

AUSTRALIAN VINTAGE LTD

**HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2011**

(ACN: 052 179 932 ASX REFERENCE: AVG)

Australian Vintage Ltd

RESULTS FOR ANNOUNCEMENT TO THE MARKET

REVENUE AND NET PROFIT/LOSS	<i>PERCENTAGE CHANGE %</i>	<i>AMOUNT \$'000</i>
Total operating revenue	up 4.4%	116,358
Net profit after tax	down 36.5%	3,733
Net profit after tax before significant items	down 2.8%	3,733

Dividends (cents)	Amount per security	Franked amount per security
Interim dividend	-	-
Previous corresponding period	2.5	2.5

Other information	As at 31/12/11	As at 31/12/10
Net tangible asset per security	\$1.01 per share	\$1.02 per share

Australian Vintage Ltd

Directors' Report

The directors of Australian Vintage Ltd submit herewith the financial report for the half-year ended 31 December 2011. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the company during or since the end of the half-year are:

NAME

Ian D. Ferrier
Neil McGuigan
Brian J. McGuigan
Perry R. Gunner
Richard H. Davis

REVIEW OF OPERATIONS

Key points

- Sales up 4.4% to \$116.4m with a strong performance from the UK / Europe
- Net Profit prior to significant items basically in line with prior year; Net Profit after significant items down 36.5% to \$3.7m
- Cash Flow from Operating activities up \$1.7m
- Net debt down to \$134.8m compared to \$161.0m at June 2011

Australian Vintage (ASX: AVG) today reported a half year net profit (prior to significant items) of \$3.7 million, and significantly reduced borrowings.

This result demonstrates how we have made our business more robust and capable of better withstanding the global pressures. The industry has had to weather one of the strongest AUD in decades, ongoing over production worldwide and very tight margins.

Despite these conditions we maintained sales and profit in the period.

We continued to refine and develop our wines and the McGuigan brand again jumped in popularity and demand, with volumes increasing by 17%. However we saw a slump in second tier branded products.

In the period we were honoured for the second time in three years, to be named International Wine Maker of the Year at the 2011 International Wine and Spirits Competition, where McGuigan was also named Australian Producer of the Year, and as having the best International Semillon.

Our cost reduction focus continues and in the period we reduced debt and improved cash flow. Net debt is down to \$134.8 million, compared to \$161 million as at June 2011 due to the sale of Loxton Winery in August 2011 to TWG Australia II Pty Ltd. Cash flow from operating activities was up \$1.7m to \$2.5 million as a result of careful control over working capital.

Sales

Overall, our sales in the period were up 4.4% due mainly to improved UK/Europe packaged wine sales and Australasia/North America bulk wine sales.

Australasia/North America packaged sales were down 10% due mainly to the removal of low margin secondary brands.

UK/Europe sales were up 9% despite a record high dollar. Sales to the UK and Ireland continue to grow despite the difficulties associated with the record high Australian dollar.

Australasia/North America bulk wine sales grew 55% due to increased sales to the US, while vineyard sales were up 41% due to additional vineyard management activities.

Australian Vintage will continue to drive its branded business with a particular focus on the McGuigan, Tempus Two, Nepenthe and Miranda brands. For the period, total branded sales volume declined by 2% due to the decision to focus on key brands.

Australian Vintage Ltd

Directors' Report

REVIEW OF OPERATIONS (CONTINUED)

This strategy has resulted in the McGuigan branded volumes increasing by 17% during the period with the McGuigan brand now one of the top 10 wine brands in the UK.

The business continues to look at new opportunities with a particular focus on establishing a long-term distribution partner in China.

Net profit (before significant items)

Net profit was down 3% to \$3.7 million.

The Australasia/North America segment EBIT was down by \$0.7m due to reduced sales of second tier branded products in Australia, mainly as a result of fierce price competition in supermarket sales. Pleasingly, UK contribution grew marginally despite the record high AUD / GBP exchange rate. This demonstrates how strong our sales are growing in that market, particularly our McGuigan brands. Contribution from the vineyard segment increased significantly, after a scaling down in this division over the past couple of years.

Outlook

We believe that the local and international markets will remain volatile and challenging and exchange rates will continue to impact on export sales and profitability. The Australian dollar is at a record high and while we have cover for most of our firm UK sales, it will be challenging to maintain positive momentum in the UK if this continues.

Given the market uncertainty the Board determined it would not be prudent to pay an interim dividend for the period. However, it intends to reassess at the end of the financial year.

