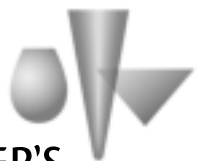


achieving



FOSTER'S
GROUP

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Highlights

- Net profit before significant items increased 14.7% to \$490.7 million (2000: \$427.8 million).
- Net profit after significant items increased 8.7% to \$465.2 million despite generally challenging trading conditions, 'one-off' costs of \$25.5 million and a 2.9% increase in the effective tax rate.
- Earnings before interest and tax was up 28.5% to \$836.3 million.
 - CUB EBIT up 4.5% to \$528.3 million
 - Beringer Blass EBIT rose 121.7% to \$342.1 million. Excluding Trade USA, EBIT for the wine division increased from \$154.3 million to \$176.2 million, a 14.2% increase over the previous year.
 - Foster's Brewing International EBIT increased 268.2% to \$24.3 million.
- Cash profit before interest and tax increased 28.6% to \$931.2 million.
- Operating revenue increased nearly 30% to \$4.5 billion.
- Return on capital employed was 13.8% representing a premium to WACC of 270 basis points. Excluding the dilution of the Beringer Wine Estates acquisition, return on capital employed of 17.5% represents a premium to WACC of over 600 basis points.
- Earnings per share increased by 1.2% to 24.8 cents per share. Cash earnings per share increased 4.3% to 26.7 cents per share.

Financial commentary

Operating Highlights

- Acquisition of Beringer Wine Estates for \$2.9 billion transforms the group into a global multi-product premium branded beverage company and furthers Foster's strategic aim to position the group for significant future growth.
- The combined wine group, Beringer Blass Wine Estates, is now the third most profitable wine company in the world.
- Objective to increase the spread of business risk continues:
 - Contributions from Wine of \$342.1 million represents 40.9% of Group EBIT compared to 23.7% in 2000.
 - Average funds employed in Wine of \$3,718 million represents 59.6% of Group funds employed compared to 34.3% in 2000.
 - International businesses accounted for 32.9% of Group EBIT, up from 14.3% in the prior year.
 - Average funds employed in international businesses of \$2,916 million, represents 46.8% of the Group's funds employed compared to 12.3% in 2000.
- Australian beer business stabilised.
- International beer business performing strongly.
- \$2.8 billion raised from global capital markets (debt and equity) during the year.

Foster's President and CEO, Mr Ted Kunkel, said,

'This is an excellent result which concludes a landmark year for Foster's. Our \$2.9 billion acquisition of Beringer Wine Estates transformed the group into a global beverage powerhouse with annual revenue of more than \$4 billion.'

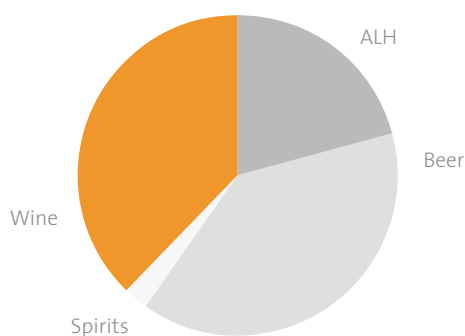
'We have doubled the group's market capitalisation in five years and in doing so created a springboard for future growth.'

'Our Australian beer business, despite turbulent trading conditions, reported a solid profit increase and continued to generate the strong cashflows that underpin the group's growth. The international beer business increased its profit by almost four times and Foster's growth engine, Beringer Blass Wine Estates, lived up to expectations delivering strong growth, particularly in export markets.'

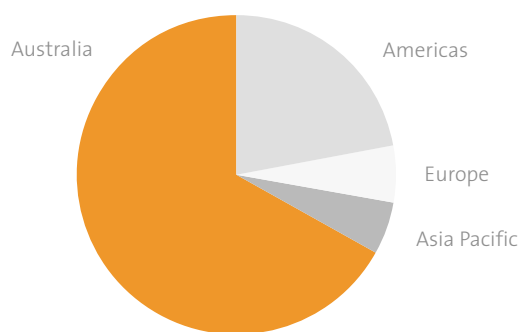
'Today's result is an outstanding example of performance under pressure, with growth in all our core businesses despite fluctuating economic conditions. In addition, earnings per share (EPS) growth was delivered in spite of the Beringer acquisition, which we had originally anticipated would be EPS dilutive. Overall, the performance of the group is a clear demonstration that our strategy is working.'

'Foster's is entering an exciting stage of its evolution. Our unique business and geographic mix provides a tremendous opportunity to diversify risk and continue our expansion across continents and currencies. We look forward to the future with confidence.'

Revenue – business mix



Revenue – geographic location



Financial commentary

Revenue

Total net sales revenue increased 32.0% to \$4,177 million, a strong performance in the face of challenging trading conditions across all markets in which the group operates.

Revenue Summary

Year to 30 June	2001	2000	
	\$m	\$m	% Change
Trading revenue			
Beer			
• Australian	1,489.8	1,391.0	7.1
• International	137.5	131.1	4.9
	1,627.3	1,522.1	6.9
Wine			
• Trade Australia	347.6	301.2	15.4
• Trade USA	667.7	–	
• Trade	1,015.3	301.2	237.1
• Clubs	346.3	280.3	23.5
• Intra-division sales	(1.9)	(0.8)	
	1,359.7	580.7	134.1
Spirits	104.8	64.5	62.5
Leisure and Hospitality	838.5	849.2	(1.3)
Royalties	36.4	19.8	83.8
Other sales revenue	323.4	230.1	40.5
Intersegment sales	(113.4)	(101.6)	
Net sales revenue	4,176.7	3,164.8	32.0
Other operating revenue	328.6	303.3	8.3
Total revenue[#]	4,505.3	3,468.1	29.9

[#] The application of the new Australian accounting standard AASB 1018 'Statement of Financial Performance' requires the results of equity accounted partnerships to be disclosed as a separate profit and loss line item and not part of revenue. Net sales revenue includes amounts for freight charged to customers. Comparative revenue figures have been adjusted. Other sales revenue includes Wine Services revenue, SGARA market value increments, club memberships and other product sales.

Financial commentary

Earnings

The Group reported net profit after tax of \$465.2 million for the period, an increase of 8.7%. This was achieved in a year that saw the introduction of the GST, the purchase of Beringer Wine Estates and a one-off Olympics spend of \$27.5 million. This profit result was delivered against a strong comparable period, which included millennium sales.

Net profit before significant items increased 14.7% to \$490.7 million (2000: \$427.8 million).

Earnings before interest and tax rose 28.5% to \$836.3 million. Excluding the impact of the Beringer Wine Estates acquisition and 'one off' significant items, underlying EBIT rose 7.7%.

Taxation

The group's tax expense increased 26.1% to \$194.9 million owing to the group's higher profitability and earnings growth in higher taxed countries. Overall, the effective tax rate moved to 29.3% from 26.4% in the previous year.

Significant Items

The group result for the period included a net loss before tax of \$30.3 million, comprising:

- A gain of \$36.7 million from Foster's share of profit arising from the sale of Molson brands out of the Molson USA partnership and the subsequent restructure of the partnership. Molson exited the partnership and the remaining partners, Foster's and Miller Brewing, have formed a new arrangement called the Foster's USA partnership, in which Foster's has a 49.9% interest.
- A write down of \$39.5 million against Wine Planet. Foster's negotiated to acquire a 25% interest in Wine Planet in February 2000 in order to explore opportunities to sell wine over the internet to international markets through Wine Planet's established operations in Europe. Following Foster's initial investment, the price of Wine Planet shares declined significantly in line with global trends in e-business valuations. At the half year, Foster's took a conservative stance, writing down its Wine Planet investment. In a further step to protect its financial interest, Foster's made a cash offer of 35 cents per share to acquire all the ordinary shares in Wine Planet. Following the success of its bid, Foster's ceased operation of Wine Planet's domestic e-tailing business.

- As reported in the December half, there was a one-off expense of \$27.5 million relating to Foster's investment in the Sydney Olympics 2000. The Olympics represented a unique opportunity not only to support Australia's athletes, but also to raise the profile of the Foster's brand and build sustainable sales worldwide and Foster's is confident the investment will deliver an excellent return for the group in the long term.

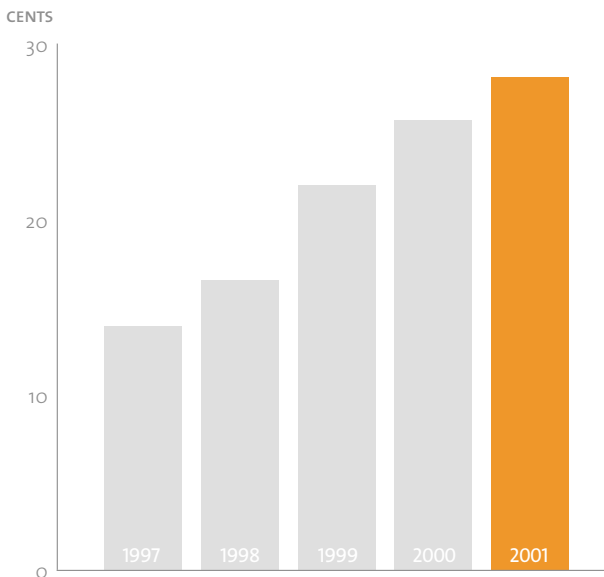
Earnings per share

Earnings per share after significant items rose to 24.8 cents, an increase of 1.2% over the same period last year. Cash earnings per share (pre amortisation) increased to 26.7 cents, an increase of 4.3%.

Dividend

The Directors declared a final dividend of 8.5 cents per share fully franked, an increase of 6.3% over the same period last year, bringing the total for the year to 15.5 cents. This dividend will be fully franked at the Australian company tax rate of 30%.

Growth in Earnings



EPS pre-amortisation and significant items

Financial commentary

Earnings Summary

Year to 30 June

	2001	2000	
	\$m	\$m	% Change
Earnings before interest and tax			
Beer			
• Australian	408.3	389.3	4.9
• International	24.3	6.6	268.2
	432.6	395.9	9.3
Wine			
• Trade			
• Trade Australia	107.7	96.3	11.8
• Trade USA	165.9	–	
	273.6	96.3	184.1
• Clubs	50.0	47.5	5.3
• Services	18.5	10.5	76.2
	342.1	154.3	121.7
Spirits	15.2	6.0	153.3
Leisure and Hospitality	104.8	110.2	(4.9)
Property and Investments	25.0	29.4	(15.0)
Corporate (incl. net significant items)	(83.4)	(45.1)	84.9
Total EBIT	836.3	650.7	28.5
Net interest expense	(172.1)	(65.0)	164.8
Tax	(194.9)	(154.5)	26.1
Outside equity interest	(4.1)	(3.4)	20.6
Net Profit after tax	465.2	427.8	8.7
Average shares outstanding (m)	1,878.7	1,724.3	
Earnings per share (cents)	24.8	24.5	1.2
Cash earnings per share (cents)*	26.7	25.6	4.3
Dividends per share (cents)	15.5	14.5	6.9

*pre amortisation charges

Cash Flows

Cash profit before interest and tax, adjusted for depreciation, amortisation and other non-cash items, increased by 28.6% to \$931.2 million.

Net operating cash flows were \$283.2 million compared with \$476.8 million in the previous year.

Capital spending and investments amounted to \$2.6 billion compared with \$473.9 million in the previous year. The major acquisition during the period was the \$2.2 billion (US\$1.2 billion) purchase of Beringer Wine Estates (excluding debt acquired). Other acquisitions were the French bottling business Sobemab, the Italian winery Castello di Gabbiano, a 50% interest in Briar Ridge, the full acquisition of Wine Planet and 51% of Matua Valley Wines, a wine trade business in New Zealand. Subsequent to 30 June, the Group acquired International Wine Accessories (IWA) for \$35 million.

Financial commentary

Cash Flows Highlights

Year to 30 June	2001	2000	
	\$m	\$m	% Change
Cash profit before interest and tax	931.2	723.9	28.6
Working capital change	(162.5)	(15.5)	
Net interest paid	(179.5)	(64.1)	
Tax paid	(306.0)	(167.5)	
Net operating cash flows	283.2	476.8	
Capital spending	(322.9)	(209.8)	
Investments	(2,323.1)	(264.1)	
Capital spending and investments	(2,646.0)	(473.9)	
Depreciation	(137.6)	(90.2)	
Amortisation	(37.2)	(18.7)	
Depreciation and amortisation	(174.8)	(108.9)	
Asset sale proceeds	36.5	53.2	
Net loan repayment proceeds	10.4	36.9	
Dividends paid*	(131.7)	(240.3)	

*The reduction in cash dividends paid reflects the reactivation of the Dividend Reinvestment Plan during the period.

Balance Sheet

The increase in total assets of more than \$4 billion was mainly due to the Beringer Wine Estates acquisition.

The consideration for Beringer comprised \$2.2 billion (US\$1.2 billion) paid for the equity, based on the offer price of US\$55.75 per Beringer share, plus debt acquired of \$0.7 billion (US\$0.4 billion).

Return on capital employed (pre-amortisation) for the Group was 13.8%, which decreased from the previous year primarily as a result of the Beringer acquisition. However, this return still represents a premium to WACC of 270 basis points. Excluding the Beringer acquisition, the group achieved a ROCE of 17.5%, representing a premium to WACC of over 600 basis points.

Capital Management

During the year, Foster's strategy of global diversity received significant support from the capital markets, as the company raised a total of \$2.8 billion. The group raised \$700 million from the issue of 175 million shares at the end of August 2000 by way of a 24-hour accelerated bookbuild and US\$400 million from a convertible bond issue in the same 24-hour period, one of the largest single placements in a 24-hour period in Australian corporate history.

In June 2001, the company raised US\$500 million through the issue of bonds in the US market. A 24 hour Global Equity placement to local and offshore institutions raised a further \$350 million in June 2001.

After the close of the year, a further \$95 million was raised as part of the company's Share Purchase Plan (SPP) which, in line with Foster's policy of encouraging smaller investors, provided the opportunity for retail investors to participate in the equity raising at the same price as institutional investors.

The Dividend Reinvestment Plan (DRP) was reactivated during the period to provide shareholders with the opportunity to reinvest their dividends in new ordinary shares in the Company. The plan was well received with around 53% (by value) of shareholders taking advantage of the plan, which has increased share capital during the period by \$149.7 million.

Interest and gearing

Despite the significant increase in debt relating to the Beringer acquisition, EBITDA/interest cover remains more than five times. Gearing currently stands at 93.6%, down from 104.0% at December 2000. The company's strong cash flows will provide the flexibility to exploit additional growth opportunities in a disciplined and prudent manner.

Financial commentary

Balance Sheet

at 30 June

	2001	2000
	\$m	\$m
Current assets	2,230.8	1,367.1
Non-current assets	7,018.7	3,734.3
Total assets	9,249.5	5,101.4
represented by:		
Beer		
• Australian Beer	1,730.9	1,694.2
• International Beer	254.0	188.2
Wine	5,141.3	1,487.1
Spirits	129.0	124.9
Leisure and Hospitality	798.8	754.3
Property and Investments	180.6	175.5
Corporate (incl. tax and cash balances)	1,014.9	677.2
	9,249.5	5,101.4
Current liabilities	(1,425.9)	(1,016.5)
Non-current liabilities	(4,044.6)	(1,777.1)
Total liabilities	(5,470.5)	(2,793.6)
Total equity	3,779.0	2,307.8
Net debt	3,538.2	1,250.2
Gearing (%)	93.6	54.2
EBIT interest cover (times)	4.9	10.0

Exchange rates

Balance sheet items denominated in US dollars have been translated at the 30 June 2001 closing exchange rate of \$A1 = US\$0.5069. The 9 months Beringer USA results have been translated at an average exchange rate since October 2000 of A\$1 = US\$0.5233.

Operating Review by Business Unit

Carlton & United (CUB)

CUB, comprising the core Australian beer business, Australian Leisure and Hospitality, and Continental Spirits, achieved a strong result despite turbulent market conditions. During the period a new management team was appointed which continued the building of CUB's core brand portfolio and renewed the focus on customer service and consumer needs.

Net sales revenue for the division was up 5.6% to \$2,433.1 million for the period. CUB remains a powerful cash contributor with operating cash flows for the period up 15.0% to \$486.4 million.

EBIT for the division increased 4.5% to \$528.3 million, as a result of improving margins and a continued commitment to building premium brands.

The business had a return on capital employed of 23.8%, making it one of the highest returning beer businesses in the world.

Year to 30 June	2001	2000	
	\$m	\$m	% Change
Earnings before interest and tax			
• Australian Beer	408.3	389.3	4.9
• Spirits*	15.2	6.0	153.3
• Leisure and Hospitality	104.8	110.2	-4.9%
	528.3	505.5	4.5%

*The 2000 result for the Spirits business was for the eight month period since its acquisition in November 1999.

Financial commentary

Australian Beer

The Australian beer business performed strongly in spite of a 1.5% decline in the total beer market primarily due to the impact of increased excise on beer following the introduction of the GST. Market share for the full year was stable.

EBIT increased 4.9% to \$408.3 million, driven by:

- building brand equity in the core family of beer brands;
- growing the premium portfolio;
- improving margins across all segments; and
- reduced participation in the value brand category.

Volumes for the CUB beer business were down slightly on the previous year, consistent with industry trends. Volumes were also slightly affected by the decision to reduce participation in the lower-priced segment in order to focus on full margin products and so generate improved returns.

The introduction of the GST, and the resultant increase in beer excise tax, caused a number of changes to consumer purchasing behavior and, in particular, impacted on national draught beer sales. Beer prices across the bar rose by 10% resulting in a 3% decline in draught beer sales across Australia. Since the reduction in beer excise announced in April, volumes of draught beer have improved modestly.

CUB's mission of 'Building Great Australian Brands' was the key driver behind increased profits. Consistent with this mission, CUB undertook a number of successful initiatives during the year which built on CUB's leadership in the Australian premium, light and regular beer segments:

- Promotional activity behind Carlton Draught was stepped up and had a positive impact on sales as the brand expanded from its traditional Victorian stronghold into NSW, QLD and WA.
- Victoria Bitter retained its position as Australia's number one full strength beer. An effective advertising campaign surrounding the Olympics helped to broaden the brand's profile. VB's sponsorship of V8 racing is also raising its profile in New South Wales. In Victoria, sales were steady despite competitive activity in the full strength category.
- Of particular note, was the outstanding success of the Cascade Premium re-launch (volumes up 77%) and the continued strength of Crown Lager (volumes up 9.5%) with both brands assisted by the introduction of innovative advertising and packaging improvements.
- Cascade Premium Light continued to grow strongly, consistently outperforming the market. Together, Cascade Premium Light and Foster's LightIce helped CUB retain its leadership position in the light beer segment.

In Western Australia, the growth of Carlton Midstrength exceeded expectations, with the brand now the number one selling beer brand in WA. Growth was also strong in Queensland on the back of increased support in that market.

Sponsorship of premier sporting events remains a key component of CUB's strategy to build brand equity across its core brand portfolio.

During the period, Carlton Draught's sponsorship of the Australian Football League helped to raise the profile of the brand around Australia. The recently announced Victoria Bitter five-year sponsorship of One Day Cricket, linking the country's favorite beer with its most popular summer sport, will help to further raise that brand's profile nationally.

CUB continues to be a major supporter of Victorian racing, with sponsorship of the Caulfield Cup, Cox Plate and the majority of the leading regional race meetings across Victoria.

Building on its tradition of innovation, CUB launched two new products after the close of the financial year. Carlton Black, a full strength draught beer is aimed at expanding CUB's draught beer product range and Carlton G, a full strength beer with added guarana is aimed at the 18-30 age group looking for a more contemporary drinking experience. CUB's commitment to meaningful innovation reflects the drive to meet consumer needs and to improve customer returns from the beer category.

Australian Leisure and Hospitality (ALH)

ALH, the leisure and hospitality arm of CUB, is Australia's largest hotel owner and operator. It has more than 150 pub venues incorporating bistros and restaurants, sports bars, gaming rooms and take-away liquor shops.

The turbulence in the retail sector experienced during the first half, following the introduction of the GST, continued in the second half. This impacted on ALH, with profits down 4.9% to \$104.8 million.

Of particular note was the impact of the increased excise on draught beer volumes. Despite these pressures, ALH continued to generate excellent returns on funds employed of 15.3% and contributed an excellent operating cash flow of \$91.9 million to the group.

Following five years of acquisition and organically driven growth, ALH has invested considerable resources over the past 12 months in the development of systems and structures to support ongoing operations. The management structure has been reorganised with specialist appointments in the gaming and retail liquor areas. ALH also continued its established program of staff training to improve service levels and educate its employees about ALH policies on responsible service of alcohol and gaming.

The refurbished Young & Jackson's hotel was re-opened during the period and is performing above expectations. Elsewhere, venues that fit the group's criteria of venue quality and return on investment are being upgraded, while non-core properties are being divested, as part of ALH's commitment to proactively manage its portfolio to maximise returns. During the year, seven hotels were purchased, five were sold and 17 were refurbished. After the close of the year, a further four hotels were sold.

ALH continues to play a key role in discussions with government and industry bodies across Australia to develop appropriate responses to regulatory and social concerns in relation to gaming. ALH has already implemented a number of policies to ensure that it is the industry leader in the provision of responsible gaming services and has had a code of conduct in operation for the past two years at all its venues.

