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**Southcorp Wines Europe Limited**

Directors' report and financial  
statements

Registered number 2808255

30 June 2004



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## Directors' report

The directors present their annual report and audited financial statements for the year ended 30 June 2004.

### Principal activities

The principal activity of the company is the importation and distribution of Australian, Californian and French wines.

### Business review

During the year ended 30 June 2004 the business, as predicted this time last year, recovered its profitability. Turnover increased by 3% and a £3,042,000 loss before taxation sustained in the year ended 30 June 2003 was converted to a profit before tax of £8,759,000 in the year ended 30 June 2004, an 8% return on sales. This is as a direct result of the UK's successful implementation of its focus on profitable volume by reducing the depth and frequency of promotion. In Europe the business saw a continuation of the steady growth experienced in previous years. Particularly pleasing is the reduction in the cost base of the business (administration and distribution expenses) which was a key part of the strategy implementation of senior management.

The results for the year are shown in the profit and loss account on page 4.

### Dividends

The directors do not recommend the payment of a dividend (2003: £nil).

### Directors and directors' interests

The directors who held office during the year and up to the date of this report were as follows:

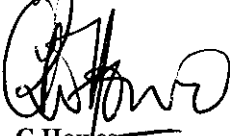
C Howes	
J Wilkinson	Australian
S McClintock	Australian (appointed 2 July 2003)

The directors who held office at the end of the financial period had no disclosable interests in the shares of the company or any other group companies, as recorded in the register of directors' share and debenture interests.

### Auditor

Pursuant to section 386 of the Companies Act 1985, the company has dispensed with the obligation to appoint auditors annually. Accordingly, KPMG LLP will remain as auditor of the company.

By order of the board



C Howes  
Director

Grange House  
15 Church Street  
Twickenham  
TW1 3NL

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

Arlington Business Park  
Theale  
Reading  
Berkshire RG7 4SD

## **Report of the independent auditors to the members of Southcorp Wines Europe Limited**

We have audited the financial statements on pages 4 to 13.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditor, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG LLP*

**KPMG LLP**

*Chartered Accountants  
Registered Auditor*

*1 December 2004*

**Profit and loss account**  
*for the year ended 30 June 2004*

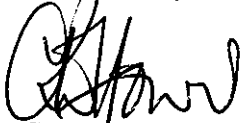
	<i>Note</i>	<b>2004</b> <b>£000</b>	2003 £000
<b>Turnover</b>	<b>2</b>	<b>108,217</b>	105,217
Cost of sales		<b>(79,714)</b>	(87,414)
<b>Gross profit</b>		<b>28,503</b>	17,803
Administrative expenses		<b>(17,582)</b>	(17,977)
Distribution expenses		<b>(2,221)</b>	(2,807)
Other operating income		<b>88</b>	16
<b>Operating profit/(loss)</b>		<b>8,788</b>	(2,965)
Interest receivable	<b>6</b>	<b>26</b>	430
Interest payable	<b>7</b>	<b>(55)</b>	(507)
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>3-5</b>	<b>8,759</b>	(3,042)
Tax (charge)/credit on profit/(loss) on ordinary activities	<b>8</b>	<b>(2,628)</b>	829
<b>Profit/(loss) for the financial year</b>		<b>6,131</b>	(2,213)

The company has no recognised gains or losses other than the profit for the year and the above amounts represent the results of continuing operations.

**Balance sheet**  
*at 30 June 2004*

	<i>Note</i>	<b>2004</b>	<b>2003</b>
		<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>			
Tangible assets	9	539	680
<b>Current assets</b>			
Stocks	10	9,445	12,530
Debtors	11	42,176	43,493
Cash at bank and in hand		2,206	4,445
		<hr/>	<hr/>
<b>Creditors: amounts falling due within one year</b>	13	<b>53,827 (30,869)</b>	<b>60,468 (43,787)</b>
		<hr/>	<hr/>
<b>Net current assets</b>		<b>22,958</b>	<b>16,681</b>
<b>Creditors : amounts falling due after more than one year</b>	14	<b>(328)</b>	<b>(323)</b>
		<hr/>	<hr/>
<b>Net assets</b>		<b>23,169</b>	<b>17,038</b>
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	15	23	23
Share premium	16	19,987	19,987
Profit and loss account	16	3,159	(2,972)
		<hr/>	<hr/>
<b>Shareholders' funds</b>	17	<b>23,169</b>	<b>17,038</b>
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 26 November 2004 and were signed on its behalf by:

  
C Howes  
Director

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

#### *Cash flow*

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of Southcorp Limited and it is included within the consolidated financial statements of that company.

