



AUSTRALIAN VINTAGE LTD

## 2013 ANNUAL REPORT



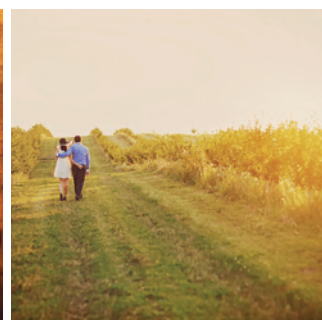
International  
Winemaker of  
the Year 2012

International Wine  
& Spirits Competition



White Winemaker  
of the Year  
2013

International Wine  
Challenge



# White Winemaker of the Year 2013

International Wine Challenge

# International Winemaker of the Year 2012

International Wine & Spirits Competition

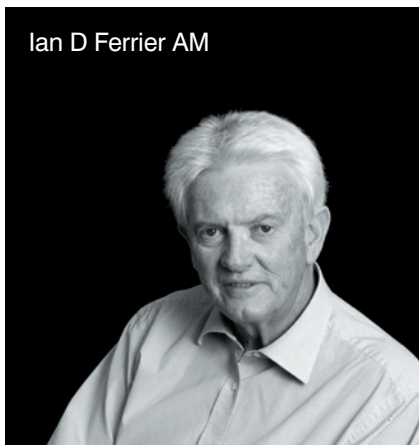


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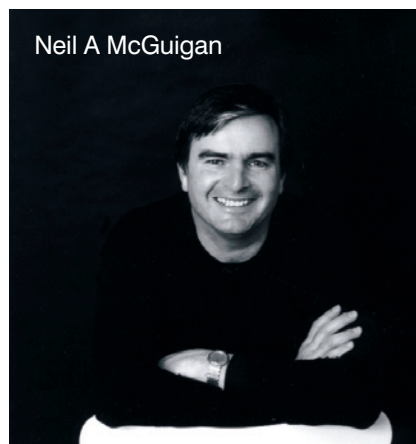
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Ian D Ferrier AM



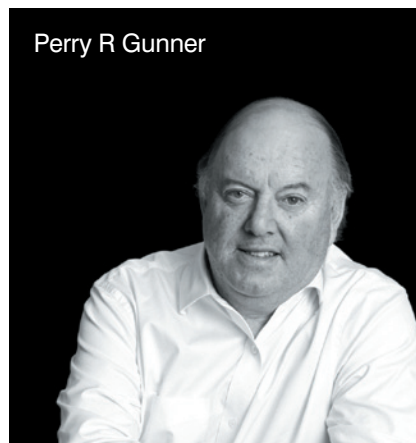
Neil A McGuigan



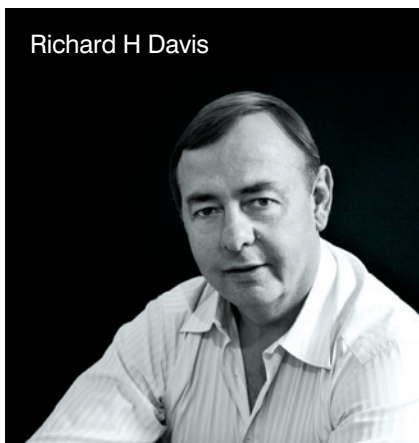
Brian J McGuigan AM



Perry R Gunner



Richard H Davis





#### Dear shareholder

I am pleased to report that Australian Vintage delivered a Net Profit of \$7.1 million, in line with the previous year. This represents a strong result when considered in the context of continuing difficult industry conditions and the comparatively small and, as a result, high cost 2012 vintage.

The Directors announced a fully franked dividend of 2.6 cents per share payable on 18 November 2013, demonstrating once again that the Board has faith in the Company's ability to continue to perform well under current trading conditions.

### A strong result

The business has continued to reduce its cost base while running its core assets hard, and at the same time improving the reputation and value of its wines. During the year we have successfully renegotiated our vineyard leases resulting in a cost savings of \$4.5 million per annum.

The 2013 vintage was up 28% to 153,000 tonnes, which has resulted in a reduction in our average wine cost per litre.

Our brands have continued to grow globally on the back of international awards recognising the ability of the Company to consistently deliver outstanding quality wines. The benefits have resulted in increased brand strength with the McGuigan brand growing by 10%, Tempus Two by 26% and Nepenthe by 18%.

Australian Vintage is in a strong financial position with secure banking facilities in place from our financiers who continue to support us.

### Awards

Australian Vintage has a very strong foundation for long term success and the Company's assets, production and management are world class.

The Company's commitment to its mission – *to create great quality wines and brands that our consumers know and love* was demonstrated during the year when the Company was again awarded the White Winemaker of the Year at one of the world's most prestigious wine competitions – The International Wine Challenge. This latest award, together with previously being named International Winemaker of the Year three times at the International Wine and Spirits Competition, has given Australian Vintage six awards across two of the world's premier wine competitions.

### Global Markets

We believe the global wine industry is moving towards balance and entering a new phase of its supply / demand cycle.

Global output fell from 26,400 million litres in 2011 to 24,800 million litres in 2012 and the 2012 vintage was the smallest since 1975. At the same time, increases in consumption have outpaced production for more than 6 years, and global inventories are now 7,500 million litres below the highs reached in 2006, a drop of approximately 40%<sup>(1)</sup>.

### Outlook

The wine industry continues to restructure and markets and margins remain under pressure. The Company continues to respond to these conditions with ongoing cost control and branded sales momentum.

We expect improvements in our cash flow in 2014 as a result of initiatives that have been executed during the year, from improved exchange rates and from the fact that there is no need for the Company to purchase any significant bulk wine in the immediate future.

Since the release of our Financial Report on the 2 September 2013, the Company has successfully undertaken a capital raising which has raised approximately \$42.0 million from the issue of additional shares to new and existing shareholders. The net proceeds from the capital raising were used to reduce bank debt and have enabled the Company to improve its balance sheet by significantly reducing debt and gearing. Further, having strengthened its capital position the Company is in a better position to take advantage of opportunities that may arise.

The Company also has carried forward tax losses which will minimise future tax payments and assist cash flow.

The improved trading conditions we are beginning to see are encouraging for Australian Vintage. We have turned the corner away from the corrective action that needed to be taken in the past and we see some positives as the industry cycle swings and supply and demand move further into balance. The weakening Australian dollar and the higher quality and quantity of our 2013 vintage, is reason to be optimistic.

While the UK market remains a challenge, the weakening of the Australian dollar should improve our margins as should the increased awareness of the company's major brands in this market, driven by our brand focused strategy. We are also continuing to build on Australian reputation as a quality new wine producer in Asia.

On behalf of the Board and shareholders I would like to thank Neil McGuigan, his management team and all of the staff of Australian Vintage who continue to meet the challenges with commitment, innovation and effort.

The Board has focussed on its structure and composition and continues to assess options for renewal. It is satisfied that the current directors have the appropriate experience, stability and independence necessary to guide the Company in the current environment. I thank my fellow directors for their contribution during the year.

Finally I would like to thank all of our shareholders for your ongoing support

Ian Ferrier AM Chairman

(1) Source : International Organisation of Vine and Wine, Rabobank Wine Quarterly



Dear fellow shareholders,

This year has been another tough year for the Australian wine industry but I am happy to report that AVL is still in positive territory and has made a modest profit in a very difficult environment. There is a lot of good news relating to the business which includes the **continued growth of our core brands and the unparalleled performance of the company's brands in the domestic and international show arena.**

International and domestic growth of our brands has been a highlight this year with the McGuigan brand now the 7th largest wine brand in the UK, the largest global brand in Ireland and McGuigan has been recognised by the UK Drinks Business magazine as the 14th most admired wine brand in the world.

#### Other achievements include:

- The McGuigan brand sales grew 10% in FY13.
- The Tempus Two brand sales grew 26% in FY13.
- The Nepenthe brand sales grew 18% in FY13.

#### McGuigan Awards

- **International Winemaker of the Year** at the International Wine & Spirits Competition in London – 2009 | 2011 | 2012.
- **White Winemaker of the Year** at the International Wine Challenge in London – 2009 | 2012 | 2013.
- Winemaker Peter Hall recognised as **Hunter Valley Winemaker of the Year 2013.**
- **Champion White Wine of Show** – Bin 9000 Semillon 2005 – International Wine Challenge 2013.
- **International Semillon Trophy | Australian White Wine Trophy | Hunter Valley Semillon Trophy** – Bin 9000 Semillon 2005 – International Wine Challenge 2013.
- **Australian Single Varietal White Wine Trophy** – Bin 9000 Semillon 2007 – Decanter World Wine Awards 2013.
- **Gold 'Best in Class'** – Farms Shiraz 2009 – International Wine & Spirits Competition 2012.
- **Top Gold** – Bin 9000 Semillon 2007 – Cairns Wine Show.

#### Nepenthe Awards

- **Trophy Best Australian Sauvignon Blanc £10+** – Altitude Sauvignon Blanc 2011 – Decanter World Wine Awards 2012.
- **Gold** – Pinnacle Ithaca Chardonnay 2011 – Australian Cool Climate Wine Show 2012.
- **5\* Winery** – James Halliday Australian Wine Companion 2013.

#### Tempus Two

- **Trophy Best Semillon Blend** – Varietal Semillon Sauvignon Blanc 2012 – Perth Royal Show 2012 Riverina Wine Show 2012.
- **Gold** – Copper Wilde Chardonnay 2011 – Hong Kong International Wine Challenge 2012.
- **Gold** – Copper Zenith Semillon 2005 | 2009 | 2010 – International Wine Challenge 2013.

Our wine show results have also continued this year with McGuigan wines winning the **International Winemaker of the Year Trophy** at the International Wine and Spirit Competition in London **for the third time – a feat never achieved by any other wine company** and in July McGuigan Wines also was named the **International White Winemaker of the year** at the International Wine Challenge in London also for the third time.

**Making the wine the hero** is still forefront of mind for everyone engaged in viticulture, winemaking and in production. At the same time this **focused approach has created a culture for excellence throughout the whole business** and there is a great sense of purpose and direction about what everyone is doing in the company.

The innovation in the business is not just aligned with wine styles but extends to how, and where, we market and promote our brands. Innovation, and achieving real cut through is the key.

Highlights for McGuigan Wines over the past year include McGuigan City Vineyard Dublin, the ongoing brand alignment with UK celebrity chef John Torode through, amongst others, a food and wine matching ebook, the Black Label Alfa Romeo car promotion in the domestic market and the high profile sponsorship of the St George Illawarra Dragons in the NRL. Tempus Two has continued its alignment with Mercedes Benz Fashion Week in Australia, and through this sponsorship, formed a close association with up and coming fashion label Aje. Later in 2013 Tempus Two will also be unveiled as the official wine partner of Portsea Polo in Victoria. Nepenthe has long been a supporter of the AAMI Kooyong Classic tennis in Melbourne – a partnership that continues in 2013 – and has also formed an association with well-known Australian chef and TV personality Lyndey Milan which has resulted in a series of exclusive video recipes matched to key wines in the portfolio.

Despite the difficult trading conditions, the comparatively small 2012 vintage and uncertain economic conditions we maintained our profit and dividend to shareholders -

- Net profit of \$7.1 million, same as the previous year
- Total sales down 8.5% with lower UK and bulk wine contribution partially offset by increased sales of high value branded wines.
- 2013 vintage up 28% to 153,000 tonnes

Our strategies for the business have not changed from last year and your board have been very clear that the focus must remain on the following key points:

- Growing and strengthening our distribution channels in the China / Asia region, UK and Canada.
- Building sales and profitability of our core brands both domestically and internationally.
- Reviewing and decreasing our cost base.
- Creating appropriate new products for developing and emerging markets.

There are still many challenges in front of the business but our focus on quality wine production and driving branded sales throughout the world will create a platform that we believe will provide a more appropriate return on the capital employed to the business.

AVL is cautiously optimistic about the future of the business as the decreasing Australian dollar will provide opportunities for the company to create new profitable sales opportunities in markets that have been restrictive in the past plus will provide more profit in the markets where we already have significant sales.

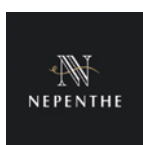


Neil McGuigan Chief Executive Officer





TEMPUS TWO



MIRANDA  
WINES

YALDARA

PASSION POP

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 one of the largest vineyard owners and managers in Australia, Australian Vintage prides itself on producing outstanding and innovative wines for wine lovers the world over. 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 is at the forefront of the Australian wine industry. Crushing approximately 10% of total Australian annual production, our vineyards and grape supply capacity extends through some of Australia's most captivating and diverse wine regions including the Hunter and Barossa Valleys; the Murray-Darling, Langhorne Creek and Limestone Coast regions; as well as Griffith and the Adelaide Hills.

Our dynamic and award-winning wine brands are recognised and enjoyed across the globe. Over the past twelve months we continued our international awards success at two of the world's most prestigious wine competitions, with McGuigan Wines having been recognised as **International Winemaker of the Year** at the International Wine & Spirits Challenge in London in late 2012. This is the third time in four years that McGuigan Wines has been crowned 'the world's best winemaker' having previously won in 2009 and 2011. In the competitions 43 year history, no other winery world-wide has taken the title three times – something of which to be immensely proud.

In 2013 our awards success continued, this time at the International Wine Challenge in London where McGuigan Wines received the coveted **White Winemaker of the Year** trophy. This is the third time in the past five years that McGuigan Wines has been named the 'world's best white winemaker', having already received the award in 2009 and 2011. McGuigan Wines was also nominated for the award in 2010.

Acclaim for our winemakers continues to grow, and is reflected in the continuing success of our brands and private label solutions in both the domestic market and in key export markets.