Financial commentary

Continental Spirits

Continental Spirits enjoyed excellent growth, posting an EBIT of \$15.2 million, against \$6.0 million for the previous 8 months since acquisition in November 1999. The Ready-to-Drink (RTD) segment in particular, grew strongly with volumes up 54% on last full year, mainly as a result of the fall in excise at the time of the introduction of the GST, which drove RTD prices down relative to beer. This growth is anticipated to continue, albeit at a reduced rate.

Research indicates that today's consumers are more likely to drink a wider range of alcoholic beverages than ever before and Foster's is ideally placed to capitalise on the inter-changing drinking behavior of Australians through its representation in the wine, beer and spirits segments.

International Beer

During the past twelve months Foster's Brewing International (FBI) successfully integrated the operations of four distinct non-Australian beer businesses, bringing together the management of Foster's brewing operations in Asia and the Pacific, and its global beer marketing, brand management and equity business activities.

The benefits of this strategy are already beginning to flow through with profits in the restructured businesses increasing almost fourfold in the first full year since the integration.

Foster's Global beer volumes continued to grow strongly and margins also improved as a result of Foster's integrated approach to international branding and marketing.

Net sales revenue for the first full reporting period were up 4.9% to \$137.5 million while EBIT before significant items was \$24.3 million, up 268.2% or \$17.7 million, mainly due to royalties from the European licensing arrangements and an improved performance in Asia and New Zealand. Foster's is now distributed in 153 markets.

In other highlights for the period, FBI's virtual global marketing office website was named as one of the Top 10 e-commerce sites in the Australian Internet Awards, out of 1,100 entries. The site has been very successful in bringing together all partners, licensees and distributors involved with the Foster's brand worldwide.

FBI's strong association with Formula One Grand Prix racing continues to build brand equity, with Foster's now the most recognised sponsor of televised Formula One Grand Prix racing worldwide in independent consumer television recall research.

Europe, Middle East and Africa

The European businesses performed well despite challenging market conditions. Growth in the UK slowed as a result of a considerable and prolonged decline in several key areas of the economy, including tourism and leisure, in the wake of the foot and mouth epidemic. This crisis, coupled with generally poor weather, dampened consumer spending and caused the total beer market to decline by 2.6%. However, Foster's significantly outperformed its competitors with volumes up 5.3%, owing partly to its popularity in London, where Foster's remains the number one selling beer, and the southern counties, which were not as badly affected by the disease. In addition, royalties from European licensing arrangements increased substantially during the year per contractual arrangements.

Americas

Foster's US operation was restructured during the period with a new joint venture partnership agreement established with the Miller Brewing Company to form a US marketing, sales and distribution company, Foster's USA. The new structure, in which Foster's and Miller have an equal partnership, gives Foster's greater strategic and operational influence over the development of the Foster's brand in the US.

Increased investment in marketing the Foster's brand, following the restructure, helped to drive volume growth during the last quarter, and June 2001 saw the brand deliver the strongest performance in its US history. Profit from the new US partnership was down marginally, owing to the planned increase in marketing expenditure and one-off closing-out costs from the former US partnership with Miller and Molson Breweries of Canada.

As a result of the change in ownership of the US partnership, Foster's booked a one-off profit before tax of \$36.7 million.

Foster's also signed new licensing agreements with Molson Breweries of Canada for the production of Foster's for export to the US, as well as a new licensing deal which will see substantially increased commitment by Molson to the marketing and distribution of the Foster's brand in Canada. As part of the licensing agreement, the marketing spend on the Foster's brand in Canada will increase five-fold.

Foster's USA is now well positioned to sustain the strong growth trajectory experienced in the last quarter.

Greater Asia

The Greater Asia operations halved losses during the period to \$5.5 million, from \$10.8 million and the businesses have now reached a cash breakeven position. Foster's is now ideally placed to compete strongly in this key growth market without having to commit significant funds in the future.

The Foster's brand is well established and growing within Asia, with overall volumes in the region increasing 14% over the previous year.

In China, Foster's bought the remaining 10% shareholding in Shanghai Foster's Brewery Limited (SFBL) from the original Chinese partner, converting SFBL to a wholly owned enterprise.

The Chinese business produced good gains, with operating costs down and margins up. A strategic alliance was formed between Foster's and Suntory to sell SFBL mainstream beer brands exclusively through common wholesalers, allowing the business sales effort to focus solely on building the higher margin Foster's and Shanghai Dragon brands. Early signs are promising with volumes of Foster's up 21% on a year on year basis.

The Vietnamese business produced a maiden profit ahead of schedule. Improvements to packaging and targeted advertising drove volume growth across all brands, in all three market segments of 10.9%.

In India the group continued its rollout of Foster's into strategic markets in line with its objectives to develop the brand into India's leading international premium beer. Foster's was launched successfully in Delhi, Pondicherry and Andhra Pradesh and is now represented in the largest two

Financial commentary

states and the capital, with further expansion remaining a key objective.

Sponsorship of the Australian cricket team in India generated excellent media coverage for the brand in key neighbouring markets including the Middle East.

Volumes were up 22.7% and the business is currently anticipated to break even in 2002.

Greater Pacific

The Greater Pacific business produced an excellent result. The company's objective is to raise the profile of the Foster's brand in the Pacific markets bringing it into line with its international image as a leading premium brand beer.

In New Zealand, the operations were successfully restructured to form an integrated beverage business encompassing beer, wine and spirits. The strategy of focusing on high end pricing and positioning within supermarkets resulted in strong sales of premium brands which helped to drive profit growth. The company is now well placed to market its products effectively through this highly competitive distribution channel.

The integrated beverage model adopted first in New Zealand has now also been successfully rolled out to the Pacific businesses – two breweries and a distillery in Fiji and a brewery in Samoa – which are now distributing Australian imports, domestic beer products, Beringer Blass wines and Continental Spirits. The Fijian businesses in particular performed exceptionally well, producing growth against a backdrop of political and economic instability.

Global Wine

Beringer Blass Wine Estates (BBWE) operates Foster's global wine businesses. Beringer Blass' principal wine activities are conducted through three primary channels:

- Wine Trade – traditional production and sale of wine throughout international wine markets. This channel sells to importers, wholesalers, distributors and retailers in 67 countries.
- Wine Clubs – the sale of wine directly to consumers who are members of Beringer Blass' international wine clubs. Beringer Blass has more than one million members of its various wine clubs worldwide.
- Wine Services – provides services to the wine and beverage industry, including contract bottling, warehousing, distribution and the supply of wine packaging materials.

The adoption of this unique multi-channel wine strategy, supported by the group's balance sheet, has enabled the business to pursue accelerated global growth and deliver superior returns.

Year to 30 June	2001	2000	
	\$m	\$m	% Change
Earnings before interest and tax			
• Trade Australia	107.7	96.3	11.8
• Trade USA	165.9	–	
• Wine Clubs	50.0	47.5	5.3
• Wine Services	18.5	10.5	76.2
	342.1	154.3	121.7

Following the acquisition of Beringer Wine Estates in October 2000 and the subsequent merger with Foster's existing wine business, Mildara Blass, the wine division was renamed Beringer Blass Wine Estates in April 2001, in order to better reflect the significance of the US operations and the rich history of both companies.

EBIT for the total wine division was \$342.1 million, up 121.7%. Excluding Beringer, EBIT for the wine division increased to \$176.2 million, a 14.2% increase. Significantly, BBWE's EBIT/Sales ratio for table wines is the strongest amongst global listed companies.

Return on funds employed for the combined Beringer Blass wine operation was 9.9%. The underlying ROCE, pre-Beringer, remained around 13%.

Net wine sales revenue (excluding wine services) more than doubled for the period to \$1,359.7 million due to the integration of the US wine operations within Foster's wine business. Volumes also increased significantly, up 110%.

Wine Trade – Australia

EBIT for the Australian trade business, which encompasses exports and domestic sales, increased 11.8% to \$107.7 million.

The improvement in earnings was driven by increased outsourcing, lower production costs, gross margin improvement, the rationalisation of underperforming brands and better inventory management.

International EBIT growth was driven by an increase in volumes of 20%. In the US, export volume grew strongly up 21%, despite a slowdown in the US economy. In the UK and Canada, Beringer Blass also achieved volume growth rates in excess of 20%, as worldwide demand for Australian wines continued to soar.

Wolf Blass was the key driver behind growth in Canada with sales up 28%. Wolf Blass is now the number one selling wine brand in Canada. Greg Norman Estates also continued its strong growth in the USA, increasing volumes by 36%.

In April, Matua Valley Wines was purchased. Regarded as one of New Zealand's top six wine producers, Matua sold 135,000 cases of premium varietal wines in fiscal 2000. Exports of Matua represent 35% of sales and prior to the acquisition, focused mainly on the markets of Australia and Europe, giving great scope for penetration into the rapidly growing US market for New Zealand wines.

The domestic wine trade business recovered well during the latter part of the year as a number of strategies put in place to address the decline in domestic sales took effect.

As reported at the December half, overall volumes for domestic bottled wine are down on last year. A number of factors contributed to the decline, including the redirection of premium wine earmarked for the domestic market to meet demand in export markets and the investment in Wine Planet which impacted on domestic distribution. The net effect of these factors, combined with the impact of the GST and wine equalization tax on premium wine prices and comparisons with the previous period which included millennium sales, resulted in a decline in domestic bottled wine volumes at the half year. However, in the second half, the domestic business recovered strongly, with sales increasing significantly, resulting in an overall fall in volumes for the year of 9%.

Financial commentary

The strong recovery was spearheaded by the domestic marketing strategy of rationalising the brand portfolio and focusing on core brands, which was implemented during the year.

At the brand level, Wolf Blass benefited from a campaign to launch the brand globally, with advertising at key sporting events like the Australian Open Tennis and the telecast of the US Open Golf Tournament helping to drive a global volume increase of 19%.

Yellowglen performed strongly following the millennium sales in the previous year, while sales of Jamieson's Run improved during the final quarter, following a difficult trading year, with volumes up 46% over the previous quarter.

Eaglehawk was recently repackaged and repositioned within the Wolf Blass range to build sales of white wines, particularly amongst experimental drinkers. Eaglehawk was also named official wine sponsor and supplier to the Australian Cricket Board for the next three years, reinforcing the company's long term strategic investment in the brand.

In other developments during the period, Beringer Blass increased its outsourcing to 11% of production in order to compete profitably at various price points within the same premium brand family. This is expected to increase to 13% next year.

The \$30 million first stage Wolf Blass winery at Bilyara in the Barossa Valley was opened in March in time for vintage 2001, allowing cost savings to be achieved in its first year of operation. These savings are anticipated to increase even further as economies of scale are fully utilised following the completion of the project in 2005.

At the international wine and spirits competitions at Vinexpo in France, Beringer Blass Wine Estates was awarded the Schenker Trophy for Best Australian Wine Producer for its Annie's Lane, Jamieson's Run, Wolf Blass and Saltram brands.

In Australia, Wolf Blass was named winner of the Maurice O'Shea Award, the most prestigious in the Australian wine industry, for the introduction of new winemaking techniques, marketing strategies and the development of new export markets.

Wine Trade – USA

The acquired Beringer Wine Estates business (i.e. without Australian brands) produced a maiden EBIT contribution for the nine months since the acquisition of \$165.9 million, including the results of Castello di Gabbiano. Excluding acquisition related goodwill amortization, SGARA market value increments, comparable local currency EBIT increased by 11.6% over the prior period.

Net trading revenue was \$667.7 million for the nine-month period. Excluding the impact of foreign currency changes and SGARA, comparable nine month revenue increased around 12%. Comparable local currency margins were even with the prior period.

The slowing US economy beginning early in calendar 2001, combined with an energy crisis in California, Beringer's largest market, contributed to a slower growth environment for the premium wine industry in the US during the period.

However, despite these macro-economic factors, in Nielsen-tracked food and drug stores, Beringer's volume growth was three times the category growth for the 26 weeks ended

7 July 2001. (Food and drug store scanned retail activity captures about 30% of Beringer's business and is the only objective view of consumer activity considered to be a reliable directional indicator of broad consumer trends in the US). Volume growth was driven by strong consumer takeaway for both Beringer Founders Estate and new products and sizes, particularly the 1.5L Beringer White Zinfandel.

Stone Cellars, Beringer's new entry in the US\$6-8 market of varietal wines, was successfully launched in 26 states, including California, Florida, New York and Texas. Trade and consumer reaction to the new line, which consists of Chardonnay, Cabernet, Merlot and Shiraz-Cabernet, has been positive.

In December, Beringer announced the purchase of premium Italian winery, Castello di Gabbiano. Gabbiano has grown to become the number two selling Chianti in US grocery stores and Italian wines generally lead the rapidly growing premium imported wine category in the US.

Beringer's California and imported wines won over 300 medals in US competitions during the year, including 63 Gold or Best of Class medals. Luxury wines from Beringer's California portfolio continued to receive critical acclaim in influential wine trade publications such as the Wine Spectator and Wine Advocate, including scores of 90 or above for flagship wines such as Beringer '96 Private Reserve Cabernet and Chateau St. Jean '97 Cinq Cepages. Three wineries, Beringer Vineyards, Stags' Leap and Chateau St. Jean, were included in the 'Top 50' on-premise wine brands published by Wine & Spirits magazine.

The integration of the Beringer and Blass international operations is progressing well with initial synergies expected to be realised in 2002. The strategic reorganisation plan for Beringer, moving to distinct operating divisions to recognise consumer based, trade channel and product mix focus, has now been completed and there are four distinct operating divisions driving the US business, comprising premium wine, luxury wine, on-premise and consumer direct.

Work is underway to redevelop the Beringer Vineyards customer hospitality facility in the Napa Valley to capitalise on the increasing popularity of that region as a tourist attraction. The Napa Valley is the most visited winегrowing region in the Western Hemisphere, and Beringer Vineyards is one of the most popular destinations in Napa Valley, with more than 200,000 visitors a year.

The winery at Stags' Leap is being upgraded to increase capacity. New caves totaling 2,600 square metres were completed during the year, and work began on a winery expansion that will eventually double the production of this luxury brand.

Beringer's new state-of-the-art barrel cooperage began daily production in the last quarter this year. Designed to provide winemakers for all brands with hand-crafted, high quality wine barrels at a controlled cost, the cooperage is expected to produce 17,000 barrels in 2002 and 28,000 barrels per year by 2004. The barrels are made from French, American and Hungarian oak.

Wine Clubs

Wine clubs performed steadily achieving EBIT growth of 5.3% to \$50.0 million.

Financial commentary

In Australia, Cellarmasters performed well despite a maturing market and increased competition from a number of new entrants into the wine clubs arena. During the period new marketing initiatives were implemented which will impact on performance in 2002 including new agreements with a number of financial institutions. An upgraded internet site was successfully launched in June.

Internationally, millennium sales during the prior period impacted on sales for the year.

Bourse du Vin International established a distribution network in France and commenced a direct marketing trial with KLM airlines. The Australian Wine Club in the UK commenced the Daily Telegraph Wine Club with promising early results. Overall sales in the UK grew by 240% as a result of a number of initiatives to increase membership in this key market.

Pallhuber of Germany performed well and plans to introduce a direct marketing arm to complement the direct selling operation in Germany, are already underway.

Windsor Vineyards in the US is now in the final stages of integrating Bourse du Vin – USA into its own operations, which is expected to lead to savings in operating expenses.

In July 2001, Beringer Blass announced the purchase of International Wine Accessories (IWA) for \$35 million. IWA is a recognised industry leader in the provision of wine cellars, wine racks, cooling units, specialist glassware, corkscrews and other wine-related accessories to wine connoisseurs, predominantly in the USA. The purchase is a natural addition to the wine club business and represents an excellent opportunity to further consolidate the Wine Club operations in the US.

Wine Services

With the addition of Sobemab in France the wine services business is now one of the largest providers of specialty packaging materials to the wine industry and a significant contract wine bottler. For the period, the division performed strongly achieving EBIT of \$18.5 million up 76.2%.

The acquisition of Sobemab has given Beringer Blass an entry point into Europe and the reach required to take advantage of growth opportunities as they arise.

Domestically, Vinpac performed well in the second half of the year with a record crop in Vintage 2001 and an up-turn in export activity pushing demand for wine contract bottling.

Lensworth

Lensworth, the group's asset management and urban development arm, achieved an EBIT of \$25.0 million, slightly down on last year's figure of \$29.4 million owing to the dampening effect of the GST on the housing industry during the first half.

In the second half, lower interest rates and the increased first home buyers' grant, fuelled improvements in residential property markets. In addition management acted decisively to alter the business mix to give increased focus on the more buoyant commercial and industrial property segment, and

the benefits of these decisions will continue to flow through for the next 12 months.

At 30 June 2001 Lensworth had assets under management with a book value of \$253.1 million, before general provisions of \$72.5 million. Cash inflows from property projects and asset realisations totaled \$55.0 million for the year.

Corporate Identity

In July, Foster's launched a new company name and corporate identity aimed at better reflecting the growing breadth of the group's business interests and its aspirations to grow as a global premium branded beverage player. At a general meeting in May 2001, shareholders approved a resolution to change the company's name from Foster's Brewing Group Limited to Foster's Group Limited, a name that preserves the group's 110-year beer heritage, while reflecting the changing business mix going forward.

E-Commerce

Foster's is actively integrating new technologies throughout its beer, wine and spirits businesses to realise growth opportunities, achieve efficiency gains, reduce costs and deliver shareholder value.

Employees

The group employs over 13,700 people. A key element of the group's business strategy is the employee rewards system. Programs have been put in place throughout the group to improve all employees' understanding and motivation for what drives shareholder value. This year around 67% of eligible employees have taken up shares in the company through the employee share scheme. Short and long term incentive plans reinforce the key value drivers for the group and serve to better align the interests of employees with those of shareholders.

Outlook

In challenging trading conditions, the group performed strongly for the period. Following twelve months of significant change, and barring unforeseen circumstances, the outlook for the group is positive. Through its unique mix of premium beverage businesses, Foster's is well positioned to achieve superior targets in returns and growth, and to capitalise on cross-selling opportunities across its portfolio of businesses.

Going forward the focus will remain on maximizing cross-selling opportunities and achieving synergistic benefits post the Beringer acquisition. Foster's will also continue to look at bolt-on acquisitions which add immediate value to the core businesses of the group.

Historical summary

\$ million	1997	1998	1999	2000	2001
Total operating revenue ¹	2,777.8	4,899.4	3,125.1	3,468.1	4,505.3
Profit					
EBIT					
• Beer – Australian	319.7	367.2	383.8	389.3	408.3
• Beer – International	(20.0)	(40.2)	(11.9)	6.6	24.3
• Leisure and hospitality	42.2	54.1	81.2	110.2	104.8
• Spirits	0.0	0.0	0.0	6.0	15.2
• Beringer Blass Wine	57.2	82.5	119.9	154.3	342.1
• Property and investments	–	28.6	45.5	29.4	25.0
• Corporate	(31.1)	(32.1)	(32.4)	(45.1)	(53.1)
• Courage (discontinued)	–	–	–	–	–
• Canada (discontinued)	58.8	74.7	–	–	–
Total EBIT (pre-significant items)	426.8	534.8	586.1	650.7	866.6
EBIT (continuing operations)	368.0	460.1	586.1	650.7	866.6
EBIT (discontinued operations)	58.8	74.7	–	–	–
Net profit after tax (pre significant items)	268.3	275.2	364.8	427.8	490.7
Significant items (after tax and outside equity interests)	(17.8)	171.4	4.0	–	(25.5)
Net profit after tax (post significant items)	250.5	446.6	368.8	427.8	465.2
Average shares outstanding (million)	1,962.1	1,731.7	1,719.6	1,724.3	1,878.7
– fully diluted	1,976.2	1,747.1	1,732.5	1,733.2	1,988.5
Earnings per share (pre significant items) (cents) – fully diluted	13.4	15.6	20.8	24.4	25.5
Earnings per share (post significant items) (cents) – fully diluted	12.5	25.3	21.0	24.4	24.2
Cash Flow					
EBITDA (continuing operations)	448.6	566.8	708.1	759.6	1,041.4
Asset sales	301.8	1,787.1	178.9	90.1	46.9
Free cash flow	542.5	2,095.3	524.7	566.9	334.5
Capital expenditure	(195.8)	(241.3)	(195.9)	(209.8)	(322.9)
Investments	(79.2)	(432.5)	(490.7)	(264.1)	(2,323.1)
Dividend payments	(215.8)	(187.6)	(196.7)	(240.3)	(131.7)
Share buy-back/new issues	–	(625.0)	(58.6)	(104.6)	1,034.2
Net cash flow	51.7	608.9	(417.2)	(251.9)	(1,409.1)
Financial Strength					
Net debt (end period)	1,134.7	607.7	1,006.0	1,250.2	3,538.2
Total shareholders' equity	2,897.6	2,518.9	2,698.7	2,307.8	3,779.0
Book value per share (\$)	1.5	1.5	1.5	1.3	1.9
Net tangible assets per share (\$)	0.9	0.8	0.8	0.6	0.5
Net debt/equity (%) (end period)	39.2	24.1	37.3	54.2	93.6
Interest paid cover (times)					
– pre significant items	4.7	4.8	9.6	10.0	5.0
Shareholder Returns					
Dividend (cents per share)	11.0	11.0	13.0	14.5	15.5
Dividend cover (times)	1.2	2.4	1.6	1.7	1.5
Franking (%)	25.5	100.0	100.0	100.0	100.0
Return on equity (%) ²	9.4	10.9	13.7	18.8	13.1
Dividend yield (%) (average price)	4.5	3.7	3.1	3.3	3.3
Earnings yield (%) (average price) ³	5.5	5.2	5.0	5.6	5.4
Share prices					
– year high	2.74	3.80	5.00	4.74	5.73
– year low	2.02	2.45	3.32	4.02	3.98
– close	2.46	3.80	4.26	4.70	5.48
– average	2.47	2.99	4.19	4.34	4.74

1. Restated to exclude revenue from equity accounted partnerships in accordance with the new Australian accounting standard AASB1018 'Statement of Financial Performance'.

