Principle 4: "Safeguard Integrity of Financial Reporting".

The Occupational Health and Safety and Environment Committee and its function are described below under ASX Principle 7: "Recognise and Manage Risk".

The Remuneration and Nomination Committee and its function are described below under ASX Principle 8: "Remunerate Fairly and Responsibly".

The Audit Committee and Remuneration and Nomination Committee Charters can be viewed at www.australianvintage.com.au under "Corporate Governance".

ASX Principle 3: Promote Ethical and Responsible Decision Making

Ethics and Code of Conduct

The Board and management ensure that the business processes of the Company are at all times conducted according to sound ethical and legal principles. The Board has established a formal Ethics and General Conduct Code. Compliance with the Code is mandatory for each Director and key executive of the Company.

The Code has been established to define the practices necessary to maintain confidence in the Company's integrity and comply with the Company's legal obligations and other obligations to legitimate stakeholders. The Code deals with numerous issues including confidentiality, conflicts of interest, compliance with the law, fair dealing, unethical behaviour, corporate fiduciary duties, care and diligence as well as the reporting requirements and action to be taken in the event of failure to comply with the Code.

The Company has also implemented a confidentiality policy relating to matters including amongst others the non-disclosure of business affairs, trade secrets and customer information. This policy is available at www.australianvintage.com.au under "Continuous Disclosure and Policies and Procedures".

Directors, Officers and Executives trading in Company shares

The Company has implemented a share trading policy as set out in the Corporate Governance Statement available at www.australianvintage.com.au under "Corporate Governance".

The policy requires that Key Management Personnel and their associates neither buy nor sell shares when they possess inside information, nor engage in short-term selling of Company shares. Directors, Officers and Executives are to notify the Board in advance of any intended material transactions involving the Company's shares.

In addition, Key Management Personnel (and their associates) are not permitted to trade in Company shares except within one month, commencing one trading day after, the:

- release of the annual financial report;
- release of the half yearly financial report; and
- Annual General Meeting.

All Company Corporate Governance charters, policies and procedures are publicly available. This information can be located on the Australian Vintage Limited website at www.australianvintage.com.au under "Corporate Governance".

See also discussion under ASX Principle 5: "Shareholders and Continuous Disclosure".

ASX Principle 4: Safeguard Integrity in Financial Reporting

Audit Committee (incorporating Corporate Governance)

The Audit Committee consists of three independent non-executive Directors. The current members of the Audit Committee are:

- Richard H Davis (Chairman)
- Ian D Ferrier
- Brian J McGuigan

Details of the qualifications of Audit Committee members and their attendance at committee meetings throughout the financial year are detailed in the Directors' Report enclosed in this Annual Report.

The nomination and review of existing audit arrangements is undertaken by the Audit Committee. The Audit Committee addresses issues surrounding the integrity of financial information presented to the Board and shareholders, including the review of external auditor engagements and internal financial reporting policies and controls.

The Audit Committee is responsible for reviewing the consistency of the Company's internal accounting policies on a year-to-year basis as well as their compliance with relevant accounting standards and legislation.

The Audit Committee also advises the Board and makes recommendations in relation to policy and procedures and application of principles of Corporate Governance. The Committee addresses issues of proper Corporate Governance procedures and practices in order to ensure that the Company maintains the highest integrity and best practice with respect to such matters.

The Audit Committee generally invites the Chief Financial Officer and (on suitable occasions) external auditors to attend Audit Committee meetings.

The Audit Committee or its Chairperson meets formally with the Board at least twice a year to discuss the relationship with external auditors, the Company's financial reporting and any other matters of relevance called upon by the Board or the Chairperson of the Audit Committee for discussion.

The Chairperson of the Audit Committee, who is not the Chair of the Board, attends the Annual General Meeting of the Company in order to respond to any questions which may be raised by shareholders in relation to accounting / financial management, information, control or the contents of any financial reports.

The Chief Financial Officer and Chief Executive Officer state in writing to the Board that the Company's financial reports present a true and fair value in all material respects of the Company's financial condition and operational results and are in accordance with relevant accounting standards. The integrity of the reports are founded on a sound system of risk management and internal compliance and control which operates efficiently and effectively in all material respects.

The Company's external auditor attends the Annual General Meeting of the Company and is available to answer questions from shareholders about the conduct of the audit and the preparation and content of the Audit Report.

The Audit Committee's Terms of Reference and Charter can be viewed at www.australianvintage.com.au under "Corporate Governance".

ASX Principle 5: Make Timely and Balanced Disclosure; and

ASX Principle 6: Respect the Rights of Shareholders

Shareholders and Continuous Disclosure

The Board has primary responsibility to the shareholders as owners of the Company. Shareholders also play a key direct role in the Company's Governance by electing the Directors of the Company at the Annual General Meeting.

Shareholders and the market generally receive information from the Company through distribution of the Annual Report, the Half Yearly Report, the Chairman's and Chief Executive Officer's addresses to the Annual General Meeting, the provision of information on the Company's website and through the release of announcements from time to time in compliance with the Company's responsibilities to make continuous disclosure under the Australian Securities Exchange Listing Rules and the Corporations Act 2001 (the "Act"). Shareholders and other stakeholders are also encouraged to contact the Company directly regarding any enquiries they may have.

The Company has implemented and complied with a Continuous Disclosure Policy and a Communications with Shareholders and other Stakeholders Strategy, both of which are available at www.australianvintage.com.au under "Corporate Governance".

These policies and strategies establish procedures to ensure that the Directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information. When the Company makes an announcement the announcement is released to the ASX and the Company Secretary is responsible for communications with the ASX. All material information released to the ASX is published on the Company's website at www.australianvintage.com.au under "Company Announcements". This includes ASX announcements, annual reports, notices of meetings, media releases, etc. The policies set out the type of information which requires disclosure as well as the internal policies governing the method and timing of disclosure.

In addition, the Company's external auditor attends the Annual General Meeting of the Company and is available to answer questions from shareholders about the conduct of the audit and the preparation and content of the Audit Report.

ASX Principle 7: Recognise and Manage Risk

Risk management

The Board identifies and discusses areas of significant business risk. The Board ensures, together with management, that processes are in place to manage those risks and reviews those arrangements at monthly Board meetings.

These systems require management to be responsible for identifying and managing the Company's material business risks, which include financial and non-financial risks, such as environmental and investment risks.

The Board and management ensure that appropriate insurance programs for the Company are also in place to provide insurance cover in areas of the business assessed as appropriate for cover having regard to all of the relevant circumstances.

Comprehensive practices are established such that:

- Capital expenditure and revenue commitments above a certain size require prior Board approval;
- Financial exposures are controlled, including the use of derivatives;
- Occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations; and
- Business transactions are properly authorised and executed.

All reports to the Board on strategic and operational issues incorporate an assessment by management of the associated risks, which ensures that the Board is in a position to make fully-informed business judgements on these issues. In addition, the Board receives dedicated risk management updates which address the material business risks facing the Company and the systems and policies in place to manage those risks.

In addition to these periodic updates, the Board and management give ongoing consideration to the effectiveness of the Company's risk management and internal compliance and controls systems, and whether there is scope for further improvement of these systems.

In accordance with section 295A of the Act, the Chief Executive Officer and the Chief Financial Officer have declared, in writing to the Board, that the financial reporting risk management and associated compliance and controls are founded on a sound system of risk management and internal control and that the system has been assessed and found to be operating efficiently and effectively in all material respects in relation to financial reporting risks.

Formal risk analysis and management of material risks to the Company's operations include formal HACCP Australian Food Safety Accreditation Programmes on vineyards and at wineries and bottling plants and the implementation of an OH & S, environment and audit committee as described in this report. These committees separately deal with specific areas of 'risk' to the Company's business.

Occupational Health and Safety and Environment Committee

The Occupational Health and Safety and Environment Committee ("OH&S Committee") consists of two non-executive Directors. The current members of the OH&S Committee are:

- Perry R Gunner (Chairman)
- Brian J McGuigan

The occupational health and safety related duties of the OH&S Committee include:

- Establishment and supervision of broad policies on matters of occupational health and safety including ensuring documented management systems are established;
- Establish occupational health and safety responsibilities for employees and all levels of management;
- Evaluate the Company's occupational health and safety performance on a regular basis; and
- Protection of workplace safety to the greatest extent including ensuring that all relevant legislation is complied with.

The environmental related duties of the OH&S Committee include:

- Establishment and supervision of broad policies on matters of environmental compliance and protection of the environment generally;
- Keep up-to-date with the environmental issues facing the Company and the industry generally; and
- Establishment of management responsibility for environmental matters and evaluation of the Company's environmental performance and progress.

The OH&S Committee generally invites the Chief Executive Officer, Group Production Manager and National Vineyard Manager to its meetings.

Internal audit

The consolidated entity has a separate internal audit function.

Internal control framework

The Board is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. The Board has instigated the following internal control framework:

- **Financial reporting** – Monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared regularly.
- **Continuous disclosure** – A comprehensive policy and process is in place to identify matters that may have a material effect on the price of the Company's securities and notify them to the ASX and post them on the Company's web site. The Board of Directors and the Chief Financial Officer / Company Secretary are responsible for all communications with the ASX.

- **Quality and integrity of personnel** – Formal appraisals are conducted at least annually for all employees.
- **Operating units control** – The Chief Executive Officer and Chief Financial Officer ensure compliance with financial controls and procedures including information systems controls detailed in procedures manuals.
- **Investment appraisal** – Guidelines for capital expenditure include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

ASX Principle 8: Remunerate Fairly and Responsibly

Remuneration and Nomination Committee

The Remuneration and Nomination Committee consists of two independent non-executive Directors. The current members of the Remuneration and Nomination Committee are:

- **Ian D Ferrier (Chairman)**
- **Perry R Gunner**

The attendance of committee members at each committee meeting during the financial year are detailed in the Directors' Report enclosed in this Annual Report.

The procedure for establishing and reviewing remuneration for senior executives and non-executive members of the Board is undertaken by the Remuneration and Nomination Committee. The shareholders in general meetings approve the aggregate remuneration for non-executive Directors.

Particulars concerning Directors' and Executives' remuneration and the Company's executive and employee share option plan are set out in notes to the financial statements and the Remuneration Report.

The criteria for selection of Board Members are determined by, and the recommendation of Board Members is carried out by, the Remuneration and Nomination Committee. Consideration is given to the Director's experience and qualifications with a view to ensuring effectiveness and an appropriate balance of skills. A regular review of the structure, size and composition of the Board is also to be undertaken by the Remuneration and Nomination Committee as well as recommendations as to Board succession plans.

The Company has developed a Remuneration Policy which describes the Company's remuneration policies and the rationale behind them. Non-executive directors will be paid in cash in line with a resolution passed at the company's Annual General Meeting dated 25 November 2009. Executives are paid primarily by cash salary (but also, in some cases as to part, with performance bonuses and share options). The Company's Remuneration Policy is reviewed annually by the Remuneration and Nomination Committee.

In determining Executive remuneration, regard is had to the Executive's level of responsibility, skills, experience, reputation, efforts and results and the ability to retain executives having regard to the competitive nature of hiring key staff.

For further details on the roles and responsibilities of the Remuneration and Nomination Committee see the Committee's Charter and terms of reference available at www.australianvintage.com.au under "Corporate Governance".

For more information on the Company's remuneration, see the Remuneration Report within this Annual Report.

Company issued options for executives are issued subject to the Australian Vintage Ltd Executive Option Acquisition Plan ("Plan") which received most recent approval of the shareholders of the company at the Annual General Meeting on 26 November 2006.

For further information regarding Executive remuneration through options see the Remuneration Report in this Annual Report at www.australianvintage.com.au

The shareholders' information set out below was applicable at 13th September, 2011.

Shareholders

Distribution of shareholders

Analysis of shareholders of fully paid ordinary shares by size of holding:

NUMBER OF SHARES	NUMBER OF SHAREHOLDERS
1 – 1,000	2,119
1,001 – 5,000	2,662
5,001 – 10,000	634
10,001 – 100,000	694
100,001 +	74
	6,183

The percentage of the total holding of the twenty largest holders of Ordinary Shares was 67.59%.

Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Law are:

NAME	ORDINARY SHARES
Orbis Investment Management (Australia) Pty Ltd	22,745,112
Maple Brown Abbott Limited	11,313,068
Schroder Investment Management Australia Limited	10,774,304
Brandes Investment Partners, L.P.	8,136,302
State Teachers Retirement System of Ohio	6,045,000

Twenty largest shareholders

The names of the twenty largest shareholders of Ordinary Shares are as follows:

SHARES HELD	NUMBER OF ORDINARY SHARES HELD	% OF LISTED SHARES
1. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	22,005,607	17.11
2. J P MORGAN NOMINEES AUSTRALIA LIMITED	17,081,824	13.28
3. CITICORP NOMINEES PTY LIMITED	13,376,899	10.40
4. RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	11,518,529	8.96
5. NATIONAL NOMINEES LIMITED	9,803,473	7.62
6. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,558,071	2.77
7. MR ZHIWEI LIN	1,411,679	1.10
8. MR TREVOR GREGORY BURKE	994,507	0.77
9. JP MORGAN NOMINEES AUSTRALIA LIMITED	906,480	0.70
10. MR BRIAN FREDERICK DITCHFIELD	802,174	0.62
11. MR GLEN FREDERICK BILLINGTON & MR JAMES MARTYN BILLINGTON	745,000	0.58
12. FAIRLIE MARIANNE ANDREW	700,000	0.54
13. MR NOEL D'SOUZA	586,329	0.46
14. QUESTOR FINANCIAL SERVICES LIMITED	553,636	0.43
15. MR GRAEME JOHN CAMPBELL	540,000	0.42
16. Y Q AUSTRALIA PTY LTD	532,958	0.41
17. LEATRICE PTY LIMITED	459,000	0.36
18. MR NIKORIMA ROBERT MARSH	450,000	0.35
19. MRS DEBRA ANN NOUN	450,000	0.35
20. BOOM SECURITIES (HK) LTD	434,810	0.34
Totals: Top 20 holders of fully paid ordinary shares	86,910,976	67.59
Total number of shares	128,580,317	

The Directors of Australian Vintage Ltd submit herewith the annual financial report for the financial year ended 30 June 2011. In order to comply with the provisions of the Corporations Act 2001, the Directors Report as follows:

Directors

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Ian D Ferrier AM, CA, Age 71

(Chairman, Non-Executive) Director since 20 November 1991

Fellow of The Institute of Chartered Accountants in Australia and Chairman of BRI Ferrier. In this capacity, he has gained extensive experience in the management and administration of both private and public companies at all levels. He is presently Chairman of InvoCare Limited and Goodman Limited and a Director of Reckon Limited and Energy One Limited.

Neil A McGuigan, Age 53

(Chief Executive Officer) Director since 21 July 2010

Neil was previously the General Manager of Production and Wine Supply at Australian Vintage Ltd and was appointed as the Interim CEO in May 2010, following Dane Hudson's departure. He was appointed as a director and as the CEO on 21 July 2010. Neil has over 27 years experience in the wine industry. He previously worked at the then privately owned Briar Ridge before leaving in 2000 to run Rothbury Estate and its satellites in the Upper Hunter, Cowra and Mudgee for the Foster's Group.

Brian J McGuigan AM, Age 69

(Non-Executive Director) Executive Director from 20 November 1991 to 31 December 2007.

Non-Executive Director from 1 January 2008

Over 45 years experience in the wine industry. Formerly Managing Director of Wyndham Estate Wines Ltd then of Australian Vintage Ltd. He is currently the Director of the Winemakers Federation of Australia, the Chairman of the Newcastle Mater Misericordiae Hospital, a Director of Hunter Wine Country Private Irrigation District as well as the Chairman and Director of a number of private companies.

