

AUSTRALIAN VINTAGE LTD

**HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2016**

(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 8.0%	119,332
Net profit after tax		1,598
Net profit after tax (excluding Del Rios Termination costs and other one off costs)	down 54.3%	1,598

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

Other information	As at 31/12/16	As at 31/12/15
Net tangible asset per security	\$0.75 per share	\$0.73 per share

Australian Vintage Ltd

Directors' Report

The directors of Australian Vintage Ltd submit herewith the financial report of Australian Vintage Ltd and its subsidiaries for the half-year ended 31 December 2016. 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

Richard H. Davis
Neil McGuigan
Perry R. Gunner
Naseema Sparks
John D. Davies

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

Key Points

- Net Profit after tax \$1.6 million compared to an after tax loss of \$6.1 million prior period (after one off items)
- Net Profit after tax and before one off items \$1.6 million versus \$3.5 million prior period
- Results negatively impacted by \$2.7 million (after tax) as a result of unfavourable exchange rates when compared to prior period.
- Strategies put in place to improve the performance of our UK/Europe segment. These new strategies became effective January 2017
- Total revenue down \$10.4 million to \$119.3 million with unfavourable exchange rates accounting for \$10.5 million of this decline
- Key branded volume growth of 3% with Tempus Two up 21%.
- Cash Flow from operating activities positive \$7.8 million versus positive \$11.3 million in the prior period. Unfavourable exchange rates accounting for \$5.2 million decline in cash flow
- Net debt of \$98.6 million versus \$101.4 million as at June 2016. Gearing at 37%

Branded sales continue to perform well with volumes up 3% against market conditions that had seen wine volumes decline. However, due to the unfavourable exchange rates actual branded sales declined. In the UK market, sales volumes of our McGuigan brand grew by 4.3% despite a total wine market decline of 4.1%. Our McGuigan Black Label red remains the biggest selling red wine in Australia.

Like every other Australian wine business that exports to the UK, the unfavourable movement in the pound has negatively impacted profit. To improve margin from this market we have implemented various strategies which became effective in January 2017.

Sales to Asia were down against prior period due to timing of orders received from our major distributor. Orders received in January 2017 indicate that we are back on track to achieving sales growth in Asia.

We recently signed a distribution agreement with one of the top US distributors, Palm Bay International. This is a great step forward for this Company in continuing to create a truly global footprint for our brands. The USA is a hard market to crack and it will take time. As Palm Bay's exclusive Australian supplier we believe we have an exciting future together.

Australian Vintage Ltd

Directors' Report

Sales/Margins

Revenue for the period decreased by \$10.4 million due to the higher Australian dollar against the British pound. For the 6 months, the revenue impact of the unfavourable exchange rates was \$10.5 million compared to the prior period.

Australasia/North America sales decreased by \$0.9 million to \$56.4 million due to decreased sales of low margin cask wine. Branded sales were in line with the prior period. Contribution increased by \$0.3 million to \$4.4 million due to lower cost base arising from improved efficiencies at our Merbein packaging facility. Contribution from the Asia division was down due to timing of orders received.

New Zealand sales were down due to new liquor legislation which restricted promotional activity depth and frequency. The market has now settled down and sales in the last two months are encouraging.

Sales movement by division compared to prior period:-

Division	Increase/(Decrease) in Sales
Australia	0 %
New Zealand	(22) %
Asia	(10) %
North America	3 %

UK/Europe sales were down by 18% to \$47.6 million due to the unfavourable exchange rates. Contribution from this segment decreased by \$3.2 million, again due to the unfavourable exchange rates which impacted the result by \$3.7 million.

Sales by Segment

	Half Year ended 31/12/16 \$000	Half Year ended 31/12/15 \$000	Variation	
			\$000	%
Australasia/Nth America packaged	56,447	57,379	(932)	(2)
UK/Europe packaged and bulk (see note)	47,580	58,196	(10,616)	(18)
Cellar Door	3,938	4,245	(307)	(7)
Australasia/Nth America bulk & processing	8,769	8,072	697	9
Vineyards	2,598	1,864	734	39
	119,332	129,756	(10,424)	(8)

Note: Split of UK/Europe revenue

UK/Europe Packaged	46,738	56,721	(9,983)	(18)
UK/Europe Bulk	842	1,475	(633)	(43)

Australian Vintage Ltd

Directors' Report

EBIT and Net Profit

EBIT was \$4.9 million compared to \$8.0 million in the previous period (excluding the one-off items in the prior period). The decline in EBIT is due to the unfavourable exchange rates which impacted the EBIT by negative \$3.7 million.