2. Net profit before significant items as % of ordinary shareholders' funds

3. Based on net profit after tax (pre-significant items)

Statements of Financial Performance

for the financial year ended 30 June

	Note	FGL		Consolidated	
		2001	2000	2001	2000
		\$m	\$m	\$m	\$m
Sales revenue	2			4,176.7	3,164.8
Cost of sales				(1,937.7)	(1,482.1)
Gross profit				2,239.0	1,682.7
Other operating revenue	2	409.6	308.2	328.6	303.3
Selling, marketing and distribution expenses				(762.9)	(575.7)
Administration and other expenses		(50.2)	(44.9)	(915.3)	(649.1)
Borrowing expenses	3	(32.1)	(5.0)	(269.3)	(183.4)
Share of net profits of associates and joint ventures accounted for using the equity method				44.1	7.9
Profit from ordinary activities before income tax		327.3	258.3	664.2	585.7
Income tax expense	5	(24.1)	(22.2)	(194.9)	(154.5)
Net profit		303.2	236.1	469.3	431.2
Net profit attributable to outside equity interest				(4.1)	(3.4)
Net profit attributable to members of Foster's Group Limited				465.2	427.8
Adjustment resulting from change in accounting policy		–	(5.1)	–	(384.7)
Net decrease in asset revaluation reserve		–	(3.1)	–	(100.4)
Exchange differences on translation of financial report of foreign controlled entities, net of hedging	22			35.9	7.0
Total revenues, expenses and valuation adjustments attributable to members of Foster's Group Limited and recognised directly in equity		–	(8.2)	35.9	(478.1)
Total changes in equity other than those resulting from transactions with owners as owners		303.2	227.9	501.1	(50.3)
Earnings per share (cents)	7				
Basic				24.8	24.5
Diluted				24.2	24.4
Operating profit before interest, tax and significant items				866.6	650.7
Net interest expense	3			(172.1)	(65.0)
Operating profit before tax and significant items				694.5	585.7
Income tax attributable to operating profit before significant items				(199.7)	(154.5)
Operating profit after tax and before significant items				494.8	431.2
Outside equity interests				(4.1)	(3.4)
Operating profit after tax and before significant items attributable to members of Foster's Group Limited				490.7	427.8

The statements of financial performance should be read in conjunction with the accompanying notes.

Statements of Financial Position

at 30 June

		FGL		Consolidated	
	Note	2001	2000	2001	2000
		\$m	\$m	\$m	\$m
Current assets					
Cash assets	9	4.9	0.1	542.7	508.5
Receivables	10	4,093.6	2,434.0	567.3	336.5
Inventories	11			1,077.7	483.0
Other current assets	17	0.3	0.4	43.1	39.1
Total current assets		4,098.8	2,434.5	2,230.8	1,367.1
Non-current assets					
Receivables	10	65.5	46.6	73.8	54.4
Inventories	11			487.0	235.2
Investments accounted for using the equity method	12			77.7	37.5
Other financial assets	13	820.0	820.0	4.7	34.5
Property, plant and equipment	14	17.8	14.6	2,984.0	1,856.7
Agricultural assets	15			366.7	80.2
Intangible assets	16			2,669.4	1,332.6
Deferred tax assets		4.5	4.4	309.3	63.8
Other non-current assets	17			46.1	39.4
Total non-current assets		907.8	885.6	7,018.7	3,734.3
Total assets		5,006.6	3,320.1	9,249.5	5,101.4
Current liabilities					
Payables	18	907.4	642.5	710.4	473.1
Interest bearing liabilities	19	576.9	396.9	365.3	223.1
Current tax liabilities		20.5	12.9	77.8	85.7
Provisions	20	184.5	151.9	272.4	234.6
Total current liabilities		1,689.3	1,204.2	1,425.9	1,016.5
Non-current liabilities					
Payables	18			24.7	45.3
Interest bearing liabilities	19			3,715.6	1,535.6
Deferred tax liabilities		0.2	0.1	215.4	146.8
Provisions	20	0.3	0.3	88.9	49.4
Total non-current liabilities		0.5	0.4	4,044.6	1,777.1
Total liabilities		1,689.8	1,204.6	5,470.5	2,793.6
Net assets		3,316.8	2,115.5	3,779.0	2,307.8
Equity					
Contributed equity	21	3,087.9	1,871.2	3,151.1	1,871.2
Reserves	22	–	–	94.4	206.3
Retained profits	22	228.9	244.3	493.9	202.0
Total parent entity interest		3,316.8	2,115.5	3,739.4	2,279.5
Outside equity interests in controlled entities	23			39.6	28.3
Total equity		3,316.8	2,115.5	3,779.0	2,307.8

The statements of financial position should be read in conjunction with the accompanying notes.

Statements of Cash Flows

for the financial year ended 30 June

	Note	FGL		Consolidated	
		2001	2000	2001	2000
		\$m	\$m	\$m	\$m
		Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities					
Receipts from customers				6,156.8	4,684.4
Payments to suppliers, governments and employees		(43.6)	(40.2)	(5,388.3)	(3,976.0)
Dividends received		257.0	200.0	0.2	–
Interest received				90.1	118.9
Borrowing costs				(269.6)	(183.0)
Income taxes paid		(16.5)	(24.6)	(306.0)	(167.5)
Net cash flows on behalf of controlled entities		(257.0)	(200.0)		
Net cash flows from operating activities	29	(60.1)	(64.8)	283.2	476.8
Cash flows from investing activities					
Payments to acquire controlled entities (net of cash balances acquired)	29			(2,315.9)	(205.1)
Payments to acquire outside equity interest in controlled entities	29			(4.9)	(24.1)
Payments for property, plant, equipment and agricultural assets		(5.0)	(1.3)	(322.9)	(209.8)
Payments for acquisition of investments				(2.3)	(34.9)
Proceeds from repayment of loans		7.6	3.7	10.4	36.9
Proceeds from sale of controlled entities				–	2.6
Proceeds from sale of property, plant and equipment				33.4	19.2
Proceeds from sale of investments				3.1	31.4
Net cash flows from investing activities		2.6	2.4	(2,599.1)	(383.8)
Cash flows from financing activities					
Payments for shares bought back	21	(12.6)	(112.3)	(12.6)	(112.3)
Proceeds from issue of shares	21	1,031.7	–	1,031.7	–
Proceeds from borrowings	19			3,726.8	2,689.4
Repayment of borrowings	19			(2,294.5)	(2,074.0)
Proceeds from exercise of options and capital called up	21	15.1	7.7	15.1	7.7
Distributions to outside equity interest				(0.4)	–
Dividends paid		(131.7)	(240.3)	(131.7)	(240.3)
Net cash flows on behalf of controlled entities		(840.2)	407.0		
Net cash flows from financing activities		62.3	62.1	2,334.4	270.5
Total cash flows from activities	19	4.8	(0.3)	18.5	363.5
Cash at the beginning of the year		0.1	0.4	504.8	139.4
Effects of exchange rate changes on foreign currency cash flows and cash balances				11.2	1.9
Cash at the end of the year	29	4.9	0.1	534.5	504.8

The statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

Note 1 Summary of significant accounting policies

General

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

The financial report has been prepared on the basis of historical cost, except for agricultural assets which are recognised at net market value. Unless stated otherwise, the accounting policies adopted are consistent with those of the previous years.

Reclassification of Financial Information

Some line items and sub-totals reported in the previous financial year have been classified and repositioned in the financial statements as a result of the first time application of the revised standards AASB 1018 'Statement of Financial Performance', AASB 1034 'Financial Report Presentation and Disclosures' and the new AASB 1040 'Statement of Financial Position'.

Revenue and expense items previously disclosed as abnormal items have been reclassified and are now disclosed as individually significant items in note 4.

The following assets and liabilities have been removed from previous classifications and are now disclosed as separate line items on the face of the statement of financial position:

- investments accounted for using the equity method, previously presented within other financial assets;
- deferred tax assets, previously presented within other non-current assets;
- current tax liabilities, previously presented within current provisions; and
- deferred tax liabilities, previously presented within non-current provisions.

Principles of Consolidation

The consolidated financial statements have been prepared for the consolidated entity (referred to as the 'Group'), comprising Foster's Group Limited (FGL) (formerly Foster's Brewing Group Limited) as the parent entity, and all its controlled entities. Controlled entities are listed in note 33.

Changes in Accounting Policies

The following revised accounting standards have been adopted by the Group.

Segment information

The Directors have elected to adopt the revised requirements of Australian accounting standard, AASB 1005 'Segment Reporting'. This standard is mandatory to the Group from 1 July 2001. The business segments identified in the primary reporting disclosures are not materially different to the industry segments identified in previous years. However, the

geographical segments have been recognised on a different basis to previous years and as a result, comparatives have been restated.

Previously, for geographic segment disclosure, domestic production exported to an overseas location was reported in the domestic geographic location, i.e. segment revenue was reported by source of production. Under the risk-based approach of the revised segment reporting standard, results are to be disclosed according to the risks (economic, political, currency, etc.) associated with particular sales markets. That is, revenue is reported by geographic location of the sale.

The revised standard requires certain additional disclosures for the industry segment and less extensive disclosure for the geographic segment.

Disclosures for non-current assets

The Directors have elected to adopt the revised requirements of Australian accounting standard AASB 1041 'Revaluation of non-current assets', issued July 2001. The changes to this standard are mandatory to the Group from 30 September 2001 and mainly impact disclosure. In the previous year, the Directors adopted the new requirements of AASB 1041 regarding the measurement basis of non-current assets. At that time, the Directors changed the measurement basis for non-current assets from a valuation basis to the cost basis. This change resulted in a reduction of \$436.6 million in property, plant and equipment, with an adjustment of \$51.5 million against asset revaluation reserve and \$385.1 million against opening retained earnings. The carrying value of brand names, mailing lists, patents and licences was deemed to be their cost, with a recoverable amount write-down of \$48.9 million applied against the asset revaluation reserve.

For the current financial year, revisions to AASB 1041 require the Group to only disclose a reconciliation of property, plant and equipment. Reconciliations of other non-current assets are no longer required to be disclosed.

Revenue and Receivables

Amounts disclosed as operating revenue are net of sales discounts, duties and taxes. All receivables are regularly reviewed and doubtful debts are provided for where necessary. Revenue and receivables are recognised for the major business activities as follows:

Beer and Spirits

Sales are recorded when the goods leave the warehouse. Credit terms for the beer business are generally 14 days from the date of invoice and 35 days from the date of invoice for the spirits business.

Leisure and hospitality

Sales are recorded when the customer receives the good or service.

Notes to the financial statements

Note 1 Summary of significant accounting policies (continued)

Revenue and Receivables (continued)

Wine

A trade sale is recorded when goods leave the warehouse for delivery to the customer. Trade customers are generally provided 30 days credit from the date of invoice.

Wine club sales are recorded when the goods are delivered to the customer. Credit card customers are generally billed 3 days from the order date. Other customers pay by direct debit from their bank account.

Property and investments

Revenue from the sale of properties held for development and resale is recognised when an executable contract becomes unconditional or at settlement depending on the terms of a particular project. Interest on performing loans is brought to account on an accruals basis.

Cash

Cash consists of cash at bank, on hand and in transit, and on short term deposit and investments in money market instruments, net of outstanding bank overdrafts.

Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred except where they are included in the cost of qualifying assets. Borrowing costs include interest expense, amortisation of discounts, premiums and other ancillary costs incurred in connection with the arrangements of borrowings.

The capitalisation rate used to determine the amounts of borrowing cost to be capitalised is the weighted average of borrowing costs that could have been avoided if the expenditure on qualifying assets had not been undertaken, in this case 6.2% (2000 4.2%).

Inventories

Inventories of finished goods, raw materials and stores and work in progress are valued at the lower of cost (using average or FIFO basis) and estimated net realisable value. Cost of manufactured goods is determined on a consistent basis, comprising prime costs and an appropriate proportion of fixed and variable overhead expenses. Inventories of wine stocks, shown as work in progress at cost, have been classified between current and non-current based on the Group's sales projections for the ensuing year. Non-current wine stocks include the cost of production and capitalised interest.

Properties held for development and sale are carried at the lower of cost and net realisable value, as determined by Directors. Cost includes the cost of acquisition, development and holding costs such as rates and taxes. In assessing net realisable value, consideration is given to the future cash flows expected to derive from property projects. The basis of

valuation is fair market value based on comparable parcels of land.

Recoverable Amounts of Non-Current Assets

The carrying amounts of all non-current assets have been reviewed and, where appropriate, relevant assets have been written down to their recoverable amount (from future use and/or disposal as appropriate). In assessing recoverable amount, the Directors have elected not to take into account the effect of discounting expected net cash flows to their present value.

Investments

Associates

In the consolidated financial statements investments in associates are accounted for using the equity accounting principles. Investments in associates are carried at the lower of cost and recoverable amount. Under this method, the Group's share of post acquisition profits or losses of associates, where material, is recognised in the consolidated statement of financial performance and the share of movements in post acquisition reserves of associates is recognised in the Group's consolidated reserves. Associates are those entities over which the Group has significant influence, but not control.

Partnerships

The Company's interest in partnerships is accounted for using equity accounting principles in both the Company's financial statements and the consolidated financial statements. The interest is carried at the lower of the equity carrying amount and recoverable amount. The equity carrying amount is cost plus the Company's share of the partnership's result less drawings. The Company's share of the partnership's result is included in profit for the year.

Controlled entities

Investments in controlled entities are carried at the lower of cost and recoverable amount.

Other

The Group's interests in shares and other investments are included in the financial statements at the lower of cost and recoverable amount. Dividends and other distributions from these investments are recognised in the statement of financial performance when received.

Leasing

Leases classified as operating leases are not capitalised and lease rental payments are charged against profits as incurred. Where an asset is acquired by means of a finance lease, the present value of the minimum lease payments is recognised as an asset at the beginning of the lease term and amortised on a straight line basis so as to write the asset off over the period of the lease or its estimated useful economic life. The liability in respect of capitalised leases is reduced by the principal component of each lease payment and the interest component is expensed.

Notes to the financial statements

Note 1 Summary of significant accounting policies (continued)

Property, Plant and Equipment

Plant and equipment is depreciated by the Group so that the assets are written off over their estimated useful economic lives, using reducing balance or straight line methods as appropriate. Lease premiums and leasehold improvements are written off over the period of the lease or estimated useful economic life, whichever is the shorter.

Plant and equipment under construction is shown as Projects in Progress at cost. The cost of construction includes the cost of materials used in construction, direct labour on the project, borrowing costs incurred during construction and an appropriate proportion of variable and fixed overhead.

The depreciation rates used for each class of asset are as follows:

Freehold buildings and improvements	1.5%
Leasehold buildings and improvements	4% (representing average lease term)
Plant and equipment	2.5% – 40.0%

Intangible Assets

Brand names, patents and licences

Brand names, patents and licences are included in the financial statements at the lower of cost and recoverable amount. The cost of acquired brand names is determined by reference to independent valuations performed on the acquisition of businesses.

The carrying value of these brands is reviewed each year to ensure that it is not in excess of recoverable amount. An independent valuation of the brand names was completed at 30 June 2000. Expenditure incurred in developing, maintaining or enhancing brand names is written off against operating profit in the year in which it is incurred.

The Directors believe that any depreciable amounts of the Group's brand names is negligible based on expected residual values compared with carrying values. Further, the Directors believe that the useful lives of the brands are of such duration that any amortisation charge on the brands would be immaterial.

Goodwill

Goodwill on acquisition is capitalised and amortised on a straight line basis over the lesser of the period of time during which the benefits are expected to arise and twenty years. The carrying value of each item of goodwill is reviewed annually. All material amounts of goodwill are currently being amortised over twenty years.

Mailing lists

Mailing lists in the wine business are included in the financial statements at cost. In reviewing the value of assets acquired in the Wine Group at 1 July 1997, the mailing lists were valued by independent valuers. The valuation based on the current value of the future net cash flows was found to approximate the book value of the mailing lists. The mailing lists are amortised over twenty years.

Agricultural Assets

Agricultural assets comprise grape vines and olive groves. These assets are measured at net market value with any change in net market value during the period recognised in the statement of financial performance. Costs incurred in maintaining agricultural assets are recognised as expenses when incurred. The net market value of picked grapes and olives is recognised as revenue in the statement of financial performance in the period of harvest.

Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of acquisition.

A liability for restructuring costs is recognised as at the date of acquisition of an entity when there is a demonstrable commitment to a restructuring of the acquired entity and a reliable estimate of the amount of the liability can be made.

Interest Bearing Liabilities

Bank loans are carried at their principal amounts. Bank bills are carried at the amount which represents the present value of future cash flows. Interest is accrued over the period it becomes due and that part not paid is recorded as part of other creditors.

Certain bank loans denominated in foreign currency are hedged through various forms of foreign exchange hedge contracts. The loans and contracts have been valued at the exchange rate at reporting date. As a result of the reporting date exchange rates being different to the hedge contract exchange rates, a receivable from or payable to the relevant hedge contract counterparty arises, and has been included in 'receivables' or 'payables' and 'borrowings' in the statement of financial position, as applicable.

Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or consolidated entity. Trade payables are normally settled within 60 days.

Notes to the financial statements

Note 1 Summary of significant accounting policies (continued)

Employee Entitlements

Liabilities for employees' entitlements to wages and salaries, annual leave, sick leave and other current employee entitlements are accrued at undiscounted amounts.

Liabilities for other employee entitlements, which are not expected to be paid or settled within twelve months of reporting date, are accrued in respect of all employees at the present value of future amounts expected to be paid.

Derivative Financial Instruments

The Group utilises derivative financial instruments, solely for hedging purposes, in the normal course of actively managing its exposures to fluctuations in interest and exchange rates.

All material foreign currency transactions are hedged. Gains and losses on hedges covering foreign exchange exposures in respect of specific purchase and sale agreements are deferred and included in the determination of the amounts at which the transactions are brought to account.

The net effect of interest rate swap agreements is included in the calculation of net interest. The carrying amounts of interest rate swaps, which comprise net interest receivables and payables accrued, are included in assets or liabilities respectively.

Refer to note 31 for further discussion on specific use of derivative financial instruments.

Other Financial Instruments

Where the financial instruments are redeemable but either the holder or the Company has an option to convert them into ordinary shares of the Company, they are classified as compound instruments. The liability component is measured as the present value of the principal and interest obligations, discounted at the prevailing market rate for a similar liability that does not have an equity component. The residual of the net proceeds received on issuing the instrument is classified as equity.

Interest on compound instruments is determined based on the liability component and includes the actual interest paid to holders. The liability accretes over the life of the instruments to the original face value if they are not previously converted.

Foreign Currencies

All figures in the accompanying financial statements and notes are expressed in Australian currency unless specifically identified as being otherwise.

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency balances arising from those transactions are translated at the exchange rates at reporting date. Gains and losses resulting from trading transactions are included in the determination of the profit or loss for the year.

Financial statements of foreign controlled entities have been converted to Australian currency at reporting date using the current rate method. Gains and losses arising from conversion of financial statements of foreign controlled entities using this method on consolidation and on inter-entity accounts with foreign controlled entities and on hedges of investments in foreign controlled entities are taken directly to the foreign currency translation reserve.

Where anticipated purchase or sale transactions have been hedged, actual purchases or sales which occur during the hedged period are accounted for as having been hedged until the amounts of those transactions are fully allocated against the hedged amounts.

If a hedge transaction relating to a commitment for the purchase or sale of goods or services is redesignated as a hedge of another specific commitment and the original transaction is still expected to occur, the gains and losses that arise on the hedge prior to the redesignation are deferred and included in the measurement of the original purchase or sale when it takes place. If the hedge transaction is no longer expected to occur, the gains and losses that arise on the hedge prior to its redesignation are recognised in the statement of financial performance at the date of the redesignation.

Income Tax

The Group uses the liability method of tax effect accounting. No provision has been made for foreign taxes which may arise in the event of retained profits of foreign controlled entities being remitted to Australia as there is no present intention to make any such remittances.

Earnings per Share

Basic earnings per share is determined by dividing the net profit after income tax attributable to members of FGL by the weighted average number of ordinary shares outstanding during the year, adjusted for any bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares issued in relation to dilutive potential ordinary shares.

