

# AUSTRALIAN WINE AND BRANDY CORPORATION

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# AUSTRALIAN WINE AND BRANDY CORPORATION

## Section 1: Agency overview and resources

Established as a statutory body in 1981, the Australian Wine and Brandy Corporation provides strategic support to the Australian wine sector.

### 1.1 STRATEGIC DIRECTION

The Australian wine sector is facing significant challenges as its rapid growth over the past decade has now slowed. The strategies that were so successful in delivering this growth are now no longer relevant. In recognition of this changed environment, the wine sector produced an industry strategy for sustainable success—*Wine Australia: Directions to 2025*—that was launched in May 2007.

The *Directions to 2025* strategies that the corporation must implement fit neatly within the context of the existing 2006–2009 Corporate Plan. *Directions to 2025* provides the blueprint for how the Corporate Plan strategies will be delivered over the ensuing years.

The Corporate Plan is focused on the following high-level objectives:

- increased global demand for Australian wine
- better market intelligence at a global level
- maintenance of Australia’s international reputation for wine of quality and integrity
- enhanced access to international markets
- improved stakeholder communication
- assistance to the Australian wine sector in maintaining its leading role in a global industry.

The principal actions to be undertaken during the 2008–09 year to progress the achievement of those high-level objectives include the following.

#### 1.1.1 Market development

The global market for wine is very competitive, and part of the Australian wine sector’s success to date can be attributed to its collaborative approach to establishing and promoting the Australian wine category.

*Wine Australia: Directions to 2025* endorsed the corporation's Wine Australia brand segmentation strategy, which encourages consumers around the world to trade up through clear communication of the four different 'personalities' of Australian wine. The corporation's marketing activities in 2008-09 continue to centre on the delivery of this brand segmentation strategy in key international markets as well as the domestic market.

China has been identified as one of the most promising emerging markets for Australian wine. In conjunction with Austrade, the corporation plans to launch a dedicated wine marketing program in China in 2008-09.

### **1.1.2 Knowledge development**

A business can only prosper if its key decisions are based on sound knowledge.

Since the release of *Wine Australia: Directions to 2025*, Market Insight reports providing detailed information on market opportunities and consumer trends have been produced for 14 of the key markets for Australian wine. The focus in 2008-09 will be on consolidating and refining these reports to accommodate industry feedback on spending levels, relevance and gaps in knowledge.

It is also planned to initiate a project to collate and analyse existing intelligence to obtain insights into the sustainability of the various segments of the value chain.

### **1.1.3 Compliance**

The success of Australian wine in international markets has been underpinned by consumers' trust in the truthfulness of Australian wine labels and the quality of the products. The corporation's compliance activities are designed to maintain this trust by ensuring the quality and integrity of Australian wine.

The corporation will continue to ensure that exported wine is free of faults and will monitor the integrity of wine labels through a combination of wine export controls and the label integrity program. It is planned to conduct more frequent inspections of shipments at the port of loading in 2008-09 and to introduce a tiered approach to the auditing of overseas bottlers of Australian bulk wine.

Access to the enhanced electronic Wine Export Approval system will assist exporters navigate the export process and introduce efficiencies into their export endeavours. In particular, an extended continuing approval period to be applied to most packaged product will save exporters time and money without compromising the objectives of the export control procedures.

#### **1.1.4 Trade**

More than half of Australia's wine production is exported, so access to overseas markets is critical to Australia's continued success in the face of heightened competition and other global trading challenges. The corporation will continue to work with relevant Australian Government departments and wine sector representatives to secure the removal of both tariff and non-tariff barriers to the free trade in wine.

The Australian Government is currently negotiating, or is planning to negotiate, free trade agreements with a number of Australia's trading partners. The corporation will ensure that the interests of the wine sector are fully considered in any such negotiations. The corporation will also contribute to an Australian Government review of its export policies and programs.

### **1.2 AGENCY RESOURCE STATEMENT**

Table 1.1 shows the total resources from all origins. The table summarises how resources will be applied by outcome and by administered and departmental classification.