#### *Related parties*

The company is also taking advantage of the exemption which is available under Financial Reporting Standard 8, for subsidiaries more than 90% owned, not to disclose transactions with other group undertakings. There were no other related party transactions in the year requiring separate disclosure.

#### *Fixed assets and depreciation*

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives.

Leasehold improvements	20% per annum
Computer equipment	25% per annum
Fixtures and fittings	10% per annum

#### *Stocks*

Stocks are stated at the lower of purchase cost and net realisable value.

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### *Leases*

The rental charges for operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.



## Notes (continued)

### 1 Accounting policies (continued)

#### Taxation

The charge for taxation is based on the profit for the period and takes into account deferred taxation. Deferred tax is recognised without discounting in respect of all timing differences between the treatment of items for taxation and accounting purposes which have arisen but not reversed by balance sheet date unless as otherwise required by FRS 19.

#### Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period. Turnover is reported net of discounts and allowances provided to customers.

Sales are recognised at the time ownership transfers to the customer; either on shipment or despatch.

A provision is made for promotional discounts due to customers based on an estimate of qualifying sales made by each customer during the period, hence reducing turnover.

#### Pensions

The company pays contributions into a group personal pension plan and into certain employees' personal pension plans. The amount charged to the profit and loss account in respect of pension costs represents the contributions payable in the period. The difference between contributions payable and contributions paid is shown as a prepayment or accrual in the balance sheet as appropriate.

### 2 Analysis of turnover

In the opinion of the directors the turnover and profit on ordinary activities before taxation relates to the principal activity, being the importation and distribution of wines.

	2004 £000	2003 £000
UK and Ireland	69,518	74,058
Rest of World	38,699	31,159
	<hr/> 108,217 <hr/>	<hr/> 105,217 <hr/>

### 3 Profit/(loss) on ordinary activities before taxation

	2004 £000	2003 £000
<i>Profit/(loss) on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Audit	56	92
Other services	-	7
Depreciation	105	123
Hire of plant and machinery – rentals payable under operating leases	103	90
Hire of other assets - operating leases	383	211
Loss on disposal of fixed assets	53	123
	<hr/>	<hr/>

The auditors' remuneration includes audit fees for all Southcorp group companies in the UK.

## Notes (continued)

### 4 Remuneration of directors

	2004 £000	2003 £000
Directors' emoluments	412	446
Company contributions to money purchase pension schemes	29	22
Compensation for loss of office	-	550
	<u>441</u>	<u>1,018</u>

The aggregate of emoluments of the highest paid director was £287,800 (2003: £222,000) and company pension contributions of £nil (2003: £nil) were made to a money purchase scheme on his behalf. In 2003 the highest paid director also received £550,000 compensation for loss of office, including an element in lieu of company pension contributions.

Retirement benefits were accruing to the following number of directors under:

	Number of directors 2004	2003
Money Purchase Schemes	<u>2</u>	<u>2</u>

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Number of employees 2004	2003
Administration	31	31
Selling	51	56
	<u>82</u>	<u>87</u>

The aggregate payroll costs of these persons were as follows:

	2004 £000	2003 £000
Wages and salaries	3,711	4,618
Social security costs	444	479
Other pension costs	454	542
	<u>4,609</u>	<u>5,639</u>

## Notes (continued)

### 6 Interest receivable and similar income

	2004 £000	2003 £000
Receivable from group undertakings	-	420
Other interest	26	10
	<u>26</u>	<u>430</u>

### 7 Interest payable

	2004 £000	2003 £000
On bank loans and overdraft	55	507
	<u>55</u>	<u>507</u>

### 8 Taxation

#### Analysis of charge/ (credit) in year

	2004 £000	2003 £000
<i>UK corporation tax</i>		
Current tax on profit/(loss) for the year	2,678	(811)
Adjustment in respect of previous years	(57)	-
	<u>2,621</u>	<u>(811)</u>
<i>Deferred tax</i>		
(Origination)/reversal of timing differences	7	(18)
	<u>7</u>	<u>(18)</u>
Tax charge/(credit) on profit/(loss) on ordinary activities	<u>2,628</u>	<u>(829)</u>

## Notes (continued)

### 8 Taxation (continued)

#### Factors affecting the tax charge/(credit) for the current period

The current tax charge for the period is lower (2003: credit is lower) than the standard rate of corporation tax in the UK (30%, 2003: 30%). The differences are explained below.