Diversity in winemaking techniques and regionality allows our viticulture and winemaking teams to be leaders in innovation and in the creation of a wide range of wine styles and varietals. Our wines are designed to reflect the tastes of wine lovers everywhere thanks to the individuality, personality, passion and commitment of our brands and the people behind them.

It's an exciting time for the Australian Vintage and our brands, which continue to go from strength to strength on the back of the underlying principles of quality, consistency, innovation and value.





## Our wine brands

### McGuigan Wines

The McGuigan name 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.

This energy, drive and uncompromising dedication to craft the finest Australian wines is reflected in McGuigan Wines international success, having been crowned **International Winemaker of the Year** at the prestigious International Wine & Spirits Competition (IWSC) in London for a record third time in 2012. Having already been recognised as the 'world' best winemaker' by the IWSC in both 2009 and 2011, McGuigan Wines became the only winery world-wide to have won the award three times in the competitions 43 year history. The success continued at the equally prestigious International Wine Challenge (IWC) in London with McGuigan Wines awarded White Winemaker of the Year for the third time in 2013, having also won in 2009 and 2012.

The McGuigan spirit and dedication to modern Australian winemaking drives our brand today – when it comes to making wine we have a different point of view, a different mindset. We are entirely focused on the continuing evolution of the Australian wine style, delivering wines that not only excite, but over deliver on quality at every price point.

### Tempus Two

Tempus Two's roots are firmly planted in one of Australia's oldest wine regions, the Hunter Valley, and one of Australia's best known wine families, the McGuigan family.

Our award winning, architecturally designed Cellar Door is set among the rolling green vineyards of Pokolbin, in the heart of the Hunter Valley and reflects the Tempus Two spirit to blend the essence of tradition with the magic of innovation.

Today, the vision for Tempus Two remains; to create a unique and distinctive range of wines from Australia's premier wine growing regions. By blending substance with style, Tempus Two creates wines that are affordable, luxurious and artisan showcasing familiar and new varietals in innovative, eye catching packaging. Innovation, elegance and finesse are the hallmarks of the Tempus Two brand.

### Nepenthe

Nepenthe is situated in the cool climate, high altitude and picturesque Adelaide Hills region in South Australia. Our hand-crafted, premium and award-winning cult wines are built on the strength of varietal faithfulness and subtle regional nuances. Passionate winemaking, innovative grape varieties and careful vineyard management ensure that Nepenthe's exciting and elegant range of wines are the benchmark for the region. No more evident is this benchmark than in our fantastic achievement of being awarded Australia's 'best Sauvignon Blanc over \$16' at the revered Decanter World Wine Awards in London in 2012, the second time in four years we've been awarded this highly coveted trophy.

### Miranda

Miranda Wines was founded in 1938, when Francesco Miranda arrived in Australia from Naples, Italy. With him came a passion and desire to build a winemaking empire that led him to the fertile soils of the Riverina in regional NSW. Over 70 years later and with three generations of winemaking experience, Miranda is still crafting and developing wine styles that would make Francesco proud. Miranda now sources wines from some of Australia's leading wine growing regions made in a style that reflects the richness of the Australian climate and terrain while still remaining true to its heritage, none more so than the multi-award winning Golden Botrytis.

### Yaldara

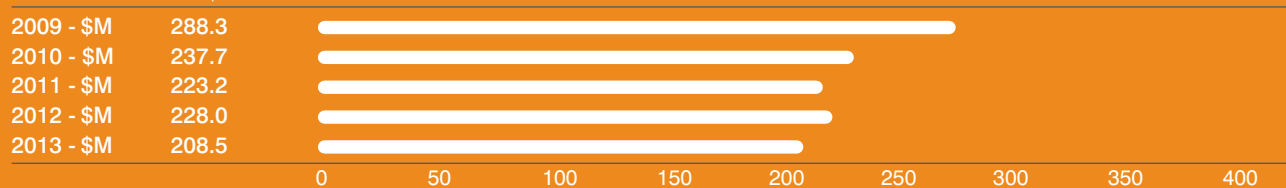
Yaldara was established in 1947 by German winemaker, Hermann Thumm. Nestled in South Australia's famous Barossa Valley, Yaldara and its magnificent Château have long been recognised as one of the most picturesque and attractive wineries in the country. Showcasing over 65 years of winemaking, this brand is led by its flagship 40 Year Old Premium Port, plus a superb range of fortified wines.

### Passion Pop

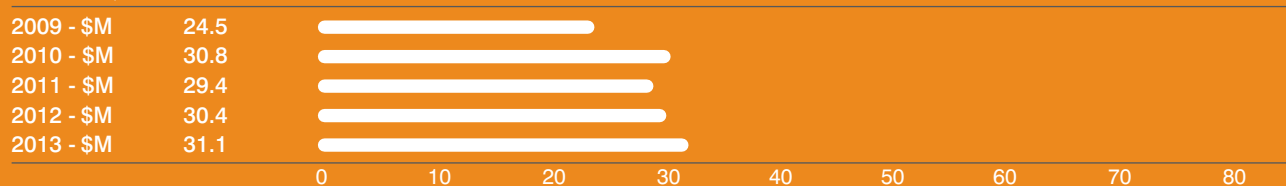
Passion Pop has led the flavoured sparkling category for over 30 years. A true market leader, this iconic brand is synonymous with Australia retro-culture. Passion Pop continues to lead the market in flavoured sparkling wine product under \$7.99.

## 8 | COMPANY PROFILE

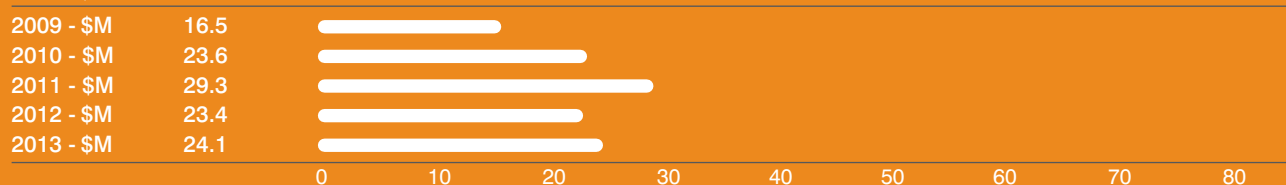
### TOTAL REVENUE - \$M



### EBITDA - \$M



### EBIT - \$M



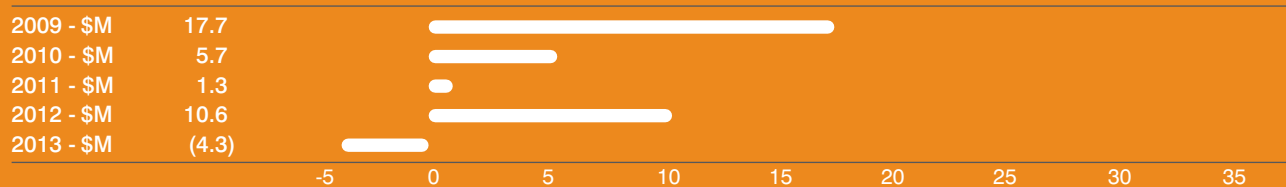
### NET PROFIT - \$M



### EARNINGS PER SHARE - CENTS

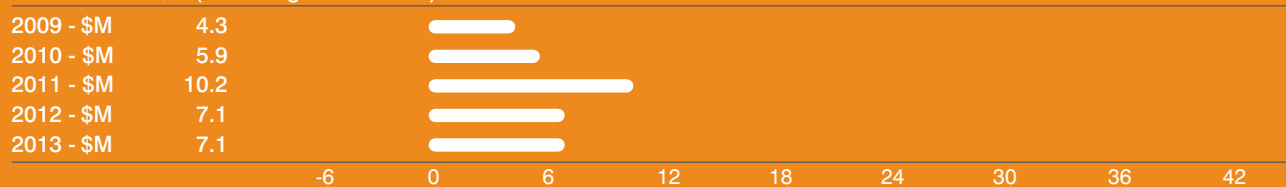


### CASH FLOW FROM OPERATING ACTIVITIES



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") are 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](http://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](http://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 Director's 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.
- 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.

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](http://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](http://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](http://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](http://www.australianvintage.com.au) under "Continuous Disclosure and Policies and Procedures".

**Workplace Diversity**

At Australian Vintage we recognise that an inclusive culture which embraces diversity is integral to our continuing success. The Company is committed to diversity in the workplace and has implemented a group-wide Diversity Policy which is available at [www.australianvintage.com.au](http://www.australianvintage.com.au) under "Corporate Governance".

In accordance with its Diversity Policy, the Board has adopted measurable objectives for achieving gender diversity. All levels of management are required under the Company's Diversity Policy to monitor and report annually to the Remuneration and Nomination Committee of the Board on the progress and effectiveness of these objectives.

The measurable objectives set by the Board for achieving gender diversity by the end of the 2013/2014 financial year are as follows:

- female representation among Non-Executive Directors on the Board will be at least 20%;
- female representation among senior management (known as the Company's Leadership Team) will be at least 20%; and
- engagement of female employees at other levels will be in line with national benchmarks.

The following tables show the proportional representation of men and women at various levels within the Company's workforce as at 30 June 2012.

**Workforce Gender Profile**

	MALES	FEMALES
Non-Executive Directors	100%	0%
Senior Executives	87.5%	12.5%
Other	68%	32%

**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](http://www.australianvintage.com.au) under "Corporate Governance".

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



In addition, Directors, Officers and Executives (and their associates) are not permitted to trade in Company shares except within one month of and commencing one trading day after the:

- release of the annual financial reports;
- release of the half yearly financial reports; 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](http://www.australianvintage.com.au) under "Corporate Governance".

See also discussion below 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](http://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](http://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](http://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 programmes 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 three independent non-executive Directors. The current members of the Remuneration and Nomination Committee are:

- **Perry R Gunner (Chairman)**
- **Ian D Ferrier**
- **Richard H Davis**

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 meeting approve the aggregate remuneration for non-executive Directors.

Particulars concerning Directors' and Executives' remuneration and the Company's performance rights and 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 25th November 2009. Executives are paid primarily by cash salary (but also, in some cases as to part, with performance rights and 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](http://www.australianvintage.com.au) under "Corporate Governance".

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

The Company issued performance rights and/or options pursuant to the AVG Performance Rights and Option Plan ("Plan") which received approval of shareholders of the company at the Annual General Meeting on 28 November 2012.

For further information regarding Executive remuneration through options see the Remuneration Report in this Annual Report at [www.australianvintage.com.au](http://www.australianvintage.com.au).

The shareholders' information set out below was applicable at 9th September, 2013.

## 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	1,931
1,001 – 5,000	2,308
5,001 – 10,000	552
10,001 – 100,000	720
100,001 +	94
	<b>5,605</b>

The percentage of the total holding of the twenty largest holders of Ordinary Shares was 64.48%.

### 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 (AS PER LAST SUBSTANTIAL HOLDER NOTICE)
Allan Gray Investment Management (formerly Orbis Investment Management (Australia) Pty Ltd)	26,093,481
Maple Brown Abbott Limited	11,313,068
Schroder Investment Management Australia Limited	9,631,634
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. CITICORP NOMINEES PTY LIMITED	18,770,864	14.14
2. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,745,238	11.11
3. J P MORGAN NOMINEES AUSTRALIA LIMITED	12,323,356	9.29
4. RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	11,519,529	8.68
5. NATIONAL NOMINEES LIMITED	8,471,806	6.38
6. SECVEST CAPITAL PTY LIMITED	3,222,545	2.43
7. UBS NOMINEES PTY LTD	2,800,546	2.11
8. SECVEST CAPITAL PTY LTD	1,627,455	1.23
9. JP MORGAN NOMINEES AUSTRALIA LIMITED	1,522,246	1.15
10. STANBOX NO 2 PTY LTD	1,490,000	1.12
11. MR ZHIWEI LIN	1,411,679	1.06
12. SUNRISE VINEYARDS PTY LTD	1,300,000	0.98
13. GARRETT SMYTHE LIMITED	1,000,871	0.75
14. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - GSCO ECA	921,000	0.69
15. MR TREVOR GREGORY BURKE	899,423	0.68
16. MR BRIAN FREDERICK DITCHFIELD	831,262	0.63
17. BNP PARIBAS NOMS PTY LTD	819,948	0.62
18. FAIRLIE MARIANNE ANDREW	700,000	0.53
19. 127 VICTORIA PTY LTD	600,000	0.45
20. WAUCHOPE & KILGOUR PTY LTD	600,000	0.45
<b>Totals: Top 20 Holders of Fully Paid Ordinary Shares</b>	<b>85,577,768</b>	<b>64.48</b>
<b>Total Number of Shares</b>	<b>132,720,637</b>	



The Directors of Australian Vintage Ltd submit herewith the annual financial report for the financial year ended 30 June 2013. 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 73

(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 Management Limited and a Director of Reckon Limited and Energy One Limited.

### Neil A McGuigan, Age 55

(Chief Executive Officer) Director since 21 July 2010

Neil was previously the General Manager of Production and Wine Supply at Australian Vintage Ltd. 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 71

(Non-Executive) 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 on the Membership Committee of the Winemakers Federation of Australia, 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 66

(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 A2 Corporation Ltd (N.Z.). Chairman of the Occupational Health and Safety Committee and Remuneration Committee.

### Richard H Davis, B. Ec, Age 57

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

Director (and previously CEO) of InvoCare Limited where he previously spent almost 20 years growing and managing the business. Former accounting partner for a national accounting firm. Chairman of the Audit Committee.

