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AUSTRALIAN VINTAGE LTD

**HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2009**

(ACN: 052 179 932 ASX REFERENCE: AVG)

Australian Vintage Ltd

RESULTS FOR ANNOUNCEMENT TO THE MARKET

REVENUE AND NET PROFIT/LOSS	PERCENTAGE CHANGE %	AMOUNT \$'000
Total operating revenue	down 20.4%	116,564
Net profit after tax before significant items	up 800.5%	1,810
Net profit after tax and significant items	N/A	9,974
Dividends (cents)	Amount per security	Franked amount per security
Interim dividend	-	-
Previous corresponding period	-	-
Other information	As at 31/12/09	As at 31/12/08
Net tangible asset per security	\$0.98 per share	\$0.82 per share

Australian Vintage Ltd

Directors' Report

The directors of Australian Vintage Ltd submit herewith the financial report for the half-year ended 31 December 2009. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

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

NAME

David S. Clarke (resigned 2nd July 2009)
Ian D. Ferrier
Dane Hudson
Brian J. McGuigan
Perry R. Gunner
Richard H. Davis

REVIEW OF OPERATIONS

The net profit for the half-year after significant items was \$9,974,000 (2008: Loss \$127,779,000).

Significant items net of income tax totalled \$8,164,000 profit (2008: \$127,980,000 loss) and are detailed in note 3.

A press release is attached to this financial report which provides more detail on the company's performance.

INDEPENDENCE DECLARATION BY AUDITOR

The auditor's independence declaration is included on page 3.

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.

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

On behalf of the Directors



Dane B. Hudson
Director

Sydney, 17th February, 2010.

Mr. R Davis
Chair
Board Audit Committee
Australian Vintage Ltd
Level 2, 170 Greenhill Road
PARKSIDE SA 5063

17 February 2010

Dear Board Members

Australian Vintage Ltd

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

As lead audit partner for the review of the financial statements of Australian Vintage Ltd for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely


DELOITTE TOUCHE TOHMATSU



J J Handel
Partner
Chartered Accountants

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

We have reviewed the accompanying half-year financial report of Australian Vintage Ltd, which comprises the condensed statement of financial position as at 31 December 2009, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the Australian Vintage Ltd consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 13.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Australian Vintage Ltd are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Australian Vintage Ltd's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australian Vintage Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

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

- (a) giving a true and fair view of Australian Vintage Ltd's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.


DELOITTE TOUCHE TOHMATSU



J J Handel
Partner
Chartered Accountants
Adelaide, 17 February 2010

Member of
Deloitte Touche Tohmatsu

Australian Vintage Ltd

Directors' Declaration

The directors declare that:

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

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

On behalf of the Directors



Dane B. Hudson
Director

Sydney, 17th February, 2010

Australian Vintage Ltd

Condensed Statement of Comprehensive Income for the Half-Year ended 31 December 2009

	Note	CONSOLIDATED	
		Half-Year Ended 31/12/09 \$'000	Half-Year Ended 31/12/08 \$'000
Revenue from sale of goods		111,750	138,706
Revenue from vineyards		4,779	7,568
Revenue from other services		35	97
Total Revenue		116,564	146,371
Cost of sales		(85,734)	(118,346)
Gross profit		30,830	28,025
Other income		1,074	2,938
Profit on sale of property, plant and equipment		86	99
Distribution expenses		(5,519)	(7,111)
Sales and marketing expenses		(10,658)	(13,611)
Administration expenses		(3,164)	(4,203)
Loss on foreign exchange		(2,920)	-
Significant items	3	10,764	(174,529)
Finance costs – un-wind of discounts		(1,378)	-
Finance costs - bank		(6,489)	(6,460)
Profit / (loss) before income tax		12,626	(174,852)
Income tax (expense) / benefit		(2,652)	47,073
Net profit / (loss) for the period		9,974	(127,779)
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		(63)	41
Profit / (loss) on interest rate swaps		555	(2,227)
Other comprehensive income / (loss) for the period, net of tax		492	(2,186)
Total comprehensive income / (loss) for the period		10,466	(129,965)
Earnings per share – based on net profit / (loss) for the period:			
Basic (cents per share)		7.8	(99.4)
Diluted (cents per share)		7.8	(99.4)

Notes to the financial statements are included on pages 10 to 13.