Net profit (after tax and before prior period one off items) declined by \$1.9 million.

Segment Profit Results Summary (\$000)	6 months to		Change	
	31/12/16	31/12/15	\$000	%
Australasia / North America Packaged	4,440	4,155	285	7
UK / Europe	1,043	4,172	(3,129)	(75)
Cellar Door	899	860	39	5
Australasia / North America bulk and processing	(45)	(250)	205	82
Vineyards	(1,392)	(905)	(487)	(54)
Total	4,945	8,032	(3,087)	(38)
Finance costs	(2,627)	(2,973)	346	12
Interest received	7	9	(2)	(22)
Profit Before Tax	2,325	5,068	(2,743)	(54)
Tax	(727)	(1,570)	843	54
Net Profit	1,598	3,498	(1,900)	(54)
Adjustment to provision for onerous contracts (<i>note</i>)	-	35		
Tax	-	(11)		
Vineyard Lease Exit	-	(13,789)		
Tax	-	4,136		
Total one off items (after tax)	-	(9,629)		
Total Net Profit	1,598	(6,131)	7,729	
EBIT Before one off items	4,945	8,032	(3,087)	(38)
EBIT After one off items	4,945	(5,722)	10,667	

Financial Position

Cash flow from operating activities was positive \$7.8 million compared to \$11.3 million in the prior period. The \$3.5 million decline is due to the impact of unfavourable exchange rates which impacted our cash by \$5.2 million when compared to prior period.

Net debt of \$98.6 million is \$2.8 million below the net debt position as at June 2016.

Australian Vintage Ltd

Directors' Report

Outlook

Branded sales continue to perform well but the unfavourable exchange rates make it a challenge to translate branded growth into EBIT growth. The Company continues to focus on its three key brands, McGuigan, Tempus Two and Nepenthe and whilst the first 6 months have been tough we remain confident that our strategy is the correct one.

Over the last 12 months the McGuigan brand has grown by 4.3% in the UK against a total UK wine market decline of 4.1% (Neilson data) and the McGuigan Black Label Red remains the biggest selling red wine in Australia.

Our sales to Asia have declined in the last 6 months against prior period due to timing. However, our January 17 sales to Asia were 40% above last year.

The UK market will remain challenging and we do not expect any changes in the conditions in the next 12 to 18 months. In the meantime, we have implemented various strategies which will improve the performance of the UK/Europe segment. These strategies came into effect from January 2017.

As previously reported, the Company has exited an onerous vineyard lease and several onerous grape contracts. The benefits of lower grape prices will not start flowing through our profit until the 2018 financial year

In October 2016, we updated the market on our likely 2017 result based on the pound staying at around 62.8 against the Australian dollar and assuming a normal vintage. This position has not changed. If the pound remains at its current level of 60 to 62 and assuming a normal vintage we expect our net profit after tax to be down by \$2.5 million to \$3.0 million against last year's result of \$7.1 million before one off items.

As in previous years, no interim dividend will be paid.

INDEPENDENCE DECLARATION BY AUDITOR

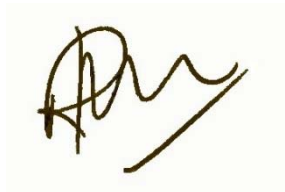
The auditor's independence declaration is included on page 6.

ROUNDING OFF OF AMOUNTS

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Report) Instrument 2016/191, dated 24 March 2016, in accordance with that Corporations Instrument amounts in the directors' report and the half-year financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

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

On behalf of the Directors



Richard Davis
Chairman



Neil McGuigan
Chief Executive Officer

Sydney, 23rd February 2017

23 February 2017

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

Dear Board Members

Re: Australian Vintage Ltd

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

As lead audit partner for the review of the financial statements of Australian Vintage Ltd for the half-year ended 31 December 2016, 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 faithfully



DELOITTE TOUCHE TOHMATSU



Jody Burton
Partner
Chartered Accountants

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australian Vintage Ltd, which comprises the condensed consolidated statement of financial position as at 31 December 2016, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 20.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Australian Vintage Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 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*.

The logo for Deloitte Touche Tohmatsu, featuring the company name in a cursive script.

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read 'Jody Burton'.

