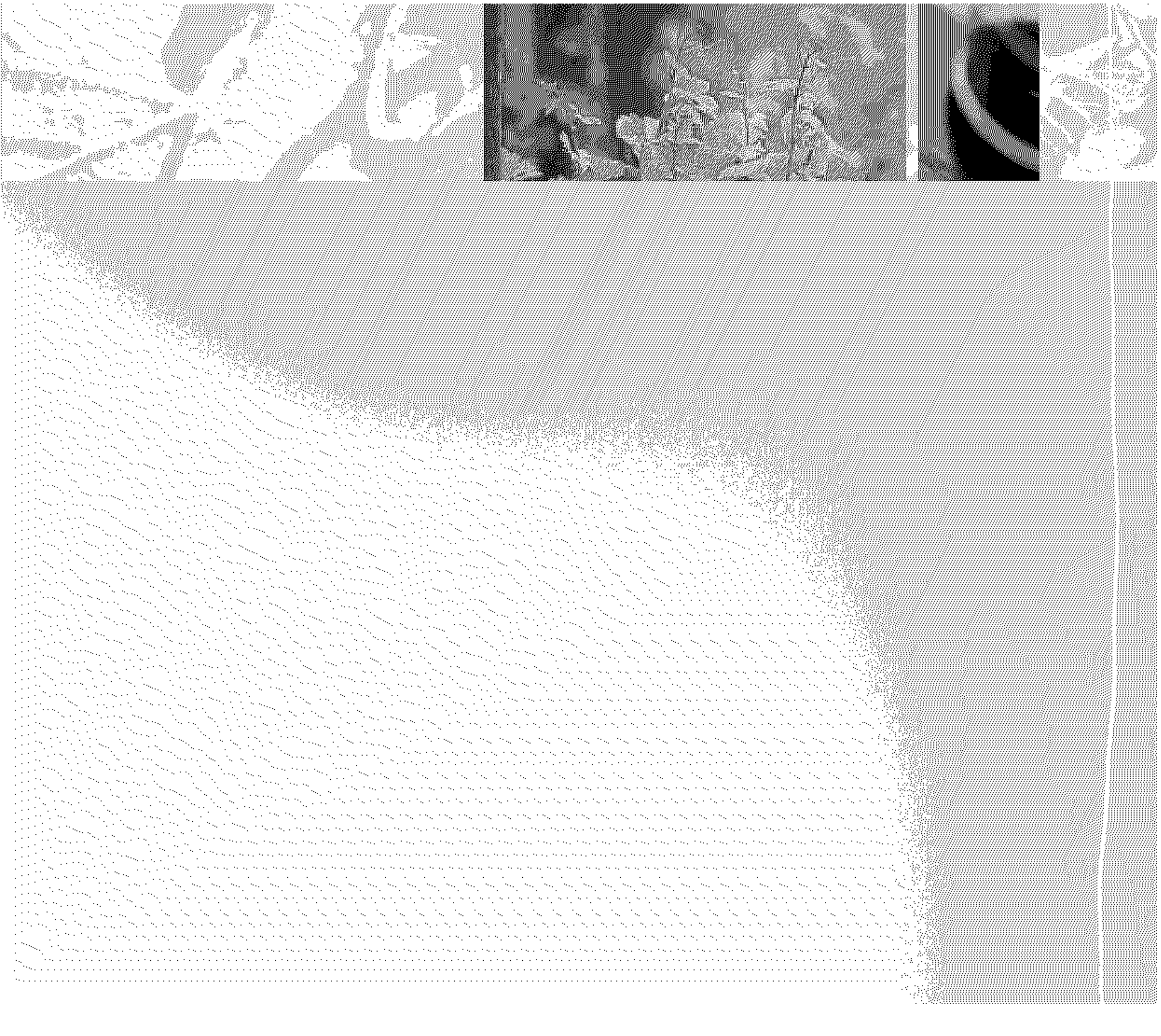
Evans & Tate

WINE GROUP

ANNUAL REPORT 2002 · 2003



CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S LETTER

Fellow investors and friends in wine,

Few if any participants in our industry would have been prepared for the magnitude of the issues that confronted the viticulture and wine production industries over the last twelve months.

For many in our industry the year 2002/03 has brought sea change to perspectives on matters ranging from domestic and export sales strategies, the relevance of brand marketing to long-term business success and the use of price discounting as a competitive positioning device. The tough times have also been reflected in corporate bottom lines with many of our peers reporting significantly poorer performances than in past years.

I am extremely happy to report to you on the record profits for the Evans & Tate Wine Group for the year 2002/03:

A 109.1% INCREASE IN TOTAL REVENUE TO $63,143,000

A 53.2% INCREASE IN OPERATING PROFIT AFTER TAX (PRE SGARA*) TO $4,477,000 (51.5% increase post SGARA*)

*Self Generating and Regenerating Assets

Our continued profit success is, and will be, driven by our company's ability to cost-effectively deliver to markets a differentiated range of quality branded products at key industry price points.

To enhance our ability to achieve this, in March this year the Evans & Tate Wine Group completed the acquisition of Cranswick Premium Wines Limited.

The acquisition of Cranswick has added further diversification to the Group's regional production mix, expanded its production capacity five fold and added several established and successful export brands to the Evans & Tate Wine Group's already impressive brand portfolio.

As Australia's eighth largest wine producer, I can report to you that our company now operates in four key Australian wine producing regions, has an effective production capacity of some 50,000 tonnes or 4 million cases per annum, owns and controls distribution facilities in the key USA and UK markets and now employs some 228 people across four states in Australia and overseas.

While this is a commendable achievement given our relatively short history, I can assure you that our real journey has only just begun.

You may recall we recently announced a one for ten rights issue, offering shareholders an entitlement to acquire one fully paid ordinary share ("Share") for every ten Shares at $1.04 per Share and a placement to sophisticated investors, which included 7.5 million Shares to International Wine Investment Fund ("Wine Fund"). The Wine Fund is Australia's pre-eminent investor in the wine industry and were the major shareholders in BRL Hardy Ltd for over 10 years. We are delighted that the Wine Fund has selected us as a major investment in the Australian wine industry.

Many more exciting opportunities lie ahead for the Evans & Tate Wine Group and I look forward to working with our team to capture these opportunities in a manner that will add further value to our business in the coming years.

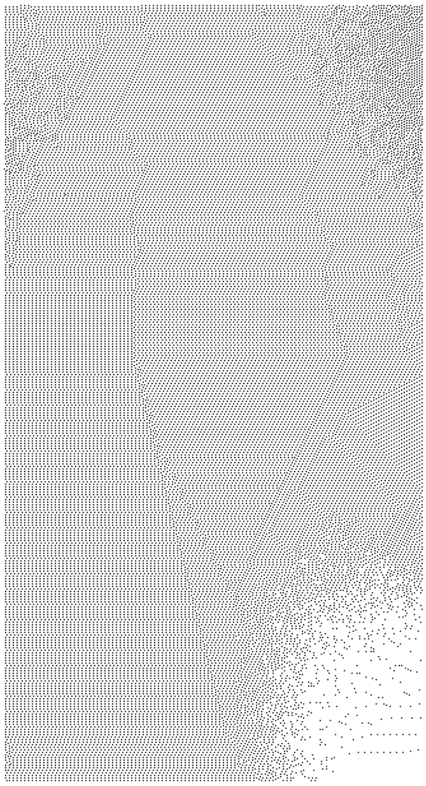
I commend this Annual Report to you and encourage you to read further to learn more of this year's achievements as well as something of our goals for the future.

Franklin Tate

Chairman and Chief Executive Officer

OUR COMMITMENT

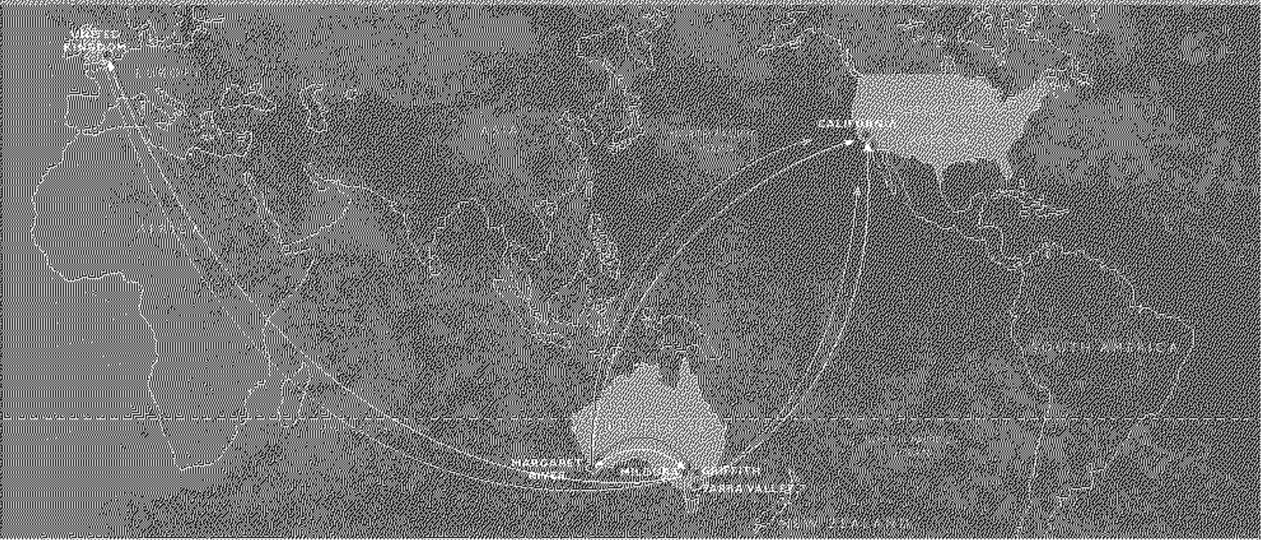
When a customer chooses the Evans & Tate Wine Group,
customer, you are our prime concern. You will be respecte
gain advantage from our portfolio of recognised and aw
business goals from our product support initiatives. You w
innovative consumer presentations. You will be assured of t



, they will be treated as an **individual.** As our
d - your business is important to us. You will
varded brands and receive **support** for your
vill be **first** to market with new products and
ne utmost in professional and friendly service.

Franklin Tate
Chairman and Chief Executive Officer

EVANS & TATE WINE GROUP



WESTERN AUSTRALIA

- Evans & Tate Limited, Perth.
- Evans & Tate Winery, Margaret River.
- Selwyn Viticultural Services, Margaret River.
- Selwyn Wine Services, Margaret River.

VICTORIA

- Oakridge Winery, Yarra Valley.
- Salisbury Winery, Mildura.

NEW SOUTH WALES

- Barramundi Winery, Griffith.

UNITED KINGDOM

- Cranswick Premium Wines (Europe) Ltd, London.
- Australian Wineries UK Ltd, London.

UNITED STATES OF AMERICA

- Scott Street Portfolio Inc, Lafayette, California.

2003 KEY FIGURES

940 HECTARES OF VINEYARDS MANAGED

4 WINERIES

228 EMPLOYEES

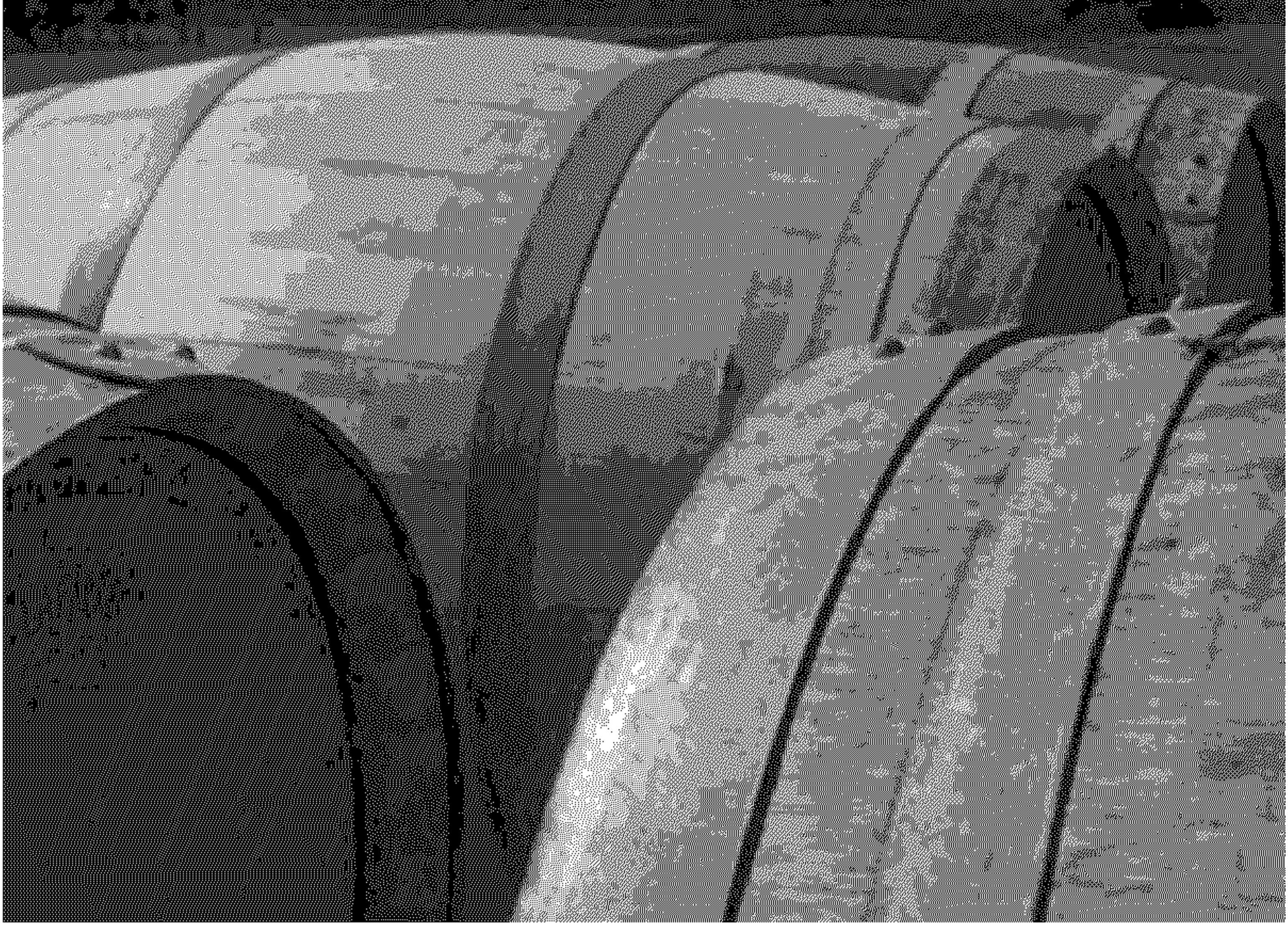
50,000 TONNES CRUSH CAPACITY

4 MILLION CASE PRODUCTION CAPACITY

35 COUNTRIES SELLING

$63 MILLION IN REVENUE

(AS AT JUNE 30, 2003)



OUR CORE BRANDS

THE EVANS & TATE WINE GROUP'S BRAND PORTFOLIO SPANS KEY RETAIL PRICE POINTS IN BOTH AUSTRALIAN AND INTERNATIONAL MARKETS. WITH REGIONAL DIVERSITY ACROSS FOUR OF AUSTRALIA'S MOST SIGNIFICANT WINE PRODUCING REGIONS, THE EVANS & TATE WINE GROUP'S BRAND PORTFOLIO PRESENTS A FULL SPECTRUM OF VARIETIES AND STYLES.

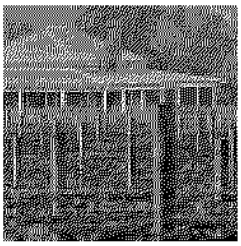
OUR HISTORY AND BACKGROUND

1968 Founded Evans & Tate Ltd in 1968, the Evans & Tate Wine Group had its origin in 1971 when local entrepreneur John Tate and his wife Toni planted a small vineyard with friend and business partner John Evans about 75km east of Perth in Western Australia.

In 1972 Gnangara Wines, a small winery located in the Swan Valley just north of Perth was acquired, with the production and marketing of wines under the Evans & Tate Gnangara brand commencing in 1974.

Gnangara Shiraz rapidly became one of the biggest selling Western Australian wines in Australia while Evans & Tate soon established itself as one of Australia's most recognised and awarded premium brands. By 1979 Evans & Tate Gnangara Shiraz had amassed 53 medals and 4 trophies.

1974 In 1974, the Evans & Tate Wine Group purchased 25 hectares (62 acres) in the Wilyabrup region of Margaret River, planting a vineyard that was to become the Redbrook Estate, home to the Redbrook Visitor's Centre. The area was noted for its well-drained gravel soils and Mediterranean climate which is moderated by a maritime location.



In 1987 the Evans & Tate Margaret River Classic was launched and became the biggest selling Margaret River wine in Australia with sales reaching 29,000 cases in 1995.

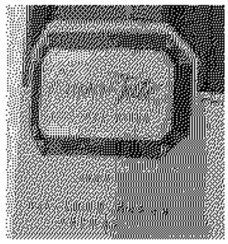
In 1992 Franklin Tate became Chief Executive Officer of the Company and Chairman of the Board in 1999.

1998 In 1998, Evans & Tate sales reached AUD$10 million.

Still growing rapidly, in 1999 the Company constructed a new 2,000 tonne capacity winery in Jindong, an area of Margaret River that Evans & Tate has pioneered. The Margaret River Winery has been progressively expanded, with its 2003 crush capacity reaching 10,000 tonnes.

1999 1999 also saw the Evans & Tate Wine Group expand its contract winemaking services and primary supply business with the acquisition of Selwyn Wines, another Margaret River producer.

In this same year the Evans & Tate Wine Group listed on the Australian Stock Exchange, with sales reaching AUD$12 million. Evans & Tate branded products defined new standards for the Margaret River region, with the 1997 Evans & Tate Margaret River Shiraz winning 'Best Red Wine of the Competition' and 'Best Shiraz' at the Japan Wine Challenge in 1999.



The following year the Evans & Tate 1999 Shiraz won 'Best Red Wine of the Competition' and 'Best Shiraz' at the 2000 International Wine Challenge (UK), an award that they were to repeat at the 2001 International Wine Challenge in Hong Kong.

2000 In 2000 sales reached AUD$20 million.

Margaret River was now internationally acknowledged by many wine authors as being one of the world's great wine producing areas. While the region produced just 4% of Australia's total wine output, it accounted for some 23%* of Australia's premium wine production.

In the pursuit of excellence, the Evans & Tate Wine Group seeks to reward growers for the specific contribution they make to the brand's success by directly linking the price per tonne for grapes with the quality of wine produced from them.

**Source: WA Wine Industry Association*

As a consequence, growers are encouraged to produce the best possible fruit and strictly control yields.

2001

The Evans & Tate Wine Group grows grapes at a number of vineyard sites across Australia totalling 940 hectares, which it owns, leases or manages through its wholly owned viticultural group, Selwyn Viticultural Services which was acquired in 2001.

While Margaret River remains a focal point for the Evans & Tate Wine Group, the Group has also seized opportunities to add diversity to its production base with the addition of strategic wine business assets in other Australian regions.

Expanding into other premium regions, in 2001 the Group acquired the Oakridge Vineyards Ltd operation in the Yarra Valley (Victoria), a region renowned for wines of distinction - particularly Cabernet Sauvignon, Pinot Noir and Chardonnay.

This acquisition provided the Evans & Tate Wine Group with further diversification of its premium brand portfolio and in doing so added significant depth to its export and domestic on-premise product portfolios.

2002

By 2002 sales reached AUD$30 million.

2003

Conscious of opportunities in the export markets for value driven products, in March 2003 the Evans & Tate Wine Group acquired the key production infrastructure and export brand assets of Cranswick Premium Wines Limited.

Cranswick Premium Wines increased the Evans & Tate Wine Group's crush capacity to 50,000 tonnes.

The Evans & Tate Wine Group's brand portfolio now includes the high profile brands of Barramundi and Salisbury selling in the UK and Europe.

Cranswick Premium Wines (Europe) Ltd (to be renamed Evans & Tate Wine Group (Europe) Ltd) provides sales and marketing services throughout the UK and Europe servicing supermarkets and retail chains as well as independent retailers and the on-trade (comprising restaurants and cafes and other on-premise consumption options).

Along with its extensive range of branded products the Evans & Tate Wine Group supplies a large portfolio of exclusive labels including Cedar Creek, Aldridge Estate and Bondi Blue to major retailing groups throughout UK, Europe, Asia and the Pacific.

In 2002 the Evans & Tate Wine Group acquired the US distribution company Scott Street Portfolio Inc. With the complex structure of the US market-place requiring a locally managed approach to building market share, this Lafayette, based importation and wholesale distribution company added key strengths to the Group's distribution capabilities.

With a diversified production base across four of Australia's key wine producing regions in Margaret River, the Yarra Valley, Riverina (Griffith) and Riverland (Mildura), established and reliable fruit supplies and opportunity to readily grow production capacity, the Evans & Tate Wine Group is well positioned for further business expansion.

OUR BUSINESS

YOUR WINE SOLUTION

The Evans & Tate Wine Group can provide your complete wine solution with dynamic supply capability. Based on a 35 year pedigree the Evans & Tate Wine Group offers quality products, volume capability, in a full range of price points, varieties and styles with Australian regional diversification. Our team of industry professionals along with our infrastructure capabilities can deliver your wine solution.

The Evans & Tate Wine Group has combined five core wine businesses into a single full service supply capability.

PRODUCTION AND SALE OF BOTTLED WINES

The production and sale of bottled wines through distribution networks to licensed premises, retail, wholesale and direct customers (through the Cellar Door) under the Evans & Tate Wine Group's own distinct proprietary labels.

CONTRACT PROCESSING/PRIMARY WINE SUPPLY

Contract processing of wine to primary wine supply clients who in turn package and market this product under their own labels.

WINE TOURISM

The operation of cellar door facilities and promotion of wine tourism in Margaret River, Yarra Valley, Mildura and Griffith.

PROVISION OF VITICULTURAL SERVICES

The provision of viticultural technical services to growers and other clients to maximise the quality of fruit available to the Evans & Tate Wine Group.

