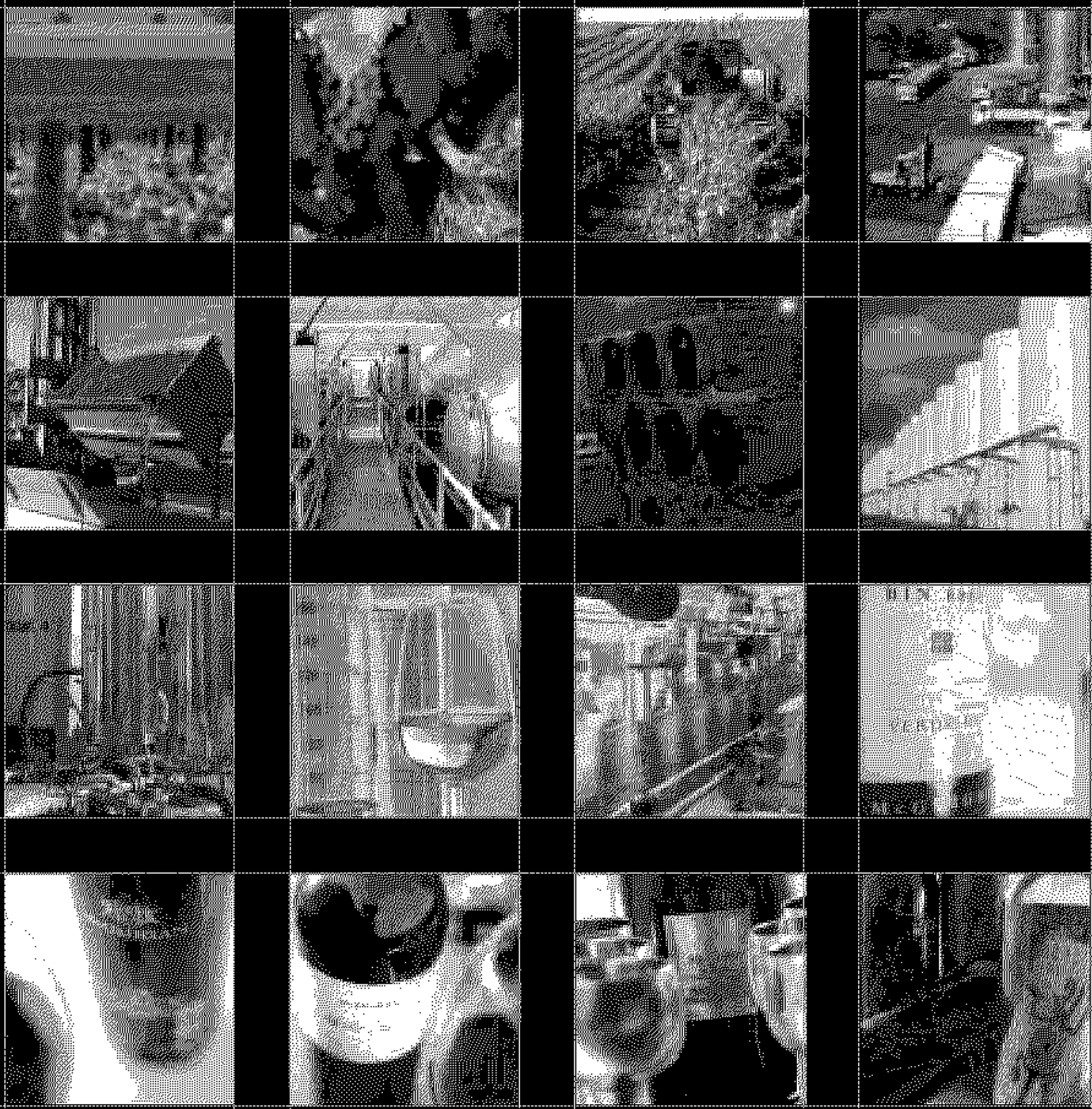
ABN 78 052 179 932

# McGUIGAN SIMEON WINES LIMITED

Please find attached 2003 ASIC Accounts for McGuigan Simeon Wines Limited.



McGUIGAN
SIMEON
Wines Limited

# 2003 ASIC Accounts

ACN 052 179 932

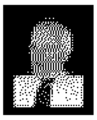
# Directors' Report

The directors of McGuigan Simeon Wines Limited submit herewith the annual financial report for the financial year ended 30 June 2003. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

## *Directors*

The names and particulars of the directors of the Company during or since the end of the financial year are:

**DAVID S CLARKE, AO**
(Chairman)
Age 61, BEc (Hons), Hon DScEcon Sydney, MBA (Harv). Executive Chairman of Macquarie Bank Limited; Chairman of the Wine Committee of the Royal Agricultural Society of New South Wales and the Sydney Advisory Board of the Salvation Army and the Opera Australia Capital Fund. President of the National Council of Opera Australia. Member of the Board of the Royal Agricultural Society of NSW, member of the Monash Mt Eliza Business Council, honorary life member of the Financial Markets Foundation for Children, committee member of the NIDA Stage II Project and member of the Harvard Business School Asia Advisory Committee. Governor of the Australian Ireland Fund.



**JOHN G BRANSON**
(Deputy Chairman)
Age 56, L.L.B. (Adelaide) Former Chairman of Simeon Wines Limited. Chairman of Southern Titanium NL; Stuart Petroleum Limited; Flinders Technologies Pty Ltd and Medi Molecular Pty Ltd. A Director of Bank SA Advisory Board, a member of Flinders University of South Australia Council and a consultant to Minter Ellison, Lawyers.

**BRIAN J MCGUIGAN, AM**
(Managing Director)
Age 61. Over 40 years' experience in the wine industry. Formerly Managing Director of Wyndham Estate Wines Limited from 1970 to 1991. He is currently the Chairman of Mater Hospital Hunter Valley, Hunter Wine Country Private Irrigation District and Broke Fordwich Private Irrigation District. In addition, he is a Director of Coal and Allied Community Trust, Hunter Valley Vineyard Association and Tower Estate Pty Limited.

**IAN D FERRIER**
Age 63. Fellow of The Institute of Chartered Accountants in Australia and Founding Partner of Ferrier Hodgson, one of Australia's leading firms of insolvency administrators and reconstruction accountants. In this capacity, he has gained extensive experience in the management and administration of both private and public companies at all levels. He is presently Chairman of Port Douglas Reef Resorts Limited, SCIA Limited and the Deputy Chairman of Bankstown Airport Ltd.

**CHRISTOPHER L HARRIS**
Age 56, B.Ec.,FCPA, FAICD. Formerly CEO and Group Managing Director of FH Faulding & Co. Ltd. Chairman of Argo Investments Limited; Director of Adelaide Brighton Limited; Director of United Water International Limited, J.M. Financial Group Ltd and Board member of SA Motor Accident Commission.

**DAVID S WHITE**
Age 61, L.L.B.(Sydney). Partner of Sparke Helmore (trading as Fitzgerald White Talbot Solicitors). He has over 35 years experience in legal practice and acts for numerous Australian and international resource based companies. Formerly a director of Wyndham Estate Wines Limited. He has extensive involvement in the wine and viticultural industry and is a Director of a number of private companies.

**PERRY R GUNNER**
Age 56, B.Ag. Sc. Grad. Dip. Bus.Admin. Over 30 years' experience in the Wine Industry. Formerly Chairman and Chief Executive Officer of Orlando Wyndham Group Pty Ltd. Director of Ausbulk Limited.

**NICHOLAS F GREINER,AC**

Age 56 B. Ec (Hons) Syd, MBA Harvard. Former Premier and Treasurer of New South Wales 1988-92. Currently Chairman of British American Tobacco, Baulderstone Hornibrook, United Utilities Australia and Nuance Group Australasia. He is Deputy Chairman of Stockland Trust Group, and a Director of QBE Insurance Group. He is an Honorary Professor of Macquarie Graduate School of Management.

**CHRISTIAN L PORTA**

Age 41. Over 10 years' experience in the international wine and spirits industry. Chairman and Chief Executive Officer of Orlando Wyndham Group Pty Ltd.

## Principal activities

The consolidated entity's principal activities in the course of the financial year were wine making, wine marketing, vineyard management and development. The 2002/2003 financial year is the first full year since Brian McGuigan Wines Limited merged with Simeon Wines Limited. Simeon Wines Limited has considerable processing facilities located in the Riverland and Sunraysia regions.

## Changes in state of affairs

Other than that referred to in the financial statements or notes thereto, there was no significant change in the state of affairs of the consolidated entity.

## Subsequent events

On the 9th of September 2003 the entity announced to the market that it had signed a heads of agreement to acquire Miranda Wines Holdings Limited for $25.5 million paid as $8 million in cash and the balance in shares valued at $4.50 per share. The acquisition will add both processing capacity and sales to the entitiy's existing structure and performance.

On 17 September 2003 the entity announced that it had signed a heads of agreement for sale and lease back of in the order of 890 Ha of company vineyards for $77 million. The sale will release capital for redeployment without loss of access to the fruit supply from those vineyards.

## Environmental Regulations

The economic entity holds licences issued by the environmental protection authorities in various states which specify limits associated with the discharge of the winery operations. There have been no significant known breaches of the licence conditions.

## Future developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of these operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

## Review of operations

### *Sales*

The entity achieved sales of $293.1 million. The 2002 financial performance figures included in this report only refer to Brian McGuigan Wines Limited. The 2003 sales figures include both Brian McGuigan Wines Limited and Simeon Wines Limited.

### *Vineyards*

In order to secure the appropriate volume and style of wine to underpin the company's branded sales plans, a large commitment has been made to the management of vineyards. During the year the Company continued its policy of developing and managing vineyards for investors in varying climatic areas of Eastern Australia. In June 2003 the entity entered into an agreement with Challenger Beston Pty Ltd to develop a further 726ha of vineyard and lease an existing 217ha of vineyard in production.

### *Production*

The entity processed 173,000 tonnes of grapes which was 12% below expectation. The entire 2003 vintage for the wine industry was down by 13% on 2002 due mainly to the drought conditions that prevailed prior to the 2003 vintage.

## Dividends

In respect of the financial year ended 30 June 2002, as detailed in the directors' report for that financial year, a final dividend of 8.5 cents per share was paid to the holders of fully paid ordinary shares on 8th November 2002. This dividend was franked to 100% at the 30% corporate income tax rate. In respect of the financial year ended 30 June 2003, an interim dividend of 9.0 cents per share was paid to the holders of fully paid ordinary shares on 28 March 2003. This dividend was franked to 100% at the 30% corporate income tax rate. In respect of the financial year ended 30 June 2003, the directors recommend the payment of a dividend of 11 cents per share to the holders of fully paid ordinary shares on 21st November 2003. This dividend will be franked to 100% at the 30% corporate income tax rate.

The total dividend payout, expressed as a percentage of ordinary trading profit after tax, equates to 62% for the year ended 30 June 2003.

## Share options

**Share options granted to executives**
Since the end of the financial year an aggregate of 175,000 share options were granted over unissued shares by the Company to the following most highly remunerated executives of the Company as part of their remuneration:

| Executive | Number of options granted |
|---|---|
| Andrew White | 50,000 |
| Michael Noack | 50,000 |
| David Thompson | 25,000 |
| Paul Schaafsma | 25,000 |
| Craig Thomas | 25,000 |

### *Executive and employee share option plans*

Since the end of the financial year the Company granted 1,155,000 share options over unissued ordinary shares to executives and employees of the Company. 406,000 shares were issued during or since the end of the financial year as a result of the exercise of options under the executive and employee share option plans. The amount paid for the exercise of the options is detailed in note 7 of the attached financial statements. The difference between the market price of the companies shares, at the date the options were issued, and the exercise price of the option, is not recognised in the financial statements except for the purpose of determining directors' and executives' remuneration in note 6 and 7 to the financial statements.

In accordance with the provisions of the Company's share option plans, as at the date of this report, executives and employees are entitled to purchase an aggregate of 1,848,000 ordinary shares of McGuigan Simeon Wines Limited at an issue price of $3.2989 (45,000 shares expiring 5 October 2004); $2.890 (212,500 shares expiring 6 October 2005); $3.487 (435,500 shares expiring 25 September 2006) and $4.072 (1,155,000 shares expiring 2 September 2008). The holders of such options do not have the right, by virtue of the options, to participate in any share issue or interest issue of the Company.

Further details of the non-executive directors' share scheme and the executive and senior employee option scheme are disclosed in notes 6 and 7 to the financial statements.

For the purpose of the disclosure 'Executive' is defined as an individual who is responsible for strategic planning, management and performance of a division or function and reports directly to the Chief Executive Officer.

## Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

During the financial year the company held 11 Board Meetings, 7 Audit Committee Meetings, 1 Remuneration Committee Meeting and 3 Occupational Health, Safety and Environment Committee meetings.

| | Directors' Meetings | Audit Committee | OHS& Environment Committee | Remuneration Committee |
|---|---|---|---|---|
| | Attended | Attended | Attended | Attended |
| David S Clarke | 11 | - | - | 1 |
| John G Branson | 9 | 5 | - | 1 |
| Ian D Ferrier | 10 | 7 | - | - |
| Nicholas F Greiner | 9 | 4 | - | 1 |
| Perry R Gunner | 10 | - | 3 | - |
| Christopher L Harris | 9 | 6 | - | - |
| Christian L Porta | 9 | - | - | - |
| Neil R MacKenzie* | 9 | - | 2 | - |
| Brian J McGuigan | 11 | - | - | - |
| David S White | 9 | - | 3 | - |
| **Total Meetings Held** | **11** | **7** | **3** | **1** |

* Retired 5th May 2003

## Directors' shareholding

The following table sets out each director's relevant interest in shares and options in shares of the Company as at the date of this report.

| | Fully Paid Ordinary Shares | Executive Share Options |
|---|---|---|
| David S. Clarke | 819,000 | - |
| John G Branson | 17,625 | - |
| Brian J McGuigan | 10,547,670 | - |
| Ian D Ferrier | 425,261 | - |
| Christopher L Harris | 41,138 | - |
| David S White | 865,775 | - |
| Perry R Gunner | 157,734 | - |
| Nicholas F Greiner | 303,879 | - |
| Christian L Porta | - | - |

## Directors' and executives' remuneration

The remuneration committee reviews the remuneration packages of all directors and executive officers on an annual basis and makes recommendations to the board.

Remuneration packages are reviewed with due regard to performance and other relevant factors. Remuneration packages contain the following key elements:

a) Salary or fees;
b) Benefits – including the provision of motor vehicles and housing;
c) Superannuation benefits; and
d) Incentive schemes – including performance related bonus shares and share options under the non-executive directors share scheme and the executive and senior employee option scheme as disclosed in note 7 to the financial statements.

Note - During the financial year, in accordance with a resolution passed at the Company's Annual General Meeting on 14 November 2000 and confirmed in a general meeting in June 2002 subject to the roles of the McGuigan Simeon Wines Limited non-executive directors' share scheme ("Scheme") the directors were issued as fully paid bonus shares for no consideration (and not by way of capitalisation of profits) the shares listed in the table below. The shares will rank pari passu in all respects with the existing shares which are listed for quotation on the Australian Stock Exchange. There is a restriction on disposal of these shares under Rule 8.3 of the Scheme which requires the shares to be held for ten years, unless a shorter period is resolved by the Board. The shares will not be quoted on the ASX until the sale restriction is lifted. The total number of these shares held by the directors is included in the table of fully paid ordinary shares.

The following table discloses the remuneration of the directors and the five highest remunerated executives of the Company and the Consolidated entity. For the purpose of the disclosure, 'executive' is defined as an individual who is responsible for strategic planning, management and performance of a division or function and reports directly to the Chief Executive Officer.

| Directors | Salary or Fees $ | Benefits $ | Superannuation $ | Incentive Schemes $ | Other $ | Total $ | Options Held |
|---|---|---|---|---|---|---|---|
| David S Clarke | 1,000 | 89,040 | 22,228 | 56,400 | - | 168,668 | - |
| John G Branson | 24,280 | 44,520 | 2,185 | - | - | 70,985 | - |
| Brian J McGuigan | 150,000 | 29,216 | 13,500 | - | - | 192,716 | - |
| Ian D Ferrier | 1,000 | 44,520 | 11,184 | 28,200 | - | 84,904 | - |
| Nicholas F Greiner | 1,000 | 44,520 | 11,184 | 28,200 | - | 84,904 | - |
| David S White | 1,000 | 44,520 | 11,184 | 28,200 | - | 84,904 | - |
| Neil R MacKenzie* | 229,251 | 29,792 | 30,330 | 8,159 | 618,594 | 916,126 | - |
| Chris L Harris | 1,000 | 44,520 | - | - | - | 45,520 | - |
| Perry R Gunner | 1,000 | 44,520 | - | - | - | 45,520 | - |
| Christian L Porta | 1,000 | - | - | - | - | 1,000 | - |

*Retired 5th May 2003 - Other remuneration relates to retirement benefit.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Andrew White | 175,000 | 29,750 | 19,760 | - | - | 224,510 | 50,000 |
| David Thompson | 156,000 | 16,900 | 15,600 | - | 20,000 | 208,500 | 25,000 |
| Paul Schaafsma | 76,133 | 105,400 | 6,852 | - | - | 188,385 | 25,000 |
| Michael Noack | 135,000 | 29,500 | 13,125 | - | 5,581 | 183,706 | 50,000 |
| Craig Thomas | 140,400 | 16,500 | 13,176 | - | 6,000 | 176,076 | 25,000 |

The amount shown for incentive schemes relates to the value of shares issued to non-executive directors in accordance with the non-executive directors' share scheme that have been awarded to these directors subject to certain performance hurdles being met. Details of these shares are set out in note 6(b) to the financial statements.

## Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the company secretary and all executive officers of the Company and of any related body corporate against a liability incurred as a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

## Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars.

## Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of McGuigan Simeon Wines Limited have adhered to the principles of corporate governance. The company's corporate governance statement is included in this annual report. The Company considers that its corporate governance practices and policies comply with the Corporate Governance Best Practice Guidelines released by the Australian Stock Exchange in April 2003.

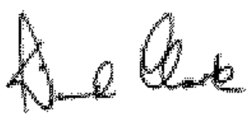
## Tax Consolidation

The directors of McGuigan Simeon Wines Limited intend to form a tax consolidated group effective 1 July 2003. The tax consolidated group will include McGuigan Simeon Wines Limited and its 100% owned subsidiaries.

Signed in accordance with a resolution of the directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors

**David Stuart Clarke AO**
**Director**



**29 September 2003**

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060
Deloitte House
190 Flinders Street
Adelaide SA 5000
GPO Box 1969
Adelaide SA 5001 Australia

DX 664
Telephone (08) 8407 7000
Facsimile (08) 8407 7001
www.deloitte.com.au

**Deloitte Touche Tohmatsu**

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MCGUIGAN SIMEON WINES LIMITED**

**Scope**

*The financial report and directors' responsibility*
The financial report comprises the statement of financial position, statement of financial performance, statement of cashflows, accompanying notes to the financial statements, and the directors' declaration for both McGuigan Simeon Wines Limited (the company) and the consolidated entity, for the financial year ended 30 June 2003 as set out on pages 8 to 40. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial 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 have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance 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 controls, 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 form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and 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.

The audit opinion expressed in this report has been formed on the above basis.

**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 McGuigan Simeon Wines 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 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.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Stephen Harvey
Partner
Chartered Accountants

Adelaide, 29 September 2003

The liability of Deloitte Touche Tohmatsu is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).

# Directors' declaration

The directors declare that:

(a) the attached financial statements and notes thereto comply with Accounting Standards;

(b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Company and the consolidated entity;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and

(d) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to Section 295(5) of the Corporations Act 2001.

On behalf of the Directors

**David Stuart Clarke AO**
**Director**
29 September 2003

# McGuigan Simeon Wines Limited

## Statement of Financial Performance for the Financial Year Ended 30 June 2003

| | Note | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|---|
| | | 2003 | 2002 | 2003 | 2002 |
| | | $'000 | $'000 | $'000 | $'000 |
| Sales revenue (sales of goods) | | 248,381 | 83,842 | 113,113 | 71,343 |
| Sales revenue (rendering of services) | | 35,069 | 15,619 | 20,070 | 15,619 |
| Cost of sales | | (209,354) | (62,974) | (106,152) | (59,869) |
| **Gross Profit** | | **74,096** | **36,487** | **27,031** | **27,093** |
| Net market value of grapes picked during the financial year | | 7,040 | 1,018 | 1,379 | 1,018 |
| Net market value increment - grape vines | | - | - | 706 | - |
| Other revenue from ordinary activities | | 2,631 | 1,775 | 15,940 | 1,752 |
| Distribution expenses | | (3,928) | (1,377) | (3,277) | (486) |
| Marketing/Selling expenses | | (13,935) | (16,083) | (5,384) | (7,627) |
| Administration expenses | | (5,002) | (2,547) | (1,284) | (2,374) |
| Share of net losses of associates accounted for using the equity method | | (142) | - | - | - |
| Other expenses from ordinary activities | | (3,887) | (1,555) | (528) | (1,530) |
| Borrowing costs | | (10,802) | (1,256) | (2,480) | (1,256) |
| Profit From Ordinary Activities Before Goodwill/Investment Write Down and Income Tax Expense | 2 | **46,071** | **16,462** | **32,103** | **16,590** |
| Write down of goodwill/investment carrying value | 4 | - | (59,126) | - | (59,126) |
| **Profit/(loss) from ordinary activities before income tax expense** | | **46,071** | **(42,664)** | **32,103** | **(42,536)** |
| Income tax expense relating to ordinary activities | 5 | (13,867) | (5,011) | (4,950) | (4,998) |
| **Profit/(loss) from ordinary activities after related income tax expense** | | **32,204** | **(47,675)** | **27,153** | **(47,534)** |
| Adjustments to retained profits at 1st July 2002 as a result of the adoption of AASB 1028 "Employee Benefits". | | (34) | - | - | - |
| Total revenue, expense and valuation adjustments attributable to members of the parent entity recognised directly in equity | | (34) | - | - | - |
| **Total changes in equity other than those resulting from transactions with owners as owners** | 37 | **32,170** | **(47,675)** | **27,153** | **(47,534)** |
| **Earnings Per Share** | 38 | | | | |
| Basic earnings per share (based on net profit before goodwill write down) | | 33.3 | 25.9 | | |
| Diluted earnings per share (based on net profit before goodwill write down) | | 33.1 | 24.2 | | |
| Basic earnings per share (based on net profit after goodwill write down) | | 33.3 | (108.1) | | |
| Diluted earnings per share (based on net profit after goodwill write down) | | 33.1 | (101.2) | | |

*Notes to the financial statements are included on pages 12 to 40*

# McGuigan Simeon Wines Limited
## Statement of Financial Position as at 30 June 2003

| | Note | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|---|
| | | 2003 | 2002 | 2003 | 2002 |
| | | $'000 | $'000 | $'000 | $'000 |
| **Current Assets** | | | | | |
| Cash assets | | 773 | 2,670 | 5,291 | 2,100 |
| Receivables | 9 | 125,028 | 87,486 | 129,113 | 37,992 |
| Inventories | 10 | 125,902 | 108,260 | 121,594 | 27,752 |
| Current tax assets | 11 | - | 2,876 | - | - |
| Other | 12 | 4,151 | 2,829 | 2,758 | 1,012 |
| **Total Current Assets** | | **255,854** | **204,121** | **258,756** | **68,856** |
| **Non-Current Assets** | | | | | |
| Receivables | 13 | 7,991 | 9,464 | 544 | 2,520 |
| Inventories | 14 | 32,271 | 15,817 | 32,271 | 15,817 |
| Investments accounted for using the equity method | 15 | 1,901 | 3,500 | 2,000 | - |
| Other investments | 16 | 961 | 961 | 178,292 | 178,292 |
| Self generating and regenerating assets | 17 | 79,789 | 61,662 | 3,875 | 3,098 |
| Property, plant and equipment | 18 | 130,295 | 111,499 | 15,050 | 14,846 |
| Intangibles | 19 | 51,835 | 54,570 | - | - |
| Deferred tax assets | 20 | 4,787 | 8,547 | 954 | 611 |
| Other | 21 | 1,232 | 1,165 | - | - |
| **Total Non-Current Assets** | | **311,062** | **267,185** | **232,986** | **215,184** |
| **Total Assets** | | **566,916** | **471,306** | **491,742** | **284,040** |
| **Current Liabilities** | | | | | |
| Payables | 24 | 91,947 | 83,763 | 210,046 | 18,333 |
| Interest-bearing liabilities | 25 | 2,559 | 11,950 | 1,523 | 9,619 |
| Current tax liabilities | 26 | 1,968 | 2,355 | 1,666 | 2,341 |
| Provisions | 27 | 3,203 | 13,700 | 871 | 8,697 |
| Other | 28 | 6,098 | 7,755 | - | 5,766 |
| **Total Current Liabilities** | | **105,775** | **119,523** | **214,106** | **44,756** |
| **Non-Current Liabilities** | | | | | |
| Payables | 29 | 1,964 | 827 | 330 | 738 |
| Interest-bearing liabilities | 30 | 175,071 | 114,911 | 7,518 | 10,911 |
| Deferred tax liabilities | 31 | 12,088 | 8,462 | 4,210 | 1,489 |
| Provisions | 32 | 1,566 | 1,490 | 382 | 292 |
| **Total Non-Current Liabilities** | | **190,689** | **125,690** | **12,440** | **13,430** |
| **Total Liabilities** | | **296,464** | **245,213** | **226,546** | **58,186** |
| **Net Assets** | | **270,452** | **226,093** | **265,196** | **225,854** |
| **Equity** | | | | | |
| Contributed equity | 36 | 290,965 | 269,818 | 290,965 | 269,818 |
| Retained profits | 37 | (20,513) | (43,725) | (25,769) | (43,964) |
| **Total Equity** | | **270,452** | **226,093** | **265,196** | **225,854** |

