

**M c G U I G A N  
S I M E O N  
W I N E S L I M I T E D**



**ACN: 052 179 932**

**ASX ANNOUNCEMENT**

**27TH SEPTEMBER 2006**

Please find attached McGuigan Simeon Wines Limited financial accounts for year ending 30th June 2006.

**M c G U I G A N  
S I M E O N  
W I N E S L I M I T E D**



**FINANCIAL REPORT YEAR ENDED**

**30 JUNE 2006**

**(ACN: 052 179 932 ASX REFERENCE: MGW)**

# McGuigan Simeon Wines Limited

## Directors' report

The Directors of McGuigan Simeon Wines Limited submit herewith the annual financial report for the financial year ended 30 June 2006. 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, B. Ec (Hons), Hon D. Sc. Econ, MBA (Harv), Age 64**

(Chairman) Director since 20 November 1991

Executive Chairman of Macquarie Bank Limited. Chairman of Macquarie Country Wide Management Limited, Macquarie Goodman Group, Macquarie Office Management Limited, Macquarie Pro Logis Management Limited, the Wine Committee of the Royal Agricultural Society of NSW, the Sydney Advisory Board of the Salvation Army, the Opera Australia Capital Fund and the Sydney University Football Club Foundation. Member of the Investment Advisory Committee of the Australian Olympic Foundation, the Council of the Royal Agricultural Society of NSW, the Harvard Business School Asia Advisory Committee, the Seoul International Business Advisory Council and an honorary life member of the Financial Markets Foundation for Children. Governor of the Australian Ireland Fund, Vice President of the Sydney University Cricket Club and a Director of The Clayton Utz Foundation.

#### **Dane B Hudson, B.E. (Chem) Hons, MBA, Age 44**

(Chief Executive Officer) Director since 22nd February 2006, Dane Hudson joins McGuigan Simeon Wines Ltd from Yum Brands Inc (formerly Pepsico Restaurants) in Dallas Texas where he was Senior Vice President and International Chief Finance, Development and Procurement Officer for the business outside of the US. Educated at the University of Sydney, where he received an honours degree in Chemical Engineering, and at Columbia Business School in New York, where he was awarded an MBA with majors in Finance and Management of Organisations. Dane has previously worked with Visy Board Pty Ltd and Booz Allen and Hamilton before leaving the firm in 1994 to join the PepsiCo Group in its Restaurant division (Pizza Hut and KFC).

#### **Brian J McGuigan AM, Age 64**

(Executive Director) Director since 20 November 1991

Over 45 years experience in the wine industry. Formerly Managing Director of McGuigan Simeon Wines Limited. He is currently the Chairman of the Newcastle Mater Misericordiae Hospital, Hunter Wine Country Private Irrigation District and Broke Fordwich Private Irrigation District. He is also a Director of Tower Estate Pty Limited and The National Stroke Foundation.

#### **Ian D Ferrier AM, CA, Age 66**

(Non-executive - Chairman of the Audit Committee) Director since 20 November 1991

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, Invocare Limited and Australian Oil Company Limited and a Director of Macquarie Goodman Group, Reckon Limited and Energy One Pty Ltd.

#### **Nicholas F Greiner AC, B. Ec (Hons), MBA (Harv), Age 59**

(Non-executive) - Director since 11 September 1992

Former Premier and Treasurer of New South Wales 1988-92. Currently Chairman of Bilfinger Berger Australia and Bradken Limited, Deputy Chairman of Stockland Group and a Director of QBE Insurance Group Limited and a number of other private companies.

#### **Perry R Gunner B. Ag. Sc, Grad. Dip, Bus. Admin, Age 59**

(Non-executive) - Director since 28 June 2002

Over 30 years experience in the Wine Industry. Formerly Chairman and Chief Executive Officer of Orlando Wyndham Group Pty Ltd. Chairman of So Natural Foods Ltd and Chairman of ABB Grain Ltd.

#### **Christopher L Harris B. Ec, FCPA, FAICD Age 59**

(Non-executive) Director since 28 June 2002.

Formerly CEO and Group Managing Director of FH Faulding & Co. Ltd. Chairman of Argo Investments Limited and EvoGenix Limited, and a Director of Adelaide Brighton Limited, United Water International Pty Limited and J.M. Financial Group Ltd.

## Directorships of other listed companies

Directorships of other listed companies held by Directors in the 3 years immediately before the end of the financial year are as follows:

<b>Name</b>	<b>Company</b>	<b>Period of Directorship</b>
David S Clarke	Macquarie Bank Limited	Since 1985
	Macquarie Office Trust	Since 2000
	Macquarie ProLogis Trust	Since 2002
	Macquarie Goodman Group	Since 2000
	Macquarie CountryWide Trust	Since 2000
Ian D Ferrier	Invocare Limited	Since 2001
	Macquarie Goodman Group	Since 2003
	Reckon Limited	Since 2004
	Australian Oil Company Limited	Since 2005
Christopher L Harris	Argo Investments Limited	Since 1994
	Adelaide Bank Limited	From 1994-2003
	Adelaide Brighton Limited	Since 1995
	EvoGenix Limited	Since 2004

# McGuigan Simeon Wines Limited

## Directors' report (cont'd)

Perry R Gunner	ABB Grain Limited	Since 2004
	So Natural Foods Limited	Since 2003
Nicholas F Greiner	Bradken Limited	Since 2004
	Stockland Corporation Limited	Since 1992
	QBE Insurance Group Limited	Since 1992

### Company Secretary

Michael H Noack (appointed 23 November 2005)

B Accountancy (University of South Australia), Fellow of ASCPA, Graduate Diploma in Systems Analysis (University of South Australia) and Fellow of the Chartered Secretaries Australia. Michael has been with McGuigan Simeon Wines Limited since the merger in 2002 and was previously Chief Financial Officer and Company Secretary of Simeon Wines Limited. Currently in the role of Company Secretary, Michael has been the Chief Financial Officer since 2002.

Andrew S White (resigned 23 November 2005)

B Arts (Sydney University), B Law (Sydney University), Member of NSW Law Society. Andrew commenced employment with McGuigan Simeon Wines Limited in 2002 as Company Secretary and also spent 12 months as General Manager of our Griffith operations. Andrew's previous experience was as a solicitor practicing in the areas of property, wine/liquor and the environment.

### Principal activities

The consolidated entity's principal activities in the course of the financial year were wine making, wine marketing, vineyard management and development.

### Changes in state of affairs

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

### Environmental regulations

The consolidated 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

This report is to be read in conjunction with other reports issued contemporaneously.

### Operational review

- EBITA (excluding inventory write down) decreased by 40% to \$34.4 million due to reduced margins in all divisions resulting from oversupply, retail consolidation and severe competition.

### Sales

- Double digit volume growth to 187.1 million litres, up 10% on the previous year with significant increase in export volumes and contract processing.
- Domestic volumes fell 6% to 74.0 million litres. The Australian retail environment is extremely competitive with wine companies fighting to clear stocks on the domestic bulk wine market. The brand market was characterised by discounting and cleanskins. Continuing retail consolidation has further pressured margins.
- Contract processing increased 27% to 36.4 million litres due to the establishment of further processing agreements.

### Export

- Export volumes improved 21% to 76.7 million litres and underpinned McGuigan's result (before inventory write down).
- Sales into the UK were up 69% to \$145.8 million based on strong brand growth into major retail outlets. Bottled growth was up 100%.
- Sales into the US were down by 50% to \$25 million, partly as a result of a change from bottled to bulk supply arrangements for Black Swan.
- Sales into Europe and Asia were below last year due mainly to reduced volumes of bulk wine shipments.
- Sales into New Zealand were also lower due to a reduction in bulk wine sales and as a result of the competitive market.
- Australian dollar strength increased export attractiveness of producers from other countries including USA, South Africa and South America.

### Dividends

In respect of the financial year ended 30 June 2005, as detailed in the Directors' Report for that financial year, a final dividend of 13.25 cents per share was paid to the holders of fully paid ordinary shares on 22nd November 2005. This dividend was franked to 100% at the 30% corporate income tax rate. In respect of the financial year ended 30 June 2006, an interim dividend of 5.00 cents per share was paid to the holders of fully paid ordinary shares on 27 March 2006. This dividend was franked to 100% at the 30% corporate income tax rate. In respect of the financial year ended 30 June 2006, there will be no final dividend.

# McGuigan Simeon Wines Limited

## Directors' report (cont'd)

### Share options

During and since the end of the financial year, an aggregate of 495,544 share options were granted to Directors and Executives over issued shares by the Company:

directors and executives	number of options granted	issuing entity	exercise price	number of ordinary shares under option
Dane B Hudson	150,000	McGuigan Simeon Wines Ltd	3.10	150,000
	260,000	McGuigan Simeon Wines Ltd	4.00	260,000
Neil McGuigan	85,544	McGuigan Simeon Wines Ltd	4.36	85,544

There were no share options granted to Directors or Executives over unissued shares by the company.

### Executive and employee share option plans

During and since the end of the financial year the Company did not grant any share options over unissued ordinary shares to Executives and employees of the Company. 144,000 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 6 of the attached financial statements. The difference between the market price of the company's 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 notes to the financial statements.

During and since the end of the year the Company granted 85,544 share options over issued ordinary shares to Executives and employees of the Company. There were no options over issued shares as at 30th June 2005 and there were no options over issued shares exercised during the year.

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 1,653,000 ordinary shares of McGuigan Simeon Wines Limited at an issue price of: \$2.890 (175,000 shares expiring 6 October 2005); \$3.487 (323,500 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 of the Company.

Further details of the non-executive Directors' share scheme and the Executive and senior employee option scheme are disclosed in notes 4 and 5 to the financial statements.

Share options issued prior to 1 July 2003 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. Share options issued after 1 July 2003 cannot be exercised within the first two years.

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 13 Board Meetings, 3 Audit Committee Meetings, and 1 Remuneration Committee meeting.

Directors'	Meetings Committee Attended	Audit Committee Attended	Remuneration Committee Attended
David S Clarke	13	-	1
Dane B Hudson*	6	1	1
Brian J McGuigan	12	2	-
Ian D Ferrier	13	3	1
Nicholas F Greiner	10	2	-
Perry R Gunner	13	-	-
Christopher L Harris	13	3	-
Total Meetings Held	13	3	1

\* Director since 22nd February 2006.

An Occupational Health, Safety and Environment Committee meeting was held on 20th September 2006.

# McGuigan Simeon Wines Limited

## Directors' report (cont'd)

### Directors' shareholdings

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	908,000	-
Dane B Hudson	50,000	410,000
Brian J McGuigan	297,670	-
Ian D Ferrier	384,622	-
Christopher L Harris	104,719	-
Perry R Gunner	236,420	-
Nicholas F Greiner	348,379	-

### 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 report

### Directors and Executive Details

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

- David S Clarke (Chairman, Non-executive)
- Dane B Hudson (Chief Executive Officer)
- Brian J McGuigan (Executive)
- Ian D Ferrier (Non-executive)
- Nicholas F Greiner (Non-executive)
- Perry R Gunner (Non-executive)
- Christopher L Harris (Non-executive)

The Group Executives of McGuigan Simeon Wines Limited during the year were:

- Paul Schaafsma (General Manager, UK & Europe)
- Neil McGuigan (General Manager Production and Wine Supply)
- Michael Noack (Company Secretary - appointed 23rd November 2005 & Chief Financial Officer)
- Julie Thomas (Group Administration Manager)
- Lisa McGuigan (General Manager - Icon Brands)

Non-executive Directors receive remuneration partly in cash with the balance payable by the issue of 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 S Clarke	-	22,000
Ian D Ferrier	-	11,000
Nicholas F Greiner	-	11,000
Perry R Gunner	-	11,000
Christopher L Harris	-	11,000

The total value of shares included in remuneration for the year is calculated in accordance with Accounting Standard AASB 2 Share Based Payments.

Shares not subject to the performance hurdle were issued on 14th August 2006. These shares were issued as remuneration for the year ended 30 June 2006.

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 60th percentile of the corresponding figures for all companies in the ASX All Ordinaries Index. For the year ended 30th June 2006 this performance hurdle was not met and therefore no shares will be issued.

The Board reviews the level of fees from time to time, and sets individual non-executive Directors fees based on the levels of fees or comparable listed companies in the appropriate parts of the world.

All Executives and executive directors are remunerated on a salary package basis including motor vehicle and superannuation. Additionally as from September 2005 (effective year ending 30 June 2006), all senior executives are entitled to a bonus of between 10-20% on the achievement of pre-determined key performance criteria.

# McGuigan Simeon Wines Limited

## Directors' report (cont'd)

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

- a) Primary benefits - salary/fees, bonuses and non monetary benefits including the provision of motor vehicles and health benefits;
- b) Post-employment benefits - including superannuation and prescribed retirement benefits;
- c) Share Based Payments - shares and share options granted under the Executive Share Option Plan as disclosed in note 5 to the financial statements; and
- d) Other benefits - formal contracts are linked to the McGuigan Simeon Wines Limited standard condition of employment. Certain executives have termination provisions which require payment of compensation under certain conditions:
  - 12 months total remuneration (no contract expiry date)
    - Chief Executive Officer
    - Company Secretary / CFO
    - General Manager - Icon Brands
    - General Manager - UK / Europe
  - 12 months or balance of contract period (up to 31st December 2009)
    - General Manager, Production and Wine Supply

### Directors

The following table discloses the remuneration of the Directors of the Company:

	Short Term			Post Employment	Share Based Payments <sup>(1)</sup>		Remuneration Per Profit and Loss	Adjustment for share price <sup>(3)</sup>	Adjustment for performance shares <sup>(4)</sup>	Net Remuneration <sup>(5)</sup>
	Salary & Fees	Bonus	Non - Monetary	Super - annuation	Cash Settled	Equity Settled <sup>(2)</sup>		Equity Settled	Equity Settled	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
David S Clarke	1,000	-	-	13,128	-	124,608	138,736	(53,900)	(20,768)	<b>64,068</b>
Dane B Hudson <sup>(6)</sup>	241,733	112,500	-	4,873	33,121	-	392,227	-	-	<b>392,227</b>
Brian J McGuigan	150,000	-	40,000	13,500	-	-	203,500	-	-	<b>203,500</b>
Ian D Ferrier	1,000	-	-	6,609	-	62,309	69,918	(26,950)	(10,389)	<b>32,579</b>
Nicholas F Greiner	1,000	-	-	6,609	-	62,309	69,918	(26,950)	(10,389)	<b>32,579</b>
Christopher L Harris	1,000	-	-	6,609	-	62,309	69,918	(26,950)	(10,389)	<b>32,579</b>
Perry R Gunner	1,000	-	-	6,609	-	62,309	69,918	(26,950)	(10,389)	<b>32,579</b>
	<b>396,733</b>	<b>112,500</b>	<b>40,000</b>	<b>57,937</b>	<b>33,121</b>	<b>373,844</b>	<b>1,014,135</b>	<b>(161,700)</b>	<b>(62,324)</b>	<b>790,111</b>

<sup>(1)</sup> The total value of options included in remuneration for the year is calculated in accordance with Accounting Standard AASB 2 "Share Based Payments".

