AUSTRALIAN VINTAGE LTD

FINANCIAL REPORT FOR THE YEAR ENDED

30 JUNE 2008

(ACN: 052 179 932 ASX REFERENCE: AVG)

Directors' report
For the financial year ended 30 June 2008

The Directors of Australian Vintage Limited submit herewith the annual financial report for the financial year ended 30 June 2008. 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:

David S Clarke AO, B. Ec (Hons), Hon D. Sc. Econ, MBA (Harv), Age 66
(Chairman) Director since 20 November 1991
Chairman of Macquarie Group Limited, Goodman International Limited, the Wine Committee of the Royal Agricultural Society of NSW, the Opera Australia Capital Fund, George Gregan Foundation and the Sydney University Football Club Foundation. Member of the Investment Advisory Committee of the Australian Olympic Foundation, the Sydney Advisory Board of the Salvation Army, the Council of the Royal Agricultural Society of NSW, the Harvard Business School Asia Advisory Committee, the Corporate Governance Committee of the Institute of Company Directors, the Bloomberg Asia Pacific Advice Committee, the Corporate Citizens Committee of the Children's Cancer Institute, the Seoul International Business Advisory Council and an honorary life member of the Financial Markets Foundation for Children. President of the Winemakers' Federation of Australia, and Vice President of the Sydney University Cricket Club.

Dane B Hudson, B.E. (Chem) Hons, MBA, Age 46
(Chief Executive Officer) Director since 22 February 2006, Dane Hudson joined Australian Vintage Ltd in 2006 from Yum Brands Inc (formerly Pepsico Restaurants) in Dallas Texas where he was Senior Vice President and International Chief Finance, Development and Procurement Officer for the business outside of the US. Dane has previously worked with Visy Board Pty Ltd and Booz Allen and Hamilton before leaving the firm in 1994 to join the PepsiCo Group in its Restaurant division (Pizza Hut and KFC).

Brian J McGuigan AM, Age 66
(Non-Executive Director) Executive Director from 20 November 1991 to 31 December 2007. Non-executive director from 1 January 2008.
Over 45 years experience in the wine industry. Formerly Managing Director of Wyndham Estate Wines Ltd then of Australian Vintage Ltd. He is currently the Director of the Winemakers Federation of Australia, the Chairman of the Newcastle Mater Misericordiae Hospital, a Director of Hunter Wine Country Private Irrigation District as well as the Chairman and Director of a number of private companies.

Ian D Ferrier AM, CA, Age 68
(Non-executive - Chairman of the Audit Committee) Director since 20 November 1991
Fellow of The Institute of Chartered Accountants in Australia and Founding Partner of Ferrier Hodgson, Chairman of Ferrier Green Kreja Silvia. 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, Energy One Limited and Australian Oil Company Limited and a Director of Goodman International Limited and Reckon Limited.

Nicholas F Greiner AC, B. Ec (Hons), MBA (Harv), Age 61
(Non-executive) - Director since 11 September 1992
Former Premier and Treasurer of New South Wales 1988-92. Currently Chairman of Bilfinger Berger Australia, CitiGroup Limited and Bradken Limited, Deputy Chairman of Stockland Group, a Director of Blue Freeway Limited and a number of other private companies.

Perry R Gunner B. Ag. Sc, Grad. Dip, Bus. Admin, Age 61
(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 ABB Grain Ltd.

Christopher L Harris B. Ec, FCPA, FAICD Age 61
(Non-executive) Director since 28 June 2002.
Formerly CEO and Group Managing Director of FH Faulding & Co. Ltd. Chairman of Argo Investments Limited and a Director of Adelaide Brighton Limited, EvoGenix Limited, Arana Therapeutics Limited and J.M. Financial Group Ltd.

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
David S Clarke	Macquarie Bank Limited	Since 1985
	Macquarie Office Management Limited	From 2000 to 2007
	Macquarie ProLogis Management Limited	Since 2002
	Goodman International Limited	From 2000 to 2008
	Macquarie CountryWide Management Limited	From 2000 to 2008
Ian D Ferrier	Invocare Limited	Since 2001
	Goodman International Limited	Since 2003
	Reckon Limited	Since 2004
	Australian Oil Company Limited	Since 2005
	Energy One Limited	Since 2007
Christopher L Harris	Argo Investments Limited	Since 1994
	Adelaide Brighton Limited	Since 1995
	EvoGenix Limited	Since 2004
	Arana Therapeutics Limited	Since 2007

Directorships of other listed companies (continued)

Name	Company	Period of Directorship
Perry R Gunner	ABB Grain Limited	Since 2004
	Freedom Nutritional Products Limited	Since 2003
Nicholas F Greiner	Bradken Limited	Since 2004
	Stockland Corporation Limited	Since 1992
	Stockland Property Management Limited	Since 1992
	QBE Insurance Group Limited	From 1992 to 2006
	Blue Freeway Limited	Since 2007
	Citigroup Australia	Since 2008

Company Secretaries

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 Limited since the merger in 2002 and was previously Chief Financial Officer and Company Secretary of Simeon Wines Limited. Currently sharing the role of Company Secretary, Michael has been the Chief Financial Officer since 2002.

Flora Sarris (appointed 22 May 2007)

B Law (Adelaide). Flora was a previous partner of law firm Fisher Jeffries where she worked for seven years. For the past seven years, prior to joining Australian Vintage Ltd, Flora managed her own legal and management consultancy practice.

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 significant known breaches of the licence conditions.

Future developments

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

Review of operations

The group reported a profit of $1.3 million. The result included significant items of $4.2 million as detailed in Note 2 (c) of the following financial statements.

Sales

- Total revenue for the year ended 30 June 2008 of $265.0 million was 7.6% below the prior year.
- Export branded volumes improved by 16% to 1.9 million cases.
- Domestic branded volumes decreased 17% to 1.8 million cases.

Dividends

No dividends were paid or payable in respect of the financial year ended 30 June 2008 (30 June 2007: Nil).

Share options

During and since the end of the financial year, an aggregate of 970,223 share options were granted to Directors and Senior Management over issued shares by the Company:

directors and senior management	number of options granted	issuing entity	exercise price	grant date	number of ordinary shares under option
Dane B Hudson	334,225	Australian Vintage Ltd	$2.00	22 January 2008	334,225
	302,663	Australian Vintage Ltd	$2.00	22 January 2008	302,663
Neil McGuigan	86,420	Australian Vintage Ltd	$1.64	20 December 2007	86,420
Mike Noack	49,383	Australian Vintage Ltd	$1.64	20 December 2007	49,383
Julie Thomas	49,383	Australian Vintage Ltd	$1.64	20 December 2007	49,383
Paul Schaafsma	49,383	Australian Vintage Ltd	$1.64	20 December 2007	49,383
Craig Thomas	49,383	Australian Vintage Ltd	$1.64	20 December 2007	49,383
Cameron Ferguson	49,383	Australian Vintage Ltd	$1.64	20 December 2007	49,383

There were no share options granted to Directors or Senior Management over unissued shares by the company.

Senior Management and employee share option plans

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

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

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

directors and senior management	number of options granted	exercise price	expiry date
Dane B Hudson	150,000	$3.10	13 February 2011
	260,000	$4.00	13 February 2011
	284,739	$2.90	9 November 2011
	288,717	$3.10	15 March 2012
	334,225	$2.00	31 January 2012
	302,663	$2.00	31 January 2013
Neil McGuigan	28,514	$4.36	13 May 2009
	28,515	$4.36	13 May 2010
	28,515	$4.36	13 May 2011
	69,697	$2.90	16 November 2011
	86,420	$1.64	20 December 2012
Mike Noack	50,000	$4.07	2 September 2008
	15,700	$3.20	3 April 2012
	49,383	$1.64	20 December 2012
Julie Thomas	15,700	$3.20	3 April 2012
	49,383	$1.64	20 December 2012
Paul Schaafsma	25,000	$4.07	2 September 2008
	15,700	$3.20	3 April 2012
	49,383	$1.64	20 December 2012
Craig Thomas	25,000	$4.07	2 September 2008
	15,700	$3.20	3 April 2012
	49,383	$1.64	20 December 2012
Cameron Ferguson	15,700	$3.20	3 April 2012
	49,383	$1.64	20 December 2012
Other non-executive employees	689,075	$4.07	2 September 2008
TOTAL	**2,976,495**		

Share options issued prior to 1 July 2003 cannot be exercised within the first three years and are subject to the Company meeting a performance hurdle. The performance hurdle is that the relevant tranche of options can only be exercised if, at the time of exercise, the Company's average annual return on average shareholders' equity for the previous two financial years is at or above the 60th percentile of the corresponding figures for all companies in the ASX All Ordinaries Index.

All other 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"). Additionally, the call options are exercisable when there is a take over event. The options can be exercised on the following basis:

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

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, and 1 Remuneration Committee meeting.

Directors'	Board Meetings Attended	Audit Committee Attended	Remuneration Committee Attended
David S Clarke	13	-	1
Dane B Hudson	13	3	1
Brian J McGuigan	13	-	-
Ian D Ferrier	13	3	1
Nicholas F Greiner	11	2	1
Perry R Gunner	13	-	-
Christopher L Harris	12	3	-
Total Meetings Held	**13**	**3**	**1**

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
David S Clarke	954,485	-
Dane B Hudson	50,000	1,620,344
Brian J McGuigan	220,605	-
Ian D Ferrier	306,631	-
Christopher L Harris	126,719	-
Perry R Gunner	258,420	-
Nicholas F Greiner	370,379	-

Directors' and Senior Management Remuneration

Information about the remuneration of directors and senior management is set out in the remuneration report of this director's report.

Remuneration report

Directors and Senior Management Details

The Directors of Australian Vintage Limited during the year were:

- David S Clarke (Chairman, Non-executive)
- Dane B Hudson (Chief Executive Officer)
- Brian J McGuigan (Executive Director to 31 December 2007, Non-executive Director from 1 January 2008)
- Ian D Ferrier (Non-executive)
- Nicholas F Greiner (Non-executive)
- Perry R Gunner (Non-executive)
- Christopher L Harris (Non-executive)

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

- Paul Schaafsma (General Manager, UK & Europe)
- Neil McGuigan (General Manager Production and Wine Supply)
- Michael Noack (Company Secretary & Chief Financial Officer)
- Julie Thomas (Group Administration Manager)
- Cameron Ferguson (General Manager – Sales and Marketing)
- Flora Sarris (Legal Counsel/Company Secretary)
- Craig Thomas (Export Sales Manager – Australia)

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 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 (KPIs) covering both financial and non-financial measures of performance, the primary measure being the performance against profit targets. Short term incentive payments are normally made by way of a cash bonus.

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

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

Non-executive Directors receive remuneration partly in cash with the balance payable by the issue of shares in lieu of cash under the non-executive Directors' share scheme ("Scheme").

All shares issued were under the terms of the scheme and the following sets out the details for shares issued relating to the 2008 financial year.

Non-executive director	Shares issued subject to performance hurdle	Shares issued not subject to performance hurdle
David S Clarke	-	22,000
Nicholas F Greiner	-	11,000
Ian D Ferrier	-	11,000
Perry R Gunner	-	11,000
Christopher L Harris	-	11,000

The total value of shares included in remuneration for the year is calculated in accordance with Accounting Standard AASB 2 Share Based Payments.

Shares not subject to the performance hurdle were issued on 25 June 2008. These shares were issued as remuneration for the year ended 30 June 2008.

Remuneration report (continued)

The performance hurdle requires that the relevant tranche of shares are only issued if, at the time of issue, the Company's average annual return on an average shareholders' equity for the previous two financial years is at or above the 60th percentile of the corresponding figures for all companies in the ASX All Ordinaries Index. For the year ended 30th June 2008 this performance hurdle was not met and therefore no shares will be issued.

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

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

Bonuses

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

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

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

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

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

	2008 Minimum Bonus	2008 Maximum Bonus	2008 % of maximum granted	2009 Minimum Bonus	2009 Maximum Bonus
	$	$		$	$
Dane Hudson	0	350,000	95%	0	400,000
Paul Schaafsma	0	82,979	95%	0	117,332
Michael Noack	0	72,276	100% + $20,000 *	0	102,198
Cameron Ferguson	0	80,760	95%	0	95,162
Neil McGuigan	0	100,000	95%	0	120,000
Julie Thomas	0	58,500	95%	0	82,719
Craig Thomas	0	89,250	100%	0	89,250
Flora Sarris	0	25,350	100%	0	35,152

* Additional $20,000 paid above maximum in 2007/08 in relation to work in relation to sale of Griffith, Hunter Estate and Loxton wineries during the year.

On 15 September 2008, the Chief Executive Officer and Senior Management were paid cash bonuses of the amounts listed in the table on page 9. This was in line with performance based elements of their contracts, which incorporated key performance indicators based on the consolidated earnings before interest, tax and significant items.

Company Performance

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2008:

	30 June 2004	30 June 2005	30 June 2006	30 June 2007	30 June 2008
	$ M	$ M	$ M	$ M	$ M
Total Revenue (excluding sale of assets)	299.9	340.6	310.4	286.7	265.0
EBIT before significant items	61.6	57.1	34.5	5.2	19.1
Net Profit/(Loss) before significant items	40.2	36.4	17.5	(2.7)	5.5
Net Profit/(Loss) after significant items	40.2	36.4	(14.8)	(5.9)	1.3

	30 June 2004	30 June 2005	30 June 2006	30 June 2007	30 June 2008
Earnings per share - cents	38.2	32.6	(12.7)	(4.8)	1.1
Dividends paid - cents	23.5	23.5	5.0	-	-
Share price at start of year - $ per share	3.86	4.68	3.95	2.50	2.15
Share price at end of year - $ per share	4.68	3.95	2.50	2.15	1.15

The performance of Key Management Personnel is focussed on achieving budgeted EBIT results. The EBIT for the company improved by $13.9M from 2007 to 2008.