**Table 1.1: Agency resource statement—Budget estimates for 2008–09 as at Budget May 2008**

Source	Estimate of prior year amounts available in 2008–09 \$'000	Proposed at Budget 2008–09 \$'000	Total Estimate 2008–09 \$'000	Estimated Available Appropriation 2007–08 \$'000
<b>Opening balance / Reserves at bank</b>	<b>2,819</b>	-	<b>2,819</b>	2,552
<b>REVENUE FROM GOVERNMENT</b>				
<b>Payments from related entities</b>				
Amounts from other agencies	-	229	229	268
<b>Total</b>	-	<b>229</b>	<b>229</b>	<b>268</b>
<b>Special Appropriations</b>				
<i>Australian Wine and Brandy Corporation Act 1980 s32</i>	-	5,597	5,597	5,320
<b>Total Special Appropriations</b>	-	<b>5,597</b>	<b>5,597</b>	<b>5,320</b>
<b>Total funds from government</b>	-	<b>5,826</b>	<b>5,826</b>	<b>5,588</b>
<b>FUNDS FROM INDUSTRY SOURCES</b>				
Levies <sup>1</sup>		5,597	5,597	5,320
less amounts paid to the CRF		(5,597)	(5,597)	(5,320)
<b>Total</b>		<b>8,585</b>	<b>8,585</b>	<b>8,283</b>
<b>FUNDS FROM OTHER SOURCES</b>				
Interest		160		154
Sale of goods and services		1,136		1,441
Other		253		211
<b>Total</b>	-	<b>1,549</b>	<b>1,549</b>	<b>1,806</b>
<b>Total net resourcing for agency</b>	<b>2,819</b>	<b>15,960</b>	<b>18,779</b>	<b>18,229</b>

1. Levies imposed by the *Primary Industries (Excise) Levies Act 1999* and the *Primary Industries (Customs) Charges Act 1999* are collected by the Department of Agriculture, Fisheries and Forestry and are paid to the Australian Wine and Brandy Corporation under the *Australian Wine and Brandy Corporation Act 1980*.

### 1.3 BUDGET MEASURES

The Australian Wine and Brandy Corporation is not affected by any 2008–09 budget measures.

## Section 2: Outcome and planned performance

The Australian Government requires agencies to measure their intended and actual performance in terms of outcomes. Government outcomes are the results, impacts or consequences of actions by the government on the Australian community. Agencies are required to identify the output groups which demonstrate their contribution to government outcomes over the coming year.

Each outcome is described below by output groups, specifying the performance indicators and targets used to assess and monitor the performance of the Australian Wine and Brandy Corporation in achieving government outcomes.

### 2.1 OUTCOME 1

*To enhance the operating environment for the benefit of the Australian wine industry.*

#### 2.1.1 Outcome 1 Strategy

The corporation's outcome is to enhance the operating environment for the benefit of the Australian wine industry.

To achieve this outcome, the corporation's strategy is to deliver a range of services to the Australian wine sector that are designed to increase and sustain the demand for Australian wine. These services can be grouped within four outputs: Market Development, Knowledge Development, Compliance, and Trade.

##### **Market Development—Growing the markets**

Through its offices in Australia, the United Kingdom, continental Europe, Japan, the United States of America and Canada, the corporation works collaboratively with Australian wine exporters and importers to develop and expand the global demand for Australian wine.

##### **Knowledge Development—Better decision making**

The corporation's analysis and extensive database of wine sector information is readily available to help stakeholders to make effective decisions.

##### **Compliance—Maintaining the reputation**

To preserve Australian wine's international reputation for quality and integrity, the corporation licenses exporters, issues permits for Australian wine and brandy exports, runs a label integrity program to prevent false or misleading labelling and, through the Geographical Indications Committee, defines the wine grape producing regions of Australia.

*AWBC Budget Statements*

**Trade—Better market access**

The corporation works to increase Australian wine exports by assisting the sector with market access issues.

## 2.1.2 Outcome 1 Resource statement

Table 2.1 provides additional detail of Budget appropriations and the total resourcing for Outcome 1.