MANAGEMENT OF DISTRIBUTION NETWORKS

The management of distribution networks in Australasia, UK / Europe and North America to efficiently deliver products to customers and consumers.

SALES AND MARKETING

The Evans & Tate Wine Group portfolio comprises the following core brands selling in both Australian domestic and International markets.

- Evans & Tate Redbrook
- Evans & Tate Margaret River
- Evans & Tate Margaret River Classic
- Evans & Tate Gnangara
- Oakridge
- Salisbury
- Barramundi
- Cedar Creek
- Aldridge Estate

With extensive ranges within each brand the Evans & Tate Wine Group's brand portfolio spans key retail price points in the Australian market.

The Company has progressively expanded its export portfolio with the result that in 2003 the Group now exports products to 35 countries.

The Evans & Tate Wine Group's production philosophy is that every wine in its portfolio should over-deliver on product quality and thereby set new standards for consumer satisfaction.

The Evans & Tate Redbrook brand presents a range of wines intended to be held up as benchmarks of the Margaret River region, as the very best examples of their varieties from the appellation, to rival any other wines within Australia and beyond. They have been deliberately produced in limited quantities, utilising exceptional parcels of fruit, best quality oak, and high quality packaging.

The Evans & Tate Margaret River brand is a varietal range specifically showing regional character. It represents exceptional value for money when compared with wines from other high profile boutique regions. The Margaret River brand has consistently received endorsement throughout the world including at the London International Wine Challenge and in the respected industry journal, the Wine Spectator.

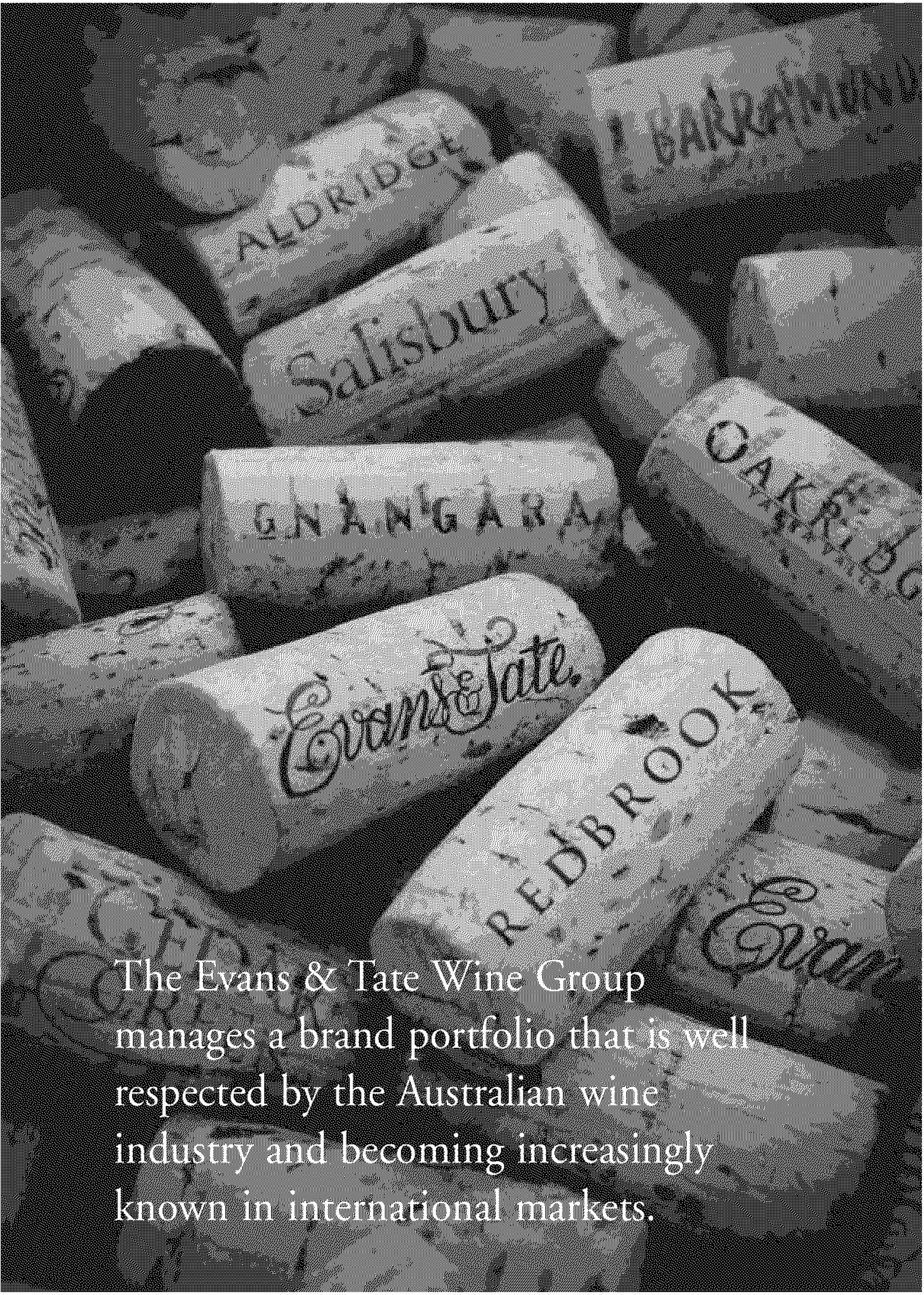
The Evans & Tate Gnangara brand has a 29 year history and is made to be readily accessible upon release. Well-made, attractively packaged with contemporary labels, the Gnangara range offers varietal choices (as opposed to blends) at competitive price points with superior quality.

Evans & Tate's Margaret River Classic was the first branded product of this style that is now popular throughout the Australian domestic market. The Classic style denotes a 'drink now' wine full of freshness and fruit vitality. Complementing casual drinking events, Evans & Tate Margaret River Classic has established itself as one of Australia's premium contemporary lifestyle brands.

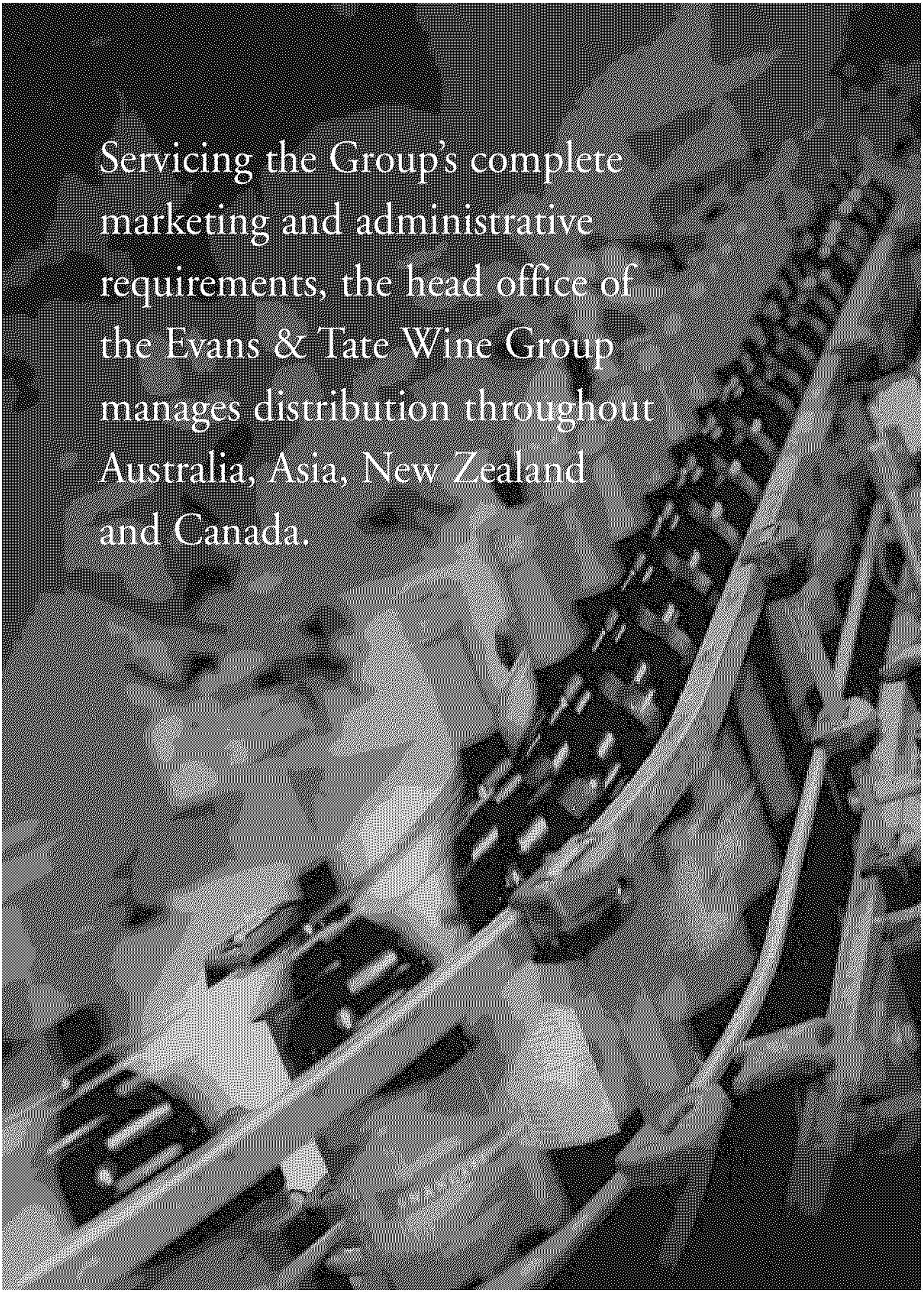
Oakridge is a regional ultra premium brand and is focused on products that truly excel in the Yarra Valley region. Pinot Noir, Cabernet and Chardonnay are among the styles produced that reflect the best of the region's fruit characteristic.

Barramundi is a popular premium wine and the largest selling brand in the Group's portfolio. Barramundi has an established consumer brand profile in the UK market with the product and its packaging capturing the essence of contemporary Australian lifestyle.

The Evans & Tate Salisbury brand was launched in the Australian market in 2003. Targeting the very competitive sub $10 retail price point, Salisbury over-delivers on quality providing consumers with a fresh, value driven wine experience.



The Evans & Tate Wine Group manages a brand portfolio that is well respected by the Australian wine industry and becoming increasingly known in international markets.



Servicing the Group's complete marketing and administrative requirements, the head office of the Evans & Tate Wine Group manages distribution throughout Australia, Asia, New Zealand and Canada.

DISTRIBUTION

Servicing the Group's complete marketing and administrative requirements, the head office of the Evans & Tate Wine Group manages distribution throughout Australia, Asia, New Zealand and Canada. Perth is an equal journey time from both London and New York and in common time zones with the markets of Asia.

The Group's distribution capabilities are extensive with dedicated owned and operated distribution businesses in UK / Europe and USA, appointed local distributors in all other regions outside Western Australia, where the Group maintains a dedicated sales team operating out of the Company's head office in West Perth.

The Evans & Tate Wine Group's European arm, Cranswick Premium Wines (Europe) Ltd (to be renamed Evans & Tate Wine Group (Europe) Ltd) is located in Ashtead, Surrey south of London, UK and maintains a full portfolio of branded products and buyer's own brands ranging from entry level products through to super and ultra premium products.

This business is responsible for the distribution of products to supermarkets, retail chains and European distributors.

Australian Wineries UK Ltd, a company controlled by the Evans & Tate Wine Group, services the independent and on-trade (restaurant and clubs etc.) throughout the UK and distributes a portfolio of brands including Barramundi, Salisbury and Evans & Tate brands. Its portfolio also includes a wide selection of wines from other producers in Australia, South Africa, Chile and Argentina.

Scott Street Portfolio Inc is located in Lafayette, California (USA) and maintains a portfolio of Evans & Tate branded products. Additionally, Scott Street Portfolio distributes a wide range of other Australian premium brands including Punters Corner, Simon Hackett and Peter Rumball.

BOTTLING AND PACKAGING

Today customers have the highest expectations when it comes to maintaining best practice standards in the production and packaging of their wine.

For this reason the Evans & Tate Wine Group bottle their wine in enclosed bottling lines observing strict codes of practice to provide guaranteed quality control for every bottle of its production.

Fully integrated bottling and packaging facilities are operated in Margaret River in Western Australia and Griffith in New South Wales.

Recent industry innovations have seen increasing numbers of producers moving portions of their productions over to screw cap seals as opposed to traditional corks. The Evans & Tate Wine Group has already moved several of its products over to screw caps and believes that positive consumer reaction to this will see this trend continue to be extended across more products in coming vintages.

SENIOR WINEMAKING TEAM

GROUP CHIEF WINEMAKER - STEVE WARNE

Steve Warne joined the Evans & Tate Wine Group in October 2000 as Chief Winemaker at the Group's Margaret River Winery. In March 2003, following the Group's acquisition of Cranswick Premium Wines, Steve became the Group Chief Winemaker.

Steve graduated from Adelaide University in 1983 with a Bachelor of Science, and then studied at Roseworthy Agricultural College, graduating in 1986 with a Bachelor of Applied Science (Oenology).

Previously, Steve worked with De Bortoli Wines, Goundrey Wines, McWilliam's Wines and the Australian Wine Research Institute.

CHIEF WINEMAKER MARGARET RIVER WINERY - RICHARD ROWE

Richard Rowe was appointed Chief Winemaker at the Evans & Tate Margaret River Winery in January 2003.

Richard has had a long career in wine having studied Oenology at both Charles Sturt University and at Geisenheim University (Germany), has worked in the Rheingau and in southern France near Montpellier in the early 1980's.

Richard has held senior or chief winemaking positions with, The Stanley Wine Company, Leasingham Wines and Kirribilly Wines.

His considerable career success with Shiraz over the years includes many notable awards including the Jimmy Watson Memorial Trophy which he won in 1995.

CHIEF WINEMAKER SALISBURY WINERY - KRISTER JONSSON

Krister Jonsson joined the Evans & Tate Wine Group as Chief Winemaker of the Group's Salisbury Winery with the acquisition of Cranswick Premium Wines where Krister was General Manager Milburn Park Winery, Victoria.

Previously Krister has worked with Cranswick Premium Wines, Capel Vale Wines, Evans & Tate (1988-1993), Chateau Petrus in Pomerol, France and at Leeuwin Estate Winery.

Krister studied winemaking at Roseworthy College and obtained a Bachelor in Applied Science in Oenology and Viticulture.

At Salisbury, Krister is responsible for the Evans & Tate Wine Group's two largest export brands - Barramundi and Salisbury.

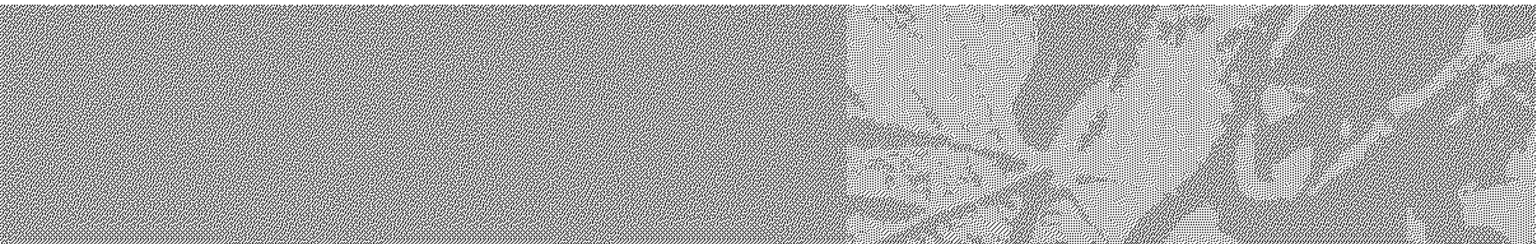
SENIOR WINEMAKER OAKRIDGE WINERY - DAVID BICKNELL

David Bicknell is the Evans & Tate Wine Group's Senior Winemaker at the Oakridge winery, at the Group's Yarra Valley operation at Coldstream in Victoria.

Previously the Senior Winemaker at De Bortoli Wines, David graduated from the Roseworthy campus of Adelaide University in 1992 with a degree in Oenology.

David worked as a winemaker De Bortoli's Dixon's Creek Winery at the Yarra Valley with responsibility for the production of premium varietal wine.

David's extensive experience includes working at Maison Louis Latour in Burgundy, Domaine Paul Blanck in Alsace and Chateau du Bluizard in Beaujolais for the 1994 and 1995 vintages.



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The Annual General Meeting of Evans & Tate Limited will be held at 3.00 p.m. on Thursday 6 November 2003 at the Western Australian Club, 101 St. Georges Terrace Perth, WA. *(Please note that strict dress standards apply).*

EVANS & TATE LIMITED ABN 91 064 820 408

Franklin Tate

CHAIRMAN'S REPORT

Industry Highlights

While domestic consumption of wine remained relatively unchanged at around 20 litres per head of population, the pattern of domestic wine consumption continued to change over the course of 2003.

Shifting consumer trends and record exports, in concert with the drought conditions across much of Australia's growing regions, have contributed to significant correction occurring in the supply and demand balance with the industry currently experiencing a shortfall in white wine supply. The remaining imbalance in red wine is expected to be corrected over the next year.

On the distribution side, some 70% of total domestic market wine sales are packaged products sold through liquor retailers, while 20% is sold on-premise in restaurants, cafes and the like.

Our Highlights

In March this year we completed the acquisition of Cranswick Premium Wines.

With this acquisition, the Evans & Tate Wine Group acquired some very strategic businesses. The Group now manages diversified fruit sources across four of Australia's most significant growing regions, four production facilities with capacities ranging from 1,000 to 50,000 tonnes per annum, distribution infrastructures in all key export markets and a proven brand portfolio.

These assets will enable us to position the Group as a very competitive Australian supply force in the industry.

In a move intended to communicate the company's business more effectively across the globe, in June 2003 the Company adopted the new name of the Evans & Tate Wine Group. With an expanded international product portfolio, owned and controlled distributors in UK/Europe and USA and an expanded focus on the Asia Pacific region, the Evans & Tate Wine Group will be marketing products in some 35 countries. In developing these markets, it is important the company clearly communicates the nature of its business to audiences who do not share the same high level of name awareness as the Group enjoys in the Australian market.

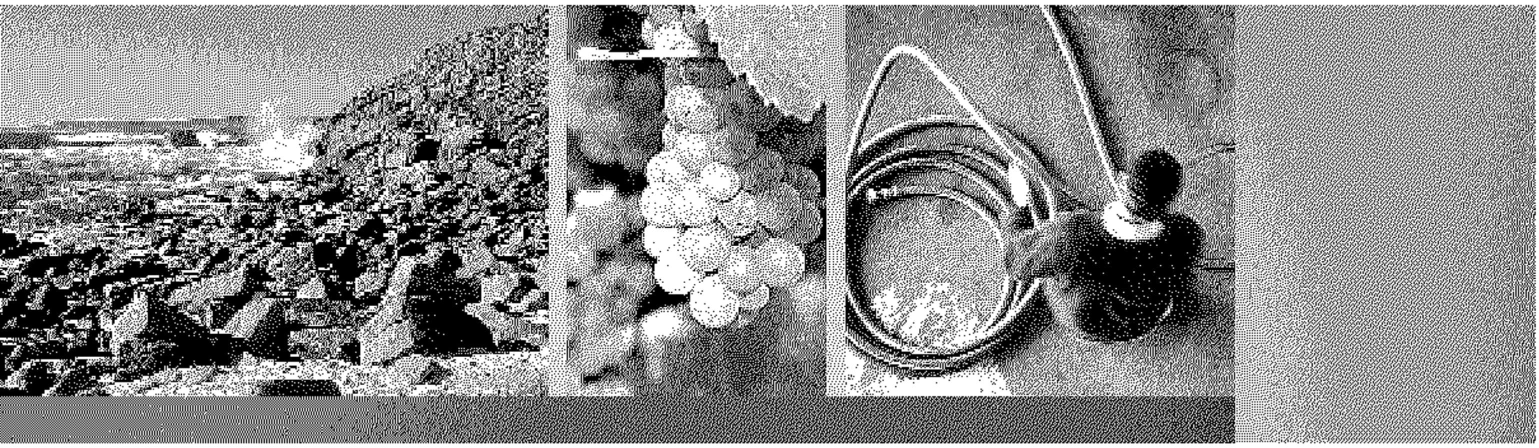
This change does not affect the ASX listed trading entity, which will remain as Evans & Tate Limited.

I am pleased to report of record revenue and margins for this fiscal year as follows:

- AN 81.8% INCREASE IN REVENUE FROM SALE OF GOODS TO $47.26M
- A 53.2% INCREASE IN OPERATING PROFIT AFTER TAX (PRE SGARA*) TO $4.477M

* *Self Generating and Regenerating Assets*

2003 also saw the commencement of our Icon Chardonnay Project at Margaret River. This project is being conducted in conjunction with the University of Western Australia and a number of other partners and has the goal of identifying and combining all the elements that define an iconic Margaret River chardonnay with the objective of significantly evaluating the quality of Evans & Tate's Redbrook chardonnay.



A further exciting development for the Evans & Tate Wine Group this year has been the introduction of the screw cap closure for the floral white varieties. Given the more elegant nature of these wines, the screw cap will be very significant in preserving varietal aromas from 2003.

As I look back on our achievements during 2003 I can say to you unequivocally that 2003 will mark a truly memorable year for the Evans and Tate Wine Group.

The skills and experience of the Group's Executive team, lead by our Executive General Manager Mr Phillip Osborne, continues to provide significant competitive differentiation for our business.

Our future

While the export market will continue to be an important focus for the Group and receive increased focus with our new brand and resource capability in the UK, the domestic Australian market will also see several new initiatives during the 2004 year.

We believe there is plenty of scope for further expansion for Evans & Tate branded product in the Australian market. Our release in May this year of our new Salisbury range has been well received by the trade and consumers and is set to grow in the sub $10 retail category during 2004.