## 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 Management Limited	Since 2003
	Reckon Limited	Since 2004
	Energy One Limited	Since 2007
Perry R Gunner	ABB Grain Limited / Viterra Inc.	Since 2004 to 2012
	Freedom Nutritional Products Limited	Since 2003
	A2 Corporation Ltd (N.Z.)	Since 2010
Richard H Davis	InvoCare Limited	Since 2012

## 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.

## Dividends

In respect of the financial year ended 30 June 2013, a final fully franked dividend of 2.6 cents per share out of current year profits was declared on 23rd August 2013 and will be paid on 18th November 2013.

In respect of the financial year ended 30 June 2012, a final fully franked dividend of 2.6 cents per share out of current year profits was declared on 22nd August 2012 and paid on 19th November 2012.

## Review of operations and future developments

The group reported a net profit of \$7.1 million.

Despite the difficult trading conditions, the comparatively small 2012 vintage and uncertain economic conditions we maintained our profit and return to shareholders.

Underpinning this year's result was the continued improvement in the company's branded bottled business on the back of international awards and increasing brand strength in Australia and recognition globally. Sales of the McGuigan brand grew by 10%, Tempus Two by 26% and Nepenthe by 18%.

The company has achieved a \$4.5 million reduction in vineyard leasing, a \$1.25 million contribution towards the upgrade and maintenance of our leased vineyards, access to an additional \$2.2 million of water entitlements and maintained a disciplined focus on operating capital.

Vintage was up 28% to 153,000 tonnes, compared to a national tonnage increase of around 10%. The pleasing aspect is that our wine stock continues to be in balance with our forecast needs. The company expects that the benefits from the increased quantity and quality and from the reduced leasing costs will be reflected in the 2014 financial year.

All other things being equal, these factors, together with the recent weakening of the Australian dollar and our increased brand success, should improve margins and profitability in 2014 on branded product. However, non branded bulk wine margins could be challenging.

### Sales and production

Overall, sales for the 2013 financial year reached \$208.5 million, down 8.5% on the prior corresponding period predominantly as a result of reduced sales in UK / Europe and reduced bulk wine sales in Australasia / North America.

Australasia / North American packaged sales were strong and in line with the previous year at \$79.9 million notwithstanding overall volume declined 12% due to reduced low margin cask sales.

Australasia / North American bulk wine sales were \$29.5 million, down 27%, due to reduced low margin bulk wine sales.

UK / Europe sales reached \$88.8 million, down 8.7%, of which reduced low margin bulk wine represented 6% and the strengthening of the Australian dollar accounted for 1%. Approximately 68% of our total export sales are in GBP, 9% in EURO and 2% in CAD. The average weighted GBP in FY 2013 was 65.7 compared to 65.0 in the previous year. The average weighted EURO in FY 2013 was 81.1 compared to 77.2 in the previous year.

Vineyard revenues for FY 2013 reached \$3.4 million, down 10.3%, due to the reduction of vineyard contract services during the year.

Cellar Door sales achieved sales of \$6.8 million, impacted by the reduction in the NSW cellar door rebates (\$0.4 million).

McGuigan has been named the 14th most admired wine brand in the world. It is the number one selling brand in Ireland, and in addition to that McGuigan Black Label Red was named the number one selling red wine in Australia by volume. The McGuigan brand grew sales by 10% (19% in Australia and 6% in the UK) during the year.

In the past three years AVL has won six awards in two of the world's premier wine competitions in London, including Winemaker of the Year at the International Wine and Spirit Competition in London, and International White Winemaker at the International Wine Challenge. Making the wine the hero is still at the fore front of the mind of everyone engaged in our business.

## Review of operations and future developments (continued)

### EBIT and Net Profit

EBIT increased \$0.7 million or 3% notwithstanding the adverse impact of higher per unit wine costs amounting to \$2.2 million attributable to the low 2012 vintage and the strong Australian dollar for most of the financial year.

Australasia / North America EBIT declined \$1.1 million or 17.9% with the EBIT decline due in part to the fall in cask wine sales (\$0.3 million) and higher overall wine production costs (\$0.7 million) attributable to the smaller 2012 vintage.

Australasia / North American bulk wine and processing's EBIT improved \$0.4 million as a consequence of the reduced 2013 per unit vintage costs attributable to the larger vintage amounting to \$0.9 million, offset by some reduced processing volumes.

UK / Europe's EBIT fell \$3.7 million or 52.8% as a consequence of higher 2012 vintage costs (\$1.5 million), reduced low margin bulk (\$0.5 million), the impact of the higher Australian dollar for most of the year (\$0.7 million) and reduced profit in Ireland (\$1.0 million) from lower sales following the large duty increase in March 2013 and higher marketing costs (Dublin City Vineyard).

The underlining EBIT achieved by Cellar door outlets was pleasing. However, with the removal of the NSW rebates (\$0.4 million), Cellar door results were \$0.2 million below last year.

Vineyard EBIT improved \$2 million or 137.7% as a result of the higher grape yield on company owned vineyards amounting to \$1.1 million and some loss making grape sales in the prior year totaling \$0.9 million.

Unallocated costs declined \$4.2 million due to the gain on provision for onerous contracts (\$4.2 million) and reduced net interest costs (\$0.9 million), offset by the water licence impairment (\$0.9 million).

The company's effective tax rate reverted to 34% as a consequence of capital losses in the current year not recognised for tax purposes.

### Outlook

The company has continued to reduce its cost base while running its core assets hard, and improving the reputation and value of its wines in a tough market and under tough economic conditions.

The Board has resolved to pay a fully franked dividend of 2.6 cents per share, payable on 18 November 2013. The Record Date to establish shareholder dividend entitlements was 6 September 2013. The company's Dividend Reinvestment Plan (DRP) has been suspended.

The company has challenges to address with cash flow but we believe that our cash flow will improve in 2014 as a result of the initiatives put in place, the improved exchange rates and the fact that we do not need to purchase any significant bulk wine in the immediate future. The company also has carried forward tax losses which will minimise future tax payments and assist cash flow. The existing banking facility expires in September 2014 and we are negotiating a further one year extension. The company is also considering other capital management alternatives.

The improved trading conditions we are beginning to see are encouraging for Australian Vintage. The company has turned the corner away from the corrective action that needed to be taken in the past and we see positives as the industry cycle swings and supply and demand move further into balance. The weakening Australian dollar and the higher quality and quantity of our 2013 vintage, is reason to be optimistic about what can be achieved in the 2014 financial year and beyond.

While the UK market remains a challenge, the weakening of the Australian dollar should improve our margins as should the increased awareness of the company's major brands in this market, driven by our brand-focused strategy. The company also continues to build opportunistically on Australia's reputation as a quality new wine producer in Asia.

Considering the benefits of the 2013 vintage, the recent weakening of the Australian dollar and the results of cost reduction efforts, we expect that our 2014 full year net profit (after tax) will improve by somewhat in excess of a third on the 2013 net profit of \$7.1 million.

This forecast is based on normal vintage conditions, expected sales (based on historical sales patterns) and Bloomberg average forecasts for the GBP and the Euro. Any change to these factors could materially impact our 2014 result. We will update the market at our AGM in November.

## 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 13 Board Meetings, 3 Audit Committee Meetings, 1 Occupational Health and Safety Meeting and 2 Remuneration Committee meetings.

DIRECTORS'	BOARD MEETINGS ATTENDED	AUDIT COMMITTEE MEETINGS ATTENDED	OH&S COMMITTEE MEETINGS ATTENDED	REMUNERATION COMMITTEE MEETINGS ATTENDED
Ian D Ferrier	13	3	-	2
Neil A McGuigan	13	3	1	2
Brian J McGuigan	13	3	1	1
Perry R Gunner	12	2	1	2
Richard H Davis	13	3	-	2
Total Meetings Held	13	3	1	2

## 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	650,159	-
Neil A McGuigan	150,000	652,260
Brian J McGuigan	308,670	-
Perry R Gunner	265,670	-
Richard H Davis	-	-

Details of unissued shares or interests under option / performance right as at the date of this report are:

DIRECTORS'	NUMBER OF SHARES UNDER OPTION / RIGHT	CLASS OF SHARES	EXERCISE PRICE OF OPTION / RIGHT	EXPIRY DATE OF OPTION / RIGHT
Australian Vintage Ltd	1,383,400	Ordinary	*	12 September 2016
Australian Vintage Ltd	1,156,514	Ordinary	*	22 August 2017
TOTAL	2,539,914			

\* Performance Rights entitle the owner to an issue of shares at the vesting date subject to certain performance criteria.

## Remuneration Report

### Directors and Key Management Personnel Details

The Directors of Australian Vintage Ltd during the year were:

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

The Key Management Personnel of Australian Vintage Ltd during the year were:

- Michael H Noack (Company Secretary & Chief Financial Officer)
- Flora Sarris (General Counsel)
- Cameron Ferguson (General Manager – Sales and Marketing, Australasia / North America)
- Julian Dyer (General Manager – UK / Europe – appointed 3rd September 2012)
- Paul Schaafsma (General Manager, UK & Europe) – resigned 21st August 2012)

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.

#### 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.



## Remuneration Report (continued)

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 key management personnel, senior management and the Chief Executive Officer are entitled to a bonus on the achievement of pre-determined key performance criteria.

Bonuses and performance rights are the only parts of remuneration which are performance related.

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

	2013 MINIMUM BONUS \$	2013 MAXIMUM BONUS \$	2013 % OF MAXIMUM GRANTED	2014 MINIMUM BONUS \$	2014 MAXIMUM BONUS \$
Neil McGuigan	0	150,000	72.25%	0	300,000
Michael Noack	0	116,435	63.75%	0	119,636
Cameron Ferguson	0	101,530	80.75%	0	104,321
Julian Dyer	0	52,702	65.00%	0	54,283
Flora Sarris	0	94,923	80.75%	0	97,534

### 3. Long Term Incentives

The company currently has two long term incentive plans in place.

#### Executive and Employee Share Option Plan:

Long term incentive is provided as options over ordinary shares in the company or as rights to the issue of shares.

The ability to exercise options is 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. There will be no further issues to employees under this plan as it is now replaced by the Performance Rights and Option Plan.

#### Performance Rights and Option Plan:

Established in August 2012, this long term incentive is provided as a right to an issue of shares. This right is subject to the achievement of set growth rates in earnings per share over a 4 year period up until the vesting date. The plan is available to senior management as approved by the Board.

## Remuneration Report (continued)

### Key Management Personnel and employee share option and performance rights plans

For the purpose of the disclosure 'Key Management Personnel' 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 and since the end of the financial year under the Performance Rights and Option Plan, 745,310 (2012 : 909,091) share performance rights were granted to the five highest remunerated members of key management personnel as part of their remuneration. No shares were issued during or since the end of the financial year as a result of the exercise of options under either of the above Plans.

In accordance with the provisions of the Company's share option and performance rights plan, as at the date of this report, key management personnel are entitled to exercise the following performance rights:

KEY MANAGEMENT PERSONNEL	NUMBER OF RIGHTS GRANTED	EXERCISE PRICE	ISSUE DATE	EXPIRY DATE
Neil McGuigan	395,257 257,003	N/A N/A	12 August 2012 22 July 2013	12 September 2016 22 August 2017
Michael Noack	158,103 128,502	N/A N/A	12 August 2012 22 July 2013	12 September 2016 22 August 2017
Cameron Ferguson	197,628 128,502	N/A N/A	12 August 2012 22 July 2013	12 September 2016 22 August 2017
Julian Dyer	- 128,502	- N/A	- 22 July 2013	- 22 August 2017
Flora Saris	158,103 102,801	N/A N/A	12 August 2012 22 July 2013	12 September 2016 22 August 2017
<b>TOTAL</b>	<b>1,654,401</b>			

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

### Value of performance rights issued to directors and senior management

KEY MANAGEMENT PERSONNEL	RIGHTS GRANTED – VALUE @ GRANT DATE \$	RIGHTS EXERCISED – VALUE @ EXERCISE DATE \$	OPTIONS LAPSED – VALUE @ TIME OF LAPSE \$	FAIR VALUE OF RIGHTS GRANTED, EXERCISED & LAPSED \$	VALUATION OF RIGHTS INCLUDED IN REMUNERATION FOR THE YEAR \$	TOTAL REMUNERATION THAT CONSISTS OF OPTIONS \$
Neil McGuigan	105,020	-	-	-	23,002	2.9%
Mike Noack	42,008	-	-	-	9,201	1.7%
Cameron Ferguson	52,510	-	-	-	11,501	2.6%
Julian Dyer	-	-	-	-	-	-
Flora Saris	42,008	-	-	-	9,201	2.4%
<b>TOTAL</b>	<b>241,546</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,905</b>	<b>-</b>

## 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 2013:

	30 JUNE 2009 (a) \$ M	30 JUNE 2010 \$ M	30 JUNE 2011 \$ M	30 JUNE 2012 \$ M	30 JUNE 2013 \$ M
Total Revenue (excluding sale of assets)	288.3	237.7	223.2	228.0	208.5
EBIT	(155.7)	23.6	29.4	23.4	24.1
Net Profit / (Loss)	(123.6)	9.0	6.6	7.1	7.1

(a) The 30 June 2009 year includes \$172.9M of adverse significant items relating to EBIT and \$127.9M relating to Net Profit / (Loss).

	30 JUNE 2009	30 JUNE 20	30 JUNE 2011	30 JUNE 2012	30 JUNE 2013
Earnings per share - cents	(96.0)	7.0	5.1	5.4	5.3
Dividends declared - cents *	-	-	2.5	2.6	2.6
Share price at start of year - \$ per share	1.15	0.15	0.20	0.27	0.34
Share price at end of year - \$ per share	0.15	0.20	0.27	0.34	0.475

\* The 2013 dividend is fully franked, will be paid out of current year profits and was declared on 23rd August 2013 with payment to be made on 18th November 2013.