*Notes to the financial statements are included on pages 12 to 40*

# McGuigan Simeon Wines Limited
## Statement of Cash Flows for the Financial Year Ended 30 June 2003

| | *Note* | *CONSOLIDATED* | | *COMPANY* | |
|---|---|---|---|---|---|
| | | *2003* | *2002* | *2003* | *2002* |
| | | *$'000* | *$'000* | *$'000* | *$'000* |
| **Cash flows from operating activities** | | | | | |
| Receipts from customers | | 282,372 | 116,363 | 118,119 | 91,971 |
| Payments to suppliers and employees | | (277,829) | (114,680) | (144,380) | (86,164) |
| Dividends received | | - | 150 | - | 150 |
| Interest and bill discounts received | | 808 | 64 | 150 | 41 |
| Interest and other costs of finance paid | | (11,381) | (1,248) | (3,028) | (1,248) |
| Income tax paid | | (4,010) | (4,944) | (3,246) | (4,944) |
| Net cash/(used in) provided by operating activities | 46 (d) | (10,040) | (4,295) | (32,385) | (194) |
| **Cash flows from investing activities** | | | | | |
| Payments for property, plant and equipment | | (18,913) | (1,988) | (1,963) | (1,988) |
| Proceeds from sale of property, plant & equipment | | 527 | 677 | 253 | 677 |
| Payment for acquisition of non-current investment | | - | (624) | - | (624) |
| Proceeds from sale of non-current investment | | 3,500 | - | - | - |
| Proceeds from repayment of related party receivables | | 1,137 | - | - | - |
| Amounts advanced to related parties | | (4,093) | - | (1,563) | - |
| Cash from the investment in Simeon Wines Limited | | - | 462 | - | - |
| Proceeds loaned to related parties | | - | - | (2,530) | - |
| Payment for business undertaking | | - | - | - | (50) |
| Other | | (132) | 397 | - | - |
| Net cash used in investing activities | | (17,974) | (1,076) | (5,803) | (1,985) |
| **Cash flows from financing activities** | | | | | |
| Proceeds from issue of equity securities | | 4,261 | 1,393 | 4,261 | 1,393 |
| Proceeds from borrowings | | 26,797 | 5,587 | 1,233 | 5,587 |
| Repayment of borrowings | | (1,897) | (1,184) | (1,423) | (1,184) |
| Dividends paid: * | | | | | |
| - members of the parent entity | | - | (3,796) | - | (3,796) |
| Proceeds loaned from controlled entities | | - | - | 39,029 | - |
| Proceeds loaned to controlled entity | | - | - | - | (1,470) |
| Other | | 395 | (440) | 78 | - |
| Net cash provided by financing activities | | 29,556 | 1,560 | 43,178 | 530 |
| Net increase/(decrease) in cash held | | 1,542 | (3,811) | 4,990 | (1,649) |
| Cash at the beginning of the financial year | | (1,460) | 2,351 | 301 | 1,950 |
| **Cash at the end of the financial year** | **46 (a)** | **82** | **(1,460)** | **5,291** | **301** |

* no cash flow impact due to the Dividend Reinvestment Plan which was full underwritten in respect of the 2003 financial year.

*Notes to the financial statements are included on pages 12 to 40*

# McGuigan Simeon Wines Limited

## Notes to the Financial Statements for the Financial Year Ended 30 June 2003

### NOTE 1: SUMMARY OF ACCOUNTING POLICIES

**Financial reporting framework**
The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

**Significant accounting policies**
Accounting policies are selected and applied in a manner that ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) *Accounts payable*
Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(b) *Acquisition of assets*
Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

(c) *Vineyard development contracts*
Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the financial year plus the percentage of fees earned. Percentage of fees earned is measured by the proportion that costs incurred to date relate to the estimated total costs of the stage of the contract. Where a loss is expected to occur it is recognised immediately.

(d) *Depreciation*
Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The following estimated useful lives are used in the calculation of depreciation:

| | |
|---|---|
| • Buildings | 50 years |
| • Vineyard improvements | 15 - 20 years |
| • Vineyard improvements under lease | 15 - 20 years |
| • Stainless steel tanks | 25 years |
| • Plant and equipment | 5 – 10 years |
| • Equipment under finance lease | 5 – 10 years |

(e) *Derivative financial instruments*
The consolidated entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including fixed rate borrowings and forward foreign exchange contracts. Further details of the derivative financial instruments are disclosed in note 47.

Foreign Exchange contracts
Exchange differences on forward foreign exchange contracts to hedge the purchase or sale of specific goods are deferred and included in the measurement of the purchase or sale.

In the event of the early termination of a foreign currency hedge of an anticipated purchase or sale of goods and services, the deferred gains and losses that arose on the foreign exchange contract prior to its termination are:

- Deferred and included in the measurement of the purchase or sale when it takes place, where the anticipated transaction is still expected to occur;
- Recognised in the statement of financial performance at the date of termination, if the anticipated transaction is no longer expected to occur; or
- Recognised in the statement of financial performance, if the forward foreign exchange contract is no longer effective in its hedging of the risk intended to be covered by the hedge instrument.

*(f) Executive remuneration*

Executive remuneration in the form of equity compensation is based on the fair market value of the equity instrument.

*(g) Employee entitlements*

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries and annual leave that are expected to settle within 12 months are measured at their nominal values, using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of long service leave which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

*(h) Foreign currency*

Foreign Currency Transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date.

Exchange differences are recognised in the net profit or loss in the period in which they arise except that:

(i) exchange differences which relate to assets under construction for future productive use are included in the cost of those assets; and
(ii) exchange differences on transactions entered into in order to hedge the purchase or sale of specific goods and services are deferred and included in the measurement of the purchase or sale.

General Hedging Transactions

Any costs or gains arising at the inception of a hedge are accounted for separately from the exchange differences on the hedging transactions. The costs or gains are deferred and recognised as assets or liabilities on entering the hedging transactions and amortised as expenses or revenues in net profit or loss over the lives of the hedging transactions.

Hedging Specific Transactions

In relation to transactions intended to hedge specific purchases or sales:

(i) costs or gains arising at the time of entering into the transactions; and
(ii) exchange differences, to the extent that they arise up to the dates of purchase or sale, are deferred and included in the measurement of the purchases or sales.

Foreign Operations

Financial statements of integrated foreign operations are translated at reporting date using the temporal method and exchange differences are taken to net profit or loss for the period.

*(i) Goodwill*

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is amortised on a straight line basis over a period of 20 years. The unamortised balance of Goodwill is reviewed at the end of each reporting period and written down to recoverable amount where the carrying value exceeds recoverable amount.

*(j) Goods and services tax*

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

*(k) Grape vines and produce extracted from vines*

Grape vines are classified as a separate asset class in accordance with Australian Accounting Standard AASB 1037 "Self Generating and Regenerating Assets".

Costs incurred in maintaining or enhancing the vines are recognised in inventory when incurred.

The net market values of the vines owned by the Company have been determined in accordance with a directors' valuation, based on reference to the current market value of similar properties recently exchanged in the open market, performed at the reporting date.

Produce extracted from vines owned or leased by the Company is measured at net market value, net of the costs of extraction. Increments in the net market values of the produce extracted from a vine is recognised in the Statement of Financial Performance through reference to the percentage of the biological change that has occurred at the reporting date. The extracted produce is disclosed in operating revenue and at the same time increases inventory. The revenue from the sale of grapes prior to the end of the financial year is treated as a reduction in value of the picked grapes and disclosed as a net increment in the revenue and inventory accounts.

*(l) Income tax*

Tax effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustment for permanent differences. The tax effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in provision for deferred income tax and future income tax benefit, as applicable.

*(m) Interest-bearing liabilities*

Bank loans, bank overdrafts and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

*(n) Inventories*

Inventories are valued at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour, and an appropriate portion of variable and fixed overhead, the latter being applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs. Produce extracted from vines included in inventory is measured at the net market value as described in Note 1(k) to these financial statements.

*(o) Investments*

Investments in controlled entities are recorded at cost. Investments in associates have been accounted for under the equity method in the consolidated financial statements and the cost method in the Company financial statements. Other investments are recorded at cost.

Dividend and interest revenue is recognised on a receivable basis.

*(p) Leased assets*

Leased assets classified as finance leases are capitalised as fixed assets. The amount initially brought to account is the present value of minimum lease payments.

A finance lease is one that effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property.

Capitalised leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are recognised as an expense on a basis that reflects the pattern in which economic benefits from the leased asset are consumed.

*(q) Principles of consolidation*

The consolidated financial statements are prepared by combining the financial statements of all entities that comprise the consolidated entity, being the Company (the parent entity) and its controlled entities as defined in accounting standard AASB 1024 "Consolidated Accounts". A list of controlled entities appears in note 42 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

*(r) Receivables*

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts. The consolidated entity has adopted the policy of only dealing with credit worthy customers and obtains credit insurance for sales to new and less developed markets as a means of mitigating risk of financial loss from default.

*(s) Recoverable amount of non-current assets*

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present value.

*(t) Revenue recognition*

Sale of goods and disposal of assets

Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer.

Rendering of vineyard development contract services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

*(u) Joint Ventures*

Joint Venture Entities

Interests in joint venture entities that are;

- partnerships are accounted for under the equity method in the company and consolidated financial statements; and
- not partnerships are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

*(v) Provisions*

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

Dividends

A provision is recognised for dividends when they have been declared, determined or publicly recommended by the directors.

Onerous Contracts

An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds unrecognised assets.

Restructurings

Provision for restructurings are recognised when the consolidated entity has developed a detailed formal plan for the restructuring and has either:

i. entered into firm contracts to carry out the restructuring; or

ii. raised a valid expectation in those effected by the restructuring that the restructuring will occur.

Where a restructuring arises as a consequence of an acquisition, a provision is recognised when, at or before the date of acquisition, the main features of a plan for restructuring are developed, and within three months of the date of acquisition, or by the time of completion of the financial report, the consolidated entity has developed a formal detailed plan for the restructuring and has either:

i. entered into firm contracts to carry out the restructuring; or

ii. raised a valid expectation in those effected by the restructuring that the restructuring will occur.

Such provisions are only made in respect of the restructuring of operations within the acquired entity.

*(w) Changes in Accounting Policies*

In accordance with Accounting Standard AASB 1028 'Employee Benefits', on 1 July 2002 the consolidated entity changed its policy for recognising provisions for annual leave. Under the new policy the amount of the provision is calculated using the remuneration rate expected to apply at the time of settlement, rather than the remuneration rate that applies at reporting date. The effect of this change in accounting policy is to decrease opening retained profits in the consolidated entity by $34,000.

In accordance with Accounting Standard AASB 1044 'Provision, Contingent Liabilities and Contingent Assets', on 1 July 2002 the consolidated entity changed its policy for providing for dividends. Under the new policy a provision for dividend is recognised when the directors have declared, determined or publicly recommended the dividend.

*(x) Comparatives*

On the 21st June 2002, McGuigan Wines Limited (now known as McGuigan Simeon Wines Limited) merged with Simeon Wines Limited. As a result the 2002 figures represent McGuigan Wines Limited financial performance only and the 2002 financial position represents the total of the new merged entity's financial position. The 2003 result reflects the first full year since the merger was formed.