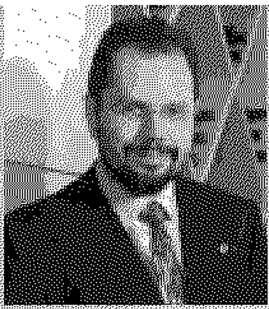
Several new exciting marketing initiatives are proposed for the Group's brand portfolio during 2004 including the launch of a range of boutique contemporary varietals, the re-launch of the Milburn Park label with a range of regional premium styles and the release of a new label for the company's largest export brand, Barramundi.

We recently announced a capital raising comprising of a placement of fully paid ordinary shares ("Shares") to sophisticated investors at $1.05 per Share and a Rights Issue offering shareholders an entitlement to acquire one Share for every ten Shares at $1.04 per Share. A further placement is proposed, subject to Shareholder approval, of 2.5 million Shares to my private company, Grape Expectations Enterprises Pty. Ltd.

The Rights Issue, the Placement to sophisticated investors and, if approved, the proposed placement to Grape Expectations Enterprises Pty. Ltd. forms part of our ongoing capital management program. The company's strategy is focussed on reducing its gearing level and the proceeds from the Rights Issue and Placement will strengthen Evans & Tate's balance sheet and enhance its financial flexibility.

I thank you all for your past support and look forward to continuing to work on your behalf in pursuit of these new challenges.

Franklin Tate
Chairman and Chief Executive Officer
Evans & Tate Limited


Franklin Tate


Ross Chappell


David Combe

DIRECTORS' REPORT

The directors present their report together with the financial report of Evans & Tate Limited ("the Company" or "Evans & Tate") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2003 and the auditor's report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

Franklin Joel Tate B.Bus Chairman and CEO — Age 41

A Bachelor of Business graduate from the Western Australian Institute of Technology, Franklin joined the Company in 1987 as Sales and Marketing Manager and became Chief Executive Officer in 1992.

Franklin's impact on the business was immediate. Joining the same year that the Company released its first Margaret River Classic White (1987), Franklin's infectious dynamism and ability to speak with authority regarding Margaret River, saw this brand quickly established as one of Western Australia's top selling white wines.

He became Chief Executive Officer in 1992 and Chairman of the Board in 1999, and has developed a culture of wine quality that has been reflected in sales, national and international awards. Coupling this with an innate ability to read the market, and produce quality wines and wine styles that people seek out, has seen Evans & Tate grow at an exponential rate.

Under Franklin's tenure, Evans & Tate has become a prosperous wine marketing organisation that is expanding its operations into other premium areas with a view to enhancing the current business. He has achieved this by having collected together a highly respected and motivated team, and by challenging and empowering them.

Franklin is also deeply committed to the industry as a whole and has been, at various times, a member of key industry bodies including the Australian Wine Export Council, the Winemakers Federation of Australia, the Australian Regional Winemakers Forum Incorporated, the Margaret River Wine Industry Association and the Wine and Food Society of Western Australia. He was also Chairman of the Wine Industry Association of WA Marketing Committee.

Franklin is a member of the Evans & Tate Remuneration Committee and chairs the Nominating and Review Committee. He is also an invitee of the Audit and Corporate Governance Committee.


John Hopkins


Graham Cranswick Smith


Heather Tate

Ross Chappell LL.B Deputy Chairman (non-executive) — Age 65

Ross joined the Board of Evans & Tate in 1995 as a non-executive director and was Chairman of the Board from 1997 to 16 September 1999. Ross gained his Bachelor of Laws degree in 1959 from the University of Western Australia. He was admitted as a Barrister and Solicitor to the Supreme Court of Western Australia in 1960 and later to the High Court of Australia and the Supreme Court of New South Wales. Ross was a Partner of Perth law firm Parker & Parker from 1962 to 1993 and a Consultant to that law firm from 1993 to 1995.

Ross was a Member of the Law Society of Western Australia from 1961 to 1995, a Member of the Barristers Board from 1984 to 1994, Inaugural Chairman Legal Practice Board from 1993 to 1994, Inaugural Member Business Council of the Board of the Confederation of WA Industry 1984 to 1991 and an Associate Member of the Institute of Arbitrators Australia from 1983 to 1993.

Ross chairs the Evans & Tate Remuneration Committee and is a member of the Audit & Corporate Governance Committee.

David Combe B.A. Director (non-executive) — Age 60

David is a non-executive director who joined the Board of Evans & Tate in February 2001 after retiring as Senior Vice President International for Southcorp Wines. At Southcorp, David was responsible for all aspects of that company's international business with complete accountability for that company's international profits. David played a key role in Southcorp's ventures into production of wine outside Australia, in the Languedoc-Rousillon in France and in California.

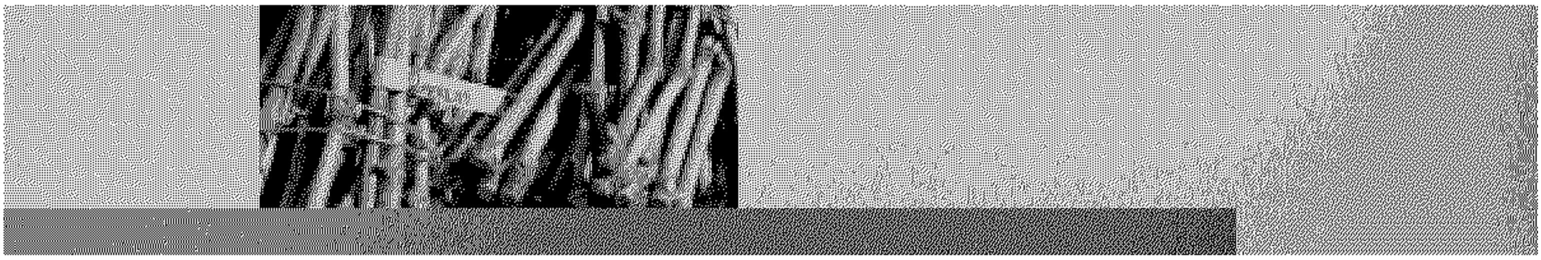
Prior to joining Southcorp, David was Australian Senior Trade Commissioner in Hong Kong from 1990 to 1991, Australian Consul General and Senior Trade Commissioner in Western Canada from 1985 to 1989, conducted his own consultancy, David Combe and Associates Pty. Ltd. in Canberra from 1981 to 1985 and was National Secretary of the Australian Labor Party from 1973 to 1981.

David is a member of the Evans & Tate Remuneration Committee.

John David Hopkins LL.B Director (non-executive) — Age 53

John is a non-executive director who joined the Board of Evans & Tate on 22 August 2001 and was appointed as Lead Director on 4 March 2003.

John is a lawyer having practised for more than 25 years focussing on corporate law and natural resources. Until late last year, John was involved with running a privately owned corporate advisory investment company specialising in takeovers, corporate reconstructions and mergers and acquisitions. John is and has been involved extensively in foreign and public company work, having held directorships of a number of Australian and Canadian public companies, primarily in natural resources.



John has had a varied career in areas of law, resources and corporate advisory while having personal interests in the wine industry where he was former wine master and president of the Wine and Food Society of Western Australia.

John is a member of the Audit & Corporate Governance Committee and was appointed Chairman of the Committee effective 15 August 2003. He is also a member of the Nominating and Review Committee.

Graham Cranswick-Smith BA (Hons) Director (non-executive) Age 55

Graham Cranswick-Smith is a Non-Executive Director who joined the Board in April 2003, having previously been CEO of Cranswick Premium Wines Limited, which was acquired by Evans & Tate in March 2003. After graduating with a Business Administration degree in 1970 he spent eight years with Unilever and then Shell in strategic planning and marketing management roles in Europe. Seconded to Australia in 1979 by Shell Chemicals, his innovative marketing campaign for a new household cleaner gained Shell the prestigious 1980 Hoover Marketing Award.

After a brief period back in the UK, Graham returned to Australia on a permanent basis. In 1986 he was recruited to Cinzano to head their Australasian activities, including a large, under-utilised winery in the Riverina district of NSW. As managing director of Cinzano Australia, he was among the first to recognise the considerable opportunities for Australian wine exports from the Riverina, and he commenced an export driven strategy in 1989.

In 1991 he completed a management buy-out of Cinzano Australia, establishing the company as Cranswick Smith & Sons and focusing the company entirely on growing export market opportunities. The company was floated on the ASX in November 1997 as Cranswick Estate Wines Ltd.

A founding member of the Australian Wine Export Council, Graham is a past president of the NSW Wine Industry Association.

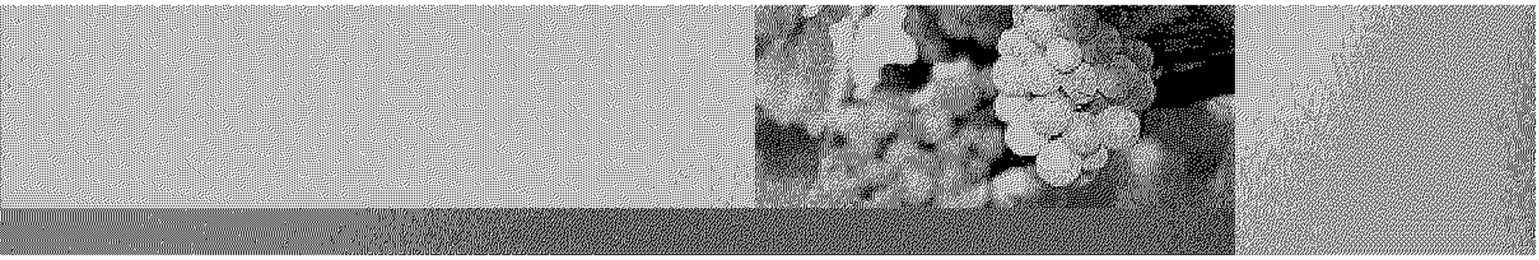
Fiona Elizabeth Harris B.Com., FCA, FAICD, MAIST Director (non-executive) Age 42

Fiona resigned as a director of the Company effective 15 August 2003.

Fiona was a non-executive director who joined the Board of Evans & Tate in September 1999. She was previously involved in setting up a consulting company that specialised in strategic planning and has also spent 14 years with a major chartered accounting firm in Perth, San Francisco and Sydney, where she was a partner in the financial services and superannuation specialist group. She has experience in capital raisings, due diligence, flotations, capital structuring of transactions and litigation support.

Fiona chairs the Government Employees Superannuation Board, is a Board member of HBF Health Funds Inc, Alinta Gas Limited, Plan B Financial Services Limited and Plan B Trustees Limited and is a State Councillor and Treasurer of the Australian Institute of Company Directors.

She chaired the Evans & Tate Audit & Corporate Governance Committee and was a member of the Remuneration Committee and the Nominating and Review Committee during the 2002/03 financial year.



Heather Mary Jephson Tate B.App.Sc., Grad.Dip.Ed. Alternate Director Age 42

Heather served as Executive Director on the Board of Evans & Tate between 1997 and 1999. Her role within Evans & Tate includes chairing the Aesthetics Committee which has responsibility for the aesthetics and the environmental image of Evans & Tate. She has been Evans & Tate's representative on various industry association committees including The West Australian Wine Industry Association Marketing Committee. She has been a representative of and associated with a number of regional, festival and tourism bodies. Heather is appointed an Alternate Director for Franklin Tate and was an active member of the Redbrook Redevelopment Committee which recently completed the $2 million extension of the Redbrook Visitor's Centre.

Directors' Meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

DIRECTOR	BOARD MEETINGS		AUDIT & CORPORATE GOVERNANCE COMMITTEE MEETINGS		REMUNERATION COMMITTEE MEETINGS		NOMINATING & REVIEW COMMITTEE MEETINGS	
	A	B	A	B	A	B	A	B
F J Tate	14	14	–	–	2	2	1	1
R Chappell	14	10	4	4	2	2	–	–
F E Harris *	14	12	4	4	2	2	1	1
H D M Combe	14	12	–	–	2	2	–	–
J D Hopkins	14	14	4	4	–	–	1	1
G Cranswick-Smith	3	3	–	–	–	–	–	–
H M J Tate (as alternate director)	–	–	–	–	–	–	–	–

A – Number of meetings eligible to attend

B – Number of meetings attended

R Chappell was granted leave of absence for three Board meetings whilst he was on leave.

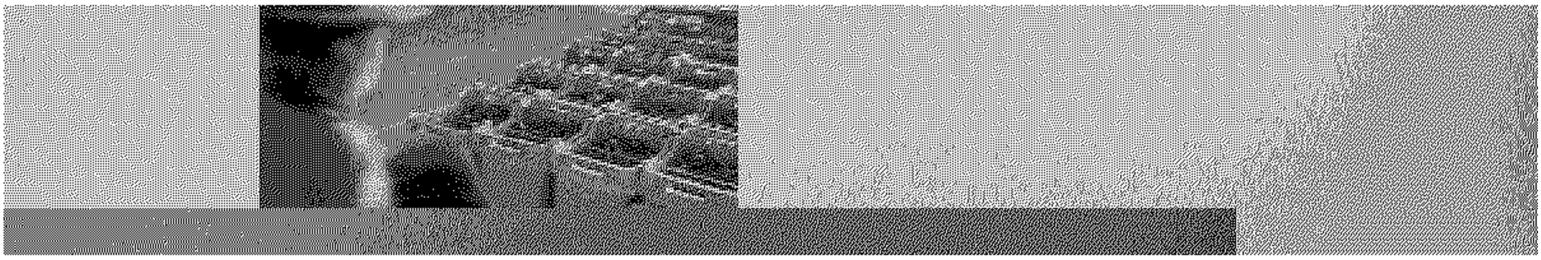
* F E Harris resigned as a director on 15 August 2003.

Principal Activities

The principal continuing activity of the consolidated entity is viticulture, winemaking, marketing and distribution. The consolidated entity is also actively involved in contract wine processing, contract wine supply and wine trading.

Results

The consolidated operating profit after providing for income tax amounted to $4,431,000 (2002: $2,925,000).



Dividends

Dividends paid or declared by the Company since the end of the previous financial year were:

TYPE	CENTS PER SHARE	TOTAL AMOUNT $'000	DATE OF PAYMENT	TAX RATE FOR FRANKING CREDIT
AS PROPOSED AND PROVIDED FOR IN LAST YEAR'S REPORT:				
Converting Preference shares	3.5	323	1 Aug 2002	30%
Final – Ordinary shares	2.0	1,020	1 Oct 2002	30%
		1,343		
IN RESPECT OF THE CURRENT FINANCIAL YEAR:				
Paid or declared during the year				
Converting Preference shares	3.5	323	3 Feb 2003	30%
Interim – Ordinary shares	2.0	1,026	1 Apr 2003	30%
Special interim – Ordinary shares #	2.0	929	1 Apr 2003	30%
Converting Preference shares	3.5	323	1 Aug 2003	30%
Paid or declared after end of year				
Final – Ordinary shares *	2.0	1,406	15 Oct 2003 (proposed)	30%
		4,007		
	NOTE			
DISCLOSED IN THE FINANCIAL REPORT AS:				
Dividends	24	2,975		
Interest expense	4	646		
Adjusted against opening retained earnings on adoption of AASB 1044: *Provisions, Contingent Liabilities and Contingent Assets*	2	(1,020)		
		2,601		
Noted as a subsequent event	24	1,406		
		4,007		

* Based on 70,292,013 Fully Paid Ordinary Shares on issue at 3 September 2003

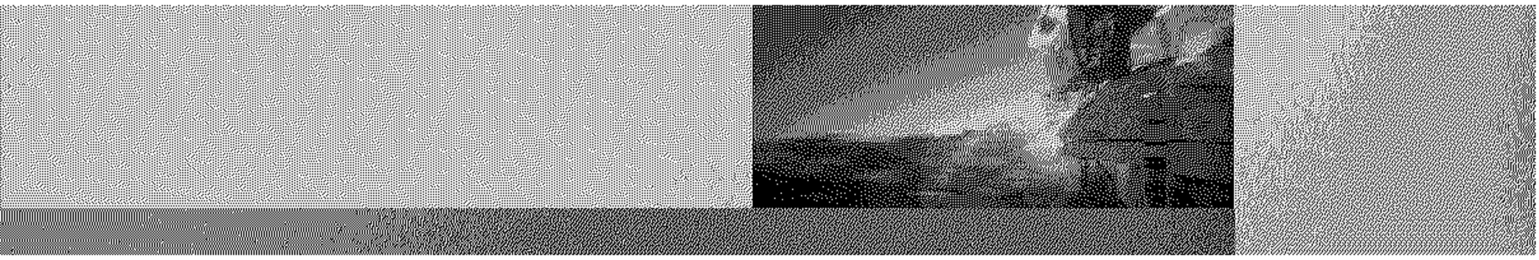
\# On 10 March 2003 the Company declared a special dividend to former Cranswick Premium Wines Limited ("Cranswick") shareholders of $0.02 per share totalling $929,000. The dividend was paid on the number of shares on issue by Cranswick on the date of acquisition.

Dividends paid on Converting Preference shares have been classified as interest in accordance with AASB 1033. All dividends paid or declared by the Company since the end of the previous financial year were 100% franked.

Review of Operations

The consolidated entity crushed 40,838 tonnes of fruit during vintage 2003. This compares with the previous year crush of 7,525 tonnes.

Significant staff appointments for Evans & Tate during the 2003 financial year including the appointments of a Non-Executive Director, Group Chief Winemaker, Chief Winemaker, General Manager Commercial Operations and Administration, Chief Financial Officer, General Manager Trading, Regional Sales Manager (Asia) and State Sales Manager (WA).



Environmental Issues

The consolidated entity's operations are subject to environmental regulation under the laws of Western Australia, Victoria and New South Wales.

The consolidated entity is required to comply with the Environmental Protection Act 1986 in respect of wastewater management, and the Water and Irrigation Act in respect of groundwater extraction. The Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements as they apply to the consolidated entity and are committed to continue to review and improve its current workplace safety and environmental practices to meet and surpass environmental standards set by regulators and to train all associates in environmental management.

The Company has adopted an Environmental Policy which is communicated to all staff. It specifically commits to areas such as workplace safety, energy and water efficiency, waste reduction and management, efficient processes and improved environmental performance.

Significant Changes in State of Affairs

On 17 March 2003 the Company completed the acquisition of Cranswick Premium Wines Ltd ("Cranswick") by Scheme of Arrangement. The consideration paid by the Company for the acquisition was:

	$'000
Cash	23,241
18,572,828 fully paid ordinary shares in Evans & Tate	16,954
4,646,784 options over fully paid ordinary shares in Evans & Tate	988
Incidental costs incurred in cash	2,287
	43,470

On 10 March 2003 the Company declared a special dividend to former shareholders of Cranswick of $0.02 per share totalling $929,000. The dividend was paid on the number of shares on issue by Cranswick on the date of acquisition.

The consolidated entity extended its borrowings by a net amount of $79,870,000. Of this amount, $19,984,000 was the assumption of liability for the Cranswick convertible notes, $18,800,000 for the repayment of National Australia Bank debt, $25,500,000 for the acquisition of Cranswick and the remaining amount for the acquisition of property, plant and equipment and working capital.

Fully paid ordinary share capital increased during the year as follows:-

	$'000
18,572,826 (2002: 2,819,306) shares and 4,646,784 options issued for acquisition of controlled entities	17,942
2,333 (2002: 933,969) shares issued on exercise of options	3
609,868 (2002: 301,953) shares issued under the Dividend Reinvestment Plan	583
23,201 (2002: 42,807) shares issued in relation to employment services	12
39,581 (2002: nil) shares issued under the Long Term Incentive Plan	40
62,169 (2002: nil) shares issued in relation to the acquisition of a controlled entity treated as not yet allotted in 2002	52
Nil (2002: 56,883) shares yet to be allotted in relation to the acquisition of a controlled entity	(87)
Increase in fully paid share capital	18,545

On 24 April 2003 the Company announced it had leased the Gnangara Vineyard from Beston Wine Industry Trust and had completed the sale and leaseback of Oakridge Vineyard and Woods Vineyard to Beston Wine Industry Trust

After Balance Date Events

On 10 September 2003 the Company announced:-

- a placement of 7.5 million Evans & Tate fully paid ordinary shares at $1.05 per share be made to the International Wine Investment Fund ("IWIF") to raise $7,875,000 to repay debt and placements costs;
- that a placement of 2.5 million ordinary shares be made to Grape Expectations Enterprises Pty. Ltd., subject to shareholder approval, at a price no less than the placement to the International Wine Investment Fund. Such shares shall not participate in the dividend for the year ended 30 June 2003 and will not be entitled to participate in the rights issue; and
- a 1 for 10 renounceable rights issue to ordinary shareholders at $1.04 per share to raise $7,479,000 net of costs to repay debt and provide working capital. The issue is fully underwritten jointly by the ANZ Underwriting Limited and Patterson Ord Minnett Limited.

For dividends declared after 30 June 2003 see note 24.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, in future years.

Likely Developments

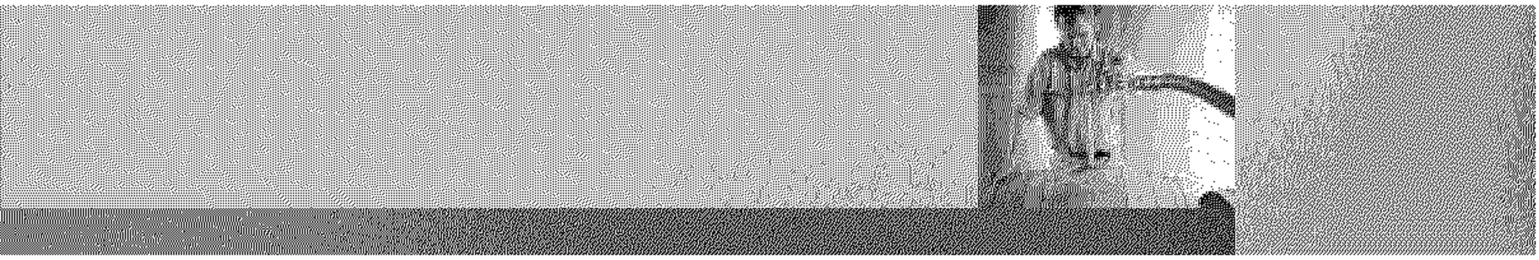
The consolidated entity will continue to pursue growth and increasing profitability during the next financial year. It is intended to embark on a strategy to significantly increase market share domestically on the eastern seaboard of Australia and overseas.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Directors' and senior executives' emoluments

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration policies and systems support the company's wider objectives and strategies and director's and associate's remuneration is aligned to the long term interest of shareholders. Whenever appropriate, the Committee seeks external advice.