Perry R Gunner, B. Ag. Sc, Grad. Dip, Bus. Admin, Age 64

(Non-Executive) Director since 28 June 2002

Over 30 years experience in the Wine Industry. Former Chairman and Chief Executive Officer of Orlando Wyndham Group Pty Ltd. Chairman of Freedom Nutritional Products Ltd and Deputy Chairman of Viterra Inc.

Richard H Davis, B. Ec, Age 56

(Non-Executive, Chairman of the Audit Committee) Director since 5 May 2009

Formerly CEO and Director of InvoCare Limited where he spent almost 20 years growing and managing the business. Former accounting partner for a national accounting firm.

The named directors held office during the whole of the financial year and since the end of the financial year except for:

- Mr N McGuigan – appointed 21 July 2010

Directorships of other listed companies

Directorships of other listed companies held by Directors in the 3 years immediately before the end of the financial year are as follows:

NAME	COMPANY	PERIOD OF DIRECTORSHIP
Ian D Ferrier	InvoCare Limited	Since 2001
	Goodman Limited	Since 2003
	Reckon Limited	Since 2004
	Energy One Limited	Since 2007
	Australian Oil Company Limited	From 2005 to 2009
Perry R Gunner	ABB Grain Limited / Viterro Inc.	Since 2004
	Freedom Nutritional Products Limited	Since 2003
Richard H Davis	InvoCare Limited	From 2001 to 2008

Company Secretary

Michael H Noack (appointed 23 November 2005)

B Accountancy (University of South Australia), Fellow of ASCPA, Graduate Diploma in Systems Analysis (University of South Australia) and Fellow of the Chartered Secretaries Australia. Michael has been with Australian Vintage Ltd since the merger in 2002 and was previously Chief Financial Officer and Company Secretary of Simeon Wines Limited.

Michael has been the Chief Financial Officer since 2002.

Principal activities

The consolidated entity's principal activities in the course of the financial year were wine making, wine marketing, vineyard management and development.

Changes in state of affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Environmental regulations

The consolidated entity holds licences issued by the Environmental Protection Authorities in various states which specify limits associated with the discharge of winery waste. There have been no known breaches of the licence conditions.

Future developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of these operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Dividends

In respect of the financial year ended 30 June 2011, a final dividend of 2.5 cents per share was declared on 24th August 2011 and will be paid on 18th November 2011.

No dividends were paid or payable in respect of the financial year ended 30 June 2010.

Review of operations

The group reported a net profit of \$6.6 million. The result included significant items of \$3.7 million (loss) as detailed in note 5 of the financial statements.

Total sales for the year ended 30 June 2011 declined by 5% to \$226 million due to:

- Export sales falling 8%. However, branded bottled sales were 4 per cent higher than the previous year which is a credible result given the strength of the AUD against GBP and other trading partner currencies.
- Unfavourable exchange rate movements in all currencies impacted sales by \$14.4 million and EBIT by \$9.8 million
- Australian sales were in line with last year at \$72 million with strong bottled sales offset by falls in cask wine and vineyard income.

AVL has adopted a number of operating and financial strategies to manage the record high exchange rate challenges including additional hedging in the current financial year. It is also undertaking packaging and bottling in the UK to reduce production costs on exports.

AVL purchased \$10 million of bulk wine in the year and despite this and the AUD currency issues the Company delivered positive operating cash flow of \$1.3 million.

Net debt increased by \$18.9 million due to payout of operating leases (\$15.3 million) and the purchase of bulk wine (\$10 million).

Operating costs increased slightly in 2011 (compared to 2010) but are well down when compared to 2009.

During the financial year the Company signed a two year extension to June 2013 on our current banking facility with NAB which brings additional flexibility and confidence to manage capital in line with market conditions.

Cash flow continued to be positive even though a stronger AUD negatively impacted cash flow.

Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of Committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or Committee Member).

During the financial year the company held 18 Board Meetings, 3 Audit Committee Meetings, and 1 Remuneration Committee meeting.

DIRECTORS'	BOARD MEETINGS ATTENDED	AUDIT COMMITTEE MEETINGS ATTENDED	REMUNERATION COMMITTEE MEETINGS ATTENDED
Ian D Ferrier	17	3	1
Neil A McGuigan	18	-	-
Brian J McGuigan	16	2	-
Perry R Gunner	15	-	1
Richard H Davis	18	3	-
Total Meetings Held	18	3	1

One Occupational, Health and Safety meeting was held during the year. This was attended by Perry Gunner and Brian McGuigan.

Directors' shareholdings

The following table sets out each Director's relevant interest in shares and options in shares of the Company as at the date of this report.

	FULLY PAID ORDINARY SHARES	EXECUTIVE SHARE OPTIONS
Ian D Ferrier	567,631	-
Neil A McGuigan	150,000	156,117
Brian J McGuigan	308,670	-
Perry R Gunner	269,420	-
Richard H Davis	-	-

Remuneration Report

Directors and Senior Management details

The Directors of Australian Vintage Ltd during the year were:

- Ian D Ferrier (Chairman, Non-Executive)
- Neil A McGuigan (Chief Executive Officer), appointed 21 July 2010
- Brian J McGuigan (Non-Executive)
- Perry R Gunner (Non-Executive)
- Richard H Davis (Non-Executive)

The Senior Management of Australian Vintage Ltd during the year were:

- Michael H Noack (Company Secretary & Chief Financial Officer)
- Flora Sarris (General Counsel)
- Paul M Schaafsma (General Manager, UK & Europe)
- Cameron J Ferguson (General Manager – Sales and Marketing, Australasia)
- Craig S Thomas (Export Sales Manager – Australia) – resigned 8 October 2010

The named persons held their current position for the whole of the financial year, except as noted.

Remuneration Committee and Key Management Personnel compensation

The Remuneration Committee reviews the compensation packages of all key management personnel on an annual basis and makes recommendations to the board. Compensation packages are reviewed and determined with due regard to current market rates and are benchmarked against comparable industry salaries. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's diverse operations.

The Key Management Personnel compensation packages have three components:

1. Base Compensation

This component is not performance linked and generally consists of salary, motor vehicle, wine and post employment superannuation entitlement (where applicable). The base amount is reviewed annually by the Remuneration Committee. Any adjustments made during the year will either be as a result of market rate changes in order for the Company to remain competitive or to reflect any changes in level of responsibility in the event the role has broadened.

Remuneration Report (continued)

2. Short Term Incentives

Short term incentive payments take into account the extent to which specific operating targets set at the start of the financial year have been achieved. The operational targets consist of a number of key performance indicators (KPI's) covering both financial and non-financial measures of performance, the primary measure being the performance against profit targets. Short term incentive payments are normally made by way of a cash bonus.

Objectives and performance indicators are determined annually by the Chief Executive Officer (CEO) following consultation with each employee.

The maximum amount of bonus payable in respect of the financial year is determined by the CEO and the Remuneration Committee. For the purpose of determining any bonus entitlement, individual performance is assessed against the set objectives and performance indicators by the CEO. The objectives and performance indicators relate to specific duties and Company performance.

Non-Executive Directors receive remuneration in cash.

The Board reviews the level of fees from time to time, and sets individual non-executive Directors fees based on the levels of fees for comparable listed companies in the appropriate parts of the world.

All senior management and the Chief Executive Officer are entitled to a bonus on the achievement of pre-determined key performance criteria. Bonuses and share options are the only parts of remuneration of key management personnel which are performance related.

Bonuses

Bonuses paid to the Chief Executive Officer and Senior Management are based upon the achievement of both financial and non-financial key performance criteria.

Key performance criteria vary for each person relative to their job description and area of responsibility.

Financial performance measures include, but are not limited to, achievement of budgeted Earnings Before Interest and Tax (EBIT) and before significant items, Revenue, Gross Margin and Cash Flow for their respective division and that of the Group.

Non-financial performance measures include the achievement of external (customers, suppliers) and internal (employees) relationships and the achievement of goals in line with the company's strategic goals and policies.

The table below shows the maximum entitled bonus for the current financial year and following financial year:

	2011 MINIMUM BONUS \$	2011 MAXIMUM BONUS \$	2011 % OF MAXIMUM GRANTED	2012 MINIMUM BONUS \$	2012 MAXIMUM BONUS \$
Neil A McGuigan	0	150,000	90%	0	150,000
Paul M Schaafsma	0	91,393	90%	0	94,591
Michael H Noack	0	109,267	90%	0	113,091
Cameron J Ferguson	0	98,096	90%	0	101,529
Craig S Thomas *	0	89,250	0%	0	0
Flora Sarris	0	89,042	90%	0	92,159

* Resigned 8 October 2010

Remuneration Report (continued)

Company performance

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to 30 June 2011:

	30 JUNE 2007 \$ M	30 JUNE 2008 \$ M	30 JUNE 2009 \$ M	30 JUNE 2010 \$ M	30 JUNE 2011 \$ M
Total Revenue (excluding sale of assets)	286.70	265.0	288.3	237.7	225.8
EBIT before significant items	5.2	19.1	16.5	23.6	29.3
Net Profit / (Loss) before significant items	(2.7)	5.5	4.3	5.9	10.2
Net Profit / (Loss) after significant items	(5.9)	1.3	(123.6)	9.0	6.6
	30 JUNE 2007	30 JUNE 2008	30 JUNE 2009	30 JUNE 2010	30 JUNE 2011
Earnings per share - cents	(4.8)	1.0	(96.0)	7.0	5.1
Dividends paid - cents *	-	-	-	-	2.5
Share price at start of year - \$ per share	2.50	2.15	1.15	0.15	0.20
Share price at end of year - \$ per share	2.15	1.15	0.15	0.20	0.27

* The dividend is fully franked and was declared on 24th August 2011 with payment to be made on 18th November 2011.

There were no shares repurchased in the current year.

3. Long Term Incentives

Long term incentives are provided as options over ordinary shares in the Company. The ability to exercise options may be conditional upon the achievement of certain performance hurdles which are designed to drive the financial performance of the consolidated entity and deliver shareholder value in the long term.

The Company has an executive and senior employee option scheme which allows for the granting of share options over unissued shares of the Company. The Company also issues share options under the Australian Vintage Ltd Executive Option Acquisition Plan ("Plan"). These options are granted over issued shares of the Company.

The board is currently considering a revised long term incentive plan.

Share option plan

During and since the end of the financial year no share options were granted to Directors or the five highest remunerated officers as part of their remuneration.

Remuneration Report (continued)

Senior Management and employee share option plans

For the purpose of the disclosure 'Senior Management' is defined as an individual who is responsible for strategic planning, management and performance of a division or function and reports directly to the Chief Executive Officer.

During or since the end of the financial year the Company did not grant any share options over unissued ordinary shares to Senior Management and employees of the Company. No shares were issued during or since the end of the financial year as a result of the exercise of options under the Executive and Employee Share Option Plans.

In accordance with the provisions of the Company's share option plans, as at the date of this report, Senior Management are entitled to exercise the following share options:

DIRECTORS AND SENIOR MANAGEMENT	NUMBER OF OPTIONS GRANTED	EXERCISE PRICE	EXPIRY DATE
Neil A McGuigan	69,697	\$2.90	16 November 2011
	86,420	\$1.64	20 December 2012
Michael H Noack	15,700	\$3.20	3 April 2012
	49,383	\$1.64	20 December 2012
Paul M Schaafsma	15,700	\$3.20	3 April 2012
	49,383	\$1.64	20 December 2012
Cameron J Ferguson	15,700	\$3.20	3 April 2012
	49,383	\$1.64	20 December 2012
TOTAL	251,366		

Details of share options granted to Key Management Personnel are included in notes 7 and 8 of the financial statements.

Remuneration Report (continued)

Value of options issued to directors and senior management

The following table discloses the value of options granted, exercised or lapsed during the year.

	OPTIONS GRANTED VALUE AT GRANT DATE \$	OPTIONS EXERCISED VALUE AT EXERCISE DATE \$	OPTIONS LAPSED VALUE AT TIME OF LAPSE \$	FAIR VALUE OF OPTIONS GRANTED, EXERCISED AND LAPSED \$	VALUATION OF OPTIONS INCLUDED IN REMUNERATION FOR THE YEAR \$	TOTAL REMUNERATION THAT CONSISTS OF OPTIONS
Neil McGuigan	-	-	-	-	10,995	1.5%
Paul M Schaafsma	-	-	-	-	6,283	1.0%
Michael H Noack	-	-	-	-	6,283	1.2%
Cameron J Ferguson	-	-	-	-	6,283	1.4%
Craig S Thomas*	-	-	-	-	6,283	2.0%
TOTAL	-	-	-	-	36,127	

* Resigned 8 October 2010

- (i) The total value of options granted, exercised and lapsed is calculated based on the following:
 - Fair value of the option at grant date multiplied by the number of options **granted during the year**; plus
 - Fair value of the option at the time it is exercised multiplied by the number of options **exercised during the year**.
 - Fair value of the option at the time of lapse multiplied by the **number of options lapsed** during the year.
- (ii) The total value of shares included in remuneration for the year is calculated in accordance with Accounting Standard AASB 2 "Share Based Payments".

Value of options - basis of calculation

- 1) The total value of options granted is calculated on the fair value of the option at the grant date multiplied by the number of options granted during the year. Options were priced using the Black Scholes model.
- 2) The total value of the options included in compensation for the year is calculated in accordance with Australian Accounting Standards. The value of the options is determined at grant date and included in compensation on a proportionate basis from grant date to vesting date.
- 3) The call options are exercisable subject to a performance hurdle which is satisfied if, the Earnings per Share performance for the pre-determined year ("Performance Year"), is greater than the EPS for the base year ("Base Year"), where the base year is the year the options are issued. Additionally, the call options are exercisable when there is a take over event. The options can be exercised on the following basis:
 - Where EPS performance is 15% - 19.99% greater than base EPS, 50% of the options can be exercised
 - Where EPS performance is 20% - 24.99% greater than base EPS, 75% of the options can be exercised
 - Where EPS performance is 25% or more greater than base EPS, 100% of the options can be exercised

Remuneration Report (continued)

Directors' and Executives' Remuneration

The following table discloses the remuneration of the Directors and Executives of the Company:

2011	SHORT-TERM BENEFITS				POST-EMPLOYMENT		SHARE-BASED PAYMENTS			TOTAL
	Salary & Fees \$	Bonus \$	Other ^(b) \$	Non - Monetary \$	Super - annuation \$	Other \$	Cash Settled \$	Equity Settled Options \$	Equity Settled Shares \$	\$
Non-Executive directors										
Ian D Ferrier	100,000	-	-	2,000	9,000	-	-	-	-	111,000
Brian J McGuigan	60,000	-	-	2,000	5,400	-	-	-	-	67,400
Perry R Gunner	60,000	-	-	2,000	5,400	-	-	-	-	67,400
Richard H Davis	60,000	-	-	2,000	5,400	-	-	-	-	67,400
Executive directors										
Neil A McGuigan	525,573	135,000	-	27,221	47,302	-	10,995	-	-	746,091
Executives										
Paul M Schaafsma	261,121	82,253	-	162,301	68,398	-	6,283	-	-	580,356
Michael H Noack	299,929	98,340	-	74,526	26,994	-	6,283	-	-	506,072
Cameron J Ferguson	274,157	113,286	-	26,200	24,674	-	6,283	-	-	444,600
Flora Sarris	246,059	80,138	-	1,200	22,145	-	-	-	-	349,542
Craig S Thomas (a)	63,750	-	-	7,474	5,738	233,499	6,283	-	-	316,744
TOTAL	1,950,589	509,017	-	306,922	220,451	233,499	36,127	-	-	3,256,605

(a) Resigned 8 October 2010. Other post employment benefit is the final payment made on resignation. The payment of \$233,499 includes 6 months severance pay and leave entitlements.

(b) Non-monetary items include provision of motor vehicle, wine, rent, travel, health benefits and applicable fringe benefits tax.

