

FOSTER'S BREWING GROUP LIMITED FINANCIAL REPORT 1999

# 1999 financial report



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Foster's Brewing Group Limited ACN 007 620 886

# Highlights

- A positive contribution to growth from all ongoing operating divisions:  
 → profit before interest and tax increased 27.4% to \$586 million
- A significant improvement in the return on funds employed:  
 → rate of return up by 2.9 percentage points and a 2.4 percentage point spread over the cost of capital
- Earnings per share (pre-abnormals) up 33.3% to 21.2 cents
- A 25.0% rise in the final dividend, taking the fully-franked full year dividend to 13.0 cents, an 18.2% increase
- Consolidation of Foster's as a genuinely global consumer brand name, creating a unique position for an Australian company in the global marketplace

## Divisional Summary

- Carlton and United Breweries profit rose 10.7%.
- Mildara Blass profit was 45.3% higher.
- Foster's International profit increased from \$2.1 million to \$11.0 million.
- The loss from Foster's Asia was cut from \$42.2 million to \$24.2 million.
- Profits from Lensworth rose from \$23.3 million to \$39.2 million.

## Overall Financial Outcome

Strong profit growth in each of the operating businesses combined with the beneficial effects of aggressive capital management delivered a sharp increase in the return on funds employed for the Group. For the first time in the modern history of the Company, its rate of return exceeded its cost of capital, signalling a new era in building value for shareholders.

The result consolidates the position of Foster's as Australia's premium beverage company.

## Higher rate of return

The Company's key rate of return measure based on after-tax operating profit, before financing charges, increased by 18.0% to \$405.9 million while the average level of funds employed was reduced by 12.4% to \$3,611 million. The resulting 11.2% return on funds employed was 2.9 percentage points higher than the return in 1997/98 and 2.4 percentage points higher than the Company's average cost of capital during 1998/99.

## Underlying sales improvement

A 6.4% fall in reported net sales revenue for the Group reflected the sale of the Group's 50% interest in the Molson Breweries partnership at the end of June 1998.

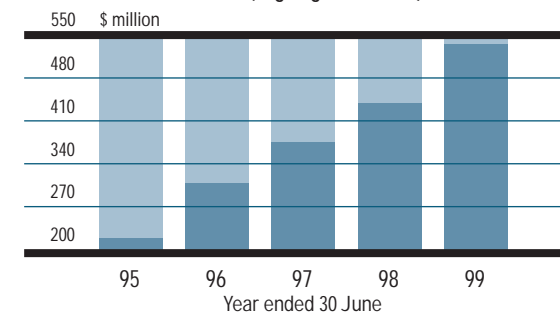
Sales revenue, excluding the impact of Molson, rose by 24.5%, primarily as a result of business acquisitions but also from higher volumes and prices for both beer and wine products.

Revenue Outcome – Year ended 30 June	1999	1998	% change
	\$m	\$m	
<i>Net sales revenue</i>			
Net beer sales			
– Carlton and United Breweries	1352.3	1,310.3	+3.2
– Foster's International	25.8	24.5	+5.3
– Foster's Asia	70.2	57.6	+21.9
Other brewing group revenue			
– Leisure and hospitality	714.9	382.8	+86.8
– Other <sup>1</sup>	102.7	76.4	+34.4
Royalties and partnership income	27.5	15.8	+74.1
Mildara Blass trading revenue	562.7	413.3	+36.1
Intersegment sales	(60.9)	(35.1)	
Total – ongoing	2,795.2	2,245.6	+24.5
Canadian Brewing	–	740.7	
Total	2,795.2	2,986.3	-6.4
Other operating revenue <sup>2</sup>	329.9	1,912.5	

1. Includes the sale of by-product materials, revenues from the distribution of non-beer drinks and receipts for the provision of technical services to outside parties.

2. Primarily revenue from asset sales and gross receipts from Treasury-related activities.

Profit before interest & Tax (ongoing businesses)



## Operating profit gains

Profit before interest and tax rose by 9.6% to \$586.1 million despite the Molson transaction. The ongoing businesses (i.e. excluding Molson) showed a gain of 27.4%, with all the principal operating divisions of the Company – CUB, Mildara Blass, Foster's International, Foster's Asia and Lensworth – contributing to the better result.

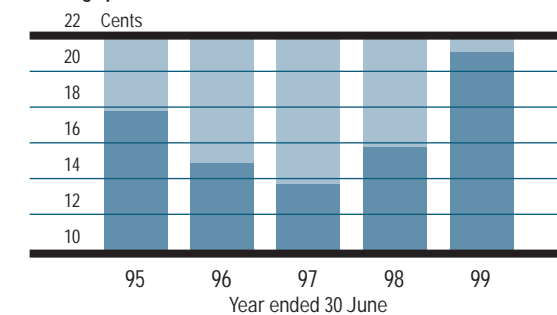
## Interest expense lower

The net interest expense fell from \$111.4 million to \$61.1 million, reflecting lower average debt levels during the year, largely due to the \$1.1 billion Molson sale proceeds. The lower interest expense also reflects capitalisation of the borrowing costs of wine inventories in accordance with Accounting Standard AASB1036.

## Higher tax expense

The tax expense increased by 4.9% to \$158.2 million. Utilisation of tax losses available to the Group helped to reduce the tax liability. The ongoing review of the Company's tax situation indicates that there are further potential future income tax benefits remaining at 30 June 1999. Their availability is sufficiently uncertain, however, that they are unable to be booked at this stage.

Earnings per share before abnormals



## Earnings up

Profit after tax (before abnormal items) increased by 32.6% to \$364.8 million, underpinning an increase in earnings per share (before abnormals) of 33.3% to 21.2 cents.

## Abnormal profit declines

There were abnormal profits during 1998/99, arising primarily from the sale of two breweries in China. After adjusting for outside equity interests, the net profit from the sales was \$17.7 million.

Partially offsetting the effect on profits of the brewery sales was a decision to reduce the book value of intangibles within the Vietnamese brewing businesses by \$13.7 million, following a strategic reassessment of the valuations. The resulting net abnormal profit was \$4.0 million. The level of abnormal profits in 1997/98 had been boosted by the Molson transaction, however, abnormal profits were \$167.4 million lower than in 1997/98.

As a result of the lower abnormal profit contribution, the net profit (after abnormal items) for the Group fell. The net profit was \$368.8 million compared with \$446.6 million in 1997/98, a decline of 17.4%.

Summary Profit Statement – Year ended 30 June	1999	1998	% change
	\$m	\$m	
Profit before interest and tax			
Carlton and United Breweries			
– Beer division	385.1	367.1	+4.9
– Leisure and hospitality	81.2	54.1	+50.1
– Total	466.3	421.2	+10.7
Mildara Blass	119.9	82.5	+45.3
Foster's International	11.0	2.1	
Foster's Asia	(24.2)	(42.2)	
Property and investments <sup>1</sup>	45.5	28.6	
Corporate	(32.4)	(32.1)	
Total – ongoing	586.1	460.1	+27.4
Canadian Brewing	–	74.7	
Total	586.1	534.8	+9.6
Net Interest	(61.1)	(111.4)	
Tax	(158.2)	(150.8)	+4.9
Outside equity interest (OEI)	(2.0)	2.6	
Profit after tax	364.8	275.2	+32.6
Abnormal items (net of tax and OEI)	4.0	171.4	
Net profit	368.8	446.6	-17.4
Average shares outstanding (m)	1,719.6	1,731.7	-0.7
Earnings per share – pre-abnormals	21.2	15.9	+33.3
Earnings per share – post-abnormals	21.5	25.8	-16.7
Dividend per share	13.0	11.0	+18.2

1. Includes Lensworth.

## Strong rise in dividend

As a result of the greatly improved underlying earnings and the Company's growth outlook, Directors have decided to increase the final dividend for the year by 25% compared with the final dividend for 1997/98. The total dividend for the year, which will be fully franked, will amount to 13.0 cents, an increase of 18.2% over the dividend for the prior year.

The real value for shareholders of the dividend has been improved significantly by this increase: it takes the annual average rate of increase to 4.5% since 1992/93, compared with the 2.0% average annual rate of inflation in Australia. Since March 1998, full franking of the dividend has added further to the total return.

Summary Cash Flows – Year ended 30 June			
	1999	1998	% change
	\$m	\$m	
Cash profit (before interest and tax)	542.6	473.9	+14.5
Net interest paid	(67.4)	(118.0)	
Tax paid	(129.2)	(58.5)	
Operating cash flows	346.0	297.4	+16.3
Other – Canadian brewing	–	26.4	
Net operating cash flows	346.0	323.8	+6.9
Capital spending and investments	(686.6)	(673.8)	
Asset sale proceeds	163.8	1,765.8	
Net loans	14.9	1.7	
Dividends paid	(196.7)	(187.6)	
Other financing cash flows	216.0	(1,064.4)	
Net change in cash	(142.6)	165.5	

## Cash flows up

Net operating cash flows rose by 6.9% to \$346.0 million, despite the absence of the \$26.4 million cash contribution from the Company's Canadian brewing interests in the previous year and a \$70.7 million increase in tax payments.