## NOTE 2: PROFIT FROM ORDINARY ACTIVITIES

| | *CONSOLIDATED* | | *COMPANY* | |
|---|---|---|---|---|
| | ***2003*** | ***2002*** | ***2003*** | ***2002*** |
| | ***$'000*** | ***$'000*** | ***$'000*** | ***$'000*** |
| Profit from ordinary activities before income tax includes the following items of revenue and expense: | | | | |
| **(a) Operating revenue** | | | | |
| Sales revenue: | | | | |
| Sale of goods | 248,381 | 83,842 | 113,113 | 71,343 |
| Contract processing | 4,765 | 150 | 122 | 150 |
| Rendering vineyard construction contract services | 24,304 | 15,469 | 19,948 | 15,469 |
| Lease revenue | 6,000 | - | - | - |
| | 283,450 | 99,461 | 133,183 | 86,962 |
| Net market value of grapes picked during the financial year | 7,040 | 1,018 | 1,379 | 1,018 |
| Net market value increment - grape vines | - | - | 706 | - |
| Rental revenue: | | | | |
| Other rental revenue | 259 | 365 | 259 | 365 |
| Interest revenue: | | | | |
| Other entities | 1,067 | 64 | 150 | 41 |
| | 1,067 | 64 | 150 | 41 |
| Dividends: | | | | |
| Wholly owned controlled entities | - | - | 15,000 | - |
| Other entities | 122 | 150 | 120 | 150 |
| | 122 | 150 | 15,120 | 150 |
| Other: | | | | |
| Other | 656 | 519 | 158 | 519 |
| | 292,594 | 101,577 | 150,955 | 89,055 |
| **(b) Non-operating revenue** | | | | |
| Proceeds from sale of assets: | | | | |
| Non-Current (Note 3) | | | | |
| Property, plant and equipment | 527 | 677 | 253 | 677 |
| | 293,121 | 102,254 | 151,208 | 89,732 |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| | $'000 | $'000 | $'000 | $'000 |
| **(c) Expenses** | | | | |
| Cost of Sales | 209,354 | 62,974 | 106,152 | 59,869 |
| Borrowing Costs: | | | | |
| Interest - other entities | 8,810 | 1,132 | 2,286 | 1,132 |
| Finance lease charges | 1,788 | - | - | - |
| Hire purchase interest | 204 | 124 | 194 | 124 |
| | 10,802 | 1,256 | 2,480 | 1,256 |
| Net bad debts and doubtful debts arising from : | | | | |
| Other entities | 291 | 271 | 9 | 271 |
| Depreciation of non-current assets: | | | | |
| Property, plant and equipment | 7,637 | 635 | 1,449 | 604 |
| Amortisation of non-current assets: | | | | |
| Leased assets | 162 | 10 | 59 | 10 |
| Brand names | 303 | - | - | - |
| Goodwill | 2,464 | 15 | - | - |
| | 2,929 | 25 | 59 | 10 |
| Operating lease rental expenses | | | | |
| Minimum lease payments | 6,607 | 253 | 3,014 | 158 |
| Foreign exchange losses | | | | |
| Other | 248 | 717 | 351 | 717 |

## NOTE 3: SALE OF ASSETS

Sales of assets in the ordinary course of business have given rise to the following profits and losses:

| | | | | |
|---|---|---|---|---|
| Net profits | | | | |
| Property, plant and equipment | - | 4 | 74 | 4 |
| Net losses | | | | |
| Property, plant and equipment | 85 | - | - | - |

## NOTE 4: GOODWILL/INVESTMENT WRITE DOWN

| | | | | |
|---|---|---|---|---|
| Recoverable amount adjustment to the carrying value of investment | - | - | - | (59,126) |
| Goodwill written off | - | (59,126) | - | - |
| Tax benefit/(expense) | - | - | - | - |
| | - | (59,126) | - | (59,126) |

In 2002 the Consolidated Entity and the Company have taken a non-cash charge for goodwill of $59.1 million reflecting a write off of excessive goodwill and a recoverable amount adjustment to the carrying value of the investment in Simeon Wines Limited arising on the merger for the same amount. This write off will not affect the future performance of the Company nor will it have any impact on the Company's ability to pay current or future dividends.

The goodwill arose due mainly to the increase in share price between the merger agreement date and the merger implementation date. Accounting treatment of the share issue was in compliance with the Accounting Standards, resulting in the use of $4.85 as the value of the shares issued.

The directors could not support the additional goodwill and the resulting carrying value of the investment and, based on prudent financial management, the directors resolved to write these assets down to recoverable amounts the day the assets were created.

| NOTE 5: INCOME TAX | CONSOLIDATED 2003 $'000 | CONSOLIDATED 2002 $'000 | COMPANY 2003 $'000 | COMPANY 2002 $'000 |
|---|---|---|---|---|
| The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows: | | | | |
| Operating profit/(loss) from ordinary activities | 46,071 | (42,664) | 32,103 | (42,536) |
| Income tax expense calculated at 30% of operating profit/(loss) | 13,821 | (12,799) | 9,631 | (12,761) |
| Permanent differences: | | | | |
| Non-deductible goodwill/investment write down | 830 | 17,738 | - | 17,738 |
| Depreciation | (735) | 11 | 21 | 11 |
| Rebateable dividends | - | - | (4,500) | - |
| Non-deductible expenses | 440 | 14 | 40 | 27 |
| Adjustments resulting from prior year tax returns | (304) | - | (21) | - |
| Equity share of associates profits/losses | 43 | - | - | - |
| Other | (228) | 47 | (221) | (17) |
| Income tax expense attributable to operating profit/(loss) | 13,867 | 5,011 | 4,950 | 4,998 |

Tax Consolidation System

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities to elect to consolidate and be treated as a single entity for income tax purposes was enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to McGuigan Simeon Wines Limited.

At the date of this report the directors have not assessed the financial effect, if any, the legislation may have on the company and the consolidated entity and, accordingly, the directors have not made a decision whether or not to elect to be taxed as a single entity. The financial effect of the implementation of the tax consolidation system on the economic entity has not been recognised in the financial statements.

In the event that the tax consolidation system is implemented, the head entity has also agreed to compensate its wholly-owned subsidiaries for the carrying amount of their deferred tax balances.

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | *2003* | *2002* | *2003* | *2002* |
| | *$* | *$* | *$* | *$* |

**NOTE 6: DIRECTORS' REMUNERATION**

The directors of McGuigan Simeon Wines Limited during the year were:

| | |
|---|---|
| David S Clarke | John G Branson |
| Brian J McGuigan | Perry R Gunner |
| Ian D Ferrier | Christopher L Harris |
| David S White | Christian L Porta |
| Nicholas F Greiner | Neil R MacKenzie* |

*Retired 5th May 2003

The above directors were remunerated in the form of income and shares as listed below:

(a) Income

| | CONSOLIDATED 2003 $ | CONSOLIDATED 2002 $ | COMPANY 2003 $ | COMPANY 2002 $ |
|---|---|---|---|---|
| The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all directors of the company and the consolidated entity, directly or indirectly, by the company and entities in which they are directors or by any related party. | 1,695,257 | 744,233 | 1,695,257 | 744,233 |

The number of directors of the Company whose total income falls within each successive $10,000 band of income:

| | No. | No. |
|---|---|---|
| $0 - $9,999 | 1 | 5 |
| $40,000 - $49,999 | 2 | - |
| $70,000 - $79,999 | 1 | 4 |
| $80,000 - $89,999 | 3 | - |
| $100,000 - $109,999 | - | 1 |
| $140,000 - $149,000 | - | 1 |
| $160,000 - $169,990 | 1 | - |
| $190,000 - $199,999 | 1 | 1 |
| $910,000 - $919,000* | 1 | - |

*Includes retirement benefit for Neil Mackenzie

(b) Shares

Non-executive directors receive remuneration part in cash with the balance payable by the issue of bonus shares in lieu of cash under the non-executive directors' share scheme ("Scheme"). All shares issued were under the terms of the scheme and the following sets out the details.

| Non-executive director | Shares subject to performance hurdle | Shares not subject to performance hurdle |
|---|---|---|
| David Clarke | 12,000 | 24,000 |
| Nicholas Greiner | 6,000 | 12,000 |
| Ian Ferrier | 6,000 | 12,000 |
| David White | 6,000 | 12,000 |
| John Branson | - | 12,000 |
| Perry Gunner | - | 12,000 |
| Christopher Harris | - | 12,000 |

The total market value of these shares at the date of issue was $497,160. In accordance with the Scheme the shares will not be capable of disposal by the director before the earlier of ten years after the acquisition of the shares or the time the director ceases to be a director or an earlier time should the Board resolve to reduce the ten year period. The Company has put a holding lock on the transfer of the shares for the period that the shares cannot be disposed of and the shares will not be listed until the sale restriction is lifted.

The performance hurdle requires that the relevant tranche of shares are only issued if, at the time of issue, the Company's average annual return on an average shareholders' equity for the previous two financial years is at or above the 55th percentile of the corresponding figures for all companies in the ASX All Ordinaries Index.

(c) Directors Share Options

During the financial year the following directors share options were exercised:

| Options - Series | No of Options Exercisd | Grant Date | Exercise Date | Expiry Date | Exercise Price $ | No. of Shares Issued | Fair Value Received $ | Fair Value of Shares at Date of Issue $ |
|---|---|---|---|---|---|---|---|---|
| Issued 11 September 1997 | 2,000,000 | 11/11/97 | 24/10/02 | 11/11/02 | 1.60 | 2,000,000 | 3,200,000 | 9,400,000 |

There were no directors share options issued to directors during the financial year. There were no directors share options at 30 June 2003.

| | *CONSOLIDATED* | | *COMPANY* | |
|---|---|---|---|---|
| | ***2003*** | ***2002*** | ***2003*** | ***2002*** |
| | ***$*** | ***$*** | ***$*** | ***$*** |
| **NOTE 7: EXECUTIVES' REMUNERATION** | | | | |
| Aggregate remuneration of executive officers of the company and the consolidated entity working mainly in Australia and receiving $100,000 or more from the entity for which they are executive officers or from any related party. | 4,193,125 | 964,032 | 721,398 | 772,955 |
| The number of executive officers whose remuneration falls within each successive $10,000 band of income: | | | | |
| | **No.** | **No.** | **No.** | **No.** |
| $100,000 - $109,999 | 2 | 1 | - | 1 |
| $110,000 - $119,999 | 1 | 3 | - | 3 |
| $120,000 - $129,999 | 5 | 1 | 2 | 1 |
| $130,000 - $139,999 | 2 | - | 1 | - |
| $140,000 - $149,999 | 1 | - | 1 | - |
| $160,000 - $169,999 | 1 | - | - | - |
| $170,000 - $179,999 | 2 | - | - | - |
| $180,000 - $189,999 | 2 | - | - | - |
| $190,000 - $199,999 | 2 | 2 | 1 | 1 |
| $200,000 - $209,999 | 1 | - | - | - |
| $210,000 - $219,999 | 1 | - | - | - |
| $220,000 - $229,999 | 1 | - | - | - |
| $910,000 - $919,000* | 1 | - | - | - |

*includes retirement benefit for Neil R. Mackenzie

**Executive and senior employee option scheme**

The Company has an executive and senior employee option scheme. In accordance with the provisions of the scheme as approved by the shareholders at the Annual General Meeting on 11 November 1997, 693,000 options have been issued to a number of executives and senior employees of the Company and remain outstanding over unissued ordinary shares as at 30 June 2003.

Options were offered to eligible employees at the current market price, being the average of the last sale price for the Company shares over the five trading days preceding the day of the offer.

The consideration for each parcel of options is $1.00. Each option is entitled to one share upon exercise.
The options are issued for a term not exceeding five years from the date of issue. The options cannot be exercised within the first three years and are subject to the Company meeting a performance hurdle. The performance hurdle is that the relevant tranche of options can only be exercised if, at the time of exercise, the Company's average annual return on average shareholders' equity for the previous two financial years is at or above the 55th percentile of the corresponding figures for all companies in the ASX All Ordinaries Index.

| | **2003 Number** | **2002 Number** |
|---|---|---|
| Balance at the beginning of the financial year *(i)* | 1,115,000 | 1,337,500 |
| Granted during the financial year *(ii)* | - | 490,500 |
| Exercised during the financial year *(iii)* | (406,000) | (698,000) |
| Lapsed during the financial year *(iv)* | (16,000) | (15,000) |
| Balance at the end of the financial year *(v)* | 693,000 | 1,115,000 |

*(i) Balance at the Beginning of the Financial Year*

| 2003 Options - Series | No. | Grant Date | Expiry/ Exercise Date | Exercise Price $ |
|---|---|---|---|---|
| (1) Issued 6 March 1998 | 114,000 | 06/03/98 | 06/03/03 | 1.994 |
| (2) Issued 27 March 1998 | 103,000 | 27/03/98 | 27/03/03 | 1.994 |
| (3) Issued 5 October 1999 | 210,000 | 05/10/99 | 05/10/04 | 3.2989 |
| (4) Issued 6 October 2000 | 212,500 | 06/10/00 | 06/10/05 | 2.89 |
| (5) Issued 25 September 2001 | 475,500 | 25/09/01 | 25/09/06 | 3.487 |
| | 1,115,000 | | | |

Executive share options carry no rights to dividends and no voting rights.