<sup>(2)</sup> The calculation of the Equity Settled figures is based on AASB2 "Share Based Payments" in which:

- the value of each share is calculated using the share price on the date of shareholder approval of the Non-Executive Directors remuneration (November 2003). The share price on that date was \$4.72; and
- the value of shares subject to the market performance hurdles are included even though the performance hurdles have not been met and subsequently those shares have not been issued.

<sup>(3)</sup> This represents an adjustment to the Equity Settled Share Based Payments, being the difference between the share price (\$4.72) at the date the shareholders approved the remuneration and the share price (\$2.27) at the date the shares vested.

<sup>(4)</sup> This represents an adjustment to the Equity Settled Share Based Payments, being the value of performance shares approved by the shareholders which ultimately did not vest as the performance hurdles were not achieved.

<sup>(5)</sup> This represents the actual value of remuneration received by the Directors after adjusting for the actual shares received and the share price at vesting date as detailed in (3) and (4) above.

<sup>(6)</sup> Commenced as a director from 22nd February 2006.

# McGuigan Simeon Wines Limited

## Directors' report (cont'd)

### Executives

The following table discloses the remuneration of the 5 highest remunerated executives' of the company and the consolidated entity.

2006	Primary			Post Employment			Share Based Payments		Other Benefits	Total
	Salary & Fees	Bonus	Non - Monetary	Super - annuation	Prescribed Benefits	Other	Cash Settled	Equity Settled		
	\$	\$	\$	\$	\$	\$	\$	\$		
Paul Schaafsma <sup>(1, 2)</sup>	386,641	29,617	254,720	37,933	59,641	-	-	2,250	-	770,802
Neil McGuigan <sup>(1, 2)</sup>	347,500	45,000	24,000	36,000	-	-	-	19,924	-	472,424
Michael Noack <sup>(1, 2)</sup>	254,842	27,500	58,000	22,936	-	-	-	4,500	-	367,778
Julie Thomas <sup>(1, 2)</sup>	171,250	18,000	79,088	38,943	-	-	-	-	-	307,281
Lisa McGuigan <sup>(1, 2)</sup>	232,667	18,880	13,104	20,940	-	-	-	2,250	-	287,841
	1,392,900	138,997	428,912	156,752	59,641	-	-	28,924	-	2,206,126

(1) The total value of options included in remuneration for the year is calculated in accordance with Accounting Standard AASB 2 "Share Based Payments".

(2) Non-monetary items includes the provision of a motor vehicle, rent, travel, health benefits (where applicable) and fringe benefits tax as appropriate.

### Value of options issued to directors and executives

The following table discloses the value of options granted, exercised or lapsed during the year.

2006	Options granted value at grant date	Options Exercised value at exercise date	Options Lapsed value at time of lapse	Total value of options granted, exercised and lapsed <sup>(ii)</sup>	Valuation options included in remuneration for the year <sup>(iii)</sup>	Total remuneration that consists of options
Name	\$	\$	\$	\$	\$	%
Paul Schaafsma	-	-	-	-	2,250	0.3
Neil McGuigan	57,500	-	-	-	19,924	4.0
Mike Noack	-	-	-	-	4,500	1.2
Lisa McGuigan	-	-	-	-	2,250	0.8
Julie Thomas <sup>(i)</sup>	-	199,000	-	199,000	-	-

(i) Options exercised during the year were granted on the 25th September 2001.

(ii) The total value of options granted, exercised and lapsed is calculated based on the following:

- Fair value of the option at grant date multiplied by the number of options granted during the year; plus
- Fair value of the option at the time it is exercised multiplied by the number of options exercised during the year.
- Fair value of the option at the time of lapse multiplied by the number of options lapsed during the year.

(iii) The total value of shares included in remuneration for the year is calculated in accordance with Accounting Standard AASB 2 "Share Based Payments".

### Non-audit services

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Audit Committee, in conjunction with the Chief Financial Officer, assesses the provision of non-audit services by the auditors to ensure that the auditor independence requirements of the Corporation Act 2001 in relation to the audit are met.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 6 to the financial statements. The auditors independence declaration is included on page 7.

### Auditors independence declaration

#### 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 previously), 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.

# McGuigan Simeon Wines Limited

## Directors' report (cont'd)

### Subsequent Events

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

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

A handwritten signature in black ink, appearing to read "David Clarke". The signature is written in a cursive style with a large initial 'D'.

David Stuart Clarke AO  
Director 27th September 2006



Deloitte Touche Tohmatsu  
ABN 74 490 121 060

Grosvenor Place  
225 George Street  
Sydney NSW 2000  
PO Box N250 Grosvenor Place  
Sydney NSW 1217 Australia

DX 103075SE  
Tel: +61 (0) 2 9322 7000  
Fax: +61 (0) 2 9322 7001  
[www.deloitte.com.au](http://www.deloitte.com.au)

The Board of Directors  
McGuigan Simeon Wines Limited  
Level 2, 170 Greenhill Road  
Parkside SA 5063

27 September 2006

Dear Board Members

**McGuigan Simeon Wines Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of McGuigan Simeon Wines Limited.

As lead audit partner for the audit of the financial statements of McGuigan Simeon Wines Limited for the financial year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Rod Smith  
Partner  
Chartered Accountants  
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation.

## Independent audit report to the members of

### McGuigan Simeon Wines Limited

#### Scope

##### *The financial reports and directors' responsibility*

The financial report comprises the balance sheet, income statement, cash flow statement, statement of recognised income and expense, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both McGuigan Simeon Wines Limited ("the company") and the consolidated entity, for the financial year ended 30 June 2006 as set out on pages 10 to 54. 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 Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial 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 Accounting Standards in Australia and the Corporations Act 2001 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, their changes in equity 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.

#### Audit Opinion

In our opinion, the financial report of McGuigan Simeon Wines Limited is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
- (b) complying with Accounting Standards in Australia and the Corporations Regulations 2001.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*Rod Smith*

Rod Smith  
Partner  
Chartered Accountants  
Sydney, 27 September 2006

Liability limited by a scheme approved under Professional Standards Legislation.

# McGuigan Simeon Wines Limited

## Director' declaration

The Directors declare that:

- (a) In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) In the Directors' opinion, the attached Financial Statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving true and fair view of the financial position and performance of the consolidated entity; and
- (c) The Directors' have been given the declarations required by s.295A of the Corporations Act 2001.

At the date of this declaration, the Company is within the class of companies affected by ASIC class order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Director's opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC class order applies, as detailed in Note 39 to the Financial Statements will, as a group, be able to meet any obligations or liabilities to which they are or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors



David Stuart Clarke AO  
Director 27th September 2006

# McGuigan Simeon Wines Limited

## Income statement

For the financial year ended 30 June 2006

	Note	Consolidated		Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Revenue	2	360,826	363,700	174,554	146,857
Cost of sales		(292,429)	(272,589)	(145,856)	(112,708)
<b>Gross Profit</b>		<b>68,397</b>	<b>91,111</b>	<b>28,698</b>	<b>34,149</b>
Gains/(losses) arising from changes in fair value less estimate of point-of-sale costs of grapes picked during the financial year		1,311	4,050	119	(200)
Other income	2	3,430	2,986	29,955	34,695
Distribution expenses		(11,304)	(10,187)	(11,304)	(4,554)
Marketing/Selling expenses		(17,713)	(21,289)	(2,958)	(8,572)
Administration expenses		(8,851)	(8,379)	(8,563)	(9,377)
Share of net profit/(losses) of associates accounted for using the equity method		53	(21)	53	(36)
Finance costs		(11,188)	(10,152)	(11,122)	(9,271)
Write down of bulk wine	2	(41,550)	(1,969)	(6,340)	-
Write down of non-current other investments	2	-	-	(40,000)	-
<b>(Loss)/Profit before income tax</b>	<b>2</b>	<b>(17,415)</b>	<b>46,150</b>	<b>(21,462)</b>	<b>36,834</b>
Income tax benefit/(expense)	3	5,869	(11,182)	2,945	(1,981)
<b>(Loss)/Profit attributable to members of the parent entity</b>	<b>34</b>	<b>(11,546)</b>	<b>34,968</b>	<b>(18,517)</b>	<b>34,853</b>
<b>Earnings Per Share:</b>					
Basic (cents per share) after inventory write down	35	(9.9)	31.3		
Diluted (cents per share) after inventory write down	35	(9.8)	30.8		

Notes to the financial statements are included on pages 15 to 54

# McGuigan Simeon Wines Limited

## Balance sheet

For the financial year ended 30 June 2006

	Note	Consolidated		Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Current Asset</b>					
Cash and cash equivalents		6,118	12,728	8,500	2,039
Trade and other receivables	7	98,679	120,698	277,842	311,839
Inventories	8	195,016	223,461	43,675	8,101
Other financial assets	9	1,156	1,156	1,156	-
Other	10	4,893	6,499	3,972	5,488
		305,862	364,542	335,145	327,467
Non-current assets classified as held for sale	11	13,511	12,194	-	-
<b>Total Current Assets</b>		<b>319,373</b>	<b>376,736</b>	<b>335,145</b>	<b>327,467</b>
<b>Non-Current Assets</b>					
Receivables	12	3,906	3,593	-	-
Inventories	13	55,204	60,018	3,846	5,649
Investments accounted for using the equity method	14	2,110	2,150	2,213	2,306
Other investments	15	842	897	166,881	206,781
Biological assets	16	30,261	31,206	-	-
Property, plant and equipment	17	128,834	135,202	29,731	31,365
Goodwill	18	47,711	47,611	-	-
Other intangible assets	19	3,220	3,476	-	-
Deferred tax assets	3	11,760	11,971	11,760	11,971
Other financial assets	20	2,756	3,827	2,756	-
Other	21	1,439	1,376	-	3
<b>Total Non-Current Assets</b>		<b>288,043</b>	<b>301,327</b>	<b>217,187</b>	<b>258,075</b>
<b>Total Assets</b>		<b>607,416</b>	<b>678,063</b>	<b>552,332</b>	<b>585,542</b>
<b>Current Liabilities</b>					
Trade and other payables	23	86,244	101,157	48,750	22,017
Borrowings	24	1,040	1,232	372	557
Current tax liabilities	3	95	11,528	95	11,528
Provisions	25	6,157	5,918	4,957	564
Other	26	10,066	4,985	800	1,209
<b>Total Current Liabilities</b>		<b>103,602</b>	<b>124,820</b>	<b>54,974</b>	<b>35,875</b>
<b>Non-Current Liabilities</b>					
Payables	27	-	5,770	-	5,720
Borrowings	28	147,553	176,690	142,096	168,324
Deferred tax liabilities	3	15,290	18,236	15,290	18,236
Provisions	29	1,492	2,367	637	380
<b>Total Non-Current Liabilities</b>		<b>164,335</b>	<b>203,063</b>	<b>158,023</b>	<b>192,660</b>
<b>Total Liabilities</b>		<b>267,937</b>	<b>327,883</b>	<b>212,997</b>	<b>228,535</b>
<b>Net Assets</b>		<b>339,479</b>	<b>350,180</b>	<b>339,335</b>	<b>357,007</b>
<b>Equity</b>					
Issued capital	32	375,935	354,258	375,935	354,258
Reserves	33	1,727	1,571	1,727	1,571
(Accumulated losses)/retained earnings	34	(38,183)	(5,649)	(38,327)	1,178
<b>Total Equity</b>		<b>339,479</b>	<b>350,180</b>	<b>339,335</b>	<b>357,007</b>

Notes to the financial statements are included on pages 15 to 54.

# McGuigan Simeon Wines Limited

## Statement of recognised income and expense For the financial year ended 30 June 2006

	Note	Consolidated		Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Net (loss) recognised directly in equity		(261)	-	(261)	-
(Loss)/profit for the period		(11,285)	34,968	(18,256)	34,853
Total recognised income and expense for the period (attributable to equity holders of the parent)		(11,546)	34,968	(18,517)	34,853

*Notes to the financial statements are included on pages 15 to 54*

# McGuigan Simeon Wines Limited

## Cashflow statement

For the financial year ended 30 June 2006

	Note	Consolidated		Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers		399,393	378,901	200,299	158,345
Payments to suppliers and employees		(347,683)	(359,379)	(141,118)	(157,836)
Interest and other costs of finance paid		(10,457)	(9,341)	(10,401)	(9,486)
Income tax paid		(8,357)	(8,083)	(8,357)	(4,962)
<b>Net cash provided by/(used in) operating activities</b>	<b>43 (d)</b>	<b>32,896</b>	<b>2,098</b>	<b>40,423</b>	<b>(13,939)</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(16,676)	(22,211)	(8,229)	(10,624)
Proceeds from sale of property, plant & equipment		3,272	5,318	25	1,025
Interest and bill discounts received		485	425	378	327
Contribution to equity accounted investment		-	(306)	-	(306)
Other		53	44	-	-
<b>Net cash used in investing activities</b>		<b>(12,866)</b>	<b>(16,730)</b>	<b>(7,826)</b>	<b>(9,578)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of equity securities	32	10,169	9,941	10,169	9,941
Dividends paid	43 (c)	(9,741)	(17,189)	(9,741)	(17,189)
Proceeds from borrowings		975	39,174	60	39,100
Repayment of borrowings		(28,043)	(3,560)	(26,624)	(1,748)
Amounts advanced to related parties		-	-	-	(5,136)
<b>Net cash (used in)/provided by financing activities</b>		<b>(26,640)</b>	<b>28,366</b>	<b>(26,136)</b>	<b>24,968</b>
Net (decrease)/increase in cash and cash equivalents		(6,610)	13,734	6,461	1,451
Cash and cash equivalents at the beginning of the financial year		12,728	(1,006)	2,039	588
<b>Cash and cash equivalents at the end of the financial year</b>	<b>43 (a)</b>	<b>6,118</b>	<b>12,728</b>	<b>8,500</b>	<b>2,039</b>

Notes to the financial statements are included on pages 15 to 54.

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Note 1: Summary of accounting policies

#### Statement of compliance

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 Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the consolidated entity comply with International Financial Reporting Standards ('IFRS'). The parent entity financial statements and notes also comply with IFRS except for the disclosure requirements in IAS 32 'Financial Instruments: Disclosure and Presentation' as the Australian equivalent Accounting Standard, AASB 132 'Financial Instruments: Disclosure and Presentation' does not require such disclosures to be presented by the parent entity where its separate financial statements are presented together with the consolidated financial statements of the consolidated entity.

The financial statements were authorised for issue by directors on 20th September 2006.

#### Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of A-IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

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

The consolidated entity changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the company's and consolidated entity's financial position, financial performance and cash flows is discussed in note 45.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005, and in the preparation of the opening A-IFRS balance sheet at 1 July 2004, the consolidated entity's date of transition.