Remuneration packages may contain elements of base salary, superannuation, motor vehicle and other benefits and allowances and short term and long term incentives including performance related bonuses and share options under the Employee Share Option Plan ("the Plan") as disclosed in the notes to the financial statements.



The purpose of the Plan is to attract, motivate and retain key associates of the Company. Participation in the Plan is limited to Directors and employees of the consolidated entity. A formal methodology for determining the option exercise price was adopted by the Board on 22 April 2002. Under this methodology, the exercise price of the options issued under the Plan is the average closing price of Evans & Tate Limited fully paid ordinary shares (ASX:ETW) as listed on the ASX for the previous 6 months plus 10% and rounded to the nearest $0.05. In extenuating circumstances, the Board of Directors may issue options under the Plan at an exercise price to be determined by them.

NAME	BASE EMOLUMENT $	PROFIT SHARE $	NON-CASH BENEFITS $	SUPER CONTRIBUTION $	OPTIONS ISSUED (A) $	TOTAL $
Executive Directors						
F J Tate	234,423	32,204	87,500	34,994	–	389,121
Non-executive Directors						
R Chappell	43,500	–	3,000	4,350	–	50,850
F E Harris *	45,115	–	3,000	4,512	–	52,627
H D M Combe	43,500	–	3,000	4,350	–	50,850
J D Hopkins	96,659	–	3,000	9,943	–	109,602
G Cranswick-Smith #	10,892	–	2,250	1,089	–	14,231
Alternate Director/General Manager Public Affairs						
H M J Tate	29,880	–	–	9,482	–	39,362

\# G Cranswick-Smith was appointed on 8 April 2003

* F E Harris resigned on 15 August 2003

NAME	BASE EMOLUMENT $	PROFIT SHARE $	NON-CASH BENEFITS $	SUPER CONTRIBUTION $	OPTIONS ISSUED (A) $	TOTAL $
Executive Officers (excluding directors)						
P Osborne	255,481	19,850	32,600	27,533	–	335,464
S Warne	152,442	14,860	43,900	25,095	–	263,297
M McKenzie	130,192	11,731	22,000	21,196	–	185,119
P Konzewitsch	119,846	12,073	22,000	19,788	–	173,707
A Wagstaff	122,596	–	18,400	12,260	19,500	172,756

(A) Each option entitles the holder to purchase one ordinary share in the Company. The estimated value disclosed above is calculated at the date of grant using a Black and Scholes model. Further details of options granted during the year are set out under "Options" below.

Options

During or since the end of the financial year, the Company granted options over unissued ordinary shares to the following directors and to the following of the five most highly remunerated officers of the Company as part of their remuneration.

NAME	NUMBER GRANTED	EXERCISE PRICE	EXPIRY DATE
Officers			
A Wagstaff	50,000	$1.60	1 July 2005

All options were granted during the financial year. No options have been granted since the end of the financial year.

At the date of this report, the unissued ordinary shares of the Company under option are:

EXPIRY DATE	EXERCISE PRICE	NUMBER OF SHARES
18/11/03	$1.45	20,000
28/11/03	$1.25	50,000
28/11/03	$1.35	75,000
15/01/04	$1.40	33,000
07/09/04	$2.15	139,900
12/10/04	$1.15	4,672,020
31/10/04	$3.00	150,000
05/11/04	$1.50	30,000
07/12/04	$1.25	100,000
22/12/04	$1.25	400,000
01/07/05	$1.60	50,000
30/09/05	$2.45	32,000
31/03/06	$1.20	50,000
01/07/06	$1.20	175,000
28/09/06	$1.25	50,000
19/11/06	$1.28	50,000
29/10/07	$1.50	3,996,884
		10,073,804

All employee options expire on the earlier of their expiry date or termination of the employee's employment except for options held by directors, which expire on their expiry date. The options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

During or since the end of the financial year, the Company has issued ordinary shares as a result of the exercise of options as follows:-

DATE OF EXERCISE	EXERCISE PRICE	NUMBER OF SHARES
10/07/02	$1.15	2,333
29/08/03	$1.15	1,666

There were no amounts unpaid on the shares issued.

Directors' interests

The relevant interest of each director in the share capital of the Company, as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

NAME	ORDINARY SHARES	CONVERTING PREFERENCE SHARES	CONVERTIBLE NOTES	UNLISTED OPTIONS OVER ORD SHARES	LISTED OPTIONS OVER ORD SHARES
Directors					
Mr F J Tate *	21,034,983	1,372,000	–	300,000	–
Mr R Chappell	37,786	17,000	–	50,000	–
Ms F E Harris ^	–	–	–	–	–
Mr HDM Combe	68,549	–	–	–	–
Mr JD Hopkins	–	–	–	–	–
Mr G Cranswick-Smith #	3,254,000		141,000		16,000
Mrs H M J Tate *	21,034,983	1,372,000	–	300,000	–

* Mr F J Tate and Mrs H M J Tate have a beneficial interest in Grape Expectations Enterprises Pty Limited which holds the beneficial interest in 21,034,983 Ordinary and 1,372,000 Preference shares and 300,000 Options over Ordinary shares.

Under the terms of a Deferred Sale Deed, Mr Cranswick-Smith has agreed to sell 3,240,000 Ordinary Shares to Mr FJ Tate over a series of tranches from 1 December 2003 to 30 June 2007. Mr Cranswick-Smith has granted Mr Tate a proxy in respect of those shares.

^ Ms Harris resigned as a director of the Company on 15 August 2003.

Directors' & Auditor's Indemnification

The Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings;

with the exception of the following matter.

During or since the financial year the Company has paid premiums to insure each of the following directors:

F J Tate	R Chappell	F E Harris	H D M Combe
J D Hopkins	G Cranswick-Smith	H M J Tate (as alternate director)	

against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. Premiums have not been allocated to individual directors because the insurance policies do not specify premiums on an individual basis. The total premium paid amounted to $15,635.

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Board of Directors:

John David Hopkins
Lead Director
Dated this 9th day of September 2003
Perth, Western Australia

	Note	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
Revenue from sales of goods	3	47,259	25,996	28,876	20,748
Revenue from rendering of services	3	3,283	2,652	–	–
Other revenue from ordinary activities	3	12,601	1,552	2,833	2,376
Total revenue		63,143	30,200	31,709	23,124
Other expenses from ordinary activities	4	(49,295)	(21,564)	(25,517)	(15,929)
Earnings before borrowing costs, tax, depreciation and amortisation		13,848	8,636	6,192	7,195
Borrowing costs	4	(3,965)	(1,888)	(3,771)	(1,732)
Depreciation and amortisation expenses	4	(3,415)	(2,065)	(1,381)	(1,064)
Profit from ordinary activities before related income tax expense		6,468	4,683	1,040	4,399
Income tax expense relating to ordinary activities	6	(2,233)	(1,758)	(609)	(1,567)
Net profit from ordinary activities after related income tax expense		4,235	2,925	431	2,832
Net loss attributable to outside equity interests	25	196	–	–	–
Net profit attributable to members of the parent entity	23	4,431	2,925	431	2,832
Decrease in foreign currency translation reserve relating to self-sustaining foreign operations		(172)	(48)	–	–
Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity		(172)	(48)	–	–
Total changes in equity from non-owner related transactions attributable to the members of the parent entity		4,259	2,877	431	2,832
Basic earnings per share	7	$0.077	$0.063		
Diluted earnings per share	7	$0.080	$0.066		

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 17 to 60.

		CONSOLIDATED		THE COMPANY	
	Note	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Current assets					
Cash assets	9	3,347	39	19	8
Receivables	10	22,107	7,972	5,810	4,040
Inventories	11	48,666	21,829	24,435	18,708
Other assets	13	691	415	500	262
Total current assets		74,811	30,255	30,764	23,018
Non-current assets					
Receivables	10	–	–	48,027	10,285
Inventories	11	7,281	9,345	7,281	9,345
SGARA – Grape Vines	12	6,143	3,107	1,813	1,921
Other financial assets	14	–	–	57,433	13,958
Property, plant and equipment	15	66,620	22,601	18,012	16,377
Intangible assets	16	46,941	14,992	2,622	2,642
Other assets	13	–	53	–	53
Total non-current assets		126,985	50,098	135,188	54,581
Total assets		201,796	80,353	165,952	77,599
Current liabilities					
Payables	17	26,513	9,480	8,191	8,284
Interest-bearing liabilities	18	31,608	10,213	27,763	8,229
Current tax liabilities		1,899	635	114	461
Provisions	20	952	1,429	590	1,410
Total current liabilities		60,972	21,757	36,658	18,384
Non-current liabilities					
Interest-bearing liabilities	18	84,300	25,825	78,494	25,420
Non interest-bearing liabilities	19	–	–	786	825
Deferred tax liabilities		623	599	663	639
Provisions	20	2,308	56	49	50
Total non-current liabilities		87,231	26,480	79,992	26,934
Total liabilities		148,203	48,237	116,650	45,318
Net assets		53,593	32,116	49,302	32,281
Equity					
Contributed equity	21	41,658	23,113	41,658	23,113
Reserves	22	2,074	2,246	1,915	1,915
Retained profits	23	9,233	6,757	5,729	7,253
Total parent entity interest		52,965	32,116	49,302	32,281
Outside equity interest	25	628	–	–	–
Total equity		53,593	32,116	49,302	32,281

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 17 to 60.

	Note	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
Cash flows from operating activities					
Cash receipts in the course of operations		51,265	33,184	27,677	23,862
Cash payments in the course of operations		(49,372)	(36,168)	(26,656)	(26,023)
Interest received		23	17	21	17
Borrowing costs paid		(2,712)	(1,339)	(2,477)	(1,164)
Income taxes paid		(1,239)	(2,769)	(935)	(2,390)
Net cash (used in) by operating activities	31(b)	(2,035)	(7,075)	(2,370)	(5,698)
Cash flows from investing activities					
Proceeds on disposal of non-current assets		5,714	210	402	199
Payments for controlled entities (net of cash acquired)	30	(25,528)	(2,842)	(25,528)	(1,650)
Payments for deferred acquisition cost		–	(53)	–	(53)
Payments for property, plant and equipment		(5,014)	(6,345)	(4,512)	(6,136)
Loans (to) / from controlled entities		–	–	(17,382)	(3,165)
Payments for acquisition of intangibles		(104)	(31)	(49)	(31)
Net cash (used in) by investing activities		(24,932)	(9,061)	(47,069)	(10,836)
Cash flows from financing activities					
Proceeds from issue of shares		3	7,869	3	7,869
Payments for share issue costs		–	(110)	–	(110)
Proceeds from borrowings		51,200	13,680	51,001	13,563
Repayments of borrowings		(19,490)	(1,564)	(300)	(1,000)
Finance lease and hire purchase payments		(1,252)	(2,078)	(942)	(1,198)
Non-cumulative converting preference share interest paid		(646)	(646)	(646)	(646)
Dividends paid		(2,392)	(1,420)	(2,392)	(1,420)
Net cash provided by financing activities		27,423	15,731	46,724	17,058
Net increase/(decrease) in cash held		456	(405)	(2,715)	524
Cash at the beginning of the financial year		(1,346)	(915)	(131)	(655)
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		(37)	(26)	–	–
Cash at the end of the financial year	31(a)	(927)	(1,346)	(2,846)	(131)

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 17 to 60.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies that have been adopted in the preparation of these financial statements are:

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

(b) Principles of consolidation

The consolidated financial statements of the consolidated entity include the financial statements of the Company, being the parent entity, and its controlled entities ("the consolidated entity").

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The balances and effects of transactions between controlled entities included in the consolidated financial statements have been eliminated.

Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

(c) Revenue recognition

Revenues are recognised at fair value of the consideration received, net of the amount of goods and services tax (GST) payable to the taxation authority. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Sale of goods

Sales revenue comprises revenue (net of returns, discounts and allowances) from the provision of products to entities outside the consolidated entity. Revenue is recognised when the control of goods passes to the customer.

Interest income

Interest income is recognised as it accrues.

Viticultural management services

Viticultural management services revenue represents revenue from the provision of vineyard management services and other wine industry related consulting services to entities outside the consolidated entity. This revenue is recognised when the service is provided to the customer.

Sale of non-current assets

The gross proceeds from the sale of non-current assets not originally purchased for the intention of resale are included as revenue at the date an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Net market value of grapes harvested

The net market value of grapes harvested (less harvesting costs) is recognised as other revenue from operating activities in the period of harvest. Refer Note 1(t).

Processing revenue

Processing revenue represents fees charged to contract process fruit for other winemaking companies. It is recognised when the processing has been performed.

(d) Taxation

Income tax

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to entities with tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

(e) Borrowing costs

Borrowing costs include interest and lease finance charges. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets, which generally take more than 12 months to get ready for their intended use. In these circumstances, borrowing costs are capitalised to the cost of the assets, using a weighted average capitalisation rate.

(f) Inventories

All inventories are stated at the lower of cost and net realisable value. Grapes harvested from the consolidated entity's vineyards are included in inventory at their deemed cost, being their net market value immediately prior to being picked. Net realisable value is determined on the basis of each entity's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and deducted to establish net realisable value. Cost comprises direct material, direct labour and an appropriate proportion of variable and fixed overhead expenditure.

The consolidated entity operates on an operating cycle of up to 20 months which represents the period of one vintage. This represents the period of time between the harvest of fruit and the sale of wine processed therefrom. This operating cycle has been used to determine the classification of inventory as current or non-current.

(g) Receivables

Trade debtors

Trade debtors to be settled within 60 days are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

(h) Accounts payable

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or consolidated entity. Trade accounts payable are normally settled within 30 days.

(i) Investments

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the statement of financial performance when they are declared by the controlled entity.

(j) Acquisition of assets

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued in consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

Vineyard development costs for new vineyards are capitalised and include direct materials, direct labour and an appropriate allocation of overheads and interest. Such capitalisation continues until the expiration of four years or until the vineyard produces the majority of its anticipated capacity, whichever is the earlier.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value and discounted at the rate applicable to the Company as if a similar borrowing were obtained from an independent financier under comparable terms.

The costs of assets constructed or internally generated by the consolidated entity, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to qualifying assets.

Expenditure, including that on internally generated assets is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

Subsequent additional costs

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits, in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Costs that do not meet the criteria for capitalisation are expensed as incurred.

(k) **Property, plant and equipment**

Land, buildings and vineyard development

Land, buildings and vineyard development is measured at fair value.

The gain or loss on disposal of these assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in the results in the year of disposal.

Any related revaluation increment standing in the asset revaluation reserve at the time of disposal is transferred to retained earnings.

Plant and equipment

Plant and equipment is included at cost.

Depreciation and amortisation

Depreciation/amortisation is calculated on a basis to write off the net cost or fair value of each item of property, plant and equipment including leasehold land and buildings but excluding freehold land over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The depreciation/amortisation rates used for each class of assets for 2002 and 2003 are as follows:

Buildings	2% – 4%	Straight line
Vineyard development	5% – 10%	Straight line
Plant & equipment	5% – 40%	Reducing balance
Leased plant and equipment	10% – 20%	Reducing balance

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time when the asset is completed and held ready for use.

Leased plant and equipment

Leases of plant and equipment under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are written off as an expense in the accounting period in which they are incurred. Capitalised lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, over the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the statements of financial performance.

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(l) Brand names

The brand names are included at cost. Amortisation has been provided at 2.5% per annum on a straight-line basis. The carrying amount of the business name is reviewed at the end of each accounting period. Where the balance exceeds the value of expected future benefits, the difference is charged to the statements of financial performance.

(m) Goodwill

Goodwill represents the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired.

Goodwill is amortised on a straight-line basis over the anticipated period which benefits will arise being 20 years. The unamortised balance is reviewed at each reporting date. Where the balance exceeds the value of expected future benefits, the difference is charged to the statements of financial performance.

(n) Employee entitlements

Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months of the year-end represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs.

Long service leave

The provision for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date.

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government bonds at reporting date which most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

Employee Share option plan

Evans & Tate granted options to certain employees under a share option plan. Further information is set out in Note 32 to the financial statements. Other than the costs incurred in administering the plan, which are expensed as incurred, the plan does not result in any expense to the consolidated entity.

Superannuation plan

The Company and other controlled entities contribute to several defined contribution superannuation plans. Contributions are charged against income as they are made.

(o) Interest bearing liabilities

Interest bearing liabilities comprise commercial bills, bank loans, bank overdrafts and finance liabilities that are carried at their principal amounts. Interest is expensed as it is incurred except where they are capitalised to qualifying assets. Refer to Note 1(e).

(p) Derivatives

The consolidated entity is exposed to changes in interest rates and foreign exchange rates from its activities. The consolidated entity uses interest rate swaps and forward foreign exchange contracts to hedge these risks. Derivative financial instruments are not held for speculative purposes.

Hedges

Anticipated transaction

Where hedge transactions are designated as a hedge of the anticipated purchase or sale of goods or services or the purchase of qualifying assets, gains and losses on the hedge arising up to the date of the anticipated transaction, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the anticipated transaction when the transaction has occurred as designated. Any gains or losses on the hedge transaction after that date are included in the statements of financial performance.

The net amounts receivable or payable under forward foreign exchange contracts and the associated deferred gains or losses are recorded on the statements of financial position from the date of inception of the hedge transaction. When recognised, the net receivables or payables are revalued using the foreign currency current at reporting date.

The net amounts receivable or payable under open swap agreements and the associated deferred gains or losses are not recorded on the statement of financial position until the hedge transaction occurs. When recognised, the net receivables or payables are revalued using the interest rates current at reporting date.

Net investment in foreign operation

Foreign exchange differences relating to foreign currency transactions hedging a net investment in a self-sustaining foreign operation, together with any related income tax expense/revenue, are transferred to the foreign currency translation reserve on consolidation.

(q) **Recoverable amount of non-current assets valued on cost basis**

The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value.

(r) **Financial instruments issued**

Converting financial instruments

Converting financial instruments, such as the consolidated entity's non cumulative converting preference shares, which must convert to ordinary shares, and the 8.25% convertible notes are classified as financial liabilities on initial recognition to the extent that holders are not exposed to changes in fair value of the Company's ordinary shares.

Dividends in relation to these converting financial instruments classified as liabilities are charged to the statement of financial performance as interest expense.

(s) **Foreign currency transactions**

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currency at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change.

The accounting for hedges of foreign currency exposures is set out in Note 1(p).

Translation of controlled foreign entities

The assets and liabilities of foreign controlled entities that are self-sustaining are translated at the rates of exchange ruling at balance date. Equity items are translated at historical rates. The statements of financial performance are translated at a weighted average rate for the year. Exchange differences arising on translation are taken directly to the foreign currency reserve until disposal, or partial disposal.

(t) **SGARA**

The Company has adopted AASB 1037 "Self Generating and Regenerating Assets" (SGARAs). The standard requires grapevines to be measured at net market value and any changes in that value to be recognised in the statements of financial performance in the current period. The net market value of grapes harvested is recognised as revenue in the period of harvest. Costs incurred in maintaining vines are recognised as expenses as incurred.

(u) **Cost of goods sold**

Cost of goods sold represents the carrying amount of inventory sold during the financial year in which the related revenue was recognised.

(v) **Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payable are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(w) **Revaluations of non-current assets**

Class of non-current assets measured at fair value are revalued with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from fair value at reporting date. Independent valuations are obtained at least every three years. Revaluation increments, on a class of assets basis, are recognised in the asset revaluation reserve except for amounts reversing a decrement previously recognised as an expense, which are recognised as revenues. Revaluation decrements are only offset against revaluation increments relating to the same class of asset and any excess is recognised as an expense.

(x) **Provisions**

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, being risk free rates on government bonds most closely matching the expected future payments, except where noted below. The unwinding of the discount is treated as part of the expense related to the particular provision.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the recovery receivable is recognised as an asset when it is probable that the recovery will be received and is measured on a basis consistent with the measurement of the related provision.

In the statement of financial performance, the expense recognised in respect of a provision is presented net of the recovery. In the statement of financial position, the provision is recognised net of the recovery receivable only when the entity:

- has a legally recognised righ to set-off the recovery receivable and the provision, and
- intends to settle on a net basis, or to realise the asset and settle the provision simultaneously.

Dividends

A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

Restructuring and employee termination benefits

A provision for restructuring, including employee termination benefits, related to an acquired entity or operation is recognised at the date of acquisition where:

- the main features of the restructuring were announced, implementation of the restructuring commenced, or contracts were entered by the date of acquisition
- a detailed formal plan is developed by the earlier of three months after the date of the acquisition and the completion of this financial report.

The provision only relates to costs associated with the acquired entity, and is included in the determination of the fair value of the net assets acquired. The provision includes liabilities for termination benefits that will be paid to employees of the acquired entity as a result of the restructuring.

Onerous contracts

A provision for onerous contracts is recognised after impairment losses on assets dedicated to the contract have been recognised and when the expected benefits are less than the unavoidable costs of meeting the contractual obligations. A provision is recognised to the extent that the contractual obligations exceed unrecognised losses.

(y) **Earnings per share**

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares), by the weighted average number of ordinary shares of the Company.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares.

2 CHANGES IN ACCOUNTING POLICIES

(a) **Provisions**

The consolidated entity has applied AASB 1044: Provisions, Contingent Liabilities and Contingent Assets for the first time from 1 July 2002.

Dividends are now recognised at the time they are declared, determined or publicly recommended. Previously, final dividends were recognised in the financial year to which they related, even though the dividends were announced after the end of that financial year.

The adjustments to the consolidated and Company financial reports as at 1 July 2002 as a result of this change are:

- $1,020,000 increase in opening retained profits
- $1,020,000 decrease in provision for dividends.

There was no impact on net profit for the current financial year to 30 June 2003.

(b) **Restatement of retained profits and provision for dividends**

Had the new accounting policy for Provisions always been applied, consolidated retained profits and the Company's retained profits as at 1 July 2002 would have been increased by $1,020,000 to $7,777,000 and $8,273,000 respectively. The consolidated provision for dividend and the Company's provision for dividend as at 1 July 2002 would both have been decreased by $1,020,000 to $Nil.