*(ii) Granted During the Financial Year*

| 2003 Options - Series | No. | Grant Date | Expiry/ Exercise Date | Exercise Price $ | Fair Value Received $ |
|---|---|---|---|---|---|
| Nil | - | - | - | - | - |

| 2002 Options - Series | No. | Grant Date | Expiry/ Exercise Date | Exercise Price $ | Fair Value Received $ |
|---|---|---|---|---|---|
| (5) Issued 25 September 2001 | 491,500 | 25/09/01 | 25/09/06 | 1.00 | - |

*(iii) Exercised During the Financial Year*

| 2003 Options - Series | No of Options Exercised | Grant Date | Exercise Date | Expiry Date | Exercise Price $ | No. of Shares Issued | Fair Value Received $ | Fair Value of Shares at Date of Issue $ |
|---|---|---|---|---|---|---|---|---|
| (1) Issued 6 March 1998 | 50,000 | 06/03/98 | 01/07/02 | 06/03/03 | 1.994 | 50,000 | 99,700 | 237,000 |
| | 64,000 | 06/03/98 | 16/09/02 | 06/03/03 | 1.994 | 64,000 | 127,616 | 318,080 |
| (2) Issued 27 March 1998 | 5,000 | 27/03/98 | 16/09/02 | 27/03/03 | 1.996 | 5,000 | 9,980 | 24,850 |
| | 23,500 | 27/03/98 | 16/01/03 | 27/03/03 | 1.996 | 23,500 | 46,906 | 114,915 |
| | 5,000 | 27/03/98 | 21/01/03 | 27/03/03 | 1.996 | 5,000 | 9,980 | 25,200 |
| | 50,000 | 27/03/98 | 14/02/03 | 27/03/03 | 1.996 | 50,000 | 99,800 | 239,000 |
| | 9,500 | 27/03/98 | 24/03/03 | 27/03/03 | 1.996 | 9,500 | 18,962 | 41,515 |
| | 10,000 | 27/03/98 | 03/04/03 | 27/03/03 | 1.996 | 10,000 | 19,960 | 42,100 |
| (3) Issued 5 October 1999 | 100,000 | 05/10/99 | 17/12/02 | 05/10/04 | 3.2989 | 100,000 | 329,890 | 475,000 |
| | 20,000 | 05/10/99 | 21/03/03 | 05/10/04 | 3.2989 | 20,000 | 65,980 | 100,800 |
| | 20,000 | 05/10/99 | 19/05/03 | 05/10/04 | 3.2989 | 20,000 | 65,980 | 81,200 |
| | 25,000 | 05/10/99 | 26/06/03 | 05/10/04 | 3.2989 | 25,000 | 82,475 | 96,500 |
| (5) Issued 25 September 2001 | 8,000 | 25/09/01 | 03/10/02 | 25/09/06 | 3.487 | 8,000 | 27,896 | 37,920 |
| | 16,000 | 25/09/01 | 08/10/02 | 25/09/06 | 3.487 | 16,000 | 55,792 | 77,760 |
| | 406,000 | | | | | 406,000 | 1,060,917 | 1,811,840 |

Fair value of consideration received is measured as the normal value of cash receipts on conversion. The fair value of shares at the date of issue is measured as the market value at close of trade on the date of their issue.

*(iv) Lapsed During the Financial Year.*

The following equity based instruments issued to employees have lapsed during the reporting period:

| Options - Series | 2003 No. |
|---|---|
| (5) Issued 25 September 2001 | 16,000 |
| | 16,000 |

*(v) Balance at End of Financial Year*

| 2002<br>Options - Series | No. | Vested<br>No. | Unvested<br>No. | Grant Date | Expiry Date | Exercise Price<br>$ |
|---|---|---|---|---|---|---|
| (1) Issued 6 March 1998 | 114,000 | 114,000 | - | 06/03/98 | 06/03/03 | 1.994 |
| (2) Issued 27 March 1998 | 103,000 | 103,000 | - | 27/03/98 | 27/03/03 | 1.994 |
| (3) Issued 5 October 1999 | 210,000 | - | 210,000 | 05/10/99 | 05/10/04 | 3.2989 |
| (4) Issued 6 October 2000 | 212,500 | - | 212,500 | 06/10/00 | 06/10/05 | 2.89 |
| (5) Issued 25 September 2001 | 475,500 | - | 475,500 | 25/09/01 | 25/09/06 | 3.487 |
| | 1,115,000 | 217,000 | 898,000 | | | |

| 2003<br>Options - Series | No. | Vested<br>No. | Unvested<br>No. | Grant Date | Expiry Date | Exercise Price<br>$ |
|---|---|---|---|---|---|---|
| (3) Issued 5 October 1999 | 45,000 | 45,000 | - | 05/10/99 | 05/10/04 | 3.2989 |
| (4) Issued 6 October 2000 | 212,500 | - | 212,500 | 06/10/00 | 06/10/05 | 2.89 |
| (5) Issued 25 September 2001 | 435,500 | - | 435,500 | 25/09/02 | 25/09/06 | 3.487 |
| | 693,000 | 45,000 | 648,000 | | | |

Executive share options carry no rights to dividends and no voting rights
In accordance with the terms of the executive share option scheme, options may be exercised at any time from the date on which they vest to the date of their expiry.
The difference between the total market value of options issued during a financial year, at the date of issue, and the total amount received from executives and employees is not recognised in the financial statements.

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| | $ | $ | $ | $ |
| **NOTE 8: REMUNERATION OF AUDITORS** | | | | |
| (a) Auditor of the parent company | | | | |
| Auditing the financial report | 118,000 | 122,000 | 118,000 | 122,000 |
| Other services | 173,270 | 26,950 | 173,270 | 26,950 |
| | 291,270 | 148,950 | 291,270 | 148,950 |
| (b) Other auditors | | | | |
| Auditing the financial report | - | 22,000 | - | - |
| Other services | - | 12,327 | - | - |
| | - | 34,327 | - | - |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| | $'000 | $'000 | $'000 | $'000 |
| **NOTE 9: CURRENT RECEIVABLES** | | | | |
| Trade receivables | 116,474 | 76,730 | 107,497 | 34,741 |
| Allowance for doubtful debts | (974) | (1,152) | (710) | (300) |
| | 115,500 | 75,578 | 106,787 | 34,441 |
| Other receivables: | | | | |
| Goods and services tax (GST) and WET recoverable | 6,109 | 1,368 | 4,352 | 1,925 |
| Non-trade receivables from other related entities | 2,530 | 515 | 2,530 | 515 |
| Other related parties | | | | |
| - dividend receivable from wholly-owned subsidiary | - | - | 15,000 | - |
| - associated companies | - | 8,936 | - | - |
| Other | 889 | 1,089 | 444 | 1,111 |
| | 125,028 | 87,486 | 129,113 | 37,992 |
| **NOTE 10: CURRENT INVENTORIES** | | | | |
| Bulk wine | | | | |
| At cost | 81,485 | 75,645 | 81,485 | 10,406 |
| At net realisable value | - | 5,351 | - | - |
| Other stores | | | | |
| At cost | 3,598 | 3,307 | 3,598 | 873 |
| Work in progress | | | | |
| At cost | 14,050 | 3,397 | 14,050 | 2,646 |
| Bottled wine | | | | |
| At cost | 26,769 | 18,820 | 22,461 | 13,827 |
| At net realisable value | - | 1,740 | - | - |
| | 125,902 | 108,260 | 121,594 | 27,752 |
| **NOTE 11: CURRENT TAX ASSETS** | | | | |
| Income tax refund receivable | - | 2,876 | - | - |
| **NOTE 12: OTHER CURRENT ASSETS** | | | | |
| Prepayments | 4,151 | 2,829 | 2,758 | 1,012 |

## NOTE 13: NON-CURRENT RECEIVABLES

| | CONSOLIDATED 2003 $'000 | CONSOLIDATED 2002 $'000 | COMPANY 2003 $'000 | COMPANY 2002 $'000 |
|---|---|---|---|---|
| Trade receivables | - | 545 | - | 545 |
| Other loans | 2,197 | 3,238 | - | - |
| Other receivables | 5,837 | 5,724 | - | - |
| Allowance for doubtful debts | (43) | (43) | - | - |
| | 5,794 | 5,681 | - | - |
| Receivables from wholly-owned controlled entities | - | - | 544 | 1,975 |
| | 7,991 | 9,464 | 544 | 2,520 |

## NOTE 14: NON-CURRENT INVENTORIES

| | CONSOLIDATED 2003 $'000 | CONSOLIDATED 2002 $'000 | COMPANY 2003 $'000 | COMPANY 2002 $'000 |
|---|---|---|---|---|
| At cost: | | | | |
| Bulk wine | 31,153 | 13,662 | 31,153 | 13,662 |
| Bottled wine | 1,118 | 2,155 | 1,118 | 2,155 |
| | 32,271 | 15,817 | 32,271 | 15,817 |

## NOTE 15: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | CONSOLIDATED 2003 $'000 | CONSOLIDATED 2002 $'000 | COMPANY 2003 $'000 | COMPANY 2002 $'000 |
|---|---|---|---|---|
| Investment in Associate | 1,901 | 3,500 | 2,000 | - |

(a) Interest in associate

| *Name of entity* | *Principal Activity* | *Ownership Interest* | | *Consolidated Carrying Amount* | |
|---|---|---|---|---|---|
| | | *2003 %* | *2002 %* | *2003 $'000* | *2002 $'000* |
| Mangoola Vineyards Pty Limited | Vineyard Investor | 45 | 45 | - | - |
| Tempus Two Pty Limited | Winery Ownership | 50 | 50 | 1,901 | - |
| Kangaroo Ridge Wine Company Pty Ltd | Wine Sales | - | 50 | - | 3,500 |
| | | | | 1,901 | 3,500 |

(b) Movement in Investments in Associates

| | CONSOLIDATED 2003 $'000 | CONSOLIDATED 2002 $'000 |
|---|---|---|
| Equity accounted amount of investment at the beginning of the financial year. | 3,500 | - |
| Disposals of interests in associates | (3,500) | - |
| Carrying value acquired as part of merger with Simeon Wines Limited. | - | 3,500 |
| Acquisition of interests in associates | 2,000 | - |
| Share of loss from ordinary activities before income tax expenses | (142) | - |
| Share of income tax benefit related to ordinary activities | 43 | - |
| Equity accounted amount of investment at the end of the financial year. | 1,901 | 3,500 |

| | CONSOLIDATED | |
|---|---|---|
| | 2003 | 2002 |
| | $'000 | $'000 |
| (c) Summarised financial position of associates | | |
| Current assets: | | |
| Cash | - | 39 |
| Inventories | - | 8,903 |
| Receivables | 506 | 3,270 |
| Other | 101 | 36 |
| Non-current assets: | | |
| Trademarks | - | 6,300 |
| Property plant and equipment | 8,956 | - |
| Other | - | 17 |
| Current liabilities: | | |
| Payables | 405 | 8,999 |
| Tax liability | - | 602 |
| Interest bearing liabilities | 128 | - |
| Loans from related parties | 5,060 | - |
| Other Loans | 200 | - |
| Net assets | 3,770 | 8,964 |
| Net loss | (198) | - |

No share of retained profits is included in these financial statements.

## NOTE 16: OTHER NON-CURRENT INVESTMENTS

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| | $'000 | $'000 | $'000 | $'000 |
| At cost: | | | | |
| Shares in unlisted companies | 961 | 961 | 55 | 55 |
| Shares in partly-owned controlled entities | - | - | 277 | 277 |
| Shares in wholly-owned controlled entities at- recoverable amount | - | - | 177,960 | 177,960 |
| | 961 | 961 | 178,292 | 178,292 |

## NOTE 17: SELF GENERATING AND REGENERATING ASSETS

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| Net market value of vines | 79,789 | 61,662 | 3,875 | 3,098 |

(a) Impact on Statement of Financial Performance

The profit before tax included in the Statement of Financial Performance resulting from the movement in market value of SGARA assets is $7,040,000 (2002: $1,018,000).

(b) Physical quantity of vines

| | 2003 | 2002 |
|---|---|---|
| Number of vines owned | 4,829,606 | 3,576,879 |
| Acres owned | 6,616 | 4,974 |

(c) Nature of asset

McGuigan Simeon Wines Limited owns vineyards in several regions across Australia (primarily the Padthaway, Riverland and Cowra regions).

(d) Significant assumptions

Significant assumptions made in determining the net market value of the vines are:

(i) 100% of the vines are currently mature and will be productive for periods up to 150 years per vine;

(ii) the expected price of the vines is constant in real terms, based on average prices throughout the current year;

(iii) the costs expected to arise throughout the life of the vines are constant in real terms, based on average costs throughout the year;

(iv) inflation will continue at the current rate.