#### 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) 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.

##### (b) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

##### (c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

##### (d) 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 forward foreign exchange contracts and interest rate swaps.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The consolidated entity designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), or hedges of highly probable forecast transactions (cash flow hedges).

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

### **(e) Employee benefits**

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 employee benefits expected to be settled 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 employee benefits 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 reporting date.

### Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

### **(f) Financial assets**

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and at cost in the separate financial statements of the parent.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### Available-for-sale financial assets

Certain shares held by the consolidated entity are classified as being available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period.

### Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment. Trade credits are recorded at the net present value of expected future cash flows.

### **(g) Financial instruments issued by the company**

#### Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs relating to debt instruments are expensed as incurred.

#### Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

#### Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### (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 reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

#### Foreign operations

On consolidation, the assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after the date of transition to A-IFRS are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date. Goodwill arising on acquisitions before the date of transition to A-IFRS is treated as an Australian dollar denominated asset.

### (i) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

### (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 cash flow statement on a gross basis. The GST component 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) Biological Assets

Biological assets (grapes and vines) are measured at fair value less estimated point-of-sale costs. Gains or losses from a change in fair value less estimated point-of-sale costs are included in the Income Statement.

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

Grapes extracted from vines owned or finance-leased by the Company are measured at fair value, net of the costs of extraction and point-of-sale costs. The extracted produce is disclosed as 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.

### (l) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### (m) Income tax

#### Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

#### Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

#### Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

#### Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. McGuigan Simeon Wines Limited is the head entity in the tax-consolidated group.

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, McGuigan Simeon Wines Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

### (n) Intangible assets

#### Brand names

Brand names are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives of 20 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

#### Intangible assets acquired in a business combination

All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

### (o) 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 effective yield basis.

### (p) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### (q) Investments

Investments in controlled entities are recorded at cost in the separate financial statements of the parent entity. 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.

Dividends are recognised on a receivable basis. Interest and revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### (r) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

#### Consolidated entity as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the consolidated entity's general policy on borrowing costs. Refer to note 1(b).

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### (s) Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The sale of the asset (or disposal group) is expected to be completed within one year from the date of classification.

### (t) Payables

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.

### (u) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary 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.

### (v) Property, plant and equipment

Land and buildings are measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

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 or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

The following estimated useful lives are used in the calculation of depreciation:

• Buildings	50	years
• Vineyard improvements	15-20	years
• Vineyard improvement under lease	15-20	years
• Plant and equipment	5-15	years
• Equipment finance lease	5-15	years
• Stainless steel tanks	25 -33	years

### (w) 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.

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.

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 virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

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 estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

### (x) Revenue recognition

#### Sale of goods

Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

#### Rendering of vineyard development contract services

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

#### Vineyard development/management contracts

Revenue from cost plus development 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 cost of the stage of the contract. Where a loss is expected to occur it is recognised immediately. Revenue from vineyard management contracts is recognised based on a percentage of fees earned.

#### Contract Processing

Revenue from contract processing is recognised based on the percentage of winemaking process completed.

#### Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

### (y) Share-based payments

Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 July 2005, are measured at fair value at the date of grant. Fair value is measured by using the Black-Scholes valuation model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

### (z) Comparative information – financial instruments

AASB 132 and 139 were adopted on 1st July 2004. The impact of changes in relation to comparative information upon adoption was not material.

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Note 2: (Loss)/profit from operations

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>(a) Revenue</b>				
Revenue from the sale of goods	322,220	320,422	156,789	122,408
Revenue from contract processing	13,420	11,451	259	229
Revenue from rendering vineyard contract services	19,153	25,824	17,506	24,220
Lease revenue	6,033	6,003	-	-
<b>Total sales revenue</b>	<b>360,826</b>	<b>363,700</b>	<b>174,554</b>	<b>146,857</b>
<b>Other income</b>				
Interest	1,177	1,129	378	327
Rent - other	765	-	-	-
Dividends - wholly owned controlled entities	-	-	29,000	33,000
Dividends - other entities	-	69	-	69
Other	1,488	1,788	577	1,299
<b>Total other income</b>	<b>3,430</b>	<b>2,986</b>	<b>29,955</b>	<b>34,695</b>
<b>(b) Profit/(loss) before income tax</b>				
Profit before income tax has been arrived at after crediting/(charging) the following gains and losses from continuing operations:				
Gain/(loss) on disposal of property, plant and equipment	(156)	(579)	25	(2,962)
Net foreign exchange gains/(losses)	442	(395)	(192)	(497)
Profit/(loss) before income tax has been arrived at after charging the following expenses. The line items below combine amounts attributable to continuing operations:				
Cost of Sales	292,429	272,589	145,856	112,708
Write down of inventory to net realisable value	41,550	1,969	6,340	-
Write down on non-current investment in subsidiary	-	-	40,000	-
Finance costs:				
Interest on loans	10,662	9,230	10,662	8,466
Other interest expense	526	922	460	805
	<b>11,188</b>	<b>10,152</b>	<b>11,122</b>	<b>9,271</b>
Net bad debt and doubtful debts	(168)	2,361	(814)	2,361
Depreciation of non-current assets	10,862	10,104	2,372	1,458
Amortisation of non-current assets	256	254	-	-
	<b>11,118</b>	<b>10,358</b>	<b>2,372</b>	<b>1,458</b>
Operating lease rental expenses (minimum lease payments)	21,882	19,855	13,634	15,413
Write down of investment	44	-	44	-
Write down of non-current receivables	-	442	-	-
Employee benefit expense:				
Share based payments:				
Equity settled share-based payments	416	1,052	416	1,052
Cash settled share-based payments	56	-	56	-
	<b>472</b>	<b>1,052</b>	<b>472</b>	<b>1,052</b>
Termination benefits	190	142	93	101
Other employee benefits	33,036	35,883	12,030	10,029
	<b>33,698</b>	<b>37,077</b>	<b>12,595</b>	<b>11,182</b>

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Note 3: Income taxes

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>(a) Income tax recognised in profit or loss</b>				
Tax expense/(income) comprises:				
Current tax expense/(benefit)	(5,186)	12,010	(2,883)	2,068
Adjustments recognised in the current year in relation to the current tax of prior years	(683)	(828) <sup>(i)</sup>	(62)	(87)
Total tax expense/(benefit)	(5,869)	11,182	(2,945)	1,981
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:				
Profit/(loss) from operations	(17,415)	46,150	(21,462)	36,834
Income tax expense/(benefit) calculated at 30%	(5,225)	13,845	(6,439)	11,050
Non-deductible amortisation	77	116	-	-
Depreciation	(617)	(593)	-	-
Share based payments	125	316	125	-
Non-assessable income (dividends from wholly owned entities in tax consolidated group)	-	-	(8,700)	(9,900)
Non-deductible expenses	974	521	135	65
Write down of non-current investments in subsidiary	-	-	12,000	-
Equity share of associates profits/losses	(16)	9	-	-
Impact of adopting tax consolidation	-	674	-	-
Capital (profit)/loss adjustment on vineyard sales	(504)	(1,207)	(10)	364
Initial recognition of deferred tax balances of subsidiaries on implementation of the tax consolidation system	-	(1,643)	-	(1,643)
Consideration paid or payable to subsidiaries in respect of transferred tax balances	-	-	-	1,643
Net income tax expenses arising under tax sharing agreements with subsidiaries in the tax consolidated group	-	-	2,484	1,395
Current and deferred taxes relating to transactions, events and balances of wholly-owned subsidiaries in the tax consolidated group	-	-	(2,484)	(1,395)
Other	-	(28)	6	489
	(5,186)	12,010	(2,883)	2,068
(Over)/under provision of income tax in previous year	(683)	(828) <sup>(i)</sup>	(62)	(87)
	(5,869)	11,182	(2,945)	1,981

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

<sup>(i)</sup> During the preparation of the financial statements, the company identified a temporary difference which had been incorrectly accounted for in a prior period and has been subsequently adjusted. The impact of this adjustment is to increase accumulated losses by \$2,317,000 at 30th June 2005 (\$847,000 at 1st July 2004) and increase deferred tax liability by \$2,317,000 at 30th June 2005 (\$847,000 at 1st July 2004).

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>(b) Current tax assets and liabilities</b>				
Current tax payables:				
Income tax payable attributable to:				
Parent entity	12	1,862	12	1,862
Entities in the tax-consolidated group	83	9,666	83	9,666
	<u>95</u>	<u>11,528</u>	<u>95</u>	<u>11,528</u>

<b>(c) Deferred tax balances</b>				
Deferred tax assets comprise:				
Tax losses - revenue	2,992	899	2,992	899
Tax losses - capital	1,657	1,869	1,657	1,869
Temporary differences	7,111	9,203	7,111	9,203
	<u>11,760</u>	<u>11,971</u>	<u>11,760</u>	<u>11,971</u>
Deferred tax liabilities comprise:				
Temporary differences	15,290	18,236	15,290	18,236

**(d) Taxable and deductible temporary differences arise from the following:**

	Opening Balance \$'000	Charged to Income \$'000	Consolidated Charged to Equity \$'000	Acquisitions/ Disposals \$'000	Closing Balance \$'000
<b>2006</b>					
<b>Gross deferred tax liabilities:</b>					
Work in progress	(4,779)	(2,093)	-	-	(6,872)
Property, plant & equipment	(6,855)	668	-	-	(6,187)
Intangible assets	(1,333)	367	-	-	(966)
Inventories	(2,951)	2,090	-	-	(861)
Other	(2,318)	1,914	-	-	(404)
	<u>(18,236)</u>	<u>2,946</u>	<u>-</u>	<u>-</u>	<u>(15,290)</u>
<b>Gross deferred tax assets:</b>					
Property, plant & equipment	93	2	-	-	95
Provisions & accruals	6,153	(1,246)	-	-	4,907
Deferred income	444	(182)	-	-	262
Other	2,513	(666)	-	-	1,847
	<u>9,203</u>	<u>(2,092)</u>	<u>-</u>	<u>-</u>	<u>7,111</u>
<b>2005</b>					
<b>Gross deferred tax liabilities:</b>					
Work in progress	(5,011)	232	-	-	(4,779)
Property, plant & equipment	(8,201)	1,346	-	-	(6,855)
Intangible assets	(1,424)	91	-	-	(1,333)
Inventories	(2,951)	-	-	-	(2,951)
Other	(1,894)	(424)	-	-	(2,318)
	<u>(19,481)</u>	<u>1,245</u>	<u>-</u>	<u>-</u>	<u>(18,236)</u>
<b>Gross deferred tax assets:</b>					
Property, plant & equipment	2,773	(2,680)	-	-	93
Provisions & accruals	5,553	600	-	-	6,153
Deferred income	284	160	-	-	444
Other	3,086	(573)	-	-	2,513
	<u>11,696</u>	<u>(2,493)</u>	<u>-</u>	<u>-</u>	<u>9,203</u>

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

**(d) Taxable and deductible temporary differences arise from the following (continued):**

	Opening Balance \$'000	Charged to Income \$'000	Company Charged to Equity \$'000	Acquisitions/ Disposals \$'000	Closing Balance \$'000
<b>2006</b>					
<b>Gross deferred tax liabilities:</b>					
Work in progress	(195)	(2,384)	-	-	(2,579)
Property, plant & equipment	-	-	-	-	-
Intangible assets	-	-	-	-	-
Inventories	(2,951)	2,090	-	-	(861)
Subsidiary balances	(15,027)	3,284	-	-	(11,743)
Other	(63)	(44)	-	-	(107)
	<u>(18,236)</u>	<u>2,946</u>	<u>-</u>	<u>-</u>	<u>(15,290)</u>
<b>Gross deferred tax assets:</b>					
Property, plant & equipment	93	(90)	-	-	3
Provisions & accruals	1,392	1,751	-	-	3,143
Deferred income	-	-	-	-	-
Subsidiary balances	7,718	(3,753)	-	-	3,965
Other	-	-	-	-	-
	<u>9,203</u>	<u>(2,092)</u>	<u>-</u>	<u>-</u>	<u>7,111</u>
<b>2005</b>					
<b>Gross deferred tax liabilities:</b>					
Work in progress	(135)	(60)	-	-	(195)
Property, plant & equipment	-	-	-	-	-
Intangible assets	-	-	-	-	-
Inventories	(2,951)	-	-	-	(2,951)
Subsidiary balances	(15,480)	453	-	-	(15,027)
Other	(915)	852	-	-	(63)
	<u>(19,481)</u>	<u>1,245</u>	<u>-</u>	<u>-</u>	<u>(18,236)</u>
<b>Gross deferred tax assets:</b>					
Property, plant & equipment	73	20	-	-	93
Provisions & accruals	1,204	188	-	-	1,392
Deferred income	-	-	-	-	-
Subsidiary balances	10,411	(2,693)	-	-	7,718
Other	8	(8)	-	-	-
	<u>11,696</u>	<u>(2,493)</u>	<u>-</u>	<u>-</u>	<u>9,203</u>

### Tax Consolidation

#### Relevance of tax consolidation to the consolidated entity

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is McGuigan Simeon Wines Limited. The members of the tax-consolidated group are those included within the cross guarantee as identified in note 39.

#### Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, McGuigan Simeon Wines Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation or income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Note 4: Key management personnel compensation

The key management personnel of McGuigan Simeon Wines Limited during the year were:

David S Clarke (Chairman – non-executive director)	Michael Noack (Chief Financial Officer & Company Secretary)
Dane B Hudson (Chief Executive Officer)	Neil McGuigan (General Manager Production and Wine Supply)
Christopher L Harris (non-executive director)	Paul Schaafsma (Export Sales Manager - United Kingdom)
Nicholas F Greiner (non-executive director)	Lisa McGuigan (General Manager – Icon Brands)
Perry R Gunner (non-executive director)	Craig Thomas (Export Sales Manager - Australia)
Brian J McGuigan (Executive Director)	Julie Thomas (Group Administration Manager)
Ian D Ferrier (non-executive director)	Richard Byllaardt (National Vineyard Manager)
	Andrew White (Company Secretary – resigned 23rd November 2005)

#### Remuneration Committee

The remuneration committee reviews the remuneration packages of all specified directors and specified executives on an annual basis and makes recommendations to the board. Remuneration packages are reviewed and determined with due regard to current market rates and are benchmarked against comparable industry salaries.

#### Executive Remuneration

The Executives remuneration packages have two components:

1. Base remuneration
2. Short term incentives
3. Long term incentives

#### Base Remuneration

This component is not performance linked and generally consists of salary, motor vehicle and post employment superannuation entitlement (where applicable). The base amount is reviewed annually by the Remuneration Committee. Any adjustments made during the year will either be as a result of market rate changes in order for the Company to remain competitive or to reflect any changes in level of responsibility in the event the Executive's role has broadened.

#### Short Term Incentives

Objectives and performance indicators are determined annually by the Chief Executive Officer (CEO) following consultation with each Executive.

The maximum amount of bonus payable in respect of the financial year is determined by the CEO and the Remuneration Committee.