Remuneration report (continued)

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

There is no policy or monitoring of Key Management Personnel's (KMP) limiting their risk in relation to issued options.

Share Option Plan

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

Details of share options granted to Key Management Personnel are included on page 4.

Value of options issued to directors and senior management
The following table discloses the value of options granted, exercised or lapsed during the year.

	Options granted value at grant date	Options exercised value at exercise date	Options lapsed value at time of lapse	Fair value of options granted, exercised and lapsed	Valuation of options included in remuneration for the year	Total remuneration that consists of options
	$	$	$	$	$	
Dane Hudson	500,000	-	-	500,000	348,091	26%
Paul Schaafsma	40,000	-	-	40,000	12,053	2%
Michael Noack	40,000	-	-	40,000	12,053	3%
Cameron Ferguson	40,000	-	-	40,000	12,053	3%
Neil McGuigan	70,000	-	-	70,000	41,985	8%
Julie Thomas	40,000	-	-	40,000	12,053	3%
Craig Thomas	40,000	-	-	40,000	12,053	3%
TOTAL	**770,000**	**-**	**-**	**770,000**	**450,341**	

(i) The total value of options granted, exercised and lapsed is calculated based on the following:

- Fair value of the option at grant date multiplied by the number of options granted during the year; plus
- Fair value of the option at the time it is exercised multiplied by the number of options exercised during the year.
- Fair value of the option at the time of lapse multiplied by the number of options lapsed during the year.

(ii) The total value of shares included in remuneration for the year is calculated in accordance with Accounting Standard AASB 2 "Share Based Payments".

Value of options - basis of calculation

1) The total value of options granted is calculated on the fair value of the option at the grant date multiplied by the number of options granted during the year. Options were priced using the Black Scholes model.

2) The total value of the options included in compensation for the year is calculated in accordance with Australian Accounting Standards. The value of the options is determined at grant date and included in compensation on a proportionate basis from grant date to vesting date.

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

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

Five Highest Paid Executives

The five highest paid senior managers of the Company and Group are :

- Dane Hudson
- Paul Schaafsma
- Neil McGuigan
- Michael Noack
- Cameron Ferguson

Remuneration report (continued)

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

2008	Short-term benefits			Post Employment			Share based payments			Total
	Salary & Fees	*Bonus*[4]	*Non – Monetary* [2]	*Super - annuation*	*Prescribed Benefits*	*Other*	*Cash Settled*	*Equity Settled Options*	*Equity Settled Shares*	
	$	$	$	$	$	$	$	$	$	$
David S Clarke	1,000	-	2,799	2,723	-	-	-	-	62,920	69,442
Ian D Ferrier	1,000	-	2,799	1,407	-	-	-	-	31,460	36,666
Nicholas F Greiner	1,000	-	2,799	1,407	-	-	-	-	31,460	36,666
Christopher L Harris	1,000	-	2,799	1,407	-	-	-	-	31,460	36,666
Perry R Gunner	1,000	-	2,799	1,407	-	-	-	-	31,460	36,666
Brian J McGuigan *	75,000	-	20,000	6,750	-	-	-	-	-	101,750
Dane B Hudson	637,000	332,500	-	13,000	-	-	-	348,091	-	1,330,591
Paul Schaafsma	356,735	78,525	113,157	83,031	-	-	-	12,053	-	643,501
Neil McGuigan	361,400	95,000	24,000	32,526	-	-	-	41,985	-	554,911
Michael Noack	285,277	92,276	43,091	25,675	-	-	-	12,053	-	458,372
Julie Thomas	234,000	55,575	48,200	21,060	-	-	-	12,053	-	370,888
Cameron Ferguson	244,200	69,597	26,500	21,978	-	-	-	12,053	-	374,328
Craig Thomas	214,300	89,250	24,100	19,287	-	-	-	12,053	-	358,990
Flora Sarris	169,000	25,350	-	15,210	-	-	-	-	-	209,560
TOTAL	**2,581,912**	**838,073**	**313,043**	**246,868**	**-**	**-**	**-**	**450,341**	**188,760**	**4,618,997**

* During the year, $121,876 was paid to Brian McGuigan in respect of accrued long service leave and annual leave balances accrued in prior periods.

2007	Short-term benefits			Post Employment			Share based payments			Total
	Salary & Fees	*Bonus*[4]	*Non – Monetary* [2]	*Super - annuation*	*Prescribed Benefits*	*Other*	*Cash Settled*	*Equity Settled Options*	*Equity Settled Shares*	
	$	$	$	$	$	$	$	$	$	$
David S Clarke	1,000	-	2,799	4,466	-	-	-	-	62,920	71,185
Ian D Ferrier	1,000	-	2,799	2,278	-	-	-	-	31,460	37,537
Nicholas F Greiner	1,000	-	2,799	2,278	-	-	-	-	31,460	37,537
Christopher L Harris	1,000	-	2,799	2,278	-	-	-	-	31,460	37,537
Perry R Gunner	1,000	-	2,799	2,278	-	-	-	-	31,460	37,537
Brian J McGuigan	150,003	-	40,000	5,715	-	-	-	-	-	195,718
Dane B Hudson	637,000	150,000	-	13,000	-	-	-	200,521	-	1,000,521
Paul Schaafsma	362,056	34,652	113,157	32,585	-	-	-	1,251	-	543,701
Neil McGuigan	360,242	45,000	24,000	36,000	-	-	-	34,826	-	500,068
Michael Noack	285,204	23,026	43,091	28,292	-	-	-	1,251	-	380,864
Julie Thomas	233,250	18,720	48,200	22,612	-	-	-	1,251	-	324,033
Cameron Ferguson	212,955	36,342	25,712	20,066	-	-	-	1,251	-	296,326
Craig Thomas	196,500	26,730	24,100	19,305	-	-	-	1,251	-	267,886
Lisa McGuigan [3]	157,038	-	10,372	15,832	-	-	-	-	-	183,242
Flora Sarris [1]	19,717	2,915	-	3,042	-	-	-	-	-	25,674
TOTAL	**2,618,965**	**337,385**	**342,627**	**210,027**	**-**	**-**	**-**	**241,602**	**188,760**	**3,939,366**

(1) Commenced 22 May 2007.
(2) Non-monetary items include the provision of a motor vehicle, rent, travel, health benefits (where applicable) and fringe benefits tax as appropriate.
(3) Resigned 9 February 2007.
(4) Bonus paid relates to achievement of key performance criteria.

Remuneration report (continued)

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.

Dane B Hudson

(i) Term of agreement – no specified term.
(ii) Compensation is comprised of base salary, superannuation, short term incentive bonus (capped at $350,000 per annum an increase of $50,000 during the year), share options (to the value of $250,000 per annum) subject to achievement of targets as set by the board.
(iii) If Mr. Hudson's employment is terminated by the company, the company must pay Mr. Hudson the equivalent of one year's total compensation.

Paul Schaafsma

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

Michael Noack

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

Neil McGuigan

(i) Term of agreement - 5 years commencing 29th November 2004.
(ii) Compensation includes the provision of a motor vehicle and an entitlement to a bonus subject to certain key performance criteria.
(iii) Mr McGuigan is entitled to the granting of share options over issued shares of the company to the value of $57,500 per annum.
(iv) If Mr McGuigan's employment is terminated by the Company, the Company must pay Mr McGuigan the higher of the balance of his contract term or one year's base compensation.

Julie Thomas

(i) Term of agreement - no specified term.
(ii) Compensation includes the provision of a motor vehicle, rental assistance and a bonus subject to certain key performance criteria.
(iii) Termination - no termination benefit specified above normal statutory requirements.

Craig Thomas

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

Cameron Ferguson

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

Flora Sarris

(i) Term of agreement - no specified term.
(ii) Compensation is reviewed annually and a bonus subject to certain key performance criteria.
(iii) If Ms Sarris's employment is terminated by the company, the company must pay Ms Sarris the equivalent of one half of her total annual compensation.

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 6 to the financial statements.

Auditors' independence declaration

The Auditors independence declaration is included on page 12.

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 Secretary 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 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the Financial Report have been rounded off to the nearest thousand dollars.

Subsequent Events

At 30th June 2008, Australian Vintage Ltd had contracted for the sale of it's Loxton Winery to Thachi Holdings Pty Ltd.

The company will receive $60M of proceeds from the sale after which the company will be required to pay termination fees on operating leases relating to winery tanks, payment of staff redundancies, agents commission and other costs. The company expects to record a profit, after applicable income tax, of between $12M and $16M within its 2009 financial report in relation to the Loxton sale.

Settlement was originally scheduled for 18 September 2008 and has been deferred to 31 October 2008 to allow for certain regulatory and third party consents to be obtained. The purchaser has agreed to pay an additional non-refundable deposit of $3 million to the company by 21 October 2008 and has agreed to compensate the company for Loxton winery net running costs from the original settlement date, 18 September 2008, until settlement.

There are 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity 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

David Stuart Clarke AO
Director 26 September 2008

Deloitte.

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The Board of Directors
Australian Vintage Ltd
Level 2, 170 Greenhill Road
Parkside SA 5063

26 September 2008

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 2008, 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

Adam Thompson
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of
Deloitte Touche Tohmatsu

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

Report on Financial Report

We have audited the accompanying financial report of Australian Vintage Ltd, which comprises the balance sheet as at 30 June 2008, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 15 to 61.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's 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 company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on Remuneration Report

We have audited the Remuneration Report included on pages 6 to 10 of the directors' report for the year ended 30 June 2008. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Australian Vintage Ltd for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU

Adam Thompson
Partner
Chartered Accountants
Sydney, 26 September 2008

Income Statement
For the financial year ended 30 June 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Revenue prior to trade discounts and returns		279,005	335,740	202,297	200,471
Trade discounts and returns		(14,025)	(49,041)	(1,843)	(34,954)
Revenue	2	264,980	286,699	200,454	165,517
Cost of sales	2	(203,931)	(238,418)	(156,864)	(135,643)
Cost of sales – prior year international rebate claim	2	(658)	-	(658)	-
Cost of sales – stock valuation adjustment	2	(1,759)	-	(1,759)	-
Cost of sales – cost of exiting Grande Junction development	2	-	(2,220)	-	(2,220)
Gross Profit		**58,632**	**46,061**	**41,173**	**27,654**
Fair value of grapes picked during the financial year less estimated point of sale costs		1,957	(944)	1,957	(307)
Other revenue	2	2,870	3,268	3,069	2,822
Profit on sale of winery assets and investments	2	3,054	-	1,389	-
Loss on sale of other property, plant and equipment		(195)	-	(195)	-
Distribution expenses		(12,091)	(13,374)	(5,860)	(7,262)
Sales and marketing expenses		(25,280)	(21,193)	(13,235)	(9,371)
Administration expenses		(8,399)	(9,096)	(8,399)	(8,663)
Finance costs	2	(12,434)	(10,901)	(12,434)	(10,864)
Foreign exchange losses	2	-	(819)	-	(806)
Re-organisation of overseas distribution agreements	2	(5,056)	-	(5,056)	-
Re-organisation of domestic business	2	(1,535)	-	(1,535)	-
Impairment of property, plant and equipment	2	-	(2,472)	-	-
Change in market value of biological assets		-	-	1,000	-
Impairment of non-current other investments	2	-	-	-	(20,000)
Profit / (Loss) before income tax	**2**	**1,523**	**(9,470)**	**1,874**	**(26,797)**
Tax (expense) / income	3	(179)	3,526	(508)	2,238
Profit / (Loss) for the year		**1,344**	**(5,944)**	**1,366**	**(24,559)**
Earnings Per Share:					
Basic (cents per share)	33	1.0	(4.8)		
Diluted (cents per share)	33	1.0	(4.8)		

Notes to the financial statements are included on pages 19 to 60.

Balance Sheet
As at 30 June 2008

	Note	Consolidated		Company	
		2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current Assets					
Cash and cash equivalents	42	1,000	3,997	619	1,851
Trade and other receivables	7	72,487	104,096	72,164	96,676
Other financial assets	10	1,959	613	1,959	613
Inventories	8	189,453	170,292	189,793	41,415
Current tax assets	3	-	2,190	-	2,190
Other	11	4,543	4,873	4,334	4,730
		269,442	286,061	268,869	147,475
Non-current assets classified as held for sale	9 & 43	28,844	9,123	-	-
Total Current Assets		**298,286**	**295,184**	**268,869**	**147,475**
Non-Current Assets					
Trade and other receivables	12	3,350	3,974	17,536	214,934
Inventories	13	55,530	47,180	55,530	5,856
Investments accounted for using the equity method	14	1,910	2,110	-	-
Other financial assets	15	5,159	5,608	152,356	152,339
Biological assets	16	35,888	37,373	8,134	6,990
Property, plant and equipment	17	102,215	132,398	41,772	34,776
Goodwill	18	46,800	47,711	-	-
Water licences	19	8,326	3,424	4,902	-
Other intangible assets	20	10,637	9,667	4,784	4,462
Deferred tax assets	3	18,029	17,566	12,252	10,625
Total Non-Current Assets		**287,844**	**307,011**	**297,266**	**429,982**
Total Assets		**586,130**	**602,195**	**566,135**	**577,457**
Current Liabilities					
Trade and other payables	22	67,610	77,562	64,168	75,917
Borrowings	23	689	1,091	422	721
Current tax liabilities	3	95	95	95	95
Provisions	24	5,384	6,677	4,512	5,712
Other	25	9,184	10,851	5,134	5,096
		82,962	96,276	74,331	87,541
Current liabilities classified as held for sale	43	679	-	679	-
Non-current liabilities classified as held for sale	43	65	-	65	-
Total Current Liabilities		**83,706**	**96,276**	**75,075**	**87,541**
Non-Current Liabilities					
Borrowings	26	147,740	153,188	147,606	148,099
Deferred tax liabilities	3	10,699	10,036	2,339	2,208
Provisions	27	690	1,247	690	816
Total Non-Current Liabilities		**159,129**	**164,471**	**150,635**	**151,123**
Total Liabilities		**242,835**	**260,747**	**225,710**	**238,664**
Net Assets		**343,295**	**341,448**	**340,425**	**338,793**
Equity					
Issued capital	30	401,629	401,266	401,629	401,266
Reserves	31	1,734	1,594	1,497	1,594
Accumulated losses	32	(60,068)	(61,412)	(62,701)	(64,067)
Total Equity		**343,295**	**341,448**	**340,425**	**338,793**

Notes to the financial statements are included on pages 19 to 60.