Australian Vintage Ltd

Condensed Statement of Financial Position as at 31 December 2009

	NOTE	CONSOLIDATED	
		31/12/09 \$'000	30/06/09 \$'000
Current Assets			
Cash and cash equivalents		10,211	6,182
Trade and other receivables		50,507	71,992
Inventories		112,477	111,272
Current tax assets		-	261
Other		4,801	2,140
		<u>177,996</u>	<u>191,847</u>
Non-current assets classified as held for sale		31,594	34,096
Total Current Assets		209,590	225,943
Non-Current Assets			
Trade and other receivables		2,854	2,954
Other financial assets		1,873	1,817
Property, plant and equipment		88,794	91,934
Inventories		14,956	25,213
Biological assets		31,617	30,233
Goodwill		36,774	36,774
Deferred tax assets		57,002	59,347
Water Licences		8,692	8,515
Other Intangible assets		8,612	8,645
		<u>251,174</u>	<u>265,432</u>
Total Non-Current Assets		251,174	265,432
Total Assets		460,764	491,375
Current Liabilities			
Trade and other payables		30,805	53,797
Borrowings		102	390
Current tax liabilities		-	95
Provisions		15,554	26,250
Other		755	3,920
		<u>47,216</u>	<u>84,452</u>
Current liabilities directly associated with non-current assets held for sale		509	601
Non-current liabilities directly associated with non-current assets held for sale		30	49
		<u>47,755</u>	<u>85,102</u>
Total Current Liabilities		47,755	85,102
Non-Current Liabilities			
Borrowings		146,930	151,015
Deferred tax liabilities		9,047	8,642
Provisions		28,068	28,382
		<u>184,045</u>	<u>188,039</u>
Total Non-Current Liabilities		184,045	188,039
Total Liabilities		231,800	273,141
Net Assets		228,964	218,234
Equity			
Issued capital		401,831	401,629
Reserves		868	314
Accumulated losses		(173,735)	(183,709)
		<u>228,964</u>	<u>218,234</u>
Total Equity		228,964	218,234

Notes to the financial statements are included on pages 10 to 13.

Australian Vintage Ltd

Condensed Statement of Cash Flows for the Half-Year Ended 31 December 2009

	Inflows/(Outflows)	
	Half-Year Ended 31/12/09 \$'000	Half-Year Ended 31/12/08 \$'000
<i>Cash Flows from Operating Activities</i>		
Receipts from customers	141,676	150,616
Payments to suppliers and employees	(125,293)	(154,928)
Interest and other costs of finance paid	(6,487)	(5,216)
Payment for temporary water licences	(1,078)	(3,222)
Interest received	179	359
Net cash provided by / (used in) operating activities	8,997	(12,391)
<i>Cash Flows from Investing Activities</i>		
Payment for permanent water licences	(177)	(171)
Payment for property, plant and equipment	(2,294)	(7,911)
Proceeds from sale of property, plant and equipment	1,878	113
Other	-	(142)
Net cash used in investing activities	(593)	(8,111)
<i>Cash Flows from Financing Activities</i>		
Proceeds from borrowings	-	20,000
Repayment of borrowings	(4,375)	(516)
Net cash (used in) / provided by financing activities	(4,375)	19,484
<i>Net Increase / (Decrease) in Cash Held</i>	4,029	(1,018)
<i>Cash At The Beginning of the Half-Year</i>	6,182	1,000
<i>Cash At The End of the Half-Year</i>	10,211	(18)

Notes to the financial statements are included on pages 10 to 13.

Australian Vintage Ltd

Condensed Statement of Changes in Equity for the Half-Year Ended 31 December 2009

	Share capital \$'000	Equity- settled employee benefits reserve \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Accum – ulated losses \$'000	Total \$'000
Balance at 1 July 2008	401,629	165	1,409	160	(60,068)	343,295
Loss for the period	-	-	-	-	(127,779)	(127,779)
Exchange differences arising on translation of foreign operations	-	-	-	41	-	41
Loss on interest rate swaps	-	-	(2,227)	-	-	(2,227)
Total comprehensive income for the period	-	-	(2,227)	41	(127,779)	(129,965)
Transactions with owners in their capacity as owners:						
Recognition of share-based payments	-	407	-	-	-	407
Balance at 31 December 2008	401,629	572	(818)	201	(187,847)	213,737
Balance at 1 July 2009	401,629	1,082	(1,010)	242	(183,709)	218,234
Profit for the period	-	-	-	-	9,974	9,974
Exchange differences arising on translation of foreign operations	-	-	-	(63)	-	(63)
Profit on interest rate swaps	-	-	555	-	-	555
Total comprehensive income for the period	-	-	555	(63)	9,974	10,466
Transactions with owners in their capacity as owners:						
Issue of shares to Directors	202	(202)	-	-	-	-
Recognition of share-based payments	-	264	-	-	-	264
Balance at 31 December 2009	401,831	1,144	(455)	179	(173,735)	228,964

Notes to the financial statements are included on pages 10 to 13.

Australian Vintage Ltd

Notes to the Financial Statements for the Half-Year Ended 31 December 2009

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

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

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2009 annual financial report for the financial year ended 30 June 2009, other than as detailed below.

The company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current or prior periods.

Recently issued or amended accounting standards:

New and revised Standards and Interpretations effective for the current reporting period that are relevant to the Group include:

- AASB 3 Business Combinations
- AASB 8 Operating Segments
- AASB 101 Presentation of Financial Statements
- AASB 127 Consolidated and Separate Financial Statements

Business combinations:

AASB 3 Business Combinations (2008) applies prospectively to business combinations for which the acquisition date is on or after 1 July 2009 and alters the manner in which business combinations and changes of ownership in subsidiaries are accounted for. Accordingly, while its adoption has no impact on previous acquisitions made by the Company, the application of the standard has affected the accounting for the potential acquisition of various assets from Constellation Brands in the current period. The effect of the company adopting AASB 3 (2008) is to recognise the expenses incurred in relation to the potential acquisition of various assets from Constellation Brands by \$1,111,000. The acquisition has not occurred at half year end. These transactions would have been capitalised under the previous version of AASB 3.