For the purpose of determining any bonus entitlement, each Executive's performance is assessed against the set objectives and performance indicators by the CEO. The objectives and performance indicators relate to specific duties of each executive and Company performance.

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 for 2006.

Non-executive director	Shares subject to performance hurdle	Shares not subject to performance hurdle
David S Clarke	-	22,000
Nicholas F Greiner	-	11,000
Ian D Ferrier	-	11,000
Perry R Gunner	-	11,000
Christopher L Harris	-	11,000

The total market value of these shares at the date of issue was \$147,840. 33,000 shares subject to the performance hurdle were not issued during the financial year as the performance hurdle for the year ended 30 June 2005 was not met.

Shares not subject to the performance hurdle were issued on 14 August 2006. These shares were issued as remuneration for the year ended 30 June 2006.

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 60th percentile of the corresponding figures for all companies in the ASX All Ordinaries Index.

#### Long Term Incentives

Share options issued to Directors and Executives are considered long term incentives. Specific details of the share options issued are contained in Note 5.

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Directors Share Options

There were no share options exercised by directors during the financial year. There were no directors share options at 30 June 2005.

410,000 share options were issued to Dane Hudson during the year. These options operate as follows:

- MSWL has agreed to contribute \$298,087 to the trustee of the McGuigan Simeon Wines Limited Executive Option Acquisition Plan ("Plan") to acquire call options over ordinary shares in MSWL from Macquarie Bank Limited and under which Mr Hudson has rights to call for the delivery of those shares as described below.
- The right to procure that the trustee of the Plan exercises (a) a call option over 150,000 issued ordinary shares in MSWL at an exercise price of \$3.10 per MSWL share and (b) a call option over 260,000 issued ordinary shares in MSWL at an exercise price of \$4.00 per MSWL share, each such call option to be exercisable between 13 February 2009 and 30 December 2011 and subject to a performance hurdle which is satisfied if, for 2 consecutive financial years between the acquisition of the option and its expiry on 30 December 2011, MSWL's return on average shareholder's equity is equal to or above the 60th percentile of the corresponding figures for all companies in the ASX All Ordinaries Index.

There were no other directors share options on issue at 30 June 2006.

The aggregate compensation of the key management personnel of the consolidated entity and the company is set out below:

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Short-term employee benefits	3,434,379	2,681,881	3,434,379	2,681,881
Post-employment benefits	334,466	226,607	334,466	226,607
Other long-term benefit	71,045	108,000	71,045	108,000
Termination benefits	-	87,434	-	87,434
	<b>3,839,890</b>	<b>3,103,922</b>	<b>3,839,890</b>	<b>3,103,922</b>

2006	Primary			Post Employment			Share based payments		Other Benefits	Total
	Salary & Fees \$	Bonus \$	Non - Monetary \$	Super - annuation \$	Prescribed Benefits \$	Other \$	Cash Settled \$	Equity Settled \$		
David S Clarke <sup>(1)</sup>	1,000	-	-	13,128	-	-	-	124,608	-	138,736
Ian D Ferrier <sup>(3)</sup>	1,000	-	-	6,609	-	-	-	62,309	-	69,918
Nicholas F Greiner <sup>(3)</sup>	1,000	-	-	6,609	-	-	-	62,309	-	69,918
Chris L Harris <sup>(3)</sup>	1,000	-	-	6,609	-	-	-	62,309	-	69,918
Perry R Gunner <sup>(3)</sup>	1,000	-	-	6,609	-	-	-	62,309	-	69,918
Dane B Hudson <sup>(2,4)</sup>	241,733	112,500	-	4,873	-	-	33,121	-	-	392,227
Brian J McGuigan <sup>(5)</sup>	150,000	-	40,000	13,500	-	-	-	-	-	203,500
Paul Schaafsma <sup>(2,5)</sup>	386,641	29,617	254,720	37,933	59,641	-	-	2,250	-	770,802
Neil McGuigan <sup>(2,5)</sup>	347,500	45,000	24,000	36,000	-	-	19,924	-	-	472,424
Michael Noack <sup>(2,5)</sup>	254,842	27,500	58,000	22,936	-	-	-	4,500	-	367,778
Julie Thomas <sup>(2,5)</sup>	171,250	18,000	79,088	38,943	-	-	-	-	-	307,281
Lisa McGuigan <sup>(2,5)</sup>	232,667	18,880	13,104	20,940	-	-	-	2,250	-	287,841
Richard Byllaardt <sup>(2,5)</sup>	172,483	15,600	28,500	36,452	-	-	-	2,250	-	255,285
Craig Thomas <sup>(2,5)</sup>	175,250	18,000	25,900	15,818	-	-	-	2,250	-	237,218
Andrew White <sup>(2,5,6)</sup>	104,760	-	10,000	7,866	-	-	-	4,500	-	127,126
	<b>2,242,126</b>	<b>285,097</b>	<b>533,312</b>	<b>274,825</b>	<b>59,641</b>	<b>-</b>	<b>53,045</b>	<b>391,844</b>	<b>-</b>	<b>3,839,890</b>

(1) Includes shares subject to performance hurdle to the value of \$20,768. Despite these shares not being issued during 2006, AASB2 requires this value to be included.

(2) The total value of options included in remuneration for the year is calculated in accordance with Accounting Standard AASB2 "Share Based Payments".

- The fair value of the options is determined at grant date using the Black-Scholes model, and are included in remuneration on a proportionate basis from grant date to vesting date.

(3) Includes shares subject to performance hurdle to the value of \$10,384. Despite these shares not being issued during 2006, AASB2 requires this value to be included as remuneration.

(4) Commenced 22nd February 2006.

(5) Non-monetary items includes the provision of a motor vehicle, rent, travel, health benefits (where applicable) and fringe benefits tax as appropriate.

(6) Resigned 23 November 2005.

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

2005	Primary			Post Employment			Equity		Other Benefits	Total
	Salary & Fees	Bonus	Non - Monetary	Super - annuation	Prescribed Benefits	Other	Cash <sup>(5)</sup> Settled	Equity Settled		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
David S Clarke	1,000	-	-	14,791	-	-	-	144,870	-	160,661
Ian D Ferrier	1,000	-	-	7,400	-	-	-	72,435	-	80,835
Nicholas F Greiner	1,000	-	-	7,400	-	-	-	72,435	-	80,835
Chris L Harris	1,000	-	-	7,400	-	-	-	72,435	-	80,835
Perry R Gunner	1,000	-	-	7,400	-	-	-	72,435	-	80,835
Brian J McGuigan <sup>(6)</sup>	150,000	-	40,000	13,500	-	-	-	-	78,484 <sup>(1)</sup>	281,984
Paul Schaafsma <sup>(5, 6)</sup>	311,829	-	26,500	28,065	-	-	-	13,500	-	379,894
Andrew White <sup>(5, 6)</sup>	212,588	-	26,080	19,133	-	-	-	27,000	-	284,801
Lisa McGuigan <sup>(4, 5, 6)</sup>	216,000	-	5,000	20,929	-	-	-	13,500	16,539	271,968
Neil McGuigan <sup>(2, 5, 6)</sup>	205,341	29,166	21,273	14,182	-	-	-	-	-	269,962
Michael Noack <sup>(5, 6)</sup>	194,052	-	28,000	17,465	-	-	-	27,000	-	266,517
Richard Byllaardt <sup>(5, 6)</sup>	175,100	-	18,500	34,959	-	-	-	13,500	-	242,059
Julie Thomas <sup>(5, 6)</sup>	152,250	-	63,360	13,703	-	-	-	-	-	229,313
Craig Thomas <sup>(5, 6)</sup>	154,500	23,175	17,200	13,905	-	-	-	13,500	-	221,280
David Thompson <sup>(3, 6)</sup>	70,834	-	7,500	6,375	-	-	-	-	87,434	172,143
	1,847,494	52,341	253,413	226,607	-	-	-	542,610	182,457	3,103,922

(1) Other benefits relate to accommodation whilst living away from home.

(2) Commenced 29th November 2004.

(3) Services terminated by mutual agreement 29th November 2004. Other benefit is the final payment in relation to services rendered.

(4) Other benefit relates to cash payment of annual leave entitlement.

(5) The total value of options included in remuneration for the year is calculated in accordance with Accounting Standard AASB2 "Share Based Payments".

(6) Non-monetary items includes the provision of a motor vehicle, rent, travel, health benefits (where applicable) and fringe benefits tax as appropriate.

### Service Agreements

Remuneration and other terms of employment for directors and executives are formalised in service agreements or letters of appointment. Termination benefits disclosed below do not apply in cases of misconduct or other specified circumstances.

#### Dane B Hudson

(i) Term of agreement – no specified term.

(ii) Remuneration is comprised of base salary, superannuation, short term incentive bonus (\$150,000 minimum in 2006/2007 and capped at \$300,000 per annum thereafter), share options (to the value of \$250,000 per annum) as per note 5 subject to achievement of targets as set by the board.

(iii) If Mr. Hudson's employment is terminated by the company, the company must pay Mr. Hudson the equivalent of one year's total remuneration.

#### Brian J. McGuigan

(i) Term of agreement - no specified term.

(ii) Remuneration includes the provision of a motor vehicle and rental assistance.

(iii) Termination - no termination benefit specified above normal statutory entitlements.

#### Paul Schaafsma

(i) Term of agreement - no specified term.

(ii) Remuneration includes provision of a motor vehicle, rental assistance, relocation costs and entitlement to a bonus subject to certain key performance criteria.

(iii) If Mr Schaafsma's employment is terminated by the company, the company must pay Mr Schaafsma the equivalent of one year's total remuneration.

#### Lisa McGuigan

(i) Term of agreement - no specified term.

(ii) Remuneration includes provision of a motor vehicle and entitlement to a bonus subject to certain key performance criteria.

(iii) If Ms McGuigan's employment is terminated by the company, the company must pay Ms McGuigan the equivalent of one year's total remuneration.

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### **Michael Noack**

- (i) Term of agreement - no specified term.
- (ii) Remuneration includes life/trauma insurance, a motor vehicle and an entitlement to a bonus subject to certain key performance criteria.
- (iii) If Mr Noack's employment is terminated by the company, the company must pay Mr Noack the equivalent of one year's total remuneration.

### **Neil McGuigan**

- (i) Term of agreement - 5 years commencing 29th November 2004.
- (ii) Remuneration includes the provision of a motor vehicle and an entitlement to a bonus subject to certain key performance criteria.
- (iii) Mr McGuigan is entitled to the granting of share options over issued shares of the company to the value of \$57,500 per annum (see note 5).
- (iv) If Mr McGuigan's employment is terminated by the Company, the Company must pay Mr McGuigan the higher of the balance of his contract term or one years base remuneration.

### **Richard Byllaardt**

- (i) Term of agreement - no specified term.
- (ii) Remuneration includes the provision of a motor vehicle and entitlement to a bonus subject to certain key performance criteria.
- (iii) Termination - no termination benefit specified above normal statutory entitlements.

### **Julie Thomas**

- (i) Term of agreement - no specified term.
- (ii) Remuneration includes the provision of a motor vehicle, rental assistance and a bonus subject to certain key performance criteria.
- (iii) Termination - no termination benefit specified above normal statutory requirements.

### **Craig Thomas**

- (i) Term of agreement - no specified term.
- (ii) Remuneration includes the provision of a motor vehicle and is reviewed annually and a bonus subject to certain key performance criteria.
- (iii) If Mr Thomas's employment is terminated by the company, the company must pay Mr Thomas the equivalent of one half of his total annual remuneration.

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Note 5: Executive share option plan

The Company has an executive and senior employee option scheme which allows for the granting of share options over unissued shares of the company. The company also issues share options under the McGuigan Simeon Wines Limited Executive Option Acquisition Plan ("Plan"). These options are granted over issued shares of the company.

#### Executive and Senior Employee Option Scheme ("Scheme").

In accordance with the provisions of the scheme as approved by the shareholders at the Annual General Meeting on 11 November 1997, options have been issued to a number of executives and senior employees of the Company and 1,459,000 remain as unissued ordinary shares as at 30 June 2006.

Options were offered to eligible employees at an exercise price equivalent to the current market price. The market price is determined as 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.

Share options issued prior to 1 July 2003 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. Share options issued after 1 July 2003 cannot be exercised within the first two years and are not subject to performance hurdles.

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

	2006 Number	2005 Number	Weighted Average Exercise Price	
			2006 \$	2005 \$
Balance at the beginning of the financial year (i)	1,653,000	1,829,000	3.83	3.79
Granted during the financial year (ii)	-	-	-	-
Exercised during the financial year (iii)	(144,000)	(176,000)	2.97	3.39
Lapsed during the financial year (iv)	(50,000)	-	2.89	-
Balance at the end of the financial year (v)	1,459,000	1,653,000	3.95	3.83

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

2006	No.	Grant Date	Expiry/Exercise Date	Exercise Price \$
<b>Options - Series</b>				
(1) Issued 6 October 2000	175,000	06/10/00	06/10/05	2.890
(2) Issued 25 September 2001	323,000	25/09/01	25/09/06	3.487
(3) Issued 2 September 2003	1,155,000	02/09/03	02/09/08	4.072
	<b>1,653,000</b>			
<b>2005</b>				
<b>Options - Series</b>				
(1) Issued 6 October 2000	212,500	06/10/00	06/10/05	2.890
(2) Issued 25 September 2001	451,500	25/09/01	25/09/06	3.487
(3) Issued 2 September 2003 <sup>(a)</sup>	1,165,000	02/09/03	02/09/08	4.072
	<b>1,829,000</b>			

<sup>(a)</sup> Fair value of these options at grant date was \$1.08 per option.