Jody Burton
Partner
Chartered Accountants
Adelaide, 23 February 2017

Australian Vintage Ltd

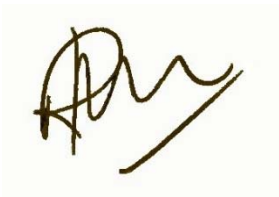
Directors' Declaration

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



Richard Davis
Chairman



Neil McGuigan
Chief Executive Officer

Sydney, 23rd February 2017

Australian Vintage Ltd

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half-Year Ended 31st December 2016

	CONSOLIDATED	
	Half-Year Ended 31/12/16 \$'000	Half-Year Ended 31/12/15 Restated (refer note 1) \$'000
Revenue	119,332	129,756
Cost of sales	(88,350)	(95,636)
Gross Profit	30,982	34,120
Fair value of grapes	(1,689)	(1,098)
Other gains and losses	753	362
Interest received	7	9
Distribution expenses	(6,929)	(7,446)
Sales and marketing expenses	(15,155)	(14,209)
Administration expenses	(3,558)	(3,425)
Gain / (Loss) on foreign exchange	310	(462)
Finance costs	(2,627)	(2,973)
Gain on sale of other property, plant and equipment	231	190
Gain on provision for onerous contracts	-	35
Vineyard lease exit	-	(13,789)
Profit / (Loss) before income tax	2,325	(8,686)
Income tax (expense) / benefit	(727)	2,555
Net Profit / (Loss) for the period	1,598	(6,131)
Other comprehensive loss, net of income tax:		
Items that may be reclassified subsequently to profit or loss:		
Net gain / (loss) on hedging	152	529
Exchange differences arising on translation of foreign operations	(31)	-
Other comprehensive loss for the period, net of income tax	121	529
Total comprehensive income for the period	1,719	(5,602)
Earnings per share:		
Basic (cents per share)	0.7	(2.6)
Diluted (cents per share)	0.7	(2.6)

Notes to the financial statements are included on pages 15 to 20.

Australian Vintage Ltd

Condensed Consolidated Statement of Financial Position as at 31st December 2016

	CONSOLIDATED		
	31/12/16	30/6/16	1/7/15
NOTE	\$'000	Restated (refer note 1) \$'000	Restated (refer note 1) \$'000
Current Assets			
Cash and cash equivalents	5,649	6,011	2,309
Trade and other receivables	41,029	42,789	39,312
Inventories	127,922	139,055	140,636
Other financial assets	1,105	827	-
Other	2,269	1,622	4,867
Total Current Assets	177,974	190,304	187,124
Non-Current Assets			
Trade and other receivables	-	-	446
Other financial assets	364	334	59
Property, plant and equipment	94,240	92,592	95,478
Inventories	48,779	52,444	51,005
Goodwill	37,685	37,685	37,685
Deferred tax assets	39,460	40,252	40,489
Water Licences	7,554	7,554	7,554
Other Intangible assets	5,524	5,784	6,102
Other	-	-	-
Total Non-Current Assets	233,606	236,645	238,818
Total Assets	411,580	426,949	425,942
Current Liabilities			
Trade and other payables	29,993	43,813	40,962
Borrowings	6 169	259	1,514
Other financial liabilities	232	248	1,534
Provisions	5,188	5,346	5,956
Other	744	215	495
Total Current Liabilities	36,326	49,881	50,461
Non-Current Liabilities			
Borrowings	6 104,045	107,131	104,390
Other financial liabilities	73	309	20
Provisions	1,402	1,520	2,144
Total Non-Current Liabilities	105,520	108,960	106,554
Total Liabilities	141,846	158,841	157,015
Net Assets	269,734	268,108	268,927
Equity			
Issued capital	446,617	443,266	443,266
Reserves	2,209	2,047	671
Accumulated losses	(179,092)	(177,205)	(175,010)
Total Equity	269,734	268,108	268,927

Notes to the financial statements are included on pages 15 to 20.

Australian Vintage Ltd

Condensed Consolidated Statement of Cash Flows for the Half-Year Ended 31st December 2016