Remuneration Report (continued)

Directors' and Executives' Remuneration

The following table discloses the remuneration of the Directors and Executives of the Company:

2010	SHORT-TERM BENEFITS				POST-EMPLOYMENT		SHARE-BASED PAYMENTS			TOTAL
	Salary & Fees \$	Bonus \$	Other ^(a) \$	Non - Monetary ^(c) \$	Super - annuation \$	Other \$	Cash Settled \$	Equity Settled Options \$	Equity Settled Shares \$	\$
Non-Executive directors										
Ian D Ferrier (a)	100,000	-	50,000	2,000	9,000	-	-	-	-	161,000
Brian J McGuigan (a)	60,000	-	50,000	2,000	5,400	-	-	-	-	117,400
Perry R Gunner	60,000	-	-	2,000	5,400	-	-	-	-	67,400
Richard H Davis (a)	60,000	-	50,000	2,000	5,400	-	-	-	-	117,400
Executive directors										
Neil A McGuigan	378,768	108,000	-	25,200	36,451	-	30,521	-	-	578,940
Dane B Hudson (b)	536,142	-	-	1,200	13,000	1,491,563	298,829	-	-	2,340,734
Executives										
Paul M Schaafsma	281,458	15,000	-	180,189	78,516	-	17,086	-	-	572,249
Michael H Noack	286,664	102,074	-	76,561	25,800	-	17,086	-	-	508,185
Cameron J Ferguson	246,642	86,325	-	26,200	22,198	-	17,086	-	-	398,451
Craig S Thomas	255,000	-	-	24,100	22,950	-	17,086	-	-	319,136
Flora Sarris	211,638	40,760	-	1,200	21,590	-	-	-	-	275,188
TOTAL	2,476,312	352,159	150,000	342,650	245,705	1,491,563	397,694	-	-	5,456,083

(a) Other includes \$50,000 consultancy fee paid in relation to work performed and meetings attended in relation to the proposed merger with Constellation Wines.

(b) Resigned 30 April 2010. Other post employment benefit is the final payment made on resignation.

(c) Non-monetary items include provision of motor vehicle, rent, travel, health benefits and applicable fringe benefits tax.

No director or senior management person appointed during the period received a payment as part of his or her consideration for agreeing to the position.

Remuneration Report (continued)

Senior management details

The senior managers of the Company and Group are:

- | | |
|----------------------|--------------------|
| ■ Michael H Noack | ■ Flora Saris |
| ■ Cameron J Ferguson | ■ Paul M Schaafsma |

Service agreements of Key Management Personnel

Compensation and other terms of employment for directors and executives are formalised in service agreements or letters of appointment. Termination benefits disclosed below do not apply in cases of misconduct or other specified circumstances.

Neil A McGuigan

- (i) Term of agreement – no specified term.
- (ii) Compensation includes base salary, superannuation, motor vehicle allowance and an entitlement to a bonus subject to certain key performance criteria.
- (iii) If Mr McGuigan's employment is terminated by the Company, the Company must pay the following:
 - a. six months total base remuneration if terminated after 1 years service
 - b. nine months total base remuneration if terminated after 2 years service
 - c. twelve months total base remuneration if terminated after 3 years service

Paul M Schaafsma

- (i) Term of agreement - no specified term.
- (ii) Compensation includes base salary, superannuation, provision of a motor vehicle, rental assistance, relocation costs and entitlement to a bonus subject to certain key performance criteria.
- (iii) If Mr Schaafsma's employment is terminated by the Company, the Company must pay Mr Schaafsma the equivalent of one year's total base remuneration.

Michael H Noack

- (i) Term of agreement - no specified term.
- (ii) Compensation includes base salary, superannuation, life / trauma insurance, a motor vehicle and an entitlement to a bonus subject to certain key performance criteria.
- (iii) If Mr Noack's employment is terminated by the Company, the Company must pay Mr Noack the equivalent of one year's total remuneration.

Cameron J Ferguson

- (i) Term of agreement - no specified term.
- (ii) Compensation includes base salary, superannuation, the provision of a motor vehicle and is reviewed annually and a bonus subject to certain key performance criteria.
- (iii) If Mr Ferguson's employment is terminated by the Company, the Company must pay Mr Ferguson the equivalent of one year's total base remuneration.

Flora Sarris

- (i) Term of agreement - no specified term.
- (ii) Compensation base salary, superannuation, and a bonus subject to certain key performance criteria.
- (iii) Ms Sarris's employment is terminated by the Company, the Company must pay Ms Sarris the equivalent of one year's total base remuneration.

Non-audit services

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Audit Committee, in conjunction with the Chief Financial Officer, assesses the provision of non-audit services by the auditors to ensure that the auditor independence requirements of the Corporation Act 2001 in relation to the audit are met.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 9 to the financial statements.

The directors are of the opinion that the services as disclosed in note 9 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The Auditor's independence declaration is on page 31.

Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company (as named previously), the Company Secretaries and all Executive Officers of the Company and of any related Body Corporate against a liability incurred as a Director, Secretary or Executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

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.

Subsequent events

On 12th August 2011 the company signed binding agreements for the sale of the Loxton Winery and Austflavour assets to TWG Australia 11 Pty Ltd (a fully owned subsidiary of the Wine Group LLC based in California USA) for \$27 million. Settlement occurred on 18th August 2011 and the net proceeds will be used to reduce debt.

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

Signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors



Ian D Ferrier AM

Chairman

16th September 2011



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

16 September 2011

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 audit of the financial statements of Australian Vintage Ltd for the financial year ended 30 June 2011, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

A stylized, handwritten signature in black ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A stylized, handwritten signature in black ink that appears to read "Stephen Harvey".

Stephen Harvey, Partner
Chartered Accountants



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Independent Auditor's Report to the Members of Australian Vintage Ltd

We have audited the accompanying financial report of Australian Vintage Ltd which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the 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 year's end or from time to time during the financial year as set out on pages 33 to 84.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, 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 report.

Opinion

In our opinion:

- (a) the financial report of Australian Vintage Ltd is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 29 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Australian Vintage Ltd for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU

Stephen Harvey, Partner
Chartered Accountants
Adelaide, 16 September 2011

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited



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;
- (b) the attached financial statements are in compliance with International Financial Reporting Standards as stated in note 3 to the financial statements;
- (c) 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 true and fair view of the financial position and performance of the consolidated entity; and
- (d) The Directors' have been given the declarations required by s.295A of the *Corporations Act 2001*.

At the date of this declaration, the Company is within the class of companies affected by ASIC class order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Director's opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC class order applies, as detailed in Note 39 to the Financial Statements will, as a group, be able to meet any obligations or liabilities to which they are or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors

Ian D Ferrier AM
Chairman
16th September 2011

FINANCIAL REPORT

For the year ended 30 June 2011



35 | CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	NOTE	CONSOLIDATED	
		2011 \$'000	2010 \$'000
Revenue	5	225,777	237,663
Cost of sales	5	(160,366)	(174,636)
Gross Profit		65,411	63,027
Fair value of grapes picked during the financial year less estimated costs to sell		5,036	2,725
Other revenue	5	1,781	2,573
Loss on sales of other property plant and equipment		(173)	(212)
Distribution expenses		(11,456)	(10,432)
Sales and marketing expenses		(21,658)	(22,440)
Administration expenses		(7,752)	(7,254)
Loss on foreign exchange		(1,514)	(3,966)
Finance costs – interest paid	5	(14,230)	(13,304)
Finance costs – interest un-wind	5	(2,119)	(2,935)
Significant items	5	(6,677)	3,069
Profit before income tax		6,649	10,851
Income tax expense	6	(85)	(1,880)
Net profit for the year		6,564	8,971
Other comprehensive income / (loss) net of income tax:			
Profit / (loss) on interest rate swaps		(467)	1,257
Valuation of foreign exchange hedges		2,407	(1,280)
Exchange differences arising on translation of foreign operations		(241)	(126)
Income tax relating to components of other comprehensive income		(510)	45
Other comprehensive income / (loss) for the year, net of income tax		1,189	(104)
Total comprehensive income for the year		7,753	8,867
Earnings Per Share:			
Basic (cents per share)	35	5.1	7.0
Diluted (cents per share)	35	5.1	7.0

Notes to the financial statements are included on pages 39 to 84.

36 | CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	NOTE	CONSOLIDATED	
		2011 \$'000	2010 \$'000
Current Assets			
Cash and cash equivalents	42	6,424	1,555
Trade and other receivables	10	46,236	60,039
Inventories	11	140,507	117,546
Current tax assets	6	12	1,254
Other	13	2,685	2,805
		<u>195,864</u>	<u>183,199</u>
Assets classified as held for sale	12	25,901	37,644
Total Current Assets		221,765	220,843
Non-Current Assets			
Trade and other receivables	14	-	2,400
Inventories	15	19,082	22,756
Other financial assets	16	64	2,013
Biological assets	17	33,048	31,303
Property, plant and equipment	18	97,148	79,643
Goodwill	19	37,685	36,774
Other intangible assets	21	8,092	8,452
Water Licences	20	8,692	8,692
Deferred tax assets	6	58,493	59,008
Total Non-Current Assets		262,304	251,041
Total Assets		484,069	471,884
Current Liabilities			
Trade and other payables	23	41,433	56,229
Borrowings	24	1,838	129
Other financial liabilities	25	652	1,410
Provisions	26	9,321	8,950
Other	27	222	241
		<u>53,466</u>	<u>66,959</u>
Liabilities directly associated with assets classified as held for sale	12	373	806
Total Current Liabilities		53,839	67,765
Non-Current Liabilities			
Borrowings	28	165,596	143,533
Deferred tax liabilities	6	12,244	12,149
Provisions	29	19,162	23,001
Total Non-Current Liabilities		197,002	178,683
Total Liabilities		250,841	246,448
Net Assets		233,228	225,436
Equity			
Issued capital	32	401,831	401,831
Reserves	33	1,814	586
Accumulated losses	34	(170,417)	(176,981)
Total Equity		233,228	225,436

Notes to the financial statements are included on pages 39 to 84.

37 | CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	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 2010	401,831	1,458	(1,026)	154	(176,981)	225,436
Profit for the period	-	-	-	-	6,564	6,564
Profit on interest rate swaps	-	-	(467)	-	-	(467)
Valuation of foreign exchange hedges	-	-	2,407	-	-	2,407
Exchange differences arising on translation of foreign operations	-	-	-	(241)	-	(241)
Income tax relating to components of other comprehensive income	-	-	(582)	72	-	(510)
Total comprehensive income for the period	-	-	1,358	(169)	6,564	7,753
Transactions with owners in their capacity as owners:						
Recognition of share-based payments	-	39	-	-	-	39
Balance at 30 June 2011	401,831	1,497	332	(15)	(170,417)	233,228
Balance at 1 July 2009	401,629	1,082	(1,010)	242	(185,952)	215,991
Profit for the period	-	-	-	-	8,971	8,971
Loss on interest rate swaps	-	-	1,257	-	-	1,257
Valuation of foreign exchange hedges	-	-	(1,280)	-	-	(1,280)
Exchange differences arising on translation of foreign operations	-	-	-	(126)	-	(126)
Income tax relating to components of other comprehensive income	-	-	7	38	-	45
Total comprehensive income for the period	-	-	(16)	(88)	8,971	8,867
Transactions with owners in their capacity as owners:						
Recognition of share-based payments	-	578	-	-	-	578
Issue of shares to Directors	202	(202)	-	-	-	-
Balance at 30 June 2010	401,831	1,458	(1,026)	154	(176,981)	225,436

Notes to the financial statements are included on pages 39 to 84.

38 | CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	NOTE	CONSOLIDATED	
		2011 \$'000	2010 \$'000
Cash flows from operating activities			
Receipts from customers		258,081	250,375
Payments to suppliers and employees		(244,500)	(231,040)
Cash generated from operations		13,581	19,335
Interest and other costs of finance paid		(12,750)	(12,615)
Interest and bill discounts received		457	197
Payment for temporary water licences		-	(1,204)
Net cash (used in) / provided by operating activities	42 (d)	1,288	5,713
Cash flows from investing activities			
Payments for property, plant and equipment		(4,755)	(3,443)
Payments for purchase of tanks at end of lease		(15,280)	-
Payments for permanent water licences	20	-	(177)
Payments for intangibles	21	(241)	(152)
Proceeds from sale of property, plant & equipment		1,566	1,901
Payments for brand names	21	-	(36)
Net cash used in investing activities		(18,710)	(1,907)
Cash flows from financing activities			
Proceeds from borrowings		23,745	-
Repayment of borrowings		(1,454)	(8,433)
Net cash (used in) / provided by financing activities		22,291	(8,433)
Net increase / (decrease) in cash and cash equivalents		4,869	(4,627)
Cash and cash equivalents at the beginning of the financial year		1,555	6,182
Cash and cash equivalents at the end of the financial year	42	6,424	1,555

Notes to the financial statements are included on pages 39 to 84.

Note 1: General Information

Australian Vintage Ltd is a public company listed on the Australian Securities Exchange (trading under the symbol 'AVG'), incorporated in Australia and with operations in Australia and the United Kingdom.

Australian Vintage Ltd's registered office and principal place of business are as follows:

Registered Office and principal place of business

275 Sir Donald Bradman Drive
Cowandilla SA 5033
Tel: (08) 8172 8333

The consolidated entity's principal activities in the course of the financial year were wine making, wine marketing, vineyard management and development.

Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 16th September 2011.

Note 2: Adoption of new and revised Accounting Standards

Standards and Interpretations affecting amounts reported in the current period (and / or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out below.

Standards affecting presentation and disclosure

Amendments to AASB 7 'Financial Instruments: Disclosures' (adopted in advance of effective date of 1 January 2011)

The amendments (part of the AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.

Amendments to AASB 5 'Non-current Assets for Sale and Discontinued Operations'

Disclosures in these financial statements have been modified to reflect the clarification in AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project' that the disclosure requirements in Standard other than AASB 5 do not generally apply to non-current assets classified as held for sale and discontinued operations.

Amendments to AASB 101 'Presentation of Financial Statements' (adopted in advance of effective date of 1 January 2011)

The amendments (part of the AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

Amendments to AASB 107 'Statement of Cash Flows'

The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

Standards and Interpretations affecting the reported results or financial position

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

Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'

Except for the amendments to AASB 5 and AASB 107 described earlier this section, the application of AASB 2009-5 has not had any material effect on amounts reported in the financial statements.

AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-Settled Share-based payment transaction'

The application of AASB 2009-08 makes amendments to AASB 'Share-based Payment' to clarify the scope of AASB 2, as well as the accounting for group settled share based payment transactions in the separate (or individual) financial statements of any entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

Note 2: Adoption of new and revised Accounting Standards (continued)

Standards and Interpretations adopted with no effect on financial statements (continued)

AASB 2009-10 'Amendments to Australian Accounting Standards – Classification of Rights Issues'

The application of AASB 2009-10 makes amendments to AASB 132 'Financial Instruments: Presentation' to address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments.

AASB 2010-3 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'

The application of AASB 2010-3 makes amendments to AASB 3 (2008) 'Business Combinations' to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non controlling interest are measured at their acquisition date fair value, unless another measurement basis is required by other Standards.

In addition, the application of AASB 2010-3 makes amendments to AASB 3 (2008) to give more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share based payment transactions of the acquiree that are not replaced should be measured in accordance with AASB 'Share-based Payment' at the acquisition date ('market based measure').

AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'

Except for the amendments to AASB 7 and AASB 101 described earlier this section, the application of AASB 2010-4 has not had any material effect on amounts reported in the financial statements.

Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments'

The interpretation provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. In particular, the equity instruments issued under such agreement will be measured at their fair value, and any differences between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit and loss. To date, the Group has not entered into transactions of this nature.