There were no shares repurchased in the current year.

### Key management personnel options granted, exercised or lapsed

There were no options granted or exercised during the year. There were 234,569 options which lapsed during the year. There was no value attributed to these lapsed options.

## Remuneration Report (continued)

### Directors' and Executives' Remuneration

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

2013	SHORT-TERM BENEFITS				POST-EMPLOYMENT		SHARE-BASED PAYMENTS			TOTAL
	Salary & Fees \$	Bonus \$	Other \$	Non - Monetary (c) \$	Super - annuation \$	Other \$	Cash Settled \$	Equity Settled Options \$	Equity Settled Shares \$	\$
<b>Non-Executive directors</b>										
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 Davis	60,000	-	-	2,000	5,400	-	-	-	-	67,400
<b>Executive directors</b>										
Neil McGuigan	599,339	108,375	-	28,042	25,503	-	-	23,002	-	784,261
<b>Executives</b>										
Paul Schaafsma (a)	57,527	-	-	-	26,813	34,172	-	-	-	118,512
Michael Noack	347,346	74,227	-	85,857	25,000	-	-	9,201	-	541,631
Cameron Ferguson	290,084	81,985	-	26,200	26,108	-	-	11,501	-	435,878
Flora Sarris	270,551	76,651	-	1,200	24,350	-	-	9,201	-	381,953
Julian Dyer (b)	190,901	34,269	-	-	39,927	-	-	-	-	265,097
<b>TOTAL</b>	<b>2,035,748</b>	<b>375,507</b>	<b>-</b>	<b>149,299</b>	<b>192,901</b>	<b>34,172</b>	<b>-</b>	<b>52,905</b>	<b>-</b>	<b>2,840,532</b>

(a) Resigned 21st August 2012.

(b) Appointed 3rd September 2012.

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

2012	SHORT-TERM BENEFITS				POST-EMPLOYMENT		SHARE-BASED PAYMENTS			TOTAL
	Salary & Fees \$	Bonus \$	Other \$	Non - Monetary (b) \$	Super - annuation \$	Other \$	Cash Settled \$	Equity Settled Options \$	Equity Settled Shares \$	\$
<b>Non-Executive directors</b>										
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 Davis	60,000	-	-	2,000	5,400	-	-	-	-	67,400
<b>Executive directors</b>										
Neil McGuigan	547,216	105,000	-	27,623	49,249	-	-	-	-	729,088
<b>Executives</b>										
Paul Schaafsma (a)	256,932	60,430	-	154,732	120,929	68,310	-	-	-	661,333
Michael Noack	330,856	79,130	-	71,758	33,129	-	-	-	-	514,873
Cameron Ferguson	289,266	64,980	-	26,200	26,034	-	-	-	-	406,480
Flora Sarris	262,568	64,511	-	1,200	23,631	-	-	-	-	351,910
<b>TOTAL</b>	<b>1,966,838</b>	<b>374,051</b>	<b>-</b>	<b>289,513</b>	<b>278,172</b>	<b>68,310</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,976,884</b>

(a) Resigned 21st August 2012. Other post employment benefit is a cash payment of accrued leave entitlements.

(b) Non-monetary items include provision of motor vehicle, wine, 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 Noack
- Flora Saris
- Cameron Ferguson
- Julian Dyer

### 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 McGuigan

- (i) Term of agreement – no specified term.
- (ii) Compensation includes:
  - a. Base salary, superannuation, motor vehicle allowance and wine allowance.
  - b. Short term incentive – entitlement to a bonus subject to certain key performance criteria.
  - c. Long term incentive – entitlement to equity under the Performance Rights and Options Plan subject to meeting growth rates in earnings per share over a 4 year period.
- (iii) If Mr McGuigan's employment is terminated by the Company, the Company must pay the equivalent of one year's total remuneration (excluding short term incentive).

#### Michael Noack

- (i) Term of agreement – no specified term.
- (ii) Compensation includes:
  - a. Base salary, superannuation, life / trauma insurance, motor vehicle allowance and wine allowance.
  - b. Short term incentive – entitlement to a bonus subject to certain key performance criteria.
  - c. Long term incentive – entitlement to equity under the Performance Rights and Options Plan subject to meeting growth rates in earnings per share over a 4 year period.
- (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 Ferguson

- (i) Term of agreement – no specified term.
- (ii) Compensation includes:
  - a. Base salary, superannuation, motor vehicle allowance and wine allowance.
  - b. Short term incentive – entitlement to a bonus subject to certain key performance criteria.
  - c. Long term incentive – entitlement to equity under the Performance Rights and Options Plan subject to meeting growth rates in earnings per share over a 4 year period.
- (iii) If Mr Ferguson's employment is terminated by the company, the company must pay Mr Ferguson the equivalent of one year's base remuneration (including motor vehicle allowance).

## Remuneration Report (continued)

### Flora Sarris

- (i) Term of agreement – no specified term.
- (ii) Compensation includes:
  - a. Base salary, superannuation and wine allowance.
  - b. Short term incentive – entitlement to a bonus subject to certain key performance criteria.
  - c. Long term incentive – entitlement to equity under the Performance Rights and Options Plan subject to meeting growth rates in earnings per share over a 4 year period.
- (iii) If Ms Sarris's employment is terminated by the company, the company must pay Ms Sarris the equivalent of one year's total remuneration.

### Julian Dyer

- (i) Term of agreement – no specified term.
- (ii) Compensation includes:
  - a. Base salary and United Kingdom pension payment.
  - b. Short term incentive – entitlement to a bonus subject to certain key performance criteria.
  - c. Long term incentive – entitlement to equity under the Performance Rights and Options Plan subject to meeting growth rates in earnings per share over a 4 year period.



## 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
- one 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 included on page 32.

## 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

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 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  
2nd September 2013



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

2nd September 2013

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 audit of the financial statements of Australian Vintage Ltd for the financial year ended 30 June 2013, 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

  
DELOITTE TOUCHE TOHMATSU



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 2013, 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 34 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 gives a true and fair view and 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 company'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 company'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 2013 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 24 to 30 of the directors' report for the year ended 30 June 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*Stephen Harvey*

Stephen Harvey, Partner  
Chartered Accountants  
Adelaide, 2nd September 2013

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

Chairman

2nd September 2013



FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	NOTE	CONSOLIDATED	
		2013 \$'000	2012 \$'000
Revenue	5	208,549	227,962
Cost of sales	5	(151,380)	(165,633)
<b>Gross Profit</b>		<b>57,169</b>	<b>62,329</b>
Fair value of grapes picked during the financial year less estimated costs to sell		3,171	967
Investment Income	5	403	458
Other gains and losses	5	917	1,425
Distribution expenses		(10,856)	(12,269)
Gain on provision for onerous contracts		4,223	-
Sales and marketing expenses		(23,646)	(22,349)
Administration expenses		(6,531)	(6,271)
Loss on foreign exchange		(459)	(601)
Finance costs – interest paid	5	(12,920)	(12,835)
Finance costs – interest un-wind	5	(990)	(1,916)
<b>Profit before income tax</b>		<b>10,481</b>	<b>8,938</b>
Income tax expense	6	(3,411)	(1,871)
<b>Net profit for the year</b>		<b>7,070</b>	<b>7,067</b>
<b>Other comprehensive loss net of income tax:</b>			
Items that may be subsequently classified to the profit or loss:			
Profit / (Loss) on interest rate swaps		1,453	(1,716)
Valuation of foreign exchange hedges		(1,571)	6
Exchange differences arising on translation of foreign operations		45	34
Income tax relating to components of other comprehensive income		21	503
<b>Other comprehensive income / (loss) for the year, net of income tax</b>		<b>(52)</b>	<b>(1,173)</b>
<b>Total comprehensive income for the year</b>		<b>7,018</b>	<b>5,894</b>
<b>Earnings Per Share:</b>			
Basic (cents per share)	35	5.3	5.4
Diluted (cents per share)	35	5.3	5.4

Notes to the financial statements are included on pages 40 to 84.

AS AT 30 JUNE 2013

	NOTE	CONSOLIDATED	
		2013 \$'000	2012 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	42	995	237
Trade and other receivables	10	35,613	39,546
Inventories	11	151,376	130,624
Current tax assets	6	79	200
Other	12	3,637	4,105
<b>Total Current Assets</b>		<b>191,700</b>	<b>174,712</b>
<b>Non-Current Assets</b>			
Trade and other receivables	13	-	1,843
Inventories	14	20,858	21,878
Other financial assets	15	59	59
Biological assets	16	33,184	33,169
Property, plant and equipment	17	93,171	95,613
Goodwill	18	37,685	37,685
Other intangible assets	20	7,405	7,780
Water Licences	19	7,467	8,692
Deferred tax assets	6	52,288	55,123
<b>Total Non-Current Assets</b>		<b>252,117</b>	<b>261,842</b>
<b>Total Assets</b>		<b>443,817</b>	<b>436,554</b>
<b>Current Liabilities</b>			
Trade and other payables	22	33,019	36,918
Borrowings	23	2,305	1,993
Other financial liabilities	24	1,559	1,618
Provisions	25	6,061	8,016
Other	26	48	42
<b>Total Current Liabilities</b>		<b>42,992</b>	<b>48,587</b>
<b>Non-Current Liabilities</b>			
Borrowings	27	140,748	127,329
Deferred tax liabilities	6	10,773	10,232
Other financial liabilities	28	430	751
Provisions	29	7,975	12,786
<b>Total Non-Current Liabilities</b>		<b>159,926</b>	<b>151,098</b>
<b>Total Liabilities</b>		<b>202,918</b>	<b>199,685</b>
<b>Net Assets</b>		<b>240,899</b>	<b>236,869</b>
<b>Equity</b>			
Issued capital	32	403,155	402,792
Reserves	33	670	641
Accumulated losses	34	(162,926)	(166,564)
<b>Total Equity</b>		<b>240,899</b>	<b>236,869</b>

Notes to the financial statements are included on pages 40 to 84.

## 38 | CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	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 2012	402,792	1,497	(865)	9	(166,564)	236,869
Profit for the period	-	-	-	-	7,070	7,070
Profit on interest rate swaps	-	-	1,453	-	-	1,453
Valuation of foreign exchange hedges	-	-	(1,571)	-	-	(1,571)
Exchange differences arising on translation of foreign operations	-	-	-	45	-	45
Income tax relating to components of other comprehensive income	-	-	35	(14)	-	21
<b>Total comprehensive income for the period</b>	-	-	(83)	31	7,070	7,018
<b>Transactions with owners in their capacity as owners:</b>						
Dividend paid	-	-	-	-	(3,432)	(3,432)
Recognition of share based payments	-	81	-	-	-	81
Issue of shares	363	-	-	-	-	363
<b>Balance at 30 June 2013</b>	<b>403,155</b>	<b>1,578</b>	<b>(948)</b>	<b>40</b>	<b>(162,926)</b>	<b>240,899</b>
Balance at 1 July 2011	401,831	1,497	332	(15)	(170,417)	233,228
Profit for the period	-	-	-	-	7,067	7,067
Loss on interest rate swaps	-	-	(1,716)	-	-	(1,716)
Valuation of foreign exchange hedges	-	-	6	-	-	6
Exchange differences arising on translation of foreign operations	-	-	-	34	-	34
Income tax relating to components of other comprehensive income	-	-	513	(10)	-	503
<b>Total comprehensive income for the period</b>	-	-	(1,197)	24	7,067	5,894
<b>Transactions with owners in their capacity as owners:</b>						
Dividend paid	-	-	-	-	(3,214)	(3,214)
Issue of shares	961	-	-	-	-	961
<b>Balance at 30 June 2012</b>	<b>402,792</b>	<b>1,497</b>	<b>(865)</b>	<b>9</b>	<b>(166,564)</b>	<b>236,869</b>

Notes to the financial statements are included on pages 40 to 84.



## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	NOTE	CONSOLIDATED	
		2013 \$'000	2012 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		223,481	241,448
Payments to suppliers and employees		(217,164)	(217,723)
<b>Cash generated from operations</b>		<b>6,317</b>	<b>23,725</b>
Interest and other costs of finance paid		(10,935)	(13,292)
Interest and bill discounts received		284	157
<b>Net cash (used in) / provided by operating activities</b>	<b>42 (d)</b>	<b>(4,334)</b>	<b>10,590</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(4,224)	(5,183)
Payments for intangibles	20	(136)	(151)
Proceeds from sale of property, plant & equipment		1,316	26,151
<b>Net cash (used in) / provided by investing activities</b>		<b>(3,044)</b>	<b>20,817</b>
<b>Cash flows from financing activities</b>			
Loan payment received		188	2,313
Dividends paid		(3,069)	(2,253)
Proceeds from borrowings		13,700	-
Repayment of borrowings		(2,683)	(37,654)
<b>Net cash provided by / (used in) financing activities</b>		<b>8,136</b>	<b>(37,594)</b>
Net increase / (decrease) in cash and cash equivalents		758	(6,187)
Cash and cash equivalents at the beginning of the financial year		237	6,424
<b>Cash and cash equivalents at the end of the financial year</b>	<b>42</b>	<b>995</b>	<b>237</b>

Notes to the financial statements are included on pages 40 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 2nd September 2013.

## Note 2: Adoption of new and revised Accounting Standards

### Adoption of new and revised Accounting Standards

The following new and revised Standards and Interpretations have been adopted in the current year 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 101 'Presentation of Financial Statements'. The amendment (part of AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income') introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The amendments (part of AASB 2012-5 'Further Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle') requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position), when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The related notes to the third statement of financial position are not required to be disclosed.