Statement of Changes in Equity
For the financial year ended 30 June 2008

(a) Consolidated

	Notes	Share capital $'000	Equity - settled employee benefits reserve $'000	Interest rate swap $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Total $'000
Balance at 1 July 2006		375,935	1,727	-	-	(55,468)	322,194
Loss for the period		-	-	-	-	(5,944)	(5,944)
Total recognised income and expense		**-**	**-**	**-**	**-**	**(5,944)**	**(5,944)**
Recognition of share-based payments		-	178	-	-	-	178
Shares issued under the share purchase plan	30	584	-	-	-	-	584
Shares issued – Nepenthe purchase	30	25,000	-	-	-	-	25,000
Costs related to the issue of shares	30	(564)	-	-	-	-	(564)
Transfer from reserves	30	311	(311)	-	-	-	-
Balance at 30 June 2007		**401,266**	**1,594**	**-**	**-**	**(61,412)**	**341,448**
Balance at 1 July 2007		401,266	1,594	-	-	(61,412)	341,448
Gain on interest rate swaps	31	-	-	1,409	-	-	1,409
Exchange differences arising on translation of foreign operations	31	-	-	-	160	-	160
Net income recognised directly in equity		-	-	1,409	160	-	1,569
Profit for the period		-	-	-	-	1,344	1,344
Total recognised income and expense		**-**	**-**	**1,409**	**160**	**1,344**	**2,913**
Recognition of share-based payments		-	187	-	-	-	187
Pre-paid share options		-	(1,249)	-	-	-	(1,249)
Transfer from reserves	30	367	(367)	-	-	-	-
Costs related to the issue of shares	30	(4)	-	-	-	-	(4)
Balance at 30 June 2008		**401,629**	**165**	**1,409**	**160**	**(60,068)**	**343,295**

(b) Parent

	Notes	Share capital $'000	Equity - settled employee benefits reserve $'000	Interest rate swap $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Total $'000
Balance at 1 July 2006		375,935	1,727	-	-	(39,508)	338,154
Loss for the period		-	-	-	-	(24,559)	(24,559)
Total recognised income and expense		**-**	**-**	**-**	**-**	**(24,559)**	**(24,559)**
Recognition of share-based payments		-	178	-	-	-	178
Shares issued under the share purchase plan	30	584	-	-	-	-	584
Shares issued – Nepenthe purchase	30	25,000	-	-	-	-	25,000
Costs related to the issue of shares	30	(564)	-	-	-	-	(564)
Transfer from reserves	30	311	(311)	-	-	-	-
Balance at 30 June 2007		**401,266**	**1,594**	**-**	**-**	**(64,067)**	**338,793**
Balance at 1 July 2007		401,266	1,594	-	-	(64,067)	338,793
Gain on interest rate swaps	31	-	-	1,409	-	-	1,409
Exchange differences arising on translation of foreign operations	31	-	-	-	(77)	-	(77)
Net income recognised directly in equity		-	-	1,409	(77)	-	1,332
Profit for the period		-	-	-	-	1,366	1,366
Total recognised income and expense		**-**	**-**	**1,409**	**(77)**	**1,366**	**2,698**
Recognition of share-based payments		-	187	-	-	-	187
Pre-paid share options		-	(1,249)	-	-	-	(1,249)
Transfer from reserves	30	367	(367)	-	-	-	-
Costs related to the issue of shares	30	(4)	-	-	-	-	(4)
Balance at 30 June 2008		**401,629**	**165**	**1,409**	**(77)**	**(62,701)**	**340,425**

Notes to the financial statements are included on pages 19 to 60.

Cash Flow Statement
For the financial year ended 30 June 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Cash flows from operating activities					
Receipts from customers		304,495	305,537	232,538	156,050
Payments to suppliers and employees		(281,715)	(285,841)	(214,320)	(154,644)
Interest and other costs of finance paid		(12,523)	(10,519)	(12,517)	(10,327)
Income tax received / (paid)		2,190	(2,190)	2,190	(2,190)
Interest and bill discounts received		710	752	705	59
Payment for temporary water licences		(9,165)	-	(9,165)	-
Payments relating to re-organisation of overseas distribution agreements		(4,419)	-	(4,419)	-
Net cash (used in) / provided by operating activities	42(e)	**(427)**	**7,739**	**(4,988)**	**(11,052)**
Cash flows from investing activities					
Payments for property, plant and equipment		(12,104)	(11,557)	(7,530)	(134)
Payments for permanent water licences	19	(4,902)	-	(4,902)	
Payments for intangibles	20	(1,211)	(1,178)	-	-
Proceeds from sale of property, plant & equipment		16,790	563	5,899	238
Proceeds from sale of investments		1,212	-	-	
Payments for investments		(399)	-	(221)	
Payment for business	41	-	(22,338)	-	(22,338)
Net cash used in investing activities		**(614)**	**(34,510)**	**(6,754)**	**(22,234)**
Cash flows from financing activities					
Proceeds from issue of equity securities	30	-	25,584	-	25,584
Payment for share employee options	30	(834)	(564)	(834)	(564)
Proceeds from borrowings		-	7,135	-	7,098
Repayment of borrowings		(1,122)	(6,669)	(522)	(5,481)
Amounts received from related parties		-	-	11,866	-
Amounts advanced to related parties		-	(836)	-	-
Net cash (used in) / provided by financing activities		**(1,956)**	**24,650**	**10,510**	**26,637**
Net decrease in cash and cash equivalents		(2,997)	(2,121)	(1,232)	(6,649)
Cash and cash equivalents at the beginning of the financial year		3,997	6,118	1,851	8,500
Cash and cash equivalents at the end of the financial year	42 (a)	**1,000**	**3,997**	**619**	**1,851**

Notes to the financial statements are included on pages 19 to 60.

Notes to the financial statements
For the financial year ended 30 June 2008

Note 1: Summary of accounting policies

Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below.

The group has also adopted the following Standards which only impacted the Group's financial statements with respect to disclosure:

- AASB101 "Presentation of Financial Statements" (revised October 2006)
- AASB7 "Financial Statements: Disclosures"

Standards and Interpretations issued not yet effective

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

Initial application of the following Standard will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the company's financial report:

• AASB 101 'Presentation of Financial Statements' (revised September 2007)	Effective for annual reporting periods beginning on or after 1 January 2009

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the Group and the company:

• AASB Interpretation 12 'Service Concession Arrangements'	Effective for annual reporting periods beginning on or after 1 January 2008
• AASB Interpretation 14 'AASB 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'	Effective for annual reporting periods beginning on or after 1 January 2008
• AASB Interpretation 13 'Customer Loyalty Programmes'	Effective for annual reporting periods beginning on or after 1 July 2008
• AASB 123 'Borrowing Costs' (revised)	Effective for annual reporting periods beginning on or after 1 January 2009
• AASB 2008-2 'Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation	Effective for annual reporting periods beginning on or after 1 January 2009

The potential effect of the initial application of the expected issue of an Australian equivalent accounting standard to the following Standard has not yet been determined:

• AASB 3R 'Business Combinations' and AASB 127 'Consolidated and Separate Financial Statements'	Effective for annual reporting periods beginning on or after 1 July 2009

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 includes the separate financial statements of the company and the consolidated financial statements of the Group.

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

The financial statements were authorised for issue by the directors on 24th September 2008.

Basis of preparation

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

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

Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Note 1: Summary of accounting policies (continued)

The following are the critical judgements that management has made in applying the Groups' accounting policies:

Inventories

The net realisable value of inventories is the selling price in the ordinary course of business less estimated costs to sell. The key assumptions require the use of management judgement and are reviewed at each reporting date. The assumptions are based on historical usage, future demand and market requirements for the company's products. If future demand for the company's products is less favourable than the company's forecast, then the carrying value of inventories may be required to be reduced in future periods.

Goodwill and other intangible assets

Determining whether goodwill and other intangible assets are impaired requires the estimation of the value in use of the cash-generating units. This requires estimation of future cash flows and an appropriate discount rate (refer note 18).

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) 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 income statement 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. In the separate financial statements of the Company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

(b) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase 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, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current 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', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

(c) 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.

(d) 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.

(e) 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 44 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

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

Note 1: Summary of accounting policies (continued)

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 44 contains details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in note 31.

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 income statement 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.

(f) 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 employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months 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 incurred.

(g) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Other financial assets are classified into the following specified categories: ‘available-for-sale’ financial assets, and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Investments in controlled entities

Investments in controlled entities are recorded at cost. Investments in associates have been accounted for under the equity method in the consolidated financial statements and the cost method in the Company financial statements. Other investments are recorded at cost.

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

Note 1: Summary of accounting policies (continued)

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

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

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

Impairment of financial assets
Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.
The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.
If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(h) 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.

Transaction costs on the issue of equity instruments
Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest expense and dividends
Interest expense and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

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 described in note 1(w).

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

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.
Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(i) 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.

Note 1: Summary of accounting policies (continued)

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 1(c));
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer note 1(e)); 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 on or after the date of transition to A-IFRS are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date. Goodwill arising on acquisitions before the date of transition to A-IFRS is treated as an Australian dollar denominated asset.

(j) Goodwill
Goodwill is initially recorded at cost, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.
For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.
If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or groups of CGUs) and then to the other assets of the CGU (or groups of CGUs) pro-rata on the basis of the carrying amount of each asset in the CGU (or groups of CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.
On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(k) 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.

(l) 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 estimated point of sale costs 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 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 point of sale costs at the point of harvest (including production costs). A gain or loss arising from a change in fair values less estimated point of sale costs is included in the profit and loss in the period in which the gain/loss arises. The agricultural produce is recorded within inventory.

(m) Impairment of long-lived assets excluding goodwill
At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.
Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.
Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.
If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.
Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Note 1: Summary of accounting policies (continued)

(n) Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, 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.

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.

(o) Intangible assets

Brand names

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 1(m).

Software

Software is carried at cost and amortised to the profit and loss over the estimated useful life of the software package (10 years).

(p) 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.

(q) 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.

(r) 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.

Notes to the financial statements
For the financial year ended 30 June 2008

Note 1: Summary of accounting policies (continued)

Group as lessee
Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.
Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges 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 1(c).
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.

(s) 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 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.

(t) 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.

(u) Property, plant and equipment
Property, plant and equipment is initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.
Buildings, plant and equipment, vineyard improvements and equipment under finance lease are measured at cost less accumulated depreciation and impairment.
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. 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 is reviewed at the end of each annual reporting period. Depreciation related to wineries, production and some vineyards is capitalised into inventory.

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

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

(v) Provisions
Provisions are recognised when the Group has a present obligation, 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.

Note 1: Summary of accounting policies (continued)

(w) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, 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.

Rental Revenue

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

(x) Share-based payments

Equity-settled share-based payments granted after 7 November 2002 that vested on or after 1 July 2005, are measured at fair value of the equity instrument at the date of grant. Fair value is measured by use of a Black Scholes Option Valuation Model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

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.

(y) 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.

(z) 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 2: Profit / (Loss) from operations

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(a) Revenue – continuing operations				
Revenue from the sale of goods	233,420	260,576	169,771	154,885
Revenue from contract processing	17,442	14,587	17,442	783
Revenue from rendering vineyard contract services	14,118	11,536	13,241	9,849
Total	**264,980**	**286,699**	**200,454**	**165,517**
Other revenue				
Interest revenue – bank deposits	821	939	816	738
Rental revenue	156	648	156	636
Foreign exchange gains	933	-	1,205	-
Dividends – other entities	-	369	-	369
Gain on disposal of property, plant and equipment	-	140	-	102
Other	960	1,172	892	977
Total other revenue	**2,870**	**3,268**	**3,069**	**2,822**

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. The amount included in the Group's revenue is $12,546,000 (2007: $1,830,000). The amount included in the company's revenue is $12,546,000 (2007: $1,830,000).