Cash flows are gross of income tax and are expressed in real terms.

| | *CONSOLIDATED* | | *COMPANY* | |
|---|---|---|---|---|
| | ***2003*** | ***2002*** | ***2003*** | ***2002*** |
| | ***$'000*** | ***$'000*** | ***$'000*** | ***$'000*** |
| **NOTE 18: PROPERTY, PLANT & EQUIPMENT** | | | | |
| (a) Vineyard Improvements: | | | | |
| - at cost | 15,014 | 14,093 | 915 | - |
| - accumulated depreciation | (803) | - | (24) | - |
| | 14,211 | 14,093 | 891 | - |
| Vineyard Improvements under lease (to third party): | | | | |
| - at cost | 6,577 | 6,439 | - | - |
| - accumulated depreciation | (349) | - | - | - |
| | 6,228 | 6,439 | - | - |
| Vineyard Improvements under lease (from third party): | | | | |
| - at cost | 2,342 | - | - | - |
| - accumulated amortisation | (78) | - | - | - |
| | 2,264 | - | - | - |
| Freehold Land | | | | |
| - at cost | 33,564 | 26,089 | 5,152 | 5,152 |
| Freehold land and vines under lease | | | | |
| - at cost | 6,219 | 6,219 | - | - |
| Buildings | | | | |
| - at cost | 8,611 | 8,126 | 3,670 | 3,653 |
| - accumulated depreciation | (675) | (456) | (527) | (456) |
| | 7,936 | 7,670 | 3,143 | 3,197 |
| Buildings under lease: | | | | |
| - at cost | 726 | 726 | - | - |
| - accumulated depreciation | (24) | - | - | - |
| | 702 | 726 | - | - |
| Plant and equipment | | | | |
| - at cost | 93,073 | 54,846 | 11,629 | 11,080 |
| - accumulated depreciation | (33,902) | (4,583) | (5,765) | (4,583) |
| | 59,171 | 50,263 | 5,864 | 6,497 |
| Total Property, Plant and Equipment | | | | |
| - at cost | 166,126 | 116,538 | 21,366 | 19,885 |
| - accumulated depreciation and amortisation | (35,831) | (5,039) | (6,316) | (5,039) |
| | 130,295 | 111,499 | 15,050 | 14,846 |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | *2003* | *2002* | *2003* | *2002* |
| | *$'000* | *$'000* | *$'000* | *$'000* |
| (b) Reconciliations | | | | |
| Vineyard Improvements | | | | |
| - carrying amount at beginning of the financial year | 14,093 | - | - | - |
| - additions | 75 | - | 69 | - |
| - transfer from plant and equipment | 846 | - | 846 | - |
| - depreciation | (803) | - | (24) | - |
| - acquired through merger with Simeon Wines Limited | - | 14,093 | - | - |
| | 14,211 | 14,093 | 891 | - |
| Vineyard Improvements under lease (to third party) | | | | |
| - carrying amount at beginning of the financial year | 6,439 | - | - | - |
| - additions | 138 | - | - | - |
| - depreciation | (349) | - | - | - |
| - acquired through merger with Simeon Wines Limited | - | 6,439 | - | - |
| | 6,228 | 6,439 | - | - |
| Vineyard Improvements under lease (from third party) | | | | |
| - carrying amount at beginning of financial year | - | - | - | - |
| - additions | 2,342 | - | - | - |
| - amortisation | (78) | - | - | - |
| | 2,264 | - | - | - |
| Freehold land | | | | |
| - carrying amount at beginning of the financial year | 26,089 | 5,131 | 5,152 | 5,131 |
| - additions | 9,054 | 21 | - | 21 |
| - disposals | (1,579) | - | - | - |
| - acquired through merger with Simeon Wines Limited | - | 20,937 | - | - |
| - other transfers | - | - | - | - |
| | 33,564 | 26,089 | 5,152 | 5,152 |
| Freehold land and vines under lease | | | | |
| - carrying amount at beginning of the financial year | 6,219 | - | - | - |
| - acquired through merger with Simeon Wines Limited | - | 6,219 | - | - |
| | 6,219 | 6,219 | - | - |
| Buildings | | | | |
| - carrying amount at beginning of the financial year | 7,670 | 2,872 | 3,197 | 2,872 |
| - additions | 505 | 394 | 17 | 394 |
| - disposals | (12) | - | - | - |
| - depreciation | (227) | (69) | (71) | (69) |
| - acquired through merger with Simeon Wines Limited | - | 4,473 | - | - |
| | 7,936 | 7,670 | 3,143 | 3,197 |
| Buildings under lease | | | | |
| - carrying amount at beginning of the financial year | 726 | - | - | - |
| - depreciation | (24) | - | - | - |
| - acquired though merger with Simeon Wines Limited | - | 726 | - | - |
| | 702 | 726 | - | - |
| Plant and equipment under lease | | | | |
| - carrying amount at beginning of the financial year | 111 | 178 | 111 | 178 |
| - additions | 1,148 | - | - | - |
| - amortisation | (84) | (67) | (59) | (67) |
| | 1,175 | 111 | 52 | 111 |
| Plant and equipment | | | | |
| - carrying amount at beginning of the financial year | 50,152 | 6,745 | 6,386 | 6,724 |
| - additions | 15,374 | 1,578 | 1,805 | 1,566 |
| - disposals | (450) | (667) | (179) | (667) |
| - depreciation | (6,234) | (1,258) | (1,354) | (1,237) |
| - transfer to vineyard improvement | (846) | - | (846) | - |
| - acquired through merger with Simeon Wines Limited | - | 43,754 | - | - |
| | 57,996 | 50,152 | 5,812 | 6,386 |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| | $'000 | $'000 | $'000 | $'000 |
| Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year: | | | | |
| - Buildings | 251 | 69 | 71 | 69 |
| - Vineyard improvements | 803 | - | 24 | - |
| - Vineyard improvements under lease (to third party) | 349 | - | - | - |
| - Vineyard improvemants under lease (from third party) | 78 | - | - | - |
| - Plant and equipment | 6,234 | 1,258 | 1,354 | 1,237 |
| - Equipment under lease | 84 | 67 | 59 | 67 |
| | 7,799 | 1,394 | 1,508 | 1,373 |

A valuation of freehold land and buildings was performed in 2002 by the directors and was completed on the basis of current market values. The value of freehold land and building was assessed at $74,092,671 and included the value of vines. The revaluation of the freehold land and buildings (excluding vines) is not reflected in the financial statements.

## NOTE 19: INTANGIBLES

| | | | | |
|---|---|---|---|---|
| Goodwill | 49,289 | 49,289 | - | - |
| Accumulated amortisation | (2,502) | (38) | - | - |
| | 46,787 | 49,251 | - | - |
| Brand names | 6,117 | 6,085 | - | - |
| Accumulated amortisation | (1,069) | (766) | - | - |
| | 5,048 | 5,319 | - | - |
| | 51,835 | 54,570 | - | - |

## NOTE 20: DEFERRED TAX ASSETS

| | | | | |
|---|---|---|---|---|
| Future income tax benefits: | | | | |
| Timing differences | 4,787 | 5,345 | 954 | 611 |
| Tax losses- revenue | - | 3,202 | - | - |
| | 4,787 | 8,547 | 954 | 611 |

## NOTE 21: OTHER NON-CURRENT ASSETS

| | | | | |
|---|---|---|---|---|
| Security deposit | 1,232 | 1,165 | - | - |
| | 1,232 | 1,165 | - | - |

## NOTE 22: INVENTORIES

The aggregate carrying amount of inventories recognised and included in the financial statements is as follows:

| | | | | |
|---|---|---|---|---|
| Inventories: | | | | |
| Current (note 10) | 125,902 | 108,260 | 121,594 | 27,752 |
| Non Current (note 14) | 32,271 | 15,817 | 32,271 | 15,817 |
| | 158,173 | 124,077 | 153,865 | 43,569 |

## NOTE 23: ASSETS PLEDGED AS SECURITY

In accordance with the security arrangements of liabilities, as disclosed in notes 25 and 30 to the financial statements, effectively all assets of the consolidated entity have been covered by a negative pledge with the lending institutions, with the exception of assets under hire purchase.

## NOTE 24: CURRENT PAYABLES

| | | | | |
|---|---|---|---|---|
| Trade payables | 78,347 | 70,237 | 77,625 | 14,301 |
| Sundry payables and accruals | 7,562 | 11,460 | 5,250 | 3,847 |
| Goods and services tax (GST) and WET payable | 6,038 | 2,066 | 1,948 | 185 |
| Loans to other entities within the wholly-owned group | - | - | 125,223 | - |
| | 91,947 | 83,763 | 210,046 | 18,333 |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| | $'000 | $'000 | $'000 | $'000 |

**NOTE 25: CURRENT INTEREST-BEARING LIABILITIES**

| | | | | |
|---|---|---|---|---|
| Secured: | | | | |
| Bank overdraft (note 30 (i)) | 691 | 4,130 | - | 1,799 |
| Commercial Bills (note 30 (i)) | - | 6,500 | - | 6,500 |
| Hire purchase (note 30 (ii)) | 1,868 | 1,320 | 1,523 | 1,320 |
| | 2,559 | 11,950 | 1,523 | 9,619 |

**NOTE 26: CURRENT TAX LIABILITIES**

| | | | | |
|---|---|---|---|---|
| Income tax payable | 1,968 | 2,355 | 1,666 | 2,341 |

**NOTE 27: CURRENT PROVISIONS**

| | | | | |
|---|---|---|---|---|
| Dividends (note 33) | - | 7,982 | - | 7,928 |
| Restructuring (note 33) | 658 | 2,297 | - | - |
| Commercial settlement (note 33) | - | 551 | - | - |
| Directors retirement benefit | 600 | 600 | - | - |
| Employee entitlements (note 34) | 1,945 | 1,678 | 871 | 769 |
| Other | - | 592 | - | - |
| | 3,203 | 13,700 | 871 | 8,697 |

The restructuring provision relates to the rationalisation of various functions resulting from the merger with Simeon Wines Limited.

**NOTE 28: OTHER CURRENT LIABILITIES**

| | | | | |
|---|---|---|---|---|
| Income in advance | 6,064 | 7,616 | - | 5,619 |
| Other | 34 | 139 | - | 147 |
| | 6,098 | 7,755 | - | 5,766 |

**NOTE 29: NON-CURRENT PAYABLES**

| | | | | |
|---|---|---|---|---|
| Non-trade payables to wholly-owned entities | - | - | - | 408 |
| Other loans | 1,964 | 827 | 330 | 330 |
| | 1,964 | 827 | 330 | 738 |

**NOTE 30: NON-CURRENT INTEREST-BEARING LIABILITIES**

| | | | | |
|---|---|---|---|---|
| Secured: | | | | |
| Commercial Bills (i) | 143,500 | 112,500 | 5,500 | 8,500 |
| Hire purchase (ii) | 2,755 | 2,411 | 2,018 | 2,411 |
| Finance lease liabilities (iii) | 28,816 | - | - | - |
| | 175,071 | 114,911 | 7,518 | 10,911 |

(i) The bank overdraft and commercial bills are secured as follows:

| | | | | |
|---|---|---|---|---|
| by negative pledge to Westpac Banking Corporation | | | | |
| - bank overdraft | - | 1,799 | - | 1,799 |
| - commercial bills (current) | - | 6,500 | - | 6,500 |
| - commercial bills (non-current) | - | 8,500 | - | 8,500 |
| | - | 16,799 | - | 16,799 |
| by negative pledge to National Australia Bank | | | | |
| - bank overdraft | 691 | 2,331 | - | - |
| - commercial bills (non-current) | 143,500 | 104,000 | 5,500 | - |
| | 144,191 | 106,331 | 5,500 | - |

(ii) Secured by assets subject to the hire purchase agreement.

(iii) Secured by assets subject to the financial lease.

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | *2003* | *2002* | *2003* | *2002* |
| | *$'000* | *$'000* | *$'000* | *$'000* |

**NOTE 31: DEFERRED TAX LIABILITIES**

| | | | | |
|---|---|---|---|---|
| Deferred income tax | 12,088 | 8,462 | 4,210 | 1,489 |

**NOTE 32: NON-CURRENT PROVISIONS**

| | | | | |
|---|---|---|---|---|
| Employee entitlements (note 34) | 1,566 | 1,490 | 382 | 292 |

**NOTE 33: PROVISIONS**

*CONSOLIDATED*

| | Dividend $'000 | Restructuring and termination costs $'000 | Commercial Settlement $'000 |
|---|---|---|---|
| Balance at 30 June 2002 | 7,928 | 2,297 | 551 |
| Adjustment to retained profits on initial application of AASB 1044 | (7,928) | - | - |
| Reductions arising from payments/other sacrifices of future economic benefits | - | (1,639) | (551) |
| Other | - | - | - |
| Balance at 30 June 2003 | - | 658 | - |
| Current | - | 658 | - |
| Non-current | - | - | - |
| | - | 658 | - |

*COMPANY*

| | Dividend $'000 | Restructuring and termination costs $'000 | Commercial Settlement $'000 |
|---|---|---|---|
| Balance at 30 June 2002 | 7,928 | - | - |
| Adjustment to retained profits on initial application of AASB 1044 | (7,928) | - | - |
| Balance at 30 June 2003 | - | - | - |
| Current | | | |
| Non-current | | | |
| | - | - | - |

The provisions for restructuring and termination benefits represents the present value of the directors' best estimate of the costs directly and necessarily caused by the restructuring that are not associated with the ongoing activities of the entity. The closing balance relates to the following acquistions:

| | *CONSOLIDATED* | | *COMPANY* | |
|---|---|---|---|---|
| | ***2003*** | ***2002*** | ***2003*** | ***2002*** |
| | ***$'000*** | ***$'000*** | ***$'000*** | ***$'000*** |
| Simeon Wines Limited | 658 | 2,297 | - | - |

## NOTE 34: EMPLOYEE ENTITLEMENTS

The aggregate employee entitlement liability recognised and included in the financial statements is as follows:

| | | | | |
|---|---|---|---|---|
| Provision for employee entitlements: | | | | |
| Current (note 27) | 1,945 | 1,678 | 871 | 769 |
| Non-Current (note 32) | 1,566 | 1,490 | 382 | 292 |
| | 3,511 | 3,168 | 1,253 | 1,061 |
| Number of employees at the end of the financial year | 489 | 495 | 162 | 180 |

## NOTE 35: NON-HEDGED FOREIGN CURRENCY BALANCES

The Australian dollar equivalent of foreign currency balances included in the financial statements which are not effectively hedged are as follows: US Dollars - Current receivables $Nil (2002 - $722 thousand); Canadian dollars - Current receivables $408 thousand (2002 - $321 thousand); GB Pounds - Current receivables $3,769 thousand (2002 - $1,466 thousand); and Euro's - Current receivables $598 thousand (2002-$Nil).