In addition to the above, the adoption of these new and revised Standards and Interpretations have resulted in changes to the Company's presentation of, or disclosure in, its half year financial statements in the following area:

- information about the Company's segments. The adoption of AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 has resulted in both a re-designation of the Company's reportable segments and amended segment disclosures.

There are no other material changes to the information presented in this report in relation to the adoption of these new and revised Standards and Interpretations.

Australian Vintage Ltd

Notes to the Financial Statements for the Half-Year Ended 31 December 2009

2. SUBSEQUENT EVENTS

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

3. SIGNIFICANT ITEMS

	Consolidated	
	Half-Year Ended 31/12/09 \$'000	Half-Year Ended 31/12/08 \$'000
During the half year Australian Vintage Ltd incurred the following revenue and expenses of a significant or one-off nature:		
Settlement received	2,264	-
Merger and acquisition costs (refer note 1)	(1,111)	-
Impairment of assets	(1,090)	(97,916)
Provision for onerous contracts (refer note 4)	10,701	(76,613)
Significant items before income tax	10,764	(174,529)
Income tax (expense) / benefit on significant items	(2,600)	46,549
Significant items after income tax (expense) / benefit	8,164	(127,980)

4. CHANGES IN ACCOUNTING ESTIMATES

During the half year the directors reassessed the onerous contracts provisions in light of recent completed negotiations around future commitments. This resulted in a reversal of part of the provision previously charged to expense which has been included in the current period's significant items.

5. CONTINGENT ASSETS & LIABILITIES

There have been no material changes in contingent assets and liabilities from those disclosed at 30th June 2009.

Australian Vintage Ltd

Notes to the Financial Statements for the Half-Year Ended 31 December 2009

6. ISSUANCES OF SECURITIES

During the half-year reporting period Australian Vintage Ltd issued 70,400 ordinary shares (2008: Nil) to Directors as remuneration for the year ending 30th June 2009.

Australian Vintage Ltd did not issue any share options (2008: Nil) over ordinary shares under its executive option acquisition plan during the half-year reporting period. There were no share options exercised during the half-year reporting period (2008: Nil).

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

7. BORROWINGS

During the half-year reporting period the company reached agreement with the National Australia Bank to extend its debt facility until August 2011. The company will continue to be subject to various covenants including the requirement to repay debt in the event of equity raisings or the disposal of assets in certain circumstances. In addition the company is able to declare a dividend provided the dividend is underwritten or approved by the National Australia Bank.

8. SEGMENT INFORMATION

The company has adopted AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the company that are regularly reviewed by the chief decision maker in order to allocate resources to the segment and to assess its performance.

In prior years, segment information reported externally was analysed on the basis of the types of goods supplied by the Company's operating divisions. However, information reported to the Company's Chief Executive Officer for the purpose of resource allocation and assessment of performance is more specifically focused on the nature and location of the supply. The Company's reportable segments under AASB 8 are therefore as follows:

- Domestic wine division
 - supplies packaged wine within Australia through retail and wholesale channels.
- Export wine division
 - supplies packaged and bulk wine outside of Australia through retail and distributor channels.
- Cellar Door division
 - supplies wine direct to the consumer through regional outlets.
- Domestic bulk wine and processing division
 - supplies bulk wine, concentrate and winery processing services within Australia.
- Vineyard division
 - provides vineyard management and maintenance services within Australia.

Information regarding these segments is presented below. Amounts reported for the prior period have been restated to conform to the requirements of AASB 8. The accounting policies of the new reportable segments are the same as the Company's accounting policies.

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

Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, investment revenue and finance costs, significant items and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Australian Vintage Ltd
Notes to the Financial Statements
for the Half-Year Ended 31 December 2009

8. SEGMENT INFORMATION (CONTINUED)

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

	Consolidated	
	Half-Year Ended 31/12/09 \$'000	Half-Year Ended 31/12/08 \$'000
Segment revenue		
Domestic wine division	37,694	39,671
Export wine division (a)	65,879	83,233
Cellar Door division	3,852	3,450
Domestic bulk wine and processing division	4,360	12,449
Vineyard division	4,779	7,568
Total segment revenue	116,564	146,371
Segment profit		
Domestic wine division	3,437	(150)
Export wine division	4,278	3,148
Cellar Door division	962	313
Domestic bulk wine and processing division	192	840
Vineyard division	626	1,563
Total of all segments	9,495	5,714
Unallocated (b)	3,131	(180,566)
Profit / (loss) before income tax expense	12,626	(174,852)
Income tax (expense) / benefit	(2,652)	47,073
Profit / (loss) for the period	9,974	(127,779)

(a) Rebates included in cost of sales for the 6 months to 31 December 2009 were \$5,024K (2008 : \$20,064K).

(b) Unallocated result includes interest expense, administration expense, other income and significant items (note 3).