#### 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 in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

STANDARD / INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
■ AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB9' and AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 8 and Transition Disclosure'	1 January 2015	30 June 2016
■ AASB 9 'Financial Instruments' (December 2010), AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)' and AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 8 and Transition Disclosure'	1 January 2015	30 June 2016
■ AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements 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 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
■ AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
■ AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
■ AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
■ AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
■ AASB 2010-10 'Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters'	1 January 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 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
■ AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
■ AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'	1 January 2013	30 June 2014
■ AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	1 January 2013	30 June 2014
■ AASB 2012-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
■ AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015

The potential effects of the above Standards and Interpretations on the Group's financial statements has not yet been determined.

At the date of authorisation of the financial statements, there were no IASB Standards and IFRIC Interpretations in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

## 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. For the purposes of preparing the consolidated financial statements, the company is a for-profit entity.

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 and biological assets. 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.

## Note 3: Summary of accounting policies (continued)

### 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.

### 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 *Non-current 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.

### Note 3: Summary of accounting policies (continued)

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.

#### 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 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.

### Note 3: Summary of accounting policies (continued)

#### 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.

#### 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 nor 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.

### Note 3: Summary of accounting policies (continued)

#### 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.

#### De-recognition 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.

### 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.



### Note 3: Summary of accounting policies (continued)

#### 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.

#### 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

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.



### Note 3: Summary of accounting policies (continued)

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.

#### 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 statement of financial position as a finance lease obligation.

### Note 3: Summary of accounting policies (continued)

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.

#### 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 are 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 disposal or retirement of an item of property, plant and equipment is determined as the difference 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.

## Note 3: Summary of accounting policies (continued)

**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.

**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. Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant 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.

## Note 4: Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgments, 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 judgments 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.

### **Income tax losses**

The company has recognised deferred tax assets in relation to unused tax losses and temporary differences as at the end of the reporting period. The recognition of deferred tax assets is after considering whether it is probable that the 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 – 2012 : 8.5%) of the expenditures expected to be required to settle the onerous obligations.

### **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 13.12% (2012: 13.34%), which indicated that the fair value of assets (including goodwill), based upon discounted cash flows, was higher than the carrying value.

The carrying value of the brand names have been individually assessed as part of separate 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% (2012 : 20%) (branded wine business).

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 2013.

In determining the fair value of the biological assets, the forecast cash flows from the vineyards have been discounted using a 14.32% (2012 : 14.53%) 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	
	2013 \$'000	2012 \$'000
<b>(a) Revenue – continuing operations</b>		
Revenue from the sale of goods	193,158	212,763
Revenue from contract processing	11,959	11,373
Revenue from rendering vineyard contract services	3,432	3,826
<b>Total</b>	<b>208,549</b>	<b>227,962</b>
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.		
<b>Investment income</b>		
Rental revenue	91	133
Interest received	312	325
<b>Total</b>	<b>403</b>	<b>458</b>
<b>Other gains / (losses)</b>		
(Loss) / Gain on sales of other property, plant and equipment	(32)	218
Wine equalisation tax rebate	500	500
Other rebates	740	442
Government grants	136	-
Impairment of water licences	(901)	-
Other	474	265
<b>Total</b>	<b>917</b>	<b>1,425</b>
<b>(b) Profit before income tax</b>		
Profit before income tax has been arrived at after (crediting) the following gains:		
Unrealised profit on foreign exchange	(459)	(601)
Profit before income tax has been arrived at after charging the following expenses:		
Cost of sales	151,380	165,633
Operating lease rental expenses (minimum lease payments)	13,137	15,143
Employee benefit expense:		
Share-based payments:		
Equity settled share-based payments	81	-
	81	-
Termination benefits	351	591
Superannuation benefits	2,595	2,608
Other employee benefits (incl. salaries and wages)	32,805	34,474
<b>Total employee benefits expense</b>	<b>35,832</b>	<b>37,673</b>
Depreciation of non-current assets - charged to cost of sales / inventory	5,402	5,437
Depreciation of non-current assets - other	1,157	1,127
Amortisation of non-current assets	511	463
<b>Total depreciation and amortisation expense</b>	<b>7,070</b>	<b>7,027</b>
<b>(c) Finance costs:</b>		
Interest on bank overdrafts and loans	12,259	12,018
Interest on obligations under finance lease	661	817
	12,920	12,835
Unwinding of discounts on provisions	990	1,916

The weighted average rate on funds borrowed is 8.12% per annum (2011: 8.07% per annum).

## Note 6: Income taxes

		CONSOLIDATED	
		2013	2012
		\$'000	\$'000
<b>(a) Income tax recognised in profit or loss</b>			
Current tax			
Tax expense comprises:			
Current tax expense in respect of the current year		89	1,010
		<b>89</b>	<b>1,010</b>
Deferred tax			
Deferred tax expense relating to the origination and reversal of temporary differences		3,376	1,358
Adjustments recognised in the current year in relation to the current tax of prior years		(54)	(497)
Total tax expense attributable to continuing operations		3,322	861
Total income tax expense recognised in the current year relating to continuing operations		3,411	1,871
The prima facie income tax expense/(benefit) on pre-tax accounting income/(loss) from operations reconciles to the income tax expense in the financial statements as follows:			
Profit from operations		10,481	8,938
Income tax expense calculated at 30%		3,144	2,681
Non-deductible expenses		51	23
Current year capital losses not recognised		270	-
Capital losses utilised (not previously recorded)		-	(336)
		3,465	2,368
Adjustments recognised in the current year in relation to tax of prior years		(54)	(497)
<b>Total tax expense</b>		<b>3,411</b>	<b>1,871</b>
The tax rate used for the 2013 and 2012 reconciliations above is the corporation tax rate of 30% payable by Australian Corporate entities on taxable profits under Australian tax law.			
<b>(b) Income tax recognised in other comprehensive income</b>		21	503
<b>(c) Current tax assets and liabilities</b>			
Current tax assets		79	200
<b>(d) Deferred tax balances</b>			
Deferred tax assets comprise:			
Tax losses – revenue		34,250	33,353
Temporary differences		18,038	21,770
		<b>52,288</b>	<b>55,123</b>
Deferred tax liabilities comprise:			
Temporary differences		10,773	10,232
<b>Total income tax recognised directly in equity</b>		<b>21</b>	<b>503</b>

## Note 6: Income taxes (continued)

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

CONSOLIDATED					
Temporary differences 2013	Opening Balance \$'000	Charged to Income \$'000	Charged to Equity \$'000	Acquisitions/ Disposals \$'000	Closing Balance \$'000
<b>Gross deferred tax liabilities:</b>					
Work in progress	(1,948)	283	-	-	(1,665)
Property, plant and equipment	(6,629)	(819)	-	-	(7,448)
Intangible assets	(370)	26	-	-	(344)
Inventories	(1,256)	(32)	-	-	(1,288)
Other	(29)	(20)	21	-	(28)
	<b>(10,232)</b>	<b>(562)</b>	<b>21</b>	<b>-</b>	<b>(10,773)</b>
<b>Gross deferred tax assets:</b>					
Property, plant and equipment	-	10	-	-	10
Provisions and accruals	11,824	(3,130)	-	-	8,694
Financial liabilities	711	(436)	-	-	275
Inventories	9,235	(176)	-	-	9,059
Tax losses	33,353	897	-	-	34,250
	<b>55,123</b>	<b>(2,835)</b>	<b>-</b>	<b>-</b>	<b>52,288</b>
<b>Temporary differences 2012</b>					
<b>Gross deferred tax liabilities:</b>					
Work in progress	(2,376)	428	-	-	(1,948)
Property, plant and equipment	(9,415)	2,786	-	-	(6,629)
Intangible assets	(406)	36	-	-	(370)
Inventories	-	(1,256)	-	-	(1,256)
Other	(47)	18	-	-	(29)
	<b>(12,244)</b>	<b>2,012</b>	<b>-</b>	<b>-</b>	<b>(10,232)</b>
<b>Gross deferred tax assets:</b>					
Property, plant and equipment	15	(15)	-	-	-
Provisions and accruals	17,446	(5,622)	-	-	11,824
Financial liabilities	-	711	-	-	711
Inventories	-	9,235	-	-	9,235
Tax losses	40,913	(7,560)	-	-	33,353
Other	119	(622)	503	-	-
	<b>58,493</b>	<b>(3,873)</b>	<b>503</b>	<b>-</b>	<b>55,123</b>

There are no unrecognised revenue tax losses relating to the Group or the Company. The company has not recognised \$6,710,000 (2012: \$5,769,000) 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:

<b>Ian Ferrier</b> (Chairman – Non-Executive Director)	<b>Michael Noack</b> (Chief Financial Officer and Company Secretary)
<b>Brian McGuigan</b> (Non-Executive Director)	<b>Flora Sarris</b> (General Counsel)
<b>Perry Gunner</b> (Non-Executive Director)	<b>Cameron Ferguson</b> (General Manager – Sales and Marketing)
<b>Richard Davis</b> (Non-Executive Director)	<b>Julian Dyer</b> (General Manager – UK / Europe – appointed 3rd September 2012)
<b>Neil McGuigan</b> (Chief Executive Officer)	<b>Paul Schaafsma</b> (General Manager – UK / Europe – resigned 21st August 2012)

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

	CONSOLIDATED	
	2013	2012
	\$	\$
Short-term employee benefits	2,560,554	2,630,402
Post-employment benefits	227,073	346,482
Share based payments	52,905	-
Termination benefits	-	-
	<b>2,840,532</b>	<b>2,976,884</b>

## Note 8: Executive share option plan

The Company currently has two long term incentive plans in place.

## Australian Vintage Ltd Executive Option Acquisition Plan ("Plan") – option series 1 to 3.

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.

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:

	2013 NUMBER	2012 NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	
			2013 \$	2012 \$
Balance at the beginning of the financial year (i)	259,261	376,058	1.76	1.76
Granted during the financial year (ii)	-	-	-	-
Exercised during the financial year (ii)	-	-	-	-
Lapsed / cancelled during the financial year (iii)	(259,261)	(116,797)	1.76	3.02
<b>Balance at the end of the financial year (iv)</b>	<b>-</b>	<b>259,261</b>	<b>-</b>	<b>1.64</b>

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 takeover 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

2013 OPTIONS – SERIES	No.	VESTED No.	UNVESTED No.	GRANT DATE	VESTING DATE	EXPIRY DATE	EXERCISE PRICE \$
(3) Issued 20 December 2007	259,261	259,261	-	20/12/07	20/12/10	30/12/12	1.64
	<u>259,261</u>	<u>259,261</u>	<u>-</u>				

2012 OPTIONS – SERIES	No.	VESTED No.	UNVESTED No.	GRANT DATE	EXERCISE DATE	EXPIRY DATE	EXERCISE PRICE \$
(1) Issued 16 November 2006	69,697	69,697	-	16/11/06	16/11/09	30/12/11	2.90
(2) Issued 3 April 2007	47,100	47,100	-	03/04/07	05/04/10	30/12/11	3.20
(3) Issued 20 December 2007	259,261	259,261	-	20/12/07	20/12/10	30/12/12	1.64
	<u>376,058</u>	<u>376,058</u>	<u>-</u>				

## (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

2013 OPTIONS – SERIES	No.	GRANT DATE	EXPIRY DATE
(3) Issued 20 December 2007	259,261	20/12/07	30/12/12

2012 OPTIONS – SERIES	No.	GRANT DATE	EXPIRY DATE
(1) Issued 16 November 2006	69,697	16/11/06	30/12/11
(2) Issued 3 April 2007	47,100	03/04/07	30/12/11
	<u>116,797</u>		

## (iv) Balance at end of financial year

2013 OPTIONS – SERIES	No.	VESTED No.	UNVESTED No.	GRANT DATE	VESTING DATE	EXPIRY DATE	EXERCISE PRICE \$
NIL							

2012 OPTIONS – SERIES	No.	VESTED No.	UNVESTED No.	GRANT DATE	VESTING DATE	EXPIRY DATE	EXERCISE PRICE \$
(3) Issued 20 December 2007	259,261	259,261	-	20/12/07	20/12/10	30/12/12	1.64
	<u>259,261</u>	<u>259,261</u>	<u>-</u>				

## Australian Vintage Ltd Performance Rights and Option Plan

Established in August 2012, this long term incentive is provided as a right to an issue of shares. This right is subject to the achievement of set growth rates in earnings per share over a 4 year period up until the vesting date. The plan is available to senior management as approved by the board. On the 12th August 2012, 1,383,400 performance rights were issued under this plan to employees. These performance rights have a vesting date of 12th August 2016 and an expiry date of 12th September 2016. The fair value of these performance rights was \$367,569 at the grant date. These rights were priced using a binominal option pricing model.

## Note 9: Remuneration of auditors

	CONSOLIDATED	
	2013 \$	2012 \$
<b>Auditor of the parent company</b>		
Audit or review of financial report	334,750	325,000
Other services – other audit services	9,500	21,525
Other services – taxation advice	13,931	26,205
Other services – grant advice	6,500	-
Other services – taxation compliance	35,500	39,000
	<b>400,181</b>	<b>411,730</b>

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

## Note 10: Current trade and other receivables

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
Trade receivables (i)	33,247	39,573
Allowance for doubtful debts	(122)	(303)
	<b>33,125</b>	<b>39,270</b>
Loans to other entities (ii)	1,843	188
Other receivables	645	88
	<b>35,613</b>	<b>39,546</b>

(i) The average credit period on sales of goods and rendering of services is 64 days (2012: 65 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 in instalments up to 30th June 2014, secured against a vineyard. The interest rate charged is 10.25% (2012: 10.25%).