	Inflows/(Outflows)	
	Half-Year Ended 31/12/16 \$'000	Half-Year Ended 31/12/15 \$'000
<i>Cash Flows from Operating Activities</i>		
Receipts from customers	132,957	142,068
Payments to suppliers and employees	(121,694)	(128,005)
Cash generated from operations	11,263	14,063
Interest and other costs of finance paid	(3,484)	(2,789)
Interest received	7	9
Net cash provided by / (used in) operating activities	7,786	11,283
<i>Cash Flows from Investing Activities</i>		
Payment for property, plant and equipment	(5,391)	(2,669)
Proceeds from sale of property, plant and equipment	551	193
Net cash provided by / (used in) investing activities	(4,840)	(2,476)
<i>Cash Flows from Financing Activities</i>		
Share issue costs	(132)	-
Proceeds from issue of shares	1,862	-
Dividends paid	(1,862)	-
Repayment of borrowings	(3,176)	(5,460)
Net cash provided by / (used in) financing activities	(3,308)	(5,460)
<i>Net Increase in cash and cash equivalents</i>	(362)	3,347
<i>Cash and cash equivalents at the beginning of the period</i>	6,011	2,309
<i>Cash and cash equivalents at the end of the period</i>	5,649	5,656

Notes to the financial statements are included on pages 15 to 20.

Australian Vintage Ltd

Condensed Consolidated Statement of Changes in Equity for the Half Year Ended 31st December 2016

	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 2015 (as previously reported)	443,266	1,497	(1,027)	201	(151,577)	292,360
Adjustments (refer note 1)	-	-	-	-	(23,433)	(23,433)
Balance at 1 July 2015 (restated)	443,266	1,497	(1,027)	201	(175,010)	268,927
Loss for the period	-	-	-	-	(6,131)	(6,131)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-
Valuation of foreign exchange hedges	-	-	726	-	-	726
Gain on interest rate swaps	-	-	30	-	-	30
Income tax relating to components of other comprehensive income	-	-	(227)	-	-	(227)
Total comprehensive income for the period	-	-	529	-	(6,131)	(5,602)
Dividends paid	-	-	-	-	-	-
Balance at 31 December 2015	443,266	1,497	(498)	201	(181,141)	263,325

Notes to the financial statements are included on pages 15 to 20.

Australian Vintage Ltd

Condensed Consolidated Statement of Changes in Equity for the Half Year Ended 31st December 2016

	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 2016 (as previously reported)	443,266	1,546	348	153	(153,549)	291,764
Adjustments (refer note 1)	-	-	-	-	(23,656)	(23,656)
Balance at 1 July 2016 (restated)	443,266	1,546	348	153	(177,205)	268,108
Profit for the period	-	-	-	-	1,598	1,598
Exchange differences arising on translation of foreign operations	-	-	-	(44)	-	(44)
Valuation of foreign exchange hedges	-	-	(35)	-	-	(35)
Gain on interest rate swaps	-	-	253	-	-	253
Income tax relating to components of other comprehensive income	-	-	(66)	13	-	(53)
Total comprehensive income for the period	-	-	152	(31)	1,598	1,719
Dividend paid	-	-	-	-	(3,485)	(3,485)
Issue of shares	3,485	-	-	-	-	3,485
Share Issue Costs	(134)	-	-	-	-	(134)
Recognition of share based payments	-	41	-	-	-	41
Balance at 31 December 2016	446,617	1,587	500	122	(179,092)	269,734

Notes to the financial statements are included on pages 15 to 20.

Australian Vintage Ltd

Notes to the Financial Statements for the Half-Year Ended 31st December 2016

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 Corporations (Rounding in Financials/Directors' Report) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument 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 2016 annual financial report for the financial year ended 30 June 2016, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Amendments to Accounting Standards that are mandatorily effective for the current period

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 their operations and effective for the current half-year. The only new accounting standard that has had a material effect on the current reporting period is AASB2014-6 'Amendments to Australia Accounting Standards- Agriculture: Bearer Plants' and the impact of the amendment is disclosed below.

Australian Vintage Ltd

Notes to the Financial Statements for the Half-Year Ended 31st December 2016

Impact of changes to Australian Accounting Standards – AASB 2014-6 Agriculture: Bearer Plants

During the period the Group has adopted AASB 2014-6 'Amendments to Australian Accounting Standards – Agriculture: Bearer Plants' which has had a material impact on the financial report.

The amendments to AASB 116 'Property, plant and equipment' and AASB 141 'Agriculture' define a bearer plant (vines) and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with AASB 116, instead of AASB 141. The produce growing on bearer plants (grapes) continues to be accounted for in accordance with AASB 141.

On adoption of this standard the Group valued the vines based on the written down value of original costs of these assets. Vines will be subject to ongoing annual depreciation using the diminishing value basis and expected useful life of 30 years. This has resulted in depreciation on vines of \$485,000 for the current half-year period (\$530,000 for the prior half-year period).