#### (ii) Granted During the Financial Year

2006	No.	Grant Date	Expiry/Exercise Date	Exercise Price \$	Fair Value Received \$
<b>Options - Series</b>					
Nil	-	-	-	-	-
<b>2005</b>					
<b>Options - Series</b>					
Nil	-	-	-	-	-

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### (iii) Exercised During the Financial Year

2006 Options - Series	No of Options Exercised	Grant Date	Exercise Date	Expiry Date	Exercise Price \$	No. of Shares	Consideration Received \$	Fair Value of Shares at Date of Issue \$
(1) Issued 6 October 2000	125,000	06/10/00	04/08/05	06/10/05	2.890	125,000	361,250	497,500
(2) Issued 25 September 2001	6,500	25/09/01	22/07/05	25/09/06	3.487	6,500	22,866	26,325
(2) Issued 25 September 2001	12,500	25/09/01	04/08/05	25/09/06	3.487	12,500	43,588	49,750
	<b>144,000</b>					<b>144,000</b>	<b>427,704</b>	<b>573,575</b>

### 2005

#### Options - Series

(1) Issued 6 October 2000	37,500	06/10/00	30/11/04	06/10/05	2.890	37,500	108,375	197,625
(2) Issued 25 September 2001	40,000	25/09/01	29/09/04	25/09/06	3.487	40,000	139,480	203,200
	5,000	25/09/01	11/10/04	25/09/06	3.487	5,000	17,435	26,350
	20,000	25/09/01	14/10/04	25/09/06	3.487	20,000	69,740	105,000
	2,000	25/09/01	13/10/04	25/09/06	3.487	2,000	6,974	10,360
	25,000	25/09/01	19/10/04	25/09/06	3.487	25,000	87,175	128,250
	2,000	25/09/01	30/11/04	25/09/06	3.487	2,000	6,974	10,540
	7,500	25/09/01	29/12/04	25/09/06	3.487	7,500	26,153	41,100
	4,000	25/09/01	10/02/05	25/09/06	3.487	4,000	13,948	24,280
	23,000	25/09/01	10/03/05	25/09/06	3.487	23,000	80,201	128,800
(3) Issued 2 September 2003	10,000	02/09/03	10/03/05	02/09/08	4.072	10,000	40,720	56,000
	<b>176,000</b>					<b>176,000</b>	<b>597,175</b>	<b>931,505</b>

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

### 2006

#### Options - Series

	No.	Grant Date	Expiry Date
(1) Issued 6 October 2000	50,000	06/10/00	06/10/05

### 2005

Nil

### (v) Balance at End of Financial Year

2006 Options - Series	No.	Vested No.	Unvested No.	Grant Date	Expiry Date	Exercise Price \$
(2) Issued 25 September 2001	304,000	304,000	-	25/09/01	25/09/06	3.487
(3) Issued 2 September 2003	1,155,000	1,155,000	-	02/09/03	02/09/08	4.072
	<b>1,459,000</b>	<b>1,459,000</b>				

### 2005

#### Options - Series

	No.	Vested No.	Unvested No.	Grant Date	Expiry Date	Exercise Price \$
(1) Issued 6 October 2000	175,000	175,000	-	06/10/00	06/10/05	2.890
(2) Issued 25 September 2001	323,000	323,000	-	25/09/01	25/09/06	3.487
(3) Issued 2 September 2003	1,155,000	-	1,155,000	02/09/03	02/09/08	4.072
	<b>1,653,000</b>	<b>498,000</b>	<b>1,155,000</b>			

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.

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### McGuigan Simeon Wines Limited Executive Option Acquisition Plan ("Plan")

This plan allows for the issue of share options over issued shares of the company.

During the year 85,544 share options over issued shares were issued to executives of the company. The operation of these options is as follows:

- McGuigan Simeon Wines Limited has agreed to contribute to the trustee of the McGuigan Simeon Wines Limited Executive Option Acquisition Plan ("Plan") to acquire call options over ordinary shares in MSWL from Macquarie Bank Limited and under which the executive has rights to call for the delivery of those shares as described below. The Company paid \$57,500 for these rights and this is considered the fair value. The right to procure that the trustee of the Plan exercises a call option over 85,544 issued ordinary shares in MSWL at an exercise price of \$4.36 per MSWL share each such call option to be exercisable between 13 May 2007 and 13 May 2009 and subject to a performance hurdle which is satisfied if, for 2 consecutive financial years between the acquisition of the option and its expiry, MSWL's return on average shareholder's equity is equal to or above the 60th percentile of the corresponding figures for all companies in the ASX All Ordinaries Index.
- The share price risk is borne by Macquarie Bank Limited and McGuigan Simeon Wines Limited bears no residual risk in relation to share price movements.

### Note 6: Remuneration of auditors

	Consolidated		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
<b>(a) Auditor of the parent company</b>				
Audit or review of financial report	275,000	234,000	275,000	234,000
Other services – accounting advice	184,217	80,700	184,217	80,700
Other services – taxation advice	98,100	111,550	98,100	111,550
Other services – taxation compliance	134,100	171,920	134,100	171,920
	<b>691,417</b>	<b>598,170</b>	<b>691,417</b>	<b>598,170</b>
<b>(b) Other Auditors</b>				
Auditing the financial report	-	20,000	-	-

The auditor of McGuigan Simeon Wines Limited is Deloitte Touche Tohmatsu.

### Note 7: Current trade and other receivables

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Trade receivables <sup>(1)</sup>	99,915	120,565	43,857	66,155
Allowance for doubtful debts	(1,500)	(1,668)	(1,341)	(527)
	<b>98,415</b>	<b>118,897</b>	<b>42,516</b>	<b>65,628</b>
Other receivables				
Goods and services tax (GST) and WET recoverable	74	1,257	-	-
Receivable from controlled entities	-	-	235,252	245,806
Other	190	544	74	405
	<b>98,679</b>	<b>120,698</b>	<b>277,842</b>	<b>311,839</b>

(1) The average credit period on sales of goods is 112 days. An allowance has been made for estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience and an analysis of specific debtors at year end.

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Note 8: Current inventories

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Bulk wine:				
At cost	124,465	156,220	14,237	7,431
At net realisable value	20,049	18,118	1,289	-
Other stores:				
At cost	4,181	2,648	3,401	-
Work in progress:				
At cost	21,856	15,991	8,597	650
Bottled wine:				
At net realisable value	1,093	-	1,093	-
At cost	23,372	30,484	15,058	20
	<b>195,016</b>	<b>223,461</b>	<b>43,675</b>	<b>8,101</b>

### Note 9: Current financial assets

Trade Credits (i)	1,156	1,156	1,156	-
-------------------	-------	-------	-------	---

(i) Classified as held for trading

### Note 10: Other current assets

Prepayments	4,893	6,499	3,972	5,488
-------------	-------	-------	-------	-------

### Note 11: Non current assets held for sale

Property, Plant and Equipment (i)	13,511	12,194	-	-
-----------------------------------	--------	--------	---	---

(i) Asset held for sale in the next 12 months.

### Note 12: Non current receivables

Interest bearing loans advanced to:				
Other entities	2,358	2,358	-	-
Austvin Vineyards 1997 Project (i)	1,548	1,235	-	-
	<b>3,906</b>	<b>3,593</b>	-	-

(i) Austvin Vineyards Limited is the manager of this project with loans held by Austvin Finance Pty Ltd. The loan relates to amounts advanced to investors in the project to be recouped from the sale of grapes in the future.

### Note 13: Non current inventories

At cost:				
Bulk wine	53,916	58,525	2,996	5,649
Bottled wine	1,288	1,493	850	-
	<b>55,204</b>	<b>60,018</b>	<b>3,846</b>	<b>5,649</b>

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Note 14: Investments accounted for using the equity method

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Investment in associate	2,110	2,150	2,213	2,306

#### (a) Interest in associate

Name of Entity	Ownership Interest		Principal Activity	County of Incorporation
	2006 %	2005 %		
Mangoola Vineyards Pty Ltd	45	45	Vineyard Investor	Australia
Tempus Two Pty Limited	50	50	Winery Ownership	Australia

Name of Entity	Consolidated Carrying Amount		Company Carrying Amount	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Mangoola Vineyards Pty Ltd	-	-	-	-
Tempus Two Pty Limited	2,110	2,150	2,213	2,306
	<b>2,110</b>	<b>2,150</b>	<b>2,213</b>	<b>2,306</b>

#### (b) Movement in Investments in Associates

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Equity accounted amount of investment at the beginning of the financial year.	2,150	1,865	2,306	2,000
Acquisition of interests in associates	-	306	-	306
Write down of investment	(44)	-	(44)	-
Return of investment	(49)	-	(49)	-
Share of profit/(loss) from ordinary activities before income tax expenses	76	(30)	-	-
Share of income tax benefit/(expense) related to ordinary activities	(23)	9	-	-
<b>Equity accounted amount of investment at the end of the financial year.</b>	<b>2,110</b>	<b>2,150</b>	<b>2,213</b>	<b>2,306</b>

The company does not consider it has control or the capacity to control the day to day management decisions or the strategic direction of these entities.

#### (c) Summarised financial position of associates

Current assets	380	382
Non-current assets	9,009	9,255
<b>Total assets</b>	<b>9,389</b>	<b>9,637</b>
Current liabilities	5,080	5,336
<b>Net assets</b>	<b>4,309</b>	<b>4,301</b>
Revenue	3,195	2,860
Net profit/(loss)	106	(42)

#### (d) Share of retained earnings attributable to associates

<i>Retained profits/(accumulated losses)</i>		
At the beginning of the financial year	(156)	(135)
At the end of the financial year	(103)	(156)

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Note 15: Other non current investments

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Shares in unlisted companies at fair value	842	897	542	542
Shares in wholly-owned controlled entities at recoverable amount	-	-	166,339	206,239
	<b>842</b>	<b>897</b>	<b>166,881</b>	<b>206,781</b>

### Note 16: Biological assets

Net market value of vines at beginning of year	31,206	32,889
Vines disposed during the year	(945)	(1,683)
Net market value at end of year	<b>30,261</b>	<b>31,206</b>

#### (a) Impact on Income Statement

The profit before income tax included in the Consolidated Income Statement resulting from the movement in market value of biological assets is \$1,311,000 (2005: \$4,050,000); Company \$119,000 (2005: \$200,000 loss).

#### (b) Physical quantity of vines

Number of vines owned	1,595,072	1,672,250
Acres owned	2,163	2,256
Number of grapes crushed - owned vineyards (tonnes)	21,769	23,958

#### (c) Nature of asset

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

There are two resulting biological assets:

- (i) grapes (consumable biological asset)
- (ii) vines (bear biological asset)

#### (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 15 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;

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

- (i) grapes crushed valued at management forecast of market price.
- (ii) costs are those costs incurred in the 12 months preceding harvest.

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Note 17: Property, plant and equipment

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>(a) Vineyard Improvements</b>				
at cost	12,648	12,587	1,036	1,044
accumulated depreciation	(3,570)	(2,968)	(213)	(187)
	<b>9,078</b>	<b>9,619</b>	<b>823</b>	<b>857</b>
<b>Vineyard Improvements under lease (from third party)</b>				
at cost	417	664	-	-
accumulated amortisation	(71)	(85)	-	-
	<b>346</b>	<b>579</b>	<b>-</b>	<b>-</b>
<b>Freehold Land</b>				
at cost	<b>25,523</b>	<b>27,143</b>	<b>3,441</b>	<b>3,404</b>
<b>Buildings</b>				
at cost	21,536	16,524	13,758	10,752
accumulated depreciation	(3,532)	(2,269)	(1,080)	(672)
	<b>18,004</b>	<b>14,255</b>	<b>12,678</b>	<b>10,080</b>
<b>Plant and equipment under lease</b>				
at cost	2,341	1,148	-	-
accumulated amortisation	(326)	(179)	-	-
	<b>2,015</b>	<b>969</b>	<b>-</b>	<b>-</b>
<b>Plant and equipment</b>				
at cost	130,992	132,166	22,257	24,562
accumulated depreciation	(57,124)	(49,529)	(9,468)	(7,538)
	<b>73,868</b>	<b>82,637</b>	<b>12,789</b>	<b>17,024</b>
<b>Total Property, Plant and Equipment</b>				
at cost	193,457	190,232	40,492	39,762
accumulated depreciation and amortisation	(64,623)	(55,030)	(10,761)	(8,397)
	<b>128,834</b>	<b>135,202</b>	<b>29,731</b>	<b>31,365</b>

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Note 17: Property, plant and equipment (continued)

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>(b) Reconciliations</b>				
<b><i>Vineyard Improvements</i></b>				
carrying amount at beginning of the financial year	9,619	10,157	857	796
additions	60	85	-	85
depreciation	(601)	(623)	(34)	(24)
	<b>9,078</b>	<b>9,619</b>	<b>823</b>	<b>857</b>
<b><i>Vineyard Improvements under lease (from third party)</i></b>				
carrying amount at beginning of financial year	579	1,129	-	-
amortisation	(18)	(60)	-	-
disposals	(215)	(490)	-	-
	<b>346</b>	<b>579</b>	<b>-</b>	<b>-</b>
<b><i>Freehold land</i></b>				
carrying amount at beginning of the financial year	27,143	31,946	3,404	2,494
additions	549	910	37	910
disposals	(929)	(3,976)	-	-
transfer to current assets	-	(1,737)	-	-
transfer to other category	(1,240)	-	-	-
	<b>25,523</b>	<b>27,143</b>	<b>3,441</b>	<b>3,404</b>
<b><i>Buildings</i></b>				
carrying amount at beginning of the financial year	14,255	12,277	10,080	3,072
additions	107	7,079	24	7,079
disposals	-	-	-	-
depreciation	(636)	(339)	(340)	(71)
transfer to current assets	124	(4,762)	-	-
transfer from other category	4,154	-	2,914	-
	<b>18,004</b>	<b>14,255</b>	<b>12,678</b>	<b>10,080</b>
<b><i>Plant and equipment under lease</i></b>				
carrying amount at beginning of the financial year	969	1,046	-	-
addition	1,193	-	-	-
depreciation	(147)	(77)	-	-
	<b>2,015</b>	<b>969</b>	<b>-</b>	<b>-</b>
<b><i>Plant and equipment</i></b>				
carrying amount at beginning of the financial year	82,637	78,130	17,024	4,693
additions	5,802	19,481	677	14,670
disposals	(1,356)	(1,095)	-	(976)
depreciation	(9,461)	(9,005)	(1,998)	(1,363)
transfer to current assets	(840)	(4,874)	-	-
transfer to other category	(2,914)	-	(2,914)	-
	<b>73,868</b>	<b>82,637</b>	<b>12,789</b>	<b>17,024</b>
<b><i>Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:</i></b>				
Buildings	635	339	340	71
Vineyard improvements	601	623	34	24
Vineyard improvements under lease (from third party)	18	60	-	-
Plant and equipment	9,461	9,005	1,998	1,363
Plant and equipment under lease	147	77	-	-
	<b>10,862</b>	<b>10,104</b>	<b>2,372</b>	<b>1,458</b>

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Note 18: Goodwill

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Gross carrying amount:				
Balance at beginning of financial year	47,611	47,611	-	-
Additional payment during the year	100	-	-	-
Balance at end of financial year	<b>47,711</b>	<b>47,611</b>	-	-
Net book value:				
At the beginning of the financial year	47,611	47,611	-	-
At the end of the financial year	<b>47,711</b>	<b>47,611</b>	-	-

#### Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to 5 individual cash generating units as follows:

##### Individual cash-generating units

- Buronga Hill Winery
- Austvin Loxton Winery
- Yaldara Barossa Winery
- MSWL Europe
- Miranda Wines Group

	Consolidated	
	2006 \$'000	2005 \$'000
Buronga Hill Winery	21,771	21,771
Austvin Loxton Winery	17,850	17,850
Yaldara Barossa Winery	4,468	4,468
MSWL Europe	2,621	2,621
Miranda Wines Group	1,001	901

The recoverable amount of cash-generating unit is determined based on a value in use calculation which uses cash flow forecasts based on 2007 financial budgets approved by management and 2008 and 2009 cash flow projections and a discount rate of 9.7% p.a. (2005: 9.2% p.a.). Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of the individual cash-generating units to exceed its recoverable amount.