**Table 2.1: Total resources for Outcome 1**

<b>Outcome 1: To enhance the operating environment for the benefit of the Australian wine industry</b>	2008–09	2007–08
	Total estimate of available resources \$'000	Estimated actual \$'000
<b>Output Group 1: Market Development</b>		
Departmental Outputs		
Amounts from government sources	4,447	4,187
Amounts from industry sources	4,442	4,071
Amounts from other sources	2,699	2,939
<b>Subtotal for Output Group 1</b>	<b>11,588</b>	<b>11,197</b>
<b>Output Group 2: Knowledge Development</b>		
Departmental Outputs		
Amounts from government sources	1,345	1,367
Amounts from industry sources	83	100
<b>Subtotal for Output Group 2</b>	<b>1,428</b>	<b>1,467</b>
<b>Output Group 3: Compliance</b>		
Departmental Outputs		
Amounts from industry sources	2,536	2,557
<b>Subtotal for Output Group 3</b>	<b>2,536</b>	<b>2,557</b>
<b>Output Group 4: Trade</b>		
Departmental Outputs		
Amounts from government sources	34	34
Amounts from industry sources	374	412
<b>Subtotal for Output Group 4</b>	<b>408</b>	<b>446</b>
<b>Total resources for Outcome</b>	<b>15,960</b>	<b>15,667</b>
	2008–09	2007–08
<b>Average staffing level (number)</b>	55	54

Note: Departmental appropriation splits and totals, by outcome and output, are indicative estimates and may change in the course of the budget year as government priorities change.

### 2.1.3 Contributions to Outcome 1

<b>Output Group 1.1: Market Development</b>	
Key performance indicators	2008–09 target
Creation of a market environment that enhances the global demand for Australian wine	Enhanced demand for Australian wine in line with projected export sales target of A\$4 billion by 2010

<b>Output Group 1.2: Knowledge Development</b>	
Key performance indicators	2008–09 target
Support for the Australian wine sector's competitiveness through the collection, interpretation and dissemination of global wine sector intelligence	The corporation to be respected by wine industry decision-makers as the pre-eminent provider of wine sector information and analysis

<b>Output Group 1.3: Compliance</b>	
Key performance indicators	2008–09 target
Protection and enhancement of the quality and integrity of Australian wine	The absence of incidents reflecting adversely on the reputation of Australian wine

<b>Output Group 1.4: Trade</b>	
Key performance indicators	2008–09 target
Enhanced access to international markets for Australian wine	An appreciable reduction in trade impediments in overseas markets and the successful negotiation of new bilateral and multilateral agreements impacting Australian wine sales

## Section 3: Explanatory tables and budgeted financial statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of agency finances for the Budget year 2008–09. It explains how Budget plans are incorporated into the financial statements and provides further details of the reconciliation between the agency and outcome resource statements, movements in administered funds, special accounts and government Indigenous expenditure.

### **3.1 EXPLANATORY TABLES**

#### **3.1.1 Reconciliation of total available appropriation and outcomes**

The Australian Wine and Brandy Corporation is not funded through appropriation.

#### **3.1.2 Movement of administered funds between years**

The corporation manages no administered funds.

#### **3.1.3 Special Accounts**

The corporation operates no Special Accounts.

#### **3.1.4 Australian Government Indigenous expenditure**

The corporation does not have Australian Government Indigenous expenditure to report in 2008–09.

## **3.2 BUDGETED FINANCIAL STATEMENTS**

### **3.2.1 Analysis of budgeted financial statements**

The 2008–09 budget and forward estimates have been prepared to ensure the corporation has sufficient financial resources to enable it to perform its functions and exercise its powers for the purpose of achieving the objectives specified in the AWBC Act.

Total estimated revenue for 2008–09 is \$15.9 million, a small increase on the previous year reflecting the continuing impact of drought on the level of wine grape production in Australia and difficult trading conditions in the wine sector. Total expenditure is estimated to be \$15.9 million, an increase of less than 2% over the previous year.

Thirty-five per cent of total revenue comes from levies on grape products used in the manufacture of wine (Wine Grape Levy) and on the value of wine exported (Wine Export Charge). Revenue from these levies, which are collected by the Levies Revenue Service of the Australian Government Department of Agriculture, Fisheries and Forestry, is expected to increase by only 5% from the 2007–08 level. The 2008 vintage is expected to be slightly above the previous year and due to a change in the mix of bulk and bottled shipments, a slight increase in the average value of wine exports is expected.

Other major sources of revenue are regulatory fees, program memberships, promotional user-pay events, Export Partnership sponsorships and Australian Wine Overseas (AWO) sales. In 2008–09, revenue from these sources is expected to increase by \$63,000 on the 2007–08 year. Anticipated revenue from these sources is based on export projections (for regulatory fees), promotional program activity (for program memberships and promotional user-pay events) and sales projections (for AWO scheme).

The corporation expects to receive \$80,000 from the Export Market Development Grant scheme in 2008–09. Funds from this source have reduced in recent years and this trend is expected to continue.