The separation of the grapevines and the grapes as separate assets under the new Accounting Standard has also led to a revised interpretation on the treatment of grapes from leased vineyards. The produce from operating leased vines is now measured at fair valued in accordance with the principles of AASB 141 rather than valued at cost.

The adoption of the standard had the following impact on the half year report:

- Classification of vines changing from biological assets to property, plant and equipment and their carrying decreased by \$21,611,000 as at 1 July 2016 (\$20,551,000 as at 1 July 15)
- Increase to deferred tax asset balance of \$4,118,000 as at 1 July 2016 (\$4,478,000 as at 1 July 2015)
- Decrease in inventory as at 1 July 2016 of \$6,163,000 (as at 1 July 2015: \$7,360,000).
- Decrease in opening retained earnings of \$23,656,000 as at 1 July 2016 (\$23,433,000 as at 1 July 2015)
- Decrease in cost of goods sold in the prior half-year period by \$950,000
- Decrease in fair value of grapes in the prior half-year period by \$1,098,000
- Increase in income tax benefit in prior half-year period by \$44,000
- Increase in net loss after tax in the prior half-year period by \$104,000

2. SUBSEQUENT EVENTS

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

Australian Vintage Ltd

Notes to the Financial Statements for the Half-Year Ended 31st December 2016

3. CONTINGENT ASSETS & LIABILITIES

There have been no material changes in contingent assets and liabilities from those disclosed at 30th June 2016.

4. ISSUANCES OF SECURITIES

Australian Vintage Ltd operates a “Performance Rights and Options Plan”. This long term incentive plan provides the right to an issue of shares subject to the achievement of set growth rates in earnings per share over a 4 year period. There were 4,000,000 options issued during the half year (2015 : 4,000,000). There were no other share options issued or exercised during the half-year reporting period (2015: Nil).

Australian Vintage Ltd issued 3,429,898 shares during the half year (2015: Nil) under its Dividend Re-investment Plan. The balance of the dividend was subject to an underwriting agreement and 3,936,652 ordinary shares were issued as a result of this agreement. There was no such agreement in place for the prior half-year. There were no shares issued (2015: Nil) to Directors as remuneration for the half-year ending 31st December 2016.

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

5. DIVIDENDS

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

	Date dividend paid / payable	Amount per security (cents)	Franking %
Final dividend – year ended 30 June 2016	9 th November 2016	1.5	100%
Final dividend – year ended 30 June 2015	-	-	-

6. BORROWINGS

During the half-year the Group reached agreement with the National Australia Bank to extend its debt facility until September 2019. The company will continue to be subject to various commercial covenants.

Australian Vintage Ltd

Notes to the Financial Statements for the Half-Year Ended 31st December 2016

7. SEGMENT INFORMATION

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

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

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

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

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

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

Australian Vintage Ltd

Notes to the Financial Statements for the Half-Year Ended 31st December 2016

7. 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 31/12/16 \$'000	Half-Year Ended 31/12/15 \$'000
Segment revenue		
Australasia / North America packaged	56,447	57,379
UK / Europe	47,580	58,196
Cellar Door	3,938	4,245
Australasia / North America bulk wine and processing	8,769	8,072
Vineyards	2,598	1,864
Total segment revenue	119,332	129,756
Segment profit		
Australasia / North America packaged	4,440	4,155
UK / Europe	1,043	4,172
Cellar Door	899	860
Australasia / North America bulk wine and processing	(45)	(250)
Vineyards	(1,392)	(905)
Total of all segments	4,945	8,032
Finance costs	(2,627)	(2,973)
Interest received	7	9
Gain on provision for onerous contracts	-	35
Vineyard lease exit	-	(13,789)
Profit / (Loss) before income tax expense	2,325	(8,686)
Income tax (expense) / benefit	(727)	2,555
Profit for the period	1,598	(6,131)

Australian Vintage Ltd

Notes to the Financial Statements for the Half-Year Ended 31st December 2016

8. FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

8.1 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ Financial liabilities	Fair value as at 31/12/16 \$ 000	Fair value as at 30/6/16 \$ 000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
A) Forward exchange contracts	Nil	Assets \$1	Level 2	(1)	N/A	N/A
B) Foreign currency options	Assets \$1,105	Assets \$1,052	Level 2	(1)	N/A	N/A
C) Interest rate swaps	Liabilities \$304	Liabilities \$557	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

(1) Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties

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

8.2 Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

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

9. KEY MANAGEMENT PERSONNEL

Remuneration arrangements of key management personnel are disclosed in the annual financial report.