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below, which are applicable to the company, 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 124 'Related Party Disclosures' (revised December 2009), AASB 2009-12 'Amendments to Australian Accounting Standards'	1 January 2011	30 June 2012
■ AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
■ AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement'	1 January 2011	30 June 2012
■ AASB 2010-5 'Amendments to Australian Accounting Standards'	1 January 2011	30 June 2012
■ AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'	1 July 2011	30 June 2012
■ AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
■ AASB 2010-7 'Amendments to Australian Accounting Standards'	1 January 2013	30 June 2014

Note 2: Adoption of new and revised Accounting Standards (continued)

STANDARD / INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
■ AASB 2011-1 'Amendments to Australian Accounting Standards'	1 July 2011	30 June 2012
■ AASB 2011-2 'Amendments to Australian Accounting Standards – Reduced disclosure requirements'	1 July 2013	30 June 2014
■ AASB 2011-4 'Amendments to Australian Accounting Standards to remove individual Key management Personnel disclosure requirements'	1 July 2013	30 June 2014
■ AASB 2011-5 'Amendments to Australian Accounting Standards – Extending relief from Consolidation, the equity method and proportionate consolidation'	1 July 2011	30 June 2012
■ AASB 2011-6 'Amendments to Australian Accounting Standards – Extending relief from Consolidation, the equity method and proportionate consolidation'	1 July 2013	30 June 2014
■ IFRS 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
■ IFRS 11 'Joint Arrangements'	1 January 2013	30 June 2014
■ IFRS 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
■ IFRS 13 'Fair Value Assessment'	1 January 2013	30 June 2014

Note 3: Summary of accounting policies

3.1 Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report comprises the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

3.2 Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of financial instruments. Historical 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 financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Note 3: Summary of accounting policies (continued)

3.4 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted for retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 *Income Taxes* and AASB 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share based payment awards are measured in accordance with AASB 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Noncurrent Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed at the acquisition date – and is subject to a maximum of one year.

3.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.6 Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and have maturity of less than 3 months at date of acquisition.

3.7 Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in note 43 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

The fair value of a hedging derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Note 3: Summary of accounting policies (continued)

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations.

Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 43 contains details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve are shown in the Statement of Changes in Equity.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

3.8 Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits which are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

3.9 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held to maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Investments in controlled entities

Investments in controlled entities are recorded at cost. Investments in associates have been accounted for under the equity method in the consolidated financial statements and the cost method in the Company financial statements. Other investments are recorded at fair value with gains or losses arising on re-measurement recognised in profit or loss.

Dividends are recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

Note 3: Summary of accounting policies (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period.

Income is recognised on an effective interest rate basis for debt instruments.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers or retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that has been recognised in other comprehensive income and accumulated in equity is recognised in profit and loss.

On derecognition of a financial asset other than in its entirety, (e.g. when the Group retains an option to repurchase part of the transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit and loss. A cumulative gain or loss that has been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.10 Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with the revenue recognition policies.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Note 3: Summary of accounting policies (continued)

3.11 Foreign currency

Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Australian Vintage Ltd, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings (refer note 3.7);
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer note 3.7); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

Foreign operations

On consolidation, the assets and liabilities of the Group's overseas operations are translated into Australian dollars at exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date. Exchange differences arising are recognised in equity.

3.12 Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.13 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Note 3: Summary of accounting policies (continued)

3.14 Grape vines and produce extracted from vines

Grape vines are classified as a separate biological asset class in accordance with Australian Accounting Standard AASB 141 "Agriculture". The biological assets are measured on initial recognition and at each reporting date at their fair value less costs to sell unless the market determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In the current financial year and the comparative financial year, the fair values have been estimated by the directors based on discounted cash flow analysis of each vineyard and reference to the current market value of similar assets recently exchanged in the open market. Produce harvested from vines owned by the Company are measured as revenue at fair value less estimated costs to sell at the point of harvest (including production costs). A gain or loss arising from a change in fair values less estimated costs to sell is included in the profit and loss in the period in which the gain / loss arises. The agricultural produce is recorded within inventory.

3.15 Impairment of long-lived assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.16 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company / Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Note 3: Summary of accounting policies (continued)

Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Australian Vintage Ltd is the head entity in the tax-consolidated group.

Current tax liabilities and assets, and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Australian Vintage Ltd and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

3.17 Intangible assets**Brand names and Registered Trademarks**

Brand names recognised by the company are considered to have an indefinite useful life and are not amortised. Each period, the useful life of this type of asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in note 3.15.

Software

Software is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over the estimated useful life. The estimated useful life of the software package is 10 years. Estimated useful lives and amortisation methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3.17.1 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3.18 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

3.19 Investments in associates

An associate is an entity over which the Group has significant influence. The results and assets and liabilities of associates are incorporated into the financial statements under the equity method of accounting.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3.20 Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as lessor

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. However, contingent rentals arising under operating leases are recognised as income in a manner consistent with the basis on which they are determined.

Group as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Refer to note 3.5.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.21 Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when management are committed to the sale, the sale is highly probable and the asset is available for immediate sale in its present condition and the sale of the asset is expected to be completed within one year from the date of classification.

Note 3: Summary of accounting policies (continued)

3.22 Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

3.23 Property, plant and equipment

Property, plant and equipment is initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Buildings, plant and equipment, vineyard improvements and equipment under finance lease are measured at cost less accumulated depreciation and impairment. Freehold land is not depreciated.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. Vineyard improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis. Depreciation related to wineries, production and some vineyards is capitalised into inventory.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. The gain or loss arising on the dispersal or retirement of an item of property, plant and equipment is determined on the distance between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

The following estimated useful lives are used in the calculation of depreciation:

■ Buildings	50 years
■ Vineyard improvements	15-20 years
■ Plant and equipment	5-33 years
■ Plant and equipment under lease	5-15 years

3.24 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive), the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3.25 Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, discounts and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Note 3: Summary of accounting policies (continued)

Vineyard development / management contracts

Revenue from cost plus development contracts is recognised by reference to the recoverable costs incurred during the financial year plus the percentage of fees earned. Percentage of fees earned is measured by the proportion that costs incurred to date relate to the estimated total cost of the stage of the contract. Where a loss is expected to occur it is recognised immediately. Revenue from vineyard management contracts is recognised based on a percentage of fees earned.

Contract Processing

Revenue from contract processing is recognised based on the percentage of winemaking process completed.

Interest Revenue

Interest revenue is accrued on a time basis by reference to the principal balance and the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Interest income from a financial asset is recognised when it is probable that the economic benefit will flow to the Group and the amount of revenue can be measured reliably.

Rental Income

Rent is accrued on a time basis by reference to the total rent due to the Company for the reporting period.

3.26 Share-based payments

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

3.27 Trade credits

Trade credits are recorded at the net present value of expected future usage. The Company reviews the recoverable amount of the trade credits at each reporting date and any shortfall against carrying value is charged to profit and loss.

3.28 Water licences

Water allocations with permanent rights are measured at cost on the date of acquisition. The permanent water licences have an indefinite useful life and are not subject to amortisation. Water allocations with permanent rights are assessed for impairment in each reporting period.

Water allocations with temporary rights are expensed in the year of purchase.

3.29 Prior year adjustment

During the year an adjustment was made to the prior reported financial results. The adjustment related to the tax timing difference on tanks under lease not recorded as a deferred tax liability. The impact of this adjustment on prior years is as follows:

	2010 \$'000			2009 \$'000		
	Disclosed	Adjustment	Amended	Disclosed	Adjustment	Amended
Profit / (loss) before tax	10,851	-	10,851	(166,999)	-	(166,999)
Tax benefit / (expense)	(1,758)	(122)	(1,880)	43,358	(165)	43,193
Net Profit / (loss)	9,093	(122)	8,971	(123,641)	(165)	(123,806)
Total Assets	471,884	-	471,884	491,375	-	491,375
Current liabilities	67,765	-	67,765	86,112	-	86,112
Deferred tax liabilities	9,784	2,365	12,149	8,642	2,243	10,885
Other non-current liabilities	166,534	-	166,534	178,387	-	178,387
Total Liabilities	244,083	2,365	246,448	273,141	2,243	275,384
Net Assets	227,801	(2,365)	225,436	218,234	(2,243)	215,991
Accumulated losses	(174,616)	(2,365)	(176,981)	(183,709)	(2,243)	(185,952)
Other equity	402,417	-	402,417	401,943	-	401,943
Total Equity	227,901	(2,365)	225,436	218,234	(2,243)	215,991

Note 4: Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is 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 believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. 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 critical judgements that management has made in applying the Group's accounting policies:

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.

In the current period the Group undertook a review of their inventories and estimated a shortfall in net realisable value relative to book value of \$2,484,000 (2010: \$3,501,000) before income tax.

Income tax losses

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

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

Onerous Contracts

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

The agreements in the current market have become onerous. The Company is attempting to mitigate the losses associated with the agreements.

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

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

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

The onerous contracts provision has been adjusted to the present value (at 8.5% discount rate – 2010: 8.5%) of the expenditures expected to be required to settle the onerous obligations.

The provision expense has been recorded as a significant item.

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 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 cash generating unit and select a risk adjusted discount rate in order to calculate present value.

A discounted cash flow analysis was performed on the cash generating units associated with the goodwill balances, using a pre-tax discount rate of 15.14% (2010: 15.23%) (bulk wine business), which indicated that the fair value of assets (including goodwill), based upon discounted cash flows, was lower than the carrying value. The main contributors to the impairment of the cash generating unit were an increase in the discount rate and a reduction of forecast revenue and margins from the cash generating unit.

The carrying value of the brand names have been individually assessed as part of separate cash generating units (CGUs).

Impairment tests were performed on brand names using a discounted cash flow model and a pre-tax discount rate of 20% (2010: 20%) (branded wine business), resulting in a write down of brand names.

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

Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial year, the directors determined that the useful lives of certain items of equipment should be shortened, due to developments in technology.

Revaluation of biological assets

The company reviewed the long term value of vineyards and adopted the net present values of the cash flows as a Directors Valuation for the period ended 30 June 2011. This resulted in a charge against the vines which has been recorded as a significant item.

In determining the fair value of the biological assets, the forecast cash flows from the vineyards have been discounted using a 15.62% (2010: 15.55%) pre-tax discount rate.

Note 5: Profit / (Loss) from operations

The following is an analysis of the Group's revenue for the year from continuing operations

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
(a) Revenue – continuing operations		
Revenue from the sale of goods	208,653	216,874
Revenue from contract processing	13,602	13,206
Revenue from rendering vineyard contract services	3,522	7,583
Total	225,777	237,663
A portion of the Group's revenue from the sale of goods denominated in foreign currencies is cash flow hedged. The amounts disclosed above for revenue from the sale of goods include the recycling of the effective amount of the foreign currency derivatives that are used to hedge foreign currency revenue		
Other revenue		
Interest revenue – bank deposits	396	455
Rental revenue	184	151
Wine equalisation tax rebate	500	500
Other rebates	205	-
Insurance claim	258	-
Loan recovery – Austvin Vineyards 1997 Project	-	812
Other	238	655
Total	1,781	2,573
(b) Other income and expenses		
Profit before income tax has been arrived at after crediting / (charging) the following gains and losses:		
Loss on disposal of property, plant and equipment	(173)	(212)
Net foreign exchange losses	(1,514)	(3,966)
Profit before income tax has been arrived at after charging the following expenses:		
Cost of sales	160,366	174,636
Onerous contracts provision	(865)	(10,527)
Inventory net realisable adjustment	2,484	3,501
	161,985	170,545
Operating lease rental expenses (minimum lease payments)	18,284	17,559
Impairment of property, plant and equipment and other assets	5,142	1,090
Transaction costs (Constellation)	-	3,716
Employee benefit expense:		
Share based payments:		
Equity settled share-based payments	-	-
Cash settled share-based payments	39	404
	39	404
Termination benefits	374	2,815
Superannuation benefits	2,926	2,846
Other employee benefits (incl. salaries and wages)	36,046	35,800
Total employee benefits expense	39,385	41,865
Depreciation of non-current assets - charged to cost of sales / inventory	5,506	5,891
Depreciation of non-current assets - other	928	882
Amortisation of non-current assets	398	381
Total depreciation and amortisation expense	6,832	7,154

Note 5: Profit / (Loss) from operations (continued)

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
(c) Finance costs:		
Interest on bank overdrafts and loans	13,987	13,281
Interest on obligations under finance lease	243	23
	14,230	13,304
Unwinding of discounts on provisions	2,119	2,935
The weighted average capitalisation rate on funds borrowed generally is 8.07% per annum (2010: 7.7% per annum)		
(d) Significant items		
During the financial year the company incurred the following revenues and expenses of a significant and one-off nature:		
Transaction costs (Constellation)	-	(3,716)
Provision for onerous contracts	865	10,527
Employment contract payment	-	(1,491)
Impairment of property, plant and equipment	(5,142)	(1,090)
Inventory net realisable adjustment	(2,484)	(3,501)
Sale of water licence	1,570	-
Holding cost associated with the Loxton Winery	(2,919)	(2,597)
Settlements received	1,433	4,937
Significant items before income tax	(6,677)	3,069
Income tax benefit / (expense) on significant items	2,003	(15)
Income tax benefit on capital losses utilised	49	-
Income tax benefit recognised on ceased investor vineyard scheme	969	-
Significant items after income tax benefit / (expense)	(3,656)	3,054

Note 6: Income taxes

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
(a) Income tax recognised in profit or loss		
Current tax		
Tax expense / (income) comprises:		
Current tax expense / (income) in respect of the current year	480	2,906
	480	2,906
Deferred tax		
Deferred tax expense / (income) relating to the origination and reversal of temporary differences	610	1,481
Adjustments recognised in the current year in relation to the current tax of prior years	(1,005)	(2,507)
Total tax expense / (income) attributable to continuing operations	(395)	(1,026)
Total income tax charge expense recognised in the current year relating to continuing operations	85	1,880
The prima facie income tax expense / (benefit) on pre-tax accounting income / (loss) from operations reconciles to the income tax expense / (income) in the financial statements as follows:		
Profit / (Loss) from operations	6,649	10,851
Income tax expense / (income) calculated at 30%	3,255	(50,100)
Depreciation	-	(617)
Non-deductible expenses	113	552
Capital losses impaired during the year	-	870
Benefit recognised on ceased investor vineyard scheme	(969)	-
Capital losses utilised (not previously recorded)	(49)	327
	1,090	4,387
Adjustments recognised in the current year in relation to tax of prior years	(1,005)	(2,507)
Total tax expense / (income)	85	1,880
The tax rate used for the 2011 and 2010 reconciliations above is the corporation tax rate of 30% payable by Australian Corporate entities on taxable profits under Australian tax law		
(b) Income tax recognised in other comprehensive income	(510)	45
(c) Current tax assets and liabilities		
Current tax assets (other tax receivable)	12	1,254
(d) Deferred tax balances		
Deferred tax assets comprise:		
Tax losses - revenue	40,913	42,081
Temporary differences	17,580	16,927
	58,493	59,008
Deferred tax liabilities comprise:		
Temporary differences	12,244	12,149
Total income tax recognised directly in equity	(510)	45

Note 6: Income taxes (continued)

(e) Taxable and deductible temporary differences arise from the following:

CONSOLIDATED

Temporary differences 2011	Opening Balance \$'000	Charged to Income \$'000	Charged to Equity \$'000	Acquisitions/ Disposals \$'000	Closing Balance \$'000
Gross deferred tax liabilities:					
Work in progress	(2,150)	(226)	-	-	(2,376)
Property, plant and equipment	(8,733)	(682)	-	-	(9,415)
Intangible assets	(1,191)	785	-	-	(406)
Other	(75)	28	-	-	(47)
	(12,149)	(95)	-	-	(12,244)
Gross deferred tax assets:					
Property, plant and equipment	137	(122)	-	-	15
Provisions and accruals	15,717	1,729	-	-	17,446
Financial liabilities	423	(423)	-	-	-
Tax losses	42,081	(1,168)	-	-	40,913
Other	650	(21)	(510)	-	119
	59,008	(5)	(510)	-	58,493
Temporary differences 2010					
Gross deferred tax liabilities:					
Work in progress	(1,941)	(209)	-	-	(2,150)
Property, plant and equipment	(7,280)	(1,453)	-	-	(8,733)
Intangible assets	(1,584)	393	-	-	(1,191)
Other	(80)	5	-	-	(75)
	(10,885)	(1,264)	-	-	(12,149)
Gross deferred tax assets:					
Property, plant and equipment	457	(320)	-	-	137
Provisions and accruals	26,099	(10,382)	-	-	15,717
Financial liabilities	303	120	-	-	423
Tax losses	31,536	10,545	-	-	42,081
Other	952	(347)	45	-	650
	59,347	(384)	45	-	59,008

There are no unrecognised revenue tax losses relating to the Group or the Company. The company has not recognised \$6,528,000 (2010: \$10,172,000) of capital losses. The Directors expect the future financial performance of the company will facilitate the full recovery of the tax losses.