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
(b) Profit / Loss before income tax				
Profit / (Loss) before income tax has been arrived at after crediting/(charging) the following gains and losses:				
Gain/(loss) on disposal of property, plant and equipment	(195)	140	(195)	102
Foreign exchange losses	-	(819)	-	(806)
Profit / (Loss) before income tax has been arrived at after charging the following expenses:				
Cost of sales	206,348	240,638	159,281	137,863
Write down on non-current investment in subsidiary	-	-	-	20,000
Finance costs:				
Interest on bank overdrafts and loans	12,192	10,458	12,192	10,458
Interest on obligations under finance lease	242	443	242	406
	12,434	**10,901**	**12,434**	**10,864**
Depreciation of non-current assets - charged to cost of sales / inventory	6,914	7,835	1,223	1,219
Depreciation of non-current assets - other	2,131	2,471	1,100	880
Amortisation of non-current assets	241	84	-	-
	9,286	**10,390**	**2,323**	**2,099**
Operating lease rental expenses (minimum lease payments)	19,084	18,273	18,761	14,207
Employee benefit expense:				
Share based payments:				
Equity settled share-based payments	187	187	187	187
Cash settled share-based payments	461	242	445	242
	648	429	632	429
Termination benefits	677	143	677	84
Superannuation benefits	3,310	3,046	3,065	1,610
Other employee benefits (incl. salaries and wages)	40,835	37,715	38,093	19,274
	45,470	41,333	42,467	21,397

Note 2: Profit / (Loss) from operations (continued)

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
(c) Significant items				
During the financial year the company incurred the following revenue and expenses of a significant and one-off nature:				
Profit before income tax on disposal of winery assets and investments	3,054	-	1,389	-
Costs associated with the re-organisation of overseas distribution agreements	(5,056)	-	(5,056)	-
Costs associated with exiting Grande Junction development [1, 2]	-	(2,220)	-	(2,220)
Impairment of property, plant and equipment	-	(2,472)	-	-
Stock impairment adjustment [1]	(1,759)	-	(1,759)	-
Prior year international rebate claims [1]	(658)	-	(658)	-
Write down of non-current investment in subsidiary	-	-	-	(20,000)
Costs associated with the re-organisation of domestic business	(1,535)	-	(1,535)	-
Significant items before income tax	(5,954)	(4,692)	(7,619)	(22,220)
Income tax benefit on significant items	1,786	1,408	2,286	666
Significant items after income tax benefit	(4,168)	(3,284)	(5,333)	(21,554)

[1] Included in cost of sales.
[2] Included in cost of sales in line with the treatment of all contract vineyard management costs.

Note 3: Income taxes

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
(a) Income tax recognised in profit or loss				
Tax expense / (income) comprises:				
Current tax expense / (income) in respect of the current year	158	659	2,105	4,695
Deferred tax expense / (income) relating to the origination and reversal of temporary differences	200	(3,655)	(1,496)	(6,726)
Adjustments recognised in the current year in relation to the current tax of prior years	(179)	(530)	(101)	(207)
Total tax expense / (income) contributable to continuing operations	179	(3,526)	508	(2,238)
The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense / (income) in the financial statements as follows:				
Profit / (Loss) from operations	1,523	(9,470)	1,874	(26,797)
Income tax expenses / (income) calculated at 30%	457	(2,841)	562	(8,039)
Depreciation	(556)	(617)	-	-
Share-based payments	128	128	128	128
Non-deductible expenses	329	334		
Impairment of non-current investments in subsidiary	-	-	-	6,000
Other	-	-	(81)	(120)
	358	(2,996)	609	(2,031)
Adjustments recognised in the current year in relation to tax of prior years	(179)	(530)	(101)	(207)
Total tax expense / (income)	179	(3,526)	508	(2,238)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
(b) Current tax assets and liabilities				
Current tax assets (income tax receivable)	-	2,190	-	2,190
Current tax liabilities:				
Income tax payable attributable to entities in the tax-consolidated group	95	95	95	95
	95	95	95	95
(c) Deferred tax balances				
Deferred tax assets comprise:				
Tax losses - revenue	9,785	4,782	8,496	3,494
Tax losses - capital	83	2,891	83	850
Temporary differences	8,161	9,893	3,673	6,281
	18,029	17,566	12,252	10,625
Deferred tax liabilities comprise:				
Temporary differences	10,699	10,036	2,339	2,208

Note 3: Income taxes (continued)

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

CONSOLIDATED

Temporary differences 2008	**Opening Balance $'000**	**Charged to Income $'000**	**Charged to Equity $'000**	**Acquisitions/ Disposals $'000**	**Closing Balance $'000**
Gross deferred tax liabilities:					
Work in progress	(2,368)	274	-	-	(2,094)
Property, plant and equipment	(6,482)	(1,069)	-	-	(7,551)
Intangible assets	(966)	-	-	-	(966)
Other	(220)	132	-	-	(88)
	(10,036)	(663)	-	-	(10,699)
Gross deferred tax assets:					
Property, plant and equipment	350	2,855	-	-	3,205
Provisions and accruals	7,010	(2,393)	-	-	4,617
Deferred income	662	(659)	-	-	3
Other	1,871	(1,535)	-	-	336
	9,893	(1,732)	-	-	8,161
Temporary differences 2007					
Gross deferred tax liabilities:					
Work in progress	(2,770)	402	-	-	(2,368)
Property, plant and equipment	(6,187)	(295)	-	-	(6,482)
Intangible assets	(966)	-	-	-	(966)
Inventories	(861)	861	-	-	-
Other	(404)	184	-	-	(220)
	(11,188)	1,152	-	-	(10,036)
Gross deferred tax assets:					
Property, plant and equipment	95	255	-	-	350
Provisions and accruals	4,907	2,103	-	-	7,010
Deferred income	262	400	-	-	662
Other	1,847	24	-	-	1,871
	7,111	2,782	-	-	9,893

COMPANY

2008	**Opening Balance $'000**	**Charged to Income $'000**	**Charged to Equity $'000**	**Acquisitions/ Disposals $'000**	**Closing Balance $'000**
Gross deferred tax liabilities:					
Work in progress	(2,092)	(2)	-	-	(2,094)
Other	(116)	(129)	-	-	(245)
	(2,208)	(131)	-	-	(2,339)
Gross deferred tax assets:					
Property, plant and equipment	-	-	-	-	-
Provisions and accruals	6,204	(2,531)	-	-	3,673
Other	77	(77)	-	-	-
	6,281	(2,608)	-	-	3,673
2007					
Gross deferred tax liabilities:					
Work in progress	(2,285)	193	-	-	(2,092)
Inventories	(861)	861	-	-	-
Other	(107)	(9)	-	-	(116)
	(3,253)	1,045	-	-	(2,208)
Gross deferred tax assets:					
Property, plant and equipment	3	(3)	-	-	-
Provisions and accruals	3,141	3,063	-	-	6,204
Other	-	77	-	-	77
	3,144	3,137	-	-	6,281

There are no unrecognised tax losses relating to the Group or the Company. The Directors expect the future financial performance of the company will facilitate the full recovery of the tax losses.

Note 3: Income taxes (continued)

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 37.

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 obligations. 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.

Note 4: Key management personnel compensation

Details of Key Management Personnel
The key management personnel of Australian Vintage Ltd during the year were:

David S Clarke (Chairman – non-executive director)
Dane B Hudson (Chief Executive Officer)
Christopher L Harris (non-executive director)
Nicholas F Greiner (non-executive director)
Perry R Gunner (non-executive director)
Brian J McGuigan (Executive Director)
Ian D Ferrier (non-executive director)

Michael Noack (Chief Financial Officer and Joint Company Secretary)
Neil McGuigan (General Manager Production and Wine Supply)
Paul Schaafsma (General Manager – United Kingdom/Europe)
Cameron Ferguson (General Manager – Sales and Marketing)
Craig Thomas (Export Sales Manager – Australia)
Julie Thomas (Group Administration Manager)
Flora Sarris (Legal Counsel / Joint Company Secretary)

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

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
Short-term employee benefits	3,733,028	3,298,977	3,733,028	3,298,977
Post-employment benefits	246,868	210,027	246,868	210,027
Share based payments	639,101	430,362	639,101	430,362
	4,618,997	3,939,366	4,618,997	3,939,366

Note 4: Key management personnel compensation (continued)

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

2008	Short-term benefits			Post Employment			Share based payments			Total
	Salary & Fees	*Bonus*(4)	*Non – Monetary* (2)	*Super - annuation*	*Prescribed Benefit*	*Other*	*Cash Settled*	*Equity Settled Options*	*Equity Settled Shares*	
	$	$	$	$	$	$	$	$	$	$
David S Clarke	1,000	-	2,799	2,723	-	-	-	-	62,920	69,442
Ian D Ferrier	1,000	-	2,799	1,407	-	-	-	-	31,460	36,666
Nicholas F Greiner	1,000	-	2,799	1,407	-	-	-	-	31,460	36,666
Christopher L Harris	1,000	-	2,799	1,407	-	-	-	-	31,460	36,666
Perry R Gunner	1,000	-	2,799	1,407	-	-	-	-	31,460	36,666
Brian J McGuigan *	75,000	-	20,000	6,750	-	-	-	-	-	101,750
Dane B Hudson	637,000	332,500	-	13,000	-	-	-	348,091	-	1,330,591
Paul Schaafsma	356,735	78,525	113,157	83,031	-	-	-	12,053	-	643,501
Neil McGuigan	361,400	95,000	24,000	32,526	-	-	-	41,985	-	554,911
Michael Noack	285,277	92,276	43,091	25,675	-	-	-	12,053	-	458,372
Julie Thomas	234,000	55,575	48,200	21,060	-	-	-	12,053	-	370,888
Cameron Ferguson	244,200	69,597	26,500	21,978	-	-	-	12,053	-	374,328
Craig Thomas	214,300	89,250	24,100	19,287	-	-	-	12,053	-	358,990
Flora Sarris	169,000	25,350	-	15,210	-	-	-	-	-	209,560
TOTAL	**2,581,912**	**838,073**	**313,043**	**246,868**	**-**	**-**	**-**	**450,341**	**188,760**	**4,618,997**

* During the year, $121,876 was paid to Brian McGuigan in respect of accrued long service leave and annual leave balances accrued in prior periods.

2007	Short-term benefits			Post Employment			Share based payments			Total
	Salary & Fees	*Bonus*(4)	*Non – Monetary* (2)	*Super - annuation*	*Prescribed Benefits*	*Other*	*Cash Settled*	*Equity Settled Options*	*Equity Settled Shares*	
	$	$	$	$	$	$	$	$	$	$
David S Clarke	1,000	-	2,799	4,466	-	-	-	-	62,920	71,185
Ian D Ferrier	1,000	-	2,799	2,278	-	-	-	-	31,460	37,537
Nicholas F Greiner	1,000	-	2,799	2,278	-	-	-	-	31,460	37,537
Christopher L Harris	1,000	-	2,799	2,278	-	-	-	-	31,460	37,537
Perry R Gunner	1,000	-	2,799	2,278	-	-	-	-	31,460	37,537
Brian J McGuigan	150,003	-	40,000	5,715	-	-	-	-	-	195,718
Dane B Hudson	637,000	150,000	-	13,000	-	-	-	200,521	-	1,000,521
Paul Schaafsma	362,056	34,652	113,157	32,585	-	-	-	1,251	-	543,701
Neil McGuigan	360,242	45,000	24,000	36,000	-	-	-	34,826	-	500,068
Michael Noack	285,204	23,026	43,091	28,292	-	-	-	1,251	-	380,864
Julie Thomas	233,250	18,720	48,200	22,612	-	-	-	1,251	-	324,033
Cameron Ferguson	212,955	36,342	25,712	20,066	-	-	-	1,251	-	296,326
Craig Thomas	196,500	26,730	24,100	19,305	-	-	-	1,251	-	267,886
Lisa McGuigan (3)	157,038	-	10,372	15,832	-	-	-	-	-	183,242
Flora Sarris (1)	19,717	2,915	-	3,042	-	-	-	-	-	25,674
TOTAL	**2,618,965**	**337,385**	**342,627**	**210,027**	**-**	**-**	**-**	**241,602**	**188,760**	**3,939,366**

(1) Commenced 22 May 2007.
(2) Non-monetary items include the provision of a motor vehicle, rent, travel, health benefits (where applicable) and fringe benefits tax as appropriate.
(3) Resigned 9 February 2007.
(4) Bonus paid relates to achievement of key performance criteria.

Note 5: Executive share option plan

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

Executive and Senior Employee Option Scheme ("Scheme") – option series 2.
In accordance with the provisions of the Scheme, options have been issued to a number of executives and senior employees of the Company and 715,000 remain as unissued ordinary shares as at 30 June 2008.

Options were offered to eligible employees at an exercise price equivalent to the current market price. The market price is determined as being the average of the last sale price for the Company shares over the five trading days preceding the day of the offer.

The consideration for each parcel of options is $1.00. Each option is entitled to one share upon exercise. The options are issued for a term not exceeding five years from the date of issue.

Australian Vintage Ltd Executive Option Acquisition Plan ("Plan") – option series 3 to 14.
During the year the company has contributed the amounts shown in the table below to the trustee of the Australian Vintage Ltd Executive Option Acquisition Plan ("Plan") to acquire call options over ordinary shares in Australian Vintage Ltd.

Option Series / Issue Date	Issued to	Number	Exercise Price	Exercise Date	Fair Value at grant date ($)
(12) Issued 20 December 2007	Neil McGuigan	86,420	1.64	20/12/10	70,000
(12) Issued 20 December 2007	49,383 each to : Michael Noack Julie Thomas Craig Thomas Paul Schaafsma Cameron Ferguson	246,915	1.64	20/12/10	200,000
(12) Issued 20 December 2007	Other employees	74,075	1.64	20/12/10	60,000
(13) Issued 22 January 2008	Dane Hudson	334,225	2.00	01/02/11	250,000[1]
(14) Issued 22 January 2008	Dane Hudson	302,663	2.00	01/02/12	250,000[2]
		1,044,298			830,000

[1] The exercising of options issued under series 13 are dependent on the earnings per share performance for the year ending 30th June 2010.
[2] The exercising of options issued under series 14 are dependent on the earnings per share performance for the year ending 30th June 2011.