Employee-related expenditure accounts for approximately 40% of all expenditure, a decrease of \$198,000 on the 2007–08 year. Average staffing level is expected to be fifty five, an increase of one over the previous year but a reduction of five from the 2006–07 year. Expenditure for 2007–08 included the costs associated with this staffing restructure.

Supplier-related expenditure relates to promotional activities, operational costs, accommodation, information technology and other fees and charges. Supplier related expenditure is expected to increase by \$481,000 on the 2007–08 year, a reflection of the

budgeted increase in promotional activity. Promotional expenditure is directly related to the amount of promotional revenue received.

Capital expenditure is funded internally and levels of expenditure are determined following reviews of the corporation's infrastructure requirements. The redevelopment of the Wine Export Approval application will be completed and implemented early in 2008-09.

### 3.2.2 Budgeted financial statements tables

**Table 3.2.1: Budgeted departmental income statement (for the period ended 30 June)**

	Estimated actual 2007-08 \$'000	Budget estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000
<b>INCOME</b>					
<b>Revenue</b>					
Goods and services	6,706	6,584	6,641	6,812	6,988
Interest	154	160	160	160	160
Other	8,768	9,216	9,553	9,589	9,774
<b>Total revenue</b>	<b>15,628</b>	<b>15,960</b>	<b>16,354</b>	<b>16,561</b>	<b>16,922</b>
<b>Gains</b>					
Foreign exchange gains	60	-	-	-	-
<b>Total gains</b>	<b>60</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total income</b>	<b>15,688</b>	<b>15,960</b>	<b>16,354</b>	<b>16,561</b>	<b>16,922</b>
<b>EXPENSE</b>					
Employees	5,375	5,429	5,538	5,655	5,821
Suppliers	9,832	10,015	10,240	10,331	10,607
Depreciation and amortisation	469	516	516	516	494
Losses from sale of assets	1	-	-	-	-
<b>Total expenses</b>	<b>15,677</b>	<b>15,960</b>	<b>16,294</b>	<b>16,502</b>	<b>16,922</b>
<b>Surplus (deficit) attributable to the Australian Government</b>	<b>11</b>	<b>-</b>	<b>60</b>	<b>59</b>	<b>-</b>

**Table 3.2.2: Budgeted departmental balance sheet (as at 30 June)**

	Estimated actual 2007–08 \$'000	Budget estimate 2008–09 \$'000	Forward estimate 2009–10 \$'000	Forward estimate 2010–11 \$'000	Forward estimate 2011–12 \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and equivalents	2,819	2,868	3,003	2,914	3,040
Trade and other receivables	2,163	2,213	2,291	2,341	2,361
<b>Total financial assets</b>	<b>4,982</b>	<b>5,081</b>	<b>5,294</b>	<b>5,255</b>	<b>5,401</b>
<b>Non-financial assets</b>					
Land and buildings	295	173	51	161	131
Infrastructure, plant and equipment	375	453	531	538	538
Inventories	67	67	67	67	67
Intangibles	460	343	226	109	-
Other	39	39	39	39	39
<b>Total non-financial assets</b>	<b>1,236</b>	<b>1,075</b>	<b>914</b>	<b>914</b>	<b>775</b>
<b>Total assets</b>	<b>6,218</b>	<b>6,156</b>	<b>6,208</b>	<b>6,169</b>	<b>6,176</b>
<b>LIABILITIES</b>					
<b>Provisions</b>					
Employees	851	868	908	928	948
Other	151	151	151	23	-
<b>Total provisions</b>	<b>1,002</b>	<b>1,019</b>	<b>1,059</b>	<b>951</b>	<b>948</b>
<b>Payables</b>					
Suppliers	1,109	1,030	982	992	1,002
Other	303	303	303	303	303
<b>Total payables</b>	<b>1,412</b>	<b>1,333</b>	<b>1,285</b>	<b>1,295</b>	<b>1,305</b>
<b>Total liabilities</b>	<b>2,414</b>	<b>2,352</b>	<b>2,344</b>	<b>2,246</b>	<b>2,253</b>
<b>Net assets</b>	<b>3,804</b>	<b>3,804</b>	<b>3,864</b>	<b>3,923</b>	<b>3,923</b>
<b>EQUITY</b>					
<b>Parent entity interest</b>					
Reserves	188	188	188	188	188
Retained surpluses or accumulated deficits	3,616	3,616	3,676	3,735	3,735
<b>Total parent entity interest</b>	<b>3,804</b>	<b>3,804</b>	<b>3,864</b>	<b>3,923</b>	<b>3,923</b>
<b>Total equity</b>	<b>3,804</b>	<b>3,804</b>	<b>3,864</b>	<b>3,923</b>	<b>3,923</b>
<b>Current assets</b>	<b>5,050</b>	<b>5,149</b>	<b>5,400</b>	<b>5,361</b>	<b>5,507</b>
<b>Non-current assets</b>	<b>1,168</b>	<b>1,007</b>	<b>808</b>	<b>808</b>	<b>669</b>
<b>Current liabilities</b>	<b>2,132</b>	<b>2,065</b>	<b>2,051</b>	<b>2,076</b>	<b>2,100</b>
<b>Non-current liabilities</b>	<b>282</b>	<b>287</b>	<b>293</b>	<b>170</b>	<b>153</b>