These influences were more than offset by a \$50.6 million reduction in net interest payments and the increase in cash profit from the ongoing businesses of \$68.7 million or 14.5%.

Capital spending and investments during the year used \$686.6 million. This

expenditure included acquisition of the assets and business of the Austotel Trust in September 1998 for \$311 million, a controlling interest in Heinrich Maximilian Pallhuber GmbH (\$78 million) and Maglieri Wines (\$32 million).

Following approval from shareholders at a general meeting in January, the Company bought back 39 million partly paid shares for a total cost of \$69.6 million.

After taking account of asset sale proceeds, dividends and other financing transactions, there was a \$142.6 million reduction in the net cash position of the Company.

Summary Balance Sheet at 30 June		
	1999	1998
	\$m	\$m
Current assets	1,020.3	979.9
Non-current assets	3,887.7	3,439.9
Total assets		
– CUB	2,842.0	2,384.2
– Mildara Blass	1,354.8	1,083.6
– Foster's Asia	91.0	114.4
– Foster's International	45.0	25.9
– Property and Investments	292.5	370.3
– Corporate	282.7	441.4
Current liabilities	946.2	914.8
Non-current liabilities	1,263.1	986.1
Total equity	2,698.7	2,518.9
Net debt	1,006.0	607.7
	%	%
Gearing (%)	37.3	24.1

## New investments raise gearing

The impact on gearing of the Molson sale at the end of 1997/98 was partially offset during the year by spending on investments and capital works, most of which occurred in the first half of the year.

Spending in the second half was deliberately reduced so as to ensure that the Company realised the anticipated benefits from a number of strategic initiatives, including development of wine clubs in Europe and the purchase of Austotel, before further acquisition activity occurred.

Nonetheless, during the year, gearing (measured as net debt to book equity) was raised from 24% to 37%.

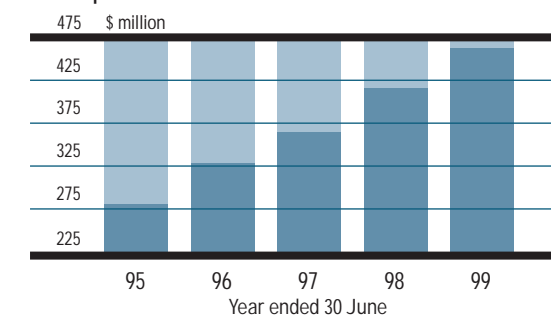
## Carlton and United Breweries

Carlton and United Breweries (CUB), already Australia's leading brewer with a 56% national market share, achieved its financial goals during the year and continued to set in place the foundation for future growth.

CUB's profit before interest and tax rose by 10.7% to \$466.3 million. Increased depreciation and amortisation charges reduced the growth from 12.4%.

The return on funds employed within the beer business increased for the seventh consecutive year, although the Retail division return declined temporarily, as expected, following the Austotel acquisition.

### Carlton profit before interest and tax



The profit contribution from the beer business rose by 4.9% to \$385.1 million. The improved performance was achieved with a reduction in average funds employed during the year, emphasising the commitment of the Group to a broad view of how value can be enhanced for shareholders.

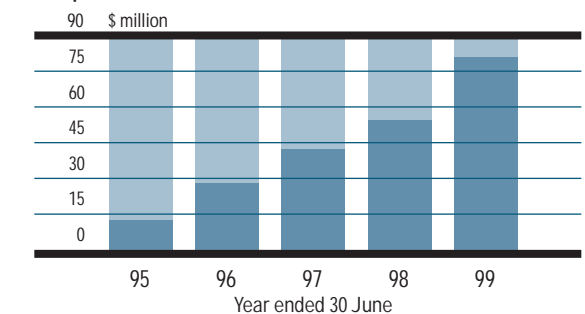
In 1998/99, the volume of beer sold by CUB rose by 0.3% to 10.0 million hectolitres. Net beer sales grew by 3.2%, reflecting the volume change, improved prices and the continuing trend in favour of higher value products, one of the market segments in which CUB is the leader.

Profit growth was constrained during the year by increasingly aggressive attempts to erode CUB's market share in New South Wales. Toward the end of the year, initiatives had to be taken to prevent the price differential with rival products widening to the disadvantage of CUB's main brands. Action which promoted CUB brands without jeopardising their established price points had begun to have an effect by the end of 1998/99.

Meanwhile, in the key markets of Queensland and Western Australia, where CUB has historically had a relatively small market presence, significant gains in market penetration were made. Especially notable was the 18% sales volume increase in Western Australia, where the success of Carlton Midstrength Bitter has helped to add over five percentage points to the state-wide market share in a 12-month period.

Australian Leisure and Hospitality (ALH), the arm of CUB which is responsible for development of a pub-based leisure strategy, contributed \$81.2 million to profit compared with \$54.1 million in 1997/98.

### ALH profit before interest and tax



The growth in profit was driven by the acquisition of Austotel, but also reflected improving sales and trading margin within the existing business from a strategy which has involved refurbishing pub sites to incorporate high-quality bar, dining and gaming facilities to significantly broaden the range of customers for whom the sites are able to cater.

At the end of June, funds employed within ALH amounted to \$775 million. With the Austotel acquisition, an initial fall in the return on funds employed within ALH had been anticipated but the integration of the two business groups has proceeded very satisfactorily, with the expected benefits now beginning to flow. The return on funds employed within the combined businesses is expected to resume its upward trend and to exceed the Company's hurdle rates over the coming three years.

CUB remains committed to its Lead Enterprise vision, which emphasises continuing innovation, teamwork and rewards for performance as the drivers for growth in profitability and better returns. The Lead Enterprise vision will continue to encourage CUB to use its skill and asset base in more innovative ways to take a larger share of the value chains in which it operates.

Consistent with the Lead Enterprise approach, activities to support future profit growth had a high priority during the year. While a number of these initiatives are incurring additional costs for the Group in the short term, they are positioning the Company for improved longer-term returns. Examples include:

- expenditure relating to sponsorship of the Sydney 2000 Olympic Games, which is providing an outstanding marketing opportunity for the Company as a whole, not only in Australia but also internationally;
- strategic marketing initiatives in New Zealand to better position CUB's products and to prepare for changes in laws affecting access to the retail trade;
- initiatives in non-beer beverage marketing to take advantage of CUB's unique distribution capabilities in Australia and to build on its successes in recent years with such products as sub zero, and its distribution arrangements with Jim Beam and Bacardi;
- preparing several e-commerce initiatives to take advantage of new technologies to reduce costs, better service customers and improve market penetration; and

## Financial Commentary

- the switch to a channel-based sales system so as to focus better on the specific needs of different groups of retail customers.

Also having an impact on short-term costs was the sharp acceleration in demand for CUB products in Western Australia, which meant a higher proportion of sales had to be sourced from outside the State, raising the total cost of sales for the year.

Despite these effects and the competitive pressures, CUB has

- improved domestic beer margins for the seventh consecutive year through its continuing strong focus on brand equity;
- expanded its geographic reach in the Australian beer market;
- improved the rate of return on its beer production and distribution assets; and
- established further bases for the future growth of the Company.

### Mildara Blass

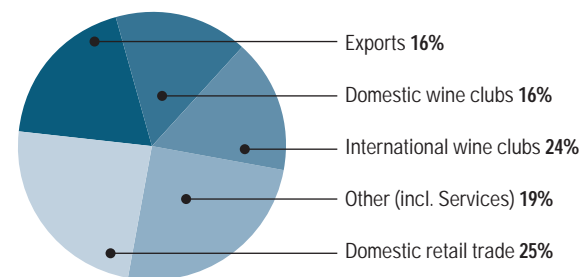
Mildara Blass, the wine division of Foster's, made further progress toward achieving its rate of return objectives and, strategically, put in place the foundation for a global direct wine marketing business with strong growth potential.

Mildara Blass' profit before interest and tax rose by 45.3% to \$119.9 million, by a combination of improved domestic and export volumes, higher margins and the beneficial impact of several acquisitions.

Mildara Blass has developed a unique balance in its wine activities between traditional trade sales and wine club operations as well as between domestic activities and international sales. It now has five income streams arising from:

- sales in the domestic retail channel;
- sales in the international retail channel;
- domestic wine club sales;
- international wine club sales; and
- wine services, including contract packing and distribution.

#### Sources of wine sales revenues



Overall, Mildara Blass, was responsible for the sale of five million cases of wine worldwide during 1998/99, of which just over 50% were sold in Australia. Its total volumes were a third higher than in the prior year. Total volumes sold in the domestic market were 3.6% higher.