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

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

Executive share options carry no rights to dividends and no voting rights.

The table below summarises all share options on issue:

	2008 Number	2007 Number	Weighted Average Exercise Price 2008 $	Weighted Average Exercise Price 2007 $
Balance at the beginning of the financial year (i)	1,932,197	1,954,544	3.62	3.91
Granted during the financial year (ii)	1,044,298	721,653	1.86	3.01
Exercised during the financial year (iii)	-	-	-	-
Lapsed/cancelled during the financial year (iv)	-	(744,000)	-	3.83
Balance at the end of the financial year (v)	2,976,495	1,932,197	2.99	3.60

Notes to the financial statements
For the financial year ended 30 June 2008

Note 5: Executive share option plan (continued)

(i) Balance at the Beginning of the Financial Year

2008 Options - Series	***No.***	***Grant Date***	***Exercise Date***	***Exercise Price $***
(2) Issued 2 September 2003	715,000	02/09/03	02/09/06	4.07
(3) Issued 6 March 2006	150,000	06/03/06	13/02/09	3.10
(4) Issued 6 March 2006	260,000	06/03/06	13/02/09	4.00
(5) Issued 13 May 2005	28,514	13/05/05	13/05/07	4.36
(6) Issued 13 May 2005	28,515	13/05/05	13/05/08	4.36
(7) Issued 13 May 2005	28,515	13/05/05	13/05/09	4.36
(8) Issued 9 November 2006	284,739	09/11/06	09/11/09	2.90
(9) Issued 16 November 2006	69,697	16/11/06	16/11/09	2.90
(10) Issued 15 March 2007	288,717	15/03/07	15/03/10	3.10
(11) Issued 3 April 2007	78,500	03/04/07	03/04/10	3.20
	1,932,197			

2007 Options - Series	***No.***	***Grant Date***	***Exercise Date***	***Exercise Price $***
(1) Issued 25 September 2001	304,000	25/09/01	25/09/06	3.48
(2) Issued 2 September 2003	1,155,000	02/09/03	02/09/06	4.07
(3) Issued 6 March 2006	150,000	06/03/06	13/02/09	3.10
(4) Issued 6 March 2006	260,000	06/03/06	13/02/09	4.00
(5) Issued 13 May 2005	28,514	13/05/05	13/05/07	4.36
(6) Issued 13 May 2005	28,515	13/05/05	13/05/08	4.36
(7) Issued 13 May 2005	28,515	13/05/05	13/05/09	4.36
	1,954,544			

(ii) Granted During the Financial Year

2008 Options - Series	***No.***	***Grant Date***	***Exercise Date***	***Exercise Price $***
(12) Issued 20 December 2007	407,410	20/12/07	20/12/10	1.64
(13) Issued 22 January 2008	334,225	22/01/08	01/02/11	2.00
(14) Issued 22 January 2008	302,663	22/01/08	01/02/12	2.00
	1,044,298			

2007 Options - Series	***No.***	***Grant Date***	***Exercise Date***	***Exercise Price $***
(8) Issued 9 November 2006	284,739	09/11/06	09/11/09	2.90
(9) Issued 16 November 2006	69,697	16/11/06	16/11/09	2.90
(10) Issued 15 March 2007	288,717	15/03/07	15/03/10	3.10
(11) Issued 3 April 2007	78,500	03/04/07	03/04/10	3.20
	721,653			

No fair value received.

(iii) Exercised During the Financial Year

2008 Options - Series	***No of Options Exercised***	***Grant Date***	***Exercise Date***	***Expiry Date***	***Exercise Price $***	***No. of Shares***	***Consideration Received $***	***Fair Value of Shares at Date of Issue $***
Nil	-	-	-	-	-	-	-	-

2007 Options - Series	***No of Options Exercised***	***Grant Date***	***Exercise Date***	***Expiry Date***	***Exercise Price $***	***No. of Shares***	***Consideration Received $***	***Fair Value of Shares at Date of Issue $***
Nil	-	-	-	-	-	-	-	-

The fair value of shares at the date of issue is measured as the market value at close of trade on the date of their issue.

Note 5: Executive share option plan (continued)

(iv) Lapsed/cancelled During the Financial Year

2008

Options – Series	***No.***	***Grant Date***	***Expiry Date***
Nil			

2007

Options – Series	***No.***	***Grant Date***	***Expiry Date***
(1) Issued 25 September 2001	304,000	25/09/01	25/09/06
(2) Issued 2 September 2003 *	440,000	02/09/03	02/09/08
	744,000		

* These options were cancelled as they related to employees who resigned during the financial year.

(v) Balance at End of Financial Year

2008 ***Options – Series***	***No.***	***Vested No.***	***Unvested No.***	***Grant Date***	***Exercise Date***	***Exercise Price $***
(2) Issued 2 September 2003	715,000	715,000	-	02/09/03	02/09/06	4.07
(3) Issued 6 March 2006	150,000	-	150,000	06/03/06	13/02/09	3.10
(4) Issued 6 March 2006	260,000	-	260,000	06/03/06	13/02/09	4.00
(5) Issued 13 May 2005	28,514	28,514	-	13/05/05	13/05/07	4.36
(6) Issued 13 May 2005	28,515	28,515	-	13/05/05	13/05/08	4.36
(7) Issued 13 May 2005	28,515	-	28,515	13/05/05	13/05/09	4.36
(8) Issued 9 November 2006	284,739	-	284,739	09/11/06	09/11/09	2.90
(9) Issued 16 November 2006	69,697	-	69,697	16/11/06	16/11/09	2.90
(10)Issued 15 March 2007	288,717	-	288,717	15/03/07	15/03/10	3.10
(11)Issued 3 April 2007	78,500	-	78,500	03/04/07	05/04/10	3.20
(12)Issued 20 December 2007	407,410	-	407,410	20/12/10	20/12/10	1.64
(13)Issued 22 January 2008	334,225	-	334,225	01/02/11	01/02/11	2.00
(14)Issued 22 January 2008	302,663	-	302,663	01/02/12	01/02/12	2.00
	2,976,495	**772,029**	**2,204,466**			

2007 ***Options – Series***	***No.***	***Vested No.***	***Unvested No.***	***Grant Date***	***Exercise Date***	***Exercise Price $***
(2) Issued 2 September 2003	715,000	715,000	-	02/09/03	02/09/06	4.07
(3) Issued 6 March 2006	150,000	-	150,000	06/03/06	13/02/09	3.10
(4) Issued 6 March 2006	260,000	-	260,000	06/03/06	13/02/09	4.00
(5) Issued 13 May 2005	28,514	28,514	-	13/05/05	13/05/07	4.36
(6) Issued 13 May 2005	28,515	-	28,515	13/05/05	13/05/08	4.36
(7) Issued 13 May 2005	28,515	-	28,515	13/05/05	13/05/09	4.36
(8) Issued 9 November 2006	284,739	-	284,739	09/11/06	09/11/09	2.90
(9) Issued 16 November 2006	69,697	-	69,697	16/11/06	16/11/09	2.90
(10)Issued 15 March 2007	288,717	-	288,717	15/03/07	15/03/10	3.10
(11)Issued 3 April 2007	78,500	-	78,500	03/04/07	05/04/10	3.20
	1,932,197	**743,514**	**1,188,683**			

Executive share options carry no rights to dividends and no voting rights.

In accordance with the terms of the executive share option scheme, options may be exercised at any time from the date on which they vest to the date of their expiry.

Note 6 : Remuneration of auditors

	Consolidated		Company	
	2008 $	**2007 $**	**2008 $**	**2007 $**
Auditor of the parent company				
Audit or review of financial report	345,000	345,000	345,000	345,000
Other services – accounting advice	21,742	19,425	21,742	19,425
Other services – environmental impact review	37,524	-	37,524	-
Other services – systems implementation review	21,313	-	21,313	-
Other services – taxation advice	17,600	52,859	17,600	52,859
Other services – taxation compliance	58,075	59,988	58,075	59,988
	501,254	**477,272**	**501,254**	**477,272**

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

Note 7: Current trade and other receivables

	Consolidated		Company	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
Trade receivables (i)	72,564	101,459	72,375	94,824
Allowance for doubtful debts	(1,499)	(1,674)	(1,218)	(1,377)
	71,065	**99,785**	**71,157**	**93,447**
Goods and services tax (GST) and WET recoverable	-	95	-	95
Other receivables	1,422	4,216	1,007	3,134
	72,487	**104,096**	**72,164**	**96,676**

(i) The average credit period on sales of goods and rendering of services is 114 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.

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, $21.8 million (2007: $28.7 million) is due from international supermarket groups. 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 $5.046 million (2007: $14.760 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	587	3,621	587	3,440
60 – 90 days	1,199	1,508	1,199	1,408
90 – 120 days	3,260	9,631	3,071	16,788
Total	**5,046**	**14,760**	**4,857**	**21,636**
Movement in the allowance of doubtful debts				
Balance at the beginning of the year	(1,674)	(1,500)	(1,377)	(1,341)
Impairment losses recognised on receivables	(986)	(554)	(850)	(209)
Amounts written off as not collectable	1,161	380	1,009	173
Balance at the end of the year	(1,499)	(1,674)	(1,218)	(1,377)

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 7: Current trade and other receivables (continued)

Ageing of provision for doubtful debts

	Consolidated		Company	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
0 – 30 days	-	-	-	-
30 – 60 days	-	-	-	-
60 – 90 days	24	-	24	-
90 – 120 days	283	-	132	-
120+ days	1,192	1,674	1,062	1,377
Total	1,499	1,674	1,218	1,377

Note 8: Current inventories

Bulk wine:				
At cost	142,554	126,078	142,894	1,384
At net realisable value	3,519	2,776	3,519	-
Other stores and raw materials:				
At cost	5,595	7,369	5,595	6,291
Work in progress:				
At cost	7,215	6,974	7,215	6,974
Bottled wine:				
At cost	30,570	27,095	30,570	26,766
	189,453	**170,292**	**189,793**	**41,415**

Note 9: Non current assets held for sale

Winery assets - carrying value (refer note 43)	28,844	9,123	-	-

Note 10: Other current financial assets

Interest rate swap	1,409	-	1,409	-
Foreign currency forward contracts	225	-	225	-
Trade credits – at amortised cost (note 1 (y))	325	613	325	613
	1,959	**613**	**1,959**	**613**

Note 11: Other current assets

Prepayments	4,543	4,873	4,334	4,730

Note 12: Non current trade and other receivables

Loans carried at amortised cost:				
Loans to other entities (i)	2,400	2,190	-	-
Loans to subsidiaries	-	-	17,536	214,934
Austvin Vineyards 1997 Project (ii)	950	1,784	-	-
	3,350	**3,974**	**17,536**	**214,934**

(i) Loan payable on 31st January 2012, secured against a vineyard sold in a prior period. The interest rate charged is 7% (2007 : 7%).
(ii) Austvin Vineyards Limited, a 100% subsidiary of Australian Vintage Ltd is the manager of this project with loans held by another 100% subsidiary Austvin Finance Pty Ltd at an interest rate of 11% (2007 : 11%). The loan relates to amounts advanced to investors in the project to be recouped from the sale of grapes in future periods.

Note 13: Non current inventories

	Consolidated		Company	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
At cost:				
Bulk wine	53,921	45,754	53,921	4,449
Bottled wine	1,609	1,426	1,609	1,407
	55,530	**47,180**	**55,530**	**5,856**

Note 14: Investments accounted for using the equity method

Investment in associates	1,910	2,110

(a) Interest in associates

		Ownership Interest		Consolidated Carrying Amount	
Name of Entity	**Principal Activity**	**2008 %**	**2007 %**	**2008 $'000**	**2007 $'000**
Mangoola Vineyards Pty Ltd	Vineyard investor	45	45	-	-
Tempus Two Pty Limited	Winery ownership	50	50	1,910	2,110
				1,910	**2,110**

Both entities are incorporated in Australia. Voting rights equate to ownership interest and both entities have the same year end as the Company. Investments are owned by the parent entity (refer note 15).

(b) Reconciliation of movement in investments accounted for using the equity method

	Consolidated	
	2008 $'000	**2007 $'000**
Balance at 1 July	2,110	2,110
Repayment of capital	(200)	-
Balance at 30 June	**1,910**	**2,110**

(c) Summarised financial information in respect of the Group's associates is set out below:

	Consolidated	
	2008 $'000	**2007 $'000**
Financial position:		
Total assets	11,404	11,154
Total liabilities	7,095	6,845
Net assets	4,309	4,309
Financial performance		
Revenue	3,726	3,606
Profit for the year	**-**	**-**
Share of associates profit/(loss)	**-**	**-**

(d) Share of reserves attributable to associates

Accumulated losses		
At the beginning of the financial year	(103)	(103)
At the end of the financial year	(103)	(103)

Note 15: Other non-current financial assets

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Investments in unlisted companies at cost (i)	297	842	286	542
Investments in subsidiaries	-	-	146,828	146,341
Investments in associates (14 (a))	-	-	2,013	2,213
Deposit on operating lease (ii)	1,633	1,523	-	-
Trade credits - at amortised cost (note 1 (y))	3,229	3,243	3,229	3,243
	5,159	**5,608**	**152,356**	**152,339**

(i) Relates to investments in wine related businesses (both private and listed). During the year an investment with a value of $944,000 was sold and investments with a value of $399,000 were purchased.
(ii) Relates to deposit held by lessor of storage tanks leased. The applicable interest rate is 7.25% and the maturity date is 30th March 2010.