Tax Consolidation**Relevance of tax consolidation to the Group**

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Australian Vintage Ltd. The members of the tax-consolidated group are identified in note 39.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Australian Vintage Ltd and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. The tax funding arrangement requires each subsidiary to prepare an individual tax calculation to determine the amount payable or receivable. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation or income tax liabilities between the entities should the head entity default on its tax payment obligation. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

Note 7: Key management personnel compensation

Details of Key Management Personnel

The key management personnel of Australian Vintage Ltd during the year were, except as noted below:

Ian Ferrier (Chairman – Non-Executive Director)	Neil McGuigan (Chief Executive Officer)
Brian McGuigan (Non-Executive Director)	Michael Noack (Chief Financial Officer and Company Secretary)
Perry Gunner (Non-Executive Director)	Flora Sarris (General Counsel)
Richard Davis (Non-Executive Director)	Paul Schaafsma (General Manager – United Kingdom / Europe)
Cameron Ferguson (General Manager – Sales and Marketing)	
■ Mr N McGuigan – appointed 21 July 2010	
■ Mr C Thomas – resigned 8 October 2010	

The aggregate compensation of the key management personnel of the Group and the company is set out below:

	CONSOLIDATED	
	2011 \$	2010 \$
Short-term employee benefits	2,766,528	3,321,121
Post-employment benefits	220,451	245,705
Share based payments	36,127	397,694
Termination benefits	233,499	1,491,563
	3,256,605	5,456,083

Note 8: Executive share option plan

The Company has an executive and senior employee option scheme which allows for the granting of share options over unissued shares of the company. The company also issues share options under the Australian Vintage Ltd Executive Option Acquisition Plan ("Plan"). These options are granted over issued shares of the company.

Executive and Senior Employee Option Scheme ("Scheme") – option series 1.

In accordance with the provisions of the Scheme, options were issued to a number of executives and senior employees of the Company. These options expired on 2 September 2008.

Australian Vintage Ltd Executive Option Acquisition Plan ("Plan") – option series 2 to 13.

During the year the company did not contribute any amounts to the trustee of the Australian Vintage Ltd Executive Option Acquisition Plan ("Plan") to acquire call options over ordinary shares in Australian Vintage Ltd.

The table below summarises all share options on issue:

	2011 NUMBER	2010 NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	
			2011 \$	2010 \$
Balance at the beginning of the financial year (i)	441,141	2,147,029	2.06	2.69
Granted during the financial year (ii)	-	-	-	-
Exercised during the financial year (ii)	-	-	-	-
Lapsed / cancelled during the financial year (iii)	(65,083)	(1,705,888)	2.02	2.86
Balance at the end of the financial year (iv)	376,058	441,141	1.76	2.06

The call options are exercisable subject to a performance hurdle which is satisfied if, the Earnings per Share performance for the pre-determined year ("Performance Year"), is greater than the EPS for the base year ("Base Year"), where the base year is the year the options are issued. Additionally, the call options are exercisable when there is a take over event.

The options can be exercised on the following basis:

- Where EPS performance is 15% - 19.99% greater than base EPS, 50% of the options can be exercised
- Where EPS performance is 20% - 24.99% greater than base EPS, 75% of the options can be exercised
- Where EPS performance is 25% or more greater than base EPS, 100% of the options can be exercised

Note 8: Executive share option plan (continued)

(i) Balance at the beginning of the financial year

2011 OPTIONS – SERIES	No.	VESTED No.	UNVESTED No.	GRANT DATE	EXERCISE DATE	EXPIRY DATE	EXERCISE PRICE \$
(8) Issued 16 November 2006	69,697	69,697	-	16/11/06	16/11/09	30/12/11	2.90
(10) Issued 3 April 2007	62,800	62,800	-	03/04/07	05/04/10	30/12/11	3.20
(11) Issued 20 December 2007	308,644	308,644	-	20/12/07	20/12/10	30/12/12	1.64
Total	441,141	441,141	-				

2010 OPTIONS – SERIES	No.	VESTED No.	UNVESTED No.	GRANT DATE	EXERCISE DATE	EXPIRY DATE	EXERCISE PRICE \$
(2) Issued 6 March 2006	150,000	150,000	-	06/03/06	10/04/10	30/12/11	3.10
(3) Issued 6 March 2006	260,000	260,000	-	06/03/06	10/04/10	30/12/11	4.00
(4) Issued 13 May 2005	28,514	28,514	-	13/05/05	13/05/07	13/05/10	4.36
(5) Issued 13 May 2005	28,515	28,515	-	13/05/05	13/05/08	13/05/10	4.36
(6) Issued 13 May 2005	28,515	28,515	-	13/05/05	13/05/09	13/05/10	4.36
(7) Issued 9 November 2006	284,739	284,739	-	09/11/06	09/11/09	30/12/11	2.90
(8) Issued 16 November 2006	69,697	69,697	-	16/11/06	16/11/09	30/12/11	2.90
(9) Issued 15 March 2007	288,717	288,717	-	15/03/07	15/03/10	30/12/11	3.10
(10) Issued 3 April 2007	62,800	62,800	-	03/04/07	05/04/10	30/12/11	3.20
(11) Issued 20 December 2007	308,644	-	308,644	20/12/07	20/12/10	30/12/12	1.64
(12) Issued 22 January 2008	334,225	-	334,225	18/01/08	01/02/11	18/01/08	2.00
(13) Issued 22 January 2008	302,663	-	302,663	18/01/08	01/02/12	18/01/08	2.00
Total	2,147,029	1,201,497	945,532				

(ii) Granted / Exercised during the financial year

There were no options granted or exercised during the current or prior Financial Year.

(iii) Lapsed / Cancelled during the financial year

2011 OPTIONS - SERIES	No.	GRANT DATE	EXPIRY DATE
(10) Issued 3 April 2007	15,700	03/04/07	cancelled
(11) Issued 20 December 2007	49,383	20/12/07	cancelled
	65,083		

2010 OPTIONS - SERIES	No.	GRANT DATE	EXPIRY DATE
(2) Issued 6 March 2006	150,000	06/03/06	cancelled
(3) Issued 6 March 2006	260,000	06/03/06	cancelled
(4) Issued 13 May 2005	28,514	13/05/05	13/05/10
(5) Issued 13 May 2005	28,515	13/05/05	13/05/10
(6) Issued 13 May 2005	28,515	13/05/05	13/05/10
(7) Issued 9 November 2006	284,739	09/11/06	cancelled
(9) Issued 15 March 2007	288,717	15/03/07	cancelled
(12) Issued 22 January 2008	334,225	18/01/08	cancelled
(13) Issued 22 January 2008	302,663	18/01/08	cancelled
	1,705,888		

Note 8: Executive share option plan (continued)

(iv) Balance at end of financial year

2011 OPTIONS – SERIES	No.	VESTED No.	UNVESTED No.	GRANT DATE	EXERCISE DATE	EXPIRY DATE	EXERCISE PRICE \$
(8) Issued 16 November 2006	69,697	69,697	-	16/11/06	16/11/09	30/12/11	2.90
(10) Issued 3 April 2007	47,100	47,100	-	03/04/07	05/04/10	30/12/11	3.20
(11) Issued 20 December 2007	259,261	259,261	-	20/12/07	20/12/10	30/12/12	1.64
	376,058	376,058	-				

2010 OPTIONS – SERIES	No.	VESTED No.	UNVESTED No.	GRANT DATE	EXERCISE DATE	EXPIRY DATE	EXERCISE PRICE \$
(8) Issued 16 November 2006	69,697	69,697	-	16/11/06	16/11/09	30/12/11	2.90
(10) Issued 3 April 2007	62,800	62,800	-	03/04/07	05/04/10	30/12/11	3.20
(11) Issued 20 December 2007	308,644	-	308,644	20/12/07	20/12/10	30/12/12	1.64
	441,141	132,497	308,644				

The share options outstanding at the end of the year had a weighted average exercise price of \$1.76 (2010: \$2.06), and a weighted average remaining contractual life of 371 days (2010: 804 days).

Note 9: Remuneration of auditors

	CONSOLIDATED	
	2011 \$	2010 \$
Auditor of the parent company		
Audit or review of financial report	325,000	305,000
Other services – transaction costs (Constellation)	-	1,057,133
Other services – other audit services	43,258	33,810
Other services – application for government grants	-	11,523
Other services – taxation advice	13,820	30,713
Other services – taxation compliance	233,141	33,479
	615,219	1,471,658

The external auditor of Australian Vintage Ltd is Deloitte Touche Tohmatsu.

Note 10: Current trade and other receivables

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Trade receivables (i)	41,666	54,651
Allowance for doubtful debts	(410)	(1,119)
	41,256	53,532
Loans to other entities (ii)	2,400	-
GST / Other receivables	2,580	6,507
	46,236	60,039

(i) The average credit period on sales of goods and rendering of services is 78 days (2010: 92 days). No interest is charged on outstanding trade receivables. An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined by reference to past default experience.

(ii) Loan payable on 31 January 2012, secured against a vineyard. The interest rate charged is 7% (2010: 7%).

Note 10: Current trade and other receivables (continued)

Before accepting any new customers, the Group uses a third party to assess the potential customer's credit quality and defines credit limits by customer. Limits provided on customer accounts are reviewed throughout the year. Of the trade receivables balance at the end of the year, \$24.1 million (2010: \$30.9 million) is due from international supermarket groups and a major Australian wine entity. There are no other customers who represent more than 5% of the total balance of trade receivables.

Included in the Group's trade receivable balance are debtors with a carrying amount of \$2.8 million (2010: \$1.6 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Ageing of past due but not impaired		
30 – 60 days	2,757	1,603
60 – 90 days	79	33
90 – 120 days	-	10
Total	2,836	1,646
Average age (days)	49	47
Movement in the allowance of doubtful debts		
Balance at the beginning of the year	(1,119)	(1,923)
Impairment reversals / (losses) recognised on receivables	29	459
Amounts written off as not collectable	680	345
Balance at the end of the year	(410)	(1,119)

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Note 11: Current inventories

Bulk wine	107,286	82,498
Other stores and raw materials	3,332	3,464
Work in progress:	7,918	7,273
Bottled wine	21,971	24,311
	140,507	117,546

The cost of inventories recognised as an expense includes \$2.5 million (2010: \$3.5 million) in respect of write-downs of inventory to net realisable value. The cost of inventory recognised as an expense (or cost of sales) during the year in respect of continuing operations was \$160.4 million (2010: \$174.6 million).

Note 12: Assets classified as held for sale

Winery assets - carrying value	25,901	37,644
Liabilities associated with assets held for sale.	373	806

During the year the company held the Loxton winery and Austflavour assets for sale. The company signed binding agreements for the sale of the Loxton Winery and Austflavour assets to TWG Australia 11 Pty Ltd for \$27 million. Settlement occurred on 18 August 2011.

The relevant assets, and associated liabilities, have been recorded as held for sale assets and liabilities in the financial statements as the company.

The sale does not qualify as a discontinued operation.

Note 13: Other current assets

Prepayments	1,560	2,805
Hedge assets – foreign exchange contracts (note 31)	1,125	-
	2,685	2,805

Note 14: Non-current trade and other receivables

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Loans carried at amortised cost:		
Loans to other entities (i)	-	2,400
	-	2,400

(i) (Loan payable on 31 January 2012, secured against a vineyard. The interest rate charged is 7% (2010: 7%).

Note 15: Non-current inventories

Bulk wine	17,926	21,476
Bottled wine	1,156	1,280
	19,082	22,756

Note 16: Other non-current financial assets

Investments in companies (i)	64	64
Deposit on operating lease (ii)	-	1,949
	64	2,013

(i) Relates to investments in wine related businesses.

(ii) Relates to term deposit held by lessor of storage tanks leased. The applicable interest rate was 5.90% at 30th June 2010 (the maturity date was 30th March 2011).

Note 17: Biological assets

Fair value less costs to sell of vines at beginning of year	31,303	30,233
Vines acquired	662	2,203
Valuation adjustment	(117)	(390)
Disposals	(474)	-
Transfer from / (to) non-current assets held for sale	1,674	(743)
Fair value less costs to sell of vines at end of year	33,048	31,303

(a) Impact on Consolidated Statement of Comprehensive Income

The profit / (loss) before income tax included in the Consolidated statement of comprehensive income resulting from the fair value less costs to sell of produce extracted from the biological assets is a profit of \$5,036,000 (2010: \$2,725,000).

(b) Physical quantity of vines

	2011 No.	2010 No.
Number of vines owned	1,429,364	1,458,972
Acres owned	1,923	1,969
Number of grapes crushed - owned vineyards (tonnes)	19,419	14,076

(c) Nature of asset

Australian Vintage Ltd owns vineyards in several regions across Australia (primarily the Sunraysia, Riverland and Adelaide Hills regions).

There are two resulting assets:

- (i) grapes (agricultural produce) – recorded within inventory
- (ii) vines (biological asset)

(d) Significant assumptions

Significant assumptions made in determining the net market value of the vines are:

- (i) 100% of the vines (except Grand Junction vineyard, which will bear it's first crop in 2012) are currently mature and will be productive for periods up to 25 years per vine;
- (ii) the expected price of the vines is constant in real terms, based on average prices throughout the current year;
- (iii) the costs expected to arise throughout the life of the vines are constant in real terms, based on average costs throughout the year; and
- (iv) inflation will continue at the current rate; and
- (v) discount rate of 15.62%.

Note 17: Biological assets (continued)

Significant assumptions made in determining the net market value of grapes picked are:

- (i) grapes crushed valued at management estimate of market price; and
- (ii) costs are those costs incurred in the 12 months preceding harvest.