The key assumptions used in the value in use calculation for Buronga Hill Winery, Austvin Loxton Winery and Yaldara Barossa Winery are as follows:

- Working Capital: Working capital levels used in future years are in line with levels as at 30th June, 2006.
- Revenue: Revenue is forecast to increase at 3% per annum from 1st July, 2007.
- Gross Margin: Gross margin rates are forecast to continue at levels consistent with the 2006/2007 budget.
- Terminal Growth Rate: A terminal growth rate of 2% (2005: 2%) has been applied.

The Company has performed sensitivity analysis on the value in use calculation. Reducing revenue and terminal growth rates to 0% does not cause the associated goodwill to be impaired. Similarly, as there is sufficient head-room in the value in use calculation, small increases in the discount rate (up to 2 percentage points) do not cause the goodwill to be impaired.

The MSWL Europe and Miranda Wines Group value in use calculations assume revenues and profits from these operations will continue at levels achieved in 2004/2005 and 2005/2006.

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Note 19: Other intangible assets

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Brand Names:				
Balance at 1 July	5,098	5,098	-	-
Balance at 30 June	5,098	5,098	-	-
Accumulated amortisation:				
Balance at 1 July	(1,622)	(1,368)	-	-
Amortisation expense	(256)	(254)	-	-
Balance at 30 June	(1,878)	(1,622)	-	-
Net book value	3,220	3,476	-	-

### Note 20: Non current financial assets

Trade credits	2,756	3,827	2,756	-
---------------	-------	-------	-------	---

### Note 21: Other non current assets

Security deposit	1,439	1,376	-	3
------------------	-------	-------	---	---

### Note 22: Assets pledged as security

In accordance with the security arrangements of liabilities, as disclosed in notes 24 and 28 to the financial statements, effectively all assets (except goodwill and deferred tax assets) of the consolidated entity have been covered by a negative pledge with the lending institutions, with the exception of assets under hire purchase leased assets.

### Note 23: Current trade and other payables

Trade payables <sup>(i)</sup>	67,158	87,804	30,855	14,525
Goods and services tax (GST) payable	2,610	-	2,625	-
Amounts payable to wholly owned subsidiary	-	-	3,794	-
Other accounts payable and accruals	16,476	13,353	11,476	7,492
	<b>86,244</b>	<b>101,157</b>	<b>48,750</b>	<b>22,017</b>

<sup>(i)</sup> The average credit period on purchase of goods is 66 days. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

### Note 24: Current borrowings

#### Secured

Hire purchase (note 28 (ii))	363	557	363	557
Finance lease liabilities (note 28 (iii))	677	675	9	-
	<b>1,040</b>	<b>1,232</b>	<b>372</b>	<b>557</b>

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Note 25: Current provisions

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Directors retirement benefit (note 30)	452	452	-	-
Onerous grape contracts (note 30)	697	2,455	-	-
Employee benefits	5,008	3,011	4,957	564
	<b>6,157</b>	<b>5,918</b>	<b>4,957</b>	<b>564</b>

### Note 26: Other current liabilities

Income in advance	9,810	4,887	615	1,131
Other	256	98	185	78
	<b>10,066</b>	<b>4,985</b>	<b>800</b>	<b>1,209</b>

### Note 27: Non current payables

Other loans	-	5,770	-	5,720
-------------	---	-------	---	-------

### Note 28: Non current borrowings

<u>Unsecured</u>				
Commercial Bills (i)	142,000	168,000	142,000	168,000
<u>Secured</u>				
Hire purchase (ii)	49	324	49	324
Finance lease liabilities (iii)	5,504	8,366	47	-
	<b>147,553</b>	<b>176,690</b>	<b>142,096</b>	<b>168,324</b>

(i) The bank overdraft and commercial bills are subject to an interlocking guarantee and indemnity to National Australia Bank bank overdraft commercial bills (non-current)

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

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

### Note 29: Non-current provisions

Employee benefits	637	2,367	637	380
Onerous grape contracts (note 30)	855	-	-	-
	<b>1,492</b>	<b>2,367</b>	<b>637</b>	<b>380</b>

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Note 30: Provisions

	Consolidated	
	\$'000 Onerous Grape Contracts (i)	\$'000 Directors Retirement Benefit (ii)
Balance at 30 June 2005	2,455	452
Reductions arising from payments/other sacrifices of future economic benefits	(903)	-
<b>Balance at 30 June 2006</b>	<b>1,552</b>	<b>452</b>
Current	697	452
Non-current	855	-
<b>Balance as at 30 June 2006</b>	<b>1,552</b>	<b>452</b>

(i) The provision for onerous contracts represents the present value of the future grape payment that the consolidated entity is presently obligated to make in respect of onerous grape purchase contracts under non-cancellable grape agreements, less the estimate market value of these grapes. The estimate may vary as a result of changes in the market. The unexpired term of the agreements range from 1 to 3 years.

(ii) The provision for Directors' Retirement represents the present value of the directors' best estimate of the costs likely to be incurred as a result of either termination, resignation or retirement of directors.

### Note 31: Non hedged foreign currency balance

The Australian dollar equivalent of foreign currency balances included in the financial statements which are not effectively hedged are as follows: Canadian dollars - Current receivables \$492,937 (2005 - \$393,000); GB Pounds - Current receivables \$4,481,521 (2005 - \$4,011,000); and Euro's - Current receivables \$1,785,418 (2005 - \$883,000).

### Note 32: Issued capital

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Fully paid ordinary shares	375,935	354,258	375,935	354,258
	2006 \$'000	2006 Number	2005 \$'000	2005 Number
<b>Fully paid ordinary share capital</b>				
Beginning of financial year	354,258	113,588,205	334,834	109,499,186
<b>Issued during the year</b>				
Non-executive share scheme	-	66,000	-	128,000
Dividend re-investment plan	11,247	3,335,909	9,483	1,858,747
Underwriting agreement	9,741	2,924,945	9,389	1,920,772
Share options exercised (note 5)	428	144,000	597	176,000
Share issue costs	-	-	(45)	-
Transfer from reserves	261	-	-	-
Other	-	-	-	5,500
End of financial year	375,935	120,059,059	354,258	113,588,205

Changes to the Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Note 33: Reserves

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Employee equity-settled benefits(i)	1,727	1,571	1,727	1,571
Employee equity-settled benefits:				
Balance at beginning of financial year	1,571	519	1,571	519
Transfer to issued capital	(261)	-	(261)	-
Share based payments	417	1,052	417	1,052
<b>Balance at end of financial year</b>	<b>1,727</b>	<b>1,571</b>	<b>1,727</b>	<b>1,571</b>

(i) Reserve relates to the fair value of share based payments provided to directors and employees of the company.

### Note 34: (Accumulated losses)/Retained earnings

Balance at beginning of financial year	(5,649)	(13,945)	1,178	(7,003)
Dividends provided for or paid (note 36)	(20,988)	(26,672)	(20,988)	(26,672)
Net (loss)/profit	(11,546)	34,968	(18,517)	34,853
<b>Balance at end of financial year</b>	<b>(38,183)</b>	<b>(5,649)</b>	<b>(38,327)</b>	<b>1,178</b>

### Note 35: Earnings per share

	Consolidated	
	2006 Cents Per share	2005 Cents per share
Basic earnings per share (after inventory write down)	(9.9)	31.3
Basic earnings per share (before inventory write down)	15.0	32.5
Diluted earnings per share (after inventory write down)	(9.9)	30.8
Diluted earnings per share (before inventory write down)	14.8	32.0
	<b>\$'000</b>	<b>\$'000</b>
Net (loss)/profit	(11,546)	34,968
Net profit before inventory write down	17,540	36,346
	<b>2006 Number of Shares '000</b>	<b>2005 Number of Shares '000</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	116,960	111,764
Effect of dilutive securities:		
Share options	1,485	1,695
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	118,445	113,459

The potential ordinary shares are not considered dilutive as their effect is to reduce the loss per share.

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Note 36: Dividends

	Company 2006		Company 2005	
	Cents per share	Total \$'000	Cents per Share	Total \$'000
Fully paid ordinary shares:				
Interim dividend – franked to 30%	5.00	5,909	10.25	11,572
Final dividend – franked to 30%	13.25	15,079	13.75	15,100
		20,988		26,672
Adjusted franking account balance at 30% (tax paid basis)		15,424		16,046

### Note 37: Leases

#### (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 relating to operating leases that have not been disclosed in the financial statements as a liability.

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
- not longer than 1 year	18,297	18,591	14,512	14,628
- longer than 1 year and not longer than 5 years	71,620	75,599	59,351	62,064
- longer than 5 years	71,780	84,967	71,780	83,284
	<b>161,697</b>	<b>179,157</b>	<b>145,643</b>	<b>159,976</b>

#### (b) Finance leases

Finance leases relate to vineyard's with a lease term of up to 15 years.

	Minimum Future lease payments				Present Value of Minimum Future Lease payment			
	Consolidated		Company		Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
No Later than 1 year	1,094	1,473	15	-	676	891	10	-
Later than 1 year and not later than 5 years	2,631	3,433	57	-	838	582	46	-
Later than 5 years	6,199	10,619	-	-	4,667	7,568	-	-
Minimum lease payments*	9,924	15,525	72	-	6,181	9,041	56	-
Less future finance changes	(3,743)	(6,484)	(16)	-	-	-	-	-
Present value of minimum lease payments	6,181	9,041	56	-	6,181	9,041	56	-
Current Interest bearing liabilities (note 24)					677	675	9	-
Non-Current Interest bearing liabilities (note 28)					5,504	8,366	47	-
					<b>6,181</b>	<b>9,041</b>	<b>56</b>	<b>-</b>

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

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Note 38: Contingent liabilities

The Company has foreign exchange hedge contracts with plateau calls, shout options or fixed rates. As at 30/6/06 all foreign currency contracts have been accounted for as per AASB 1012 "Foreign Currency Translation", and therefore no contingent liability exists.

The fair value of the contracts upon adoption of AASB1012 was not material.

As detailed in note 39, the company has entered into a deed of cross guarantee with certain wholly-owned controlled entities. The amount disclosed as a contingent liability \$54,940,000 (2005: \$110,552,979) 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.

An entity in the consolidated entity is a defendant in a legal claim involving the alleged breach of a distribution agreement. The directors believe, based on legal advice and the information available to date, that the action can be successfully defended and therefore no material losses will be incurred.

### Note 39: Controlled entities

Name of entity	Country of Incorporation	Ownership Interest	
		2006 %	2005 %
<b>Parent Entity</b>			
McGuigan Simeon Wines Limited	Australia		
<b>Controlled Entity</b>			
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
Miranda Wines Pty Limited (1)	Australia	100	100
Miranda Wines Leasing Pty Limited (1)	Australia	100	100
Barossa Rovalley Estates Pty Limited (1)	Australia	100	100
Miranda Family Investments Pty Limited (1)	Australia	100	100
Miranda Wines (Purchasing) Pty Limited (1)	Australia	100	100
Miranda Wines (Europe) Limited	United Kingdom	100	100
Miranda Wines Holdings Limited (1)	Australia	100	100
McGuigan Simeon Wines (Europe) Limited	United Kingdom	100	100

(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 its controlled entities. The controlled entities have also given a similar guarantee in the event McGuigan Simeon Wines Limited is wound up.

Total assets and liabilities of companies included in the cross guarantee is equivalent to that included in the consolidated balance sheet on page 12 of this report.

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Note 40: Segment information

#### Business Segments

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

	Revenue 2006 \$'000	Revenue 2005 \$'000	Results 2006 \$'000	Results 2005 \$'000	Assets 2006 \$'000	Assets 2005 \$'000	Liabilities 2006 \$'000	Liabilities 2005 \$'000
Bottled wine <sup>(1)</sup>	167,290	147,390	8,171	17,151	92,629	94,949	23,235	33,724
Bulk wine and processing <sup>(2)</sup>	168,350	184,483	(18,923)	29,449	425,656	491,872	55,054	71,740
Vineyards	25,186	31,827	3,082	8,224	67,860	76,395	20,257	19,897
Unallocated*	-	-	(9,745)	(8,674)	21,271	14,847	169,391	202,522
<b>Total</b>	<b>360,826</b>	<b>363,700</b>	<b>(17,415)</b>	<b>46,150</b>	<b>607,416</b>	<b>678,063</b>	<b>267,937</b>	<b>327,883</b>
Income tax benefit/(expense)			5,869	(11,182)				
<b>Net Profit</b>			<b>(11,546)</b>	<b>34,968</b>				

\* unallocated results include interest expense.

\* unallocated assets include 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 \$2.1 million.

<sup>(1)</sup> Whilst sales in the bottled division are up, the margin has been impaired by:

- \$2,005,000 relating to inventory write down;
- Lapping of \$2.0 million in profit from higher margin one off sales in 2005;
- a reduction in margins in the domestic branded business; and
- increased export sales but at a low margin.

<sup>(2)</sup> Includes \$39,545,000 relating to inventory write down.

#### Other Segmental Information

	Acquisition of segment assets		Deprn. & amort. of segment assets		Other non- cash expenses		Share of Associates Profit/(Loss)		Carrying of Equity Investment	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Bottled wine	980	22,429	1,415	315	-	-	53	(21)	2,110	2,150
Bulk wine and processing	5,364	4,394	8,925	9,449	-	-	-	-	-	-
Vineyards	-	-	-	-	-	-	-	-	-	-
Unallocated	1,316	599	778	594	-	-	-	-	-	-
<b>Total</b>	<b>7,660</b>	<b>27,422</b>	<b>11,118</b>	<b>10,358</b>	<b>-</b>	<b>-</b>	<b>53</b>	<b>(21)</b>	<b>2,110</b>	<b>2,150</b>

#### Geographical Segments

	Revenue from customers		Segment assets		Acquisition of segment assets	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Australia	162,480	194,623	548,756	614,508	7,660	27,422
United Kingdom	145,813	86,509	38,270	33,339	-	-
North America	25,018	49,629	9,161	20,657	-	-
Europe	13,627	15,365	3,565	2,868	-	-
New Zealand	7,473	10,524	2,343	3,064	-	-
Other	6,415	7,050	5,321	3,627	-	-
<b>Total</b>	<b>360,826</b>	<b>363,700</b>	<b>607,416</b>	<b>678,063</b>	<b>7,660</b>	<b>27,422</b>

#### Products and Services within each Business Segment

- Bottled Wine
- Sale of bottled wine throughout Australia and overseas.
- Bulk Wine & processing
- Sale of bulk wine and bulk in bottle throughout Australia and overseas.
- Vineyards
- Contract management and development of vineyards.
  - Profit on owned vineyards.

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Note 41: Related party and specified directors and executive disclosures

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

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 39 to the financial statements.

**Equity interests in associates**

Details of the percentage of ordinary shares held in associates are disclosed in note 14 to the financial statements

**(b) Key management personnel remuneration**

Details of key management personnel directors' and specific executives' remuneration are disclosed in note 4 to the financial statements.