Note 16: Biological assets

Fair value less costs to sell of vines at beginning of year	37,373	30,261	6,990	-
Vines acquired	238	7,112	238	6,990
Valuation adjustment	-	-	1,000	-
Vines disposed	(1,723)	-	(94)	-
Fair value less costs to sell of vines at end of year	**35,888**	**37,373**	**8,134**	**6,990**

(a) Impact on Income Statement
The profit / (loss) before income tax included in the Consolidated Income Statement resulting from the fair value less costs to sell of produce extracted from the biological assets is $1,957,000 (2007: ($944,000)); Company $1,957,000 (2007: ($307,000)).

(b) Physical quantity of vines

	Consolidated		Company	
	2008 No.	2007 No.	2008 No.	2007 No.
Number of vines owned	1,634,774	1,764,234	169,163	169,163
Acres owned	2,267	2,423	260	260
Number of grapes crushed - owned vineyards (tonnes)	19,874	14,035	1,064	902

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

There are two resulting assets:
(i) grapes (agricultural produce) – recorded within inventory
(ii) vines (bearer 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 15 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.

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

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

Note 17: Property, plant and equipment

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
(a) Vineyard Improvements				
at cost	12,427	13,390	739	1,697
accumulated depreciation	(4,517)	(4,137)	(37)	(237)
	7,910	**9,253**	**702**	**1,460**
Vineyard Improvements under lease (from third party)				
at cost	-	417	-	-
accumulated amortisation	-	(120)	-	-
	-	**297**	**-**	**-**
Freehold Land				
at cost	**16,106**	**24,730**	**3,173**	**4,270**
Buildings				
At cost	19,832	22,685	14,002	15,261
accumulated depreciation	(3,537)	(4,280)	(1,415)	(1,449)
	16,295	**18,405**	**12,587**	**13,812**
Plant and equipment under lease				
at cost	1,282	1,282	-	-
accumulated amortisation	(321)	(277)	-	-
	961	**1,005**	**-**	**-**
Plant and equipment				
at cost	110,193	146,912	35,571	25,449
accumulated depreciation	(49,250)	(68,204)	(10,261)	(10,215)
	60,943	**78,708**	**25,310**	**15,234**
Total Property, Plant and Equipment				
at cost	159,840	209,416	53,485	46,677
accumulated depreciation and amortisation	(57,625)	(77,018)	(11,713)	(11,901)
	102,215	**132,398**	**41,772**	**34,776**

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
(b) Reconciliations				
Vineyard Improvements				
carrying amount at beginning of the financial year	9,253	9,078	1,460	823
additions	16	742	-	661
transfer from / (to) current assets held for sale	(4)	-	-	-
transfer from / (to) other category	(711)	-	(711)	-
depreciation	(644)	(567)	(47)	(24)
at end of year	**7,910**	**9,253**	**702**	**1,460**
Vineyard Improvements under lease (from third party)				
carrying amount at beginning of financial year	297	346	-	-
amortisation	-	(49)	-	-
disposals	(297)	-	-	-
at end of year	**-**	**297**	**-**	**-**
Freehold land				
carrying amount at beginning of the financial year	24,730	25,523	4,270	3,441
additions	410	1,795	409	831
disposals	(3,044)	(2)	(1,710)	(2)
transfer to water licences	-	(3,424)	-	-
transfer from / (to) current assets held for sale	(5,990)	-	-	-
transfer from / (to) other category	-	838	204	-
at end of year	**16,106**	**24,730**	**3,173**	**4,270**

Note 17: Property, plant and equipment (continued)

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Buildings				
carrying amount at beginning of the financial year	18,405	18,004	13,812	12,678
additions	566	1,558	557	1,503
disposals	(1,353)	-	(1,353)	-
depreciation	(536)	(665)	(385)	(369)
transfer from / (to) current assets held for sale	(743)	(261)	-	-
transfer from / (to) other category	(44)	(231)	(44)	-
at end of year	**16,295**	**18,405**	**12,587**	**13,812**
Plant and equipment under lease				
carrying amount at beginning of the financial year	1,005	2,015	-	-
additions	-	89	-	-
amortisation	(44)	(205)	-	-
transfer to other category	-	(894)	-	-
at end of year	**961**	**1,005**	**-**	**-**
Plant and equipment				
carrying amount at beginning of the financial year	78,708	72,355	15,234	12,083
additions	11,228	15,379	6,326	5,033
disposals	(1,026)	(422)	(956)	(176)
depreciation	(7,821)	(8,820)	(1,891)	(1,706)
transfer from subsidiary	-	-	5,899	-
transfer to current assets held for sale	(21,194)	(71)	-	-
transfer from current assets held for sale	293	-	-	-
transfer from / (to) other category	755	287	698	-
at end of year	**60,943**	**78,708**	**25,310**	**15,234**
Aggregate depreciation and amortisation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:				
Buildings	536	665	385	369
Vineyard improvements	644	567	47	24
Vineyard improvements under lease (from third party)	-	49	-	-
Plant and equipment	7,821	8,820	1,891	1,706
Plant and equipment under lease	44	205	-	-
	9,045	**10,306**	**2,323**	**2,099**

Note 18: Goodwill

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Gross carrying amount:				
Balance at beginning of the financial year	47,711	47,711	-	-
Goodwill transferred to current assets held for sale	(911)	-	-	-
Balance at end of the financial year	**46,800**	**47,711**	**-**	**-**
Net book value:				
At the beginning of the financial year	46,800	47,711	-	-
At the end of the financial year	**46,800**	**47,711**	**-**	**-**

Note 18: Goodwill (continued)

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash generating units: 1. Wineries; 2. AVL Europe; and 3. Miranda Wines Group as follows:

	Consolidated	
	2008 $'000	2007 $'000
Wineries	43,178	44,089
AVL Europe	2,621	2,621
Miranda Wines Group	1,001	1,001
	46,800	47,711

The impairment of goodwill is tested each reporting date and is based on determining the recoverable amount of each of the businesses' above cash generating units (CGU). To assess the recoverable amount of each CGU, the company has determined both the fair value 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 4 years and a terminal value to account for the cash flows beyond the 4th year. In preparing the impairment models for each CGU the company started with the cash flows from the year ended 30 June 2008 and added to that base year the budgets and plans approved by the Board of Directors.

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 discount rate of 11% p.a. (2007: 10% p.a.) to account for the increased 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.

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

Working Capital:	Working capital levels used in future years adjust in line with future sales growth.
Revenue:	Revenue is forecast to increase at 3% per annum from 1st July, 2008.
Gross Margin:	Gross margin rates are forecast to continue at levels consistent with the 2008/2009 budget.
Terminal Growth Rate:	A terminal growth rate of 3% has been applied.

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

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

Reducing the terminal growth rate to 2% does not cause the associated goodwill to be impaired. However, a reduction in the terminal growth rate to 1% would generate an impairment charge of $5.3 million.

Increasing the discount rate to 12% is the highest the discount rate can be adjusted before the assets in the CGU relating to the Winery are impaired. At a discount rate of 12.5% an impairment charge of $14.1 Million would be recorded. Assets in the AVL Europe CGU and the Miranda Wines Group are not impaired at this level of discounting.

The calculations are not sensitive to exchange rates as the majority of cash flows 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		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Permanent water licences – at cost	8,326	3,424	4,902	-
Balance at 1 July	3,424	3,424	-	-
Acquired during the year	4,902	-	4,902	-
Balance at 30 June	8,326	3,424	4,902	-

Note 20: Other intangible assets

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Brand Names:				
Balance at 1 July	7,682	3,220	4,462	-
Acquired during the year	322	4,462	322	4,462
Balance at 30 June	8,004	7,682	4,784	4,462
Software:				
Balance at 1 July	1,985	807	-	-
Costs incurred during the year	889	1,262	-	-
Amortisation expense	(241)	(84)	-	-
Balance at 30 June	2,633	1,985	-	-
Total other intangible assets	10,637	9,667	4,784	4,462

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. Impairment assumptions used in value in use calculation are consistent with those disclosed in Note 18.

Given the nature of brand names, the Company has performed further sensitivity analysis on the discount rate. Increasing the discount rate from 11% to 14% is the highest the discount rate can be adjusted before the brand names are impaired. At a discount rate of 15% an impairment charge of $0.2 Million would be recorded.

Note 21: Assets pledged as security

In accordance with the security arrangements of liabilities, as disclosed in notes 23 and 26 to the financial statements, the majority of tangible assets of the Group have been covered by a negative pledge with the lending institutions, with the exception of assets under hire purchase arrangements. The following assets have been pledged as security:

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Inventory	244,983	217,472	245,323	47,271
Receivables	72,712	104,096	72,389	96,676
Property, plant and equipment (including Biological Assets)	166,036	178,894	49,906	41,766
	483,731	500,462	397,618	185,713

Note 22: Current trade and other payables

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Trade payables(i)	43,920	46,595	43,802	44,994
Goods and services tax (GST) payable	1,232	1,732	1,232	554
Other accounts payable and accruals	22,458	29,235	19,134	30,369
	67,610	**77,562**	**64,168**	**75,917**

(i) The average credit period on purchase of goods is 49 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

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
At amortised cost:				
Finance lease liabilities - secured (i)	456	624	189	254
Other loans – unsecured (ii)	233	467	233	467
	689	**1,091**	**422**	**721**

(i) Secured by assets subject to the finance lease.
(ii) Interest free local council loan.

Note 24: Current provisions

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Directors retirement benefit (note 28)	376	452	-	-
Onerous contracts (note 28)	456	473	-	-
Employee entitlements (a)	4,552	5,752	4,512	5,712
	5,384	**6,677**	**4,512**	**5,712**

(a) The current provision for employee entitlements includes $1,991,000 (company: $1,991,000) of annual leave and vested long service leave entitlements accrued but not expected to be taken within 12 months (2007: $2,566,000 Group, $2,546,000 company).

Note 25: Other current liabilities

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Derivatives - foreign currency forward contracts (note 29)	-	401	-	401
Income in advance (note 1(w))	9,117	10,353	5,087	4,620
Other	67	97	47	75
	9,184	**10,851**	**5,134**	**5,096**

Note 26: Non-current borrowings

Secured - at amortised cost:				
Commercial Bills (i) (note 42(b))	149,000	149,000	149,000	149,000
Prepaid interest	(1,794)	(1,466)	(1,794)	(1,466)
	147,206	147,534	147,206	147,534
Finance lease liabilities (ii)	534	5,654	400	565
	147,740	**153,188**	**147,606**	**148,099**

(i) The bank overdraft and commercial bills are subject to an interlocking guarantee and indemnity to National Australia Bank, secured by a charge over the majority of the Group's assets (refer note 21).
(ii) Secured by assets subject to the finance lease.

Note 27: Non-current provisions

Employee entitlements	690	816	690	816
Onerous contracts (note 28)	-	431	-	-
	690	**1,247**	**690**	**816**

Note 28: Provisions

	Consolidated	
	$'000 Onerous Contracts (i)	$'000 Directors Retirement Benefit (ii)
Balance at 30 June 2007	904	452
Reductions arising from payments/other sacrifices of future economic benefits	(448)	(76)
Balance at 30 June 2008	**456**	**376**

(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.

Note 29: Foreign currency balances

The following table details the forward foreign currency contracts outstanding as at reporting date.

Currency	Exchange rate 2008	Exchange rate 2007	Foreign currency FC $'000 2008	Foreign currency FC $'000 2007	Contract value AUD $'000 2008	Contract value AUD $'000 2007	Fair value AUD $'000 2008	Fair value AUD $'000 2007
Forward foreign currency contracts:								
Sell NZ Dollars	-	1.19	-	6,000	-	5,053	-	(401)
Sell GB Pounds	0.40	-	1,274	-	3,209	-	564	-
Sell Euro	0.57	-	1,432	-	2,510	-	165	-
Buy US Dollars	0.85	-	(3,796)	-	(4,454)	-	(504)	-
Total							**225**	**(401)**

Note 30: Issued capital

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
128,509,917 Fully paid ordinary shares (2007: 128,377,917)	401,629	401,266	401,629	401,266

	Consolidated			
	2008 Number	2008 $'000	2007 Number	2007 $'000
Fully paid ordinary share capital				
Beginning of financial year	128,377,917	401,266	120,059,059	375,935
Issued during the year				
Non-executive share scheme (refer Directors' Report)	132,000	367	66,000	311
Shares issued – Nepenthe purchase (note 41)	-	-	8,064,516	25,000
Share purchase plan	-	-	188,342	584
Share issue costs	-	(4)	-	(564)
End of financial year	128,509,917	401,629	128,377,917	401,266

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 shares have equal rights to voting and dividends.

Share Options
Details of share options granted and on issue are disclosed in Note 5.

Note 31: Reserves

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Employee equity-settled benefits (i)	165	1,594	165	1,594
Interest rate hedging reserve (ii)	1,409	-	1,409	-
Foreign currency translation reserve (iii)	160	-	(77)	-
	1,734	**1,594**	**1,497**	**1,594**

(i) The employee equity-settled benefits reserve arises on the granting of shares and share options to directors and employees. The fair value of share based payments provided to directors and employees of the company are recorded within the reserve account and amounts are released into issued capital as options are exercised. Further details on share based payments are made in Notes 4 and 5.

(ii) The interest rate 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 32: Accumulated losses

Balance at beginning of financial year	(61,412)	(55,468)	(64,067)	(39,508)
Net profit / (loss)	1,344	(5,944)	1,366	(24,559)
End of financial year	**(60,068)**	**(61,412)**	**(62,701)**	**(64,067)**

Note 33: Earnings per share

	Consolidated	
	2008 Cents Per share	2007 Cents Per share
Basic earnings per share	1.0	(4.8)
Diluted earnings per share	1.0	(4.8)
	$'000	**$'000**
Profit / (loss) for the year	1,344	(5,944)*
	2008 '000 Number of Shares	**2007 '000 Number of Shares**
Weighted average number of ordinary shares used in calculating basic earnings per share	128,444	122,717
Dilutive securities		
Share options (over un-issued shares)	715	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	129,159	122,717

* Used for 2007 calculation of Basic and Diluted Earnings Per Share.