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, \$15.8 million (2012: \$24.4 million) is due from international and domestic supermarket groups and two major wine entities. 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 \$3.6 million (2012: \$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.

**Ageing of past due but not impaired**

30 – 60 days	3,010	1,438
60 – 90 days	239	95
90 – 120 days	397	100
<b>Total</b>	<b>3,646</b>	<b>1,633</b>
Average age (days)	<b>50</b>	<b>44</b>

**Movement in the allowance of doubtful debts**

Balance at the beginning of the year	(303)	(410)
Impairment reversals / (losses) recognised on receivables	68	4
Amounts written off as not collectable	113	103
<b>Balance at the end of the year</b>	<b>(122)</b>	<b>(303)</b>

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

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
Bulk wine	112,996	100,023
Other stores and raw materials	3,727	3,417
Work in progress	5,551	6,493
Bottled wine	29,102	20,691
	<b>151,376</b>	<b>130,624</b>

The cost of inventory recognised as an expense (or cost of sales) during the year in respect of continuing operations was \$151.4 million (2012: \$165.6 million).

## Note 12: Other current assets

Prepayments	3,637	2,636
Hedge assets – foreign exchange contracts (note 31)	-	1,469
	<b>3,637</b>	<b>4,105</b>

## Note 13: Non-current trade and other receivables

Loans carried at amortised cost:

Loans to other entities	-	1,843
	<b>-</b>	<b>1,843</b>

## Note 14: Non-current inventories

Bulk wine	19,326	20,789
Bottled wine	1,532	1,089
	<b>20,858</b>	<b>21,878</b>

## Note 15: Other non-current financial assets

Investments in companies (i)	59	59
	<b>59</b>	<b>59</b>

(i) Relates to investments in wine related businesses.

## Note 16: Biological assets

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
Fair value less costs to sell of vines at beginning of year	33,169	33,048
Valuation adjustment	15	121
<b>Fair value less costs to sell of vines at end of year</b>	<b>33,184</b>	<b>33,169</b>

**(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 \$3,171,000 (2012: \$967,000).

**(b) Physical quantity of vines**

	CONSOLIDATED	
	2013 No.	2012 No.
Number of vines owned	1,429,364	1,429,364
Acres owned	1,923	1,923
Number of grapes crushed - owned vineyards (tonnes)	20,165	16,786

**(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 are currently mature and will be productive for periods up to 40 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 14.32% (2012 : 14.53%).

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 17: Property, plant and equipment

		CONSOLIDATED	
		2013 \$'000	2012 \$'000
(a)	<b>Vineyard Improvements</b>		
	at cost	14,270	14,273
	accumulated depreciation	(6,276)	(5,575)
		<b>7,994</b>	<b>8,698</b>
	<b>Freehold Land</b>		
	at cost	<b>13,726</b>	<b>13,726</b>
	<b>Buildings</b>		
	At cost	17,765	17,346
	accumulated depreciation	(4,871)	(4,469)
		<b>12,894</b>	<b>12,877</b>
	<b>Plant and equipment under lease</b>		
	at cost	13,232	12,192
	accumulated amortisation	(831)	(457)
		<b>12,401</b>	<b>11,735</b>
	<b>Plant and equipment</b>		
	at cost	112,172	109,708
	accumulated depreciation	(66,016)	(61,131)
		<b>46,156</b>	<b>48,577</b>
	<b>Total Property, Plant and Equipment</b>		
	at cost	171,165	167,245
	accumulated depreciation and amortisation	(77,994)	(71,632)
		<b>93,171</b>	<b>95,613</b>
(b)	<b>Reconciliations</b>		
	<b>Vineyard Improvements</b>		
	carrying amount at beginning of the financial year	8,698	9,318
	additions	-	78
	disposals	(2)	-
	depreciation	(702)	(698)
	<b>at end of year</b>	<b>7,994</b>	<b>8,698</b>
	<b>Freehold land</b>		
	carrying amount at beginning of the financial year	13,726	13,726
	<b>at end of year</b>	<b>13,726</b>	<b>13,726</b>
	<b>Buildings</b>		
	carrying amount at beginning of the financial year	12,877	12,669
	additions	419	583
	depreciation	(402)	(375)
	<b>at end of year</b>	<b>12,894</b>	<b>12,877</b>

## Note 17: Property, plant and equipment (continued)

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
<b>Plant and equipment under lease</b>		
carrying amount at beginning of the financial year	11,735	12,101
additions	1,040	-
amortisation	(374)	(366)
<b>at end of year</b>	<b>12,401</b>	<b>11,735</b>
<b>Plant and equipment</b>		
carrying amount at beginning of the financial year	48,577	49,334
additions	2,727	4,402
disposals	(67)	(34)
depreciation	(5,081)	(5,125)
<b>at end of year</b>	<b>46,156</b>	<b>48,577</b>
<b>Aggregate depreciation and amortisation allocated, and impairment recognised as an expense during the year:</b>		
Buildings	402	375
Vineyard improvements	702	698
Plant and equipment	5,081	5,125
Plant and equipment under lease	374	366
	<b>6,559</b>	<b>6,564</b>

## Note 18: Goodwill

Gross carrying amount:

Balance at beginning of the financial year	44,085	44,085
<b>Balance at end of the financial year</b>	<b>44,085</b>	<b>44,085</b>

**Accumulated impairment losses**

Balance at beginning of financial year	6,400	6,400
<b>Balance at end of financial (i)</b>	<b>6,400</b>	<b>6,400</b>

**Net book value**

At the beginning of the financial year	37,685	37,685
<b>At the end of the financial year</b>	<b>37,685</b>	<b>37,685</b>

**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	37,685
--------------------	--------	--------

- (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 2013 and adjusted that base year for the budgets and plans approved by the Board of Directors.

## Note 18: 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 13.12% p.a. (2012: 13.34% 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.
- Terminal Growth Rate of 3% (2012 : 3%)
- Pre-tax Weighted Average Cost of Capital/ Discount rate of 13.12% (2012 : 13.34%)
- Cost of debt 8.5% (2012 : 8.5%)
- Levered Beta of 0.85 (2012 : 0.85)

### Sensitivity Analysis

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

The discount rate can be increased by 1.4 percentage points (to 14.5%) before an impairment is recognised.

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

Reducing the terminal growth rate to 1% 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 \$2.2 million.

The calculations are not very 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 19: Water licences

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
Permanent water licences – at cost	7,467	8,692
Balance at 1 July	8,692	8,692
Acquired during the year	751	-
Impairment during the year	(901)	-
Disposed during the year	(1,075)	-
<b>Balance at 30 June</b>	<b>7,467</b>	<b>8,692</b>

During the year the Group carried out a review of the recoverable amount of water licences. The review led to the recognition of an impairment loss of \$901,000, which has been recognised in the profit or loss. The water licences were subsequently sold at the impaired value.

## Note 20: Other intangible assets

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
<b>Brand Names and Registered Trademarks:</b>		
Balance at 1 July	5,488	5,488
Balance at 30 June	5,488	5,488
<b>Software:</b>		
Balance at 1 July	2,292	2,604
Costs incurred during the year	136	151
Amortisation expense	(511)	(463)
Balance at 30 June	1,917	2,292
<b>Total other intangible assets</b>	<b>7,405</b>	<b>7,780</b>

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 19.56% p.a. (2012: 19.5% 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% (2012 : 3%)
- Pre-tax Weighted Average Cost of Capital / Discount rate of 19.56% (2012 : 19.5%)
- Cost of debt 9% (2012 : 9%)
- Levered Beta of 1.19 (2012 : 1.08)
- Revenue growth rate of 3% (2012 : 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 valuation 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 21: Assets pledged as security

In accordance with the security arrangements of liabilities, as disclosed in notes 23 and 27 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	
	2013 \$'000	2012 \$'000
Inventory	172,234	152,502
Receivables	35,613	39,546
Property, plant and equipment (including Biological Assets)	126,355	128,782
	<b>334,202</b>	<b>320,830</b>

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 22: Current trade and other payables

Trade payables(i)	23,595	26,580
Goods and services tax payable	996	597
Value added tax payable	297	472
Other accounts payable and accruals	8,131	9,269
	<b>33,019</b>	<b>36,918</b>

(i) The average credit period on purchase of goods is 34 days (2012: 34 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 23: Current borrowings

At amortised cost:

Finance lease liabilities - secured (i)	2,305	1,993
	<b>2,305</b>	<b>1,993</b>

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

### Note 24: Other current financial liabilities

Hedge liabilities – foreign exchange contracts	1,073	-
Interest rate swap	486	1,618
	<b>1,559</b>	<b>1,618</b>

### Note 25: Current provisions

Directors retirement benefit (note 30)	149	149
Onerous contracts (note 30)	2,045	3,849
Employee entitlements (i)	3,867	4,018
	<b>6,061</b>	<b>8,016</b>

(i) The current provision for employee entitlements includes \$3,180,735 (2012 : \$3,909,599) of annual leave and vested long service leave entitlements.

### Note 26: Other current liabilities

Income in advance	48	42
	<b>48</b>	<b>42</b>

## Note 27: Non-current borrowings

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
Secured - at amortised cost:		
Commercial Bills (i) (note 42(b))	135,700	122,000
Accrued interest	813	-
Prepaid interest	-	(512)
	136,513	121,488
Finance lease liabilities (ii)	4,235	5,841
	<b>140,748</b>	<b>127,329</b>

(i) Commercial bills with a variable interest rate were issued in 2013. The current weighted average interest rate on the bills is 7.73% (2012: 8.12%). The bank overdraft and commercial bills are subject to fixed and floating charges over the majority of the Group's assets (refer note 21).

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

## Note 28: Non-current other financial liabilities

Interest rate swap	430	751
	<b>430</b>	<b>751</b>

## Note 29: Non-current provisions

Employee entitlements	1,030	817
Onerous contracts (note 30)	6,945	11,969
	<b>7,975</b>	<b>12,786</b>

## Note 30: Provisions

	CONSOLIDATED	
	\$'000 Onerous Contracts (i)	\$'000 Directors Retirement Benefit (ii)
Balance at 30 June 2012	15,818	149
Reductions arising from payments/other sacrifices of future economic benefits	(3,418)	-
Unwinding of discount and effect of changes in the discount rate	990	-
Reductions resulting from re-measurement, contract re-negotiation or settlement without cost	(4,400)	-
<b>Balance at 30 June 2013</b>	<b>8,990</b>	<b>149</b>

(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 \$2,595,000 (2012: \$2,608,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 30 June 2013, contributions of \$111,964 (2012: \$108,521) due in respect of the reporting period had not been paid over to the plans. The amounts were paid in July 2013.

## Note 3l: Foreign currency balances

The following table details the forward foreign currency contracts outstanding as at 30 June 2013:

CURRENCY	EXCHANGE RATE	FOREIGN CURRENCY FC '000	CONTRACT VALUE AUD \$'000	FAIR VALUE AUD \$'000
<b>Forward Contracts:</b>				
Sell GB Pounds	0.6427	2,000	3,175	(75)
Sell GB Pounds	0.6125	1,000	1,632	632
Buy GB Pounds	0.5894	1,000	1,696	(696)
Sell GB Pounds	0.6620	2,000	3,022	1,022
Buy GB Pounds	0.5856	2,000	3,415	(1,412)
Sell Euro	0.8115	750	949	(31)
Sell Euro	0.6865	500	728	228
Buy Euro	0.6826	500	732	(232)
Sell Euro	0.7373	400	545	145
Buy Euro	0.6491	400	615	(215)
<b>Cap / Collar Contracts:</b>				
Sell GB Pounds	0.5635 – 0.6300	2,000	3,549	(6)
Sell GB Pounds	0.5780 – 0.7000	6,000	10,380	(306)
Sell Euro	0.7030 – 0.7800	750	1,067	(30)
Sell Euro	0.7055 – 0.8600	1,200	1,701	(97)

The following table details the forward foreign currency contracts outstanding as at 30th June 2012:

CURRENCY	EXCHANGE RATE	FOREIGN CURRENCY FC '000	CONTRACT VALUE AUD \$'000	FAIR VALUE AUD \$'000
<b>Forward Contracts:</b>				
Sell GB Pounds	0.6192	2,200	3,583	131
Sell GB Pounds	0.6283	2,200	3,501	77
Sell GB Pounds	0.6235	3,000	4,811	170
Sell GB Pounds	0.6064	5,000	8,245	220
Sell GB Pounds	0.6000	4,900	8,166	326
Sell GB Pounds	0.6300	2,000	3,175	38
Sell GB Pounds	0.6427	2,500	3,890	149
Sell Euro	0.7900	1,000	1,432	10
Sell Euro	0.7099	2,700	3,803	378
<b>Cap / Collar Contracts:</b>				
Sell GB Pounds	0.5635 – 0.6300	2,000	3,362	93
Sell GB Pounds	0.6100 – 0.6600	8,000	12,618	184
Sell GB Pounds	0.6060 – 0.6600	4,700	7,486	28
Sell Euro	0.7030 – 0.7800	1,000	1,432	10
Sell Euro	0.7450 – 0.8300	450	571	1

## Note 32: Issued capital

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
132,720,637 Fully paid ordinary shares (2012: 131,993,692)	403,155	402,792

	CONSOLIDATED			
	2013 Number	2013 \$'000	2012 Number	2012 \$'000
<b>Fully paid ordinary share capital</b>				
Beginning of financial year	131,993,692	402,792	128,580,317	401,831
<b>Issued during the year</b>				
Shares issued under dividend re-investment plan	726,945	363	3,413,375	961
<b>End of financial year</b>	<b>132,720,637</b>	<b>403,155</b>	<b>131,993,692</b>	<b>402,792</b>

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.