We are continuing to focus on making great quality wine and extending the penetration and recognition of our strongest brands.

Our capital management continues to strengthen and we remain focused on reducing debt and ensuring our working capital is appropriate to meet the business needs.

The 2012 vintage has just started, and there are signs that quality is excellent but yield per hectare may be down slightly.

INDEPENDENCE DECLARATION BY AUDITOR

The auditor's independence declaration is included on page 4.

ROUNDING OFF OF AMOUNTS

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

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

On behalf of the Directors



Richard Davis
Director

Sydney, 28 February, 2012

Mr R Davis
Chair
Board Audit Committee
Australian Vintage Ltd
275 Sir Donald Bradman Drive
COWANDILLA SA 5033

28 February 2012

Dear Board Members

Australian Vintage Ltd

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Australian Vintage Ltd.

As lead audit partner for the review of the financial statements of Australian Vintage Ltd for the half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Partner
Deloitte Touche Tohmatsu

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

We have reviewed the accompanying half-year financial report of Australian Vintage Ltd, which comprises the condensed statement of financial position as at 31 December 2011, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 13.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australian Vintage Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Vintage Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Vintage Ltd is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Stephen Harvey
Partner
Chartered Accountants
Adelaide, 28 February 2012

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

Australian Vintage Ltd

Directors' Declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in dark ink, appearing to read 'Richard Davis', with a horizontal line underneath it.

Richard Davis
Director

Sydney, 28 February, 2012

Australian Vintage Ltd

Condensed Consolidated Statement of Comprehensive Income for the Half-Year ended 31 December 2011

	Note	CONSOLIDATED	
		Half-Year Ended 31/12/11 \$'000	Half-Year Ended 31/12/10 \$'000
Revenue		116,358	111,437
Cost of sales		(84,403)	(80,369)
Gross Profit		31,955	31,068
Other income		1,164	2,133
Gain / (Loss) on sale of property, plant and equipment		212	(236)
Distribution expenses		(6,390)	(6,370)
Sales and marketing expenses		(11,452)	(11,384)
Administration expenses		(2,897)	(3,123)
Gain / (Loss) on foreign exchange		(771)	53
Finance costs – interest un-wind		(909)	(1,142)
Finance costs – finance leases		(428)	(12)
Finance costs - other		(6,258)	(6,966)
Significant items	3	-	853
Profit before income tax		4,226	4,874
Income tax (expense) / benefit - significant items		-	1,184
Income tax (expense) / benefit - other		(493)	(181)
Net profit for the period		3,733	5,877
Other comprehensive income / (loss), net of tax:			
Exchange differences arising on translation of foreign operations		56	(221)
Valuation of foreign exchange hedges		545	2,149
Loss / (Gain) on interest rate swaps		(1,750)	510
Income tax relating to components of other comprehensive income		343	(732)
Other comprehensive income / (loss) for the period, net of tax		(806)	1,706
Total comprehensive income for the period		2,927	7,583
Earnings per share:			
Basic (cents per share)		2.9	4.6
Diluted (cents per share)		2.9	4.6

Notes to the financial statements are included on pages 11 to 14.

Australian Vintage Ltd

Condensed Consolidated Statement of Financial Position as at 31 December 2011

	NOTE	CONSOLIDATED	
		31/12/11 \$'000	30/06/11 \$'000
<i>Current Assets</i>			
Cash and cash equivalents		1,175	6,424
Trade and other receivables		44,217	46,236
Inventories		132,455	140,507
Current tax assets		-	12
Other		7,606	2,685
		185,453	195,864
Assets classified as held for sale		-	25,901
<i>Total Current Assets</i>		<i>185,453</i>	<i>221,765</i>
<i>Non-Current Assets</i>			
Trade and other receivables		1,843	-
Other financial assets		59	64
Property, plant and equipment		95,140	97,148
Inventories		13,429	19,082
Biological assets		33,048	33,048
Goodwill		37,685	37,685
Deferred tax assets		56,700	58,493
Water Licences		8,692	8,692
Other Intangible assets		7,886	8,092
<i>Total Non-Current Assets</i>		<i>254,482</i>	<i>262,304</i>
<i>Total Assets</i>		<i>439,935</i>	<i>484,069</i>
<i>Current Liabilities</i>			
Trade and other payables		27,543	41,433
Borrowings		1,905	1,838
Other financial liabilities		269	652
Provisions		10,800	9,321
Other		509	222
		41,026	53,466
Liabilities directly associated with assets held for sale		-	373
<i>Total Current Liabilities</i>		<i>41,026</i>	<i>53,839</i>
<i>Non-Current Liabilities</i>			
Borrowings		134,105	165,596
Deferred tax liabilities		10,081	12,244
Other financial liabilities		2,135	12,244
Provisions		18,686	19,162
<i>Total Non-Current Liabilities</i>		<i>165,007</i>	<i>197,002</i>
<i>Total Liabilities</i>		<i>206,033</i>	<i>250,841</i>
<i>Net Assets</i>		<i>233,902</i>	<i>233,228</i>
<i>Equity</i>			
Issued capital		402,792	401,831
Reserves		1,008	1,814
Accumulated losses		(169,898)	(170,417)
<i>Total Equity</i>		<i>233,902</i>	<i>233,228</i>