	Note	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
3 REVENUE FROM ORDINARY ACTIVITIES					
Sale of goods revenue from operating activities		47,259	25,996	28,876	20,748
Viticultural management services		3,283	2,652	–	–
		50,542	28,648	28,876	20,748
Other revenues:					
From operating activities					
Net market value of grapes picked		1,441	861	1,441	882
Processing revenue:					
Other parties		4,597	397	614	40
Distribution from trust:					
Related parties	34	–	–	–	1,178
Rental income		326	54	326	54
Other		523	30	50	23
From outside operating activities					
Gross proceeds from sale of non-current assets		5,714	210	402	199
Total other revenues		12,601	1,552	2,833	2,376
Total revenue from ordinary activities		63,143	30,200	31,709	23,124
4 PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE					
Profit from ordinary activities before income tax expense has been arrived at after charging / (crediting) the following items:					
Depreciation of:					
– Plant and equipment		1,860	1,099	941	694
– Buildings		507	164	262	129
Net movement in capitalised depreciation expense		(548)	(181)	(180)	(81)
		1,819	1,082	1,023	742
Amortisation of:					
– Leased plant and equipment		346	310	352	133
– Vineyard development costs		82	61	45	48
– Business name		192	132	68	63
– Goodwill		930	419	1	–
– Trade marks		59	–	1	–
Net movement in capitalised amortisation expense		(13)	61	(109)	78
		1,596	983	358	322
Borrowing costs:					
– Other parties		2,961	1,379	2,891	1,241
– Finance charges relating to finance leases		383	182	176	107
– Converting preference shares classified as liabilities		646	646	646	646
Net movement in capitalised borrowing costs		(25)	(319)	58	(262)
		3,965	1,888	3,771	1,732

	Note	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
4 PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE (CONT.)					
Profit from ordinary activities before income tax expense has been arrived at after charging / (crediting) the following items: (cont.)					
Raw materials and consumables used		26,818	24,640	20,687	19,069
Change in inventories of packaged and bulk wine		(2,029)	(10,172)	(3,819)	(8,058)
Employee expenses		9,757	4,121	4,957	2,798
Operating lease rental expense:					
– Minimum lease payments		914	102	801	102
Movement in provisions for:					
– Doubtful debts		1,072	16	56	13
– Employee entitlements		708	322	198	297
Auditing and accounting		391	164	338	115
Vineyard expenses		2,371	442	–	–
Bottling line expenses		228	–	–	–
Storage & freight		2,217	579	921	560
Insurance		656	253	536	218
Advertising and promotion costs		1,798	206	258	206
Other expenses		4,394	891	584	609
		49,295	21,564	25,517	15,929
Total expenses		56,675	25,517	30,669	18,725
Cost of goods sold		29,173	14,468	17,892	11,011
Net profit/(loss) from disposal of property, plant and equipment		(9)	4	–	(3)
5 AUDITORS' REMUNERATION					
The Audit Committee has responsibility for ensuring that appropriate procedures are in place to ensure that the independence of the auditors is not impaired by other services provided.					
Audit and review of financial reports					
– Auditors of the Company – KPMG		87,356	40,500	87,356	35,000
– Other auditors		52,483	40,360	–	–
Other services					
Auditors of the Company – KPMG					
– Taxation compliance services		9,000	19,650	9,000	19,650
– Taxation advice		3,620	8,328	3,620	8,328
– Advice in relation to potential transactions		–	35,584	–	35,584
– Due diligence		1,490	12,850	1,490	12,850
– Other assurance services		46,204	–	46,204	–
		60,314	76,412	60,314	76,412
(a) Other (non auditor) accounting firms					
– Taxation advice		–	2,200	–	2,200
– Other services		190,717	4,043	190,717	1,700
		190,717	6,243	190,717	3,900

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
6 TAXATION				
(a) Income tax expense				
Prima facie income tax expense calculated at 30% (2002: 30%) on the operating profit	1,940	1,405	312	1,320
Increase in income tax expense due to:				
Amortisation of business names and goodwill	354	165	21	19
Interest on non-cumulative converting preference shares	194	194	194	194
Decrease in income tax expense due to:				
Sundry items	(155)	(47)	82	40
Deductible acquisition costs	(100)	–	–	–
Under/(over) provision in prior year	–	41	–	(6)
Income tax attributable to operating profit	2,233	1,758	609	1,567

(b) Tax consolidation

During the year, legislation was enacted to allow groups, comprising of a parent entity and its Australian resident wholly-owned entities, to elect to consolidated and be treated as a single entity for income tax purposes. The legislation, which includes both mandatory and elective elements, is applicable to Evans & Tate Limited.

As at reporting date, the Directors have not made a decision to elect to be taxed as a single entity. In accordance with Urgent Issues Group (UIG) Consensus Views, UIG 39 *"Effect of proposed tax consolidation legislation on deferred tax balances"*, the financial effect of the legislation has therefore not been brought to account in the financial statements for the year ended 30 June 2003, except to the extent that the adoption of the tax consolidation would impair the carrying value of any deferred tax assets.

(c) Deferred tax assets

Future income tax benefit not brought to account

The potential future income tax benefit in a controlled entity, which is a company, arising from tax losses has not been recognised as an asset because recovery of tax losses is not virtually certain.

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Tax losses	575	575	–	–

	CONSOLIDATED 2003 $'000	2002 $'000
7 EARNINGS PER SHARE		
Earnings reconciliation		
Net profit – Basic earnings	4,431	2,925
After tax effect of interest on converting preference shares	646	646
After tax effect of interest on convertible notes	577	–
Diluted earnings	5,654	3,571
Weighted average number of ordinary shares used as the denominator	NUMBER	NUMBER
Number for basic earnings per share		
Ordinary shares	57,223,593	46,516,351
Dilution		
Effect of share options on issue	–	92,989
Effect of converting preference shares	7,685,509	7,685,509
Effect of convertible notes	5,748,942	–
Number for diluted earnings per share	70,658,044	54,294,849

Classification of securities as ordinary shares

The following securities have been classified as ordinary shares and have been included in basic earnings per share:

Ordinary shares

Classification of securities as potential ordinary shares

The following securities have been classified as potential ordinary shares and have been included in diluted earnings per share only:

7% Non-cumulative converting preference shares

The 7% non-cumulative converting preference shares are not redeemable and convert to ordinary shares of the Company . They convert at a 10% discount to the volume weighted average share price for the 20 business days prior to 22 December 2004. Subject to a minimum price of $1.20 and a maximum of $2.00. Except in limited circumstances they are not able to able to be converted earlier than 22 December 2004.

8.25% Convertible notes

The 8.25% convertible notes are redeemable by the Company at their face value on 29 October 2007 if not converted by then at the option of the Noteholder.

If the Company is wound up prior to repayment, these Notes rank for repayment of principal and unpaid interest behind secured creditors but ahead of all ordinary and converting preference shareholders and equally with all other unsecured creditors of the Company.

The Notes held by the Noteholder shall be entitled to be converted in whole and not in part into ordinary shares by that Noteholder.

The number of ordinary shares into which the Notes are to be converted shall be total Principal moneys owed under the Notes divided by the calculated price. Any fractions remaining following conversion shall be disregarded and not refunded to Noteholders.

7 EARNINGS PER SHARE (CONT.)

The calculated price of the ordinary shares issued as a result of the conversion of the Notes shall be at a 10% discount to the average Market Price for ordinary shares of the Company calculated over the last 5 days on which sales of ordinary shares were recorded before the relevant conversion date.

These Notes have not been included in the determination of basic earning per share, but have been included in the determination of diluted earnings per share.

Quoted Options

Quoted options to purchase ordinary shares not exercised at 30 June 2002 have not been included in the determination of basic earnings per share, but have been included in the determination of diluted earnings per share.

The issues under the Employee Share Option Plan as shown in Note 32 have not been included in the calculation of Diluted earnings per share as they are not dilutive as defined by AASB 1027: Earnings Per Share.

8 SEGMENT INFORMATION

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The primary reporting segment of the consolidated entity is its business segment. The main business segments are as follows:

Wine products & services

Manufacture and distribution of bottled wine sales, contract processing, bulk wine sales and brand management.

Viticultural management services

Provision of expert viticultural management viticultural advice and vineyard development.

Geographical segments

The secondary reporting segment of the consolidated entity is its geographical segments.

The consolidated entity operates in the following three significant geographical segments:

Australasia	*Provision of wine products and services and viticultural management and consulting services*
Americas	*Distribution of bottled and bulk wine, including Evans & Tate branded products*
Europe	*Distribution of bottled and bulk wine, including Evans & Tate branded products*

8 SEGMENT INFORMATION (CONT.)

	BUSINESS SEGMENTS			
30 June 2003	Wine Products & Services $'000	Viticultural Services $'000	Inter-Segment Eliminations $'000	Consolidated $'000
Revenue				
Sales to external customers	52,336	3,283	–	55,619
Inter-segment sales	–	1,661	(1,661)	–
Total sales revenue	52,336	4,944	(1,661)	55,619
Unallocated revenue				7,524
Total revenue				63,143
Segment result				
Profit from ordinary activities before tax	12,006	872	–	12,878
Unallocated corporate expenses				(6,214)
Income tax expense				(2,233)
Profit from ordinary activities after tax				4,431
Segment assets	162,783	3,482	–	166,265
Unallocated corporate assets				35,531
				201,796
Segment liabilities	145,870	2,333	–	148,203
Acquisition of property, plant, equipment and intangibles	83,773	512	–	84,285
Depreciation and amortisation of segment assets	2,238	247	–	2,485
Goodwill amortisation				930
				3,415
Other non-cash expenses	222	49	–	271
30 June 2002				
Revenue				
Sales to external customers	25,996	2,652	–	28,648
Inter-segment sales	–	641	(641)	–
Total sales revenue	25,996	3,293	(641)	28,648
Other revenue	1,547	5	–	1,552
Total segment revenue	27,543	3,298	(641)	30,200
Segment result				
Profit from ordinary activities before tax	4,363	739	–	5,102
Unallocated corporate assets				(419)
Income tax expense				(1,758)
Profit from ordinary activities after tax				2,925
Segment assets	69,354	1,718	–	71,072
Unallocated corporate assets				9,281
				80,353
Segment liabilities	47,456	781	–	48,237
Acquisition of property, plant, equipment and intangibles	8,988	390	–	9,378
Depreciation and amortisation of segment assets	1,530	236	–	1,766
Unallocated corporate expenses				419
				2,185
Other non-cash expenses	202	43	–	245

8 SEGMENT INFORMATION (CONT.)

	GEOGRAPHICAL SEGMENTS				
	Australasia	Americas	Europe	Eliminations	Consolidated
30 June 2003	$'000	$'000	$'000	$'000	$'000
Revenue					
External revenue by location of customers	55,291	2,385	5,467	–	63,143
Internal revenue	–	272	1,197	(1,469)	–
	55,291	2,657	6,664	(1,469)	63,143
Unallocated revenue					–
Total Revenue					63,143
Result					
Segment result	17,306	(461)	2,109	–	18,954
Unallocated expenses					(12,290)
Profit from ordinary activities before income tax					6,664
Income tax					(2,233)
					4,431
Depreciation and amortisation	2,397	82	6	–	2,485
					930
					3,415
Non-cash expenses other than depreciation and amortisation	271	–	–	–	271
30 June 2002					
Revenue					
External revenue by location of customers	29,071	399	730	–	30,200
Internal revenue	–	–	–	–	–
	29,071	399	730	–	30,200
Unallocated revenue					–
Total Revenue					30,200
Result					
Segment result	13,257	361	538	–	14,156
Unallocated expenses					(9,473)
Profit from ordinary activities before income tax					4,683
Income tax					(1,758)
					2,925
Depreciation and amortisation	1,764	2	–	–	1,766
					419
					2,185
Non-cash expenses other than depreciation and amortisation	245	–	–	–	245

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
9 CASH ASSETS				
Cash at bank and on hand	3,347	39	19	8
10 RECEIVABLES				
Current				
Trade debtors	23,119	7,879	5,817	4,003
Less: Provision for doubtful trade debtors	(1,135)	(63)	(113)	(57)
	21,984	7,816	5,704	3,946
Other debtors	123	156	106	94
	22,107	7,972	5,810	4,040
Non-current				
Amounts due from controlled entities (i)	–	–	48,027	10,285

(i) Amounts due from controlled entities are interest free and have no fixed term for repayment.

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
11 INVENTORIES				
Current				
Bulk wine, at cost	35,034	14,949	15,011	12,662
Packaged wine, at cost	12,627	6,096	8,472	5,301
Packaging materials, at cost	931	734	903	712
Sundry merchandise, at cost	74	50	49	33
	48,666	21,829	24,435	18,708
Non-current				
Bulk wine, at cost	7,281	9,345	7,281	9,345
12 SGARA – GRAPE VINES				
Grape vines – at net market value	6,143	3,107	1,813	1,921

SGARAs represent 614,000 (2002: 113,000) grapevines located at the Redbrook, Lionel's, (2002: Oakridge), Cocopara and Loxton vineyards. As there is not an active and liquid market for established grapevines, the "Productivity Method" of valuation has been used as the basis for allocating net market value to the grape vines. This method makes allowance for grape variety, grape yield, grape price and production costs. It uses the capitalisation of net income approach.

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
13 OTHER ASSETS				
Current				
Prepayments	568	415	378	262
Other	123	–	122	–
	691	415	500	262
Non-current				
Deferred acquisition costs	–	53	–	53
14 OTHER FINANCIAL ASSETS				
Non-current				
Controlled entities				
Unlisted shares at cost	–	–	57,433	13,958
15 PROPERTY, PLANT AND EQUIPMENT				
Freehold land				
– At fair value	4,470	3,367	1,589	1,589
Buildings				
– At fair value	14,868	7,959	7,048	6,756
Less: Accumulated depreciation	(443)	–	(243)	–
	14,425	7,959	6,805	6,756
Vineyard development				
– At fair value	6,601	1,351	717	717
Less: Accumulated amortisation	(86)	–	(37)	–
	6,515	1,351	680	717
Plant and equipment, at cost	35,362	12,303	12,099	10,466
Less: Accumulated depreciation	(5,909)	(4,229)	(5,006)	(3,753)
	29,453	8,074	7,093	6,713
Leased plant and equipment	10,193	2,534	706	846
Less: Accumulated amortisation	(472)	(717)	(246)	(254)
	9,721	1,817	460	592
Capital work-in-progress	2,036	33	1,385	10
Total property, plant and equipment				
Net book value	66,620	22,601	18,012	16,377
Reconciliations				
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
Freehold land				
Carrying amount at beginning of year	3,367	2,787	1,589	1,744
Additions	1,818	779	–	44
Disposals	(715)	(86)	–	(86)
Fair value decrement adjustment set against the asset revaluation reserve	–	(113)	–	(113)
Carrying amount at end of year	4,470	3,367	1,589	1,589

	CONSOLIDATED		THE COMPANY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Buildings				
Carrying amount at beginning of year	7,959	3,868	6,756	3,554
Additions	6,959	3,937	304	2,853
Transfers In	1,049	478	–	478
Fair value decrement adjustment set against the asset revaluation reserve	–	(161)	–	–
Disposals	(1,099)	–	(12)	–
Depreciation	(443)	(163)	(243)	(129)
Carrying amount at end of year	14,425	7,959	6,805	6,756
Vineyard development				
Carrying amount at beginning of year	1,351	846	717	678
Additions	6,297	402	–	–
Disposals	(1,128)	–	–	–
Transfers in	81	88	–	–
Amortisation	(86)	(61)	(37)	(37)
Fair value increment adjustment transferred to the asset revaluation reserve	–	76	–	76
Carrying amount at end of year	6,515	1,351	680	717
Plant and equipment, at cost				
Carrying amount at beginning of year	8,074	5,229	6,713	4,798
Additions	23,541	4,041	1,595	2,848
Transfers In	25	435	87	435
Disposals	(316)	(360)	(36)	(357)
Depreciation	(1,871)	(1,271)	(1,266)	(1,011)
Carrying amount at end of year	29,453	8,074	7,093	6,713
Leased plant and equipment				
Carrying amount at beginning of year	1,817	1,918	592	847
Additions	9,201	492	–	–
Disposals	–	(177)	–	(14)
Transfers out	(1,074)	(435)	(87)	(435)
Amortisation	(223)	19	(45)	194
Carrying amount at end of year	9,721	1,817	460	592
Capital works- in-progress				
Carrying amount at beginning of year	33	478	10	478
Additions	2,003	33	1,375	10
Transfer out	–	(478)	–	(478)
Carrying amount at end of year	2,036	33	1,385	10

Valuations of land, buildings and vineyard development

2002

The revaluation of land, buildings and vineyard development was based on the assessment of current market value. An independent valuation was carried out by Edward Rushton Australia Pty Limited at 30 June 2002 on Redbrook, Lionel's and Oakridge vineyards.

	Note	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
16 INTANGIBLES					
Brand names – at cost		12,023	6,107	2,925	2,887
Less: Accumulated amortisation		582	396	317	250
		11,441	5,711	2,608	2,637
Goodwill – at cost		37,285	10,235	6	6
Less: Accumulated amortisation		1,862	954	2	1
		35,423	9,281	4	5
Trade marks – at cost		84	–	11	–
Less: Accumulated amortisation		7	–	1	–
		77	–	10	–
		46,941	14,992	2,622	2,642
17 PAYABLES					
Trade creditors and accruals		21,577	8,938	7,800	7,800
Converting preference share dividend		323	323	323	323
Other creditors		4,613	219	68	161
		26,513	9,480	8,191	8,284
18 INTEREST-BEARING LIABILITIES					
Current					
Bank overdraft (secured)	(i)	4,274	1,385	2,865	139
Bank bills payable (secured)	(i)	23,330	7,330	23,330	7,330
Other advances (secured)		400	–	400	–
Lease liabilities (secured)	27(b)	1,962	728	98	112
Hire purchase liabilities (secured)	27(b)	1,642	770	1,070	648
		31,608	10,213	27,763	8,229
Non-current					
Bank bills payable (secured)	(i)	47,020	12,870	47,020	12,870
Other advances (secured)		1,200	1,900	1,200	1,900
Lease liabilities (secured)	27(b)	5,480	522	285	373
Hire purchase liabilities (secured)	27(b)	1,393	1,310	782	1,054
7% Non-cumulative converting preference shares*		9,223	9,223	9,223	9,223
8.25% Convertible notes **		19,984	–	19,984	–
		84,300	25,825	78,494	25,420

* The 7% non-cumulative converting preference shares are not redeemable and convert to ordinary shares of the Company . They convert at a 10% discount to the volume weighted average share price for the 20 business days prior to 22 December 2004. Subject to a minimum price of $1.20 and a maximum of $2.00. Except in limited circumstances they are not able to able to be converted earlier than 22 December 2004.

** The 8.25% convertible notes are redeemable by the Company at their face value on 29 October 2007 if not converted by then at the option of the Noteholder.

18 INTEREST-BEARING LIABILITIES (CONT.)

If the Company is wound up prior to repayment, these Notes rank for repayment of principal and unpaid interest behind secured creditors but ahead of all ordinary and converting preference shareholders and equally with all other unsecured creditors of the Company.

The Notes held by the Noteholder shall be entitled to be converted in whole and not in part into ordinary shares by that Noteholder.

The number of ordinary shares into which the Notes are to be converted shall be total Principal moneys owed under the Notes divided by the calculated price. Any fractions remaining following conversion shall be disregarded and not refunded to Noteholders.

The calculated price of the ordinary shares issued as a result of the conversion of the Notes shall be:-

(i) a 10% discount to the average Market Price for ordinary shares of the company calculated over the last five (5) days on which sales of ordinary shares were recorded before the relevant Conversion Date; or

(ii) the amount which is the minimum amount payable under Section 82SA(1)(d)(xi) of the Tax Act (calculated as at the date of the Prospectus);

whichever is the greater.

		CONSOLIDATED		THE COMPANY	
		2003	2002	2003	2002
	Note	$'000	$'000	$'000	$'000
Financing arrangements					
The consolidated entity has access to the following lines of credit:					
Total facilities available					
Bank overdrafts	(i) (ii)	4,459	2,459	3,000	1,000
Bank bills payable	(i) (iii)	72,550	20,200	72,550	20,200
Other advances	(iv)	1,600	1,900	1,600	1,900
Leasing and hire purchase		13,879	3,330	5,517	2,187
Other		6,959	–	6,959	–
		99,447	27,889	89,626	25,287
Facilities utilised at balance date					
Bank overdrafts		4,274	1,385	2,865	139
Bank bills payable		70,350	20,200	70,350	20,200
Other advances		1,600	1,900	1,600	1,900
Leasing and hire purchase		10,477	3,330	2,235	2,187
Other		–	–	–	–
		86,701	26,815	77,050	24,426
Facilities not utilised at balance date					
Bank overdrafts		185	1,074	135	861
Bank bills payable		2,200	–	2,200	–
Other advances		–	–	–	–
Leasing and hire purchase		3,402	–	3,282	–
Other		6,959	–	6,959	–
		12,746	1,074	12,576	861

18 INTEREST-BEARING LIABILITIES (CONT.)

(i) Security for borrowings:

The bank bills, bank loan payable and bank overdraft are secured by a first mortgage debenture over the assets and undertakings of the Company, together with a mortgage over the assets of controlled entities.

(ii) Bank overdrafts

Interest on bank overdraft is charged at prevailing market rates and is repayable on demand and subject to annual review.

(iii) Bank bills

The bank bill facility in current liabilities comprise the portion of the total facility payable within one year ($23,330,000). The non-current portion is to be repaid or rolled on maturity being on or before 31 December 2004.

(iv) Other advances

The fully drawn advance facility represents an amount of $1,200,000 which expires on 6 June 2007 and an amount of $400,000 which expires on 4 July 2003. These advances are secured by a first mortgage debenture over the assets and undertakings of the Company, together with a mortgage over the assets of controlled entities.

Lease and hire purchase liabilities are secured over plant and equipment.