## NOTE 36: CONTRIBUTED EQUITY

| | | | | |
|---|---|---|---|---|
| Fully paid ordinary shares | 290,965 | 269,818 | 290,965 | 269,818 |
| **Fully paid ordinary share capital** | **2003 Number** | **2003 $'000** | **2002 Number** | **2002 $'000** |
| Beginning of financial year | 93,155,516 | 269,818 | 43,351,527 | 31,420 |
| Issued during the year | | | | |
| - non-executive share scheme | 102,000 | - | 108,000 | - |
| - dividend re-investment plan | 4,071,264 | 16,886 | 456,734 | 1,777 |
| - share top-up plan | - | - | 102,424 | 361 |
| - share options exercised | 2,406,000 | 4,261 | 698,000 | 1,394 |
| - shares issued re: merger with Simeon Wines Ltd | - | - | 48,438,831 | 234,928 |
| - share issue costs | - | - | - | (62) |
| - other | 6,000 | - | - | - |
| | 99,740,780 | 290,965 | 93,155,516 | 269,818 |

Fully paid ordinary shares carry one vote per share and carry the right to dividends
Shares issued to directors during the financial year are disclosed in note 6.

## NOTE 37: RETAINED PROFITS

| | *CONSOLIDATED* | | *COMPANY* | |
|---|---|---|---|---|
| | ***2003*** | ***2002*** | ***2003*** | ***2002*** |
| | ***$'000*** | ***$'000*** | ***$'000*** | ***$'000*** |
| Balance at beginning of financial year | (43,725) | 14,770 | (43,964) | 14,390 |
| Dividends provided for or paid | (16,886) | (10,820) | (16,886) | (10,820) |
| Net profit/(loss) | 32,204 | (47,675) | 27,153 | (47,534) |
| Initial adoption of AASB1044 "Provisions, Contingent Assets and Contingent Liabilities" | | | | |
| - Writeback of prior year provision of dividend | 7,928 | - | 7,928 | - |
| Initial adjustment on adoption of AASB1028 "Employee Benefits" | (34) | - | - | - |
| Balance at end of year | (20,513) | (43,725) | (25,769) | (43,964) |

## NOTE 38: EARNINGS PER SHARE

| | CONSOLIDATED | |
|---|---|---|
| | *2003* | *2002* |
| | *Cents per share* | *Cents per share* |
| Basic earnings per share (based on net profit before goodwill write down) | 33.3 | 25.9 |
| Diluted earnings per share (based on net profit before goodwill write down) | 33.1 | 24.2 |
| Basic earnings per share (based on net profit after goodwill write down) | 33.3 | (108.1) |
| Diluted earnings per share (based on net profit after goodwill write down) | 33.1 | (101.2) |

**The following reflects the earnings income and share data used in the calculation of basic and diluted earnings per share:**

| | *2003* | *2002* |
|---|---|---|
| | *$'000* | *$'000* |
| Net Profit from ordinary activities before goodwill write down and income tax expense | 46,071 | 16,462 |
| Income tax expenses relating to net profit before tax expense and goodwill write down | (13,867) | (5,011) |
| Adjustments to retained profits at 1 July 2002 as as result of the adoption of AASB 1028 'Employee Benefits'. | - | (34) |
| | 32,204 | 11,417 |

| | CONSOLIDATED | |
|---|---|---|
| | *2003* | *2002* |
| | *$'000* | *$'000* |
| Earnings used for calculating basic and diluted earnings per share (before goodwill write down) | 32,204 | 11,417 |
| Goodwill write down | - | (59,126) |
| Earnings used for calculating basic and diluted earnings per share (after goodwill write down) | 32,204 | (47,709) |

| | *Number of shares 2003 '000* | *Number of shares 2002 '000* |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 96,592 | 44,136 |
| Effect of dilutive securities: Share options | 693 | 3,009 |
| Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share | 97,285 | 47,145 |

All the potential ordinary shares are dilutive and therefore have been included in the weighted average number of ordinary and potential shares used in the calculation of diluted earnings per share.

**Information concerning the classification of securities**

Options granted to Directors under the Executive Directors' Option Scheme are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in notes 6 and 7.

| | COMPANY 2003 | | COMPANY 2002 | |
|---|---|---|---|---|
| | Cents per Share | Total $'000 | Cents per share | Total $'000 |
| **NOTE 39: DIVIDENDS** | | | | |
| Fully paid ordinary shares | | | | |
| Interim dividend – franked to 30% | 9.0 | 8,958 | 6.5 | 2,892 |
| Final dividend – franked to 30% | | - | 8.5 | 7,928 |
| | | 8,958 | | 10,820 |
| Adjusted franking account balance at 30% | | 36,243 | | 19,400 |

The final dividend in respect of ordinary shares for the year ended 30 June 2003 has not been recognised in this financial report because the final dividend was declared, determined or publicly recommended subsequent to 30 June 2003. On the basis that directors will continue to publicly recommend dividends in respect of ordinary shares subsequent to reporting date, in future financial reports the amount disclosed as 'recognised' will be the final dividend in respect of the prior financial year, and the interim dividend in respect of the current financial year.

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| **NOTE 40: LEASES** | $'000 | $'000 | $'000 | $'000 |
| (a) Non-cancellable operating leases | | | | |
| The consolidated entity leases the following assets under normal economic terms. All operating lease contracts contain market review clauses in the event the consolidated entity exercises its option to renew. | | | | |
| - Vineyards | | | | |
| - Warehouses | | | | |
| - Cellar doors | | | | |
| - Winery equipment | | | | |
| The following sets out the commitments to future lease payments that have not been disclosed in the financial statements as a liability: | | | | |
| - not longer than 1 year | 8,898 | 5,520 | 5,274 | 1,800 |
| - longer than 1 year and not longer than 5 years | 39,704 | 19,853 | 25,741 | 6,233 |
| - longer than 5 years | 47,209 | 12,504 | 38,795 | 725 |
| | 95,811 | 37,877 | 69,810 | 8,758 |

(b) Finance Leases
Finance leases relate to vineyard's with a lease term of 15 years.

| | Minimum Future lease payments | | | | Present Value of Minimum Future Lease payments | | | |
|---|---|---|---|---|---|---|---|---|
| | Consolidated | | Company | | Consolidated | | Company | |
| | 2003 $'000 | 2002 $'000 | 2003 $'000 | 2002 $'000 | 2003 $'000 | 2002 $'000 | 2003 $'000 | 2002 $'000 |
| No Later than 1 year | 2,633 | - | - | - | - | - | - | - |
| Later than 1 year and not later than 5 years | 7,899 | - | - | - | 1,444 | - | - | - |
| Later than 5 years | 46,025 | - | - | - | 27,372 | - | - | - |
| Minimum lease payments* | 56,557 | - | - | - | 28,816 | - | - | - |
| Less future finance changes | (27,741) | - | - | - | - | - | - | - |
| Present value of minimum lease payments | 28,816 | - | - | - | 28,816 | - | - | - |
| Non-Current Interest bearing liabilities (note 30) | | | | | 28,816 | - | - | - |

*minimum lease payments include the aggregate of all lease payments and any guaranteed residual.

## NOTE 41: CONTINGENT LIABILITIES

The Company has foreign exchange hedge contracts with plateau calls , shout options or fixed rates.
As at 30/6/03 all foreign currency contracts have been accounted for as per AASB 1012 "Foreign Currency Translation", and therefore no contingent liability exists. As at 30/6/02 if the company ceased business a contingent liability of $2,731,038 existed.

As detailed in note 42, the company has entered into a deed of cross guarantee with certain wholly-owned controlled entities. The amount disclosed as a contingent liability ($69,918,000) represents total liabilities of the group of companies party to that class order less the liabilities of the company. The extent to which an outflow of funds will be required is dependent on the future operations of the entities that are party to the deed of cross guarantee being more or less favourable than currently expected. The deed of cross guarantee will continue to operate indefinitely

## NOTE 42: CONTROLLED ENTITIES

| Name of entity | Country of Incorporation | Ownership Interest 2003 % | 2002 % |
|---|---|---|---|
| **Parent Entity** | | | |
| McGuigan Simeon Wines Limited | Australia | | |
| Controlled Entity | | | |
| Simeon Wines Limited (1) | Australia | 100 | 100 |
| Vintners Australia Pty Limited (1) | Australia | 100 | 100 |
| Barossa Valley Wine Company Pty Limited (1) | Australia | 100 | 100 |
| Riverland Vineyards Pty Limited (1) | Australia | 100 | 100 |
| Coldridge Vineyards Pty Limited (1) | Australia | 100 | 100 |
| Australian Vintage Limited (1) | Australia | 100 | 100 |
| Mourquong Pty Limited (1) | Australia | 100 | 100 |
| Buronga Hill Pty Limited (1) | Australia | 100 | 100 |
| Austvin Vineyards Limited (1) | Australia | 100 | 100 |
| Austvin Finance Pty Limited (1) | Australia | 100 | 100 |
| Austvin Management Pty Limited (1) | Australia | 100 | 100 |
| Australian Flavours Pty Limited (1) | Australia | 100 | 100 |
| Austvin Holdings Pty Limited (1) | Australia | 100 | 100 |
| Harvest Wine Company Pty Limited (1) | Australia | 100 | 100 |
| Budrove Pty Limited (1) | Australia | 100 | 100 |
| Limestone Coast Wines Pty Limited (1) | Australia | 100 | 100 |
| Icon Brands Pty Limited (1) | Australia | 100 | 100 |
| Botany Creek Wines Pty Limited (1) | Australia | 100 | 100 |
| Vinoceros (Aust) Pty Limited | United Kingdom | 50 | 50 |

(1) These wholly-owned controlled entities have entered into a deed of cross guarantee with McGuigan Simeon Wines Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report. As a condition of this class order, McGuigan Simeon Wines Limited has guaranteed to pay any deficiency in the event of winding up of any of it's controlled entity. The controlled entities have also given a similar guarantee in the event McGuigans Simeon Wines Limited is wound up.

## NOTE 43: SEGMENT INFORMATION

### Business Segments
### Segments Revenue, Results, Assets and Liabilities

| | Revenue 2003 $'000 | Revenue 2002 $'000 | Results 2003 $'000 | Results 2002 $'000 | Assets 2003 $'000 | Assets 2002 $'000 | Liabilities 2003 $'000 | Liabilities 2002 $'000 |
|---|---|---|---|---|---|---|---|---|
| Bottled wine | 85,339 | 67,309 | 8,202 | 10,204 | 66,722 | 92,712 | 21,642 | 19,678 |
| Bulk wine and grape | 121,969 | 17,311 | 31,472 | 4,828 | 406,754 | 298,901 | 100,458 | 74,561 |
| Bulk in bottle | 52,877 | - | 5,819 | 2,123 | 14,886 | 6,103 | - | - |
| Vineyard development and management | 30,303 | 15,834 | 7,427 | 2,985 | 10,635 | 1,419 | 11,976 | 5,807 |
| Unallocated | 2,633 | 885 | (6,849) | (3,678) | 67,919 | 72,171 | 162,388 | 145,167 |
| Total consolidated | 293,121 | 101,339 | | | 566,916 | 471,306 | 296,464 | 245,213 |

| | 2003 | 2002 |
|---|---|---|
| Total profit from ordinary activities before goodwill write down and income tax | 46,071 | 16,462 |
| Write down of goodwill | - | (59,126) |
| Income tax expense relating to ordinary activities | (13,867) | (5,011) |
| Profit from ordinary activities after related income tax expense | 32,204 | (47,675) |

* the material amount in unallocated revenue results from the sale of property, plant and equipment.
* unallocated assets include goodwill and tax related assets.
* unallocated liabilities includes commercial bill facilities utilised in the whole business and tax related liabilities
* the bottled wine division assets include the carrying value of the equity accounted investment in an associate amounting to $1.9 million.