Note 18: Property, plant and equipment

		CONSOLIDATED	
		2011	2010
		\$'000	\$'000
(a)	Vineyard Improvements		
	at cost	14,194	13,453
	accumulated depreciation	(4,876)	(3,923)
		9,318	9,530
	Freehold Land		
	at cost	13,726	12,978
	Buildings		
	at cost	16,763	14,973
	accumulated depreciation	(4,094)	(2,755)
		12,669	12,218
	Plant and equipment under lease		
	at cost	12,192	1,282
	accumulated amortisation	(91)	(578)
		12,101	704
	Plant and equipment		
	at cost	104,164	83,904
	accumulated depreciation	(54,830)	(39,691)
		49,334	44,213
	Total Property, Plant and Equipment		
	at cost	161,039	126,590
	accumulated depreciation and amortisation	(63,891)	(46,947)
		97,148	79,643
(b)	Reconciliations		
	Vineyard Improvements		
	carrying amount at beginning of the financial year	9,530	10,222
	transfer from / (to) non-current assets held for sale	463	(393)
	additions	91	-
	disposals	(64)	-
	depreciation	(702)	(299)
	at end of year	9,318	9,530
	Freehold land		
	carrying amount at beginning of the financial year	12,978	13,725
	disposals	(417)	(1,367)
	transfer from / (to) non-current assets held for sale	1,165	620
	at end of year	13,726	12,978
	Buildings		
	carrying amount at beginning of the financial year	12,218	13,705
	additions	16	-
	disposals	(78)	(129)
	impairment losses charged to profit	-	(700)
	depreciation	(467)	(488)
	transfer from / (to) non-current assets held for sale	980	(170)
	at end of year	12,669	12,218

Note 18: Property, plant and equipment (continued)

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Plant and equipment under lease		
carrying amount at beginning of the financial year	704	833
additions	12,192	-
transfer to plant and equipment	(704)	-
amortisation	(91)	(129)
at end of year	12,101	704
Plant and equipment		
carrying amount at beginning of the financial year	44,213	53,449
additions	3,985	1,101
disposals	(972)	(1,616)
depreciation	(5,174)	(5,857)
impairment losses charged to profit	(600)	-
transfer from plant and equipment under lease	704	-
transfer to non-current assets held for sale	7,178	(2,864)
at end of year	49,334	44,213
Aggregate depreciation and amortisation allocated, and impairment recognised as an expense during the year:		
Buildings	467	488
Vineyard improvements	702	299
Plant and equipment	5,174	5,857
Plant and equipment under lease	91	129
	6,434	6,773

Note 19: Goodwill

Gross carrying amount:

Balance at beginning of the financial year	36,774	36,774
Transfer from non-current assets held for sale	911	-
Balance at end of the financial year	37,685	36,774

Accumulated impairment losses

Balance at beginning of the financial year	10,026	10,026
Impairment losses for the year (i)	-	-
Balance at the end of financial year	10,026	10,026

Net book value

At the beginning of the financial year	36,774	36,774
Transfer from non-current assets held for sale	911	-
At the end of the financial year	37,685	36,774

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash generating unit:

Bulk wine business	37,685	36,774
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- (i) The impairment of goodwill is tested each reporting date and is based on determining the recoverable amount the businesses' cash generating units (CGU). To assess the recoverable amount of each CGU, the company has determined both the fair value less costs to sell and the value in use of the assets in each CGU. Given the unique nature of the assets, it is not always possible to obtain comparable fair values to the assets owned by this company and therefore the value in use method is the primary method used by the company for assessing whether the assets in the CGU are impaired. The recoverable amount of each cash generating unit has been determined based on a value in use method which calculates the net present value of the forecast cash flows expected from the CGU. The cash flows are based on the current management forecasts for the following 5 years and a terminal value to account for the cash flows beyond the 5th year. In preparing the impairment models for each CGU the company started with the cash flows from the year ended 30 June 2011 and adjusted that base year for the budgets and plans approved by the Board of Directors.

Note 19: Goodwill (continued)

The cash flows in the impairment model have been discounted to present value using a discount rate applicable to each cash flow. The company has used the weighted average cost of capital as a guide to determine the discount rate applied to the cash flows as it is considered the most appropriate discount rate for the risk specific to the assets in the CGU's. The net present value of the cash flows has been compared to the assets within the CGU which include the goodwill balances above. In the current year, the company applied a pre-tax discount rate of 15.14% p.a. (2010: 15.23% p.a.) to account for the risk associated with the assets in the current financial markets.

Discount Rate

The discount rate was determined after considering an appropriate: Beta; risk free interest rate; incremental cost of borrowing for the company; and the debt / equity ratio. The inputs used in the model have been sourced from industry and financial market reports relevant to the company and the Australian wine industry and have been considered in relation to the company.

Key Assumptions

The other key assumptions used in the value in use calculations are as follows:

- Working capital levels used in future years adjust in line with future sales growth.
- Revenue is forecast to increase at 3% per annum from 1st July, 2011.
- Gross margin rates are forecast to continue at levels consistent with the 2011/2012 budget.
- Terminal Growth Rate of 3%.
- Pre-tax Weighted Average Cost of Capital / Discount rate of 15.14%
- Cost of debt 8.75%
- Processing and Storage revenue to decline 30% for FY13 and FY14, then 10% growth
- Bottled and bulk wine revenue growth of 3% for 2011 and beyond
- Levered Beta of 0.85 based on analysts' reports

Sensitivity Analysis

The Company has performed sensitivity analysis on the value in use calculation as follows:

Reducing revenue growth rates to 0% does not cause the associated goodwill to be impaired.

Reducing the terminal growth rate to 2% does not cause the associated goodwill to be impaired. However, a reduction in the terminal growth rate to 0% would generate an impairment charge of \$10 million.

The calculations are not sensitive to exchange rates as the majority of cash flows from the business unit are denominated in Australian dollars.

Management believes that any reasonable possible change in the key assumptions on which recoverable amount or the inputs to the discount rate are based would not cause the carrying amount of the individual cash-generating units to exceed their recoverable amount.

Note 20: Water licences

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Permanent water licences – at cost	8,692	8,692
Balance at 1 July	8,692	8,515
Acquired during the year	-	177
Balance at 30 June	8,692	8,692



Note 21: Other intangible assets

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Brand Names and Registered Trademarks:		
Balance at 1 July	5,691	5,655
Acquired during the year	-	36
Disposal during the year	(203)	-
Balance at 30 June	5,488	5,691
Software:		
Balance at 1 July	2,761	2,990
Costs incurred during the year	241	152
Amortisation expense	(398)	(381)
Balance at 30 June	2,604	2,761
Total other intangible assets	8,092	8,452

Brand names have been assessed as having an indefinite useful life as the assets are integral to the business. Brand names can be managed by another management team and similar assets in the wine industry are commonly defined as having an indefinite useful life.

The impairment of brand names is tested each reporting date and is based on determining the recoverable amount of the cash flows generated by each brand. The cash flows are based on the current management forecasts for the following 5 years and a terminal value to account for the cash flows beyond the 5th year.

Discount Rate

The cash flows have been discounted to present value. In the current year, the company applied a pre-tax discount rate of 20% p.a. (2010: 20% p.a.) to account for the risk associated with the assets in the current financial markets.

The discount rate was determined after considering an appropriate: Beta; risk free interest rate; incremental cost of borrowing for the company; and the debt / equity ratio. The inputs used in the model have been sourced from industry and financial market reports relevant to the company and the Australian wine industry and have been considered in relation to the company.

Key Assumptions

The key assumptions used in the value in use calculations are as follows:

- Terminal Growth Rate of 3%.
- Pre-tax Weighted Average Cost of Capital / Discount rate of 20%.
- Cost of debt 9.5%
- Levered Beta of 1.12 based on analysts' reports
- Revenue growth rate of 3%.

No impairment charges relating to brands were recorded as the cash flows continued to support the carrying values of these brands.

Sensitivity Analysis

The Company has performed sensitivity analysis on the brand names value in use models as follows:

- Reducing revenue growth rates to 0% does not cause the brand names to be impaired.
- Reducing the terminal growth rate to 0% does not cause the brand names to be impaired.

Management believes that any reasonable possible change in the key assumptions on which recoverable amount or the inputs to the discount rate are based would not cause the carrying amount of the brand names to exceed their recoverable amount.

Note 22: Assets pledged as security

In accordance with the security arrangements of liabilities, as disclosed in notes 24 and 28 to the financial statements, the majority of tangible assets of the Group have been covered by a first registered fixed and floating charge to the lending institutions, with the exception of assets under hire purchase arrangements. The following assets have been pledged as security:

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Inventory	159,589	140,302
Receivables	46,236	60,039
Property, plant and equipment (including Biological Assets)	156,097	147,679
	361,922	348,020

The holder of the security does not have the right to sell or re-pledge the assets other than in an event of default. Assets under finance lease are pledged as security.

Note 23: Current trade and other payables

Trade payables(i)	25,949	40,073
Goods and services tax (GST) payable	395	497
Value added tax (VAT) payable	3,532	3,545
Other accounts payable and accruals	11,557	12,114
	41,433	56,229

(i) The average credit period on purchase of goods is 43 days (2010: 51 days); no interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Note 24: Current borrowings

At amortised cost:

Finance lease liabilities - secured (i)	1,838	129
	1,838	129

(i) Secured by assets subject to the finance lease.

Note 25: Other financial liabilities

Interest rate swap	652	130
Hedge liabilities – foreign exchange contracts (note 31)	-	1,280
	652	1,410

Note 26: Current provisions

Directors retirement benefit (note 30)	149	149
Onerous contracts (note 30)	5,317	5,661
Employee entitlements (i)	3,855	3,140
	9,321	8,950

(i) The current provision for employee entitlements includes \$1,731,676 (2010 : \$2,007,500) of annual leave and vested long service leave entitlements.

Note 27: Other current liabilities

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Income in advance	222	241
	222	241

Note 28: Non-current borrowings

Secured - at amortised cost:

Commercial Bills (i) (note 42(b))	157,000	144,000
Accrued interest	762	-
Prepaid interest	-	(483)
	157,762	143,517
Finance lease liabilities (ii)	7,834	16
	165,596	143,533

(i) Commercial bills with a variable interest rate were issued in 2011. The current weighted average interest rate on the bills is 8.07% (2010: 7.7%). The bank overdraft and commercial bills are subject to fixed and floating charges over the majority of the Group's assets (refer note 22).

(ii) Secured by assets subject to the finance lease.

Note 29 Non-current provisions

Employee entitlements	792	670
Onerous contracts (note 30)	18,370	22,331
	19,162	23,001

Note 30: Provisions

	CONSOLIDATED	
	\$'000 Onerous Contracts (i)	\$'000 Directors Retirement Benefit (ii)
Balance at 30 June 2010	27,992	149
Reductions arising from payments / other sacrifices of future economic benefits	(5,614)	-
Unwinding of discount and effect of changes in the discount rate	2,119	-
Reductions resulting from re-measurement, contract re-negotiation or settlement without cost	(810)	-
Balance at 30 June 2011	23,687	149

(i) The provision for onerous contracts represents the present value of the future grape payment that the Group is presently obligated to make in respect of onerous grape purchase contracts under non-cancellable grape agreements, less the estimate of the market value of the grapes. The estimate may vary as a result of changes in the market.

(ii) The provision for Directors' Retirement represents the present value of the directors' best estimate of the costs likely to be incurred as a result of either termination or retirement of directors.

30.1 Defined Contribution plans

The total expense recognised in the statement of comprehensive income of \$2,926,000 (2010: \$2,846,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 30 June 2011, contributions of \$239,467 (2010: \$259,590) due in respect of the 2011 (2010) reporting period had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

Note 31: Foreign currency balances

The following table details the forward foreign currency contracts outstanding as at 30 June 2011:

CURRENCY	EXCHANGE RATE	FOREIGN CURRENCY FC '000	CONTRACT VALUE AUD \$'000	FAIR VALUE AUD \$'000
Sell GB Pounds	0.5987	8,300	14,310	1,263
Sell GB Pounds	0.6380	9,000	14,105	307
Sell GB Pounds	0.6591	4,500	6,827	57
Sell GB Pounds	0.6518	4,000	6,557	53
Sell GB Pounds	0.6192	4,900	7,910	134
Sell GB Pounds	0.6038	2,700	4,472	32
Sell Euro	0.7385	2,400	3,250	1
Sell Euro	0.7044	1,000	1,426	(2)
Sell Euro	0.6865	500	723	(3)

The following table details the forward foreign currency contracts outstanding as at 30th June 2010:

CURRENCY	EXCHANGE RATE		FOREIGN CURRENCY FC '000	CONTRACT VALUE AUD \$'000	FAIR VALUE AUD \$'000
	Cap	Floor			
Sell GB Pounds	0.62	0.57	15,100	26,868	(1,165)
Sell Euro	0.74	0.65	2,640	3,840	(40)
Sell US Dollars	0.92	0.81	1,550	1,843	(52)
Sell Canadian Dollars	0.96	0.87	1,040	1,164	(23)

Note 32: Issued capital

CONSOLIDATED		
	2011 \$'000	2010 \$'000
128,580,317 Fully paid ordinary shares (2010: 128,580,317)	401,831	401,831

CONSOLIDATED			
	2011 Number	2011 \$'000	2010 \$'000
Fully paid ordinary share capital			
Beginning of financial year	128,580,317	401,831	128,509,917
Issued during the year			
Non-executive share scheme	-	-	70,400
End of financial year	128,580,317	401,831	128,580,317

Changes to the Corporations Act 2001 abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

All fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share options

Details of share options granted and on issue are disclosed in Note 8.

At 30 June 2011, executives and senior employees held 376,058 (2010: 441,141) options over issued ordinary shares of the Company. Share options granted under the employee share option plan carry no rights to dividends and no voting rights.

Note 33: Reserves

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Employee equity-settled benefits (i)	1,497	1,458
Hedging reserve (ii)	332	(1,026)
Foreign currency translation reserve (iii)	(15)	154
	1,814	586

- (i) The employee equity-settled benefits reserve arises on the granting of shares and share options to directors and employees. The fair value of share based payments provided to directors and employees of the company are recorded within the reserve account and amounts are released into issued capital as options are exercised. Further details on share based payments are made in Notes 7 and 8.
- (ii) The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the profit and loss when the hedge transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.
- (iii) The foreign currency translation reserve contains exchange differences relating to the translation from the functional currencies of the Group's foreign controlled entities into Australian dollars.

Movements in reserves balances are disclosed in the Statement of Changes in Equity.

Note 34: Accumulated losses

Balance at beginning of financial year	(176,981)	(185,952)
Net profit / (loss)	6,564	8,971
End of financial year	(170,417)	(176,981)

Note 35: Earnings per share

	CONSOLIDATED	
	2011 Cents Per Share	2010 Cents Per Share
Basic earnings per share	5.1	7.0
Diluted earnings per share	5.1	7.0
Basic earnings per share:		
The earnings and weighted average numbers of ordinary shares used in the calculation of basic earnings per share are as follows:		
	\$'000	\$'000
Profit / (loss) for the year	6,564	8,971
	2011 '000 Number of Shares	2010 '000 Number of Shares
Basic earnings per share		
Weighted average number of ordinary shares used in calculating basic earnings per share (i)	128,576	128,576
Dilutive earnings per share		
Weighted average number of ordinary shares used in calculating diluted earnings per share (i)	128,576	128,576

- (i) The basic and diluted EPS are the same. The options are over existing shares and are not dilutive.

Note 36: Dividends

	2011		2010	
	Cents Per Share	Total \$'000	Cents Per Share	Total \$'000
Fully paid ordinary shares:	-	-	-	-
Interim dividend – franked to 30%	-	-	-	-
Final dividend – franked to 30%	-	-	-	-
Adjusted franking account balance		15,437		15,437

In respect of the financial year ended 30 June 2011, a final dividend of 2.5 cents per share was declared on 24th August 2011 and will be paid on 18th November 2011.

Note 37: Leases and other commitments

(a) Non-cancellable operating leases

The Group leases the following assets under normal economic terms. All operating lease contracts contain market review clauses in the event the Group exercises its option to renew.

- Vineyards
- Winery equipment

Operating leases relate to leases of plant and equipment with lease terms of between 3 and 7 years.

The following sets out payments recognised as an expense:

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Minimum lease payments	18,284	17,559
The following sets out the commitments to future lease payments relating to operating leases:		
- not longer than 1 year	15,163	34,238
- longer than 1 year and not longer than 5 years	59,895	54,371
- longer than 5 years	1,324	9,462
	76,382	98,071
In respect of non cancellable operating leases the following liabilities have been recognised:		
Current	3,402	3,424
Non-Current	11,847	13,704
	15,249	17,128

(b) Finance leases

Finance leases relate to plant and equipment with a lease term of 5 years, expiring in March 2016.

	MINIMUM FUTURE LEASE PAYMENTS CONSOLIDATED		PRESENT VALUE OF MINIMUM FUTURE LEASE PAYMENTS CONSOLIDATED	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
No Later than 1 year	2,654	137	1,838	129
Later than 1 year and not later than 5 years	9,235	16	7,834	16
Minimum lease payments*	11,889	153	9,672	145
Less future finance changes	(2,217)	(8)	-	-
Present value of minimum lease payments	9,672	145	9,672	145
Current borrowings (note 24)			1,838	129
Non-Current borrowings (note 28)			7,834	16
			9,672	145

* Minimum lease payments include the aggregate of all lease payments and any guaranteed residual.