		CONSOLIDATED		THE COMPANY	
		2003	2002	2003	2002
	Note	$'000	$'000	$'000	$'000
19 NON INTEREST-BEARING LIABILITIES					
Non-current					
Other loans – controlled entities	(i)	–	–	786	825
(i) Loans to controlled entities are interest free and have no fixed term for repayment, however they are not expected to be repaid within the next twelve months.					
20 PROVISIONS					
Current					
Employee benefits	32	952	409	590	390
Dividend	24	–	1,020	–	1,020
		952	1,429	590	1,410
Non-current					
Employee benefits	32	222	56	49	50
Onerous contracts		2,086	–	–	–
		2,308	56	49	50

	CONSOLIDATED 2003 $'000	THE COMPANY 2003 $'000
20 PROVISIONS (CONT.)		
Reconciliations		
Reconciliations of the carrying amounts of each class of provision, except for employee benefits, are set out below:		
Dividends		
Carrying amount at beginning of year	1,020	1,020
Adjustment on adoption of AASB 1044: *Provisions, Contingent Liabilities and Contingent Assets*	(1,020)	(1,020)
Provisions made during the year:		
Final dividend 2002	1,020	1,020
Interim dividend 2003	1,026	1,026
Special interim dividend 2003	929	929
Payments made during the year	(2,392)	(2,392)
Value of shares issued under the Dividend Reinvestment Plan during the year	(583)	(583)
Carrying amount at end of year	–	–
Onerous grape supply contracts		
Carrying amount at beginning of year	–	–
Provisions on contracts acquired during the year	2,800	–
Payments made during the year	(714)	–
Carrying amount at end of year	2,086	–

	CONSOLIDATED		THE COMPANY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
21 CONTRIBUTED EQUITY				
Issued and paid-up capital				
70,290,347 (2002: 50,980,369) ordinary shares, fully paid	41,658	23,026	41,658	23,026
Shares yet to be allotted				
Nil (2002: 56,883) ordinary shares not yet allotted	–	87	–	87
	41,658	23,113	41,658	23,113
Movement in contributed equity				
Balance at the beginning of the financial year	23,113	9,418	23,113	9,418
– Nil (2002: 4,700,000) shares issued for cash	–	6,580	–	6,580
– 18,572,826 (2002: 2,819,306) shares and 4,646,784 options issued for acquisition of controlled entities	17,942	5,159	17,942	5,159
– Nil (2002: 240,000) shares issued for acquisition of a supply agreement	–	360	–	360
– 2,333 (2002: 933,969) shares issued on exercise of options	3	1,154	3	1,154
– 609,868 (2002: 301,953) shares issued under the Dividend Reinvestment Plan	583	401	583	401
– 23,201 (2002: 42,807) shares issued in relation to employment services	12	64	12	64
– 39,581 (2002: nil) shares issued under the Long Term Incentive Plan	40	–	40	–
– Share issue costs	–	(110)	–	(110)
– 62,169 (2002: nil) shares issued in relation to the acquisition of a controlled entity treated as not yet allotted in 2002	52	–	52	–
– Nil (2002: 56,883) shares yet to be allotted in relation to the acquisition of a controlled entity	(87)	87	(87)	87
	41,658	23,113	41,658	23,113

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, ordinary and converting preference shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

30 June 2003

On 10 July 2002, Evans & Tate issued 2,333 ordinary shares in relation to the exercise of 2,333 options with an exercise price of $1.15 each.

On 1 October 2002, Evans & Tate issued 296,705 ordinary shares with a fair value of $1.03 each in accordance with the terms of the Dividend Reinvestment Plan and issued a further 8,800 ordinary shares with a fair value of $1.07 each to certain employees.

On 22 November 2002, Evans & Tate issued 39,581 ordinary shares with a fair value of $1.01 each to executive officers in respect of their entitlements under the Long Term Incentive Plan.

21 CONTRIBUTED EQUITY (CONT.)

On 17 March 2003, Evans & Tate issued 18,572,826 ordinary shares with a fair value of $0.91 each in part consideration for the acquisition of Cranswick Premium Wines Limited. In addition, the following options were issued as part consideration for the acquisition of Cranswick Premium Wines Limited:

- 3,996,884 options to noteholders at $1.50 with a fair value of $0.23 each
- 20,000 options at $1.40 with a fair value of $0.02 each
- 33,000 options at $1.40 with a fair value of $0.03 each
- 139,900 options at $2.15 with a fair value of $0.02 each
- 32,000 options at $2.45 with a fair value of $0.04 each
- 50,000 options at $1.20 with a fair value of $0.22 each
- 175,000 options at $1.20 with a fair value of $0.23 each
- 50,000 options at $1.28 with a fair value of $0.24 each
- 150,000 options at $3.00 with a fair value of nil.

On 4 April 2003, Evans & Tate issued 313,163 ordinary shares with a fair value of $0.89 each in accordance with the terms of the Dividend Reinvestment Plan and issued a further 3,430 ordinary shares with a fair value of $0.89 each to certain employees.

On 21 May 2003, Evans & Tate issued 62,169 ordinary shares with a fair value of $0.83 each as deferred consideration for the acquisition of Scott Street Portfolio Inc. Of this issue, 56,883 ordinary shares with a fair value of $1.54 each were recognised in the statements of financial position as at 30 June 2002. An adjustment to contributed equity for the decrease in fair value has been recognised in the current year.

30 June 2002

On 27 August 2001, Evans & Tate issued 500,000 ordinary shares at a fair value of $1.16 each in consideration for the acquisition of Selwyn Viticultural Services Pty Limited (formerly Twinpark Nominees Pty Limited).

On 4 October 2001, Evans & Tate issued 98,118 ordinary shares with a fair value of $1.10 in accordance with the terms of the Dividend Reinvestment Plan.

On 12 October 2001, Evans & Tate issued 2,295,519 ordinary shares at a price of $1.05 to certain former shareholders of Oakridge Vineyards Limited, as a consequence of their election to apply their cash received in respect to the acquisition to the subscription of Evans & Tate shares, and 4,435,297 options at a fair value of $0.45 to acquire unissued ordinary shares at an exercise price of $1.15 in consideration for the acquisition of Oakridge Vineyards Limited.

On 12 October 2001, Evans & Tate also granted options over 374,691 unissued ordinary shares, each with an exercise price of $1.15 and with a fair value of $0.36. The options are exercisable at any time up to the date of expiry and expire on 9 October 2004.

On 17 October 2001, Evans & Tate issued 88,269 ordinary shares in relation to the exercise of 88,269 options each with an exercise price of $1.15.

On 5 November 2001, Evans & Tate issued 9,499 ordinary shares with a fair value of $1.50 to certain employees.

21 CONTRIBUTED EQUITY (CONT.)

On 20 November 2001, Evans & Tate issued 240,000 ordinary shares with a fair value of $1.50 each in consideration for the acquisition of a supply agreement with Woolworths Limited and the acquisition of the Justin Jackmann and Orchestra brand names.

On 25 November 2001, Evans & Tate issued 25,768 ordinary shares with a fair value of $1.51 to certain employees in respect of their entitlements under profit share arrangements.

On 28 November 2001, Evans & Tate issued 18,996 ordinary shares in relation to the exercise of 18,996 options with an exercise price of $1.15.

On 3 January 2002, Evans & Tate issued 10,665 ordinary shares in relation to the exercise of 10,665 options with an exercise price of $1.15.

On 21 January 2002, Evans & Tate issued 750,000 ordinary shares in relation to the exercise of 750,000 options with an exercise price of $1.25 and 1,666 ordinary shares in relation to the exercise of 1,666 options with an exercise price of $1.15.

On 8 February 2002, Evans & Tate issued 50,000 ordinary shares in relation to the exercise of 50,000 options with an exercise price of $1.25 and 3,710 ordinary shares in relation to the exercise of 3,710 options with an exercise price of $1.15.

On 21 February 2002, Evans & Tate issued 4,700,000 ordinary shares to selected institutions through a private placement at a price of $1.40 per share and issued 1,666 ordinary shares in relation to the exercise of 1,666 options with an exercise price of $1.15.

On 3 April 2002, Evans & Tate issued 3,999 ordinary shares in relation to the exercise of 3,999 options with an exercise price of $1.15, issued another 1,190 ordinary shares with a fair value of $1.56 to certain employees and issued a further 203,835 ordinary shares with a fair value of $1.56 in accordance with the terms of the Dividend Reinvestment Plan.

On 16 April 2002, Evans & Tate issued 23,787 ordinary shares with a fair value of $1.54 each in consideration for the acquisition of Scott Street Portfolio Inc. A further 56,883 shares are to be issued on 30 June 2003 in respect of this acquisition.

On 7 May 2002, Evans & Tate issued 3,332 ordinary shares in relation to the exercise of 3,332 options with an exercise price of $1.15 and issued 3,770 ordinary shares with a fair value of $1.38 each to certain employees.

On 11 June 2002, Evans & Tate issued 1,666 ordinary shares in relation to the exercise of 1,666 options with an exercise price of $1.15 and issued 2,580 ordinary shares with a fair value of $1.41 each to certain employees.

		CONSOLIDATED		THE COMPANY	
		2003	2002	2003	2002
		$'000	$'000	$'000	$'000
22 RESERVES					
Foreign exchange translation		(220)	(48)	–	–
Asset revaluation		2,294	2,294	1,915	1,915
		2,074	2,246	1,915	1,915
Movements during the year					
Asset revaluation					
Balance at beginning of year		2,294	2,492	1,915	1,952
Net decrements arising on movements in fair value of land, buildings and vineyard developments		–	(198)	–	(37)
Balance at end of year		2,294	2,294	1,915	1,915
Foreign currency translation					
Balance at beginning of year		(48)	–	–	–
Exchange difference on net investment in foreign operations		(172)	(48)	–	–
Balance at end of year		(220)	(48)	–	–

Nature and purpose of reserves

Asset revaluation

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets in accordance with AASB 1041.

Foreign currency reserves

The foreign currency translation reserve records the foreign currency differences arising from the translation of self-sustaining foreign operations, the translation of transactions that hedge the Company's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in a self-sustaining operation. Refer accounting policy note 1(s).

		CONSOLIDATED		THE COMPANY	
		2003	2002	2003	2002
		$'000	$'000	$'000	$'000
23 RETAINED PROFITS					
Retained profits at beginning of year		6,757	5,875	7,253	6,464
Net profit attributable to members of the parent entity		4,431	2,925	431	2,832
Net effect on dividends from:					
Initial adoption of AASB 1044: *Provisions, Contingent Liabilities and Contingent Assets*	2	1,020	–	1,020	–
Dividends recognised during the year	24	(2,975)	(2,043)	(2,975)	(2,043)
Total dividends		(1,955)	(2,043)	(1,955)	(2,043)
Retained profits at the end of the year		9,233	6,757	5,729	7,253

	CENTS PER SHARE	TOTAL AMOUNT $'000	DATE OF PAYMENT	TAX RATE FOR FRANKING CREDIT	PERCENTAGE FRANKED
24 DIVIDENDS					
Dividends recognised in the current year by the Company are:					
2003					
Interim – Ordinary shares	2.0	1,026	1 Apr 2003	30%	100%
Special interim – Ordinary shares	2.0	929	1 Apr 2003	30%	100%
2002 final dividend recognised when declared during the year. Refer to Note 2 "Changes in accounting policies":					
– Final – Ordinary shares	2.0	1,020	1 Oct 2002	30%	100%
– Converting Preference Shares	3.5	323			
Total amount		3,298			
2002					
Interim – Ordinary shares	2.0	1,023	2 Apr 2002	30%	100%
Final – Ordinary shares	2.0	1,020	1 Oct 2002	30%	100%
Total amount		2,043			
Subsequent event					
Since the end of the financial year, the directors recommended the following dividend. It is to be ratified formally by board resolution:					
Final – Ordinary shares	2.0	1,406	15 Oct 2003	30%	100%
Total amount		1,406			

The financial effect of these dividends have not been brought to account in the financial statements for the year ended 30 June 2003 and will be recognised in subsequent financial reports.

	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
Dividend franking account		
30% franking credits available to shareholders of Evans & Tate Limited for subsequent financial years	2,470	7,891

The above franking credits are based on the balance of the dividend franking account at year-end adjusted for:

a) franking credits that will arise from the payment of the current tax liability
b) franking debits that will arise from the payment of dividends recognised as a liability at year-end
c) franking debits that will arise from the payment of dividends in respect of Converting preference shares recognised as a liability at year-end

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

24 DIVIDENDS (CONT.)

Change in measurement of dividend franking account

In accordance with the New Business Tax System (Imputation) Act 2002, the measurement basis of the dividend franking account changed on 1 July 2002 from an after-tax profits basis to an income tax paid basis.

The amount of franking credits available to shareholders disclosed as at 30 June 2003 has been measured under the new legislation and represents income tax paid amounts available to frank distributions. The balance disclosed as at 30 June 2002 has been measured under the legislation existing at 30 June 2002 and represents after-tax profits able to be distributed fully franked at the current tax rate.

The change in the basis of measurement does not change the underlying value of franking credits or tax offsets available to shareholders from the dividend franking account.

Comparative information has not been restated for this change in measurement. Had the comparative information been calculated on the new basis, the "franking credits available" balance as at 30 June 2002 would have been $3,382,000.

25 OUTSIDE EQUITY INTERESTS

	CONSOLIDATED	
	2003 $'000	2002 $'000
Outside equity interest in controlled entities comprise:		
Interest in retained profits at the beginning of the financial year after adjusting for outside equity interests in entities acquired during the financial year	824	–
Interest in profit from ordinary activities after income tax	(196)	–
Total outside equity interests	628	–

26 ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

(a) Interest rate risk

Interest rate risk emanates from the changes in market interest rates impacting on the consolidated entity's short and long term debt.

Interest rate swaps

Interest rate swaps allow the consolidated entity to swap floating rate borrowings into fixed rates. Maturities of swap contracts are principally between two and five years. Each contract invoices quarterly payment or receipt of the net amount of interest.

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below:

The fair value of interest rates swaps as at 30 June 2003 is $269,000.

	Note	Weighted Average interest rate	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	Fixed interest maturing in: 1 to 5 years $'000	Non-interest bearing $'000	Total $'000
2003							
Financial assets							
Cash assets	9	2.97%	3,327	–	–	20	3,347
Receivables	10	–	–	–	–	22,107	22,107
			3,327	–	–	22,127	25,454
Financial liabilities							
Bank overdraft, bills and advances	18	5.08%	4,274	23,730	48,220	–	76,224
Payables	17	–	–	–	–	26,513	26,513
7% non-cumulative converting preference shares	18	7.00%*	–	–	9,223	–	9,223
Leases & hire purchase	18	7.32%	–	3,604	6,873	–	10,477
8.25% convertible notes	18	8.25%	–	–	19,984	–	19,984
Employee benefits	20	–	–	–	–	1,174	1,174
			4,274	27,334	84,300	27,687	143,595
2002							
Financial assets							
Cash assets	9	0.50%	39	–	–	–	39
Receivables	10	–	–	–	–	7,972	7,972
			39	–	–	7,972	8,011
Financial liabilities							
Bank overdraft, bills and advances	18	6.05%	1,385	7,330	14,770	–	23,485
Payables	17	–	–	–	–	9,480	9,480
7% non-cumulative converting preference shares	18	7.00%*	–	–	9,223	–	9,223
Leases & hire purchase	18	7.18%	–	1,498	1,832	–	3,330
Dividends payable	20	–	–	–	–	1,020	1,020
Employee benefits	20	–	–	–	–	465	465
			1,385	8,828	25,825	10,965	47,003

* Post tax

26 ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (CONT.)

(b) Foreign exchange risk

The consolidated entity's sales are predominantly transacted in Australian dollars.

The following table sets out the gross value to be received under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of outstanding contracts for the consolidated entity.

	CONSOLIDATED			
	2003	2002	2003	2002
	WEIGHTED AVERAGE RATE		$'000	$'000
Not later than one year				
Buy US dollars/Sell Australian dollars	0.6559	0.5188	166	118
Buy GB Pounds/Sell Australian dollars	0.4024	–	107	–
Buy Euros/Sell Australian dollars	0.5707	–	110	–

The net deferred gains and losses on hedges of anticipated foreign currency sales recognised in the statement of financial position and the timing of their anticipated recognition as part of sales are:

	CONSOLIDATED NET GAIN/(LOSSES)	
	2003 $'000	2002 $'000
Not later than one year	(7)	(10)

(c) Net fair values of financial assets and liabilities

Valuation approach

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following bases:

Recognised financial instruments

Monetary financial assets and liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. The carrying amounts of trade debtors, other debtors, bank overdrafts, accounts payable, bank loans, lease liabilities, dividends payable and employee benefits approximate net fair value.

Unrecognised financial instruments

The valuation of financial instruments not recognised on the statement of financial position detailed in this note reflects the estimated amounts which the consolidated entity expects to pay or receive to terminate the contracts (net of transactions costs), or replace the contracts at their current market rates as at reporting date. This is based on independent market quotations using standard valuation techniques.

(d) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised financial instruments

The credit risk of financial assets, excluding investments, if the consolidated entity which have been recognised on the statement of financial position, is the carrying amount net of any provision for doubtful debts.

Unrecognised financial instruments

Credit risk on derivative contracts which have not been recognised on the statement of financial position is minimised, as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised ratings agency.

	Note	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
27 COMMITMENTS					
(a) Non-cancellable operating lease expense commitments					
Future operating lease commitments not provided for in the financial Statements and payable:					
Within one year		1,315	1,027	1,175	957
One year or later and no later than five years		2,341	2,698	2,191	2,573
		3,656	3,725	3,366	3,530

The consolidated entity leases property, plant and equipment under operating leases expiring from one to five years. Leases generally provide the consolidated entity with the right of renewal at which time all terms are renegotiated.

	Note	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
(b) Finance lease and hire purchase payment commitments					
Finance lease and hire purchase commitments are payable:					
Within one year		4,168	1,715	1,265	892
One year or later and no later than five years		6,939	1,959	1,106	1,512
Later than five years		667	–	–	–
Minimum lease payments		11,774	3,674	2,371	2,404
Less: Future finance charges		1,297	344	136	217
		10,477	3,330	2,235	2,187
Lease liabilities and hire purchase arrangements provided for in the financial statements:					
Current	18	3,604	1,498	1,168	760
Non-current	18	6,873	1,832	1,067	1,427
Total		10,477	3,330	2,235	2,187

The consolidated entity leases production plant and equipment under finance leases expiring from one to five years. At the end of the lease term the consolidated entity has the option to purchase the equipment at a price deemed to be a bargain purchase option.

(c) Grape supply contracts

The Company has entered into contracts with suppliers to secure future grape supplies. These contracts specify the quantity and varieties of grapes that the Company will purchase from each contracted supplier at a contracted price. All grape supply contracts include provisions to enable the Company to reject or suspend its obligation to purchase fruit that does not meet the Company's strict quality requirements.

28 CONTINGENT LIABILITIES

Details of contingent liabilities where the probability of future payments is not considered remote are set out below, as well as details of contingent liabilities, which although considered remote, the directors consider should be disclosed.

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	$000	$000	$000	$000
Contingent liabilities considered remote				
Guarantees				
(i) Under the terms of a Deed of Cross Guarantee, described in Note 29, the Company has guaranteed the repayment of all current and future creditors in the event any of the entities party to the Deed are wound up. No deficiency in net assets exists in these companies at reporting date:				
(ii) Independent Winemakers Group Partnership	1,125	–	–	–
(iii) The Company has guaranteed lease facilities of certain controlled entities:	830	–	750	–
	1,955	–	750	–

29 DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit, and lodgement of financial reports, and directors' report.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Corporations Act 2001, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

Cranswick Premium Wines Limited
Evans & Tate (USA) Pty Limited
Evans and Tate Holdings Pty Limited
Oakridge Vineyards Pty Limited
Selwyn Viticultural Services Pty Limited
Redello Wines Pty Ltd
Australian Premium Wines Ltd
Irybel Pty Ltd
Selwyn Wines Pty Limited
Evans & Tate Vineyards Pty Limited
Ironbark Wines Pty Limited
Sovint Pty Ltd
Australian Wineries Pty Ltd
Cranswick Purchasing Pty Ltd
AWT Pty Ltd

A consolidated statement of financial performance and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2003 is set on the following page:

29 DEED OF CROSS GUARANTEE (CONT.)

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000
Summarised statement of financial performance and retained profits		
Profit from ordinary activities before related income tax expense	7,658	4,786
Income tax expense relating to ordinary activities	2,297	1,758
	5,361	3,028
Profit/(loss) from extraordinary items after related income tax expense	–	–
Net profit	5,361	3,028
Retained profits at beginning of year	6,829	5,844
Adjustment to retained profits at beginning of year on initial adoption of AASB 1044 *Provisions, Contingent Liabilities and Contingent Assets*	1,020	–
Dividends recognised during the year	(2,975)	(2,043)
Retained profits at end of year	10,235	6,829
Statement of financial position		
Cash assets	2,256	10
Receivables	20,345	7,551
Inventories	54,374	30,448
Other	524	393
Total current assets	77,499	38,402
Receivables	3,922	1,489
Inventories	6,143	3,107
Investments accounted for using the equity method	1,110	53
Property, plant and equipment	66,560	23,464
Intangibles	44,783	13,739
Total non current assets	122,518	41,852
Total assets	200,017	80,254
Payables	24,436	9,264
Interest bearing liabilities	31,608	10,212
Current tax liabilities	1,740	635
Provisions	1,028	1,429
Total current liabilities	58,812	21,540
Interest bearing liabilities	84,088	25,824
Deferred tax liabilities	623	599
Provisions	2,308	56
Total non-current liabilities	87,019	26,479
Total liabilities	145,831	48,019
Net assets	54,186	32,235
Equity		
Contributed equity	41,658	23,113
Reserves	2,293	2,293
Retained profits	10,235	6,829
Total equity	54,186	32,235

30 CONTROLLED ENTITIES

Particulars in relation to controlled entities

	CONSOLIDATED	
	2003 %	2002 %
Parent entity		
Evans & Tate Limited		
Controlled entities		
Evans & Tate Vineyards Pty Limited	100	100
Evans & Tate Holdings Pty Limited	100	100
Evans & Tate (USA) Pty Limited (formerly ETW Vineyard Management Pty Limited)	100	100
Selwyn Wines Pty Limited	100	100
Selwyn Wines Unit Trust	100	100
Selwyn Viticultural Services Pty Limited	100	100
Oakridge Vineyards Pty Limited	100	100
Cranswick Premium Wines Limited (acquired 17 March 2003)	100	–
Cranswick Premium Wines Limited		
Controlled entities		
Australian Premium Wines Ltd (acquired 17 March 2003)	100	–
Sovinc Pty Ltd (acquired 17 March 2003)	100	–
AWT Pty Ltd Trustee: The Alambie Wine Trust (acquired 17 March 2003)	100	–
Irybel Pty Ltd (acquired 17 March 2003)	100	–
Cranswick Purchasing Pty Ltd (acquired 17 March 2003)	100	–
Australian Wineries Pty Ltd (acquired 17 March 2003)	100	–
Redello Wines Pty Ltd (acquired 17 March 2003)	100	–
Cranswick Premium Wines (Europe) Limited	100	–
Australian Wineries (UK) Ltd (acquired 17 March 2003)	51	–
Oakridge Vineyards Pty Limited		
Controlled entities		
Ironbark Wines Pty Limited	100	100
Evans & Tate (USA) Pty Limited		
Controlled entities		
Scott Street Portfolio Inc. (incorporated in the United States of America)*	100	100

*Audited by G & J Seiberlich & Co, LLP., a firm not related to KPMG.