Notes to the financial statements

	FGL		Consolidated	
	2001	2000	2001	2000
	\$m	\$m	\$m	\$m
Note 2 Operating revenue				
Sales revenue				
net beer sales			1,627.3	1,522.1
net wine sales			1,359.7	580.7
net spirits sales			104.8	64.5
leisure and hospitality			838.5	849.2
royalties			36.4	19.8
trading revenue			3,966.7	3,036.3
other sales revenue			323.4	230.1
			4,290.1	3,266.4
inter segment sales			(113.4)	(101.6)
Net sales revenue			4,176.7	3,164.8
Other operating revenue				
dividends	257.0	200.0	0.2	–
interest	142.3	98.6	92.7	116.9
rent			19.1	24.2
sale of assets	–	0.1	177.3	52.4
other	10.3	9.5	39.3	109.8
Other operating revenue	409.6	308.2	328.6	303.3
	409.6	308.2	4,505.3	3,468.1

Sales revenue is net of trade discounts and volume rebates.

Net sales of beer, spirits and wine is after deducting excise and other duties and taxes of \$1,877.5 million (2000 \$1,744.9 million). Net sales includes amounts for freight charged to customers. Other sales revenue mainly includes the market value increments in agricultural assets, soft drink sales, contract bottling and wine club membership income and wine services.

The application of the new Australian accounting standard AASB 1018 'Statement of Financial Performance' requires the results of equity accounted partnerships to be disclosed as a separate line item in the statement of financial performance and not part of revenue. Comparatives have been adjusted.

Note 3 Operating profit

Operating profit before significant items and income tax has been arrived at after (charging) and crediting:

interest received from				
– controlled entities	142.3	98.6		
– other related parties			0.1	–
– other persons			92.6	116.9
	142.3	98.6	92.7	116.9
interest costs				
– controlled entities	(32.1)	(5.0)		
– other related parties			(2.1)	(1.4)
– other persons			(279.6)	(184.6)
	(32.1)	(5.0)	(281.7)	(186.0)
capitalised interest on borrowings			20.6	5.8
amortisation of interest capitalised on qualifying assets			(3.7)	(1.7)
	(32.1)	(5.0)	(264.8)	(181.9)
net interest (expense)/income	110.2	93.6	(172.1)	(65.0)

Notes to the financial statements

	FGL		Consolidated	
	2001	2000	2001	2000
	\$m	\$m	\$m	\$m
Note 3 Operating profit (continued)				
Reconciled to the statement of financial performance as follows:				
interest costs	(32.1)	(5.0)	(264.8)	(181.9)
other borrowing costs			(4.5)	(1.5)
borrowing expenses	(32.1)	(5.0)	(269.3)	(183.4)
depreciation of				
– freehold buildings and improvements			(17.3)	(11.5)
– leasehold buildings and improvements	(0.3)	(1.3)	(3.2)	(3.3)
– plant and equipment	(1.5)	(1.2)	(117.1)	(75.4)
amortisation of				
– goodwill			(34.0)	(15.5)
– other intangibles			(3.2)	(3.2)
amounts to provisions for				
– doubtful debts – trade debtors			(1.8)	(1.3)
– employee entitlements	–	(1.1)	(24.7)	(29.3)
– other			0.4	22.5
write-down in value of inventories			(2.5)	(2.9)
bad debts written off – trade debtors			(4.6)	(4.3)
rental expense relating to operating leases	(0.4)	(0.5)	(34.2)	(24.8)
net profit on disposal of				
– property, plant and equipment	–	0.1	4.2	4.3
– investments			3.1	7.4
– intangibles			–	0.2
foreign exchange gains, net of losses			13.1	4.5
dividends received from				
– controlled entities	257.0	200.0		
– other investments			0.2	–

Note 4 Significant items

Individually significant items included in profit from ordinary activities before income tax:

Share of profit from the sale of Molson brands from the USA partnership and subsequent restructure of the partnership, now called Foster's USA, LLC

(tax expense applicable \$2.5 million)

36.7 –

Wine Planet write-down

(39.5) –

2000 Sydney Olympics expenditure

(tax benefit applicable \$7.3 million)

(27.5) –

Total significant items

(30.3) –

Notes to the financial statements

	FGL		Consolidated	
	2001	2000	2001	2000
	\$m	\$m	\$m	\$m
Note 5 Income tax				
The amount of income tax attributable to operating profit as shown in the statement of financial performance differs from the prima facie income tax expense attributable to operating profit. The differences are reconciled as follows:				
prima facie income tax expense attributable to operating profit calculated at the rate of 34% (2000 36%)	111.3	92.9	225.9	210.8
tax effect of				
– non-recognition of future income tax benefits			13.9	25.8
– depreciation and amortisation not allowable			15.2	6.9
– rebateable dividends	(87.4)	(72.0)	(0.1)	–
– non-deductible expenditure and losses (net of non-deductible income)	(0.5)	0.2	11.6	3.1
– utilisation of available losses			(98.2)	(55.7)
– other			(11.4)	(2.4)
– foreign tax rate differential			1.4	(3.3)
– effect of change in tax rate	0.7	0.3	6.9	(15.2)
– under/(over) provisions in previous years	-	0.8	29.7	(15.5)
income tax expense per statement of financial performance	24.1	22.2	194.9	154.5
add/(less) income tax expense/(benefit) arising from items taken to foreign currency translation reserve (refer note 22)			5.4	(2.3)
total income tax expense	24.1	22.2	200.3	152.2

Adjustment to deferred income tax balances

Legislation has been introduced to reduce the company tax rate from 34% to 30% in the 2001 – 2002 income tax year. As a consequence, deferred tax balances are stated in the accounts at 30%.

Future income tax benefit

There are potential future income tax benefits relating to accumulated losses in Australia and overseas which have not been brought to account. These benefits amount to \$309.0 million (2000 \$403.0 million).

These benefits will be obtainable only if:

- the consolidated entity derives future assessable income of a nature and amount sufficient to enable the benefit from the deduction to be realised.
- the consolidated entity continues to comply with the conditions for deductibility imposed by income tax law; and
- changes in income tax legislation do not adversely affect the ability of the consolidated entity to realise the benefit of the deductions.

Notes to the financial statements

	Total assets		Total liabilities		Acquisition of property, plant & equipment, agricultural assets & intangibles		Depreciation and amortisation expense		Non-cash expenses other than depreciation	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m	2001 \$m	2000 \$m	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Note 6 Segment results										
Industry segments										
Australian Beer	1,730.9	1,694.2	240.2	220.1	96.5	108.0	52.4	38.1	21.7	8.0
International Beer	254.0	188.2	42.6	34.0	5.9	20.9	8.7	7.4		
Spirits	129.0	124.9	6.9	17.4	1.1	76.0	2.4	1.1	0.8	0.6
Leisure and hospitality	798.8	754.3	59.9	60.4	75.3	84.5	28.4	23.4	7.6	8.0
Wine	5,141.3	1,487.1	277.2	161.9	2,560.7	122.9	80.0	35.4	48.3	-
Property and investments	180.6	175.5	102.4	101.5	0.7	0.6	0.6	0.5		
Corporate	162.9	104.9	367.2	207.1	5.1	1.3	2.3	3.0	14.3	30.6
	8,397.5	4,529.1	1,096.4	802.4	2,745.3	414.2	174.8	108.9	92.7	47.2
<i>Unallocated</i>										
Cash/Interest bearing liabilities	542.7	508.5	4,080.9	1,758.7						
Deferred tax assets/tax provisions	309.3	63.8	293.2	232.5						
	9,249.5	5,101.4	5,470.5	2,793.6						

	Total operating revenue		Inter segment sales		Net external operating revenue		Operating profit before income tax and significant items		Significant items		Profit from ordinary activities before income tax	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m	2001 \$m	2000 \$m	2001 \$m	2000 \$m	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Industry segments												
Australian Beer	1,578.7	1,479.3	(110.6)	(95.7)	1,468.1	1,383.6	408.3	389.3	(8.5)	-	399.8	389.3
International Beer	190.4	172.8			190.4	172.8	24.3	6.6	36.7	-	61.0	6.6
Spirits	105.8	65.1			105.8	65.1	15.2	6.0			15.2	6.0
Leisure and hospitality	884.0	873.8			884.0	873.8	104.8	110.2			104.8	110.2
Wine	1,610.3	718.1	(2.8)	(5.9)	1,607.5	712.2	342.1	154.3	(39.5)	-	302.6	154.3
Property and investments	168.3	142.6			168.3	142.6	25.0	29.4			25.0	29.4
Corporate	81.2	118.0			81.2	118.0	(53.1)	(45.1)	(19.0)	-	(72.1)	(45.1)
	4,618.7	3,569.7	(113.4)	(101.6)	4,505.3	3,468.1	866.6	650.7	(30.3)	-	836.3	650.7
<i>Unallocated</i>												
Net interest expense											(172.1)	(65.0)
											664.2	585.7

Notes to the financial statements

Note 6 Segment results (continued)

The Group operates predominantly in the beverage industry which includes the production and marketing of alcoholic and non-alcoholic beverages and a major investment in licensed properties.

The net interest expense has not been allocated across segments as the financing function of the Group is centralised through the Group's Treasury division. Intersegment pricing is on an arm's length basis.

The Group has certain investments in joint venture partnerships which are equity accounted but are not material.

The International beer segment includes an investment in Foster's USA, LLC of \$75.7 million (2000 \$37.5 million), an equity accounted joint venture partnership. The Group's share of the operating profit before tax from Foster's USA, LLC was \$44.1 million (2000 \$7.9 million).

	Total assets		Acquisition of property, plant & equipment, agricultural assets & intangibles		Net external operating revenue	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Geographical segment						
Australia	4,118.7	3,926.0	236.3	317.8	3,013.4	2,951.5
Asia and Pacific	214.4	96.8	22.5	22.0	239.6	195.0
Europe	328.9	283.8	71.0	16.8	258.9	206.3
Americas	3,735.5	222.5	2,415.5	57.6	993.4	115.3
	8,397.5	4,529.1	2,745.3	414.2	4,505.3	3,468.1
<i>Unallocated</i>						
Cash	542.7	508.5				
Deferred tax assets	309.3	63.8				
	9,249.5	5,101.4				

Previously for geographic segment disclosure, domestic production exported to an overseas location was reported in the domestic geographic location i.e. segment revenue was reported by source of production. Under the risk based approach of the revised segment reporting standard, results are to be disclosed according to the risks (economic, political, currency, etc.) associated with particular sales markets. That is, revenue is reported by geographic location of the sale.

Comparatives have been restated to reflect this changed approach.

	Consolidated	
	2001	2000
Basic earnings per share (cents) based on net profit attributable to members of Foster's Group Limited	24.8	24.5
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share (in thousands)	1,878,657	1,724,256
Diluted earnings per share (cents) based on net profit attributable to members of Foster's Group Limited	24.2	24.4
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share (in thousands)	1,988,530	1,733,182

Comparatives have been restated to reflect the impact of bonus elements of shares.

Notes to the financial statements

	FGL		Consolidated	
	2001	2000	2001	2000
	\$m	\$m	\$m	\$m
Note 8 Dividends				
Interim dividend of 7.0 cents per ordinary share paid 23 March 2001 (2000: 6.5 cents per ordinary share paid 17 March 2000)	133.7	112.2	133.7	112.2
Final dividend of 8.5 cents per ordinary share proposed by Directors to be paid 28 September 2001 (2000: 8.0 cents per ordinary share paid 10 November 2000)	171.0	150.3	171.0	150.3
	304.7	262.5	304.7	262.5

The amount of the final dividend provided for in the 1999/00 financial statements of \$136.4 million was under-provided by \$13.9 million due to the 175 million shares issued on 29 August 2000 net of the shares bought-back during July 2000.

The amount of dividends that have been or will be franked

318.6 248.6 **318.6** 248.6

The amount of franked dividends in 2001 of \$318.6 million varies to consolidated dividends distributed of \$321.1 million (refer note 22) due to the \$2.5 million disclosure of the equity component of the interest cost on the exchangeable bonds.

All the proposed dividends will be 100% franked out of existing franking credits or out of franking credits arising from the payment of income tax in the period subsequent to 30 June 2001.

Amount of franking credits available for the subsequent year

233.2 6.2 **233.2** 6.2

The above amount represents the balances of the franking accounts as at the end of the year, adjusted for income tax payable, dividends proposed and franking credits that may be prevented from being distributed in the subsequent year. The balances of the franking accounts disclosed above are based on a tax rate of 30%.

The Government introduced legislation into Parliament on 28 June 2001 which will require companies to convert their existing Class C franking account balances from a 34% underlying tax rate to 30% on 1 July 2001 (including those franking credits relating to dividends).

Note 9 Cash assets

at bank, on hand and in transit	4.9	0.1	181.0	96.7
on deposit			361.7	411.8
	4.9	0.1	542.7	508.5

The cash on deposit for the consolidated entity is bearing floating interest rates between 0.5% and 5.0% (2000 1.0% and 6.7%).

Notes to the financial statements

	FGL		Consolidated	
	2001	2000	2001	2000
	\$m	\$m	\$m	\$m
Note 10 Receivables				
Current				
trade debtors			528.4	291.7
provision for doubtful debts			(13.5)	(13.1)
other debtors	1.5	1.6	51.2	51.2
provision for doubtful debts	(1.5)	(1.5)	(2.8)	(1.5)
loans to other persons	0.2	0.2	1.1	6.2
provision for doubtful debts	(0.2)	(0.2)	(0.2)	(0.2)
employee share plan loans	3.1	2.2	3.1	2.2
amounts due from controlled entities	4,575.5	2,916.7		
provision for doubtful debts	(485.0)	(485.0)		
	4,093.6	2,434.0	567.3	336.5

Non-current

trade debtors			7.9	19.2
provision for doubtful debts			(7.0)	(18.4)
other debtors			3.1	–
loans to Directors of controlled entities	0.9	0.8	1.1	0.8
loans to other persons			4.1	7.0
employee share plan loans	64.6	45.8	64.6	45.8
	65.5	46.6	73.8	54.4

The interest rate on interest bearing loans to other persons varies between 4.0% and 7.0% (2000 4.0% and 10.0%).

Note 11 Inventories

Current

finished goods at cost			557.1	182.9
raw materials and stores at cost			55.4	97.5
work in progress at cost			396.1	137.4
			1,008.6	417.8

properties held for development and sale at net realisable value

– cost of acquisition			46.4	35.9
– development costs			21.2	26.9
– rates, taxes and interest			1.5	2.4
			69.1	65.2
			1,077.7	483.0

Non-current

work in progress at cost			398.7	139.3
properties held for development and sale at net realisable value				
– cost of acquisition			92.6	115.8
– development costs			83.8	64.0
provision for diminution			(88.1)	(83.9)
			487.0	235.2
Total inventories			1,564.7	718.2

Notes to the financial statements

	Note	FGL		Consolidated	
		2001	2000	2001	2000
		\$m	\$m	\$m	\$m
Note 12 Investments accounted for using the equity method					
Interest in joint venture partnerships	34			75.7	37.5
Shares in associates	34			2.0	–
				77.7	37.5

Note 13 Other financial assets

Non-current

Controlled entities

unquoted shares

– at cost

820.0 820.0

Other

quoted shares at cost

5.1 39.1

provision for diminution

(5.1) (5.1)

unquoted shares at cost

12.3 8.3

provision for diminution

(7.6) (7.8)

820.0 820.0 **4.7** 34.5

quoted shares at market value

1.3 13.6

Note 14 Property, plant and equipment

Land

at cost

717.7 349.2

Freehold buildings and improvements

at cost

1,119.3 748.5

accumulated depreciation

(128.2) (99.0)

Leasehold buildings and improvements

at cost

11.2 10.8 **73.3** 46.9

accumulated depreciation

(4.4) (4.1) **(21.0)** (15.2)

Plant and equipment

at cost

15.9 14.5 **2,081.9** 1,484.0

accumulated depreciation

(8.9) (7.4) **(930.2)** (742.6)

projects in progress at cost

4.0 0.8 **71.2** 84.9

17.8 14.6 **2,984.0** 1,856.7

Valuation of land and buildings

The latest Group Directors' valuation of land and buildings was at 30 June 1999. Land and buildings acquired since this time have been valued as part of the Group's business acquisition process with reference to independent valuations. The estimated valuation of land and buildings, including business acquisitions and additions since 1999, is \$1,870.0 million at 30 June 2001.

Notes to the financial statements

Note 14 Property, plant and equipment (continued)

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous year are set out below.

	Land	Freehold buildings	Leasehold buildings	Plant and equipment
	\$m	\$m	\$m	\$m
Consolidated – 2001				
carrying amount at start of year	349.2	649.5	31.7	826.3
additions	13.9	64.0	7.0	213.0
acquisitions	371.2	263.0	16.5	272.6
disposals	(7.9)	(7.4)	(0.4)	(13.9)
depreciation/amortisation expense	–	(17.3)	(3.2)	(117.1)
transfers	(31.4)	21.0	–	8.5
foreign currency exchange/other	22.7	18.3	0.7	33.5
carrying amount at end of year	717.7	991.1	52.3	1,222.9
Consolidated – 2000				
carrying amount at start of year	334.9	763.4	30.0	943.1
additions	–	43.1	3.6	163.1
acquisitions	19.1	33.5	1.6	23.5
disposals	(5.0)	(13.8)	(0.5)	(14.1)
depreciation/amortisation expense	–	(11.5)	(3.3)	(75.4)
transfers	–	–	–	51.2
accounting policy change	–	(165.7)	–	(270.9)
foreign currency exchange/other	0.2	0.5	0.3	5.8
carrying amount at end of year	349.2	649.5	31.7	826.3
FGL – 2001				
carrying amount at start of year			6.7	7.9
additions			0.4	4.6
depreciation/amortisation expense			(0.3)	(1.5)
carrying amount at end of year			6.8	11.0
FGL – 2000				
carrying amount at start of year			5.7	18.3
additions			0.3	1.0
depreciation/amortisation expense			(1.3)	(1.2)
transfers			2.0	(2.0)
accounting policy change			–	(8.2)
carrying amount at end of year			6.7	7.9

Notes to the financial statements

	Consolidated	
	2001	2000
	\$m	\$m

Note 15 Agricultural assets

	366.7	80.2
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Beringer Blass has over 7,600 hectares (2000 3,300 hectares) of land under vine, located throughout the major wine producing regions around the world. These areas include Australia (the Hunter Valley, Coonawarra, Barossa Valley, Clare Valley, McLaren Vale and Yarra Valley), North America (mainly the Napa Valley and Sonoma Valley), Italy and New Zealand. Of the total land area under vine, over 1,100 hectares (2000 276 hectares) is under lease agreements. The business also has around 38 hectares of olive groves in Italy.

The net market value of the vineyards, vines and land have been determined by Directors at 30 June 2000 and 30 June 2001, with reference to an independent valuation. The net market value of grape vines has been determined as the difference between the net present value of cash flows expected to be generated by the vines associated with the vineyards and the net market value of the land on which the vines are growing. In determining the net market value the Directors have made certain assumptions regarding the market price of vintage 2001 grapes and the growth and quality of grapes on the vines as at reporting date.

Included in other sales revenue is net revenue from picked produce of \$37.6 million (2000 \$32.7 million) and a net market value increment in agricultural assets of \$34.0 million (2000 nil).

	FGL		Consolidated	
	2001	2000	2001	2000
	\$m	\$m	\$m	\$m

Note 16 Intangible assets

brand names, mailing lists, patents and licences

at cost			1,947.5	1,043.9
accumulated amortisation			(12.6)	(9.5)
			1,934.9	1,034.4

goodwill at cost			825.5	354.6
accumulated amortisation			(91.0)	(56.4)
			734.5	298.2
			2,669.4	1,332.6

Note 17 Other assets

Current

deferred expenses			7.3	6.8
prepayments	0.3	0.4	35.8	32.3
	0.3	0.4	43.1	39.1

Non-current

deferred expenses			15.6	8.7
prepayments			30.5	30.7
			46.1	39.4

Notes to the financial statements

	FGL		Consolidated	
	2001	2000	2001	2000
	\$m	\$m	\$m	\$m
Note 18 Payables				
Current				
trade creditors	0.1	–	223.7	192.6
other creditors	22.7	16.2	486.7	280.5
amounts due to controlled entities	884.6	626.3		
	907.4	642.5	710.4	473.1
Non-current				
other creditors			24.7	45.3

Note 19 Interest bearing liabilities

Current				
secured				
– bank overdrafts			0.2	–
– bank loans			5.4	14.3
unsecured				
– bank overdrafts			8.0	3.7
– bank loans			55.1	53.9
– other			296.6	151.2
amounts due to controlled entities	576.9	396.9		
	576.9	396.9	365.3	223.1
Non-current				
secured				
– bank loans			3.6	1.6
unsecured				
– bank loans			610.0	–
– exchangeable bonds			638.8	–
– other			2,463.2	1,534.0
			3,715.6	1,535.6

Total net borrowings (including lease liabilities) consist of:

current			365.3	223.1
non-current			3,715.6	1,535.6
Total gross borrowings	–	–	4,080.9	1,758.7
Less – cash (note 9)	(4.9)	(0.1)	(542.7)	(508.5)
Total net borrowings	(4.9)	(0.1)	3,538.2	1,250.2

Reconciliation of net borrowings

net borrowings at the beginning of the year	(0.1)	(0.4)	1,250.2	1,006.0
proceeds from borrowings			3,726.8	2,689.4
repayment of borrowings			(2,294.5)	(2,074.0)
exchangeable bonds equity component			(63.2)	–
total cash flows from activities	(4.8)	0.3	(18.5)	(363.5)
debt acquired on consolidation of controlled entities			694.3	12.7
effect of exchange rate changes on foreign currency borrowings			243.1	(20.4)
net borrowings at the end of the year	(4.9)	(0.1)	3,538.2	1,250.2

Notes to the financial statements

Note 19 Interest bearing liabilities (continued)

Secured bank loans totalling \$9.0 million are secured by mortgages over freehold buildings and other assets. Bank loans and other loans have interest rates ranging between 4.1%-10.5% (2000: 5.2%-12.5%). Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Exchangeable bonds

Foster's Finance Corp. (formerly Foster's Securities Corp.) a wholly owned US controlled entity issued US\$400 million 4.75% exchangeable bonds in October 2000. The bonds are repayable on 5 October 2003 unless the holders of the bonds exercise the option to convert into shares prior to this date. The number of ordinary shares to be issued for each bond shall be determined by dividing the principal amount of the relevant bond by the exchange price.

