



"In an industry where cash flow is such an issue, particularly in McLaren Vale where we can hold on to red wines for up to 4 years before release, utilising BFL to finance barrel purchases is **simply smart business**."

**Tim Burvill, Winemaker**

*Rockbare, Mojo, Barossa Babe, McLaren Vale, South Australia*

"**Boar's Rock makes it easy**. Their efficient management of leasing, procurement and logistics gives me more time to focus on what really matters, the Wines".

**Navneet Singh, Winemaker & Viticulturist**

*Moss Brothers, Margaret River, Western Australia*

"I have been using BFL for last 4 years and their services have **streamlined my ordering and delivery of barrels substantially**. I now give one order to BFL and they process all my barrel requirements from the 20 or so coopers I order from and get them delivered to the winery on time."

**Mike Brown, Winemaker**

*Gemtree Vineyards, McLaren Vale, South Australia*

"Having commenced with Oakridge Wines in December 2007, I was confronted with a wish list from the winemaker of barrels he required for the vintage about to commence. The list comprised several barrel types from different suppliers all located in France with different trading terms and lead times. After a phone call from BFL and subsequent enquiries within the winery, the benefits became immediately apparent. The **financial benefit** in being able to **spread the costs** over the period of use of the barrels along with the **cash flow implications** was also an advantage for our new business.

I can highly recommend Boars Rock for the service provided and feel sure this will be the commencement of a long business association."

**John Cardwell, Financial Controller**

*Oakridge Wines, Yarra Valley, Victoria*

"Grant is renowned for his premium wines, which require just the right mix of oak. **Boars Rock makes the process so much easier** – one invoice, no supplier hassles, competitive pricing. We have just completed our fifth vintage with Boars Rock and are very happy with the service."

**Graeme Tucker, Chief Financial Officer**

*Grant Burge Wines, Barossa Valley, South Australia*

"Boar's Rock BFL has **greatly improved the efficiency** of our barrel purchasing process. We no longer have to worry about receiving and processing invoices from many different coopers. Our **cash flow management and barrel financing is also easier**, as we can now provide the BFL invoice directly to our bank to pay rather than having to pay all the individual coopers and then receive the funds back from our bank."

**Max Shirley, Finance and Administration Manager**

*Brokenwood Wines, Hunter Valley, New South Wales*



## **Barrel Finance and Logistics**

### **The Boar's Rock Story**

Established in 1997, Boar's Rock is a premium winery services company. With our company headquarters based in McLaren Vale, South Australia, we also have wineries based at Waikerie and Margaret River. In Vintage 2008 we crushed in excess of 60,000 tonnes and have the production and financial resources to supply everyone from boutique virtual wineries to major wine companies. Boar's Rock provides every step of the wine making process from crush and ferment through to wine ready for bottling, including pre-vintage grape analysis, laboratory services, oak maturation and wine management. As well as wine making services, our Commercial Services division sources bulk wines for customers all over the world. Boar's Rock's portfolio of wines represents all the key regions of South Australia with access to over six million litres of wine sourced from the Riverland, McLaren Vale, Langhorne Creek, Barossa Valley, Coonawarra, and Adelaide Hills as well as other premium regions in Western Australia.

### **The Benefits of Working with Boar's Rock**

We're easy to do business with. We know the wine industry, we make wine and we use barrels. In 2007 / 2008 we have sourced, supplied and financed over 10,000 barrels to customers in every wine region in Australia. So we know the barrel business too.

Wineries clearly like and want our service. Our growth in only four years of operation has been phenomenal.

Our business model is simple;

You get to deal with one company, one invoice and one currency for all of your barrels. We have dedicated and highly trained staff and we use one shipping company for all of our global and local transport. Shipping over 38 containers across the Boar's Rock group this vintage, our experience and expertise as a dedicated barrel logistics co-ordinator is unmatched in the industry.

### **BFL – Barrel Finance and Logistics**

The sourcing of wine barrels at vintage time can be a time consuming and expensive exercise. Dealing with multiple barrel Cooperages, different price lists, foreign exchange rates, customs clearance and delivery schedules usually means a lot of phone calls and emails – a logistical nightmare... and just at the time when a winemaker needs to concentrate on making wine.