Note 34: Dividends

	Company 2008		Company 2007	
	Cents per share	Total $'000	Cents per share	Total $'000
Fully paid ordinary shares:				
Interim dividend – franked to 30%	-	-	-	-
Final dividend – franked to 30%	-	-	-	-
	-	-	-	-
Adjusted franking account balance		15,437		17,627

Note 35: 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
- Warehouses
- Cellar doors
- Winery equipment

The following sets out the commitments to future lease payments relating to operating leases that have not been disclosed in the financial statements as a liability:

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
- not longer than 1 year	19,277	12,215	15,591	8,563
- longer than 1 year and not longer than 5 years	60,064	38,945	54,878	30,329
- longer than 5 years	38,502	29,740	38,502	29,740
	117,843	**80,900**	**108,971**	**68,632**

Note 35: Leases and other commitments (continued)

(b) Finance leases

Finance leases relate to plant and equipment with a lease term of up to 4 years.

	Minimum Future Lease payments				**Present Value of Minimum Future Lease payments**			
	Consolidated		**Company**		**Consolidated**		**Company**	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**
No Later than 1 year	507	1,064	230	308	456	619	189	249
Later than 1 year and not later than 5 years	565	2,928	432	644	534	1,154	400	570
Later than 5 years	-	5,730	-	-	-	4,505	-	-
Minimum lease payments*	1,072	9,722	662	952	990	6,278	589	819
Less future finance changes	(82)	(3,444)	(73)	(133)	-	-	-	-
Present value of minimum lease payments	990	6,278	589	819	990	6,278	589	819
Current borrowings (note 23)					456	624	189	254
Non-Current borrowings (note 26)					534	5,654	400	565
					990	**6,278**	**589**	**819**

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

(c) Capital expenditure commitments

	Consolidated		**Company**	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
Property, Plant and Equipment				
- not longer than 1 year	1,314	140	1,314	55
Intangibles				
- not longer than 1 year	-	333	-	333
	1,314	**473**	**1,314**	**388**

Note 36: Contingent liabilities

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

Note 37: Subsidiaries

Name of entity	Country of Incorporation	Ownership of Interest 2008 %	2007 %
Parent Entity			
Australian Vintage Ltd	Australia		
Controlled Entity			
Simeon Wines Limited (1)	Australia	100	100
Vintners Australia Pty Limited (1)	Australia	100	100
Barossa Valley Wine Company Pty Limited (1)	Australia	100	100
Archstone Vineyards Pty Limited (1)	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 Ltd	Australia	100	100
Austvin Vineyards Limited (1)	Australia	100	100
Austvin Finance Pty Limited (1)	Australia	100	100
Austvin Management Pty Limited (1)	Australia	100	100
Australian Flavours Pty Limited (1)	Australia	100	100
Austvin Holdings Pty Limited (1)	Australia	100	100
Nepenthe Wines Pty Limited (1)	Australia	100	100
Australian Vintage (Domestic) Pty Ltd (1)	Australia	100	100
Limestone Coast Wines Pty Limited (1)	Australia	100	100
Icon Brands Pty Limited (1)	Australia	100	100
Botany Creek Wines Pty Limited (1)	Australia	100	100
Miranda Wines Pty Limited (1)	Australia	100	100
Miranda Wines Leasing Pty Limited (1)	Australia	100	100
Barossa Rovalley Estates Pty Limited (1)	Australia	100	100
Miranda Family Investments Pty Limited (1)	Australia	100	100
Miranda Wines (Purchasing) Pty Limited (1)	Australia	100	100
Miranda Wines (Europe) Limited	United Kingdom	100	100
Miranda Wines Holdings Limited (1)	Australia	100	100
Australian Vintage (Europe) Limited	United Kingdom	100	100
MGW Executive Options Pty Limited	Australia	100	100
Inspire Brands Pty Ltd	Australia	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.

The balance sheet and income statement balances of the entities not subject to the class order are not considered material.

Therefore, the total assets and liabilities and total revenue and expenses of companies included in the cross guarantee are equivalent to that included in the consolidated income statement and balance sheet as presented previously in this report.

Note 38: Segment information

Business Segments

Segment Revenue, Results, Assets and Liabilities

	Revenue 2008 $'000	Revenue 2007 $'000	Results 2008 $'000	Results 2007 $'000	Assets 2008 $'000	Assets 2007 $'000	Liabilities 2008 $'000	Liabilities 2007 $'000
Branded wine division	146,068	132,242	7,292	4,221	95,385	115,992	22,927	27,241
Private Label wine division	25,568	38,950	(1,071)	1,588	6,432	13,087	2,448	3,741
Bulk wine and processing	79,226	103,971	6,830	(3,557)	366,050	365,944	37,632	39,036
Vineyards	14,118	11,536	5,119	601	86,270	80,014	11,126	21,676
Unallocated	-	-	(16,647)	(12,323)	31,993	27,158	168,702	169,053
Total	**264,980**	**286,699**	**1,523**	**(9,470)**	**586,130**	**602,195**	**242,835**	**260,747**
Tax (expense) / income			(179)	3,526				
Net profit / (loss)			**1,344**	**(5,944)**				

Unallocated results include finance costs and significant items (refer note 2 (c)).
Unallocated assets include tax related assets.
Unallocated liabilities include commercial bill facilities utilised in the whole business and tax related liabilities.

Other Segmental Information

	Acquisition of segment assets		Depn. & amort. of segment assets		Significant non-cash expenses		Share of Associates Profit/(Loss)		Carrying value of Equity Investments	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Branded wine division	2	12,305	1,466	1,475	-	-	-	-	1,910	2,110
Private Label wine division	-	-	-	-	-	-	-	-	-	-
Bulk wine and processing	10,702	10,882	7,157	8,423	-	-	-	-	-	-
Vineyards	6,243	12,280	-	-	-	-	-	-	-	-
Unallocated	1,298	1,579	663	492	-	-	-	-	-	-
Total	**18,245**	**37,046**	**9,286**	**10,390**	**-**	**-**	**-**	**-**	**1,910**	**2,110**

Geographical Segments

	Revenue from customers		Segment assets		Acquisition of segment assets	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Australia	131,771	135,578	547,994	540,176	18,245	37,046
Europe	108,728	114,011	31,785	51,192	-	-
North America	13,960	21,954	3,080	6,608	-	-
Other *	10,521	15,156	3,271	4,219	-	-
	264,980	**286,699**	**586,130**	**602,195**	**18,245**	**37,046**

* Other includes Asia and New Zealand.

Products and Services within each Business Segment

Branded wine division	• Sale of branded bottled and cask wine throughout Australia and overseas.
Private Label wine division	• Sale of private label bottled and cask wine throughout Australia and overseas.
Bulk wine and processing	• Sale of bulk wine and concentrate within Australia. • Provision of contract processing services within Australia.
Vineyards	• Contract management and development of vineyards. • Management of owned vineyards.

Note 39: Related party transactions

(a) Equity interests in related parties

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 37 to the financial statements.

Equity interests in associates

Details of the percentage of ordinary shares held in associates are disclosed in note 14 to the financial statements

(b) Key management personnel remuneration

Details of key management personnel compensation are disclosed in note 4 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:

2008	Balance at 1/7/07 No.	Granted as remuneration No.	Received on exercise of options No.	Net other change No.	Balance at 30/6/08 No.	Balance held nominally No.
David S Clarke	908,000	44,000	-	2,485	954,485	-
Dane B Hudson	50,000	-	-	-	50,000	-
Brian J McGuigan	297,670	-	-	(77,665)	220,005	-
Ian D Ferrier	384,622	22,000	-	(99,991)	306,631	-
Nicholas S Greiner	348,379	22,000	-	-	370,379	-
Chris L Harris	104,719	22,000	-	-	126,719	-
Perry R Gunner	231,420	22,000	-	5,000	258,420	-
Paul Schaafsma	-	-	-	-	-	-
Michael Noack	1,875	-	-	-	1,875	-
Cameron Ferguson	-	-	-	-	-	-
Neil McGuigan	-	-	-	-	-	-
Julie Thomas	27,946	-	-	(25,000)	2,946	-
Craig Thomas	250	-	-	-	250	-
Flora Sarris	-	-	-	-	-	-
	2,354,881	**132,000**	**-**	**(195,171)**	**2,291,710**	

No share options are held by non-executive directors.
Share granted as remuneration include 66,000 issued on 25th June 2008 (relating to the 2007/08 financial year) and 66,000 issued on 4th July 2007 (relating to the 2006/07 year).

2007	Balance at 1/7/06 No.	Granted as remuneration No.	Received on exercise of options No.	Net other change No.	Balance at 30/6/07 No.	Balance held nominally No.
David S Clarke	886,000	22,000	-	-	908,000	-
Dane B Hudson	50,000	-	-	-	50,000	-
Brian J McGuigan	297,670	-	-	-	297,670	-
Ian D Ferrier	373,622	11,000	-	-	384,622	-
Nicholas S Greiner	337,379	11,000	-	-	348,379	-
Chris L Harris	93,719	11,000	-	-	104,719	-
Perry R Gunner	225,420	11,000	-	(5,000)	231,420	-
Paul Schaafsma	-	-	-	-	-	-
Lisa McGuigan	100,000	-	-	(100,000)	-	-
Michael Noack	1,875	-	-	-	1,875	-
Cameron Ferguson	-	-	-	-	-	-
Neil McGuigan	-	-	-	-	-	-
Julie Thomas	77,946	-	-	(50,000)	27,946	-
Craig Thomas	250	-	-	-	250	-
Flora Sarris	-	-	-	-	-	-
	2,443,881	**66,000**	**-**	**(155,000)**	**2,354,881**	**-**

No share options are held by non-executive directors.

Note 39: Related party transactions (continued)

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

2008	Balance @ 1/7/07 No.	Granted as remuneration No.	Exercised No.	Other Change No.	Bal @ 30/6/08 No.	Bal Vested @ 30/6/08 No.	Vested but Not exercisable No.	Vested and exercisable No.	Options Vested during the year No.
Dane Hudson	983,456	636,888	-	-	1,620,344	-	-	-	-
Paul Schaafsma	40,700	49,383	-	-	90,083	25,000	-	25,000	-
Michael Noack	65,700	49,383	-	-	115,083	50,000	-	50,000	-
Cameron Ferguson	15,700	49,383	-	-	65,083	-	-	-	-
Neil McGuigan	155,241	86,420	-	-	241,661	57,029	-	57,029	28,515
Julie Thomas	15,700	49,383	-	-	65,083	-	-	-	-
Craig Thomas	40,700	49,383	-	-	90,083	25,000	-	25,000	-
Flora Sarris	-	-	-	-	-	-	-	-	-
	1,317,197	**970,223**	**-**	**-**	**2,287,420**	**157,029**	**-**	**157,029**	**28,515**

2007	Balance @ 1/7/06 No.	Granted as remuneration No.	Exercised No.	Other Change No.	Bal @ 30/6/07 No.	Bal Vested @ 30/6/07 No.	Vested but Not exercisable No.	Vested and exercisable No.	Options Vested during the year No.
Dane Hudson	410,000	573,456	-	-	983,456	-	-	-	-
Paul Schaafsma	35,000	15,700	-	(10,000)	40,700	25,000	-	25,000	-
Lisa McGuigan	25,000	-	-	(25,000)	-	-	-	-	-
Michael Noack	50,000	15,700	-	-	65,700	50,000	-	50,000	-
Cameron Ferguson	-	15,700	-	-	15,700	-	-	-	-
Neil McGuigan	85,544	69,697	-	-	155,241	28,514	-	28,514	28,514
Julie Thomas	50,000	15,700	-	(50,000)	15,700	-	-	-	-
Craig Thomas	25,000	15,700	-	-	40,700	25,000	-	25,000	-
Flora Sarris	-	-	-	-	-	-	-	-	-
	680,544	**721,653**	**-**	**(85,000)**	**1,317,197**	**128,514**	**-**	**128,514**	**28,514**

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

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

Further details of the options granted during the year are contained in note 5 to the financial statements.

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

(d) Other transactions with key management personnel

(i) During the year ended 30 June 2008, a company associated with David Clarke, Poole's Rock Wines Pty Limited, transacted with the company as follows:

- Pooles Rock Wines Pty Limited sold packaged wine to the Company to the value of $3,906 (2007: $15,011) at normal commercial rates.
- The company sold concentrate to Poole's Rock Wines Pty Limited to the value of $60,127 (2007: $8,477) at normal commercial rates.
- The company sold packaged wine to Poole's Rock Wines Pty Limited to the value of Nil (2007:$3,099) at normal commercial rates.
- The company provided winery services to Poole's Rock Wines Pty Limited to the value of $5,114 (2007 : Nil) at normal commercial rates.
- The company sold bulk wine to Poole's Rock Wines Pty Limited to the value of $27.301 (2007 : Nil) at normal commercial rates.
- The company charges Poole's Rock Wines Pty Limited an administration fee for sales by the company of Poole's Rock wines to Pool Rock retail customers to the value of $636 (2007 : $744) at normal commercial rates.
- As of 30th June 2008, $5,389 (2007: $3,542) is payable to the company in relation to the above transactions.