All entities were incorporated in Australia unless specifically stated.

30 CONTROLLED ENTITIES (CONT.)

Acquisitions of controlled entities

30 June 2003

On 17 March 2003 the Company completed the acquisition of Cranswick Premium Wines Ltd ("Cranswick") by Scheme of Arrangement. Details of the acquisition is as follows:-

	CONSOLIDATED		THE COMPANY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Consideration	43,470	7,355	43,470	6,639
Shares & options issued	(17,942)	(5,112)	(17,942)	(4,988)
Cash acquired	–	599	–	(1)
Outflow of cash	25,528	2,842	25,528	1,650
Fair value of net assets acquired:				
Property, plant & equipment	45,379	3,112	45,379	3,082
Brand names	5,890	1,700	5,890	1,700
Inventories	22,795	2,153	22,795	1,435
Receivables	8,473	1,276	8,473	744
Payables	(21,874)	(3,190)	(21,874)	(2,309)
Provisions	(3,742)	(73)	(3,742)	(73)
Interest-bearing liabilities	(46,309)	(2,390)	(46,309)	(1,462)
Cash assets	1,510	153	1,510	1
SGARA – Grape vines	5,281	103	5,281	103
	17,403	2,844	17,403	3,221
Outside equity interest at acquisition	(824)	–	(824)	–
Goodwill on acquisition	26,891	4,889	26,891	3,618
Consideration	43,470	7,733	43,470	6,839

30 June 2002

During the financial year 2002 the consolidated entity purchased 100% of the ordinary shares of Selwyn Viticultural Services Pty Limited, 100% of the ordinary shares of Oakridge Vineyards Pty Limited, 100% of the ordinary shares in Ironbark Wines Pty Limited and 100% of the ordinary shares of Scott Street Portfolio Inc.

31 NOTES TO THE STATEMENTS OF CASH FLOWS

(a) Reconciliation of cash

For the purposes of the statements of cash flows, cash includes cash on hand and at the bank, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:

		CONSOLIDATED		THE COMPANY	
	Note	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Cash assets	9	3,347	39	19	8
Bank overdraft	18	(4,274)	(1,385)	(2,865)	(139)
		(927)	(1,346)	(2,846)	(131)

(b) Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
Profit from ordinary activities after income tax	4,431	2,925	431	2,832
Add / (less) items classified as investing/financing activities:				
(Profit)/ Loss on sale of non-current assets	9	(4)	–	3
Finance charges on capitalised leases		169	123	169
Non-cumulative converting preference shares interest	646	646	646	646
Add / (less) non-cash items:				
Depreciation	1,819	1,082	1,023	742
Amortisation	1,596	983	358	322
SGARA net market value adjustment	46	(215)	46	(195)
Distribution received	–	–	–	(1,178)
Shares issued to employees	53	64	53	64
Amounts set aside to provisions	203	49	198	13
Outside equity interest	(196)	–	–	–
(Decrease)/increase in income taxes payable	1,264	(1,318)	(347)	(1,160)
(Decrease) / increase in deferred taxes payable	–	298	–	338
Net cash provided by operating activities before change in assets and liabilities	9,871	4,679	2,531	2,596
Change in assets and liabilities adjusted for the effects of the purchase of controlled entities during the financial year:				
(Increase)/decrease in receivables	(5,791)	147	(1,723)	965
(Increase) in other assets	–	–	–	–
Decrease/(increase) in prepayments	(15)	(167)	(134)	(14)
(Increase) in inventories	(1,257)	(9,163)	(2,950)	(6,928)
(Decrease)/increase in accounts payable	(4,873)	(2,820)	(143)	(2,541)
Increase/(decrease) in provisions	30	249	49	224
Net cash (used in)/provided by operating activities	(2,035)	(7,075)	(2,370)	(5,698)

31 NOTES TO THE STATEMENTS OF CASH FLOWS

(c) Non-cash financing and investing Activities

During the year the company and consolidated entity acquired plant and equipment by means of finance leases and hire purchase contracts of $1,050,000 (2002: $1,851,000). In 2002, the consolidated entity also acquired a supply agreement to Woolworths and the Justin Jackmann and Orchestra brand names by means of an issue of ordinary shares with a market value of $360,000.

During the year dividends of $591,000 (2002: $401,000) were reinvested under the company's Dividend Reinvestment Plan.

Acquisition of subsidiary entities for non-cash consideration is set out in Note 30.

To the extent that the effect of these acquisitions are not reflected in the statements of cash flows.

		CONSOLIDATED		THE COMPANY	
	Note	2003 $'000	2002 $'000	2003 $'000	2002 $'000
32 EMPLOYEE BENEFITS					
Aggregate liability for employee benefits, including on-costs					
Current	20	952	409	590	390
Non-current	20	222	56	49	50
		1,174	465	639	440
The present values of employee benefits not expected to be settled within twelve months of balance date have been calculated using the following weighted averages:					
Assumed rate of increase of wage and salary rates		5%	5%	5%	5%
Discount rate		5%	5%	5%	5%
Settlement terms (years)		15	15	15	15
Number of employees					
Number of employees at year end		228	117	116	117

Employee Share Option Plan

All options expire on the earlier of their expiry date or termination of the employee's employment except for options held by directors, which expire on their expiry date. The options do not entitle the holder to participate in any share issue of the Company or any other body corporate. There are no voting rights attached to the unissued ordinary shares. All shares issued upon exercise of the option will rank pari passu in all respects with the Company's then issued ordinary shares.

32 EMPLOYEE BENEFITS (CONT.)

Unissued ordinary shares of the Company under option are:

ISSUE DATE	EXPIRY DATE	EXERCISE PRICE	OPTIONS ISSUED	TOTAL OPTIONS EXERCISED AND SHARES ISSUED 2003	TOTAL OPTIONS EXERCISED AND SHARES ISSUED 2002	UNISSUED SHARES AND OPTIONS AVAILABLE 2003	UNISSUED SHARES AND OPTIONS AVAILABLE 2002
18/03/03	18/11/03	$1.40	20,000	—	—	20,000	—
28/11/00	28/11/03	$1.25	50,000	—	—	50,000	50,000
28/11/00	28/11/03	$1.35	75,000	—	—	75,000	75,000
18/03/03	15/01/04	$1.40	33,000	—	—	33,000	—
18/03/03	07/09/04	$2.15	139,900	—	—	139,900	—
18/03/03	31/10/04	$3.00	150,000	—	—	150,000	—
07/11/01	05/11/04	$1.50	30,000	—	—	30,000	30,000
07/12/01	07/12/04	$1.25	100,000	—	—	100,000	100,000
17/12/99	17/12/04	$1.25	400,000	—	750,000	400,000	400,000
01/07/02	01/07/05	$1.60	50,000	—	—	50,000	50,000
18/03/03	30/09/05	$2.45	32,000	—	—	32,000	—
18/03/03	31/03/06	$1.20	50,000	—	—	50,000	—
11/02/02	25/04/06	$1.25	50,000	—	50,000	—	—
18/03/03	01/07/06	$1.20	175,000	—	—	175,000	—
28/09/01	28/09/06	$1.25	50,000	—	—	50,000	50,000
18/03/03	19/11/06	$1.28	50,000	—	—	50,000	—

The market value of shares under these options at 30 June 2003 was $0.96 (2002: $1.10)

On 27 May 2003, 30,000 options on issue under the above plan expired due to the termination of employment by one employee.

On 27 June 2003, 90,000 options on issue under the above plan expired.

During the year no shares were issued by the exercise of options. In 2002, the market value at the date of issue of the 750,000 shares was $1,185,000 and of the 50,000 shares was $77,500.

The amounts recognised in the financial statements of the Company and consolidated entity in relation to employee share options exercised during the year were:

	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	THE COMPANY 2003 $	THE COMPANY 2002 $
Issued ordinary share capital	—	1,000,000	—	1,000,000

Employee Shares Acquisition Plan (ESAP)

The ESAP was approved by shareholders at the Company's annual general meeting on 17 December 1999.

The ESAP is available to all eligible employees to acquire ordinary shares in the Company for no consideration as a bonus component of their remuneration. Full time employees are entitled up to $1,000 of free shares and part-time employees up to $500 of free shares. Shares issued under the ESAP rank equally with other fully paid ordinary shares.

To be eligible, employees must have been employed by any entity in the consolidated entity continuously for a minimum period of 12 months. Shares are issued in the name of the participating employee only and cannot be disposed of or transferred until the earlier of three years from the date of issue or from the date their employment from the consolidated entity ceases. The ESAP has no conditions that could result in a recipient forfeiting ownership of shares.

The ESAP complies with current Australian Tax legislation, enabling permanent employees to have up to $1,000 of free shares, in respect of an employee share scheme, excluded from their assessable income.

The market price of shares issued under the ESAP as at 30 June 2003 was $0.96. There were no other shares eligible for issuance under the scheme at 30 June 2003.

During the year, no (2002: 25,768) ordinary shares were issued to any (2002: 47) employees for no consideration as a bonus component of their remuneration. The market value of the shares issued in 2002 was $38,910. This amount was included in employment expenses.

Incentive Plans

The Board has also adopted short term and long term incentive plans that seek to align the interests of employees and shareholders. The terms of the Plans are as follows:

Short Term Incentive Plan

- each member of the senior management team has an at risk component.
- 10% bonus payment is to be assessed individually based on performance against key performance indicators.

Long Term Incentive Plan

- provides for the issue of shares to executive officers of the consolidated entity funded by the Company.
- subject to any applicable restrictions or procedural requirements imposed by the Listing Rules of the Australian Stock Exchange.
- bonus pool of 5% of Market Value Added ("MVA") for that financial year.
- within 30 days after the date of the Preliminary Final Report for each Financial Year, the Chairman/CEO and the Remuneration Committee will determine the Share Allocation to be made to participants.

  Allocation – 1/3rd immediately
  – 1/3rd within 30 days after the release of the Preliminary Final Report for the following Financial Year
  – 1/3rd within 30 days after the release of the Preliminary Final Report for the year after the following Financial Year.

- if participants are entitled to be issued Allocated Shares as a result of Share Allocation in any prior financial year, or the MVA is negative, each participant's entitlement will be reduced.
- in the event of early retirement, normal retirement, redundancy, death, permanent ill health or disability the participant will remain entitled to their Allocated Shares.
- in the event of voluntary retirement, the participant's entitlement will be at the discretion of the Chairman/CEO.
- in the event of dismissal for unsatisfactory performance, the entitlement will be cancelled.

The Board may determine that a Participant's entitlement be issued to them by way of a bonus payment equal to the average trading price per share on the ASX on the 5 days trading immediately preceding the date on which the Board makes any such determination.

	CONSOLIDATED 2003	CONSOLIDATED 2002	THE COMPANY 2003	THE COMPANY 2002

33 DIRECTORS' & EXECUTIVES' REMUNERATION

Directors' remuneration

The number of directors of the Company whose income from the Company or related parties falls within the specified bands:			No.	No.
$10,000 – $19,999			1	–
$20,000 – $29,999			–	1
$30,000 – $39,999			1	3
$40,000 – $49,999			–	2
$50,000 – $59,999			3	–
$100,000 – $109,999			1	–
$330,000 – $339,999			–	1
$380,000 – $389,999			1	–
	$	$	$	$
Total income paid or payable, or otherwise made available, to all directors of the Company and controlled entities from the Company or any related party	705,140	545,400	705,140	545,400

The remuneration bands are not consistent with the emoluments disclosed in the Directors' Report as the basis of calculation differs due to the differing requirements of the Corporations Act 2001 and the Accounting Standards.

Directors' income includes amounts paid by the Company during the year to indemnify directors, and an allocation of insurance premiums paid by the Company or related parties in respect of directors' and officers' liabilities and legal expenses' insurance contracts, in accordance with common commercial practice.

Executives' remuneration

Executive officers are those officers involved in the strategic direction, general management or control of business at a company or operating division level.

The number of Australian based executive officers of the Company and of controlled entities, whose remuneration from the Company or related parties, and from entities in the consolidated entity, falls within the following bands:

	CONSOLIDATED 2003 No.	CONSOLIDATED 2002 No.	THE COMPANY 2003 No.	THE COMPANY 2002 No.
$110,000 – $119,999	1	–	1	–
$120,000 – $129,999	1	2	1	2
$150,000 – $159,999	1	2	1	2
$170,000 – $179,999	1	–	1	–
$180,000 – $189,999	1	–	1	–
$200,000 – $209,999	–	2	–	2
$260,000 – $269,999	1	–	1	–
$330,000 – $339,999	1	1	1	1
$380,000 – $389,999	1	–	1	–

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	$	$	$	$
33 DIRECTORS' & EXECUTIVES' REMUNERATION (CONT.)				
Total income received, or due and receivable, from the Company, entities in the consolidated entity or related parties by executive officers of the Company and of controlled entities whose income is $100,000 or more	1,714,419	1,311,880	1,714,419	1,311,880

The remuneration bands are not consistent with the emoluments disclosed in the Directors' Report as the basis of calculation differs due to the differing requirements of the Corporations Act 2001 and the Accounting Standards.

Executive officers are those officers involved in strategic direction, general management or control of business at a company or operating division level.

34 RELATED PARTIES

Directors

The names of each person holding the position of director of Evans & Tate during the financial year are Messrs F J Tate, R Chappell, H D M Combe, Ms F E Harris, Mr J D Hopkins, Mr G Cranswick-Smith and Mrs H M J Tate (as alternate director). Mr G Cranswick-Smith was appointed as a director on 8 April 2003. Ms F E Harris resigned as a director on 15 August 2003.

Apart from details disclosed in note 33, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at year end.

Directors' holding of shares, share options and convertible notes

The interests of directors of the reporting entity and their director-related entities in shares, share options and convertible notes of entities within the consolidated entity at year end are set out below.

	2003 NUMBER HELD	2002 NUMBER HELD
Evans & Tate Limited:		
– Ordinary shares	24,395,318	20,918,636
– Converting preference shares	1,389,000	1,389,000
– Options (unlisted) over ordinary shares	450,000	450,000
– Options (listed) over ordinary shares	16,000	–
– Convertible notes	141,000	–

Directors' transactions in shares and share options

During the year, Evans & Tate did not grant any options over (2002: 50,000) unissued shares to directors and their director-related entities under the Employee Option Plan on the same terms and conditions as those granted to other employees.

34 RELATED PARTIES (CONT.)

	CONSOLIDATED		THE COMPANY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Directors transactions with the Company or its controlled entities				
Mr F J Tate & Mrs H M J Tate for:				
Payment for one property leased to the Company	21	21	21	21
Receipt for viticultural services provided*	811	526	–	–
Receipt for rental of premises and administration services	31	37	31	37
Payment for grapes from Alexanders Vineyard	198	–	198	–
Mr D J Combe for:				
Consulting fees	–	25	–	25
Mr J D Hopkins for:				
Consulting fees (This amount is included in Directors' remuneration)	50	–	50	–

From time to time, the directors of the Company may purchase wine from the consolidated entity. These purchases are on the same terms and conditions as those entered into by employees and are trivial or domestic in nature.

Transactions with Directors were on commercial terms.

*Selwyn Viticultural Services Pty Limited provided viticultural services to F J Tate & H M J Tate.

Wholly owned group

Details of interests in wholly owned controlled entities are set out at Note 30. Details of dealings with these entities are set out below:

Other transactions

The Company leases its cellar door outlet from Evans & Tate Vineyards. The amount paid to Evans & Tate Vineyards was $12,000 (2002: $12,000).

Balances with entities within the wholly-owned group

The aggregate amounts receivable from, and payable to, wholly-owned controlled entities by the Company at balance date:

	THE COMPANY	
	2003 $'000	2002 $'000
Receivable – non-current Amounts due from controlled entities	48,027	10,285
Borrowings – non-current Amounts due to controlled entities	786	825
Distribution from Trust Distributions received or due and receivable by the Company from wholly-owned controlled entities	–	1,178

35 EVENTS SUBSEQUENT TO BALANCE DATE

On 10 September 2003 the Company announced -

- a placement of 7.5 million Evans & Tate fully paid ordinary shares at $1.05 per share be made to the International Wine Investment Fund ("IWIF") to raise $7,875,000 to repay debt and placements costs;
- that a placement of 2.5 million ordinary shares be made to Grape Expectations Enterprises Pty. Ltd., subject to shareholder approval, at a price no less than the placement to the International Wine Investment Fund. Such shares shall not participate in the dividend for the year ended 30 June 2003 and will not be entitled to participate in the rights issue; and
- a 1 for 10 renounceable rights issue to ordinary shareholders at $1.04 per share to raise $7,479,000 net of costs to repay debt and provide working capital. The issue is fully underwritten jointly by the ANZ Underwriting Limited and Patterson Ord Minnett Limited.

For dividends declared after 30 June 2003 see note 24.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, in future years.

1 In the opinion of the directors of Evans & Tate Limited:

a) the financial statements and notes, set out on pages 14 to 60, are in accordance with the Corporations Act 2001, including:

i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2003 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 There are reasonable grounds to believe that the Company and the controlled entities identified in Note 29 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.

Signed in accordance with a resolution of the directors.

John David Hopkins
Lead Director
Dated this 9th day of September 2003.
Perth, Western Australia

KPMG

Independent audit report to members of Evans & Tate Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Evans & Tate Limited (the "Company") and the Consolidated Entity, for the year ended 30 June 2003. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

KPMG

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Audit opinion

In our opinion, the financial report of Evans & Tate Limited is in accordance with:

a) the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2003 and of their performance for the financial year ended on that date; and

   ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory professional reporting requirements in Australia.

KPMG

KPMG

T R HART
Partner
Perth
9 September 2003

This statement outlines the main Corporate Governance practices that are in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations unless otherwise stated.

1. BOARD OF DIRECTORS AND ITS COMMITTEES

The Board's primary role is the protection and enhancement of long term shareholder value. The Board is responsible for the overall Corporate Governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Board Processes

To assist in the execution of its responsibilities, the Board has adopted a formal charter, formal letters of appointment for the Board and senior executives and formal job descriptions for senior executives. It has also established a number of Board Committees including a Remuneration Committee, an Audit & Corporate Governance Committee and a Nominating and Review Committee. These committees have written mandates and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also monitored. The Board has established a framework for the management of the Company including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds 10 scheduled meetings per year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that arise.

The agenda for meetings is prepared in conjunction with the Chairman/Chief Executive Officer, Lead Director, Executive General Manager and Company Secretary. Standing items include the Executive General Manager's Report, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in board discussions and directors have other opportunities, including visits to operations, for contact with a wider group of employees.

Appointment of Directors

The composition of the Board is reviewed on an annual basis by the Nominating and Review Committee to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Nominating and Review Committee make recommendations to the Board who will then consider the matter and appoint the most suitable candidate, who must stand for re-election at the next general meeting of shareholders.

The terms and conditions of the appointment and retirement of non-executive directors are set out in a letter of appointment which is forwarded to the non-executive director on appointment together with a copy of the Directors' Manual.

The appointment letter and the Directors' Manual cover the following matters:

- details of the induction process
- remuneration and expenses
- superannuation arrangements
- the term of the appointment, subject to shareholder approval
- the expectation of the Board in relation to attendance and preparation for all Board and/or Committee meetings

- powers and duties of directors
- dealing in Company shares
- any special duties or arrangements attaching to the position
- circumstances in which an office of director becomes vacant
- indemnity and insurance arrangements
- confidentiality and rights of access to corporate information
- a copy of the Constitution
- the procedures for dealing with conflicts of interest
- the availability of independent professional advice

Conflict of Interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the company. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. The Board has developed procedures to assist directors to disclose potential conflicts of interest.

Independent Professional Advice

Each director has the right to seek independent professional advice at the Company's expense, however, prior approval of the Chairman is required, which is not unreasonably withheld. A copy of advice received by the director is made available to all other members of the Board.

2. STRUCTURE OF THE BOARD

2.1 Composition and Independence of the Board of Directors

The names of the directors of the Company in office at the date of this Statement are as follows:

Franklin Joel Tate (Executive Chairman)
Ross Chappell (Deputy Chairman- Independent Non-Executive)
John D. Hopkins (Lead Director – Independent Non Executive)
H. David M. Combe (Non-Executive Director)
Graham Cranswick-Smith (Non-Executive Director)
Heather Mary Jephson Tate (Alternate Director)

Refer to the Directors' Report for details of each directors' qualifications and their attendance at Board meetings.

The composition of the Board is determined using the following principles:

- Under the Constitution the Board must comprise between three and nine directors. For the purpose of efficient working, the preferred number of directors in office at any time is between 5 and 7 although a number outside this range may be acceptable from time to time for particular reasons.
- The composition of the Board should be at least 50% independent non-executive directors.