Notes to the financial statements are included on pages 11 to 14.

Australian Vintage Ltd

Condensed Consolidated Statement of Cash Flows for the Half-Year Ended 31 December 2011

	Inflows/(Outflows)	
	Half-Year Ended	Half-Year Ended
	31/12/11	31/12/10
	\$'000	\$'000
<i>Cash Flows from Operating Activities</i>		
Receipts from customers	123,124	135,858
Payments to suppliers and employees	(113,973)	(129,477)
Cash generated from operations	9,151	6,381
Interest and other costs of finance paid	(6,773)	(5,891)
Interest received	97	291
Net cash provided by operating activities	2,475	781
<i>Cash Flows from Investing Activities</i>		
Payment for property, plant and equipment	(1,497)	(1,971)
Proceeds from sale of property, plant and equipment	26,113	215
Net cash provided by / (used in) investing activities	24,616	(1,756)
<i>Cash Flows from Financing Activities</i>		
Loan payment received	1,250	-
Dividends paid	(2,253)	-
Proceeds from borrowings	-	12,000
Repayment of borrowings	(31,337)	(59)
Net cash (used in) / provided by financing activities	(32,340)	11,941
<i>Net (Decrease) / Increase in cash and cash equivalents</i>	<i>(5,249)</i>	<i>10,965</i>
<i>Cash and cash equivalents at the beginning of the half-year</i>	<i>6,424</i>	<i>1,555</i>
<i>Cash and cash equivalents at the end of the half-year</i>	<i>1,175</i>	<i>12,521</i>

Notes to the financial statements are included on pages 11 to 14.

Australian Vintage Ltd

Condensed Consolidated Statement of Changes in Equity for the Half-Year Ended 31 December 2011

	Share capital \$'000	Equity- settled employee benefits reserve \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Accum – ulated losses \$'000	Total \$'000
Balance at 1 July 2010	401,831	1,458	(1,026)	154	(174,616)	227,801
Profit for the period	-	-	-	-	5,877	5,877
Exchange differences arising on translation of foreign operations	-	-	-	(221)	-	(221)
Valuation of foreign exchange hedges	-	-	2,149	-	-	2,149
Profit on interest rate swaps	-	-	510	-	-	510
Income tax relating to components of other comprehensive income	-	-	(798)	66	-	(732)
Total comprehensive income for the period	-	-	1,861	(155)	5,877	7,583
Transactions with owners in their capacity as owners:						
Recognition of share-based payments	-	40	-	-	-	40
Balance at 31 December 2010	401,831	1,498	835	(1)	(168,739)	235,424
Balance at 1 July 2011	401,831	1,497	332	(15)	(170,417)	233,228
Profit for the period	-	-	-	-	3,733	3,733
Exchange differences arising on translation of foreign operations	-	-	-	56	-	56
Valuation of foreign exchange hedges	-	-	545	-	-	545
Loss on interest rate swaps	-	-	(1,750)	-	-	(1,750)
Income tax relating to components of other comprehensive income	-	-	360	(17)	-	343
Total comprehensive income for the period	-	-	(845)	39	3,733	2,927
Transactions with owners in their capacity as owners:						
Dividend paid	-	-	-	-	(3,214)	(3,214)
Issue of shares	961	-	-	-	-	961
Balance at 31 December 2011	402,792	1,497	(513)	24	(169,898)	233,902

Notes to the financial statements are included on pages 11 to 14.

Australian Vintage Ltd

Notes to the Financial Statements

for the Half-Year Ended 31 December 2011

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2011 annual financial report for the financial year ended 30 June 2011, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

There are no new and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Company's presentation of, or disclosure in, its half year statements.