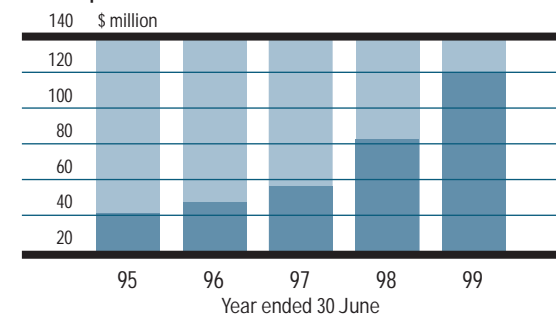
Within the trade channel, Mildara Blass' red wine volumes grew significantly faster than the overall market segment in Australia. White wine sales were lower as Mildara Blass elected to trade off volume for higher margins in a market segment in which competitive pressures increased.

Exports within the trade channel rose by 22%, a significantly faster rate of growth than for the industry as a whole. Just over 50% of Mildara Blass' export sales were to North America with a little less than 30% to Europe. The balance went to the Asia-Pacific region. The growth was achieved while further expanding the sales margin.

Mildara Blass' profit per case from its domestic and overseas trade channel business rose by 19%, consolidating its position as the highest margin wine company of its size in the world.

The advanced stage of the Mildara Blass strategic initiatives to increase its land under cultivation with red grape varieties has helped increase supplies of red wine and is one of the reasons for the strong growth in both international sales and domestic red wine sales.

#### Mildara profit before interest and tax



International wine clubs achieved outstanding growth during the year. Since Bourse du Vin was purchased in Holland in June 1998, membership has more than doubled and sales were 45% higher than in its prior business year. Acquisition of Pallhuber occurred in December 1998. Growth in sales of 8% occurred during the past year.

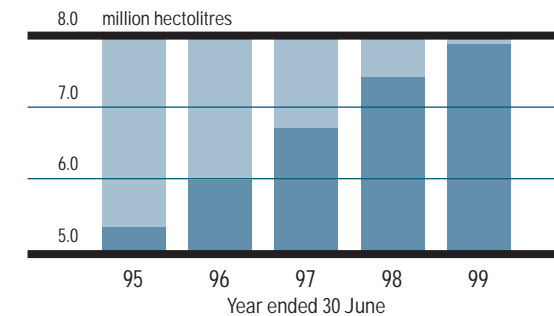
The European experience has confirmed the Company's view of the potential for wine clubs to gain a larger share of the global wine market, as well as confirming the competitive advantage held by the Group through its Cellarmaster activities in Australia.

In June 1999, Mildara Blass announced that, subject to government approvals, it would undertake a major investment in South Australia, consolidating the number of wineries it currently operates and establishing a major new, state-of-the-art winery in the Barossa Valley. Construction, which is scheduled to commence during 1999, is expected to lead to lower unit costs and working capital savings which should add further to the Group's improving rate of return.

During the year, Mildara Blass sold the first of its Dallas Conte brand, the wine produced in Chile in association with Vinas Santa Carolina, and Bayliss and Fortune, its Californian-sourced brand. To help establish its position as a North American premium wine producer, it also purchased land, which is currently being planted, within the Napa appellation.

With these initiatives, the Company's wine strategy has entered an exciting new phase which will deliver a unique opportunity for shareholders to participate in the benefits of growth in global premium wine consumption and, through wine clubs, innovative approaches to marketing wine around the world.

#### Foster's Brand Global Volumes



### Foster's International

Foster's International is the arm of the Group responsible for the worldwide stewardship and development of the Foster's brand. It is actively engaged in promoting Foster's in 135 countries and, with its partners, establishing Foster's as a genuinely global consumer brand name – giving the Group a unique standing among Australian companies.

Global volumes of Foster's brand products reached 7.9 million hectolitres or 99 million cases in 1998/99. International sales grew by 11.4%, producing double digit volume growth for the fourth consecutive year.

The profit contribution from Foster's International was \$11.0 million compared with \$2.1 million in the prior year following a particularly strong result in the second half of 1998/99 and growth in each of its three main income streams:

- royalties;
- income from its 25% stake in Molson USA, the US-based distribution company operated by Miller Brewing and responsible for distributing Foster's;
- direct exports.

Strong growth in the profitability of the Division is likely to continue in the short-term based on already agreed royalty payments and expected sales growth.

As part of the Group's longer-term global brand development effort, there were several marketing initiatives during the year.

- Foster's was launched in India and Vietnam through Foster's Asia.
- Elsewhere in Asia, launches have occurred in Japan, Taiwan, Malaysia and the Philippines, targeting urban, influential centres and setting a foundation for longer-term brand development activities in those markets.
- Development of distribution capability in Argentina, Chile and Brazil continued.
- There was an entry into Panama as the initial step in a Central America strategy.

These efforts build on two decades of market development activity, which has already made Foster's one of the most widely-recognised consumer brands and which are helping to set in place longer-term income growth opportunities for the Group.

### Foster's Asia

During 1998/99, Foster's completed the restructuring of its China operations, whilst extending its Asian footprint into south-east Asia and the Indian subcontinent. It also made excellent progress towards the Group's financial and operating goals for the region.

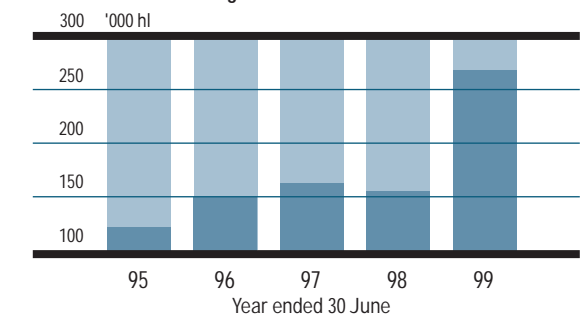
Foster's Asia increased its volume of beer sold by 9% to 1.52 million hectolitres and, in the process, reduced its operating loss from \$42.2 million to \$24.2 million.

In China, Foster's completed the restructuring of its business with the sale of two small loss-making breweries in Tianjin and Guangdong to concentrate on its Shanghai brewery, the biggest of the three. It began production from its new brewery in India, where Foster's Lager is the first international beer brand to be locally produced, and completed its first full year of operations at its two breweries in Vietnam.

In the very competitive but influential Shanghai market, Foster's was able to grow volumes of its key Guangming brand by 10% and maintain the Foster's share of the small but more profitable premium market.

In Vietnam, there were significant gains in volume. On a full year basis, volumes at Da Nang grew 16% and, in Tien Giang, volumes grew 31%. Also during the year, Foster's Lager was successfully launched in Ho Chi Minh City and its sales coverage is now being extended into the Mekong Delta.

#### Foster's Brand Asian Region Sales



In India, the brewery began operations in June and quickly moved to full capacity, with sales from the brewery accounting for 15% of the Mumbai beer market, its principal sales target. All of the production at the Aurangabad site is of premium Foster's brand product.

Foster's has now established a major presence in key Asian beer markets with the ability, in the future, to use these centres as a base from which to build its brand development as well as regional exports.

Meanwhile, beer is also being exported directly from Australia into the region, complementing the local production activities. Including the activities of the Foster's International Group, over 265,000 hectolitres of Foster's beer were sold in the region during 1998/99, an increase of 70% over the previous year.

## Property and Investments

Profits from property and investments amounted to \$45.5 million in 1998/99. The largest component of the profit arose from within Lensworth, the division responsible for managing assets remaining from the restructuring which began in the early 1990s.

## Lensworth

Cash inflows from asset realisations by Lensworth totalled \$122.9 million in 1998/99. About \$1.5 billion in net operating cash flows have been generated by Lensworth since 1992/93.

Lensworth contributed profit before interest and tax of \$39.2 million compared with \$23.3 million in the prior year. The increase in profitability reflects the "lumpy" nature of the asset realisation programme and should not be taken as a guide to the likely ongoing levels of profitability.

In addition to the Lensworth contribution, a profit of \$6.3 million arose from the sale of the Company's shareholding in Beswick Pty Ltd for \$73.6 million.

During the year, Lensworth restructured its property holdings in Queensland. As part of the restructuring, Lensworth moved to full ownership of two joint

ventures in which it had been involved and acquired other properties from its former joint venture partner. The restructuring will improve the prospective returns to the Company from the longer term development of the Group's assets.

The value of its Australian residential property holdings rose from \$81 million at the end of December 1998 to \$128 million.

At the end of June 1999, the assets being managed by Lensworth had a book value (after specific provisions) of \$361 million. Just under half of these asset values were accounted for by properties in the USA being readied for sale.

Several large land tracts being developed as part of major township sites in Queensland and New South Wales make up most of the balance and are likely to generate a continuing profit stream in coming years which will exceed the cost of funds employed in retaining these assets.

All carrying values are reviewed regularly with a conservative approach to provisioning being maintained. At the end of June, there was a general provision of \$69 million, equivalent to 19% of book value. In addition, regular reviews are conducted of the realisation plans, including the timing of sales, to ensure that value for shareholders is being maximised.