Our barrel logistics service makes things simple. All you have to do is choose the barrels you need for your winery and on your behalf, Boar's Rock can:

- ✓ Negotiate the best possible prices on your barrels,

- ✓ Place the orders for you,
- ✓ Insure the barrels in your winery,
- ✓ Secure foreign exchange cover,
- ✓ Communicate with the coopers in relation to outstanding orders and keep you posted on expected delivery dates,
- ✓ Attend to the Cooperage invoices – they will come directly to us,
- ✓ Organise and pay for customs clearance, duty and ultimate delivery to your winery,
- ✓ Liaise with the cooper and/or insurer if any problems are experienced with the barrels,

## **Barrel Financing**

In the current wine industry climate, many wineries are looking for innovative ways to reduce capital investment in depreciating assets. Why invest scarce capital in barrels, when the same capital could be better invested in exports, sales and marketing or brand development? A key part of the Boar's Rock Barrel Finance and Logistics service is our ability to finance the supply of your barrels. Rather than deal with multiple invoices in different currencies, we can tailor a rental package to suit your cash flow requirements.

## **Not Just Barrels...**

At a time when most of the wine market is tightening, our BFL division continues to attract customers at a rapid rate. In fact, we now have clients in every wine region in Australia, New Zealand and South Africa. And it's hardly surprising: the flexibility of the services we offer is truly second to none. Not only can we provide finance for new oak barrels, we can roll racks and bungs into the package, grape picking bins and oak alternatives. It couldn't be any easier.

## **Which Coopers can I select my barrels from?**

Your barrels can be sourced from wherever you want. We remain completely independent from your choice of barrels and purchase barrels from any supplier. Boar's Rock has strong commercial relationships with all of the Cooperages who operate in Australia, New Zealand and South Africa.

## **How long can I rent the barrels for?**

You can rent the barrels for 3 or 4 years. Rental payments are set up monthly or quarterly. Most of our clients choose to rent their barrels for 3 years and pay monthly.

## **What about insurance?**

Insurance is another thing you won't need to worry about. Boar's Rock BFL will insure the barrels while they are rented to you; and we will liaise with the insurance agency and coopers on your behalf to rectify any problems.

## **How do I get started?**

Give Jason Baylis a call on +61 (8) 8323 6100, or email us at [BFL@boarsrock.com.au](mailto:BFL@boarsrock.com.au). We will ask you to fill out a "wish list" of desired barrel specifications. Then we'll get back to you with an all inclusive quarterly or monthly rental figure, fixed in \$AUD or \$NZD. It's as easy as that!

If you've already ordered your barrels for this vintage, but are yet to pay for them, you can still rent your barrels through Boar's Rock BFL. All we need to do is let the Coopers know to invoice Boar's Rock BFL instead of you.

## **How does it all work?**

The step-by-step process for renting your barrels through Boar's Rock BFL works as follows:

- ✓ You provide us with your "Wishlist" of barrel requirements, specifying coopers, quantities, sizes and types,
- ✓ We provide you with a quote, fixed in Australian or New Zealand Dollars,
- ✓ If you accept the quote, you enter into a Master Rental Agreement with Boar's Rock BFL,
- ✓ We place the orders, obtain forward cover and organise and pay for shipping, customs clearance and delivery to your winery,
- ✓ We pay the agent/Cooper, but only after you have inspected and approved the barrels,
- ✓ The transaction schedule, setting out the fixed rental payments, is finalized,
- ✓ Payments are made via Direct Debit, monthly or quarterly as nominated by you.

## **What happens at the end of the term?**

Legally, during the rental term, ownership remains with Boar's Rock BFL. At the end of the term, we can transfer ownership of the barrels to you, if you require.

## **Frequently Asked Finance Questions**

### **Is Boar's Rock BFL offering me a Finance Lease or an Operating Lease?**

An Operating Lease. The relationship between you and Boar's Rock BFL is of the nature of a hirer/hiree relationship, as stated in our Master Rental Agreement (MRA).

Specifically, we refer you to paragraph 2.3, which states "The Hirer agrees to return the Goods to the Owner or as the Owner directs at the end of the Rental Period"

In accordance with the AAS17: Leases definition of the term “operating lease” Boar’s Rock BFL effectively retains substantially all the risks and benefits incident to ownership of the asset.