### Other Segmental Information

| | Acquistion of segment assets 2003 $'000 | Acquistion of segment assets 2002 $'000 | Depn and amort of segment assets 2003 $'000 | Depn and amort of segment assets 2002 $'000 | Other non-cash expenses 2003 $'000 | Other non-cash expenses 2002 $'000 | Share of Associates Loss 2003 $'000 | Share of Associates Loss 2002 $'000 |
|---|---|---|---|---|---|---|---|---|
| Bottled wine | 56 | 1,456 | 9 | 1,391 | - | - | (142) | - |
| Bulk wine and grape | 46,920 | 123,657 | 6,774 | - | - | - | - | - |
| Bulk in bottle | - | - | - | - | - | - | - | - |
| Vineyard development and management | - | - | - | - | 15 | 15 | - | - |
| Unallocated | 631 | - | 3,783 | - | | | | |
| Total | 47,607 | 125,113 | 10,566 | 1,391 | 15 | 15 | (142) | - |

### Geographical Segments

| | Revenue from customers 2003 $'000 | Revenue from customers 2002 $'000 | Segment assets 2003 $'000 | Segment assets 2002 $'000 | Acquisition of segment assets 2003 $'000 | Acquisition of segment assets 2002 $'000 |
|---|---|---|---|---|---|---|
| Australia | 160,438 | 71,267 | 516,616 | 456,024 | 47,607 | 125,113 |
| United Kingdom | 62,749 | 16,361 | 21,727 | 9,904 | - | - |
| North America | 48,709 | 8,529 | 14,772 | 3,851 | - | - |
| New Zeland | 12,911 | 3,992 | 9,852 | 1,527 | - | - |
| Other | 8,314 | 1,190 | 3,949 | - | - | - |
| | **293,121** | **101,339** | **566,916** | **471,306** | **47,607** | **125,113** |

## NOTE 44: RELATED PARTY DISCLOSURES

### (a) *Equity interests in related parties*

**Equity interests in controlled entities**

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 42 to the financial statements.

**Equity interests in associates**

Details of the percentage of ordinary shares held in associates are disclosed in note 15 to the financial statements.

### (b) *Directors' remuneration and retirement benefits*

Details of directors' remuneration are disclosed in note 6 to the financial statements.

### (c) *Directors' equity holdings*

| | Fully paid ordinary Shares | Executive share options |
|---|---|---|
| Share issued during the financial year to directors and their director-related entities by the Company: | 126,000 (i) | - |
| Shares held as at the reporting date by directors and their director related entities in the Company: | 13,178,082 (ii) | - |

All ordinary shares issued to the directors during the financial year were made in accordance with the provisions of the non-executive directors' share scheme.

(i) These shares were issued as bonus shares as part of the remuneration under the non-executive director share scheme. Further information is set out in the Directors' report.

(ii) Includes 540,000 shares issued under the non-executive directors' share scheme. These shares will not be listed until a sale restriction is lifted. Further information is set out in the Directors' report.

### (d) *Other transactions with directors*

(i) David White is a partner of Fitzgerald White Talbot & Co, which acts as the solicitor for McGuigan Simeon Wines Limited. During the year ended 30 June 2003, McGuigan Simeon Wines Limited paid $171,514 (2002: $87,889) in legal fees to Fitzgerald White Talbot & Co at normal commercial rates.

(ii) David White has a minority interest in an entity that owns a vineyard at Scone that has entered into an agreement with the company to buy grapes from that vineyard at normal commercial terms. During the period under review the entity paid an amount of $181,000(2001: $251,812) for the purchase of the bulk wine .

(iii) David White has a minority interest in an entity that paid $200,025 (2002: $388,707) to the Company for the provision of viticultural services at Denman. Fruit from that vineyard was purchased by the Company from the entity for $182,605 (2002: $176,954) on the same terms and conditions as other investors in that project.

(iv) During the year ended 30 June 2003, a company associated with David Clarke, Poole's Rock Wines Pty Limited, sold to the Company wine to the value of $83,208 (2002: $124,446) at normal wholesale rates. The Company sold grapes to Poole's Rock Wines Pty Limited to the value of $95,856 (2002: $112,752) at normal wholesale rates. The Company purchased grapes from Poole's Rock Wines Pty Limited to the value of $819 (2002: $2,730) at normal wholesale rates. The company charges Poole's Rock Wines Pty Limited an administration fee for sales by the company of Poole's Rock Wines Pty Limited wines to Poole's Rock Wines Pty Limited retail customers $2,656 (2002: $Nil).

(v) Fay McGuigan has a minority interest in an entity which paid $96,000 (2002: $151,800) to the Company for the provision of viticultural services at Barmera and Bordertown. Fruit from the Barmera vineyard was purchased by the Company from the entity for $275,025(2002: $238,945) on the same terms and conditions as other investors in that project.

(vi) During the year ended 30 June 2003, the Company has managed the Spring Mountain Vineyard of Nicholas Greiner on a contract basis in which McGuigan Simeon Wines Limited charges for all the non-capital expenses related to the operation of the vineyard. The expenses incurred totalled $260,143 (2002: $249,226) and an amount of $106,538 (2002: $467,670) was paid for the purchase of the grapes from Nicholas Greiner's vineyard during the 2003 year calculated at normal commercial rates.

(vii) During the financial year, McGuigan Simeon Wines Limited was charged for contract processing of wine by the controlled entity Tempus Two Pty Ltd on normal commercial terms.

*(e) Transactions within the wholly-owned group*

The ultimate parent company in the wholly-owned group is McGuigan Simeon Wines Limited.

Amounts which are non-trade receivables from wholly-owned controlled entities are disclosed in note 9 and 13.

During the financial year, McGuigan Simeon Wines Limited sold wine to the partly controlled entity Vinoceros (Aust) Pty Limited, under a distribution agreement on normal commercial terms.

Historically and on normal commercial terms a fixed commission is paid to Vinoceros (Aust) Pty Limited calculated on the cases purchased from McGuigan Simeon Wines Limited.

*(f) Transactions with other related parties*

Aggregate amounts receivable from and payable to other related parties are disclosed in note 9, 13, 24 and 29. Details of receivables included in those aggregate amounts are as follows:

| | *CONSOLIDATED* | | *COMPANY* | |
|---|---|---|---|---|
| | *2003* | *2002* | *2003* | *2002* |
| | *$'000* | *$'000* | *$'000* | *$'000* |
| Current receivables | - | 8,936 | - | - |
| Current receivables (other current assets) | - | 515 | - | 515 |

## NOTE 45: SUBSEQUENT EVENTS

On the 9th of September 2003 the entity announced to the market that it had signed heads of agreement to acquire Miranda Wines Holdings Limited for $25.5 million paid as to $8 million in cash and the balance in shares valued at $4.50 per share. The acquisition will add both processing capacity and sales to the entities existing structure and performance.

On 17 September 2003 the entity announced that it had signed heads of agreement for sale and lease back of in the order of 1000 Ha of company vineyards for in the order of $77 million. The sale will release capital for redeployment without loss of access to the fruit supply from those vineyards.

## NOTE 46: NOTES TO THE STATEMENT OF CASH FLOWS

*(a) Reconciliation of cash*

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the Statement of Finacial Position as follows:

| | *CONSOLIDATED* | | *COMPANY* | |
|---|---|---|---|---|
| | *2003* | *2002* | *2003* | *2002* |
| | *$'000* | *$'000* | *$'000* | *$'000* |
| Cash on hand | 15 | 13 | 7 | 8 |
| Cash at bank | 758 | 2,657 | 5,284 | 2,092 |
| Bank overdraft | (691) | (4,130) | - | (1,799) |
| | 82 | (1,460) | 5,291 | 301 |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | *2003* | *2002* | *2003* | *2002* |
| | *$'000* | *$'000* | *$'000* | *$'000* |

## NOTE 46:NOTES TO THE STATEMENT OF CASH FLOWS (continued)

***(b) Non-cash financing and investing activities***

| | | | | |
|---|---|---|---|---|
| Acquisition of property, plant and equipment by means of finance leases | 28,816 | - | - | - |

***(c) Financing facilities***

Unrestricted access was available at balance date to the following line of credit

| | | | | |
|---|---|---|---|---|
| • amount used | 144,191 | 120,460 | 5,500 | 14,699 |
| • amount unused | 35,809 | 37,540 | - | 3,301 |
| | 180,000 | 158,000 | 5,500 | 18,000 |

***(d) Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities***

| | | | | |
|---|---|---|---|---|
| Profit from ordinary activities after income tax | 32,204 | (47,675) | 27,153 | (47,534) |
| Depreciation and amortisation of non-current assets | 10,566 | 635 | 1,508 | 604 |
| (Profit)/Loss on sale of non-current assets | 85 | (4) | (74) | (4) |
| Share of associates profit | 99 | - | - | - |
| Write down of goodwill / investment | - | 59,126 | - | 59,126 |
| Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses: | | | | |
| (Increase)/Decrease in assets: | | | | |
| receivables | (36,584) | 10,970 | (36,329) | (344) |
| inventories | (34,096) | 2,732 | (29,789) | 3,703 |
| other current assets | 2,069 | (743) | 71 | (203) |
| other non-current assets | 3,693 | (210) | (343) | (210) |
| Increase/(Decrease) in liabilities: | | | | |
| current trade and other payables | 12,284 | (29,852) | 2,728 | (16,047) |
| provisions | (3,599) | 879 | 190 | 868 |
| other | (387) | - | (221) | - |
| non-current provisions | 3,626 | (153) | 2,721 | (153) |
| Net cash from operating activities | (10,040) | (4,295) | (32,385) | (194) |

## NOTE 47: FINANCIAL INSTRUMENTS

**Foreign exchange risk**

The consolidated entity has exposure to foreign exchange fluctuations in respect of sales to overseas countries. To manage the risk it is the consolidated entity's policy to hedge at least 70% of estimated sales in US dollars and UK pounds through forward exchange put and call options.

At 30 June 2003 the Company held US dollar foreign exchange contracts to the value of USD 4,800,000 (2002: USD 9,000,000) and UK 4,368,161 pounds (2002: UK 5,400,000) that mature progressively through to June 2004.

**Fixed interest rate maturing in:**

| Financial instruments | Floating interest rate | | 1 year or less | | Over 1 to 5 years | | More than 5 years | | Non-interest bearing | | Total carrying amount as per balance sheet | | Weighted Average effective interest rate | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **(i) Financial assets** | | | | | | | | | | | | | | |
| Cash | 758 | 2,657 | - | - | - | - | - | - | 15 | 13 | 773 | 2,670 | 3.85 | 4.00 |
| Receivables - trade | - | - | - | - | - | - | - | - | 116,474 | 85,666 | 116,474 | 85,666 | N/A | N/A |
| **Total financial assets** | **758** | **2,657** | - | - | - | - | - | - | **116,489** | **85,679** | **117,247** | **88,336** | | |
| **(ii) Financial liabilities** | | | | | | | | | | | | | | |
| Bank overdrafts | 691 | 4,130 | - | - | - | - | - | - | - | - | 691 | 4,130 | 8.45 | 8.70 |
| Commercial Bills | 58,500 | 67,500 | - | - | 85,000 | 45,000 | - | - | - | - | 143,500 | 112,500 | 5.26 | 5.66 |
| Trade creditors and accruals | - | - | - | - | - | - | - | - | 85,909 | 77,597 | 85,909 | 77,597 | N/A | N/A |
| Dividends payable | - | - | - | - | - | - | - | - | - | 7,928 | - | 7,928 | N/A | N/A |
| **Total financial liabilities** | **59,191** | **71,630** | - | - | **85,000** | **45,000** | - | - | **85,909** | **85,525** | **230,100** | **202,155** | | |

N/A - not applicable for non-interest bearing assets/liabilities.

***Interest Rate Risk**

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial liabilities, both recognised and unrecognised at the balance date, are as follows:

At balance date, the company had four interest rate swap agreements with a notional amount of $85 million.

(i) $25 million on which it pays 6.31% interest and receives the Bank Bill Swap Rate (BBSW) on the notional amount (2002: $25m). This swap agreement expires in June 2007.

(ii) $20 million on which it pays 5.68% interest and receives the BBSW calculated on the notional amount (2002: $20m). This swap agreement expires in August 2007.

(iii) $20 million on which it pays 4.93% interest and receives BBSW calculated on the notional amount (2002: $0). This swap agreement expires in February 2006.

(iv) $20 million on which it pays 5.04% interest and receives BBSW calculated on the notional amount (2002: $0). This swap agreement expires in February 2007.

The swap is used to protect part of the bank facility from exposure to increasing interest rates. The swap in place covers 59% (2002: 39%) of the total borrowings as at 30 June 2003.

**Net fair value**

The financial assets and liabilities recorded in the financial statements approximates their respective net fair values determined using discounted cash flows.

**Credit risk**

The maximum exposure to credit risk arises from the accounts receivable recorded on the balance sheet. The Company has a policy of only dealing with credit worthy customers. Some sales are also covered by an insurance policy.