Lensworth Portfolio				
	Residential Property	Other Property	Other Assets	Total
	\$ m	\$ m	\$ m	\$ m
Australia	128	13	34	175
North America	–	168	9	177
UK	–	4	5	9
<b>Total</b>	<b>128</b>	<b>185</b>	<b>48</b>	<b>361</b>
General provision				(69)
Net external assets				292

Historical Summary for the years ended 30 June	1993	1994	1995	1996	1997	1998	1999
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Total operating revenue</b>	6,494.2	5,068.4	4,866.5	2,535.8	2,779.9	4,898.8	3,125.1
<b>Profit</b>							
EBIT							
– CUB	211.2	249.7	282.1	326.6	364.1	421.2	466.3
– Asia	–	(11.2)	(11.8)	(17.4)	(19.0)	(42.2)	(24.2)
– International	–	–	–	–	(3.2)	2.1	11.0
– Mildara Blass	–	–	–	16.1	57.2	82.5	119.9
– Property and investments	–	–	–	–	–	28.6	45.5
– Corporate	(41.1)	(29.1)	(52.9)	(23.2)	(31.1)	(32.1)	(32.4)
– Courage (discontinued)	208.3	174.4	207.6	–	–	–	–
– Canada (discontinued)	107.1	78.2	71.9	61.4	58.8	74.7	–
<b>Total EBIT</b>	<b>485.5</b>	<b>462.0</b>	<b>496.9</b>	<b>363.5</b>	<b>426.8</b>	<b>534.8</b>	<b>586.1</b>
EBIT (continuing operations)	170.1	209.4	217.4	302.1	368.0	460.1	586.1
EBIT (discontinued operations)	315.4	252.6	279.5	61.4	58.8	74.7	–
Net profit after tax (pre-abnormals)	278.8	279.0	348.5	282.4	268.3	275.2	364.8
Abnormals (after tax and outside equity interests)	30.9	2.7	(61.2)	10.9	(17.8)	171.4	4.0
Net profit after tax (post-abnormals)	309.7	281.7	287.3	293.3	250.5	446.6	368.8
Average shares outstanding (million)	1,736.3	1,951.6	1,960.0	1,960.8	1,962.1	1,731.7	1,719.6
– fully diluted	1,736.3	1,951.6	1,960.0	1,960.8	1,976.2	1,747.1	1,732.6
Earnings per share (pre-abnormals) (cents) – fully diluted	16.1	14.3	17.8	14.4	13.7	15.8	21.1
Earnings per share (post-abnormals) (cents) – fully diluted	17.8	14.4	14.7	15.0	12.8	25.6	21.3
<b>Cash Flow</b>							
EBITDA (continuing operations)	214.7	256.0	270.2	366.8	448.6	566.8	708.1
Asset sales	887.0	787.1	460.3	1,160.5	301.8	1,787.1	178.9
Free cash flow	1,768.1	698.6	839.5	1,346.1	542.5	2,095.3	524.7
Capital expenditure	(145.4)	(161.1)	(164.1)	(190.0)	(195.8)	(241.3)	(195.9)
Investments	(135.5)	(88.0)	(112.5)	(527.2)	(79.2)	(432.5)	(490.7)
Dividend payments	(40.6)	(134.1)	(196.0)	(212.5)	(215.8)	(187.6)	(196.7)
Share buy-back/new issues	–	–	–	–	–	(625.0)	(58.6)
Net cash flow	1,446.6	315.4	366.9	416.4	51.7	608.9	(417.2)
<b>Financial Strength</b>							
Net debt (end period)	2,641.1	1,852.3	1,579.2	1,066.9	1,134.7	607.7	1,006.0
Total shareholders' equity	2,485.9	2,819.3	2,906.5	2,944.3	2,897.6	2,518.9	2,698.7
Book value per share (\$)	1.3	1.4	1.5	1.5	1.5	1.5	1.5
Net tangible assets per share (\$)	0.9	1.1	1.1	1.0	0.9	0.8	0.8
Net debt/equity (%) (end period)	106.2	65.7	54.3	36.2	39.2	24.1	37.3
Interest paid cover (times) – pre-abnormals	2.4	3.0	3.8	5.9	4.7	4.8	9.6
<b>Shareholder Returns</b>							
Dividend (cents per share)	10.0	10.0	10.4	11.0	11.0	11.0	13.0
Dividend cover (times)	1.6	1.4	1.4	1.4	1.2	2.4	1.6
Franking (%)	42.7	42.5	–	–	25.5	100.0	100.0
Return on equity (%) <sup>1</sup>	11.3	10.0	12.2	9.7	9.4	10.9	13.7
Dividend yield (%) (average price)	4.5	4.7	5.4	5.0	4.5	3.7	3.1
Earnings yield (%) (average price) <sup>2</sup>	7.2	6.6	9.2	6.5	5.5	5.3	5.0
<b>Share Prices</b>							
– year high	3.2	2.7	2.2	2.4	2.7	3.8	5.0
– year low	1.8	1.6	1.7	2.0	2.0	2.5	3.3
– close	1.9	1.8	2.1	2.2	2.5	3.8	4.3
– average	2.2	2.2	1.9	2.2	2.5	3.0	4.2

1. Net profit before abnormal items as % of ordinary shareholders' funds.

2. Based on net profit after tax (pre-abnormals)

## Profit and Loss Statements

Profit and Loss Statements for the year ended 30 June 1999		1999	1998	1999	1998
	NOTE	FBG LIMITED		CONSOLIDATED	
		\$m	\$m	\$m	\$m
Operating revenue	2	287.3	327.3	3,125.1	4,898.8
Operating profit before interest and abnormal items		159.0	209.8	586.1	534.8
Net interest income/(expense)	3	78.5	63.0	(61.1)	(111.4)
<b>Operating profit before abnormal items and income tax <sup>#</sup></b>	3	237.5	272.8	525.0	423.4
Abnormal items <sup>*</sup>	4	–	(8.9)	18.7	128.1
<b>Operating profit before income tax</b>		237.5	263.9	543.7	551.5
Income tax benefit/(expense) attributable to operating profit	5	(15.3)	0.5	(158.2)	(140.6)
<b>Operating profit after income tax</b>		222.2	264.4	385.5	410.9
Outside equity interests in operating profit after income tax				(16.7)	35.7
<b>Operating profit after income tax attributable to members of Foster's Brewing Group Limited</b>				368.8	446.6
Retained profits at the beginning of the year		264.4	188.4	245.9	52.5
Aggregate of amounts transferred from/(to) reserves	17			9.7	(64.8)
Total available for appropriation		486.6	452.8	624.4	434.3
Ordinary dividends	20				
– interim paid		(95.0)	(85.6)	(95.0)	(85.6)
– final payable		(129.7)	(102.8)	(129.7)	(102.8)
<b>Retained profits at the end of the year</b>		261.9	264.4	399.7	245.9
Earnings per share (cents)	19				
Basic					
– before abnormal items				21.2	15.9
– after abnormal items				21.5	25.8
Diluted					
– before abnormal items				21.1	15.8
– after abnormal items				21.3	25.6
<b><sup>#</sup> Operating profit before abnormal items</b>					
Operating profit before abnormal items and income tax				525.0	423.4
Income tax attributable to operating profit before abnormal items				(158.2)	(150.8)
Operating profit after income tax and before abnormal items				366.8	272.6
Outside equity interests				(2.0)	2.6
Operating profit after income tax but before abnormal items attributable to members of Foster's Brewing Group Limited				364.8	275.2
<b><sup>*</sup> Abnormal items</b>					
Abnormal items included in operating profit before income tax				18.7	128.1
Income tax benefit attributable to abnormal items				–	10.2
Abnormal items after income tax				18.7	138.3
Outside equity interests				(14.7)	33.1
Abnormal items after income tax attributable to members of Foster's Brewing Group Limited				4.0	171.4

The accompanying notes form an integral part of these financial statements.

## Balance Sheets

Balance Sheets at 30 June 1999		1999	1998	1999	1998
	NOTE	FBG LIMITED		CONSOLIDATED	
		\$m	\$m	\$m	\$m
<b>Current assets</b>					
Cash	6	0.4	–	164.5	299.5
Receivables	7	2,028.9	2,033.4	329.1	292.3
Inventories	8			501.5	348.2
Investments	9			–	19.0
Other	12	0.3	0.5	25.2	20.9
<b>Total current assets</b>		2,029.6	2,033.9	1,020.3	979.9
<b>Non-current assets</b>					
Receivables	7	30.0	13.3	48.6	48.1
Inventories	8			236.5	283.2
Investments	9	1,131.4	1,131.4	51.7	141.1
Property, plant and equipment	10	24.0	23.0	2,200.0	1,714.8
Intangibles	11			1,274.8	1,166.2
Other	12	6.0	4.3	76.1	86.5
<b>Total non-current assets</b>		1,191.4	1,172.0	3,887.7	3,439.9
<b>Total assets</b>		3,221.0	3,205.9	4,908.0	4,419.8
<b>Current liabilities</b>					
Accounts payable	13	12.9	14.7	455.1	457.7
Borrowings	14	824.7	807.2	158.2	162.4
Provisions	15	161.8	120.6	332.9	294.7
<b>Total current liabilities</b>		999.4	942.5	946.2	914.8
<b>Non-current liabilities</b>					
Accounts payable	13			48.0	32.3
Borrowings	14			1,012.3	744.8
Provisions	15	0.8	2.1	202.8	209.0
<b>Total non-current liabilities</b>		0.8	2.1	1,263.1	986.1
<b>Total liabilities</b>		1,000.2	944.6	2,209.3	1,900.9
<b>Net assets</b>		2,220.8	2,261.3	2,698.7	2,518.9
<b>Shareholders' equity</b>					
Share capital	16	1,955.8	1,713.4	1,959.5	1,713.4
Reserves	17	3.1	283.5	303.8	554.8
Retained profits		261.9	264.4	399.7	245.9
Shareholders' equity attributable to members of Foster's Brewing Group Limited				2,663.0	2,514.1
Outside equity interests in controlled entities	18			35.7	4.8
<b>Total shareholders' equity</b>		2,220.8	2,261.3	2,698.7	2,518.9

The accompanying notes form an integral part of these financial statements.