The initial exchange price is A\$5.00 per ordinary share, converted into US dollars at the fixed exchange rate of US\$0.56985 = A\$1.

The exchangeable bonds are classified as a compound instrument. The equity component of the exchangeable bonds has been calculated at 9% of the face value of the financial instrument and recognised in the statement of financial position as share capital.

	FGL		Consolidated	
	2001	2000	2001	2000
	\$m	\$m	\$m	\$m
The exchangeable bonds are disclosed in the statement of financial position as follows:				
Face value of exchangeable bonds issued			702.0	—
Share capital – value of conversion rights			(63.2)	—
Interest bearing liability (non-current)			638.8	—

Note 20 Provisions

Current

dividends	171.0	136.4	171.0	136.4
employee entitlements	5.0	5.5	62.6	66.8
other	8.5	10.0	38.8	31.4
	184.5	151.9	272.4	234.6

Non-current

employee entitlements	0.3	0.3	30.1	27.5
other			58.8	21.9
	0.3	0.3	88.9	49.4

The aggregates of provisions for employee entitlements as shown above are \$92.7 million, consolidated (2000 \$94.3 million), and \$5.3 million, FGL (2000 \$5.8 million).

	Consolidated	
	2001	2000
	Number	
Employee numbers		
Number of employees at the reporting date (full-time equivalent)	13,700	11,500

Notes to the financial statements

	FGL		Consolidated	
	2001	2000	2001	2000
	\$m	\$m	\$m	\$m
Note 21 Share capital				
Paid up capital				
ordinary fully paid shares	3,087.9	1,871.2	3,151.1	1,871.2
Movements in Share Capital				
opening balance				
– ordinary fully paid shares	1,871.2	1,955.8	1,871.2	1,959.5
– employee shares of \$1 paid to 1.67 cents	–	–	–	–
	1,871.2	1,955.8	1,871.2	1,959.5
transfers to reserves				
– retained earnings			–	(3.7)
7,206,700 (2000 6,128,500) employee shares issued at \$4.16 (2000 \$3.71) per share	30.0	22.7	30.0	22.7
5,246,363 (2000 3,316,363) shares issued on exercise of options				
– 4,056,363 (2000 2,406,363) @ \$2.12	8.6	5.1	8.6	5.1
– 140,000 (2000 140,000) @ \$2.36	0.3	0.3	0.3	0.3
– 420,000 @ \$2.48	1.0	–	1.0	–
– 630,000 (2000 770,000) @ \$2.73	1.7	2.1	1.7	2.1
Dividend reinvestment plan				
– 19,294,889 @ \$4.07	78.5	–	78.5	–
– 15,833,031 @ \$4.50	71.2	–	71.2	–
175,000,000 shares issued @ \$4.00	700.0	–	700.0	–
Equity raising costs associated with share issue	(11.5)	–	(11.5)	–
717,000 employee share calls on partly paid shares	3.4	–	3.4	–
Nil (2000 40,200) forfeited partly paid shares sold on-market	–	0.2	–	0.2
Nil (2000 24,690) buy back of partly paid shares	–	–	–	–
2,136,502 (2000 26,642,241) buy back of ordinary shares	(9.9)	(115.0)	(9.9)	(115.0)
66,700,000 shares issued @ \$5.25	350.2	–	350.2	–
Equity raising costs associated with share issue	(7.0)	–	(7.0)	–
Exchangeable bonds (refer to note 19)			63.2	–
	3,087.9	1,871.2	3,151.1	1,871.2

Notes to the financial statements

	FGL	
	2001	2000
	shares m	shares m
Note 21 Share capital (continued)		
opening balance		
– ordinary fully paid shares	1,705.6	1,722.8
– partly paid employee shares	2.0	2.0
	1,707.6	1,724.8
7,206,700 (2000 6,128,500) employee shares issued	7.2	6.1
5,246,363 (2000 3,316,363) shares issued from exercise of options	5.2	3.3
Dividend reinvestment plan		
– Dec 2000 19,294,889	19.3	–
– Mar 2001 15,833,031	15.8	–
Equity raising		
– Aug 2000 175,000,000	175.0	–
– Jun 2001 66,700,000	66.7	–
buy back of nil (2000 24,690) partly paid shares	–	–
buy back of 2,136,502 (2000 26,642,241) ordinary shares	(2.1)	(26.6)
	1,994.7	1,707.6

Employee Share and Option Plan

Ordinary shares

Under the terms of the Employee Share and Option Plan (the Plan), permanent employees of the Group's controlled entities, who have completed one year's service, are eligible to participate in the Plan. It is the present intention of the Directors that in any year in which the offer of shares is made, an equal number of shares be offered to all participating employees. An offer of shares is at the discretion of the Directors and is subject to performance criteria.

The issue price of the shares will usually be the weighted average of the prices at which shares in the Company are traded on the Australian Stock Exchange (ASX) during the one week period before the time of allotment.

Employees may pay the issue price, in whole or in part, from their own resources or alternatively the Company will arrange an interest free loan to fund the issue price of the shares. Repayment of loans is by way of dividends paid and voluntary repayment by employees. If an employee ceases to be employed by the Group, the whole outstanding loan must be repaid.

During the year, 7,206,700 fully paid ordinary shares were issued pursuant to the Plan to 3,827 Group employees. The shares were allotted at a price of \$4.16, which was the weighted average price of Foster's Group Limited shares traded on the ASX between 4 December and 8 December, 2000 (inclusive), less fifty cents per share, in accordance with Employee Share Plan rules.

Dividend reinvestment plan

The company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than being paid in cash. The first issue of shares was made to shareholders on 8 December 2000 at a price of \$4.07 per share and the second issue on 23 March 2001 at a price of \$4.50 per share.

Notes to the financial statements

Note 21 Share capital (continued)

Share options

On issue at reporting date were options over 2,390,000 (2000 8,260,000) unissued ordinary shares, issued under the Foster's Employee Share Plan. During the year, 4,056,363 options were exercised at a price of \$2.12, 140,000 were exercised at a price of \$2.36, 420,000 were exercised at a price of \$2.48 and 630,000 were exercised at a price of \$2.73. 623,637 share options at the exercise price of \$2.12 were not taken up and expired in September 2000.

There were no options issued during the year.

The exercise date on the following employee options have been extended until November 2005

	No. of shares represented
– at \$2.12	50,000 (1)
– at \$2.36	160,000 (1)
– at \$2.73	250,000 (1)
– at \$2.12	1,200,000 (2)
– at \$2.36	160,000 (2)
– at \$2.48	420,000 (2)
– at \$2.73	150,000 (2)

The abovementioned employee options over unissued ordinary shares can only be exercised if the Foster's Group Limited share price reaches or exceeds on any five consecutive business days during the 12 months preceding the time of exercise: \$3.08 in respect of options marked (1) and \$3.40 in respect of the options marked (2) which expires in 2005.

The criteria allowing the options expiring in 2005 to be exercised has been met.

Employee shares

A total of 1,254,870 (2000 1,971,870) of these shares are on issue at the reporting date.

There are 1,254,870 shares held by FBG Incentive Pty Ltd and by some individually registered holders. A call in respect of these shares may be made at the request of the holder or in the event of a call being made by a liquidator or receiver. A call may also be made in respect of these shares following the relevant employee ceasing to be an employee of the Group, provided that the market price of a fully paid ordinary share in the capital of FGL has exceeded the issue price of the relevant partly paid share for a period of not less than forty consecutive business days.

No partly paid shares were issued during the year.

Share buy-back

During the year, the Company purchased and cancelled 2.1 million shares on-market at a total cost of \$9.9 million which has been deducted from shareholders' equity. The on-market buy-back of shares, which commenced 22 February 2000, was concluded on 20 February 2001. During this period, 28.8 million shares were acquired at an average price of \$4.33 per share, with prices ranging from \$4.09 to \$4.61 per share. The total cost of the buy-back was \$124.9 million.

Exchangeable bonds

The amount shown is the value of the conversion rights relating to the exchangeable bonds, details of which are shown in note 19.

Notes to the financial statements

	FGL		Consolidated	
	2001	2000	2001	2000
	\$m	\$m	\$m	\$m
Note 22 Reserves and retained profits				
(a) Reserves				
asset revaluation reserve			218.5	218.5
foreign currency translation reserve			(124.1)	(12.2)
			94.4	206.3
Details of movements				
Asset revaluation reserve				
opening balance	–	3.1	218.5	318.9
accounting policy change (refer note 1)	–	(3.1)	–	(100.4)
closing balance	–	–	218.5	218.5
Foreign currency translation reserve				
opening balance			(12.2)	(15.1)
transfer to retained profits			(147.8)	(4.1)
translation gain on investment in foreign controlled entities, net of hedging and after allowing for a related income tax expense of \$5.4 million (2000 \$2.3 million income tax benefit) – refer also note 5			35.9	7.0
closing balance			(124.1)	(12.2)
Nature and purpose of reserves				
(i) Asset revaluation reserve				
The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in the accounting policy note 1. The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for payment of cash dividends in limited circumstances as permitted by law.				
(ii) Foreign currency translation reserve				
Exchange differences arising on translation of foreign controlled entities within the Group, are taken to the foreign currency translation reserve, as described in the accounting policy note 1.				
(b) Retained profits				
Retained profits at the beginning of the year	244.3	261.9	202.0	399.7
Net profit	303.2	236.1	465.2	427.8
Adjustment to retained profits arising from changes in accounting policy	–	(5.1)	–	(384.7)
Aggregate of amounts transferred from reserves			147.8	7.8
Total available for appropriation	547.5	492.9	815.0	450.6
Ordinary dividends				
– interim paid	(147.6)	(112.2)	(147.6)	(112.2)
– final payable	(171.0)	(136.4)	(173.5)	(136.4)
Retained profits at the end of the year	228.9	244.3	493.9	202.0

Notes to the financial statements

	FGL		Consolidated	
	2001	2000	2001	2000
	\$m	\$m	\$m	\$m
Note 23 Outside equity interests in controlled entities				
share capital			15.8	16.4
reserves			13.8	10.4
retained profits			10.0	1.5
			39.6	28.3

	FGL		Consolidated	
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000

Note 24 Remuneration of Directors and executives

Directors

Aggregate of income received, or due and receivable, by Directors (including former Directors) of FGL from any controlled entity (including contributions to superannuation funds and amounts paid for redundancy and retirement benefits). This amount includes fees of \$746,266 (2000 \$630,036) received by non-executive Directors of FGL.

3,659	2,907
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Number of Directors of FGL whose total income was within the following bands:

\$		
40,001 – 50,000	–	1
70,001 – 80,000	–	1
80,001 – 90,000	–	1
90,001 – 100,000	1	1
100,001 – 110,000	1	–
110,001 – 120,000	1	–
120,001 – 130,000	–	1
130,001 – 140,000	1	–
200,001 – 210,000	–	1
290,001 – 300,000	1	–
2,270,001 – 2,280,000	–	1
2,910,001 – 2,920,000	1	–
	6	7

Aggregate of income received, or due and receivable, by Directors of all controlled entities (including contributions to superannuation funds and amounts paid for redundancy and retirement benefits). This amount represents the total income of 129 (2000 127) controlled entity Directors, including overseas residents, and consists predominantly of fixed salaries.

35,527	28,608
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Notes to the financial statements

	FGL		Consolidated	
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000

Note 24 Remuneration of Directors and executives (continued)

Executives – domiciled in Australia

Aggregate of income received, or due and receivable, from any controlled entity by executive officers of FGL whose income is more than \$100,000 (including contributions to superannuation funds and amounts paid for redundancy and retirement benefits).

17,472 15,350

Aggregate of income received, or due and receivable, from any controlled entity by executive officers of controlled entities whose income is more than \$100,000 (including contributions to superannuation funds and amounts paid for redundancy and retirement benefits).

30,906 25,583

Numbers of executive officers whose total income was more than \$100,000 are shown within the following bands:

	FGL		Consolidated	
\$	2001	2000	2001	2000
100,001 – 110,000	–	–	1	–
110,001 – 120,000	–	1	2	3
120,001 – 130,000	–	–	–	1
130,001 – 140,000	–	–	1	1
140,001 – 150,000	–	3	–	4
150,001 – 160,000	1	–	3	1
160,001 – 170,000	–	–	1	–
170,001 – 180,000	–	–	2	–
180,001 – 190,000	–	1	–	2
190,001 – 200,000	–	1	–	1
200,001 – 210,000	–	–	1	–
210,001 – 220,000	–	–	1	–
230,001 – 240,000	–	–	2	2
240,001 – 250,000	–	1	–	1
250,001 – 260,000	1	1	2	1
260,001 – 270,000	–	1	–	3
270,001 – 280,000	–	2	1	2
280,001 – 290,000	1	–	1	1
290,001 – 300,000	2	–	3	–
300,001 – 310,000	1	–	1	–
310,001 – 320,000	–	–	1	–
320,001 – 330,000	1	1	1	2
330,001 – 340,000	–	–	–	1
340,001 – 350,000	–	–	2	–
350,001 – 360,000	–	1	2	3
360,001 – 370,000	1	1	1	2
370,001 – 380,000	–	–	1	1
380,001 – 390,000	1	–	2	1
390,001 – 400,000	1	–	3	2
400,001 – 410,000	1	–	1	1
420,001 – 430,000	–	1	–	2

Notes to the financial statements

	FGL		Consolidated	
	2001	2000	2001	2000
Note 24 Remuneration of Directors and executives (continued)				
Numbers of executive officers whose total income was more than \$100,000 are shown within the following bands (continued):				
\$				
430,001 – 440,000	–	–	–	2
440,001 – 450,000	–	–	2	2
460,001 – 470,000	–	–	1	2
470,001 – 480,000	2	–	2	–
490,001 – 500,000	–	1	–	1
520,001 – 530,000	1	–	1	1
550,001 – 560,000	1	–	2	–
560,001 – 570,000	–	–	1	–
580,001 – 590,000	–	–	1	–
590,001 – 600,000	–	1	1	1
660,001 – 670,000	–	–	–	1
670,001 – 680,000	1	–	1	–
790,001 – 800,000	–	1	–	1
820,001 – 830,000	–	1	–	1
830,001 – 840,000	–	1	–	1
840,001 – 850,000	–	–	1	–
940,001 – 950,000	1	–	1	–
1,030,001 – 1,040,000	1	–	1	–
1,040,001 – 1,050,000	–	1	–	1
1,100,001 – 1,110,000	–	1	–	1
1,120,001 – 1,130,000	1	–	1	–
1,180,001 – 1,190,000	1	–	1	–
1,190,001 – 1,200,000	–	–	1	–
1,250,001 – 1,260,000	–	1	–	1
1,310,001 – 1,320,000	1	–	1	–
1,370,001 – 1,380,000	1	–	1	–
1,400,001 – 1,410,000	1	–	1	–
1,450,001 – 1,460,000	–	–	1	–
2,270,001 – 2,280,000	–	1	–	1
2,410,001 – 2,420,000	–	1	–	1
2,910,001 – 2,920,000	1	–	1	–
	24	25	59	56

The executives referred to are the president, executive vice presidents and senior vice presidents and those directly accountable and responsible to these positions for the strategic direction and operational management of the Group and are domiciled in Australia.

As a consequence of the introduction of the Long Term Incentive Plan (LTIP) in 1999, remuneration figures above include values attributable to executives' participation in the plan based on a weighted average of share entitlements assuming a uniform distribution of FGL's ultimate ranking in a peer group of companies, which will determine the extent of the executives' eventual participation.

Notes to the financial statements

	FGL		Consolidated	
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000
Note 25 Remuneration of auditors				
Amounts received, or due and receivable, by the auditors for auditing and reviewing the financial statements				
– auditors of FGL	544	575	1,966	1,640
– associated firms of FGL auditors			1,034	577
– other firms			15	15
Amounts received, or due and receivable, by the auditors for internal audit services				
– auditors of FGL	1,099	1,020	1,932	1,020
Amounts received, or due and receivable, by the auditors for other services				
– auditors of FGL	3,023	3,598	3,655	3,725
– associated firms of FGL auditors	385	513	1,634	1,740
Totals				
– auditors of FGL	4,666	5,193	7,553	6,385
– associated firms of FGL auditors	385	513	2,668	2,317
– other firms			15	15
	5,051	5,706	10,236	8,717

	FGL		Consolidated	
	2001	2000	2001	2000
	\$m	\$m	\$m	\$m

Note 26 Commitments

Leases

Non cancellable operating leases

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable

– under 1 year	0.6	0.7	85.7	36.6
– between 1 year and 5 years	0.9	1.2	253.0	77.4
– over 5 years			263.5	42.8
Total commitments	1.5	1.9	602.2	156.8

Capital expenditure and other commitments

The following expenditure has been contracted but not provided for in the financial statements

Capital expenditure

– under 1 year			21.0	36.3
– between 1 year and 2 years			–	4.8
			21.0	41.1

Other commitments

– under 1 year			15.3	36.9
– between 1 year and 2 years			6.7	–
– between 2 years and 5 years			12.3	6.2
			34.3	43.1

Notes to the financial statements

	FGL		Consolidated	
	2001	2000	2001	2000
	\$m	\$m	\$m	\$m
Note 27 Contingent liabilities				
Arising in respect of individual controlled entities:				
amounts uncalled on shares in controlled entities	698.1	698.1		
Arising in respect of related bodies corporate:				
guarantees				
– banks and other financiers	3,752.0	1,902.8		
– other persons			3.8	1.0
Arising in respect of other persons:				
guarantees				
– banks and other financiers			39.9	31.6
– other persons			20.6	2.4
Retirement benefits payable on termination in certain circumstances, under service agreements with executive Directors and other persons who take part in the management of the Company	24.9	13.1	24.9	13.1

The liquidator of the Emanuel Group of companies has commenced legal action against several companies in the Group, including FGL. The claims allege wrongdoing in relation to certain financing and related transactions between Emanuel and the Group. The Group has been advised that the claims should fail. FGL and the other controlled entities that are party to the action have denied liability for the claim and are vigorously defending the proceedings.

Various entities in the Group are party to other legal actions which have arisen in the ordinary course of business. These actions are being defended and the Directors believe no material losses will arise.

Note 28 Superannuation commitments

The Group has established a number of retirement funds which provide either defined or accumulation type benefits for employees within the Group, worldwide.

The benefits under the funds are provided from contributions by employee members and entities in the Group and income from fund assets invested. The members' contributions are at varying rates while contributions from controlled entities, in respect of defined benefit funds, are made at levels necessary to ensure that these funds are maintained with sufficient assets to meet their liabilities and, in respect of accumulation funds, are at fixed rates. The rate of contributions by controlled entities, for defined benefit funds, is determined by actuarial valuations, which are carried out at regular intervals not exceeding three years.

Controlled entities are obliged to contribute to these funds as set out in the relevant Trust Deeds or in accordance with industrial agreements or legislation, subject to their right to reduce, suspend or terminate contributions as specified in the relevant Trust Deeds.

Based on the latest actuarial valuations, the assets of all funds are materially sufficient to satisfy all benefits that would have vested in the event of their termination or in the event of the voluntary or compulsory termination of employment of each employee. The assets of the funds are not included in these financial statements.

The major fund, being the only one with assets in excess of \$20 million, is:

Fund	Benefit type	Basis of contribution	Date of last actuarial valuation	Actuary
Foster's Group Superannuation Fund	Defined benefit lump sum	Balance of cost	June 1999	R S Mitchell FIA, FIAA, ASA

Notes to the financial statements

Note 28 Superannuation commitments (continued)

The latest actuarial valuation at 1 July 1999 identified the value of the Foster's Group Superannuation Fund assets to be \$286.0 million. Fully vested benefits at this date were \$220.3 million (fund assets in excess by \$65.7 million).

Accrued benefits at this date were \$218.7 million (fund assets in excess by \$67.3 million). Other funds have been consolidated into the Foster's Group Superannuation Fund since this date.