### **What is the difference between Boar’s Rock BFL and bank finance?**

The key differences between Boar’s Rock BFL and bank finance are:

- ✓ **All-inclusive Service**

Our product is much more than a financial supply. You only need to provide us with a list of barrels. We handle the process from there – purchasing, payment, sea-freight arrangements, inland transport and insurance.

- ✓ **Industry expertise**

Boar’s Rock makes wine for customers all over the world. We buy and use barrels ourselves, and we are the number one customer of most Cooperages in the Asia Pacific region. We know the oak business intimately and our industry knowledge and connections are highly valued.

- ✓ **Economies of scale when purchasing barrels**

While we pride ourselves on being completely independent and will not favour one cooper over another, we purchase a very large number of barrels each year. As banks simply provide funds, not a purchasing service, they are not able to realize the same economies of scale.

- ✓ **All inclusive figure quoted**

The rental figure quoted to you covers all of the costs associated with your barrel procurement including freight, clearance and insurance. There are no application fees or processing fees.

### **Your rental payments are a little bit more expensive than my bank finance – can you match it?**

Comparing Boar’s Rock BFL to bank finance is like comparing oranges and apples.

Firstly, refer to our FAQ point: **What is the difference between Boar’s Rock BFL Finance and Bank Finance?**

When comparing our rental payments to what you would pay for bank finance, you need to make sure you have taken into account all of the costs included in our quote – transport, customs clearance, GST, insurance etc.

Further, there are obviously costs associated with the full procurement service that we offer. When your bank manager starts calling the coopers on your behalf, placing your orders, tracking the progress of the barrels you are importing, and attending to your inland transport, let us know – we’d be very happy to assess how their rates compare to our rentals!

Lastly, our rental payments need to take into account that unlike bank finance, we do not require personal security. The only security we have is that we retain ownership of the barrels, and this is obviously much

less secure for us than, say, a personal guarantee from the winery owner. Renting your barrels through BFL effectively gives you a free line of credit away from your bank; freeing up your borrowing capacity for other important projects.

### **What is your interest rate?**

It doesn't work like that. We aren't giving you a loan, we are renting you barrels. You aren't being charged interest, you are being charged rent.

The rental payments charged are calculated based on a variety of factors, the obvious and main factor being how much the barrels cost us.

Other factors we take into consideration include how long you agree to rent the barrels for, when we need to pay for the barrels as opposed to when you start renting them and the total number of barrels you are renting.

### **What are the tax benefits of renting my barrels?**

Renting your barrels through BFL means you no longer need to calculate and keep track of tax depreciation for your barrels - a confusing and time consuming exercise.

Because you are renting the barrels instead of purchasing them, you no longer need to depreciate them for tax purposes. Instead, you simply claim the rental payments as tax deductions in the year in which the payments are made – simple!

### **What are the GST benefits of renting my barrels?**

GST will be charged on rental payments and if you are entitled to claim the input tax credits, you can do so in the period in which your rental payments are made.

Clients tell us that it's frustrating from a cash flow point of view to come up with the GST for barrels being purchased outright – it's money that only needs to be paid out until your next BAS refund, but it's usually a material amount. By renting your barrels, the GST payments and refunds are spread across your use of the barrels, making cash flow much easier to manage.

Additionally, many other types of finance will not allow you to finance GST, meaning that money still needs to be found, even if the barrels are to be financed. This is not the case when barrels are rented through Boar's Rock BFL.

## **What are the cash flow benefits of renting my barrels?**

A report by chartered accountant's Bentley's MRI made the following observations in the December issue of Grapegrower and Vigneron; *"In general, wine business owners do not have the luxury of planning for an even 12-month sales and cash flow. Many are faced with distinct peaks and troughs, not only in sales and cash received, but also in cost structures. It is therefore imperative to effectively plan for this cash cycle, and monitor the operations of the business compared to these plans and budgets."*

By amortising the significant cost structure of new barrel purchases over a monthly, multi year payment schedule, wineries are much better positioned to plan and manage their annual cash flow cycles. It makes no more sense to buy all of your barrels outright than to purchase a vehicle or other depreciating asset with working capital. With many "virtual wineries" and even major producers reducing capital holdings in land, vineyards and even wineries, the BFL model makes a lot of financial sense.

**Disclaimer: The information provided above is for general use only and may not be applicable to your circumstances. You should seek your own independent advice before acting on the above information.**