## Statements of Cash Flows

Statements of Cash Flows for the year ended 30 June 1999		1999	1998	1999	1998
	NOTE	FBG LIMITED		CONSOLIDATED	
		\$m	\$m	\$m	\$m
Inflows/(Outflows)					
<b>Cash flows from operating activities</b>					
Receipts from customers				4,348.0	4,689.0
Payments to suppliers, employees and principals		(14.1)	(16.4)	(3,806.7)	(4,216.6)
Dividends received		198.1	250.0	1.3	1.5
Interest received				94.9	159.8
Interest paid				(162.3)	(277.8)
Income taxes paid		–	(0.5)	(129.2)	(58.5)
Net cash flows on behalf of controlled entities		(198.1)	(78.3)		
Contributions from partnerships				–	26.4
<b>Net cash flows from operating activities</b>	27	(14.1)	154.8	346.0	323.8
<b>Cash flows from investing activities</b>					
Payments to acquire controlled entities (net of cash balances acquired)	27			(430.4)	(169.1)
Payments to acquire outside equity interests in controlled entities	27			(26.9)	–
Payments for property, plant and equipment				(195.9)	(241.3)
Payments for acquisition of investments and other assets				(33.4)	(263.4)
Loans made				(0.2)	(19.6)
Proceeds from repayment of loans		2.3	0.1	15.1	21.3
Proceeds from sale of controlled entities				3.5	–
Capital returned from controlled entities		–	1.8		
Proceeds from sale of property, plant and equipment				38.8	82.6
Proceeds on sale of interest in Molson Breweries				–	1,048.3
Proceeds on sale of interest in Inntrepreneur Pub Company Limited				–	449.4
Proceeds from sale of investments and other assets				121.5	185.5
<b>Net cash flows from investing activities</b>		2.3	1.9	(507.9)	1,093.7
<b>Cash flows from financing activities</b>					
Payments for shares bought back	16	(69.6)	(625.0)	(69.6)	(625.0)
Proceeds from borrowings	14			2,078.8	957.5
Repayment of borrowings	14			(1,804.2)	(1,400.9)
Proceeds from exercise of options and capital called up		11.0	–	11.0	–
Dividends paid		(196.7)	(187.6)	(196.7)	(187.6)
Net cash flows on behalf of controlled entities		267.6	658.7		
Equity contribution from outside equity interests				–	4.0
<b>Net cash flows from financing activities</b>		12.3	(153.9)	19.3	(1,252.0)
<b>Total cash flows from activities</b>	14	0.5	2.8	(142.6)	165.5
<b>Cash at the beginning of the year</b>					
Effects of exchange rate changes on foreign currency cash flows and cash balances		(0.1)	(2.9)	287.5	111.1
<b>Cash at the end of the year</b>	27	0.4	(0.1)	139.4	287.5

The accompanying notes form an integral part of these financial statements.

## Notes to the Financial Statements

### Note 1 Summary of significant accounting policies

#### General

The financial statements are a general purpose financial report and have been prepared in accordance with the requirements of the Corporations Law, Australian Accounting Standards and Urgent Issues Group Consensus Views.

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.

Subject to the exceptions referred to elsewhere in this note with respect to valuation of investments, property, plant and equipment and brand names, the financial statements have been prepared on the basis of historical cost principles.

Unless stated otherwise, the accounting policies adopted are consistent with those of the previous years.

#### Comparatives

Where applicable, comparatives have been adjusted to place them on a comparable basis with current year figures.

#### Principles of consolidation

The consolidated financial statements have been prepared for the consolidated entity (referred to as the "Group"), comprising Foster's Brewing Group Limited (FBG Limited) as the parent entity, and all its controlled entities. Controlled entities are listed in Note 31.

#### Cash

Cash consists of cash at bank, on hand and in transit, cash on deposit and bank overdrafts.

#### 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

Sales are recorded when the goods leave the brewery. Credit terms for the Beer business are generally 14 days from the date of invoice.

#### Retail

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

#### 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 three days from the order date. Other customers pay by direct debit from their bank account.

#### Property and investments

Revenue from the sale of land held for development and resale is recognised when an executable contract becomes unconditional. Interest on performing loans is brought to account on an accruals basis.

#### 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 included at net realisable value, as determined by Directors. Costs include cost of acquisition, development and capitalised expenses.

#### 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.

The capitalisation rate used of 5.0% represents the weighted average of borrowing costs that could have been avoided if the expenditure on qualifying assets had not been undertaken.

#### Investments

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

#### Partnerships

The Group's interest in partnerships is included in the financial statements at cost, adjusted for the Group's share of profits or losses as disclosed in the financial statements of the partnerships. The Group's share of partnership results for the year is included in the consolidated profit and loss statement.

#### Equity accounting

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the Group's share of profits or losses of associates, where material, is recognised as part of operating revenue in the consolidated profit and loss statement and the share of movements in 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.

#### 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 profit and loss statement when received.

#### 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. Freehold buildings used in the production of income are depreciated at rates which vary with the circumstances.

## Notes to the Financial Statements (continued)

### Note 1 Summary of significant accounting policies (continued)

Property, plant and equipment shown at valuation has been revalued at a fair market value based on existing use. The 1999 valuations have been made by the Directors of relevant Group entities and, in arriving at such valuations, Directors have referred to independent professional valuations. It is the Group's policy to undertake valuations of property, plant and equipment on a regular basis, at intervals not exceeding three years.

Plant and equipment under construction has not been revalued and 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:

Buildings and improvements on freehold land	1.5%
Buildings and improvements on leasehold land	4.0%
Vineyard improvements	2.5%
Plant and equipment	5.0% – 20.0%

In revaluing freehold land and buildings the Directors have not taken into account the potential impact of capital gains tax on the grounds that such assets are an integral part of operations and there is no intention to sell the assets.

#### Vineyard development

Development costs for new vineyards include direct materials, direct labour, capitalised interest and an appropriate allocation of overheads. Capitalisation of these costs continues until the expiration of four years or until the vineyards produce to 80% of their anticipated capacity, whichever is the earlier. Such capitalised amounts do not result in the carrying value of the vineyard developments exceeding their recoverable amount. Vineyard developments in progress are not revalued as part of the regular revaluation programme because they are regarded as a separate class of asset and carried at cost until the development is completed. On completion, the vineyard developments are depreciated over their expected useful lives.

#### 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.

#### Intangibles

##### Brand names

The brand names of the Carlton and United business are carried at Directors' valuation 1994. For the purpose of the 1994 valuation, reference was made to an independent valuation performed at 30 June 1994 which was based on the lower of capitalised royalty streams (actual or imputed) and estimated current market value. In carrying out their valuation, while the Directors followed the same methodology as the independent valuers, they adopted several different assumptions which they considered to be more appropriate in the circumstances and which resulted in a lower value.

Other brand names related to the brewing business acquired since 30 June 1994 are shown at cost.

Brand names of the Wine business are included in the financial statements at cost, determined by reference to independent valuations performed on acquisition of these businesses.

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.

The carrying value of these brands is reviewed each year to ensure that it is not in excess of recoverable amount. The review in 1997 was supported by an independent valuation of the brand names.

#### 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 20 years. The carrying value of each item of goodwill is reviewed annually. All material amounts of goodwill are currently being amortised over 20 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 Cellarmaster Wines 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 20 years.

#### Accounts payable

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

#### Borrowings

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.

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 rate, a receivable from or payable to the hedge contract counterparty arises, and has been included in debtors or creditors and borrowings in the balance sheet, as applicable.

#### 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 12 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,

### Note 1 Summary of significant accounting policies (continued)

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 note 29 for further discussion on specific use of derivative financial instruments.

#### 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.

#### 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. No provision has been made for capital gains tax which may arise in the event of sale of revalued assets as it is not the Group's intention to sell any of these assets.