Effective 1 July 2001, the Austotel Fund members will join the Foster's Group Superannuation Fund and from 1 August 2001, the Continental Spirits fund members will join the fund. Combined assets for these two funds will be approximately \$10.0 million.

The Group sponsors two defined benefit superannuation plans. The estimated defined benefit fund assets at net market value of the only material fund and the aggregate of all defined benefit funds are:

	Consolidated	
	2001	2000
	\$m	\$m
Foster's Group Superannuation Fund		
– Fund assets ¹	347.9	286.0
– Vested benefits ¹	(274.7)	(220.3)
Employer contributions to the fund	0.8	0.6
Employer contributions payable to the fund	–	–
Aggregate totals		
– Assets of the funds	349.5	287.6
– Vested benefits of the funds	(276.2)	(221.8)
Employer contributions to the funds	0.8	0.6
Employer contributions payable to the funds	–	–

¹ Fund assets and vested benefits at 30 June 2001 are based on the latest audited financial statements at 30 June 2000.

The Group is not aware of any material adverse movements in the financial position of the funds since the last audited financial statements.

Vested benefits are member entitlements which are not conditional upon the continued membership of the funds and are payable on resignation from the funds.

	FGL		Consolidated	
	2001	2000	2001	2000
	\$m	\$m	\$m	\$m

Note 29 Notes to the statements of cash flows

Reconciliation of cash

For the purpose of the statement of cash flows, cash includes cash at bank, on hand, in transit and on short term deposit, and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:

cash at bank, on hand and in transit (note 9)	4.9	0.1	181.0	96.7
cash on deposit (note 9)			361.7	411.8
bank overdrafts (note 19)			(8.2)	(3.7)
	4.9	0.1	534.5	504.8

Notes to the financial statements

	FGL		Consolidated	
	2001	2000	2001	2000
	\$m	\$m	\$m	\$m
Note 29 Notes to the statements of cash flows (continued)				
Reconciliation of net cash flows from operating activities to operating profit after income tax				
operating profit after income tax	303.2	236.1	469.3	431.2
depreciation and amortisation	1.8	2.5	174.8	108.9
contributions from partnerships			(39.1)	1.9
(profit)/loss on disposal of non-current assets	–	(0.1)	(7.3)	(11.9)
valuation increment on grapes			(71.6)	(32.7)
provisions	–	1.1	68.1	14.5
borrowing costs			(16.9)	(3.0)
movement in unrealised foreign exchange			(13.1)	(4.5)
change in working capital, net of effects from acquisition/disposal of controlled entities				
– receivables	(120.5)	(105.3)	(61.9)	13.8
– inventories			(53.8)	74.8
– other assets	0.1	1.4	(82.7)	(37.8)
– accounts payable	6.6	4.8	(28.0)	(19.7)
– provisions	5.6	(5.3)	(55.2)	(57.9)
other			0.6	(0.8)
net cash flows on behalf of controlled entities	(256.9)	(200.0)		
net cash flows from operating activities	(60.1)	(64.8)	283.2	476.8
Entities acquired				
Consideration paid and accrued				
– cash			2,459.3	230.4
– shares previously held, net of provisions			(5.2)	–
– accrued			1.5	16.9
			2,455.6	247.3
Net assets acquired				
– cash			45.0	1.2
– cash equivalents			93.5	–
– receivables			195.3	31.1
– inventories			740.8	40.6
– property, plant and equipment			923.4	77.7
– agricultural assets			207.6	–
– intangibles			843.9	51.2
– deferred tax assets			77.0	–
– accounts payable			(269.4)	(35.0)
– borrowings			(739.3)	(12.7)
– provisions			(135.7)	(10.4)
– other			28.2	3.6
			2,010.3	147.3
outside equity interests acquired			(11.7)	10.0
goodwill acquired			441.1	72.3
accrued consideration from prior periods now paid			15.9	17.7
			2,455.6	247.3
cash consideration (net of debt acquired)			2,459.3	230.4
less: net cash balances and cash equivalents acquired			(138.5)	(1.2)
			2,320.8	229.2

Notes to the financial statements

	FGL		Consolidated	
	2001	2000	2001	2000
	\$m	\$m	\$m	\$m

Note 29 Notes to the statements of cash flows (continued)

Net assets of entities acquired reconciles to the cash flow statement as follows:

Payments to acquire controlled entities (net of cash balances acquired)			(2,315.9)	(205.1)
Payments to acquire outside equity interest in controlled entities			(4.9)	(24.1)
			(2,320.8)	(229.2)

The Group acquired a 100% interest in Beringer Wine Estates Holdings, Inc. a leading wine producer in California, USA, effective 3 October 2000 for \$2.2 billion (US\$1.2 billion), excluding debt acquired. The purchase price was a cash offer of US\$55.75 per share plus acquisition costs of \$65 million. As part of the acquisition accounts, the Group has made a restructuring provision of \$11 million for the global restructure of the Group's Australian, USA, European and Asian wine businesses, covering termination of distribution agreements and employee redundancies.

	Consolidated	
	2001	2000
	\$m	\$m

Note 30 Standby arrangements and unused credit facilities

Committed arrangements/facilities available to the Group:

arrangements to provide standby funds and/or support facilities	2,265.1	1,434.2
amounts utilised	675.7	571.4
amount of credit unused	1,589.4	862.8

Details of major arrangements are as follows:

Bank loans

Total facilities are \$2,265.1 million (2000 \$1,427.5 million) of which \$1,589.4 million was unutilised (2000 \$862.8 million). Facilities totalling \$1,618.3 million have maturity dates beyond June 2004. These facilities are reviewable annually for further extension by mutual agreement.

Note 31 Financial instruments

Treasury, which has responsibility for the management of derivative financial instruments, conducts the Group's treasury activities in accordance with the policies of the Group's Treasury Charter, which has been approved by Foster's Group Limited Board of Directors. The Treasury Charter sets out the policies with respect to the internal controls (including segregation of duties), organisational relationships, functions, delegated authority levels, management of foreign currency, interest rate exposures and commodity price exposures and counterparty credit limits and requires regular reporting to the Board of Directors of exposure to derivative financial instruments.

In particular, the Treasury Charter sets parameters for the:

- mix of fixed/floating interest rates
- level of the Group's exposure to any one foreign currency and the aggregate level of the Group's exposure to foreign currency risk
- utilisation of derivative financial instruments to hedge the Group's foreign currency, interest rate and commodity prices exposures.

The Group enters into interest rate and cross currency swaps, deferred start interest rate and cross currency swaps, forward rate agreements and interest rate options to mitigate the Group's risk against interest rate movements.

With interest rate and cross currency swaps, the Group agrees with other parties to exchange interest obligations from one currency to another currency or from floating rate to fixed rate or fixed rate to floating rate, as the case may be, calculated by reference to an agreed notional principal amount.

Forward rate agreements are used to enable the Group to fix the interest rates for short term future periods. Interest rate options are used to limit the Group's exposure to adverse movements in floating interest rates.

Floating interest rate exposures relate mainly to the Group's borrowings under its Australian dollar commercial paper programme and banking facilities which are drawn down on a short term basis and repriced as they are rolled over. They also relate to the Euro 300 million five year bond due 17 March 2005 which was issued under a Euro 500 million medium term note programme established on 22 February 2000.

Notes to the financial statements

Note 31 Financial instruments (continued)

Interest rate risk

2001	Notes	Floating interest rate \$m	Fixed interest rate maturing in:			Non interest bearing \$m	Total \$m
			1 year or less \$m	1 to 5 years \$m	over 5 years \$m		
Financial assets							
Cash and deposits	9	542.7					542.7
Receivables ¹	10					573.4	573.4
Other financial assets	13					4.7	4.7
Total financial assets		542.7	-	-	-	578.1	1,120.8
Weighted average interest rate		4.5%					
Financial liabilities							
Payables	18					(735.1)	(735.1)
Bank overdrafts	19	(8.2)					(8.2)
Bank loans ²	19	(477.4)		(196.7)			(674.1)
Other loans	19	(296.6)		(1,522.1)	(1,578.3) ³	(1.6)	(3,398.6)
Total financial liabilities		(782.2)		(1,718.8)	(1,578.3)	(736.7)	(4,816.0)
Net hedging activity ⁴		(1,967.1)	(100.0)	488.8	1,578.3		-
Total financial liabilities including hedging activities		(2,749.3)	(100.0)	(1,230.0)	-	(736.7)	(4,816.0)
Weighted average interest rate		5.6%	6.5%	6.0%	-		
Net hedging activity⁴							
Net movement on revaluation of USD bonds				(123.3)			(123.3)
Net movement on revaluation of EUR MTN				(10.9)			(10.9)
Interest rate swaps		(1,978.0)	(100.0)	623.0	1,578.3		123.3
Cross currency swaps		10.9					10.9
Net hedging activity		(1,967.1)	(100.0)	488.8	1,578.3	-	-

¹ Excludes employee share plan loans.

² Mainly comprising bank loans denominated in US dollars.

³ Represents US dollar borrowings of US\$800 million at year end spot rate.

⁴ Net hedging activity represents the net impact on the Group's interest rate exposures from the utilisation of derivative financial instruments to hedge the Group's interest rate exposures, ie. interest rate and cross currency swaps, interest rate options and forward rate agreements.

Notes to the financial statements

Note 31 Financial instruments (continued)

Interest rate risk (continued)

2000	Notes	Floating interest rate \$m	Fixed interest rate maturing in:			Non interest bearing \$m	Total \$m
			1 year or less \$m	1 to 5 years \$m	over 5 years \$m		
Financial assets							
Cash and deposits	9	508.5					508.5
Receivables ¹	10		1.0	0.5		341.4	342.9
Other financial assets	13					34.5	34.5
Total financial assets		508.5	1.0	0.5	–	375.9	885.9
Weighted average interest rate		5.7%	10.0%	5.8%			
Financial liabilities							
Payables	18					(518.4)	(518.4)
Bank overdrafts	19	(3.7)					(3.7)
Bank loans ²	19	(69.8)					(69.8)
Other loans	19	(850.2)			(835.0) ³		(1,685.2)
Total financial liabilities		(923.7)	–	–	(835.0)	(518.4)	(2,277.1)
Net hedging activity ⁴		(188.7)			188.7		–
Total financial liabilities including hedging activities		(1,112.4)	–	–	(646.3)	(518.4)	(2,277.1)
Weighted average interest rate		6.5%	–	–	8.1%		
Net hedging activity⁴							
Net movement on revaluation of USD bonds		(187.5)					(187.5)
Net movement on revaluation of EUR MTN		(7.0)					(7.0)
Interest rate swaps					62.7		62.7
Cross currency swaps		(369.2)			501.0		131.8
Interest rate options		375.0			(375.0) ⁵		–
Net hedging activity		(188.7)	–	–	188.7	–	–

¹ Excludes employee share plan loans.

² Mainly comprising bank loans denominated in US dollars.

³ Represents US dollar borrowings of US\$500 million at year end spot rate.

⁴ Net hedging activity represents the net impact on the Group's interest rate exposures from the utilisation of derivative financial instruments to hedge the Group's interest rate exposures, ie. interest rate and cross currency swaps, interest rate options and forward rate agreements.

⁵ The maturity of the interest rate options is one year or less, however there is an intention to continue to roll over this cover to hedge the Euro borrowings until maturity.

Foreign exchange risk

Consistent with the risk averse approach to management of the Group's foreign currency denominated assets and liabilities, foreign exchange exposures are managed by Treasury, to minimise risk and the cost of risk management. Group policy is to fund foreign currency assets, where practicable, in the respective currencies in which such assets are denominated.

Forward foreign exchange contracts, foreign currency swaps (including deferred start swaps) and foreign currency options are entered into to hedge the Group's net assets and transactions denominated in foreign currencies. The Group's net assets and foreign currency transactions are primarily denominated in Australian dollars, United States dollars, Euros, Canadian dollars and New Zealand dollars.

The market value of foreign exchange contracts used to hedge the Group's net assets denominated in foreign currencies at reporting date was \$96.1 million (2000 \$285.8 million). The market value of the foreign exchange contracts used to hedge the Group's foreign currency transactional exposure was \$441.8 million (2000 \$98.8 million).

Notes to the financial statements

	Face Value of Contracts		Average Exchange Rate	
	2001	2000	2001	2000
	\$m	\$m		
Note 31 Financial instruments (continued)				
Foreign exchange risk (continued)				
For contracts hedging anticipated sales and purchases denominated in foreign currencies, any unrealised gains and losses on the contracts, together with the costs of the contracts, are recognised in the financial statements at the time the underlying transaction occurs. The net unrecognised loss on hedges of anticipated sales and purchases denominated in foreign currencies at reporting date was \$59.4 million (2000 \$0.6 million loss).				
At reporting date, the details of outstanding forward foreign exchange contracts are (Australian dollar equivalents):				
Buy CAD Sell AUD 0 – 6 months	–	4.8	–	0.8838
Buy CAD Sell USD 0 – 6 months	3.4	–	1.5251	–
Sell CAD Buy AUD 0 – 6 months	(81.4)	(11.6)	0.7990	0.9465
Sell CAD Buy AUD 6 – 12 months	(13.3)	(10.7)	0.9054	0.9307
Sell CAD Buy AUD greater than 12 months	(12.1)	(26.1)	0.8295	0.9204
Sell CAD Buy USD 0 – 6 months	(0.3)	(2.8)	1.5221	1.4675
Net CAD position – Sell CAD	(103.7)	(46.4)		
Buy EUR Sell AUD 0 – 6 months	18.1	25.1	0.5547	0.6339
Buy EUR Sell AUD 6 – 12 months	5.5	15.1	0.5470	0.6386
Sell EUR Buy AUD 0 – 6 months	(2.3)	(40.5)	0.6030	0.6257
Buy EUR Sell USD 0 – 6 months	17.8	8.2	0.8630	0.9628
Buy EUR Sell USD 6 – 12 months	–	0.4	–	0.9870
Buy EUR Sell NZD 0 – 6 months	2.6	–	0.4805	–
Buy EUR Sell NZD 6 – 12 months	–	1.7	–	0.4983
Sell EUR Buy USD 0 – 6 months	(28.4)	–	0.8757	–
Sell EUR Buy USD 6 – 12 months	(16.5)	–	0.8565	–
Sell EUR Buy GBP 6 – 12 months	–	(19.3)	–	0.6362
Net EUR position – Sell EUR	(3.2)	(9.3)		
Buy GBP Sell AUD 0 – 6 months	2.6	16.8	0.3800	0.3828
Buy GBP Sell AUD greater than 12 months	5.3	–	0.3762	–
Buy GBP Sell USD 0 – 6 months	16.1	–	1.3981	–
Sell GBP Buy AUD 0 – 6 months	(29.8)	(38.8)	0.3853	0.3947
Sell GBP Buy AUD 6 – 12 months	(10.3)	(16.5)	0.3902	0.3948
Sell GBP Buy AUD greater than 12 months	(17.0)	(24.0)	0.3708	0.3954
Sell GBP Buy USD 0 – 6 months	(27.1)	(2.9)	1.4285	1.4998
Sell GBP Buy USD 6 – 12 months	(22.0)	–	1.3915	–
Net GBP position – Sell GBP	(82.2)	(65.4)		

Notes to the financial statements

	Face Value of Contracts		Average Exchange Rate	
	2001	2000	2001	2000
	\$m	\$m		
Note 31 Financial instruments (continued)				
Buy NZD Sell AUD 0 – 6 months	1.1	0.4	1.2646	1.2888
Sell NZD Buy AUD 0 – 6 months	(3.8)	(30.8)	1.2801	1.2490
Sell NZD Buy AUD 6 – 12 months	(1.3)	(8.9)	1.2228	1.2526
Sell NZD Buy AUD greater than 12 months	–	(1.4)	–	1.2199
Buy NZD Sell USD 0 – 6 months	0.2	–	0.4160	0.4705
Sell NZD Buy USD 0 – 6 months	(16.0)	(0.2)	0.4013	–
Sell NZD Buy USD 6 – 12 months	(27.4)	–	0.4046	–
Net NZD position – Sell NZD	(47.2)	(40.9)		
Buy USD Sell AUD 0 – 6 months	1,657.4	42.8	0.5234	0.6150
Buy USD Sell AUD 6 – 12 months	190.6	0.8	0.5439	0.5750
Buy USD Sell AUD greater than 12 months	720.1	224.3	0.5234	0.6241
Sell USD Buy AUD 0 – 6 months	(1,709.9)	(81.4)	0.5323	0.6149
Sell USD Buy AUD 6 – 12 months	(337.9)	(28.3)	0.5298	0.6359
Sell USD Buy AUD greater than 12 months	(1,815.9)	(199.3)	0.5143	0.6172
Buy USD Sell JPY 0 – 6 months	0.7	–	120.8000	–
Buy USD Sell SGD 0 – 6 months	0.1	0.2	1.7950	1.7149
Sell USD Buy SGD 0 – 6 months	(0.1)	–	1.8105	–
Sell USD Buy CHF 0 – 6 months	–	(0.2)	–	1.6287
Net USD position – Sell USD	(1,294.9)	(41.1)		
Buy CHF Sell AUD 0 – 6 months	0.9	–	0.9277	–
Sell CHF Buy AUD 0 – 6 months	(0.9)	–	0.9270	–
Net CHF position – Net nil CHF	–	–		
Sell JPY Buy AUD 6 – 12 months	(1.0)	–	55.9800	–
Net JPY position – Sell JPY	(1.0)	–		
Buy other Foreign Currency Sell AUD	–	7.8		
Currency Options sold – Buy USD	–	4.8	–	0.5913

Notes to the financial statements

Note 31 Financial instruments (continued)

Commodity risk

The Group enters into commodity forward contracts to manage aluminium price risk. At reporting date, the Australian dollar values of outstanding commodity derivative financial instruments are:

	<u>\$m</u>			
Market value	32.2			
Unrealised gain	0.7			
	Face Value of Contracts		Average Strike Price	
	2001	2000	2001	2000
	<u>\$m</u>	<u>\$m</u>	<u>US\$ per metric tonne</u>	
Aluminium				
Forward contracts				
0 – 6 months	16.1	–	1,515	–
6 – 12 months	16.1	–	1,507	–

Credit Risk

Credit risk represents the loss which the Group could incur if counterparties failed to meet their obligations under their respective contracts or arrangements with the Group.

Credit risk for financial assets which have been recognised in the statement of financial position is generally the carrying amount, net of any provision for doubtful debts.

Credit risk on off-balance sheet contracts is minimised as the Group deals only with prime financial institutions in respect of, inter alia, the entering into of derivative financial instruments to manage its exposures to fluctuations in interest and exchange rates. The credit limit for each counterparty is approved annually by the Foster's Group Limited Board of Directors.

The maximum credit risk exposure on foreign currency hedge instruments is the net fair value of in-the-money instruments. At reporting date, this amount was \$142.0 million (2000 \$154.4 million). The Group is not materially exposed, in respect of derivative financial instruments, to any individual counterparty. In respect of financial assets, the Group is not materially exposed, to any individual overseas country.

The maximum credit risk exposure on interest rate hedge instruments at reporting date, which is limited to the net fair value of in-the-money hedge instruments at that date, was \$110.2 million (2000 \$34.3 million).

Net fair values

On-balance sheet financial instruments

The net fair values of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximate their carrying value. The net fair values of other monetary financial assets and financial liabilities are either based upon market prices where a market exists or has been determined by discounting the expected future cash flows by the current interest rate for financial assets and financial liabilities with similar risk profiles.

Listed equity investments have been valued by reference to market prices prevailing at reporting date. For unlisted equity investments, the net fair value is an assessment by the Directors based on the underlying net assets, future maintainable earnings and any special circumstances pertaining to a particular investment.

Notes to the financial statements

Note 31 Financial instruments (continued)

Net fair values (continued)

The carrying amount and net fair values of financial assets and financial liabilities at reporting date are:

	Carrying amount	Carrying amount	Net fair value	Net fair value
	2001	2000	2001	2000
	\$m	\$m	\$m	\$m
Financial assets				
Cash and deposits	542.7	508.5	542.7	508.5
Trade debtors	515.8	279.4	515.8	279.4
Other debtors	51.5	49.7	51.5	49.7
Loans to Directors and other persons	6.1	13.8	6.1	13.8
Quoted shares	–	34.0	1.3	13.6
Unquoted shares	4.7	0.5	4.7	0.5
Total financial assets	1,120.8	885.9	1,122.1	865.5
Financial liabilities				
Payables	735.1	518.4	735.1	518.4
Bank overdrafts	8.2	3.7	8.2	3.7
Bank loans	674.1	69.8	674.1	69.8
Other loans	3,398.6	1,685.2	3,398.6	1,685.2
Total financial liabilities	4,816.0	2,277.1	4,816.0	2,277.1

Unless otherwise stated, based on the facts and circumstances existing at reporting date and the nature of the Group's assets and liabilities including hedged positions, the Group has no reason to believe that any of the above assets could not be exchanged, or any of the above liabilities could not be settled in an arm's length transaction at an amount approximating its carrying amount.

Off-balance sheet derivative financial instruments

The valuation of off-balance sheet derivative financial instruments detailed below reflects the estimated amounts which the Group expects to pay or receive to terminate the contracts (net of transaction costs) or replace the contracts at their current market rates at reporting date. This is based on internal valuations using standard valuation techniques.