**(c) Key management personnel equity holdings**

Fully paid ordinary shares issued by McGuigan Simeon Wines Limited and held by key management personnel are as follows:

2006	Balance at 1/7/05 No.	Granted as remuneration No.	Received on exercise of options No.	Net other change No.	Balance at 30/6/06 No.	Balance held nominally No.
David S Clarke	864,000	22,000	-	-	886,000	-
Dane B Hudson	-	-	-	50,000	50,000	-
Brian J McGuigan	8,547,670	-	-	(8,250,000)	297,670	-
Ian D Ferrier	362,622	11,000	-	-	373,622	-
Nicholas S Greiner	325,879	11,000	-	500	337,379	-
Chris L Harris	80,205	11,000	-	2,514	93,719	-
Perry R Gunner	208,978	11,000	-	5,442	225,420	-
Paul Schaafsma	-	-	-	-	-	-
Andrew White	-	-	-	-	-	-
Lisa McGuigan	212,230	-	-	(112,230)	100,000	-
Michael Noack	1,875	-	-	-	1,875	-
Richard Byllaardt	50,583	-	-	(50,583)	-	-
Neil McGuigan	18,500	-	-	(18,500)	-	-
Julie Thomas	27,946	-	50,000	-	77,946	-
Craig Thomas	140	-	-	110	250	-
	<b>10,700,628</b>	<b>66,000</b>	<b>50,000</b>	<b>(8,372,747)</b>	<b>2,443,881</b>	<b>-</b>
2005	Balance at 1/7/04 No.	Granted as remuneration No.	Received on exercise of options No.	Net other change No.	Balance at 30/6/05 No.	Balance held nominally No.
David S Clarke	831,000	33,000	-	-	864,000	-
Brian J McGuigan	8,547,670	-	-	-	8,547,670	-
Ian D Ferrier	419,643	16,500	-	(73,521)	362,622	-
Nicholas S Greiner	309,879	16,500	-	(500)	325,879	-
Chris L Harris	48,462	16,500	-	15,243	80,205	-
Perry R Gunner	167,318	16,500	-	25,160	208,978	-
Paul Schaafsma	-	-	-	-	-	-
Andrew White	-	-	-	-	-	-
Lisa McGuigan	212,230	-	-	-	212,230	-
Michael Noack	1,875	-	-	-	1,875	-
Richard Byllaardt	35,000	-	20,000	(4,417)	50,583	-
Neil McGuigan	-	-	-	18,500	18,500	-
Julie Thomas	50,000	-	-	(22,054)	27,946	-
Craig Thomas	140	-	-	-	140	-
David Thompson	-	-	-	-	-	-
	<b>10,623,217</b>	<b>99,000</b>	<b>20,000</b>	<b>(41,589)</b>	<b>10,700,628</b>	<b>-</b>

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Note 41: Related party and specified directors and executive disclosures (continued)

Share options issued by McGuigan Simeon Wines and held by key management personnel are as follows:

2006	Balance at 1/7/05 No.	Granted as remuneration No.	Exercised No.	Other Change No.	Bal @ 30/06/06 No.	Bal Vested @ 30/06/06 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during the year No.
Dane Hudson	-	410,000	-	-	410,000	-	-	-	-
Paul Schaafsma	35,000	-	-	-	35,000	35,000	-	35,000	25,000
Andrew White	50,000	-	-	(50,000)	-	-	-	-	-
Lisa McGuigan	25,000	-	-	-	25,000	25,000	-	25,000	25,000
Michael Noack	50,000	-	-	-	50,000	50,000	-	50,000	50,000
Richard Byllaardt	25,000	-	-	-	25,000	25,000	-	25,000	25,000
Neil McGuigan	-	85,544	-	-	85,544	-	-	-	-
Julie Thomas	100,000	-	(50,000)	-	50,000	50,000	-	50,000	-
Craig Thomas	25,000	-	-	-	25,000	25,000	-	25,000	25,000
	<b>310,000</b>	<b>495,844</b>	<b>(50,000)</b>	<b>(50,000)</b>	<b>705,544</b>	<b>210,000</b>	<b>-</b>	<b>210,000</b>	<b>150,000</b>

  

2005	Balance at 1/7/04 No.	Granted as remuneration No.	Exercised No.	Other Change No.	Bal @ 30/06/05 No.	Bal Vested @ 30/06/05 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during the year No.
Paul Schaafsma	35,000	-	-	-	35,000	10,000	-	10,000	10,000
Andrew White	50,000	-	-	-	50,000	-	-	-	-
Lisa McGuigan	25,000	-	-	-	25,000	-	-	-	-
Michael Noack	50,000	-	-	-	50,000	-	-	-	-
Richard Byllaardt	45,000	-	(20,000)	-	25,000	-	-	-	-
Neil McGuigan	-	-	-	-	-	-	-	-	-
Julie Thomas	100,000	-	-	-	100,000	100,000	-	100,000	50,000
Craig Thomas	25,000	-	-	-	25,000	-	-	-	-
David Thompson	25,000	-	-	(25,000)	-	-	-	-	-
	<b>355,000</b>	<b>-</b>	<b>(20,000)</b>	<b>(25,000)</b>	<b>310,000</b>	<b>110,000</b>	<b>-</b>	<b>110,000</b>	<b>60,000</b>

All executive share options issued to executives during the financial year were made in accordance with the provisions of the executive share option plan.

Each executive share option converts into 1 ordinary share of McGuigan Simeon Wines Limited on exercise. During the financial year, 50,000 options were exercised by directors and executives for 50,000 ordinary shares in McGuigan Simeon Wines Limited. The exercise price on each option was \$2.89. No amounts remain unpaid on the options exercised during the financial year at year end.

No options were issued to specific executives during the year ended 30 June 2006.

Further details of the options granted during the year are contained in note 6 to the financial statements. 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. 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.

#### (d) Other transactions with directors

- (i) During the year ended 30 June 2006, a company associated with David Clarke, Poole's Rock Wines Pty Limited, sold to the Company wine to the value of \$16,196 (2005: \$52,054) at normal wholesale rates. The company sold concentrate to Poole's Rock Wines Pty Limited to the value of \$878 (2005: \$965) at normal commercial rates.
- (ii) Fay McGuigan (associate of Brian McGuigan) has a minority interest in an entity which paid \$319,459 (2005: \$370,990) to the Company for the provision of viticultural services at Barmera and Bordertown. Fruit from both vineyards was purchased by the Company from the entity for \$393,838 (2005: \$259,116) on the same terms and conditions as other investors in that project.
- (iii) During the year ended 30 June 2006, 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 \$312,416 (2005: \$279,913) and an amount of \$178,000 (2005: \$165,042) was paid for the purchase of the grapes from Nicholas Greiner's vineyard during the 2006 year calculated at normal commercial rates. As of 30th June 2006 \$390,586 (2005: \$224,928) is payable to the company in relation to the above transactions.
- (iv) 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.

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Note 41: Related party and specified directors and executive disclosures (continued)

(v) Lisa McGuigan (associate of Brian McGuigan) has a minority interest in an entity which paid \$79,150 (2005: \$108,743) to the Company for the provision of viticultural services at Bordertown. Fruit from the Bordertown vineyard was purchased by the Company from the entity for \$148,135 (2005: \$75,499) on the same terms and conditions as other investors in that project.

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

Amounts which are non-trade receivables from wholly-owned controlled entities are disclosed in note 7.

#### (f) Parent Entity

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

### Note 42: Subsequent events

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

### Note 43: Notes to the statement of cash flow

#### (a) Reconciliation of cash

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

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Cash	6,118	12,728	8,500	2,039
<b>(b) Financing Facilities</b>				
Unsecured bank overdraft facility, reviewed annually and payable at call:				
Amount Used	-	-	-	-
Amount Unused	5,000	5,000	5,000	5,000
	5,000	5,000	5,000	5,000
Unsecured revolving lease facility:				
Amount Used	139	473	139	473
Amount Unused	1,861	1,527	1,861	1,527
	2,000	2,000	2,000	2,000
Bank Guarantee/Surrender facility:				
Amount Used	4,546	3,026	4,546	3,026
Amount Unused	3,454	974	3,454	974
	8,000	4,000	8,000	4,000
Unsecured bill acceptance facility, reviewed annually:				
Amount Used	142,000	168,000	142,000	168,000
Amount Unused	48,000	7,000	48,000	7,000
	190,000	175,000	190,000	175,000

#### (c) Non-cash financing and investing activities

Under the Dividend Reinvestment Plan, shares to the value of \$11,247,050 (2005: \$9,483,000) were issued during the financial year for no consideration.

A winery and production facility was purchased during 2005. As part of this purchase, a finance facility was established with the vendor.

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Note 43: Notes to the statement of cash flow (continued)

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

	Consolidated		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
(Loss)/profit from ordinary activities after income tax	(11,546)	34,968	(18,517)	34,853
Depreciation and amortisation of non-current assets	11,118	10,358	2,372	1,458
Loss/(Profit) on sale of non-current assets	156	579	(25)	2,962
Decrement from write down of non-current assets	-	442	40,000	-
Bad and doubtful debts	(168)	2,361	814	2,361
Share of associates loss	(53)	21	-	-
Unrealised foreign exchange losses	(442)	395	192	497
Dividends received from wholly controlled entities	-	-	(29,000)	(33,000)
Write down of investment	44	-	44	-
Write down of inventory	41,550	1,969	6,340	-
<b>Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses</b>				
<b>(Increase)/Decrease in assets</b>				
trade and other receivables	22,019	5,836	68,615	(12,347)
inventories	(8,291)	(34,460)	(33,771)	(1,511)
other current assets	1,606	(4,336)	1,516	(3,195)
other non-current assets	1,098	(6,384)	(2,753)	(2,491)
<b>Increase/(Decrease) in liabilities</b>				
current trade and other payables	(14,913)	(11,372)	26,733	363
current provisions	(11,194)	1,370	(7,040)	2,508
other	3,416	(2,135)	(14,725)	(5,332)
non-current provisions	(1,504)	2,486	(372)	(1,065)
<b>Net cash provided by/(used in) operating activities</b>	<b>32,896</b>	<b>2,098</b>	<b>40,423</b>	<b>(13,939)</b>

### Note 44: Financial instruments

#### Foreign exchange risk

The consolidated entity has exposure to foreign exchange fluctuations in respect of sales to overseas countries. The board monitors foreign exchange rates and regularly reviews our foreign currency exposure. At 30 June 2006 the Company held US dollar foreign exchange contracts to the value of USD 1,268,000 (2005: USD 2,922,371), NZD Nil (2005: 1,208,179) and GBP Nil pounds (2005: GBP 455,992) that mature progressively through to June 2007. The average exchange rate for US dollars under contract is .7028.

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Note 44: Financial instruments (continued)

#### Financial instruments

	Floating Interest rate		Fixed interest rate maturing in				Non-interest bearing		Total carrying amount as per		Weighted average effective interest rate	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	balance sheet		2006 \$'000	2005 \$'000
(i) Financial assets												
cash	6,170	12,711	-	-	-	-	18	17	6,188	12,728	5.25	4.75
Receivables – non current												
- Other entities	-	-	-	-	2,358	2,358			2,358	2,358	7.00	7.00
- Austvin Vineyards 1997 Project	-	-	-	-	1,548	1,235			1,548	1,235	11.00	11.00
Total financial assets	6,170	12,711	-	-	3,906	3,593	18	17	10,094	16,321	-	-
(ii) Financial liabilities												
Commercial Bills (note 28)	22,000	48,000	20,000	-	100,000	120,000	-	-	142,000	168,000	5.74	5.71
Total financial liabilities	22,000	48,000	20,000	-	100,000	120,000	-	-	142,000	168,000	-	-

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 five interest rate swap agreements with a notional amount of \$120 million.

- (i) \$25 million on which it pays 5.99% interest and receives the Bank Bill Swap Rate (BBSW) on the notional amount (2005: \$25m). This swap agreement expires in September 2010.
- (ii) \$20 million on which it pays 5.68% interest and receives the BBSW calculated on the notional amount (2005: \$20m). This swap agreement expires in August 2007.
- (iii) \$20 million on which it pays 5.64% interest and receives BBSW calculated on the notional amount (2005: \$20m). This swap agreement expires in February 2011.
- (iv) \$20 million on which it pays 5.04% interest and receives BBSW calculated on the notional amount (2005: \$20m). This swap agreement expires in February 2007.
- (v) \$35 million on which it pays 6.19% interest and receives BBSW calculated on the notional amount (2005: \$35m). This swap agreement expires in November 2008.

All other financial assets and financial liabilities are non-interest bearing.

The swap is used to protect part of the bank facility from exposure to increasing interest rates. The swap in place covers 81% (2005: 71%) of the total borrowings as at 30 June 2006.

#### Liquidity risk management

The consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

#### Fair value of financial instruments

The fair values and net fair values of financial assets and liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and trade on active liquid markets are determined with reference to quoted market prices; and
- The fair value of derivative instruments, included in hedging assets and liabilities, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

The directors consider that the carrying value of the financial instruments approximate their fair value.

#### 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.

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Note 45: Impacts of adopting Australian equivalents to IFRS management of the transition A-IFRS

#### Impacts of the adoption of Australian equivalents to IFRS

The consolidated entity changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards ('A-IFRS'). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as at the date of transition.

An explanation of how the transition for superseded policies to A-IFRS has affected the company and consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

#### Proforma Income Statement for the year ended 30th June 2005

	Note	AGAAP Actual* \$000	Consolidated A-IFRS Impact \$000	A-IFRS \$000	AGAAP Actual* \$000	Company A-IFRS Impact \$000	A-IFRS \$000
Revenue	e	368,050	(4,350)	363,700	151,207	(4,350)	146,857
Cost of sales		(276,939)	4,350	(272,589)	(117,058)	4,350	(112,708)
Gross Profit		91,111	-	91,111	34,149	-	34,149
Net market value of grapes picked during the year	i	4,732	(682)	4,050	(926)	726	(200)
Proceeds from disposal of assets	e	5,318	(5,318)	-	5,071	(5,071)	-
Written down value of assets disposed	e	(5,897)	5,897	-	(8,033)	8,033	-
Other Revenue from ordinary activities		2,986	-	2,986	34,695	-	34,695
Distribution expenses		(10,187)	-	(10,187)	(4,554)	-	(4,554)
Marketing/Selling expenses		(21,289)	-	(21,289)	(8,572)	-	(8,572)
Administration expenses	c, f, j	(9,520)	1,141	(8,379)	(5,379)	(3,998)	(9,377)
Share of net losses of associates using the equity method		(21)	-	(21)	(36)	-	(36)
Borrowing costs		(10,152)	-	(10,152)	(9,271)	-	(9,271)
Write down of bulk wine		(1,969)	-	(1,969)	-	-	-
<b>Profit from ordinary activities before income tax expense</b>		<b>45,112</b>	<b>1,038</b>	<b>46,150</b>	<b>37,144</b>	<b>(310)</b>	<b>36,834</b>
Income tax expense relating to ordinary activities	g	(10,687)	(495)	(11,182)	(1,758)	(223)	(1,981)
<b>Net Profit</b>		<b>34,425</b>	<b>543</b>	<b>34,968</b>	<b>35,386</b>	<b>(533)</b>	<b>34,853</b>

\*Reported financial performance for the year ended 30th June 2005.