  The Board has accepted the following definition of an independent director:

  An independent director is a director who

  - *is not a member of management (a non-executive director);*
  - *is not a substantial shareholder of the Company or an officer of, or otherwise associated, directly with a substantial shareholder of the Company;*

  - *within the last 3 years has not been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;*
  - *within the last 3 years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;*
  - *is not a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;*
  - *has no material contractual relationship with the Company or another group member other than as a director of the Company;*
  - *has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company;*
  - *is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.*

- The Board should comprise Directors with a broad range of skills and experience.
- Persons nominated as Non-Executive Directors shall be expected to have qualifications, experience and expertise of benefit to the Company and to bring an independent view of the Board's deliberations.
- Persons nominated as Executive Directors shall be expected to be of sufficient stature and security of employment to express independent views on any matter.
- The Board should have enough directors to serve on various committees of the Board without overburdening the directors or making it difficult for them to fully discharge their responsibilities.

Currently the Company has only two Independent Directors. The company is currently reviewing the composition of the Board with a view to correcting this imbalance in the immediately future and complying with its composition principles.

2.2 Lead Director

The Company currently has an Executive Chairman, Mr Franklin Tate. In 2002, the Company determined that, where there is an Executive Chairman (ie a Chairman/Chief Executive Officer), a Lead Director is to be appointed. Mr John Hopkins is the Lead Director of the Company. The Lead Director will be an independent non-executive Director, and will:-

- Advise the Chairman/Chief Executive Officer on the appropriate schedule of Board meetings, seeking to ensure that the independent Directors can perform their duties responsibly while not interfering with the flow of the Company's operations.
- Review agendas for the Board and Board Committee meetings.
- Monitor the quality, quantity and timeliness of the flow of information between management and the Board. Although management is responsible for the preparation of materials for the Board, the Lead Director may specifically request the inclusion of certain material.
- Recommend to the Chair the retention of consultants who report directly to the Board.
- Interview, along with the chairman of the Nominating and Review Committee, all Board candidates, and make recommendations to the Nominating and Review Committee and the Board.

- Review, along with the Chairman/Chief Executive Officer, the membership of the various Board Committees, as well as the selection of committee chairs.
- Take the chair at any meeting where a conflict of interest arises for the Chairman/Chief Executive Officer.
- Meet with the independent Board members on an annual basis to discuss the Chairman/Chief Executive Officer's performance and provide feedback to the Chairman/Chief Executive Officer.
- Meet with the independent Board members on a regular basis to discuss any other issues and provide feedback to the Chairman/Chief Executive Officer.
- Chair those meetings of the independent Board members.
- Meet with the Chairman/Chief Executive Officer on a regular basis between Board meetings to discuss any issues and provide feedback to the independent Board members.
- Manage/lead/provide advice on any process where a conflict of interest arises for the Chairman/Chief Executive Officer.

2.3 Chairman/Chief Executive Officer

The Company currently has a Chairman who is also the Chief Executive Officer, Mr Franklin Tate. This does not comply with ASX CGC Principle 2.3. Mr Tate is a substantial shareholder of the company and his reputation rests with the Evans & Tate name. His interests are therefore aligned to the interests of shareholders. Mr Tate's appointment as Chairman and Chief Executive Officer of the Company is based on his intimate knowledge of the Company, nearly 20 years experience in the industry and his strength and skills as a leader. Any potential down side to this dual role is mitigated by the appointment of the Lead Director and the strength, abilities and knowledge of various aspects of the business of the non-executive directors, who ensure that senior management are held accountable for the Company's performance. The Board believes that these attributes have a greater impact on the Company's performance than any potential down side that could occur through the joint role.

2.4 Nominating and Review Committee

The role of the Nominating and Review Committee is to review and provide recommendations to the Board on the composition of the Board within the criteria outlined in the Board Charter. In carrying out its role, the Nominating and Review Committee is to be cognisant of regulations regarding appointments and resignations of Board members, particularly the relevant provisions of the Australian Stock Exchange Ltd Listing Rules and the Corporations Act.

The current members of the Nominating and Review Committee are:-

Franklin Tate (Chair)
John Hopkins

Refer to the Directors' Report for each Committee member's attendance at meetings.

The specific responsibilities of the Nominating and Review Committee are :-

- Assessment of the necessary and desirable competencies of Board Members;
- On an annual basis, reviewing the current Board composition to ensure it consists of members with appropriate qualifications and a broad range of experience that support the Company's wider objectives and strategies;

- Ensuring that potential Board members have the ability to commit the appropriate amount of time to the Company;
- Monitoring and reviewing the workload of individual Board members, and providing recommendations to the Board for any exertion allowance to be paid to Board members.;
- Ensuring that there is a Succession Plan to maintain an appropriate balance of skills, experience and expertise on the Board;
- Evaluation of the Board's performance; and
- Making recommendations for the appointment and removal of directors.

The Nominating and Review Committee meets annually unless otherwise required. The Committee met once during the year. Refer to the Directors' Report for each Committee member's attendance at meetings.

3. ETHICAL AND RESPONSIBLE DECISION-MAKING

3.1 Code of Conduct

The Company has a Board approved Code of Conduct which sets out the standards in accordance with which each director of the Company is expected to act. Further, the Company has adopted an induction manual which sets out the standards in accordance with which each manager and employee of the Company is expected to act. The requirement to comply with these ethical standards is communicated to all directors, managers and employees.

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

3.2 Directors dealings in Company shares

The Constitution permits Directors to acquire shares in the Company, however, all Directors need to comply with the Australian Stock Exchange Ltd. Listing Rules, the Corporations Act and the Company's "Directors and Senior Executives Dealing in Securities" policy which sets out the requirements of Directors in respect of the purchase and sale of Company securities. In summary, the policy provides that Directors are not to deal in the shares of the Company during the period of one month prior to the release of annual or half-yearly results, within the period of one month prior to the issue of a prospectus, where there is in existence price sensitive information that has not been disclosed because of an ASX Listing Rule exception, or at any other time agreed by the Board. Directors must notify the Company Secretary immediately on acquisition or disposal of a relevant interest in any security in the Company and are required to notify the ASX of any dealing.

4. INTEGRITY IN FINANCIAL REPORTING

4.1 Audit & Corporate Governance Committee

The role of the Audit & Corporate Governance Committee is documented in a Charter, which is approved by the Board of Directors. In accordance with this Charter, all members of the Committee must be non-executive directors. The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company.

It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report.

The members of the Audit & Corporate Governance Committee are:

Ross Chappell
John Hopkins (Chair)

Refer to the Directors' Report for each Committee member's attendance at meetings.

The Chairman and Chief Executive Officer, Executive General Manager, Company Secretary, Chief Financial Officer and external auditors are invitees of the committee, but do not vote.

The responsibilities of the Audit & Corporate Governance Committee include:

- recommending to the Board the appointment and remuneration of the external auditors. The external auditors were appointed on 29 October 1999;
- reviewing the performance of the external auditors;
- considering whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. The external auditor provides an annual declaration of independence;
- ensuring regular rotation of audit partner. The external auditors were appointed on 29 October 1999. The external audit engagement partner was last rotated in 2001;
- reviewing the financial report and other information distributed externally as required;
- reviewing audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- reviewing accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- liaising with the external auditors and ensuring that the annual and half year statutory audits are conducted in an effective manner;
- monitoring the establishment of an appropriate internal control framework and considering enhancements;
- monitoring risk management programs aimed at ensuring risks are identified, assessed and appropriately managed;
- monitoring the establishment of appropriate ethical standards;
- monitoring the procedures in place to ensure compliance with the Corporations Act 2001 and Stock Exchange Listing Rules and all other regulatory requirements;
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, Australian Stock Exchange and financial institutions;
- reviewing reports on any major defalcations, frauds and thefts from the Company and ensuring that the Company's Fraud risk management action plan is adhered to;
- improving the quality of the accounting function; and
- reviewing the declarations from management on compliance with statutory responsibilities and policies.

The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year as follows:-

Audit Planning

- to discuss the external audit plan;
- to discuss any significant issues that may be foreseen;
- to discuss the impact of any proposed changes in accounting policies on the financial statements;
- to review the nature and impact of any changes in accounting policies adopted by the consolidated entity during the year ;
- to review the fees proposed for the audit work to be performed.

Prior to announcement of results

- to review the pro forma half-yearly and pro forma preliminary final report prior to lodgement of those documents with the ASX, and any significant adjustments required as a result of the audit;
- to make the necessary recommendation to the Board for the approval of these documents.

Half-year and annual reporting

- to review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made;
- to review the draft financial report and the audit report and to make the necessary recommendation to the Board for the approval of the financial report.

As required

To organise, review and report on any special reviews or investigations deemed necessary by the Board.

The Audit & Corporate Governance Committee intends for the 2004 financial reporting period to have the external auditor meet at least twice per annum with the Audit & Corporate Governance Committee without management being present. The external auditor will also be provided with the opportunity, if they request, to meet with the Board of Directors without management being present.

The Audit & Corporate Governance Committee also conducts an annual review of its processes and Charter to ensure that it has carried out its functions in an effective manner. The Charter is available to members on request.

5. TIMELY AND BALANCED DISCLOSURE

The Board has adopted a Continuous Disclosure Policy to assist the Company to comply with the spirit as well as the letter of the continuous disclosure laws. A copy of the Policy is included on the Company's website.

6. THE ROLE OF SHAREHOLDERS

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders as follows:

An annual report is distributed to all those shareholders who elect to receive it. The Board ensures that the report includes relevant information about the operations of the Company during the year, changes in the state of affairs of the Company and details of future developments, in addition to the other disclosures required by the Corporations Act.

The half-yearly report contains summarised financial information and a review of the operations of the Company during the period. The half-year audited financial report is prepared in accordance with the requirements of applicable Accounting Standards and the Corporations Act and is lodged with the Australian Securities and Investments Commission and the Australian Stock Exchange Ltd. The financial report is sent to any shareholder that requests it.

Proposed major changes in the Company that may impact on share ownership rights are submitted to a vote of shareholders.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions. The Company's external auditor is requested to attend the Annual General Meeting and be available to answer shareholder questions.

The shareholders are responsible for voting on the appointment and aggregate remuneration of directors, the granting of options and shares to directors and changes to the Constitution.

Evans & Tate Limited maintain an investor relations website at www.etw.com.au which contains the latest ASX releases, board policies and procedures and financial information.

7. BUSINESS RISK

7.1 Risk Oversight and Management

The Audit & Corporate Governance Committee advises the Board and reports on the status of business risks through integrated risk management programs aimed at ensuring risks are identified, assessed and appropriately managed.

Comprehensive practices are established such that:-

- the Board has a adopted a Matters Retained by the Board policy which requires Board approval for such things as:-
- unbudgeted capital expenditure and revenue commitments above a certain size;
- sale of property, plant and equipment above a certain size;
- material changes to the terms of any borrowing facility, agreement etc. above a certain size;
- financial exposures are controlled including the use of derivatives;
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorised and executed.

7.2 Internal control framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that can be described under five headings:

- Financial reporting – there is a comprehensive budgeting system with an annual budget approved by the directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. The group reports its financial results on a half-yearly basis.
- Continuous Disclosure – Procedures are also in place to ensure that price sensitive information is reported to the Australian Stock Exchange (ASX) in accordance with continuous disclosure requirements of the Corporations Act and ASX Listing Rules. The Company Secretary has been appointed as the person responsible for communication with the ASX. This person is also responsible for ensuring compliance with continuous disclosure requirements and overseeing and co-ordinating information disclosed to the ASX.
- Quality and integrity of personnel – the group's policies are detailed in an approved Induction Handbook. Formal appraisals are conducted at least annually for all employees.
- Functional speciality reporting – the Company has identified a number of key areas which are subject to regular reporting to the Board such as Safety, Environmental and Legal matters.
- Investment appraisal – the Company has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

8. BOARD PERFORMANCE

8.1 Review of Board Performance

The Board has a process whereby the performance of all Directors is reviewed on an annual basis. In July 2002 the Directors completed a series of evaluation questionnaires in relation to their personal performance, the Board's performance and the performance of the Chairman. The results were collated and discussed at various meetings with the Chairman and each director and with the Board as a whole. The Deputy Chairman discussed the results of the Chairman's questionnaire with the Chairman. This process is currently being undertaken for the year ended 30 June 2003.

All Directors are expected to voluntarily review their membership of the Board from time to time taking into account length of service, age, qualifications and expertise relevant to the Company's then current policy and programme; together with the other criteria considered desirable for composition of a balanced Board and the overall interests of the Company.

A Director shall be expected to resign if requested to do so by the Nominating and Review Committee in the exercise of its duties and responsibilities to the Board.

8.2 Director Education

The Company has an informal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of directors. Directors also have the opportunity to visit the Company's facilities and meet with management to gain a better understanding of business operations.

9. REMUNERATION COMMITTEE

The role of the Remuneration Committee is documented in a Charter, which is approved by the Board of Directors. The role of the Committee is to review and recommend to the Board:

- remuneration policies and packages and terms of employment contracts in relation to certain senior executives and directors;
- proposals for share plans and incentive programs; and
- policies on retirement and termination payments for directors.

Remuneration levels are competitively set to attract qualified and experienced directors and are reviewed on an annual basis. The Remuneration Committee obtains periodic independent advice on the appropriateness of remuneration levels. The Board has approved a Short Term Incentive Plan whereby each member of the senior management team has an at risk component of their salary which is assessed individually based on performance against agreed Key Performance Indicators.

The Board has also approved a Long Term Incentive Plan that seeks to reward senior executives each year, by providing for the issue of shares that vest over a 3 year period. The Bonus Pool available under this Plan is determined by reference to the Market Value increase for the Company over and above the increase in the All Ordinaries Accumulation Index for the relevant period. Participation in the Plan is at the discretion of the Remuneration Committee. A participant who is dismissed for unsatisfactory performance loses their entitlements under this Plan. The entitlements of any participant who voluntarily leaves the employment of the Company are at the discretion of the Chairman/Chief Executive Officer.

The Chairman/Chief Executive Officer does not participate in the long Term Incentive Plan.

The Members of the Remuneration Committee are:

Ross Chappell (Chair)
Franklin Tate
David Combe

Refer to the Directors' Report for each Committee member's attendance at these meetings.

Total remuneration for all non-executive directors last voted upon by shareholders at the 2002 AGM is not to exceed $400,000 per annum. When setting fees and other compensation for non-executive directors, the Board takes independent advice and applies Australian and internal benchmarks. Non-Executive Director Remuneration at 30 June 2003 is $48,000 per annum. Director's fees cover all main Board activities.
A Committee Chair receives an additional $6,000 per annum and the Lead Director receives an additional $12,000 per annum. Non-executive Directors do not receive retirement benefits other than the Company's superannuation contribution (at a rate of 10%).

The Remuneration Committee meets twice a year and as required. The Committee met twice during the year. Refer to the Directors' Report for each Committee member's attendance at these meetings.

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report.

SHAREHOLDINGS

Substantial shareholders

The number of shares held by the substantial shareholders as at 15 July 2003 were:

SHAREHOLDER	ORDINARY	PREFERENCE
Grape Expectations Enterprises Pty Limited	21,034,983	1,372,000
AMP Life Limited	5,530,235	–

Class of shares and voting rights

At 15 July 2003, there were 5,627 holders of the ordinary shares of the Company. The voting rights attaching to the ordinary shares, set out in clause 11.7 of the Company's Constitution, are:

"Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at meetings of Shareholders or classes of Shareholders:

(a) each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;

(b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a Shareholder has one vote; and

(c) on a poll, every person present who is a Shareholder or a proxy, attorney or Representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall have such number of votes being equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable in respect of those Shares (excluding amounts credited)".

At 15 July 2003 there were 1,075 holders of the non-cumulative converting preference shares of the Company. The voting rights attaching to the converting preference shares, set out in clause 14 of the terms of the issue, are:

"The Converting Preference Shareholders have a right to speak and to vote at any general meeting of Evans & Tate only in the following circumstances:

(a) if at the time of any such meeting, any Dividend (or part of a Dividend) in respect of Converting Preference Shares is in arrears;

(b) on any proposal to reduce the share capital of Evans & Tate;

(c) on a resolution to approve the terms of a buy-back agreement;

(d) on any proposal for winding up Evans & Tate or during the winding up of Evans & Tate;

(e) on any proposal for the disposal of the whole of Evans & Tate's property, business and undertaking; and

(f) on any proposal directly affecting the rights of the Converting Preference Shareholders,

in which case a Converting Preference shareholder has the same rights as to manner of attendance and as to voting in respect of each Converting Preference Share as those conferred on holders of Ordinary Shares in respect of each Ordinary Share".

At 15 July 2003 there were 955 holders of the convertible notes of the Company. The voting rights attaching to the convertible notes are set out in the Unsecured Convertible Notes Trust Deed which states that except as required by the Corporations Law or the Listing Rules, Noteholders will not have any right to vote at general meetings of the Company.

At 15 July 2003 there were options over 4,673,686 unissued ordinary shares. There are no voting rights attaching to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

At 15 July 2003 there were unlisted options over 1,404,900 unissued ordinary shares. There are no voting rights attaching to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

On-market buy-back

There is no current on-market buy-back.

Distribution of shareholders (as at 2 September 2003)

	NUMBER OF SHAREHOLDERS				
CATEGORY	ORDINARY	NON-CUMULATIVE CONVERTING PREFERENCE	CONVERTIBLE NOTES	LISTED OPTIONS	UNLISTED OPTIONS
1 – 1,000	1,629	362	2	476	–
1,001 – 5,000	2,808	430	354	738	33
5,001 – 10,000	694	129	240	124	3
10,001 – 100,000	458	128	339	99	18
100,001 and over	49	10	21	7	2
	5,638	1,059	956	1,444	56

TWENTY LARGEST SHAREHOLDERS

NAME	NUMBER OF ORDINARY SHARES HELD	PERCENTAGE OF CAPITAL HELD
Grape Expectations Enterprises Pty Limited	21,028,221	29.916
AMP Life Limited	5,108,991	7.268
Mr Graham Cranswick-Smith	3,240,000	4.609
Citicorp Nominees Pty Limited	2,919,362	4.153
J P Morgan Nominees Australia Limited	1,088,287	1.548
First NZ Capital Custodians	1,002,890	1.426
Cogent Nominees Pty. Limited	973,201	1.384
Mrs Laura Machlin	703,647	1.001
IL and VA Gallegos	540,000	0.768
Landanah Pty Ltd	511,067	0.727
Allundy Pty Limited	500,000	0.711
Mr AW Schulz	474,200	0.674
Tower Trust Limited	400,000	0.569
Drysdale Metals Pty Limited	400,000	0.569
Lamdara Pty Ltd	378,205	0.538
SC Rohde and CD Rohde	374,354	0.532
Whitefield Limited	343,862	0.489
Kooronya Nominees Pty Ltd	339,303	0.482
Felgeor Investments Pty Ltd	320,000	0.455
Almargem Pty. Ltd.	290,000	0.412
	40,935,590	58.231

Less than marketable Parcels

The number of holders holding less than a marketable parcel of Evans & Tate Limited's Ordinary shares based on the market price as at 2 September 2003 was 413 holders holding 143,889 shares.

TWENTY LARGEST SECURITY HOLDERS

NAME	NUMBER OF NON-CUMULATIVE CONVERTING PREFERENCE SHARES HELD	PERCENTAGE OF CAPITAL HELD
Grape Expectations Enterprises Pty Limited	1,369,000	14.843
Brispot Nominees Pty Ltd	482,824	5.235
J P Morgan Nominees Australia Limited	416,800	4.519
Calex Nominees Pty Limited	374,546	4.061
UBS Private Clients Australia	243,000	2.634
Mrs Laura Machlin	167,000	1.810
JJ and AL Tate	137,000	1.485
Beta Gamma Pty Ltd	123,602	1.340
Trust Company Superannuation Services Ltd. <Morrison Family S/F A/c>	122,257	1.325
F Macleay Lloyd-Phillips	114,000	1.236
Trust Company Superannuation Services Ltd <Heeley PSF A/c>	100,000	1.084
Collier Custodian Corporation	100,000	1.084
National Nominees Limited	100,000	1.084
FMFC Nominees Pty. Ltd.	74,500	0.807
Loris H Hassell Pty Limited	70,950	0.769
IB Barker	70,000	0.759
RJ Glover & K Repsevicius	60,000	0.650
Vestfor Pty Limited	50,000	0.542
Baystreet Proprietary Limited	50,000	0.542
AM Stephen	50,000	0.542
	4,275,479	46.351

TWENTY LARGEST SECURITY HOLDERS

NAME	NUMBER OF NON-CONVERTIBLE NOTES HELD	PERCENTAGE OF CAPITAL HELD
Drysdale Metals Pty Limited	2,000,000	10.007
Argo Investments Limited	500,000	2.501
Tower Trust Limited	434,399	2.173
Equity Underwriters Limited	380,000	1.901
Ego Pty Ltd	330,000	1.651
Ala Moana Investments Pty Ltd	320,800	1.605
BB Nominees Pty Ltd	320,000	1.601
Tower Trust Limited	311,000	1.556
Commonwealth Custodial Services Limited	300,000	1.501
Equity Trustees Limited	298,900	1.495
Collier Custodian Corporation	250,000	1.250
Trust Company Superannuation Services Ltd	241,110	1.206
George Thoms Pty Limited	200,000	1.000
Edelweiff Pty Limited	150,000	0.750
Mr Graham Cranswick-Smith	141,000	0.705
RA and JL Bygate	135,000	0.675
R and J Gregory	127,000	0.635
Morrmac Pty Ltd	115,000	0.575
Gisar Pty Ltd	105,000	0.525
Victor M Lewis Pty. Ltd.	101,979	0.510
	6,761,188	33.822

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Directors
F J Tate
R Chappell
H D M Combe
J D Hopkins
G Cranswick-Smith
H M J Tate (as alternate director)

Company Secretaries
P J Konzewitsch
S D Symmons

Business & Registered Office
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Phone (08) 9213 1799
Fax (08) 9213 1798

Share Registrar
Advanced Share Registry Services
Level 7
200 Adelaide Terrace
Perth WA 6000

Auditors
KPMG
Chartered Accountants
152-158 St Georges Terrace
Perth WA 6000

Stock Exchange

The Company is listed on the Australian Stock Exchange.

The Home Exchange is Perth.

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