Note 37: Leases and other commitments (continued)

(c) Capital expenditure commitments

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Property, Plant and Equipment		
- not longer than 1 year	32	17
	32	17

Note 38: Contingent liabilities

There are no material contingent liabilities the company is aware of as at the date of this report.

Note 39: Subsidiaries

NAME OF ENTITY	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
		2011 %	2010 %
Parent entity			
Australian Vintage Ltd	Australia		
Controlled entity			
Simeon Wines Pty Ltd (1) (formerly Simeon Wines Limited)	Australia	100	100
Vintners Australia Pty Limited (1)	Australia	100	100
Barossa Valley Wine Company Pty Limited (1)	Australia	100	100
Archstone Vineyards Pty Limited (1,2)	Australia	0	100
Coldridge Development Pty Limited (1)	Australia	100	100
McGuigan Simeon Wines Pty Ltd (1)	Australia	100	100
Mourquong Pty Limited (1)	Australia	100	100
Buronga Hill Pty Limited (1)	Australia	100	100
Austvin Pty Ltd (formerly Austvin Limited) (1)	Australia	100	100
Austvin Vineyards Limited (1,2)	Australia	0	100
Austvin Finance Pty Limited (1,2)	Australia	0	100
Austvin Management Pty Limited (1,2)	Australia	0	100
Australian Flavours Pty Limited (1)	Australia	100	100
Austvin Holdings Pty Limited (1)	Australia	100	100
Nepenthe Wines Pty Limited (1,2)	Australia	0	100
Australian Vintage (Domestic) Pty Ltd (1)	Australia	100	100
Limestone Coast Wines Pty Limited (1,2)	Australia	0	100
Icon Brands Pty Limited (1,2)	Australia	0	100
Miranda Wines Pty Limited (1)	Australia	100	100
Miranda Wines (Leasing) Pty Limited (1)	Australia	100	100
Barossa Rovalley Estates Pty Limited (1,2)	Australia	0	100
Miranda Family Investments Pty Limited (1)	Australia	100	100
M W (Purchasing) Pty Limited (1)	Australia	100	100
Miranda Wines (Europe) Limited	United Kingdom	100	100
Miranda Wines Holdings Pty Ltd (1) (formerly Miranda Wines Holdings Limited)	Australia	100	100
Australian Vintage (Europe) Limited	United Kingdom	100	100
MGW Executive Options Pty Limited (1)	Australia	100	100

(1) These wholly-owned controlled entities have entered into a deed of cross guarantee with Australian Vintage Ltd pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.

(2) De-registered 15 June 2011.

As a condition of this class order, Australian Vintage Ltd has guaranteed to pay any deficiency in the event of winding up of any of its controlled entities. The controlled entities have also given a similar guarantee in the event Australian Vintage Ltd is wound up.

Note 39: Subsidiaries (continued)

The consolidated income statement and consolidated statement of financial position of the entities party to the deed of cross guarantee are:

Consolidated Income Statement – Closed Group
For the financial year ended 30 June 2011

	CONSOLIDATED	
	2011	2010
	\$'000	\$'000
Revenue	225,777	237,663
Cost of sales	(160,366)	(174,636)
Gross Profit	65,411	63,027
Fair value of grapes picked during the financial year less estimated costs to sell	5,036	2,725
Other revenue	1,781	2,573
Loss on sales of other property plant and equipment	(173)	(212)
Distribution expenses	(11,456)	(10,432)
Sales and marketing expenses	(21,658)	(22,440)
Administration expenses	(7,752)	(7,254)
Loss on foreign exchange	(1,514)	(3,966)
Finance costs – interest paid	(14,230)	(13,298)
Finance costs – interest un-wind	(2,119)	(2,935)
Significant items	(6,677)	3,069
Profit before income tax	6,649	10,857
Income tax expense	(85)	(1,888)
Net profit for the year	6,564	8,969
Other comprehensive income/(loss) net of income tax:		
Profit / (loss) on interest rate swaps	(467)	1,257
Valuation of foreign exchange hedges	2,407	(1,280)
Exchange differences arising on translation of foreign operations	(241)	(126)
Income tax relating to components of other comprehensive income	(510)	45
Other comprehensive income / (loss) for the year, net of income tax	1,189	(104)
Total comprehensive income for the year	7,753	8,865

Note 39: Subsidiaries (continued)

Consolidated Statement of Financial Position – Closed Group
As at 30 June 2011

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Current Assets		
Cash and cash equivalents	6,424	1,074
Trade and other receivables	46,236	60,039
Inventories	140,507	117,546
Current tax assets	12	1,254
Other	2,651	3,226
	195,830	183,139
Assets classified as held for sale	25,901	37,644
Total Current Assets	221,731	220,783
Non-Current Assets		
Trade and other receivables	-	2,400
Inventories	19,082	22,756
Other financial assets	64	2,013
Biological assets	33,048	31,303
Property, plant and equipment	97,148	79,643
Goodwill	37,685	36,774
Other intangible assets	8,092	8,452
Water Licences	8,692	8,692
Deferred tax assets	58,493	59,008
Total Non-Current Assets	262,304	251,041
Total Assets	484,035	471,824
Current Liabilities		
Trade and other payables	41,433	56,209
Borrowings	1,838	129
Other financial liabilities	652	1,410
Provisions	9,321	8,950
Other	222	241
	53,466	66,939
Liabilities directly associated with assets classified as held for sale	373	806
Total Current Liabilities	53,839	67,745
Non-Current Liabilities		
Borrowings	165,596	143,533
Deferred tax liabilities	12,244	12,149
Provisions	19,162	23,001
Total Non-Current Liabilities	197,002	178,683
Total Liabilities	250,841	246,428
Net Assets	233,194	225,396
Equity		
Issued capital	401,742	401,742
Reserves	1,841	606
Accumulated losses	(170,389)	(176,952)
Total Equity	233,194	225,396

Note 40: Segment information

The Company's reportable segments are as follows:

Domestic wine

- supplies packaged wine within Australian and New Zealand through retail and wholesale channels.

Export wine

- supplies wine outside of Australia through retail and distributor channels.

Cellar Door

- supplies wine direct to the consumer through regional outlets.

Domestic bulk wine and processing

- supplies bulk wine, concentrate and winery processing services within Australia.

Vineyards

- provides vineyard management and maintenance services within Australia and includes biological assets income.

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 revenue and finance costs, significant items 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.

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

Segments*Segments Revenue, Results and other segmental information*

	REVENUE		RESULTS		ACQUISITION OF SEGMENT ASSETS		DEPN. & AMORT. OF SEGMENT ASSETS	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Domestic wine	72,171	72,282	5,116	4,907	7,169	969	2,019	2,071
Export wine	118,187	125,687	7,224	5,572	12,754	1,799	3,265	3,464
Cellar door	6,975	7,135	1,219	1,436	91	11	111	99
Domestic bulk wine and processing	24,922	24,976	10,481	7,925	1,881	271	426	458
Vineyards	3,522	7,583	5,238	3,726	205	427	419	419
Unallocated (a)	-	-	(22,629)	(12,715)	234	153	592	643
Total	225,777	237,663	6,649	10,851	22,334	3,630	6,832	7,154

Tax income / (expense)

(85) (1,880)

Net Profit / (Loss)

6,564 8,971

(a) Unallocated result includes interest expense, interest received and significant items (note 5 (d)).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Geographical Segments

	REVENUE FROM CUSTOMERS		SEGMENT NON-CURRENT ASSETS (b)	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Australia	102,982	107,094	208,041	190,020
UK / Europe	99,275	102,615	-	-
North America	11,869	15,507	-	-
Other	11,651	12,447	-	-
	225,777	237,663	208,041	182,220

The group has sales to three major customers who individually account for greater than 10% of annual sales. The total sales for these customers were \$108.7M (2010: \$103.6M). Of these sales, \$75.8M (2010: \$76.3M) is included within the export wine division and \$32.9M (2010: \$27.3M) is included within the domestic wine division.

(b) Geographical segment non-current assets exclude financial instruments and deferred tax assets.

Note 4I: Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company are eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(a) Equity interests in related parties

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 39 to the financial statements.

(b) Key management personnel remuneration

Details of key management personnel compensation are disclosed in note 7 to the financial statements.

(c) Key management personnel equity holdings

Fully paid ordinary shares issued by Australian Vintage Ltd and held by key management personnel are as follows:

	BALANCE AT 1/7/10 No.	GRANTED AS REMUNERATION No.	RECEIVED ON EXERCISE OF OPTIONS No.	NET OTHER CHANGE No.	BALANCE AT 30/6/11 No.	BALANCE HELD NOMINALLY No.
2011						
Brian McGuigan	308,670	-	-	-	308,670	-
Ian Ferrier	317,631	-	-	250,000	567,631	-
Perry Gunner	269,420	-	-	-	269,420	-
Neil McGuigan	-	-	-	150,000	150,000	-
Michael Noack	1,875	-	-	-	1,875	-
Craig Thomas(iii)	250	-	-	(250)	-	-
	897,846	-	-	399,750	1,297,596	-

	BALANCE AT 1/7/09 No.	GRANTED AS REMUNERATION No.	RECEIVED ON EXERCISE OF OPTIONS No.	NET OTHER CHANGE No.	BALANCE AT 30/6/10 No.	BALANCE HELD NOMINALLY No.
2010						
David Clarke (i)	954,485	22,000	-	(976,485)	-	-
Dane Hudson (ii)	300,000	-	-	(300,000)	-	-
Brian McGuigan	297,670	11,000	-	-	308,670	-
Ian Ferrier	306,631	11,000	-	-	317,631	-
Perry Gunner	258,420	11,000	-	-	269,420	-
Michael Noack	1,875	-	-	-	1,875	-
Craig Thomas	250	-	-	-	250	-
	2,119,331	55,000	-	(1,276,485)	897,846	-

(i) Resigned 2 July 2009

(ii) Resigned 30 April 2010

(iii) Resigned 8 October 2010

Note 4I: Related party transactions (continued)

Share options issued by Australian Vintage Ltd and held by key management personnel are as follows:

	BAL. AT 1/7/10 No.	GRANTED AS REMUNERATION No.	EXERCISED No.	OTHER CHANGE No.	BAL. AT 30/6/11 No.	BAL. VESTED AT 30/6/11 No.	VESTED BUT NOT EXERCIS- ABLE No.	VESTED AND EXERCIS- ABLE No.	OPTIONS VESTED DURING THE YEAR No.
2011									
Paul Schaafsma	65,083	-	-	-	65,083	65,083	-	65,083	49,383
Michael Noack	65,083	-	-	-	65,083	65,083	-	65,083	49,383
Cameron Ferguson	65,083	-	-	-	65,083	65,083	-	65,083	49,383
Neil McGuigan	156,117	-	-	-	156,117	156,117	-	156,117	86,420
Craig Thomas(i)	65,083	-	-	(65,083)	-	-	-	-	-
Flora Sarris	-	-	-	-	-	-	-	-	-
	416,449	-	-	(65,083)	351,366	351,366	-	351,366	234,569
2010									
Dane Hudson(ii)	1,620,344	-	-	(1,620,344)	-	-	-	-	-
Paul Schaafsma	65,083	-	-	-	65,083	15,700	-	15,700	15,700
Michael Noack	65,083	-	-	-	65,083	15,700	-	15,700	15,700
Cameron Ferguson	65,083	-	-	-	65,083	15,700	-	15,700	15,700
Neil McGuigan	241,661	-	-	(85,544)	156,117	69,697	-	69,697	69,697
Craig Thomas	65,083	-	-	-	65,083	15,700	-	15,700	15,700
Flora Sarris	-	-	-	-	-	-	-	-	-
	2,122,337	-	-	(1,705,888)	416,449	132,497	-	132,497	132,497

(i) Resigned 8 October 2010

(ii) Resigned 30 April 2010

All share options granted to key management personnel during the financial year were made in accordance with the provisions of the Australian Vintage Ltd Executive Option Acquisition Plan.

Each executive share option converts into 1 ordinary share of Australian Vintage Ltd on exercise. During the financial year, no options were exercised by key management personnel.

All ordinary shares issued to the directors during the financial year were made in accordance with the provisions of the non-executive directors' share scheme. These shares were issued as bonus shares as part of compensation under the non-executive director share scheme.

(d) Other transactions with key management personnel

	2011 \$	2010 \$
Consolidated revenue includes the following amounts arising from transactions with key management personnel of the Group or their related parties:		
Revenue	37,287	361,995
Consolidated profit includes the following expenses arising with key management personnel of the Group or their related parties:		
Cost of goods sold	2,028,002	361,995
Total assets arising from transactions other than loans and amounts receivable in relation to equity instruments with key management personnel:		
Current	37,287	124,958
Allowance for doubtful receivables	-	-
Non-current	-	-
	37,287	124,958



Note 41: Related party transactions (continued)

- (i) During the year the company entered into the following transactions with entities associated with Brian McGuigan:
 - (a) The company purchased grapes from Australian Horticultural Management Pty Limited ("AHM") to the value of \$96,492 (2010: \$67,866) on normal commercial terms. A balance of \$64,122 (2010: \$45,079) is owed by the company at 30 June 2011.
 - (b) The company purchased bulk wine from AHM to the value of \$42,783 (2010: \$22,000) on normal commercial terms.
 - (c) The company purchased bulk wine from Premier Wines Pty Ltd to the value of \$1,628,550 (2010: Nil) on normal commercial terms.
 - (d) In the prior year, the company sold packaged wine to Premier Wines Pty Ltd to the value of \$5,824 (2011: Nil) on normal commercial terms.
 - (e) The company sold bottles to Premier Wines 3 Pty Ltd to the value of \$22,805 (2010: \$23,309)
 - (f) McGuigan Nominees Pty Ltd holds a minority interest in an entity which received \$260,177 (2010: \$279,669) from the company for fruit and paid \$14,482 (2010 : \$28,094) to the company for the contract processing of fruit to wine. In the prior year, McGuigan Nominees Pty Ltd paid \$90,784 to the Company for the provision of viticultural services. All transactions were on the same terms and conditions as other investors in that project.
- (ii) During the prior year a company associated with David Clarke, Poole's Rock Wines Pty Limited, purchased concentrate from the company to the value of \$14,757, purchased bulk wine from the company to the value of \$108,198 and purchased packaged wine from the company to the value of \$59,400. All transactions were at normal commercial terms.
- (iii) During the prior year the company entered into the following transactions with Woodnibs Pty Ltd (an entity associated with Neil McGuigan):
 - (a) The company sold fruit to the value of \$18,240 on normal commercial terms. A balance of \$6,080 was owed to the company at 30 June 2010.
 - (b) The company contract processed the fruit to wine to the value of \$8,026 on normal commercial terms.
 - (c) The company sold concentrate to the value of \$5,363 at normal commercial rates.

(e) Parent Entity

The ultimate parent company in the wholly-owned group is Australian Vintage Ltd.

Note 42: Notes to the cash flow statement

(a) Reconciliation of cash

For the purposes of the cash flow statement, cash and cash equivalents includes 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 balance sheet as follows:

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Cash	6,424	1,555

Note 42: Notes to the cash flow statement (continued)

(b) Financing Facilities

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Unsecured bank overdraft facility, reviewed annually and payable at call:		
Amount Used	837	-
Amount Unused	4,163	5,000
	5,000	5,000
Reducing lease facility:		
Amount Used	9,672	-
Amount Unused	-	-
	9,672	-
Unsecured revolving lease facility:		
Amount Used	-	-
Amount Unused	2,000	2,000
	2,000	2,000
Bank Guarantee/Surrender facility:		
Amount Used	2,601	5,341
Amount Unused	8,399	5,659
	11,000	11,000
Corporate purchasing card facility:		
Amount Used	8	6
Amount Unused	492	494
	500	500
Cash advance facility:		
Amount Used	157,000	144,000
Amount Unused	17,500	31,000
	174,500	175,000
Total facility	202,672	193,500

(c) Non-cash financing and investing activities / businesses acquired

During the year ended 30 June 2011 (and the prior year) there were no non-cash financing and investing activities and there were no businesses acquired.