Note 39: Related party transactions (continued)

(ii) During the year ended 30 June 2008, a company associated with David Clarke, Macquarie Bank Limited, conducted banking transactions, entered into foreign exchange contracts and received $830,000 (2007 : $850,056) in relation to key management personnel share options under the Australian Vintage Ltd Executive Option Acquisition Plan ("Plan") on normal commercial terms.

(iii) Fay McGuigan (associate of Brian McGuigan) has a minority interest in an entity which paid $161,152 (2007: $154,090) to the Company for the provision of viticultural services at Barmera and Bordertown. Fruit from both vineyards was purchased by the Company from the entity for $293,775 (2007: $250,217) on the same terms and conditions as other investors in that project.

(iv) The company purchased grapes from Nicholas Greiner's Spring Mountain vineyard during the 2007 year to the value of $197,553 (2008 : Nil) at normal commercial rates. As of 30th June 2008, $134,007 (2007: $134,007) is payable to the company in relation to the above transaction. The company has received $43,482 since year end.

(v) Lisa McGuigan (associate of Brian McGuigan) has a minority interest in an entity which paid $51,816 (2007: $49,620) to the Company for the provision of viticultural services at Bordertown. Fruit from the Bordertown vineyard was purchased by the Company from the entity for $113,392 (2007: $111,047) on the same terms and conditions as other investors in that project.

(vi) During the year ended 30 June 2008, Australian Horticultural Management Pty Limited ("AHM"), a company owned by Brian McGuigan, managed the Hunter Valley vineyards for the company. In addition, AHM maintained the gardens and provided general upkeep of the Hunter Valley wineries, cellar doors and pipelines. The company paid to AHM, at normal commercial rates, $379,702 (2007 : $768,937) during the financial year, with a further balance of $Nil (2007 : $152,970) owing to AHM at 30 June 2008.

(vii) During the year ended 30 June 2007 the company sold to AHM vineyard and gardening equipment in the Hunter Valley for a total consideration of $100,000 on normal commercial terms. The carrying value of this equipment was $56,324, and the company recorded a profit of sale of equipment of $43,676.

(viii) During the year the company entered into the following transactions with AHM:

a. The company provided AHM with grape concentrating and processing services to the value of $209,406 (2007 : Nil) on normal commercial terms. A balance of $139,904 is owing to the company at 30 June 2008.

b. The company purchased grapes from AHM to the value of $404,113 (2007 : Nil) on normal commercial terms. A balance of $133,998 is owed by the company at 30 June 2008.

c. The company sold the Hunter Ridge Winery and vineyard complex to Brian McGuigan (and related parties) for $5,825,000. An additional $250,000 was charged relating to the value of the 2008 vintage crop. These amounts were the result of an extensive sale process which resulted in the company receiving market value for these assets.

d. As a result of the Hunter Ridge sale above, the company has paid McGuigan Nominees $97,856 for the rental of wine storage tanks and $133,306 for the rental of warehouse space, both of which are on normal commercial terms. An amount of $46,232 remains payable by the company at 30 June 2008.

(ix) Premier Wines Pty Limited (Premier Wines), a company primarily owned by Brian McGuigan, acted as a broker for bulk wine sales made by the company. During the year, the company paid commission fees, on normal commercial terms, totalling $164,208 (2007 : 408,638), with a further balance of $Nil (2007 : $109,223) owing to Premier Wines at 30 June 2008.

(e) Transactions within the wholly-owned group
Amounts which are non-trade receivables from wholly-owned controlled entities are disclosed in note 8.

(f) Transactions with Associates
During the financial year, Australian Vintage Ltd was charged $247,668 (2007: $308,422) for contract processing of wine by Tempus Two Pty Ltd on normal commercial terms.

(g) Parent Entity
The ultimate parent company in the wholly-owned group is Australian Vintage Ltd.

Note 40: Subsequent events

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

Note 41: Acquisition of businesses

Names of businesses acquired	Principal activity	Date of Acquisition	Proportion of shares acquired (%)	Cost of acquisition $'000
2008				
Nil.				
2007				
Nepenthe	Grape growing and winemaking	30/03/07	N/A	23,162
	Less: non-cash expenses			(824)
	Cash outflow on acquisition			22,338

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 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Cash and cash equivalents	2,051	3,997	1,670	1,851
Bank overdraft	(1,051)	-	(1,051)	-
	1,000	3,997	619	1,851

(b) Financing Facilities

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Unsecured bank overdraft facility, reviewed annually and payable at call:				
Amount Used	1,051	-	1,051	-
Amount Unused	3,949	5,000	3,949	5,000
	5,000	5,000	5,000	5,000
Unsecured revolving lease facility:				
Amount Used	-	-	-	-
Amount Unused	2,000	2,000	2,000	2,000
	2,000	2,000	2,000	2,000
Bank Guarantee/Surrender facility:				
Amount Used	3,358	3,131	3,358	3,131
Amount Unused	4,142	4,869	4,142	4,869
	7,500	8,000	7,500	8,000
Corporate purchasing card facility:				
Amount Used	3	-	3	-
Amount Unused	497	-	497	-
	500	-	500	-
Unsecured bill acceptance facility:				
Amount Used	149,000	149,000	149,000	149,000
Amount Unused	41,000	41,000	41,000	41,000
	190,000	190,000	190,000	190,000

(c) Non-cash financing and investing activities

There were no non-cash financing and investing activities during the year ended 30 June 2008 (2007: Nil).

(d) Business acquired

During the prior financial year, the Group acquired the Nepenthe business (refer note 41). No businesses were acquired in the current financial year.

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

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

	Consolidated		Company	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
Profit / (Loss) from ordinary activities after income tax	1,344	(5,944)	1,366	(24,559)
Depreciation and amortisation of non-current assets	9,286	10,390	2,323	2,099
Profit on sale of non-current assets	(2,859)	(140)	(1,389)	(102)
Decrement from write down of non-current assets	-	-	-	20,000
Bad and doubtful debts	(175)	174	(159)	36
Shares issued as remuneration	367	187	367	178
Interest on finance leases	247	421	59	21
Unrealised foreign exchange losses / (gains)	(933)	819	(1,205)	806
Change in market value of biological assets	-	-	(1,000)	-
Impairment of property, plant and equipment	-	2,472	-	-
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses				
(Increase)/decrease in assets				
trade and other receivables	32,233	(5,371)	202,999	(11,907)
inventories	(27,511)	13,773	(198,052)	3,774
other current assets	(1,016)	(3,090)	1,240	(3,539)
other non-current assets	(463)	(3,179)	(1,627)	504
Increase/(decrease) in liabilities				
current trade and other payables	(9,952)	(2,617)	(11,749)	(3,452)
current provisions	614	(156)	(521)	503
other	(1,609)	-	2,360	4,586
Net cash provided by/(used in) operating activities	**(427)**	**7,739**	**(4,988)**	**(11,052)**

Note 43: Assets and liabilities held for sale

At 30th June 2008, Australian Vintage Ltd had contracted for the sale of it's Loxton Winery to Thachi Holdings Pty Ltd.

The company will receive $60M of proceeds from the sale after which the company will be required to pay termination fees on operating leases relating to winery tanks, payment of staff redundancies, agent's commission and other costs. The company expects to record a profit, after applicable income tax, of between $12 million and $16 million within its 2009 financial report in relation to the Loxton sale.

Settlement was originally scheduled for 18 September 2008 and has been deferred to 31 October 2008 to allow for certain regulatory and third party consents to be obtained. The purchaser has agreed to pay an additional non-refundable deposit of $3 million to the company by 21 October 2008 and has agreed to compensate the company for Loxton winery net running costs from the original settlement date, 18 September 2008, until settlement.

Note 44: 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 capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 23 and 26, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in notes 30, 31 and 32 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 manufacturing 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. 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		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Financial assets				
Debt (i)	148,429	154,279	148,028	148,820
Cash and cash equivalents (net of bank overdraft)	(1,000)	(3,997)	(619)	(1,851)
Net Debt	147,429	150,282	147,409	146,969
Equity (ii)	343,295	341,448	340,425	338,793
Net debt to equity ratio	43%	44%	43%	43%

(i) Debt is defined as long- and short-term borrowings, as detailed in notes 23 and 26.

(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 $300 million.
- Gross profit, operating cash flow and earnings before interest and tax must exceed pre-defined levels.

(b) Categories of financial instruments

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Financial assets				
Held-to-maturity investments	2,207	2,952	149,127	149,096
Loans and receivables	77,457	106,956	90,344	309,758
Cash and cash equivalents	1,000	3,997	619	1,851
Available-for-sale financial assets	3,554	3,857	3,554	3,857
Derivative instruments in designated hedge accounting relationships	1,409	-	1,409	-
Foreign currency contracts	225	-	225	-
Financial liabilities				
Derivative instruments in designated hedge accounting relationships	-	401	-	401
Amortised cost	194,143	202,340	193,624	195,280

Notes to the financial statements
For the financial year ended 30 June 2008

Note 44: 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 29) and interest rates (refer note 44 (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**	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
US dollars	-	1,456	1,009	1,286
GB pounds	-	-	2,639	7,347
Euro	-	-	319	1,556
Other	-	-	462	254

Foreign currency sensitivity analysis

The Group is mainly exposed to US dollars (USD) and GB pounds.

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 represents management's assessment of the 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 strengthens against the respective currency.

For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

Note 44: Financial instruments (continued)

	USD Impact				GBP Impact			
	Consolidated		Company		Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Profit or loss	672	610	672	610	2,219	3,440	2,219	3,440

Forward foreign exchange contracts – refer to note 29
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 within 40% to 50% of the exposure generated. 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 losses under forward foreign exchange contracts deferred in the hedging reserve relating to the exposure on these anticipated future transactions is $160 thousand (2007: nil). It is anticipated that the sales will take place in the 2009 next financial year at which stage the amount deferred in equity will be released in profit or loss.

(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.
The company and the Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

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 would increase by $242,000 and decrease by $242,000 (2007: increase by $172,000 and decrease by $172,000). 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 three interest rate swap agreements with a notional amount of $80 million (2007: $100 million).

(I) $25 million on which it pays 5.99% interest and receives the Bank Bill Swap Rate (BBSW) on the notional amount (2007: $25m). This swap agreement expires in September 2010.
(ii) $20 million on which it pays 5.64% interest and receives BBSW calculated on the notional amount (2007: $20m). This swap agreement expires in February 2011.
(i) $35 million on which it pays 6.19% interest and receives BBSW calculated on the notional amount (2007: $35m). This swap agreement expires in November 2008.

The swaps in place cover 54% (2007: 67%) of the total borrowings as at 30 June 2008.

Note 44: Financial instruments (continued)

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	
Outstanding floating for fixed contracts	**2008 %**	**2007 %**	**2008 $ 000**	**2007 $ 000**	**2008 $ 000**	**2007 $000**
Less than 1 year	6.19	5.68	35,000	20,000	35,147	20,028
1 -2 years	-	6.19	-	35,000	-	34,952
2 – 5 years	5.84	5.84	45,000	45,000	46,262	45,294

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the Australian BBSW. 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.

(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.

(h) Liquidity risk management

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

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

Note 44: Financial instruments (continued)

The following table details the Group's and Company's remaining contractual maturity for its non-derivative financial assets and liabilities. They 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
2008						
Non interest bearing assets	-	18,168	36,561	19,794	1,688	1,541
Non interest bearing liabilities	-	21,960	22,193	-	-	-
Finance Lease liability	6.77	42	84	380	566	-
Floating interest rate liabilities	7.63	439	877	3,729	69,220	-
Fixed interest rate liabilities	5.99	-	1,198	2,330	83,752	-
Fixed interest rate assets	7.83	33	65	293	5,766	-
2007						
Non interest bearing assets	-	25,416	50,832	25,825	2,670	574
Non interest bearing liabilities	-	23,298	23,531	234	-	-
Finance Lease liability	7.44	89	178	799	2,928	5,729
Floating interest rate liabilities	6.39	261	522	2,218	49,131	-
Fixed interest rate liabilities	5.93	-	1,387	3,594	107,280	-
Fixed interest rate assets	8.29	39	78	350	6,939	-

COMPANY	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
2008						
Non interest bearing assets	-	18,121	36,467	19,747	1,688	19,510
Non interest bearing liabilities	-	21,901	22,134	-	-	-
Finance Lease liability	6.77	19	39	173	431	-
Floating interest rate liabilities	7.63	439	877	3,729	69,220	-
Fixed interest rate liabilities	5.99	-	1,198	2,330	83,752	-
Fixed interest rate assets	-	-	-	-	-	-
2007						
Non interest bearing assets	-	23,757	47,514	24,166	2,670	215,508
Non interest bearing liabilities	-	22,497	22,730	234	-	-
Finance Lease liability	7.44	26	51	230	645	-
Floating interest rate liabilities	6.39	261	522	2,218	49,131	-
Fixed interest rate liabilities	5.93	-	1,387	3,594	107,280	-
Fixed interest rate 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
2008					
Net settled:					
Interest rate swaps	-	-	35,000	45,000	-
Gross settled:					
Foreign currency forward contracts	-	-	1,265	-	-
	-	-	36,265	45,000	-
2007					
Net settled:					
Interest rate swaps	-	20,000	-	80,000	-
Gross settled:					
Foreign currency forward contracts	-	-	5,053	-	-
	-	20,000	5,053	80,000	-

Note 44: Financial instruments (continued)

(j) 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 fair value (note 15). Fair value is estimated using a discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

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

Note 45: 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 the United Kingdom and North America.

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

Registered Office and principal place of business
Level 2, 170 Greenhill Road
Parkside, South Australia, 5063
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.

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) 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

(c) 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 37 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

David Stuart Clarke AO
Director 26 September 2008