	2004 £000	2003 £000
<i>Current tax reconciliation</i>		
Profit/(Loss)	8,759	(3,042)
	<hr/>	<hr/>
Current tax at 30% (2003: 30%)	2,628	(913)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	108	72
Depreciation in excess of capital allowances	8	30
Utilisation of tax losses (group relief)	(40)	-
Other timing differences	(26)	-
Adjustment in respect of previous years	(57)	-
	<hr/>	<hr/>
Total current tax charge/(credit) (see above)	2,621	(811)
	<hr/>	<hr/>

### 9 Tangible fixed assets

	Leasehold improvements £000	Computer equipment £000	Fixtures and fittings £000	Total £000
<i>Cost</i>				
At beginning of year	359	145	451	955
Additions	-	-	18	18
Disposals	(89)	-	(112)	(201)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	270	145	357	772
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	98	101	76	275
Charge for year	42	4	59	105
Disposals	(49)	-	(98)	(147)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	91	105	37	233
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 30 June 2004	179	40	320	539
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2003	261	44	375	680
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 10 Stocks

	2004 £000	2003 £000
Finished goods	9,445	12,530

### 11 Debtors

	2004 £000	2003 £000
Trade debtors	40,969	39,142
Corporation tax recoverable	-	2,054
Other debtors	608	1,572
Prepayments	588	707
Deferred tax asset (see note 12)	11	18
	<u>42,176</u>	<u>43,493</u>

### 12 Deferred tax asset

	2004 £000
At the start of the year	18
Charge in the profit and loss account	(7)
	<u>11</u>
At the end of the year	<u>11</u>

The elements of deferred taxation are as follows:

	2004 £000	2003 £000
Difference between accumulated depreciation and amortisation and capital allowances	9	(50)
Other timing differences	2	28
Tax losses	-	40
	<u>11</u>	<u>18</u>
Deferred tax asset	<u>11</u>	<u>18</u>

## Notes (continued)

### 13 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Trade creditors	16,218	18,907
Amounts owed to group undertakings	10,188	22,749
Corporation tax	2,453	-
Other taxes and social security	1,051	779
Other creditors	-	692
Accruals and deferred income	959	660
	<u>30,869</u>	<u>43,787</u>

### 14 Creditors: amounts falling due after more than one year

	2004 £000	2003 £000
Other creditors	328	323

### 15 Called up share capital

	2004 £000	2003 £000
<i>Authorised</i>		
87,500 ordinary shares of £1 each	87	87
12,500 "Class B" ordinary shares of £1 each	13	13
	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid</i>		
10,000 ordinary shares of £1 each	10	10
12,500 "Class B" ordinary shares of £1 each	13	13
	<u>23</u>	<u>23</u>

### 16 Reserves

	Share Premium £000	Profit and loss account £000
At beginning of year	19,987	(2,972)
Profit for the year	-	6,131
	<u>19,987</u>	<u>3,159</u>

## Notes (continued)

### 17 Reconciliation of movements in shareholders' funds

	2004 £000	2003 £000
Profit/(loss) for the financial year	6,131	(2,213)
New shares issued	-	20,000
Movement in shareholders' funds for the year	6,131	17,787
Opening shareholders' funds	17,038	(749)
Closing shareholders' funds	23,169	17,038

### 18 Contingent liabilities

The company has a contingent liability of £5,000,000 (2003: £5,000,000) in respect of guarantees issued by the bank in favour of HM Customs and Excise in respect of deferred customs duty and £50,000 (2003: £50,000) in favour of the Intervention Board of Agricultural Produce for importation of wine. No security has been provided by the company in respect of these guarantees.

### 19 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2004		2003	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	17	-	50
In the second to fifth years inclusive	-	77	-	40
Over five years	344	-	211	-
	344	94	211	90

The company had no capital commitments at the end of the financial year (2003: £nil).

### 20 Pension scheme

The pension cost charge represents contributions payable by the company into the company's group personal pension plan and into certain employees' personal pension plans and amounted to £454,000 (2003: £542,000) in the period. Contributions payable to these funds at 30 June 2004 were £6,000 (2003: £66,000).

### 21 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Southcorp International Investments Pty Limited, a company incorporated in Australia.

The ultimate parent and controlling party is Southcorp Limited, a company incorporated in Australia. The only group in which the results of the company are consolidated is that headed by Southcorp Limited. The consolidated financial statements of this company are available to the public from 403 Pacific Highway, Artarmon, NSW 2064, Australia.