The prior year sales and cost of sales have been amended to include the realised portion of losses on foreign exchange for the period. This is consistent with the treatment of gains on foreign exchange in the current period.

2. SUBSEQUENT EVENTS

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

Australian Vintage Ltd

Notes to the Financial Statements for the Half-Year Ended 31 December 2011

3. SIGNIFICANT ITEMS

	Half-Year Ended 31/12/11 \$'000	Consolidated Half-Year Ended 31/12/10 \$'000
During the half year Australian Vintage Ltd incurred the following revenue and expenses of a significant or one-off nature:		
Impairment of assets	-	(717)
Sale of water licences	-	1,570
Significant items before income tax	-	853
Income tax (expense) / benefit on significant items	-	(256)
Income tax benefit on capital losses utilised	-	471
Income tax benefit recognised on ceased investor vineyard scheme	-	969
Significant items after income tax (expense) / benefit	-	2,037

4. CONTINGENT ASSETS & LIABILITIES

There have been no material changes in contingent assets and liabilities from those disclosed at 30th June 2011.

5. ISSUANCES OF SECURITIES

During the half-year reporting period Australian Vintage Ltd did not issue any ordinary shares (2010: Nil) to Directors as remuneration for the year ending 30th June 2011.

Australian Vintage Ltd did not issue any share options (2010: Nil) over ordinary shares under its executive option acquisition plan during the half-year reporting period. There were no share options exercised during the half-year reporting period (2010: Nil).

Australian Vintage Ltd issued 3,413,332 (2010: Nil) shares for \$961,000 under its Dividend Re-investment Plan.

There were no other movements in the ordinary share capital or issued capital in the current or prior half-year reporting period.

6. DIVIDENDS

During the period, Australian Vintage Ltd made the following dividend payments:

	Half-Year Ended 31/12/11		Half-Year Ended 31/12/10	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Fully paid ordinary shares				
Final dividend	2.5	3,214	-	-

Australian Vintage Ltd

Notes to the Financial Statements for the Half-Year Ended 31 December 2011

6. BORROWINGS

During the prior reporting period the company reached agreement with the National Australia Bank to extend its debt facility until June 2013. The company will continue to be subject to various covenants including the requirement to repay debt in the event of equity raisings or the disposal of assets in certain circumstances. In addition the company is able to declare a dividend provided the dividend is underwritten or approved by the National Australia Bank.

7. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the company that are regularly reviewed by the chief decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Company's Chief Executive Officer for the purpose of resource allocation and assessment of performance is specifically focused on the nature and location of the supply. The Company's reportable segments under AASB 8 are therefore as follows:

- Australasia / North America Packaged
 - supplies packaged wine within Australia, New Zealand, Asia and North America through retail and wholesale channels.
- UK / Europe
 - supplies packaged and bulk wine in the United Kingdom and Europe through retail and distributor channels.
- Cellar Door
 - supplies wine direct to the consumer through regional outlets.
- Australasia / North America bulk wine and processing
 - supplies bulk wine, concentrate and winery processing services throughout Australia, New Zealand, Asia and North America.
- Vineyards
 - provides vineyard management and maintenance services within Australia.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Company's accounting policies.

The revenue reported represents revenue generated from external customers. There were no intersegment sales during the period.

Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, 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.

Australian Vintage Ltd

Notes to the Financial Statements for the Half-Year Ended 31 December 2011

8. SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Company's revenue, results by reportable operating segment for the period under review:

	Consolidated	
	Half-Year Ended 31/12/11 \$'000	Half-Year Ended 31/12/10 \$'000
Segment revenue		
Australasia / North America packaged	42,207	47,135
UK / Europe	54,946	50,411
Cellar Door	3,673	3,699
Australasia / North America bulk wine and processing	13,251	8,575
Vineyards	2,281	1,617
Total segment revenue	116,358	111,437
Segment profit		
Australasia / North America packaged	3,631	4,381
UK / Europe	5,460	5,386
Cellar Door	578	829
Australasia / North America bulk wine and processing	1,691	1,138
Vineyards	280	116
Total of all segments	11,640	11,850
Unallocated (a)	(7,414)	(6,976)
Profit before income tax expense	4,226	4,874
Income tax (expense) / benefit	(493)	1,003
Profit for the period	3,733	5,877

(a) Unallocated result includes finance costs, interest received and significant items (note 3).