As the purpose of these derivative financial instruments is to hedge the Group's underlying assets and liabilities denominated in foreign currencies and risk to interest rate fluctuations, it is unlikely that, in the absence of abnormal circumstances, these contracts would be terminated prior to maturity.

The net fair value of off-balance sheet derivative financial instruments held at reporting date are:

	Net fair value	Net fair value
	2001	2000
	\$m	\$m
Interest rate hedging instruments		
– interest rate swaps	76.8	8.9
– cross currency swaps	7.7	138.3
– interest rate options	(2.6)	(5.2)
Foreign currency hedging instruments		
– foreign exchange contracts	(76.7)	0.5
– currency options	–	0.2
– commodity swaps	(0.7)	–

Notes to the financial statements

Note 31 Financial instruments (continued)

Net fair values (continued)

In 2000, the Group had in place a series of deferred start cross currency swaps to extend the foreign currency hedge cover on the US\$300 million borrowings which mature in 2016. However, deferred start interest rate swaps of A\$300 million were unwound resulting in a realised gain. This gain was deferred and amortised in the accounts over the original term of the swaps. The net effect of these transactions was A\$25 million hedged at an average AUD fixed rate of 7.3% out to the year 2011 and the remaining AUD equivalent (yet to be determined) of US\$300 million at floating AUD interest rates.

In 2001, the Group's hedging strategy with respect to the US\$300 million bond maturing in 2016 changed. Beringer Wine Estates was purchased in October 2000 which resulted in a new capital raising as part of the acquisition funding. To manage the currency exposure from this transaction, a series of cross currency swaps linked to the bond were not extended at maturity on 1 June 2001. The USD bond was left unhedged to the AUD and used as a natural hedge for part of the Beringer acquisition.

Accordingly the gain arising on the deferred cross currency swap, previously realised and deferred, has been brought to account in the current year.

Note 32 Related party disclosures

Directors

The following persons held the position of Director of Foster's Group Limited during the year:

ML Cattermole, GA Cohen (resigned 28/5/01), B Healey, ET Kunkel, GW McGregor and FJ Swan.

	FGL		Consolidated	
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000

Director-related transactions

In accordance with the terms of the FGL Employee Share and Option Plan, the Company issued fully paid shares and provided financial assistance for the purpose of the acquisition of shares to employees, some of whom are Directors of Group Companies.

Aggregate of loans made to Directors during the year:

– share plan loans	291	416	291	416
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Aggregate of repayments received from

Directors during the year:

– share plan loans	50	74	50	74
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Share Plan loans were made to and/or repayments (including by way of offset of dividend entitlements) received from the following executive Directors of Group companies. (There were no allocations to non executive Directors under the FGL Employee Share and Option Plan nor were there loans to such Directors.)

G.Bett, P.A.Bobeff, A.W.Bonner, R.P. Bowen, J.F.Bresnan, M.P.Brooks, L.J.Bullock, V.T.Cain, B.H.Cracknell, N.A.D'Aquino, T.J.Davis, M.R.De Garis, R.K.Dudfield, B.D.Elliott, T.Ellis, A.S.Hall, P.J.Jamieson, T.P.Kanji, P.R.Kennedy, H.L.King, J.I.King, E.T.Kunkel, J.L.Latchford, C.R.McPherson, M.Miles, S.Murray, C.J.O'Dwyer, J.F.O'Grady, T.L.O'Hoy, R.E.Olsen, D.E.Panaccio, J.Parkinson, V.J.Patrick, P.J.Perrin, K.Railton-Woodcock, G.D.Rankin, P.Reaske, R.W. Scully, I.J.Shannon, J.Shortt, R.J.Smith, A.Stockman, P.J.Turner.

Notes to the financial statements

Note 32 Related party disclosures (continued)

Director-related transactions (continued)

During the year, 13 employees (2000 21 employees) who had employee share plan loans resigned as Directors of Group companies. The loans to these Directors of \$186,000 (2000 \$328,000) were reclassified to employee share plan loans.

During the year, in accordance with a waiver granted by the Australian Stock Exchange, Mr ET Kunkel purchased 2,000 (2000 2,000) ordinary shares pursuant to the terms and conditions of the FGL Employee Share and Option Plan and received a loan for the purchase of the shares on the same terms and conditions available to all other employees of the Company (refer note 21).

	FGL		Consolidated	
	2001	2000	2001	2000
Aggregate number of ordinary shares in the parent entity held by Directors of FGL and their Director-related entities at year end	377,134	330,489		
Aggregate number of options over unissued ordinary shares in the parent entity held by executive Directors of FGL and their Director-related entities at year end	1,250,000	1,950,000		
Aggregate number of J B Were Capital Markets Limited Exchangeable Unsecured Notes of \$3.00 each held by Directors of FGL Limited and their Director-related entities at year end	20,000	50,000		
Other than transactions arising from the Employee Share and Option Plan, the above transactions were conducted on terms and conditions no more favourable than those offered to other shareholders of FGL.				
Amounts receivable and payable	\$000	\$000	\$000	\$000
Amounts receivable at reporting date from Directors				
– current – share plan loans	49	41	49	41
– non-current – share plan loans	925	795	1,120	795

Other than Employee Share Plan Loans, which are interest free, all the abovementioned loans to Directors were made to Group employees who are Directors of controlled entities and have been made on a commercial basis with the interest rates applicable being determined by reference to market rates.

Other transactions of executive Directors of controlled entities and their Director-related entities

Mrs. M.L. Cattermole is managing director of Aspect Computing Pty. Ltd. The Group has paid \$325,220 to Aspect Computing Pty. Ltd. during the year for computer systems consulting fees.

Bryt Pty. Ltd., a director related entity of Mr. T. Davis, was paid \$813,049 during the year as a result of a profit share buy-back agreement relating to the 1997 purchase of Cellarmaster Wines by the Group.

Mr. Walter T. Klentz participates as a limited partner in a general partnership that owns warehouse space leased to Beringer Blass Wine Estates on a 15 year lease. During the year, lease payments of US\$948,000 were made to the general partnership.

Paracor Company Inc., a Director-related entity of Mr. J Lynch and Mr. VA Ravindran, was paid fees totalling US\$250,000 for provision of management and consulting services to Group companies in the United States of America and US\$250,000 for Foster's India consulting services.

The above transactions were made on commercial terms and conditions and at market rates.

In addition, Paracor Company Inc. manages and controls Raly Investors Partners, L.P. An option agreement exists between Raly Investors Partners, L.P. and the Group. The agreement will result in a change to the Group's effective ownership interest in Foster's India Limited from 74% to 64% when the option is exercised. The option can only be exercised after June 2003.

In addition, FGL and the Group entered into the following transactions which are insignificant in amount, with Directors and their Director-related entities within normal employee, customer or supplier relationships on terms and conditions no more favourable than those available in similar arm's length dealings: payments of salaries and benefits and purchase of Group products. This includes the supply of grapes to Beringer Blass by related entities of certain Directors.

Ownership interests in related parties

All material ownership interests in related parties are disclosed in note 12 and 13 to the financial statements.

Transactions with entities in the wholly-owned Group

FGL advanced and repaid loans and provided management, accounting and administrative assistance to other entities in the wholly-owned Group during the year. With the exception of some interest free loans provided by FGL and transfer of the benefit of income tax losses for no consideration between controlled companies, these transactions were on commercial terms and conditions.

Notes to the financial statements

Note 33 Controlled entities

The Group has a 100% ownership interest in the ordinary share capital of the following entities for the current and the prior year except where noted:

	Country of incorporation		Country of incorporation
Accenta Paul GmbH Beratung Fur Werbung Und Direktvertriebs	Germany	Balfours Imports Inc. ¹	USA
Airport Trinity Inc.	USA	Beringer Blass Wine Estates Company ¹	USA
Alagon Pty. Ltd. ²	Australia	(formerly Beringer Wine Estates Company)	
Alagon Unit Trust	Australia	Beringer Blass Wine Estates Holdings, Inc. ¹	USA
Aldershot Nominees Pty. Ltd.	Australia	(formerly Beringer Wine Estates Holdings, Inc.)	
ALH (Victoria) Pty. Ltd. ²	Australia	Beringer Blass Wine Estates Limited	New Zealand
ALH (WA) Pty. Ltd. ²	Australia	(formerly EFG Holdings NZ Limited)	
ALH Group (No.1) Pty. Ltd.	Australia	Beringer Blass Wine Estates Limited	UK
ALH Group Pty. Ltd.	Australia	(formerly Mildara Blass (Europe) Limited)	
Amayana Pty. Ltd.	Australia	Beringer Blass Wine Estates Limited	Australia
Amberton Wines Pty. Ltd. ²	Australia	(formerly Mildara Blass Limited)	
AML&F Holdings Limited	Australia	Beringer Blass Wine Estates Sales Company ¹	USA
Amwex Inc.	USA	(formerly Beringer Wine Estates Sales Company)	
Anglemaster Limited	UK	Beringer Italia SRL ¹	Italy
Archana Pty. Ltd. ²	Australia	Beringer Online Inc. ¹	USA
Arnade Pty. Limited ²	Australia	Beringer Wine Estates Foreign Sales Corporation ¹	USA
Ashwick (NT) No. 2 Pty. Ltd. ²	Australia	Bevcorp Pty. Ltd. ²	Australia
Ashwick (NT) No. 7 Pty. Ltd. ²	Australia	Bilyara Vineyards Pty. Ltd.	Australia
Ashwick (Qld.) No. 1 Pty. Ltd. ²	Australia	Bourse du Vin International B.V.	Netherlands
Ashwick (Qld.) No. 9 Pty. Ltd. ²	Australia	Bourse du Vin Limited	UK
Ashwick (Qld.) No. 12 Pty. Ltd. ²	Australia	Brewing Holdings Limited	Australia
Ashwick (Qld.) No. 15 Pty. Ltd. ²	Australia	Brewing Investments Limited	Australia
Ashwick (Qld.) No. 16 Pty. Ltd. ²	Australia	Brewman Group Limited	UK
Ashwick (Qld.) No. 17 Pty. Ltd. ²	Australia	Brewman TL Limited	UK
Ashwick (Qld.) No. 18 Pty. Ltd. ²	Australia	Brewtech Pty. Ltd. ²	Australia
Ashwick (Qld.) No. 29 Pty. Ltd. ²	Australia	Bright Star Investments Limited	Australia
Ashwick (Qld.) No. 35 Pty. Ltd. ²	Australia	Brokenback Pty. Ltd. ²	Australia
Ashwick (Qld.) No. 73 Pty. Ltd. ²	Australia	BVI Limited (formerly Brewman PBC Limited)	UK
Ashwick (Qld.) No. 74 Pty. Ltd. ²	Australia	C.F.L. Securities Pty. Ltd. ²	Australia
Ashwick (Qld.) No. 83 Pty. Ltd. ²	Australia	Camberwell Hotels Pty. Ltd. ²	Australia
Ashwick (Qld.) No. 95 Pty. Ltd. ²	Australia	Cardmember Wines Limited	New Zealand
Ashwick (Qld.) No. 96 Pty. Ltd. ²	Australia	Cardmember Wines Pty. Ltd. ²	Australia
Ashwick (Qld.) No. 127 Pty. Ltd. ²	Australia	Carlton and United Breweries (N.S.W.) Pty. Limited	Australia
Ashwick (Qld.) No. 129 Pty. Ltd. ²	Australia	Carlton and United Breweries (Queensland) Limited	Australia
Ashwick (Qld.) No. 167 Pty. Ltd. ²	Australia	Carlton and United Breweries (Stator) Pty. Ltd. ²	Australia
Ashwick (Vic.) No. 15 Pty. Ltd. ²	Australia	Carlton and United Breweries Limited	Australia
Ashwick (Vic.) No. 27 Pty. Ltd. ²	Australia	Carlton Brewery Hotels (N.R.) Pty. Limited ²	Australia
Ashwick (Vic.) No. 65 Pty. Ltd. ²	Australia	Carlton Brewery Hotels (Victoria) Pty. Ltd. ²	Australia
Ashwick (Vic.) No. 75 Pty. Ltd. ²	Australia	Carlton Brewery Hotels Pty. Ltd.	Australia
Ashwick (Vic.) No. 121 Pty. Ltd. ²	Australia	Carlton Finance Limited	Australia
Asmur Pty. Limited	Australia	Carter and Associates (2000) Limited	New Zealand
Austotel (Victoria Holdings) Pty. Ltd. ²	Australia	Cascade Brewery Company Pty. Ltd.	Australia
Australian Estates Ltd.	Australia	Catering Holdings Pty. Ltd. ²	Australia
Australian Hotel & Gaming (Management) Pty. Ltd.	Australia	Cellar Door GmbH	Germany
Australian Hotel & Gaming (Properties) Pty. Ltd. ²	Australia	Cellar Door Direct Limited	UK
Australian Hotel & Gaming Corporation Pty. Ltd. ²	Australia	Cellar Door Direct Pty. Limited ²	Australia
Australian Leisure and Hospitality Group Pty. Ltd.	Australia	Cellarmaster Nominees Pty. Limited ²	Australia
Australian, Mercantile, Land and Finance Company, Limited	Australia	Cellarmaster Wines Europe B.V.	Netherlands
Australian, Mercantile, London Limited	UK	Cellarmaster Wines Germany GmbH	Germany
Babble Pty. Ltd. ²	Australia	Cellarmaster Wines Holdings (U.K.) Limited	UK
Bacchus Gate Corp. ¹	USA	Cellarmaster Wines Limited	New Zealand

Notes to the financial statements

	Country of incorporation		Country of incorporation
Note 33 Controlled entities (continued)			
Cellarmaster Wines Pty. Limited	Australia	FBG Vietnam Holdings Pty. Ltd.	Australia
Cellarmasters GmbH ¹	Germany	Filehaze Pty. Ltd. ²	Australia
Classic Packaging Pty. Limited	Australia	Finnews Pty. Ltd. ²	Australia
Connoisseur Wine Imports Inc. ¹	USA	Foster's Brewing Group (U.S.A.) Limited	USA
Cork Processors Inc. ¹	USA	Foster's Brewing Group Canada Inc.	Canada
Craigburn Land Co. Pty. Ltd. ²	Australia	Foster's China Limited	Australia
Craigburn Property Pty. Ltd. ²	Australia	Foster's Danang Limited	Vietnam
Crintana Pty. Ltd. ²	Australia	Foster's Finance Corp. ¹ (formerly Foster's Securities Corp.)	USA
Crosswhite Investments Limited	Australia	Foster's International NZ Limited	New Zealand
CSB Pty. Ltd. ²	Australia	(formerly Carlton and United Breweries (New Zealand) Limited)	
Data Co-ordination Centre Inc. – The Wine Exchange	Australia	Foster's International (N.Z.) Pty. Limited	Australia
Demener Pty. Ltd. ²	Australia	(formerly Carlton and United Breweries (N.Z.) Pty. Ltd.)	
Dennys Strachan Mercantile Limited	Australia	Foster's Tien Giang Limited	Vietnam
Derel EMI Pty. Ltd. ²	Australia	Foster's Vietnam Limited	Vietnam
Derel ERF Limited	Australia	Galemaze Pty. Ltd. ²	Australia
Derel ESC Limited	Australia	Gapern Enterprises Pty. Ltd. ²	Australia
Derel Grain Pty. Ltd. ²	Australia	Ghalias (BBA) Limited	Australia
Derel IT Pty. Ltd. ²	Australia	Glenmore Park Sales Pty. Ltd. ²	Australia
Derel QGGA Pty. Ltd. ²	Australia	Gontai Pty. Ltd. ²	Australia
Dismin Investments Pty. Ltd.	Australia	Grand Cru Expertise 'De Belgische Wijnbeurs' N.V.	Belgium
Dorsey Center, Inc.	USA	Grand Cru Expertise 'De Nederlandse Wijnbeurs' B.V.	Netherlands
Dreamgame Limited	UK	H. Jones & Co. Pty. Ltd. ²	Australia
East Doncaster Hotels Pty. Ltd. ²	Australia	H. Maximilian Pallhuber GmbH & Co. KG	Germany
EFG Australia Limited	Australia	Herlstone Vineyards Pty. Ltd. ²	Australia
EFG Finance Leasing Limited	Australia	Hotel (FP) Pty. Ltd. ²	Australia
EFG Holdings (U.S.A.) Inc.	USA	Icaro Spa ¹	Italy
EFG Investments Limited	Australia	Imagemasters Pty. Ltd. ²	Australia
EFG Leasing Limited (in liquidation)	Australia	Island Cooler Pty. Ltd. ²	Australia
EFG Properties Inc.	USA	J.J. Goller & Co. Proprietary Limited ²	Australia
EFG Securities Limited	Australia	Jedberg Investments Pty. Ltd. ²	Australia
EFG Treasury Pty. Limited	Australia	Kawana Beach Pty. Ltd. ²	Australia
ELFIC Limited	Australia	(formerly Lensworth Sunshine Coast Pty. Ltd.)	
Elstone Developments Pty. Ltd. ²	Australia	Kawana Central Pty. Ltd. ² (formerly Ordimar Pty. Ltd.)	Australia
ESG (Enterprises) B.V.	Netherlands	Kawana Industrial Park Pty. Ltd. ²	Australia
ESG (Enterprises) N.V.	Neth. Ant.	(formerly Kranston Pty. Ltd.)	
Ewines Pty. Limited ^{1,2}	Australia	Kawana Island Pty. Ltd. ² (formerly Atata Pty. Limited)	Australia
FBG (U.K.) Limited	UK	Kawana Lakes Pty. Ltd. ² (formerly Beitz Pty. Ltd.)	Australia
FBG Brewery Holdings UK Limited	UK	Kawana Real Estate Pty. Limited	Australia
FBG Canada Limited	Canada	Kings Festival Corp., Inc.	USA
FBG Canadian Treasury Inc.	Canada	Krondorf Wines Pty. Ltd. ²	Australia
FBG Credits Limited	Australia	Lachlan Valley Unit Trust	Australia
FBG Equipment Finance Limited	Australia	Ledsen Pty. Ltd. ²	Australia
FBG Finance Limited	Australia	Lensworth Beachmere Pty. Ltd. ²	Australia
FBG Financial Services Limited	Australia	Lensworth Bells Creek Pty. Ltd. ²	Australia
FBG Holdings (U.K.) Limited	UK	Lensworth Bellvista Pty. Ltd. ²	Australia
FBG India Holdings Limited	Mauritius	Lensworth Buddina Pty. Ltd. ²	Australia
FBG India Holdings Pty. Ltd. ²	Australia	Lensworth Caboolture Waters Pty. Ltd. ²	Australia
FBG International Limited	UK	Lensworth Caloundra Downs Pty. Ltd. ²	Australia
FBG Investments Pty. Ltd.	Australia	Lensworth Cremorne Pty. Ltd. ²	Australia
FBG Treasury (Aust.) Limited	Australia	Lensworth Glenmore Park Limited	Australia
FBG Treasury (Europe) B.V.	Netherlands	Lensworth Group Limited	Australia
FBG Treasury (N.Z.) Limited	New Zealand	Lensworth Kawana Waters Pty. Ltd.	Australia
FBG Treasury (U.K.) plc	UK	Lensworth Lake Doonella Pty. Ltd.	Australia
FBG Treasury (U.S.A.) Inc.	USA	Lensworth North Lakes Development Pty. Ltd. ²	Australia