Share options or performance rights carry no rights to dividends and no voting rights.

## Note 33: Reserves

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
Employee equity-settled benefits (i)	1,578	1,497
Hedging reserve (ii)	(948)	(865)
Foreign currency translation reserve (iii)	40	9
	<b>670</b>	<b>641</b>

- (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 note 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	(166,564)	(170,417)
Net profit	7,070	7,067
Dividends paid	(3,432)	(3,214)
<b>End of financial year</b>	<b>(162,926)</b>	<b>(166,564)</b>

## Note 35: Earnings per share

	CONSOLIDATED	
	2013 Cents Per Share	2012 Cents Per Share
Basic earnings per share	5.3	5.4
Diluted earnings per share	5.3	5.4
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 for the year	7,070	7,067
	2013 '000 Number of Shares	2012 '000 Number of Shares
<b>Basic earnings per share</b>		
Weighted average number of ordinary shares used in calculating basic earnings per share (i)	132,438	131,037
<b>Dilutive earnings per share</b>		
Weighted average number of ordinary shares used in calculating diluted earnings per share (i)	132,438	131,037

(i) The basic and diluted EPS are the same.

## Note 36: Dividends

	2013		2012	
	Cents Per Share	Total \$'000	Cents Per Share	Total \$'000
Fully paid ordinary shares:	-	-	-	-
Interim dividend – franked to 30%	2.6	3,432	2.6	3,214
Final dividend – franked to 30%	2.6	3,432	2.6	3,214
Adjusted franking account balance		12,588		14,059

In respect of the financial year ended 30 June 2013, a fully franked final dividend of 2.6 cents per share was declared on 23rd August 2013 and will be paid on 18th November 2013. In respect of the financial year ended 30 June 2012, a final dividend of 2.6 cents per share was declared on 22nd August 2012 and was paid on 19th November 2012. There are no income tax consequences of unrecognised dividends.

## 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		
	2013 \$'000	2012 \$'000
Minimum lease payments	82,534	15,143
The following sets out the commitments to future lease payments relating to operating leases:		
– not longer than 1 year	11,219	15,352
– longer than 1 year and not longer than 5 years	38,930	42,758
– longer than 5 years	32,385	-
	<b>82,534</b>	<b>58,110</b>
In respect of non cancellable operating leases the following liabilities have been recognised:		
Current	171	2,179
Non Current	2,131	6,582
	<b>2,302</b>	<b>8,761</b>

**(b) Finance leases**

Finance leases relate to plant and equipment with a lease term of up to 5 years, expiring between 30 June 2013 and March 2018.

	MINIMUM FUTURE LEASE PAYMENTS CONSOLIDATED		PRESENT VALUE OF MINIMUM FUTURE LEASE PAYMENTS CONSOLIDATED	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
No Later than 1 year	2,820	2,638	2,336	1,993
Later than 1 year and not later than 5 years	4,637	6,595	4,204	5,841
Minimum lease payments*	7,457	9,233	6,540	7,834
Less future finance charges	(917)	(1,399)	-	-
Present value of minimum lease payments	6,540	7,834	6,540	7,834
Current borrowings (note 23)			2,305	1,993
Non-Current borrowings (note 27)			4,235	5,841
			<b>6,540</b>	<b>7,834</b>

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

**(c) Capital expenditure commitments**

CONSOLIDATED		
	2013 \$'000	2012 \$'000
Property, Plant and Equipment		
– not longer than 1 year	83	33
	<b>83</b>	<b>33</b>

## 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 OF INTEREST	
		2013 %	2012 %
<b>Parent entity</b>			
Australian Vintage Ltd	Australia		
<b>Controlled entity</b>			
Simeon Wines Pty Ltd (1)	Australia	100	100
Vintners Australia Pty Limited (1)	Australia	100	100
Barossa Valley Wine Company Pty Limited (1)	Australia	100	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 (1)	Australia	100	100
Australian Flavours Pty Limited (1)	Australia	100	100
Austvin Holdings Pty Limited (1)	Australia	100	100
Australian Vintage (Domestic) Pty Ltd (1)	Australia	100	100
Miranda Wines Pty Limited (1)	Australia	100	100
Miranda Wines (Leasing) Pty Limited (1)	Australia	100	100
Miranda Family Investments Pty Limited (1)	Australia	100	100
M W (Purchasing) Pty Limited (1) (2)	Australia	-	100
Miranda Wines (Europe) Limited	United Kingdom	100	100
Miranda Wines Holdings Pty Ltd (1)	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.
- 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.
- These wholly-owned controlled entities all form part of the tax consolidated group.
- (2) De-registered 22/05/2013.

## Note 39: Subsidiaries (continued)

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

**Consolidated Statement of Comprehensive Income – Closed Group**  
**For the financial year ended 30 June 2013**

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
Revenue	208,549	227,962
Cost of sales	(151,380)	(165,633)
<b>Gross Profit</b>	<b>57,169</b>	<b>62,329</b>
Fair value of grapes picked during the financial year less estimated costs to sell	3,171	967
Investment income	403	458
Other gains and losses	1,818	1,425
Impairment of water licences	(901)	-
Distribution expenses	(10,856)	(12,269)
Gain on provision for onerous contracts	4,223	-
Sales and marketing expenses	(23,646)	(22,349)
Administration expenses	(6,531)	(6,271)
Gain / (Loss) on foreign exchange	(459)	(601)
Finance costs – interest paid	(12,920)	(12,835)
Finance costs – interest un-wind	(990)	(1,916)
<b>Profit before income tax</b>	<b>10,481</b>	<b>8,938</b>
Income tax expense	(3,411)	(1,871)
<b>Net profit for the year</b>	<b>7,070</b>	<b>7,067</b>
<b>Other comprehensive income / (loss) net of income tax:</b>		
Loss on interest rate swaps	1,453	(1,716)
Valuation of foreign exchange hedges	(1,571)	6
Exchange differences arising on translation of foreign operations	45	34
Income tax relating to components of other comprehensive income	21	503
<b>Other comprehensive income / (loss) for the year, net of income tax</b>	<b>(52)</b>	<b>(1,173)</b>
<b>Total comprehensive income for the year</b>	<b>7,018</b>	<b>5,894</b>



## Note 39: Subsidiaries (continued)

Consolidated Statement of Financial Position – Closed Group  
As at 30 June 2013

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
<b>Current Assets</b>		
Cash and cash equivalents	703	-
Trade and other receivables	35,613	39,546
Inventories	151,376	130,624
Current tax assets	49	200
Other	3,906	4,310
<b>Total Current Assets</b>	<b>191,647</b>	<b>174,680</b>
<b>Non-Current Assets</b>		
Trade and other receivables	-	1,843
Inventories	20,858	21,878
Other financial assets	59	59
Biological assets	33,184	33,169
Property, plant and equipment	93,171	95,613
Goodwill	37,685	37,685
Other intangible assets	7,405	7,780
Water Licences	7,467	8,692
Deferred tax assets	52,288	55,123
<b>Total Non-Current Assets</b>	<b>252,117</b>	<b>261,842</b>
<b>Total Assets</b>	<b>443,764</b>	<b>436,522</b>
<b>Current Liabilities</b>		
Trade and other payables	33,004	36,921
Borrowings	2,305	1,993
Other financial liabilities	1,901	1,618
Provisions	6,061	8,016
Other	48	42
<b>Total Current Liabilities</b>	<b>43,319</b>	<b>48,590</b>
<b>Non-Current Liabilities</b>		
Borrowings	140,748	127,329
Deferred tax liabilities	10,773	10,232
Other financial liabilities	88	751
Provisions	7,975	12,786
<b>Total Non-Current Liabilities</b>	<b>159,584</b>	<b>151,098</b>
<b>Total Liabilities</b>	<b>202,903</b>	<b>199,688</b>
<b>Net Assets</b>	<b>240,861</b>	<b>236,834</b>
<b>Equity</b>		
Issued capital	403,066	402,703
Reserves	693	667
Accumulated losses	(162,898)	(166,536)
<b>Total Equity</b>	<b>240,861</b>	<b>236,834</b>

## Note 40: Segment information

The Company's reportable segments are as follows:

### Australia / 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 and includes biological assets income.

The revenue reported represents revenue generated from external customers.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment revenue represents revenue generated from external customers. There were no inter-segment sales in the current year (2012 : Nil).

Segment profit represents the profit earned by each segment without allocation of share of profits of associates, investment and interest revenue, gain on onerous contracts, impairment of water licences, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The following is an analysis of the group's revenue and results 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	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Australasia / North America packaged	79,903	79,371	5,214	6,353	1,171	1,237	2,198	1,848
UK / Europe	88,847	97,302	3,350	7,098	1,403	1,576	2,633	2,514
Cellar door	6,843	6,913	708	885	46	207	123	118
Australasia / North America bulk wine and processing	29,524	40,550	8,000	7,562	1,970	1,894	594	1,118
Vineyards	3,432	3,826	3,485	1,466	480	250	806	790
Unallocated	-	-	-	-	17	142	716	639
<b>Total</b>	<b>208,549</b>	<b>227,962</b>	<b>20,757</b>	<b>23,364</b>	<b>5,087</b>	<b>5,306</b>	<b>7,070</b>	<b>7,027</b>
Finance costs – interest paid			(12,920)	(12,835)				
Finance costs – interest un-wind			(990)	(1,916)				
Impairment of water licences			(901)	-				
Gain on provision for onerous contracts			4,223	-				
Interest received			312	325				
<b>Profit before tax</b>			<b>10,481</b>	<b>8,938</b>				

## Note 40: Segment information (continued)

*Geographical Segments*

	REVENUE FROM CUSTOMERS		SEGMENT NON-CURRENT ASSETS (a)	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Australia	99,091	99,423	199,771	206,660
UK / Europe	88,847	97,302	-	-
North America	7,926	18,137	-	-
Other	12,685	13,100	-	-
	<b>208,549</b>	<b>227,962</b>	<b>199,771</b>	<b>206,660</b>

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 \$96.4M (2012: \$105.6M). Of these sales, \$61.0M (2012: \$71.3M) is included within the UK / Europe division and \$35.4M (2012: \$34.3M) is included within the Australasia / North America Packaged division.

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

## Note 41: 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 @ 1/7/12 No.	GRANTED AS REMUNERATION No.	RECEIVED ON EXERCISE OF OPTIONS No.	NET OTHER CHANGE No.	BALANCE @ 30/6/13 No.	BALANCE HELD NOMINALLY No.
<b>2013</b>						
Ian D Ferrier	618,044	-	-	32,115	650,159	-
Brian J McGuigan	308,670	-	-	-	308,670	-
Perry R Gunner	265,670	-	-	-	265,670	-
Neil McGuigan	150,000	-	-	-	150,000	-
Michael Noack	2,043	-	-	-	2,043	-
Flora Saris	30,000	-	-	-	30,000	-
	<b>1,374,427</b>	<b>-</b>	<b>-</b>	<b>32,115</b>	<b>1,406,542</b>	<b>-</b>
	BALANCE @ 1/7/11 No.	GRANTED AS REMUNERATION No.	RECEIVED ON EXERCISE OF OPTIONS No.	NET OTHER CHANGE No.	BALANCE @ 30/6/12 No.	BALANCE HELD NOMINALLY No.
<b>2012</b>						
Ian D Ferrier	567,631	-	-	50,413	618,044	-
Brian J McGuigan	308,670	-	-	-	308,670	-
Perry R Gunner	269,420	-	-	(3,750)	265,670	-
Neil McGuigan	150,000	-	-	-	150,000	-
Michael Noack	1,875	-	-	168	2,043	-
Flora Saris	-	-	-	30,000	30,000	-
	<b>1,297,596</b>	<b>-</b>	<b>-</b>	<b>76,831</b>	<b>1,374,427</b>	<b>-</b>

## Note 4I: Related party transactions (continued)

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

	BAL. @ 1/7/12 No.	GRANTED AS REMUNERATION No.	EXERCISED No.	OTHER CHANGE No.	BAL. @ 30/6/13 No.	BAL. VESTED @ 30/6/13 No.	VESTED BUT NOT EXERCIS- ABLE No.	VESTED AND EXERCIS- ABLE No.	OPTIONS VESTED DURING THE YEAR No.
<b>2013</b>									
Neil McGuigan	86,420	-	-	(86,420)	-	-	-	-	-
Paul Schaafsma (i)	49,383	-	-	(49,383)	-	-	-	-	-
Michael Noack	49,383	-	-	(49,383)	-	-	-	-	-
Cameron Ferguson	49,383	-	-	(49,383)	-	-	-	-	-
Flora Sarris	-	-	-	-	-	-	-	-	-
Julian Dyer (ii)	-	-	-	-	-	-	-	-	-
	<b>234,569</b>	-	-	<b>(234,569)</b>	-	-	-	-	-

	BAL. @ 1/7/11 No.	GRANTED AS REMUNERATION No.	EXERCISED No.	OTHER CHANGE No.	BAL. @ 30/6/12 No.	BAL. VESTED @ 30/6/12 No.	VESTED BUT NOT EXERCIS- ABLE No.	VESTED AND EXERCIS- ABLE No.	OPTIONS VESTED DURING THE YEAR No.
<b>2012</b>									
Neil McGuigan	156,117	-	-	(69,697)	86,420	86,420	-	86,420	-
Paul Schaafsma (i)	65,083	-	-	(15,700)	49,383	49,383	-	49,383	-
Michael Noack	65,083	-	-	(15,700)	49,383	49,383	-	49,383	-
Cameron Ferguson	65,083	-	-	(15,700)	49,383	49,383	-	49,383	-
Flora Sarris	-	-	-	-	-	-	-	-	-
	<b>351,366</b>	-	-	<b>(116,797)</b>	<b>234,569</b>	<b>234,569</b>	-	<b>234,569</b>	-

(i) Resigned 21st August 2012

(ii) Appointed 3rd September 2012

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.