#### Earnings per share

Basic earnings per share is determined by dividing the operating profit after income tax attributable to members of FBG Limited by the weighted average number of ordinary shares outstanding during the financial 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 amounts unpaid on ordinary shares and any reduction in earnings per share that may arise from the exercise of options outstanding during the year.

Note 2 Operating revenue	1999	1998	1999	1998
	FBG LIMITED		CONSOLIDATED	
	\$m	\$m	\$m	\$m
Sales revenue				
Net beer sales			1,448.3	2,128.6
Other brewing group trading revenue			817.6	459.2
Royalties and brewing partnership income			27.5	20.3
Wine Group net trading revenue			562.7	413.3
			2,856.1	3,021.4
Intersegment sales			(60.9)	(35.1)
			2,795.2	2,986.3
Other operating revenue				
Rent			27.9	35.1
Interest <sup>1</sup>	79.1	65.4	29.4	49.3
Dividends	198.1	250.3	1.4	1.6
Sale of assets	0.1	1.8	198.8	1,801.1
Share of net profit of associates			–	(0.6)
Other	10.0	9.8	72.4	26.0
	287.3	327.3	329.9	1,912.5
	287.3	327.3	3,125.1	4,898.8

1. The consolidated results for interest received from and interest paid to other persons shown in Note 3 Operating profit have been determined on a gross basis, including the impact of interest rate

Net sales of beer and wine is after deducting excise and other duties and taxes of \$1,377.0 million (1998 \$1,567.7 million).

Net beer sales in 1998 included the Group's share of the net beer sales of the Molson Breweries Partnership totalling \$736.2 million.

Wine Group net trading revenue also includes the sale of some spirits.

swaps and cross currency swaps used to manage the Group's interest rate and foreign exchange exposures. Interest income included in Note 2 Operating revenue is disclosed on a net basis.

Other brewing group trading revenue includes revenue derived from hotel operations, contract brewing and sales of other beverages, including spirits.

Sales revenue is net of trade discounts and volume rebates, in accordance with the revised accounting standard on revenue AASB 1004. Comparative figures have been adjusted on this basis.

## Notes to the Financial Statements (continued)

Note 3 Operating profit	1999		1998	
	FBG LIMITED		CONSOLIDATED	
	\$m	\$m	\$m	\$m
Operating profit before abnormal items and income tax has been arrived at after (charging) and crediting:				
interest received from				
– controlled entities	79.1	65.4		
– other related parties				1.9
– other persons <sup>1</sup>			87.9	145.6
interest paid to				
– controlled entities	(0.6)	(2.2)		
– other related parties			(1.2)	(1.1)
– other persons <sup>1</sup>		(0.2)	(154.3)	(260.1)
capitalised borrowing costs			7.0	2.7
finance charges – finance leases			(0.5)	(0.4)
<b>net interest (expense)/income</b>	<b>78.5</b>	<b>63.0</b>	<b>(61.1)</b>	<b>(111.4)</b>
depreciation of				
– freehold land, buildings and improvements			(10.2)	(9.2)
– leasehold land, buildings and improvements	(1.3)	(0.4)	(3.7)	(2.2)
– vineyard improvements			(1.7)	(1.3)
– plant and equipment	(1.3)	(1.2)	(88.5)	(78.0)
amortisation of				
– plant and equipment under finance lease			(1.4)	(1.6)
– goodwill			(13.3)	(11.3)
– other intangibles			(3.2)	(3.2)
amounts to provisions for				
– doubtful debts – trade debtors			(2.3)	–
– doubtful debts – other debtors			–	0.2
– doubtful debts – loans to other persons	(0.1)	(0.1)	5.0	0.1
– employee entitlements	–	(0.7)	(23.7)	(17.7)
– other	–	(7.5)	(4.1)	(11.3)
write-down in value of inventories			0.6	(1.2)
bad debts written off trade debtors			(2.0)	(1.3)
bad debts written off loans to other persons			(0.3)	–
bad debts written off Group entities	–	(634.2)		
rental expense – operating leases	(0.3)	(1.0)	(21.7)	(18.6)
research and development			(0.8)	(1.6)
net profit/(loss) on disposal of				
– property, plant and equipment	0.1	0.1	6.7	6.6
– investments	–	(2.0)	36.4	14.3
– intangibles			0.3	–
foreign exchange gains, net of losses			7.4	10.9
dividends received from				
– controlled entities	198.1	250.3		
– other related parties			–	0.1
– other investments			1.3	1.5

1. The consolidated results for interest received from and interest paid to other persons shown in Note 3 Operating profit have been determined on a gross basis, including the impact of interest rate swaps and cross currency swaps used to manage the Group's interest rate and

foreign exchange exposures. Interest income included in Note 2 Operating revenue is disclosed on a net basis.

Note 4 Abnormal items	1999		1998	
	FBG LIMITED		CONSOLIDATED	
	\$m	\$m	\$m	\$m
(tax effect nil unless stated otherwise)				
Net profit on disposal of				
– Inntrepreneur Pub Company Limited and residual UK assets			–	6.1
– Molson Breweries and Coors Canada Partnerships (tax expense applicable \$20.0 million)			–	480.0
Rationalisation and restructuring of Foster's Asia operations				
– net profit on disposal of two China breweries			32.4	–
– write-down of intangibles			(13.7)	–
– write-down of property, plant and equipment			–	(142.9)
– other assets and costs (outside equity interest 1999 \$14.7 million, 1998 \$33.1 million)			–	(57.9)
Group rationalisation and restructuring of assets				
– write-down of property, plant and equipment (tax benefit applicable \$6.8 million)			–	(67.8)
– other assets and costs (tax benefit applicable on consolidated result \$15.9 million)	–	(5.2)	–	(60.6)
Effect on the Group's profit share from Molson Breweries of:				
– restructuring and other costs			–	(8.0)
Increase in provisions for bonus and other employee entitlements due to change in accounting policy (tax benefit applicable on consolidated result \$7.5 million, FBG Limited \$1.3 million)	–	(3.7)	–	(20.8)
	–	(8.9)	18.7	128.1

## Notes to the Financial Statements (continued)

Note 5 Income tax	1999		1998	
	FBG LIMITED		CONSOLIDATED	
	\$m	\$m	\$m	\$m
The amount of income tax attributable to operating profit as shown in the profit and loss statement 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 36%	85.4	95.0	195.7	198.5
tax effect of				
– non-recognition of future income tax benefits (FITB)	–	2.7	41.3	69.8
– utilisation of previously unbooked FITB	–	(144.4)	(14.6)	(57.5)
– depreciation and amortisation not allowable			5.2	34.6
– rebateable dividends	(71.3)	–	(0.5)	(0.6)
– non-deductible expenditure and losses (net of non-deductible income)	2.1	3.3	(18.6)	(34.8)
– transfer of losses under Group relief	–	47.5		
– utilisation of available losses	–	(4.3)	(66.0)	(70.7)
– other	(0.9)	(0.4)	16.2	(6.4)
– foreign tax rate differential			0.9	11.1
– under/(over) provisions in previous years	–	0.1	(1.4)	(3.4)
<b>income tax expense/(benefit) per profit and loss statement</b>	<b>15.3</b>	<b>(0.5)</b>	<b>158.2</b>	<b>140.6</b>
Comprising:				
income tax expense/(benefit) on operating profit	15.3	(0.5)	158.2	150.8
income tax (benefit) on net abnormal items			–	(10.2)
	15.3	(0.5)	158.2	140.6
add/(less) income tax expense/(benefit) arising from items taken to foreign currency translation reserve (refer note 17)			1.5	(23.6)
<b>total income tax expense</b>			<b>159.7</b>	<b>117.0</b>

### 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 \$496 million (1998 \$234 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.

Note 6 Cash	1999		1998	
	FBG LIMITED		CONSOLIDATED	
	\$m	\$m	\$m	\$m
at bank, on hand and in transit	0.4	–	78.9	59.2
on deposit			85.6	240.3
	0.4	–	164.5	299.5

The cash on deposit for the consolidated entity is at floating interest rates between 2.6% and 5.3% (1998 5.0% and 8.5%).

Note 7 Receivables	1999		1998	
	FBG LIMITED		CONSOLIDATED	
	\$m	\$m	\$m	\$m
<b>Current</b>				
trade debtors	1.5	1.5	271.4	242.7
provision for doubtful debts			(16.3)	(25.6)
other debtors	0.1	0.4	49.6	50.6
provision for doubtful debts			(0.9)	(0.9)
loans to other persons	0.3	0.1	24.2	33.7
provision for doubtful debts	(0.3)	(0.1)	(0.3)	(8.9)
employee share plan loans	1.4	0.7	1.4	0.7
amounts due from controlled entities	2,570.8	2,575.7		
provision for doubtful debts	(544.9)	(544.9)		
	2,028.9	2,033.4	329.1	292.3
<b>Non-current</b>				
trade debtors			23.5	26.7
provision for doubtful debts			(23.0)	(22.1)
loans to Directors of Group entities	0.7	0.5	0.7	0.5
loans to other persons			18.1	30.2
employee share plan loans	29.3	12.8	29.3	12.8
	30.0	13.3	48.6	48.1

The interest rate on loans to other persons varies between 6.0% and 12.0% (1998 9.0% and 12.0%).