Notes to the financial statements

	Country of incorporation		Country of incorporation
Note 33 Controlled entities (continued)			
Lensworth North Lakes Marketing Pty. Ltd. ²	Australia	Rothbury Superannuation Pty. Ltd. ²	Australia
Lensworth North Lakes Pty. Ltd.	Australia	Rothbury Vineyards Pty. Ltd. ²	Australia
Lensworth North Lakes Sales Pty. Ltd. ²	Australia	Rothbury Wines Pty. Ltd. ²	Australia
Lensworth Services Pty. Ltd.	Australia	Rumar International Limited	Australia
Lensworth Wallarah Peninsula Pty. Ltd. ²	Australia	Sarl Les Crus Prevendus SADCS ¹	France
Liana Cottage Pty. Ltd. ²	Australia	Savirak Pty. Ltd. ²	Australia
Maglieri Wines Pty. Ltd. ²	Australia	Seeton Pty. Ltd. ²	Australia
Masthead Brewing Company Pty. Ltd. ² (formerly Gold Coast Brewery Pty. Ltd.)	Australia	Shanghai Foster's Brewery Limited ⁵	China
Matilda Bay Brewing Co. Ltd.	Australia	Sharden Lodge Pty. Ltd. ²	Australia
Matua Finance Limited	New Zealand	Silvester Brothers (AMH) Pty. Limited ²	Australia
MBL Packaging Pty. Ltd. ²	Australia	Silvester Brothers (AMHUK) Limited	UK
McCabe Mining Inc. ¹	USA	Silvester Brothers (TBPAC) Limited	New Zealand
McLaren Vale Bottling Company Pty. Ltd. ²	Australia	Silvester Brothers Pty. Limited ²	Australia
Mega Corporation Pty. Ltd. ²	Australia	Smoothsail Limited ¹	Hong Kong
Mega Management Pty. Ltd.	Australia	Somar Pty. Ltd. ²	Australia
Mega Properties Pty. Ltd. ²	Australia	Stamford Hotel Pty. Ltd. ²	Australia
Mega Properties No. 2 Pty. Ltd. ²	Australia	Sylfield Hotels Pty. Ltd. ²	Australia
Melbotel Pty. Ltd. ²	Australia	Telemasters Limited	New Zealand
Melbourne Brewery Company Pty. Ltd. ²	Australia	The Australian Pubco (NSW) Pty. Ltd. ²	Australia
Mildara Blass Holdings Inc.	USA	The Australian Wine Club Pty. Ltd. ²	Australia
Mildara Blass Inc.	USA	The Ballarat Brewing Company Limited	Australia
Mildara Blass Wines Inc.	USA	The Castlemaine Brewery Company Melbourne Pty. Ltd. ²	Australia
Mildara Holdings Pty. Limited ²	Australia	The Continental Spirits Company Pty. Ltd.	Australia
Moorabbin Junction Pty. Ltd. ²	Australia	The Continental Wines and Spirits Company (N.Z.) Limited	New Zealand
Navistar Group Limited	New Zealand	The Foster Brewing Company Pty. Ltd. ²	Australia
New Crest Investments Pty. Ltd. ²	Australia	The Redback Brewery (Hotel) Trust	Australia
Nexday Europe B.V.	Netherlands	The Redback Brewery (Property) Trust	Australia
Nexday Pty. Limited ²	Australia	The Redback Brewery Trust	Australia
North Napa Land Co ¹	USA	The Rothbury Estate Pty. Ltd. ²	Australia
Norwood Beach Pty. Ltd. ²	Australia	The Shamrock Brewing Company Pty. Ltd. ²	Australia
Nova Glen Pty. Ltd. ²	Australia	The Wine Exchange Limited	UK
N.T. Brewery Pty. Ltd. ²	Australia	The Wine Planet International Pty. Limited. ^{1,2}	Australia
Oakland Glen Pty. Ltd. ²	Australia	Tibisco Limited	UK
Oakley Park Pty. Ltd. ²	Australia	Tibisco Pensions Limited	UK
Olaroll Pty. Limited ²	Australia	Totalservice.com.au Pty. Ltd. ²	Australia
Palmgold International Limited	Hong Kong	TPP Corp., Inc.	USA
Paracor Finance Inc.	USA	Traclon (No. 2) Pty. Ltd. ²	Australia
Pekrove Pty. Ltd. ²	Australia	United Hotels Pty. Ltd. ²	Australia
Pica Finance Limited	UK	VICD – Produtos Em Cortica, LDA	Portugal
Pica Group Limited	Australia	Vicotel Pty. Ltd. ²	Australia
Pica Nominees Pty. Limited ²	Australia	Victoria Brewery Pty. Ltd. ²	Australia
Pitt, Son & Badgery Limited	Australia	Vinpac International Pty. Limited	Australia
Power Brewing Company Pty. Ltd. ²	Australia	Vinpac SADCS (formerly Sarl Les Crus Prevendus)	France
Premium Land, Inc. ¹	USA	Vintage Cellars Limited	UK
Primedan Pty. Ltd. ²	Australia	Vintage Estates of Australia Pty. Ltd. ²	Australia
Queensland Breweries (Sales) Pty. Ltd. ²	Australia	Vintners Imports Pty. Limited ²	Australia
Queensland Breweries Pty. Ltd.	Australia	Volz Pty. Ltd. ²	Australia
Queensland Brewery Pty. Ltd. ²	Australia	Voskane Pty. Ltd. ²	Australia
Rimpacific Shipping (U.K.) Ltd.	UK	Werribee Properties (RWDS) Proprietary Limited ²	Australia
Robertsons Well Pty. Ltd. ²	Australia	Werribee Properties (WIE) Pty. Ltd. ²	Australia
Robertsons Well Unit Trust	Australia	Westwools Energy Pty. Ltd. ²	Australia
Rothbury Denman Pty. Ltd. ²	Australia	Whitecross Investments Limited	Australia
Rothbury Sales Pty. Ltd.	Australia	Windemere Securities Limited	T & C Is.
		Wine Marketing Unit Trust	Australia

Notes to the financial statements

	Country of incorporation		Country of incorporation
Note 33 Controlled entities (continued)			
Wine Planet Asia Limited ¹	Cayman Is.	World Wine Gallery GmbH	Germany
Wine Planet Holdings Limited ¹	Australia	Yanaba Pty. Ltd. ²	Australia
Wine Planet Limited ¹	Australia	Yarra Valley Wine Co. Pty. Ltd. ²	Australia
Wine Planet Technology Pty. Limited. ^{1,2}	Australia	Yarra Valley Wine Holdings Pty. Ltd. ²	Australia
Wine Planet.Co.UK Limited ¹	UK	Zedoworth Pty. Limited ²	Australia
Wine Planet.com Limited ¹	UK	Zedozoa Pty. Limited ²	Australia
Wine Rollover Pty. Limited	Australia	151435 Canada Ltd.	Canada
Winemaker's Choice Limited	UK	A.C.N. 004 526 523 Pty. Ltd. ²	Australia
Wolf Blass Wines Pty. Ltd.	Australia	A.C.N. 006 327 313 Pty. Ltd. ²	Australia
Wood Hall (Aust.) Pty. Limited ^{2,3}	Australia	'St Maximilian' Wein-Export Gesellschaft m.b.H, Vienna	Austria
Wood Hall Trust Limited	UK		

The Foster's Group has a controlling interest in the ordinary share capital of the following entities that are not 100% owned:

	Country of incorporation	Group ownership percentage	
		2001	2000
Beringer Vineyard (Europe) SA ¹	Switzerland	97.0	–
Briar Ridge Manufacturing Pty. Ltd. ¹	Australia	50.0	–
Briar Ridge Vineyards Pty. Ltd. ¹	Australia	50.0	–
Carlton Brewery (Fiji) Limited	Fiji	63.1	63.1
Foster's India Limited ⁴	India	74.0	74.0
Friends of the Vine Limited ¹	New Zealand	51.0	–
Graymoor Estate Joint Venture	Australia	48.8	48.8
Graymoor Estate Pty. Ltd. ²	Australia	48.8	48.8
Graymoor Estate Unit Trust	Australia	48.8	48.8
Greg Norman Estates Joint Venture	Australia	70.0	70.0
Matua Valley Wines Limited ¹	New Zealand	51.0	–
River Valley Wines Limited ¹	New Zealand	51.0	–
Samoa Breweries (New Zealand) Ltd.	New Zealand	43.1	43.1
Samoa Breweries Ltd.	Samoa	43.1	43.1
Shanghai Foster's Brewery Limited ⁵	China	–	90.0
Shingle Peak Wines Limited ¹	New Zealand	51.0	–
Societe of Bouteillage of Beaujolais, Macon and Bourgogne ¹	France	51.0	–
South Pacific Distilleries Limited	Fiji	50.8	50.8
Strategic Equity Investment Pty. Ltd. ²	Australia	50.0	50.0
The Australian Wine Centre Limited	UK	50.0	45.0
Waikoukou Vineyards Limited ¹	New Zealand	51.0	–
Wine Buzz KK	Japan	50.0	–
Entities no longer controlled			
Bordeaux Acquisition Corporation ^{1,6}	Moreton Coal Pty. Limited ¹		
Brewman Eastern Limited	Overload Investments Pty. Ltd.		
Brewman JSTB Limited	Paterson Simons & Co. (Malaysia) Sendirian Berhad		
Brewman SW Limited	Pica Finance Holdings Limited		
Carlton and United Breweries (UK) Limited	Pica Real Estate Limited		
Davidson Prospecting Pty. Limited ¹	Quest Technologies, Inc.		
Indpro Consulting Pty. Limited ¹	Robertsons Well Joint Venture ⁷		
LBC Ontario Inc.	Rudkin Nominees Pty. Ltd. ¹		
LIC Industry Center Inc.	Sarl Grand Cru Expertise La Bourse du Vin		
Lancastrion Pty. Limited	Surat Coal N.L. ¹		
Manassas Apartments Inc.	18th Street Corp.		
Minerals Exploration Pty. Ltd. ¹			

Notes to the financial statements

Note 33 Controlled entities (continued)

- These entities/arrangements were acquired/incorporated during the current year.
- Entity not audited individually as it is a small proprietary company not required to prepare financial statements.
- Entity is relieved from the requirement to prepare audited financial statements by ASIC Class Order (98/1417).
- The Group owns 74% of Foster's India Limited, that being the maximum holding currently approved by the Indian Government. If subsequently the policies of the Indian Government change so as to allow the Group to own up to 100% of Foster's India Limited, the Group may exercise certain rights to acquire a further 24% holding for consideration to be agreed or determined by an independent person.
The Group has an option agreement with Raly Investors Partners, L.P. This agreement will result in a change to the Group's effective ownership interest in Foster's India Limited from 74% to 64% when the option is exercised. The option can only be exercised after June 2003. The current year financial results have been prepared using an effective Group ownership interest in Foster's India Limited of 64%.
- The remaining interest was purchased and this entity is now a controlled entity.
- This entity was merged with Beringer Blass Wine Estates Holdings, Inc. on 5 October 2000.
- This entity was merged with Robertsons Well Unit Trust when Beringer Blass Wine Estates Limited obtained 100% control.
Entities in which the Group's ownership interest is 50% or less are consolidated where the Group has the capacity to control the entities or has the capacity to enjoy the majority of the benefits and to be exposed to the majority of the risks of the entity.

Note 34 Investment in associates and joint venture partnerships

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity. The entities are primarily involved in, or have been involved in the production, marketing and distribution activities of the Group.

None of these entities generates a material operating result. The Group does not have any material investment in any associate entity.

Name of company	Ownership interest		Investment value	
	2001	2000	2001	2000
			\$m	\$m
Ashwick (Vic.) No. 57 Pty. Ltd.	–	50.0	–	–
Calcork (in liquidation)	50.0	–	–	–
Croydon Hotels Pty. Ltd.	50.0	50.0	–	–
Fiddlesticks LLC	50.0	–	2.0	–
Foster's Europe Pty. Ltd. ¹	66.7	66.7	–	–
Judd Road Vineyards Limited	50.0	–	–	–
North Coast Bottling Company	50.0	–	–	–
Oak Vale Vineyard Limited	50.0	–	–	–
Phoenix Inns Management Limited	50.0	50.0	–	–
Spring Inns Management Limited	50.0	50.0	–	–

Investments in joint venture partnerships are accounted for in the consolidated financial statements and the parent entity financial statements using the equity accounting method. The investment carrying value is disclosed at note 12. Information relating to the Group's share of joint venture partnerships is set out below:

The profit after tax from joint venture partnerships is not material to the Group's results (excluding the impact of the current year significant items).

	Ownership interest		Investment value		Profit after tax	
	2001	2000	2001	2000	2001	2000
	%	%	\$m	\$m	\$m	\$m
Foster's USA, LLC (formerly Molson USA, LLC)	49.9	24.95	75.7	37.5	41.6	7.2

- Foster's Europe Pty. Ltd. holds the investment in the Foster's European partnership. The Group's ownership interest in Foster's Europe Pty. Ltd. is greater than 50%, but due to the voting rights attached to the shares, the Group does not control this entity. Carlton and United Breweries Limited receives royalty income under an agreement with the Foster's European partnership.

Directors' declaration

The Directors declare that the financial statements and notes set out on pages 14 to 57:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2001 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

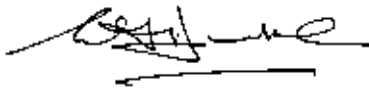
This declaration is made in accordance with a resolution of the Directors.

Dated at Melbourne this 28th day of August 2001

On behalf of the Board



Frank J. Swan
Chairman



E.T. (Ted) Kunkel
President
and Chief Executive Officer

Independent **audit report**

To the members of Foster's Group Limited

Scope

We have audited the financial report of Foster's Group Limited (the Company) for the financial year ended 30 June 2001 as set out on pages 14 to 58. The Company's Directors are responsible for the financial report which includes the financial statements of the Company and the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of, or during, the financial year. 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 as to whether the financial report is free of material misstatement. 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. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Corporations Act 2001 in Australia so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

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

Audit Opinion

In our opinion, the financial report of the Company is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2001 and of their performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.



PricewaterhouseCoopers
Chartered Accountants



Paul V. Brasher
Partner

Melbourne
28 August 2001

Details of shareholders, shareholdings and top 20 shareholders

Details of Shareholders and Shareholdings

Holding of Securities

Listed Securities 28 August 2001	No. of Holders	No. of Securities	% held by top 20%
Fully Paid Ordinary Shares	169,768	2,011,823,405	66.80

Unlisted Securities 28 August 2001	Issue Number	No. of Holders	No. of Shares
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Ordinary shares issued under the 1987 Foster's Employee Share plan and paid to 1.67 cents each

Issue price of \$5.83 per share	50	4	209,400
Issue price of \$7.38 per share	51	1	4,800
Issue price of \$7.97 per share	53	1	27,270
Issue price of \$9.40 per share	55	1	600,000
Issue price of \$8.30 per share	56	3	62,490
Issue price of \$7.70 per share	57	3	32,700
Issue price of \$7.63 per share	58	1	25,290
Issue price of \$7.33 per share	59	2	31,800
Issue price of \$5.00 per share	61	1	1,050
Issue price of \$4.92 per share	62	1	300
Issue price of \$4.42 per share	64	1	1,710
Issue price of \$4.32 per share	65	1	1,800
			998,610

FBG Incentive Pty Ltd holds 209,730 of the above shares as trustee for 247 participants in the 1987 Foster's Employee Share Plan.

Options – 28 August 2001

Options issued under the 1987 Foster's Employee Share Plan

Employee Options Exercisable At:	No. of Shares if options Exercisable
\$2.12 per share	1,250,000
\$2.36 per share	320,000
\$2.48 per share	420,000
\$2.73 per share	400,000
	2,390,000

The above options are held by FBG Incentive Pty Ltd as trustee for 4 participants in the 1987 Foster's Employee Share Plan.

Distribution of Holdings – 28 August 2001

Size of Holding	Number
1 – 1000	56,290
1001 – 5000	90,243
5001 – 10,000	14,955
10,001 – 100,000	7,896
100,001 and over	384
Total	169,768

Of these 4,143 ordinary shareholders held less than a marketable parcel of \$500 worth of shares (95 shares). In accordance with ASX Business Rules, the last sale price of the Company's shares on the ASX on 28th August 2001 was used to determine the number of shares in a marketable parcel.

Twenty Largest Shareholders – 28 August 2001

Shareholder	No. of Fully Paid Ordinary Shares	% of Fully Paid Ordinary Shares
Chase Manhattan Nominees Limited	402,249,584	19.99
Westpac Custodian Nominees Limited	275,435,046	13.69
National Nominees Limited	253,477,383	12.60
Citicorp Nominees Pty Ltd	74,045,030	3.68
ANZ Nominees Limited	50,706,049	2.52
Perpetual Trustees Victoria Limited	40,900,089	2.03
Commonwealth Custodial Services Limited	37,328,791	1.86
AMP Life Limited	34,781,160	1.73
Queensland Investment Corporation	33,288,923	1.65
HSBC Custody Nominees (Australia) Limited	18,436,810	0.92
AMP Nominees Pty Limited	17,706,561	0.88
MLC Limited	16,575,304	0.82
National Mutual Life Association of Australasia Limited	16,018,006	0.80
Perpetual Nominees Limited	12,287,537	0.61
RBC Global Services Australia Nominees Pty Limited	12,181,699	0.61
Westpac Financial Services Limited	11,847,666	0.59
ING Life Limited	10,998,038	0.55
BT Custodial Services Pty Ltd	8,875,051	0.44
CSS Board & PSS Board	8,703,373	0.43
Commonwealth Life Limited	8,044,785	0.40
	1,343,886,885	66.80

Substantial Shareholders – 30 August 2001

The following shareholders have declared a relevant interest in the number of voting shares shown adjacent at the date of giving the notice under Part 6C.1 of the Corporations Law.

The Capital Group Companies Inc	208,074,876
Delaware International Advisers Limited	105,290,802
Morgan Stanley Dean Witter Investment Management Limited	88,237,732

Shareholder information

Annual General Meeting

The Annual General Meeting of Foster's Group Limited will be held on Monday, 22 October 2001 at 11.00 a.m. at Palladium at Crown, Level 1, 8 Whiteman Street, Southbank, Victoria. Full details are contained in the Notice of Meeting sent to all shareholders.

Voting Rights

Shareholders are encouraged to attend the Annual General Meeting, however, when this is not possible, they are encouraged to use the form of proxy by which they can express their views.

Every shareholder, proxy or shareholder's representative has one vote on a show of hands, except where a shareholder appoints two proxies, in which case neither proxy is entitled to vote on a show of hands. In the case of a poll, each share held by every shareholder, proxy or representative is entitled to

- a) one vote for each fully paid share; and
- b) voting rights in proportion to the paid up amount of the issue price for partly paid shares.

Stock Exchange Listings

Shares of Foster's are listed under the symbol 'FGL' on the Australian Stock Exchange. The securities of the Company are traded on the Australian Stock Exchange under CHESS (Clearing House Electronic Sub-register System) which allows settlement of on-market transactions without having to rely on paper documentation. Shareholders seeking more information about CHESS should contact their stockbroker or the Australian Stock Exchange.

Ordinary shares in Foster's Group are also listed on the London Stock Exchange. American Depositary Receipts, sponsored by the Bank of New York, can be purchased through brokers in the US.

Share Register and other Enquiries

If you have any questions in relation to your shareholding, share transfers or dividends, please contact our share registry:

ASX Perpetual Registrars Limited
Level 4
333 Collins Street
Melbourne Victoria 3000
Australia
Telephone: +61 3 9615 9999
Australian callers 24 hour 7 day service: 1800 350 698
Facsimile: +61 3 9615 9900
(+61 3 9615 9848 only for faxing Forms of Proxy)
E-mail: registrars@aprl.com.au
Internet: www.registrars.aprl.com.au

Please include your shareholder reference number (SRN) in all correspondence to the share registry.

In the United Kingdom, questions can be directed to:

Foster's Group Limited
Regal House
70 London Road
Twickenham, Middlesex TW1 3QS
United Kingdom
Telephone: +44 208 843 8400
Facsimile: +44 208 843 8401

For enquiries relating to the operations of the company, please contact the Foster's Group Investor Relations Department on:

Telephone: +61 3 9633 2773
Facsimile: +61 3 9633 2634
E-mail: investor.relations@fostersgroup.com
Internet: www.fostersgroup.com

Written correspondence should be directed to:

Vice President Capital Markets
Foster's Group Limited
GPO Box 753F
Melbourne Victoria 3001

Dividends

A final dividend of 8.5 cents per share will be paid on 28 September 2001 to shareholders registered on 7 September 2001. For Australian tax purposes, the dividend will be 100% franked at the 30% company tax rate.

Shareholders can elect to have dividends paid directly into a bank account anywhere in Australia or New Zealand. Shareholders can also elect to participate in the Dividend Reinvestment Plan (except in those countries where participation might give rise to breaches of applicable laws). Direct Credit and Dividend Reinvestment Plan forms are available on request from the share registry.

Tax File Numbers

Australian taxpayers who do not provide details of their tax file number will have dividends subjected to the top marginal personal tax rate plus Medicare levy. It may be in the interests of shareholders to ensure that tax file numbers have been supplied to the share registry. Forms are available from the share registry should you wish to notify the registry of your tax file number or tax exemption details.

Change of Address

It is important for shareholders to notify the share registry in writing promptly of any change of address. As a security measure, the old address should also be quoted as well as your shareholder reference number (SRN).

Key Dates

7 September 2001
Record date (books closing)
for 2000/2001 final dividend

21 September 2001
Annual Report sent to
shareholders

28 September 2001
Final dividend for 2000/2001
payable

22 October 2001
Annual General Meeting

12 February 2002*
Announcement of profit result for
half year ending 31 December 2001

1 March 2002*
Record date (books closing) for
2001/2002 interim dividend

22 March 2002*
Interim dividend for 2001/2002
payable

30 June 2002
End of financial year

27 August 2002*
Announcement of profit result for
the year ending 30 June 2002

*Likely dates. Subject to confirmation.

Foster's Group Limited
A.B.N. 49 007 620 886
Company Secretary:
Peter A. Bobeff

Registered Office:
77 Southbank Boulevard
Southbank Victoria 3006
Australia
Telephone: +61 3 9633 2000
Facsimile: +61 3 9633 2002

achieving the right business balance

PREMIUM BRANDS

= PREMIUM MARGINS

= PREMIUM RETURNS

= SHAREHOLDER VALUE

Foster's Group directory

Foster's Group Limited

Carlton & United Breweries

– Australian Leisure and Hospitality

– Continental Spirits

Beringer Blass Wine Estates

Foster's Brewing International

77 Southbank Boulevard
Southbank, Victoria 3006
Australia

Telephone: (61) 3 9633 2000

Facsimile: (61) 3 9633 2002

Website: www.fostersgroup.com

Lensworth Group

Level 34, 385 Bourke Street
Melbourne, Victoria 3000
Australia

Telephone: (61) 3 9606 1700

Facsimile: (61) 3 9606 1744