**Table 3.2.3: Budgeted departmental statement of cash flows (for the period ended 30 June)**

	Estimated actual 2007–08 \$'000	Budget estimate 2008–09 \$'000	Forward estimate 2009–10 \$'000	Forward estimate 2010–11 \$'000	Forward estimate 2011–12 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Goods and services	6,716	6,534	6,563	6,762	6,968
Interest	154	160	160	160	160
Other	8,768	9,216	9,553	9,589	9,774
<b>Total cash received</b>	<b>15,638</b>	<b>15,910</b>	<b>16,276</b>	<b>16,511</b>	<b>16,902</b>
<b>Cash used</b>					
Employees	5,332	5,412	5,498	5,635	5,801
Suppliers	9,360	9,744	9,933	10,089	10,255
Other	335	350	355	360	365
<b>Total cash used</b>	<b>15,027</b>	<b>15,506</b>	<b>15,786</b>	<b>16,084</b>	<b>16,421</b>
<b>Net cash from or (used by) operating activities</b>	<b>611</b>	<b>404</b>	<b>490</b>	<b>427</b>	<b>481</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash used</b>					
Purchase of property, plant and equipment	344	355	355	516	355
Purchase of financial instruments	-	-	-	-	-
Investments	-	-	-	-	-
Other	-	-	-	-	-
<b>Total cash used</b>	<b>344</b>	<b>355</b>	<b>355</b>	<b>516</b>	<b>355</b>
<b>Net cash from or (used by) investing activities</b>	<b>(344)</b>	<b>(355)</b>	<b>(355)</b>	<b>(516)</b>	<b>(355)</b>
<b>Net increase or (decrease) in cash held</b>	<b>267</b>	<b>49</b>	<b>135</b>	<b>(89)</b>	<b>126</b>
Cash at the beginning of the reporting period	2,552	2,819	2,868	3,003	2,914
Effect of exchange rate movements on cash at the beginning of reporting period	-	-	-	-	-
<b>Cash at the end of the reporting period</b>	<b>2,819</b>	<b>2,868</b>	<b>3,003</b>	<b>2,914</b>	<b>3,040</b>

**Table 3.2.4: Departmental statement of changes in equity—summary of movement (Budget year 2008–09)**

	Retained earnings	Asset revaluation reserve	Other reserves	Contributed equity/capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening balance as at 1 July 2008</b>					
Balance carried forward from previous period	3,616	188	-	-	3,804
Adjustment for changes in accounting policies	-	-	-	-	-
<b>Adjusted opening balance</b>	<b>3,616</b>	<b>188</b>	<b>-</b>	<b>-</b>	<b>3,804</b>
Surplus (deficit) for the period	-	-	-	-	-
<b>Total income and expenses recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Estimated closing balance as at 30 June 2009</b>	<b>3,616</b>	<b>188</b>	<b>-</b>	<b>-</b>	<b>3,804</b>

### 3.2.3 Notes to the financial statements

The financial statements have been prepared in accordance with:

- Finance Minister's Orders (being the *Financial Management and Accountability Orders* (financial statements for reporting period ending on or after 1 July 2006))
- Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period
- Interpretations issued by the AASB and UIG that apply for the reporting period.

The income statement, balance sheet and statement of change in equity have been prepared on an accrual basis and are in accordance with historical cost conventions, except for certain assets and liabilities which are at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