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

Balance Sheet as at 1st July 2004

	Note	Consolidated			Company		
		AGAAP Actual* \$000	A-IFRS Impact \$000	A-IFRS \$000	AGAAP Actual* \$000	A-IFRS Impact \$000	A-IFRS \$000
<b>Current</b>							
Cash and cash equivalents		2,654	-	2,654	588	-	588
Trade and other receivables	l	126,534	-	126,534	251,454	4,708	256,162
Inventories		199,812	-	199,812	6,165	-	6,165
Non-current assets held for sale		-	-	-	-	-	-
Financial assets		-	-	-	-	-	-
Other		3,319	-	3,319	2,293	-	2,293
<b>Total Current Assets</b>		<b>332,319</b>	<b>-</b>	<b>332,319</b>	<b>260,500</b>	<b>4,708</b>	<b>265,208</b>
<b>Non-Current Assets</b>							
Receivables	k	8,251	(4,658)	3,593	-	-	-
Inventories		51,176	-	51,176	5,348	-	5,348
Investments accounted for using the equity method		1,865	-	1,865	2,000	-	2,000
Other investments		939	-	939	206,781	-	206,781
Biological assets		32,889	-	32,889	-	-	-
Property, plant and equipment		134,685	-	134,685	11,055	-	11,055
Intangible assets	c	52,357	(1,019)	51,338	-	-	-
Deferred tax assets	g	9,218	4,707	13,925	9,218	4,707	13,925
Financial assets		-	-	-	-	-	-
Other		1,307	-	1,307	-	-	-
<b>Total Non-Current Assets</b>		<b>292,687</b>	<b>(970)</b>	<b>291,717</b>	<b>234,402</b>	<b>4,707</b>	<b>239,109</b>
<b>Total Assets</b>		<b>625,006</b>	<b>(970)</b>	<b>624,036</b>	<b>494,902</b>	<b>9,415</b>	<b>504,317</b>
<b>Current Liabilities</b>							
Trade and other payables		105,529	-	105,529	14,654	-	14,654
Borrowings		6,004	-	6,004	1,130	-	1,130
Current tax liabilities		9,037	-	9,037	9,037	-	9,037
Provisions		7,124	-	7,124	563	-	563
Other		7,610	-	7,610	-	-	-
<b>Total Current Liabilities</b>		<b>135,304</b>	<b>-</b>	<b>135,304</b>	<b>25,384</b>	<b>-</b>	<b>25,384</b>
<b>Non-Current Liabilities</b>							
Payables		380	-	380	738	-	738
Borrowings		145,383	-	145,383	130,076	-	130,076
Deferred tax liabilities	g	10,066	9,415	19,481	10,066	9,415	19,481
Provisions		2,079	-	2,079	288	-	288
<b>Total Non-Current Liabilities</b>		<b>157,908</b>	<b>9,415</b>	<b>167,323</b>	<b>141,168</b>	<b>9,415</b>	<b>150,583</b>
<b>Total Liabilities</b>		<b>293,212</b>	<b>9,415</b>	<b>302,627</b>	<b>166,552</b>	<b>9,415</b>	<b>175,967</b>
<b>Net Assets</b>		<b>331,794</b>	<b>(10,385)</b>	<b>321,409</b>	<b>328,350</b>	<b>-</b>	<b>328,350</b>
Contributed Equity		334,834	-	334,834	334,834	-	334,834
Reserves	f	-	519	519	-	519	519
Retained earnings/accumulated losses)	g, h	(3,040)	(10,904)	(13,944)	(6,484)	(519)	(7,003)
<b>Total Equity</b>		<b>331,794</b>	<b>(10,385)</b>	<b>321,409</b>	<b>328,350</b>	<b>-</b>	<b>328,350</b>

\*Reported financial position for the year ended 30th June 2004.

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Statement of Financial Position for the year ended 30th June 2005

	Note	Consolidated			Company		
		AGAAP Actual* \$000	A-IFRS Impact \$000	A-IFRS \$000	AGAAP Actual* \$000	A-IFRS Impact \$000	A-IFRS \$000
<b>Current</b>							
Cash and cash equivalents		12,728	-	12,728	2,039	-	2,039
Trade and other receivables	l	120,698	-	120,698	306,859	4,980	311,839
Inventories	i	224,143	(682)	223,461	7,375	726	8,101
Non-current assets held for sale		12,194	-	12,194	-	-	-
Financial assets		1,156	-	1,156	-	-	-
Other		6,499	-	6,499	5,488	-	5,488
<b>Total Current Assets</b>		<b>377,418</b>	<b>(682)</b>	<b>376,736</b>	<b>321,761</b>	<b>5,706</b>	<b>327,467</b>
<b>Non-Current Assets</b>							
Receivables	k	8,251	(4,658)	3,593	-	-	-
Inventories		60,018	-	60,018	5,649	-	5,649
Investments accounted for using the equity method		2,150	-	2,150	2,306	-	2,306
Other investments		897	-	897	206,781	-	206,781
Biological assets		31,206	-	31,206	-	-	-
Property, plant and equipment		135,202	-	135,202	31,365	-	31,365
Intangible assets	c	49,420	1,667	51,087	-	-	-
Deferred tax assets	g	11,706	265	11,971	11,706	265	11,971
Financial assets		3,827	-	3,827	-	-	-
Other		1,376	-	1,376	3	-	3
<b>Total Non-Current Assets</b>		<b>304,053</b>	<b>(2,726)</b>	<b>301,327</b>	<b>257,810</b>	<b>265</b>	<b>258,075</b>
<b>Total Assets</b>		<b>681,471</b>	<b>(3,408)</b>	<b>678,063</b>	<b>579,571</b>	<b>5,971</b>	<b>585,542</b>
<b>Current Liabilities</b>							
Trade and other payables		101,157	-	101,157	22,017	-	22,017
Borrowings		1,232	-	1,232	557	-	557
Current tax liabilities		11,528	-	11,528	11,528	-	11,528
Provisions	j	6,003	(85)	5,918	580	(16)	564
Other		4,985	-	4,985	1,209	-	1,209
<b>Total Current Liabilities</b>		<b>124,905</b>	<b>(85)</b>	<b>124,820</b>	<b>35,891</b>	<b>(16)</b>	<b>35,875</b>
<b>Non-Current Liabilities</b>							
Payables		5,770	-	5,770	5,720	-	5,720
Borrowings		176,690	-	176,690	168,324	-	168,324
Deferred tax liabilities	g	12,768	5,468	18,236	12,768	5,468	18,236
Provisions		2,367	-	2,367	380	-	380
<b>Total Non-Current Liabilities</b>		<b>197,595</b>	<b>5,468</b>	<b>203,063</b>	<b>187,192</b>	<b>5,468</b>	<b>192,660</b>
<b>Total Liabilities</b>		<b>322,500</b>	<b>5,383</b>	<b>327,883</b>	<b>223,083</b>	<b>5,452</b>	<b>228,535</b>
<b>Net Assets</b>		<b>358,971</b>	<b>(8,791)</b>	<b>350,180</b>	<b>356,488</b>	<b>519</b>	<b>357,007</b>
Contributed Equity		354,258	-	354,258	354,258	-	354,258
Reserves	f	-	1,571	1,571	-	1,571	1,571
Retained earnings/(accumulated losses)	g, h	4,713	(10,362)	(5,649)	2,230	(1,052)	1,178
<b>Total Equity</b>		<b>358,971</b>	<b>(8,791)</b>	<b>350,180</b>	<b>356,488</b>	<b>519</b>	<b>357,007</b>

\*Reported financial position for the year ended 30th June 2005.

#### Explanatory notes to the proforma financial statements

The following explanatory notes relate to the proforma financial statements above and describe, for significant items, the differences between the accounting policies under A-IFRS and the current treatment of those items under Australian GAAP ("AGAAP"):

##### (a) Business combinations

On initial adoption of A-IFRS the directors have elected not to restate business combinations that occurred before 1st July 2004. Accordingly, the impacts of the adoption of A-IFRS on the financial report associated with past business combinations will be limited to the recognition of additional deferred tax assets and deferred tax liabilities and cessation of goodwill amortisation.

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Explanatory notes to the proforma financial statements (continued)

#### (b) Financial instruments

There is no material impact on the comparative period upon adopting AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments' Recognition and Measurement'.

#### (c) Goodwill and intangible assets

Under A-IFRS, goodwill is not subject to amortisation, but must be tested for impairment annually and whenever there is an indication that goodwill may be impaired. As a result, amortisation expense decreased by \$2,686,000 (Company: Nil) for the financial year ended 30 June 2005.

Under A-IFRS, other intangible assets such as brand names and non-current receivables are required to be tested for impairment. Consequently, other intangibles have been reduced by \$1,019,000 (Company: \$Nil) at 30th June 2004 and other non-current receivables have been reduced by \$4,658,000 (Company: \$Nil) at 30th June 2004.

#### (d) Property, plant and equipment

On initial adoption of A-IFRS, the directors elected to deem the carrying values (historic costs) of plant and equipment at 1 July 2004 to be cost for accounting purposes, as permitted by the first-time adoption provisions in AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards'. Consequently, adoption of A-IFRS has not resulted in any adjustments.

#### (e) Re-classification in Income Statement

Although not impacting the net profit of the company and the consolidated entity, the adoption of A-IFRS has resulted in a number of transactions being recorded on a "net" rather than a "gross" basis. This has resulted in \$4,350,000 being removed from revenue and cost of sales in both the consolidated entity and the parent entity. In addition, the adoption of A-IFRS results in the reclassification of proceeds from sale of non-current assets from "revenue from ordinary activities" to other income and expense items in the income statement. As a consequence, proceeds from the disposal of assets and the written down value of assets sold, have both been removed and revenue has decreased by \$579,000 (Company: \$2,962,000) and other administration expenses have increased by \$579,000 (Company: \$2,962,000).

#### (f) Share-based payments

Equity-settled share based payments in respect of equity instruments issued after 7 November 2002 that were unvested as at 1 January 2005 have been measured at fair value at grant date. The fair value determined at grant date of equity-settled share-based payments has been expensed on a straight-line basis over the vesting period, based on the estimated number of equity instruments that will vest. As a consequence, contributed equity has increased by \$1,571,671 (Company \$1,571,671). Additional employee benefit expense of \$1,052,275 (Company \$1,052,275) has been recognised in the income statement for the financial year ended 30 June 2005 and retained earnings at 1st July 2004 has reduced by \$519,396 (Company \$519,396).

#### (g) Income tax

Under A-IFRS, tax balances are determined using a 'balance sheet' approach, which significantly differs from the previous methodology. Changes in deferred tax assets and deferred tax liabilities arise as a consequence of the different method of measurement, including increases in deferred tax assets and deferred tax liabilities arising as a consequence of the recognition of deferred taxes associated with fair value adjustments in relation to business combinations, revaluations of land and buildings and investments in associates. Under A-IFRS, the criteria for recognition of carried forward tax losses is 'probable' as compared to the present 'virtually certain' test.

The cumulative impact on the consolidated and company balance sheet at 30 June 2005 of the different methodology to be applied was to increase deferred tax assets by \$265,000 and to increase deferred tax liabilities by \$5,468,000. The cumulative impact on the consolidated balance sheet at 1st July 2004 of the different methodology was to increase deferred tax assets by \$4,707,000 (Company: \$4,707,000) and deferred tax liabilities by \$9,415,000 (Company \$9,415,000). The impact on the consolidated income statement for the financial year ended 30 June 2005 is an increase in tax expense of \$673,712 (Company: \$218,000). This adjustment together with the tax impact of (i) and (j) gives rise to a net increase in tax expense of \$494,595 (Company: \$223,000).

The effect of the above adjustments on the deferred tax balances are as follows:

	Consolidated		Company	
	01/07/04	30/06/05	01/07/04	30/06/05
	\$'000	\$'000	\$'000	\$'000
Deferred tax not recognised under previous GAAP	56	(564)	56	(564)
Annual leave provisions	-	(26)	-	(26)
Tax balances adjusted under tax sharing arrangement	-	-	(4,764)	(4,818)
Prior year tax base adjustment property, plant and equipment	(4,764)	(4,818)	-	-
Biological assets	-	205	-	205
Net decrease in deferred tax balances	(4,708)	(5,203)	(4,708)	(5,203)

During the preparation of the financial statements, the company identified a temporary difference which had been incorrectly accounted for in a prior period and has been subsequently adjusted. The impact of this adjustment is to increase accumulated losses by \$2,317,000 at 30th June 2005 (\$847,000 at 1st July 2004) and increase deferred tax liability by \$2,317,000 at 30th June 2005 (\$847,000 at 1st July 2004).

# McGuigan Simeon Wines Limited

## Notes to the financial statements

For the financial year ended 30 June 2006

### Explanatory notes to the proforma financial statements (continued)

#### (h) Retained earnings

Adjustments required on first-time adoption (on 1st July 2004) of A-IFRS are recognised directly in retained earnings as the date of transition to A-IFRS. The cumulative effect of these adjustments for the consolidated entity was a decrease in retained earnings of \$10,904,000. (Company: \$519,000).

	Consolidated		Company	
	01/07/04 \$'000	30/06/05 \$'000	01/07/04 \$'000	30/06/05 \$'000
Goodwill no longer amortised	-	2,635	-	-
Share based payments	(519)	(1,571)	(519)	(1,571)
Annual leave provisions	-	59	-	11
Brand names	(1,018)	(967)	-	-
Receivables	(4,658)	(4,658)	-	-
Grapes received from leased vineyards	-	(477)	-	508
Adjustments to tax balances	(4,708)	(5,384)	-	-
Other	(1)	1	-	-
	(10,904)	(10,362)	(519)	(1,052)

#### (i) Agriculture

Under A-IFRS, grapes received from vineyards which are leased are recognised in stock at cost of production. Previously they were recognised at market value. As a consequence, revenue and profit before income tax have decreased by \$682,352 (Company: increase \$726,189).

#### (j) Annual Leave

Under A-IFRS the non-current portion of annual leave is discounted to the net present value based on the prevailing government bond rate. The adjustment to net profit for the year ended 30 June 2005 was \$84,962 (Company: \$16,415) before applicable income tax.

#### (k) Non-current receivables

Under A-IFRS, non-current receivables are required to be measured on a discounted net present value basis. As a consequence, non-current receivables were reduced by \$4,658,000 at 1st July 2004 (Company: \$Nil).

#### (l) Trade and other receivables

Adjustments to tax balances in the subsidiaries resulting from A-IFRS must be passed to the parent entity as set out in the tax sharing agreement. The resulting effect is to increase current trade and other receivables in the Company by \$4,980,000 at 30th June 2005 (\$4,708,000 at 1st July 2004).