Note 8 Inventories	1999		1998	
	FBG LIMITED		CONSOLIDATED	
	\$m	\$m	\$m	\$m
<b>Current</b>				
finished goods at cost			172.6	159.7
raw materials and stores at cost			58.9	50.4
work in progress at cost			141.0	101.3
			372.5	311.4
properties held for development and sale at net realisable value				
– cost of acquisition			128.0	22.8
– development costs			20.3	9.6
– rates, taxes, interest			2.8	1.9
– at valuation			–	4.9
provision for diminution			(22.1)	(2.4)
			129.0	36.8
			501.5	348.2
<b>Non-current</b>				
work in progress at cost			112.4	103.6
properties held for development and sale at net realisable value				
– cost of acquisition			173.9	252.1
– development costs			39.5	16.5
– rates, taxes, interest			1.0	2.3
provision for diminution			(90.3)	(91.3)
			236.5	283.2
<b>Total inventories</b>			<b>738.0</b>	<b>631.4</b>

## Notes to the Financial Statements (continued)

Note 9 Investments	1999		1998	
	FBG LIMITED		CONSOLIDATED	
	\$m	\$m	\$m	\$m
<b>Current</b>				
unquoted shares at cost			–	13.3
provision for diminution			–	(7.3)
interest in partnerships				
– at cost			–	27.9
– provision for diminution			–	(14.9)
			–	19.0
<b>Non-current</b>				
<b>Controlled entities</b>				
unquoted shares				
– at Directors' valuation 1994	987.7	987.7		
– at cost	143.7	143.7		
<b>Other</b>				
quoted shares at cost			3.6	3.6
provision for diminution			(3.6)	(3.1)
unquoted shares at cost			27.8	119.3
provision for diminution			(11.6)	(14.4)
interest in partnerships				
– at cost			35.5	41.7
– provision for diminution			–	(6.1)
other at cost			–	0.1
	1,131.4	1,131.4	51.7	141.1
quoted shares at market value			1.4	2.1

Note 10 Property, plant and equipment	1999		1998	
	FBG LIMITED		CONSOLIDATED	
	\$m	\$m	\$m	\$m
<b>Land, buildings and improvements</b>				
<b>Freehold</b>				
at Directors' valuation 1999			1,098.3	–
at Directors' valuation 1996			–	529.0
accumulated depreciation			–	(11.9)
at cost			–	201.7
accumulated depreciation			–	(3.2)
<b>Leasehold</b>				
at Directors' valuation 1999	5.7	–	30.0	–
at Directors' valuation 1996	–	4.0	–	15.8
accumulated depreciation	–	(0.9)	–	(2.6)
at cost	–	3.8	–	17.9
accumulated depreciation	–	–	–	(4.4)
<b>Vineyard improvements</b>				
at Directors' valuation 1999			103.8	–
at Directors' valuation 1996			–	61.8
accumulated depreciation			–	(1.9)
at cost			–	19.3
accumulated depreciation			–	(0.3)
projects in progress at cost			24.8	22.0
	5.7	6.9	1,256.9	843.2
<b>Plant and equipment</b>				
at Directors' valuation 1999	14.5	–	869.5	–
at Directors' valuation 1996	–	15.9	–	623.2
accumulated depreciation	–	(2.1)	–	(84.7)
at cost	–	2.5	–	341.0
accumulated depreciation	–	(0.3)	–	(82.5)
under finance lease			7.0	8.4
accumulated amortisation			(1.8)	(2.3)
projects in progress at cost	3.8	0.1	68.4	68.5
	18.3	16.1	943.1	871.6
	24.0	23.0	2,200.0	1,714.8

## Notes to the Financial Statements (continued)

Note 11 Intangibles	1999		1998	
	FBG LIMITED		CONSOLIDATED	
	\$m	\$m	\$m	\$m
brand names, mailing lists, patents and licences at – Directors' valuation 1994			668.6	668.6
– cost			373.9	303.6
accumulated amortisation			(6.3)	(3.1)
			1,036.2	969.1
goodwill at cost			279.5	225.7
accumulated amortisation			(40.9)	(28.6)
			238.6	197.1
			1,274.8	1,166.2

Note 12 Other assets	1999		1998	
	FBG LIMITED		CONSOLIDATED	
	\$m	\$m	\$m	\$m
<b>Current</b>				
prepayments	0.3	0.5	19.2	19.5
deferred expenses			6.0	1.4
	0.3	0.5	25.2	20.9
<b>Non-current</b>				
future income tax benefit	6.0	4.3	68.1	77.1
deferred expenses			8.0	9.4
	6.0	4.3	76.1	86.5

Note 13 Accounts payable	1999		1998	
	FBG LIMITED		CONSOLIDATED	
	\$m	\$m	\$m	\$m
<b>Current</b>				
trade creditors	12.9	14.7	221.7	244.1
other creditors			233.4	213.6
	12.9	14.7	455.1	457.7
<b>Non-current</b>				
other creditors			48.0	32.3

Note 14 Borrowings	1999		1998	
	FBG LIMITED		CONSOLIDATED	
	\$m	\$m	\$m	\$m
<b>Current</b>				
secured borrowings				
– bank overdraft			–	5.8
– bank loans			3.7	11.6
– lease liabilities			2.2	2.0
unsecured borrowings				
– bank overdraft	–	0.1	25.1	6.2
– bank loans			27.6	106.2
– other			99.6	30.6
amounts due to controlled entities	824.7	807.1		
	824.7	807.2	158.2	162.4
<b>Non-current</b>				
secured borrowings				
– bank loans			6.4	7.2
– lease liabilities			3.4	4.1
unsecured borrowings				
– bank loans			103.9	29.2
– other			898.6	704.3
			1,012.3	744.8
Total net borrowings (including lease liabilities) consist of:				
current	–	0.1	158.2	162.4
non-current			1,012.3	744.8
Total gross borrowings	–	0.1	1,170.5	907.2
Less – cash (Note 6)	(0.4)	–	(164.5)	(299.5)
<b>Total net borrowings</b>	(0.4)	0.1	1,006.0	607.7
<b>Reconciliation of net borrowings</b>				
net borrowings/(cash) at the beginning of the year	0.1	2.9	607.7	1,134.7
proceeds from borrowings			2,078.8	957.5
repayment of borrowings			(1,804.2)	(1,400.9)
total cash flows from activities	(0.5)	(2.8)	142.6	(165.5)
debt acquired/(disposed) on consolidation of controlled entities			(24.8)	48.5
effect of exchange rate changes on foreign currency borrowings			5.9	33.4
<b>net borrowings/(cash) at the end of the year</b>	(0.4)	0.1	1,006.0	607.7

Secured bank loans totalling \$10.1 million are secured by mortgages over freehold land and buildings. Bank loans and other loans have interest rates ranging between 3.3% – 9.3%. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

## Notes to the Financial Statements (continued)

Note 15 Provisions	1999		1998	
	FBG LIMITED		CONSOLIDATED	
	\$m	\$m	\$m	\$m
<b>Current</b>				
dividends	129.7	102.8	129.7	102.8
taxation	16.9	–	107.5	90.4
employee entitlements	5.2	4.0	53.9	43.9
other	10.0	13.8	41.8	57.6
	161.8	120.6	332.9	294.7
<b>Non-current</b>				
deferred income tax	0.1	0.1	140.5	139.0
employee entitlements	0.7	2.0	24.3	26.3
other			38.0	43.7
	0.8	2.1	202.8	209.0

The aggregates of provisions for employee entitlements as shown above are \$78.2 million, consolidated (1998 \$70.2 million), and \$5.9 million, FBG Limited (1998 \$6.0 million).