(d) Reconciliation of profit / (loss) for the period to net cash flows from operating activities

Profit from ordinary activities after income tax	6,564	8,971
Depreciation and amortisation of non-current assets	6,832	7,154
Loss / (Profit) on sale of non-current assets	173	212
Bad and doubtful debts	(709)	(804)
Interest on finance leases	243	23
Unrealised foreign exchange losses / (gains)	-	(281)
Share option costs expensed	39	577
Impairment of property, plant and equipment	5,142	1,090
Inventory net realisable adjustment	2,484	3,501
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses		
(Increase) / decrease in assets		
Trade and other receivables	16,912	13,592
Inventories	(21,771)	(7,318)
Other current assets	1,362	(1,658)
Prepaid interest	1,245	667
Deferred tax assets	515	339
Other non-current assets	1,949	(196)
Increase / (decrease) in liabilities		
Current trade and other payables	(14,796)	2,432
Provisions	(3,692)	(21,453)
Deferred tax liabilities	95	1,264
Other	(1,299)	(2,399)
Net cash provided by / (used in) operating activities	1,288	5,713

Note 43: Financial instruments

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The group's general strategy remains unchanged from 2010.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 24 and 28, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in notes 32, 33 and 34 respectively. The Group operates primarily through distributor relationships established in the markets in which the Group trades. None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand the group's assets, as well as to make the routine outflows of tax, dividends and repayment of maturing debt. The Group's policy is to borrow centrally to meet anticipated future funding requirements.

Gearing ratio

The Board reviews the capital structure on an annual basis. As a part of this review the Board considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 40% in line with the industry norm, that is determined as the proportion of net debt to equity.

The company has classified assets to the value of \$25.9 million (2010: \$37.6 million) as held for sale. The proceeds from the sale of these assets will be used to pay down debt and this will decrease the company's debt to equity ratio to a level consistent with industry norms. Based on recommendations of the Board, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The gearing ratio at year end was as follows:

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Financial assets		
Debt (i)	167,434	143,662
Cash and cash equivalents (net of bank overdraft)	(6,424)	(1,555)
Net debt	161,010	142,107
 Equity (ii)	 233,228	 225,436
Net debt to equity ratio	69%	63%

(i) Debt is defined as long- and short-term borrowings, as detailed in notes 24 and 28.

(ii) Equity includes all capital and reserves.

The Group is also subject to bank covenants with its primary financier as follows:

- Equity must be above \$210 million.
- Gross profit, operating cash flow and earnings before interest and tax must exceed pre-defined levels.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

(b) Categories of financial instruments

Financial assets

Available for sale	64	64
Loans and receivables	46,236	64,388
Cash and cash equivalents	6,424	1,555
Derivative instruments in designated hedge accounting relationships	1,125	-

Financial liabilities

Derivative instruments in designated hedge accounting relationships	652	1,410
Amortised cost	208,105	200,374

At the reporting date there are no significant concentrations of credit risk relating to loans and receivables at fair value through profit or loss.

The carrying amount reflected above represents the company's and the Groups maximum exposure to credit risk for such loans and receivables

Note 43: Financial instruments (continued)

(c) Financial risk management objectives

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(d) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 31) and interest rates (refer note 43 (f)). The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- foreign exchange forward contracts to hedge the exchange rate risk arising on the export of wine to the United States, Europe and United Kingdom; and
- interest rate swaps to mitigate the risk of rising interest rates.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

(e) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	LIABILITIES		ASSETS	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
US dollars	52	38	68	1,407
GB pounds	5,592	6,938	18,351	14,905
Euro	-	46	1,452	1,973
Canadian Dollars	11	-	520	565

Foreign currency sensitivity analysis

The Group is exposed to US dollars (USD), GB pounds, Euro's and Canadian Dollars.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian Dollar against the relevant foreign currencies.

10% is the sensitivity rate used when reporting foreign currency risk internally to key management and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss and other equity where the Australian Dollar weakens 10% against the relevant currency. For a 10% strengthening of the Australian dollar against the currency, there would be a comparable impact on the profit or equity and the balances below would be negative.

For a weakening or strengthening of the Australian Dollar against the respective currency, the impact on the profit would be as follows:

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Increase (Deterioration) in foreign exchange rate by 10%		
Profit or loss – GBP Impact	(872)	(2,815)
Profit or loss – USD Impact	-	(569)
Profit or loss – EURO Impact	(97)	(627)
Profit or loss – CAD Impact	-	(84)
Decrease (Improvement) in foreign exchange rate by 10%		
Profit or loss – GBP Impact	1,344	1,684
Profit or loss – USD Impact	-	525
Profit or loss – EURO Impact	128	653
Profit or loss – CAD Impact	-	169

Note 43: Financial instruments (continued)

Forward foreign exchange contracts – note 31

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments. The Group also enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions out 12 months which is based on 75% coverage of highly probable sales, 50% coverage on highly probable sales 13-24 months out and 25% coverage on highly probable sales 25-36 months out.

The Group has entered into contracts to supply wine to customers in the UK, Europe and United States. The Group has entered into forward foreign exchange contracts to hedge the exchange rate risk arising from these anticipated future transactions, which are designated as cash flow hedges.

As at reporting date the aggregate amount of unrealised profits under forward foreign exchange contracts deferred in the hedging reserve relating to the exposure on anticipated future transactions is \$1,842 thousand profit (2010: loss of \$1,280 thousand). It is anticipated that the sales will take place in the next financial year at which stage the amount deferred in equity will be released in profit or loss.

OUTSTANDING CONTRACTS	YEAR END EXCHANGE RATE		FOREIGN CURRENCY FC '000		NOTIONAL VALUE \$'000		FAIR VALUE \$'000	
	30/06/11	30/06/10	30/06/11	30/06/10	30/06/11	30/06/10	30/06/11	30/06/10
Cash flow hedges								
<i>Buy Euro</i>								
Less than 3 months	0.7377	0.6875	1,100	1,400	1,490	2,036	1	13
3 to 6 months			700	600	948	872	-	10
6 to 9 months			500	640	677	931	-	18
9 to 12 months			100	-	135	-	-	-
<i>Buy GB Pounds</i>								
Less than 3 months	0.6666	0.5620	4,600	4,700	7,560	8,363	495	250
3 to 6 months			5,300	6,100	8,758	10,805	545	478
6 to 9 months			6,700	3,500	10,772	6,278	393	349
9 to 12 months			5,200	800	8,203	1,422	193	88
<i>Buy US Dollars</i>								
Less than 3 months	-	0.8409	-	900	-	1,070	-	20
3 to 6 months			-	60	-	71	-	2
6 to 9 months			-	500	-	595	-	25
9 to 12 months			-	90	-	107	-	5
<i>Buy Canadian Dollars</i>								
3 to 6 months	-	0.8434	-	200	-	224	-	2
3 to 6 months			-	280	-	313	-	6
6 to 9 months			-	460	-	515	-	12
9 to 12 months			-	100	-	112	-	3

Note 43: Financial instruments (continued)

(f) Interest rate risk management

The company and the Group are exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. The risk is managed by the Group by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

It is the policy of the Group to designate the Interest Rate Swap as a hedge against the variability in the cash flow arising from future changes in the interest rate.

The company policy requires fixed interest cover on 75% of all outstanding average net debt usage.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's:

- net profit after tax would decrease and increase by \$147,000 (2010: increase / decrease by \$435,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowing which are not covered by the interest rate swap agreements.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows at reporting date. The average interest rate is based on the outstanding balances at the end of the financial year.

At balance date, the Group and the Company had four (4) interest rate swap agreements with a notional amount of \$115 million (2010: \$45 million), as follows:

EXPIRY DATE	CURRENCY	AMOUNT	PAY		RECEIVE
			RATE	ROLLOVER FREQUENCY	RATE
10-Sep-12	AUD	\$40,000,000	4.76%	Monthly	AUD-BBR-BBSW
2-Jul-13	AUD	\$30,000,000	5.12%	Quarterly	AUD-BBR-BBSY
26-Nov-13	AUD	\$25,000,000	5.60%	Monthly	AUD-BBR-BBSW
13-Jan-14	AUD	\$ 20,000,000	5.36%	Monthly	AUD-BBR-BBSY

The swaps in place cover 73% (2010: 30%) of the total borrowings as at 30 June 2011.

The groups sensitivity to interest rates has decreased during the current year due to the increase in interest rate swaps to swap floating rate debt to fixed.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

Cash flow hedges

	AVERAGE CONTRACTED FIXED INTEREST RATE		NOTIONAL PRINCIPAL AMOUNT		FAIR VALUE	
	2011 %	2010 %	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Outstanding floating						
for fixed contracts						
Less than 1 year	-	5.84	-	45,000	-	44,870
1 – 2 years	4.76	-	40,000	-	40,000	-
2 – 5 years	5.35	-	75,000	-	75,000	-

The interest rate swaps settle on a quarterly basis. The Group will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the period that the floating interest payments on debt impact profit or loss.

Note 43: Financial instruments (continued)

(g) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group undertake credit worthiness reviews on all customers and look to obtain debtor insurance for all significant customers. Credit exposure is controlled by counterparty limits that are reviewed and approved.

Trade receivables consist of a large number of customers, spread across several geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The Group does not hold any collateral or other credit enhancements to cover this credit risk.

The table below shows the balance of 4 major counterparties at the end of the reporting period using the Standard and Poor's credit rating symbols.

COUNTERPARTY	LOCATION	30/06/11 CARRYING AMOUNT	30/06/10 CARRYING AMOUNT
		\$000	\$000
International supermarkets (2)	United Kingdom	13,239	17,050
Australian supermarkets (2)	Australia	8,859	8,248

Activities that give rise to credit risk and the associated maximum exposure to credit risk include, but are not limited to:

- granting loans and receivables to customers and placing deposits with other entities. In these cases, the maximum exposure to credit risk is the carrying amount of the related financial assets;
- entering into derivative contracts for example, foreign exchange contracts, interest rate swaps and credit derivatives. When the resulting asset is measured at fair value, the maximum exposure to credit risk at the reporting date will equal the carrying amount;
- granting financial guarantees. In this case, the maximum exposure to credit risk is the maximum amount the entity could have to pay if the guarantee is called on, which may be significantly greater than the amount recognised as a liability; and
- making a loan commitment that is irrevocable over the life of the facility or is revocable only in response to a material adverse change. If the issuer cannot settle the loan commitment net in cash or another financial instrument, the maximum credit exposure is the full amount of the commitment. This is because it is uncertain whether the amount of any undrawn portion may be drawn upon in the future. This may be significantly greater than the amount recognised as an asset.

(h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 42 (b) is a listing of additional undrawn facilities that the Company / Group has at its disposal to further reduce liquidity risk.

Note 43: Financial instruments (continued)

The following table details the Group's and Company's remaining contractual maturity for its non-derivative financial assets and liabilities. The contractual maturity is based on the earliest date on which the Group may be required to pay.

The amounts below are based on undiscounted cash flows and include principal and interest:

CONSOLIDATED	WEIGHTED AVERAGE INTEREST RATE	LESS THAN 1 MONTH \$'000	1-3 MONTHS \$'000	3 MONTHS TO 1 YEAR \$'000	1-5 YEARS \$'000	5+ YEARS \$'000
2011						
Non interest bearing assets	-	10,417	23,413	10,417	-	-
Non interest bearing liabilities	-	16,846	25,240	-	-	-
Finance Lease liability	9.02	-	659	1,977	9,253	-
Floating interest rate liabilities	7.88	276	552	2,482	42,000	-
Fixed interest rate liabilities	5.14	1,478	-	4,434	120,569	-
Fixed interest rate assets	7.00	14	28	2,470	-	-
Financial Guarantees	-	-	-	-	-	-
2010						
Non interest bearing assets	-	13,663	27,326	20,170	-	-
Non interest bearing liabilities	-	24,076	32,284	-	-	-
Finance Lease liability	8.37	8	16	116	13	-
Floating interest rate liabilities	7.75	639	1,279	5,535	99,220	-
Fixed interest rate liabilities	5.84	-	25,656	20,470	-	-
Fixed interest rate assets	6.00	11	21	96	4,588	-
Financial Guarantees	-	3,000	978	1,363	-	-

The amounts included above for financial guarantee contract are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that such an amount will not be payable under the arrangement. However, the estimate is subject to change depending on the probability if the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The Group has access to financing facilities of which \$32.6 million were unused at the end of the reporting period (2010: \$44.1 million).

The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows / (outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows / (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

	LESS THAN 1 MONTH \$'000	1-3 MONTHS \$'000	3 MONTHS TO 1 YEAR \$'000	1-5 YEARS \$'000	5+ YEARS \$'000
2011					
Net settled:					
Interest rate swaps	749	729	4,434	5,569	-
Gross settled:					
Foreign currency forward contracts	-	496	1,132	214	-
	749	1,225	5,566	5,783	-
2010					
Net settled:					
Interest rate swaps	-	374	752	-	-
Gross settled:					
Foreign currency forward contracts	-	-	-	-	-
	-	374	752	-	-

Note 43: Financial instruments (continued)

(i) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions
- the fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives
- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The financial statements include holdings in unlisted shares which are measured at cost.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	30/06/2011			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$'000	\$'000	\$'000	\$'000
Financial assets at FVTPL				
Derivative financial assets – 30 June 2011	-	1,842		1,842
Derivative financial assets – 30 June 2010	-	-	-	-
Financial liabilities at FVTPL				
Derivative financial liabilities – 30 June 2011	-	652	-	652
Derivative financial liabilities – 30 June 2010	-	1,410	-	1,410

There were no items relating to Levels 1 and 3 in the year or the prior year.

Note 44: Events after the reporting period

On 12 August 2011 the company signed binding agreements for the sale of the Loxton Winery and Austflavour assets to TWG Australia 11 Pty Ltd (a fully owned subsidiary of the Wine Group LLC based in California USA) for \$27 million. Settlement occurred on 18 August 2011 and the net proceeds will be used to reduce debt.

In respect of the financial year ended 30 June 2011, a final dividend of 2.5 cents per share was declared on 24 August 2011 and will be paid on 18 November 2011.

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

Note 45: Parent Entity Disclosures

	CONSOLIDATED	
45.1 Financial Position	2011 \$'000	2010 \$'000
Assets		
Current assets	201,143	181,752
Non-current assets	248,919	268,257
Total assets	450,062	450,009
Liabilities		
Current liabilities	47,300	64,754
Non-current liabilities	189,770	170,024
Total liabilities	237,070	234,778
Net Assets	212,992	215,231
Equity		
Issued Capital	401,831	401,831
Accumulated Losses	(190,591)	(186,954)
Reserves		
Equity settled employee benefits	1,497	1,458
Hedging	332	(130)
Foreign currency translation	(77)	(974)
Total reserves	1,752	35
Total equity	212,992	215,231

	CONSOLIDATED	
45.2 Financial Performance	Year ended 30 June 2011 \$'000	Year ended 30 June 2010 \$'000
Profit / (Loss) for the year		
Other comprehensive income	(3,637)	(513)
Total comprehensive income	1,359	(17)
	(2,278)	(530)

	CONSOLIDATED	
45.3 Guarantees entered into by parent entity	2011 \$'000	2010 \$'000
Guarantee provided under the deed of cross guarantee (i)	250,841	246,427
(i) The parent entity has entered into a deed of cross guarantee with subsidiaries as indicated in note 39.		

45.4 Contingent liabilities of the parent entity	Nil	Nil
45.5 Capital Commitments of the parent entity		
Plant and Equipment		
Not longer than 1 year	32	17

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