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.

Performance Rights issued by Australian Vintage Ltd and held by key management personnel are as follows:

	BAL. @ 1/7/12 No.	GRANTED AS REMUNERATION No.	EXERCISED No.	OTHER CHANGE No.	BAL. @ 30/6/13 No.	BAL. VESTED @ 30/6/13 No.	VESTED BUT NOT EXERCIS- ABLE No.	VESTED AND EXERCIS- ABLE No.	OPTIONS VESTED DURING THE YEAR No.
<b>2013</b>									
Neil McGuigan	-	395,257	-	-	395,257	-	-	-	-
Michael Noack	-	158,103	-	-	158,103	-	-	-	-
Cameron Ferguson	-	197,628	-	-	197,628	-	-	-	-
Flora Sarris	-	158,103	-	-	158,103	-	-	-	-
Julian Dyer (i)	-	-	-	-	-	-	-	-	-
	-	<b>909,091</b>	-	-	<b>909,091</b>	-	-	-	-

(i) Appointed 3rd September 2012

All performance rights granted to key management personnel during the financial year were made in accordance with the provisions of the Australian Vintage Ltd Performance Rights and Options Plan.

Each executive performance right converts into 1 ordinary share of Australian Vintage Ltd on vesting date if performance objectives have been met. During the financial year, no performance rights were exercised by key management personnel.

## Note 41: Related party transactions (continued)

## (d) Other transactions with key management personnel

	2013 \$	2012 \$
Consolidated revenue includes the following amounts arising from transactions with key management personnel of the Group or their related parties:		
Revenue	66,137	204,802
Consolidated profit includes the following expenses arising with key management personnel of the Group or their related parties:		
Cost of goods sold	492,572	731,842
Total assets arising from transactions other than loans and amounts receivable in relation to equity instruments with key management personnel:		
Current	-	-
Allowance for doubtful receivables	-	-
Non-current	-	-

- (i) During the year the company entered into the following transactions with entities associated with Brian McGuigan:
- The company purchased grapes from Australian Horticultural Management Pty Limited ("AHM") to the value of \$142,430 (2012: \$90,298) on normal commercial terms. A balance of \$94,696 (2012: \$60,040) is owed by the company at 30 June 2013.
  - In the prior year, the company purchased bulk wine from AHM to the value of \$301,144 (2013: Nil) on normal commercial terms. A balance of \$25,988 (2013 : Nil) was owed by the company at 30 June 2012.
  - The company sold bottled wine to AHM to the value of \$20,975 (2012: \$91,462) on normal commercial terms.
  - The company sold bulk wine to AHM to the value of \$16,498 (2012 : Nil) on normal commercial terms.
  - The company sold bottled wine to Premier Wines 4 Pty Ltd to the value of \$10,356 (2012: \$18,260) on commercial terms. No balance (2012: \$4,129) is owed to the company at 30 June 2013.
  - McGuigan Nominees Pty Ltd holds a minority interest in an entity which received \$284,385 (2012: \$275,351) from the company for fruit, paid \$15,614 (2012: \$20,013) to the company for the contract processing of fruit to wine and received \$65,757 (2012 : \$67,049) from the company for the sale of bulk wine. All transactions were on the same terms and conditions as other investors in that project.
- (ii) During the year the company entered into the following transactions with Woodnibs Pty Ltd (an entity associated with Neil McGuigan):
- In the prior year, the company sold bulk wine the value of \$35,548 (2013 : Nil) on normal commercial terms.
  - The company sold concentrate to the value of \$2,694 (2012 : \$10,743) on 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	
	2013 \$'000	2012 \$'000
Cash	995	237

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

**(b) Financing Facilities**

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
<b>Unsecured bank overdraft facility, reviewed annually and payable at call:</b>		
Amount Used	-	912
Amount Unused	5,000	4,088
	5,000	5,000
<b>Reducing lease facility:</b>		
Amount Used	5,841	7,838
Amount Unused	-	-
	5,841	7,838
<b>Unsecured revolving lease facility:</b>		
Amount Used	-	-
Amount Unused	250	2,000
	250	2,000
<b>Bank Guarantee / Surrender facility:</b>		
Amount Used	1,351	2,626
Amount Unused	1,399	8,374
	2,750	11,000
<b>Corporate purchasing card facility:</b>		
Amount Used	216	154
Amount Unused	284	346
	500	500
<b>Cash advance facility:</b>		
Amount Used	135,700	122,000
Amount Unused	12,000	21,600
	147,700	143,600
<b>Total facility</b>	<b>162,041</b>	<b>169,938</b>

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

During the financial year the company issued 726,945 (2012 : 3,413,375) ordinary shares for \$363,000 (2012 : \$961,000) under the Dividend Reinvestment Plan. There were no other movements in ordinary share capital or issued capital in the current or prior period.

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

Profit from ordinary activities after income tax	7,070	7,067
Depreciation and amortisation of non-current assets	7,070	7,027
Loss / (Profit) on sale of non-current assets	32	(218)
Bad and doubtful debts	(181)	(106)
Interest on finance leases	661	817
Share option costs expensed	81	-
Impairment of water licences	901	-
<b>Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses</b>		
<b>(Increase) / decrease in assets</b>		
Trade and other receivables	4,115	4,396
Inventories	(19,732)	7,087
Other current assets	589	(1,608)
Prepaid interest	1,325	(1,274)
Deferred tax assets	2,835	3,370
Other non-current assets	-	5
<b>Increase / (decrease) in liabilities</b>		
Current trade and other payables	(3,899)	(4,515)
Provisions	(5,748)	(9,266)
Deferred tax liabilities	541	(2,012)
Other	6	(180)
<b>Net cash provided by / (used in) operating activities</b>	<b>(4,334)</b>	<b>10,590</b>

## 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 2012.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 23 and 27, 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 35 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 not classified any assets as held for sale in the current period (2012 : Nil). 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	
	2013 \$'000	2012 \$'000
<b>Financial assets</b>		
Debt (i)	143,053	129,322
Cash and cash equivalents (net of bank overdraft)	(995)	(237)
<b>Net Debt</b>	<b>142,058</b>	<b>129,085</b>
Equity (ii)	240,899	236,689
Net debt to equity ratio	59%	55%

(i) Debt is defined as long- and short-term borrowings, as detailed in notes 23 and 27.

(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 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	59	59
Loans and receivables	35,613	41,201
Cash and cash equivalents	995	237
Derivative instruments in designated hedge accounting relationships	-	1,469

**Financial liabilities**

Derivative instruments in designated hedge accounting relationships	1,989	2,369
Amortised cost	175,259	166,752

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	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
US dollars	92	72	88	11
GB pounds	1,105	2,624	4,135	8,348
Euro	-	-	693	442
Canadian Dollars	-	-	757	725

**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.



## Note 43: Financial instruments (continued)

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

	CONSOLIDATED	
	2013 \$'000	2012 \$'000
<b>Increase (Deterioration) in foreign exchange rate by 10%</b>		
Profit or loss – GBP Impact	(192)	(364)
Profit or loss – USD Impact	6	4
Profit or loss – EURO Impact	(47)	(28)
Profit or loss – CAD Impact	(48)	(46)
<b>Decrease (Improvement) in foreign exchange rate by 10%</b>		
Profit or loss – GBP Impact	236	445
Profit or loss – USD Impact	(7)	(5)
Profit or loss – EURO Impact	58	34
Profit or loss – CAD Impact	59	56

**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 50-75% coverage of highly probable sales and 25-50% of coverage on foreign currency sales out 13-24 months. Foreign currency expenses are estimated and the net exposure is hedged. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated sale or purchase transaction takes place.

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 \$439 thousand loss (2012: profit of \$1,469 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	
	30/06/13	30/06/12	30/06/13	30/06/12	30/06/13	30/06/12	30/06/13	30/06/12
<b>Cash flow hedges</b>								
<i>Buy Euro</i>								
Less than 3 months	0.7028	0.8089	600	1,050	816	1,298	(15)	179
3 to 6 months			1,100	650	1,530	803	(45)	30
6 to 9 months			600	450	818	556	(25)	67
9 to 12 months			500	300	714	371	(30)	47
<i>Buy GB Pounds</i>								
Less than 3 months	0.6011	0.6521	3,500	6,700	5,888	10,274	(171)	208
3 to 6 months			2,000	5,300	3,286	8,128	(200)	186
6 to 9 months			2,500	5,800	4,077	8,894	(187)	(45)
9 to 12 months			1,000	5,500	1,730	8,434	(50)	24

## 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 \$313,000 (2012: increase/decrease by \$130,000). 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 \$100 million (2012: \$115 million), as follows:

EXPIRY DATE	CURRENCY	AMOUNT	PAY		RECEIVE
			RATE	ROLLOVER FREQUENCY	RATE
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
03-Sep-15	AUD	\$25,000,000	3.40%	Quarterly	AUD-BBR-BBSY

The swaps in place cover 74% (2012: 94%) of the total borrowings as at 30 June 2013.

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	
	2013 %	2012 %	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Outstanding floating for fixed contracts						
Less than 1 year	4.75	4.76	75,000	40,000	75,000	40,000
1 – 2 years	-	5.35	-	75,000	-	75,000
2 – 5 years	3.40	-	25,000	-	25,000	-

The interest rate swaps settle on a monthly or 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:

COUNTERPARTY	LOCATION	30/06/13 CARRYING AMOUNT	30/06/12 CARRYING AMOUNT
	\$000		\$000
International supermarkets (2)	United Kingdom	4,205	9,664
Australian supermarkets (2)	Australia	8,212	6,631

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;

**(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 43 (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
<b>2013</b>						
Non-interest bearing assets	-	8,312	17,269	8,312	-	-
Non-interest bearing liabilities	-	14,154	18,868	606	308	-
Finance Lease liability	9.02	-	556	1,120	4,864	-
Floating interest rate liabilities	6.76	201	402	1,810	35,700	-
Fixed interest rate liabilities	7.73	504	1,009	2,305	102,129	-
Fixed interest rate assets	10.25	14	91	1,927	-	-
Financial Guarantees	-	-	-	1,351	-	-
<b>2012</b>						
Non-interest bearing assets	-	9,846	19,781	9,846	-	-
Non-interest bearing liabilities	-	15,875	21,044	1,618	751	-
Finance Lease liability	9.02	-	659	1,977	5,198	-
Floating interest rate liabilities	7.83	46	91	411	7,000	-
Fixed interest rate liabilities	8.14	780	1,431	4,694	116,802	-
Fixed interest rate assets	10.25	14	91	222	1,843	-
Financial Guarantees	-	1,360	-	1,266	-	-

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 \$18.9 million were unused at the end of the reporting period (2012: \$36.4 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
<b>2013</b>					
Net settled:					
Interest rate swaps	504	1,009	2,305	2,129	-
Gross settled:					
Foreign currency forward contracts	110	76	482	405	-
	<b>614</b>	<b>1,085</b>	<b>2,787</b>	<b>2,534</b>	<b>-</b>
<b>2012</b>					
Net settled:					
Interest rate swaps	780	1,431	4,694	1,802	-
Gross settled:					
Foreign currency forward contracts	-	387	309	429	-
	<b>780</b>	<b>1,818</b>	<b>5,003</b>	<b>2,231</b>	<b>-</b>

## 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).

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets at FVTPL</b>				
Derivative financial assets – 30 June 2013	-	-	-	-
Derivative financial assets – 30 June 2012	-	1,469	-	1,469
<b>Financial liabilities at FVTPL</b>				
Derivative financial liabilities – 30 June 2013	-	1,901	-	1,901
Derivative financial liabilities – 30 June 2012	-	2,369	-	2,369

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

## Note 44: Events after the reporting period

In respect of the financial year ended 30 June 2013, a final dividend of 2.6 cents per share was declared on 23rd August 2013 and will be paid on 18th November 2013.

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	2013 \$'000	2012 \$'000
<b>Assets</b>		
Current assets	196,440	179,871
Non-current assets	240,914	246,719
Total assets	437,354	426,590
<b>Liabilities</b>		
Current liabilities	40,310	37,507
Non-current liabilities	191,609	181,925
Total liabilities	231,920	219,432
<b>Net Assets</b>	<b>205,434</b>	<b>207,158</b>
<b>Equity</b>		
Issued Capital	403,155	402,792
Accumulated Losses	(198,273)	(196,189)
<b>Reserves</b>		
Equity settled employee benefits	1,578	1,497
Hedging	(949)	(865)
Foreign currency translation	(77)	(77)
Total reserves	552	555
<b>Total equity</b>	<b>205,434</b>	<b>207,158</b>

	CONSOLIDATED	
45.2 Financial Performance	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
<b>Profit / (Loss) for the year</b>	1,348	(5,597)
Other comprehensive income / (Loss)	(84)	(1,197)
Total comprehensive income	1,264	(6,794)

	CONSOLIDATED	
45.3 Guarantees entered into by parent entity	2013 \$'000	2012 \$'000
Guarantee provided under the deed of cross guarantee (i)	202,903	199,688
(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
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45.5 Capital Commitments of the parent entity		
Plant and Equipment		
Not longer than 1 year	83	33



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quality wines and  
brands that our  
consumers know  
and love...



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