Note 16 Share capital	1999		1998	
	FBG LIMITED		CONSOLIDATED	
	\$m	\$m	\$m	\$m
<b>Paid-up capital</b>				
Ordinary shares – fully paid	1,955.8	1,712.7	1,959.5	1,712.7
Employee shares of \$1 paid to 1.67 cents	–	0.7	–	0.7
	1,955.8	1,713.4	1,959.5	1,713.4
<b>Movements in share capital</b>				
Opening balance				
– ordinary fully paid shares	1,712.7	1,962.8	1,712.7	1,962.8
– employee shares of \$1 paid to 1.67 cents	0.7	0.7	0.7	0.7
	1,713.4	1,963.5	1,713.4	1,963.5
Plus: transfers from reserves				
– share premium reserve	273.7	–	274.7	–
– capital redemption reserve	3.3	–	6.0	–
– capital reconstruction reserve	3.2	–	3.2	–
5,300,400 (1998 4,371,800) employee shares issued at \$3.92 per share	20.8	4.4	20.8	4.4
4,316,363 shares issued on exercise of options				
– 4,016,363 @ \$2.12	8.5	–	8.5	–
– 300,000 @ \$2.36	0.7	–	0.7	–
415,080 employee share calls on partly paid shares	1.8	–	1.8	–
Buy-back of 38,953,698 partly paid shares	(67.3)	–	(67.3)	–
Costs incurred in relation to the buy-back of partly paid shares	(2.3)	–	(2.3)	–
Share buy-back (1998 254,451,372 shares)	–	(254.5)	–	(254.5)
	1,955.8	1,713.4	1,959.5	1,713.4

Note 16 Share capital (continued)	1999		1998	
	FBG LIMITED			
	shares m	shares m		
Opening balance				
– ordinary fully paid shares	1,712.7	1,962.8		
– employee shares	41.4	41.4		
	1,754.1	2,004.2		
5,300,400 (1998 4,371,800) employee shares issued	5.3	4.4		
4,316,363 shares issued from exercise of options	4.3	–		
Buy-back of 38,953,698 partly paid shares	(38.9)	–		
Share buy-back (1998 254,451,372 shares)	–	(254.5)		
	1,724.8	1,754.1		

### Transfers from reserves

In accordance with section 1446 of the Corporations Law, the amounts standing to the credit of the share premium reserve, the capital redemption reserve and the capital reconstruction reserve on 1 July 1998 became part of share capital. This was a consequence of the abolition of par values of shares which took effect on 1 July 1998.

### FBG Employee Share and Option Plan

#### Ordinary shares

Under the terms of the FBG 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 (refer Note 30).

During the year, 5,300,400 fully paid ordinary shares were issued pursuant to the Plan to 2,781 Group employees. The shares were allotted at a price of \$3.92, which was the weighted average price of Foster's Brewing Group Limited shares traded on the ASX between 7 December and 11 December 1998 (inclusive), less 50 cents per share, in accordance with FBG Employee Share and Option Plan rules.

#### Share options

On issue at reporting date were options over 12,200,000 (1998 16,980,000) unissued ordinary shares, issued under the Foster's Employee Share and Option Plan.

On 10 September 1998, 4,016,363 options were exercised at a price of \$2.12 and 300,000 were exercised at a price of \$2.36. 463,637 share options at the exercise price of \$2.12 were not taken up and expired in September 1998.

There were no options issued during the year.

Options over 2,640,000 unissued ordinary shares were issued in 1998. 1,800,000 were issued at an exercise price of \$2.73 per share and of these 1,100,000 options are exercisable in 1999 and 700,000 are exercisable in 2000. 840,000 were issued at an exercise price of \$2.48 per share exercisable in two equal tranches in 1999 and 2000.

Options can only be exercised if the last sale price of the Company's shares on the ASX reaches or exceeds on any five consecutive business days during the 12 months preceding the date of exercise \$3.08 in respect of the options expiring in 1999 and \$3.40 in respect of the options expiring in 2000. The criteria allowing the options expiring in 1999 to be exercised have been met.

#### Employee shares

A total of 2,036,760 (1998 41,405,538) of these shares are on issue at the reporting date.

On 27 January 1999, the shareholders approved at the extraordinary general meeting, a selective buy-back of all the partly paid shares on issue. There were 41,405,538 partly paid shares on issue at that date.

The Company offered to buy back some or all of 41,405,538 partly paid shares on issue by paying to the holders of the partly paid shares the estimated fair market value of their partly paid shares as determined by independent experts.

The formal offer to the registered holders of the partly paid shares closed on 26 February 1999. However, Buy-Back Agreements received after 26 February 1999 but before 27 January 2000 may, at the Company's discretion, be executed. A Buy-Back Agreement received after 27 January 2000 cannot be executed by the Company.

The Buy-Back Agreement provides that if the terms of issue of the partly paid shares allow any partly paid share to be called before that partly paid share has been transferred to the Company, the Buy-Back Agreement is varied to exclude that partly paid share.

A total of 38,953,698 partly paid shares have now been bought back by the Company for a total consideration of \$67,328,997. FBG Superannuation Limited and FBG Superannuation (No.2) Pty. Limited no longer hold any partly paid shares. FBG Incentive Pty. Ltd. continues to hold partly paid shares on trust for former and current employees of the Group.

There are 2,036,760 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 FBG Limited has exceeded the issue price of the relevant partly paid share for a period of not less than 40 consecutive business days. A call made following an employee ceasing to be an employee of the Group will be cancelled if the shares are transferred to an Approved or Plan Transferee before the call falls due.

## Notes to the Financial Statements (continued)

Note 17 Reserves	1999		1998	
	FBG LIMITED		CONSOLIDATED	
	\$m	\$m	\$m	\$m
capital redemption reserve	–	3.3	–	6.0
capital reconstruction reserve	–	3.2	–	3.2
asset revaluation reserve	3.1	3.3	318.9	267.4
share premium reserve	–	273.7	–	274.7
foreign currency translation reserve			(15.1)	3.5
	3.1	283.5	303.8	554.8
<b>Abolition of par value of shares</b>				
On 1 July 1998, as a consequence of the abolition of the concept of the “par value” of shares by the Company Law Review Act 1998, the “Issued and Paid-up Capital” account was renamed “share capital”. The following amounts were transferred from reserves to the ordinary share capital account:				
Share premium reserve		273.7		274.7
Capital redemption reserve		3.3		6.0
Capital reconstruction reserve		3.2		3.2
		280.2		283.9
<b>Details of movements</b>				
Capital redemption reserve				
opening balance	3.3	3.3	6.0	6.0
transfer to Share capital	(3.3)	–	(6.0)	–
closing balance	–	3.3	–	6.0
Capital reconstruction reserve				
opening balance	3.2	3.2	3.2	3.2
transfer to Share capital	(3.2)	–	(3.2)	–
closing balance	–	3.2	–	3.2
Asset revaluation reserve				
opening balance	3.3	3.3	267.4	343.0
transfers to retained profits			–	(75.6)
net revaluation of assets	(0.2)	–	51.5	–
closing balance	3.1	3.3	318.9	267.4
Share premium reserve				
opening balance	273.7	638.7	274.7	639.7
issue of shares – employee share plan	–	5.5	–	5.5
share buy-back	–	(370.5)	–	(370.5)
transfer to Share capital	(273.7)	–	(274.7)	–
closing balance	–	273.7	–	274.7
Foreign currency translation reserve				
opening balance			3.5	(146.6)
transfer (to)/from retained profits			(9.7)	140.4
translation gain/(loss) on investment in foreign controlled entities, net of hedging and after allowing for a related income tax loss of \$1.5 million (1998 benefit \$23.6 million) – refer also Note 5			(8.9)	9.7
closing balance			(15.1)	3.5

Note 18 Outside equity interests in controlled entities	1999		1998	
			CONSOLIDATED	
			\$m	\$m
share capital			13.3	42.5
retained profits/(accumulated losses)			23.8	(46.6)
reserves			(1.4)	8.9
			35.7	4.8

Note 19 Earnings per share	1999		1998	
			CONSOLIDATED	
Basic earnings per share (cents) based on operating profit after income tax attributable to members of Foster's Brewing Group Limited				
– before abnormal items			21.2	15.9
– after abnormal items			21.5	25.8
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share (in thousands)				
			1,719,580	1,731,716
Diluted earnings per share (cents) based on operating profit after income tax attributable to members of Foster's Brewing Group Limited				
– before abnormal items			21.1	15.8
– after abnormal items			21.3	25.6
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share (in thousands)				
			1,732,599	1,747,084

There was a conversion of 4,316,363 employee options to ordinary shares during the year.

Note 20 Dividends	1999		1998	
	FBG LIMITED		CONSOLIDATED	
	\$m	\$m	\$m	\$m
The amount of dividends that have been or will be franked (tax rate of 36%)	224.7	188.4	224.7	188.4
All the proposed dividends will be 100% franked at a tax rate of 36% out of existing franking credits or out of franking credits arising from the payment of income tax in the period subsequent to 30 June 1999.				
Amount of franking credits available for the subsequent financial year	17.2	30.3	17.2	30.3

The above amount represents the balances of the franking accounts as at the end of the financial year, adjusted for income tax payable, dividends proposed and franking credits that may be prevented from being distributed in the subsequent year.



## Notes to the Financial Statements (continued)

### Note 21 Remuneration of Directors and executives (continued)

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. Comparatives have been altered as necessary to clarify that executive vice-presidents and senior vice-presidents that head the Group's various business units are also executive officers of the parent.

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

### Note 22 Auditors' remuneration

	1999		1998	
	FBG LIMITED	CONSOLIDATED	FBG LIMITED	CONSOLIDATED
	\$'000	\$'000	\$'000	\$'000
Amounts received, or due and receivable, by the auditors for auditing and reviewing of the financial statements				
– auditors of FBG Limited	640	539	1,556	1,604
– associated firms of FBG Limited's auditors			474	562
Amounts received, or due and receivable, by the auditors for internal audit services				
– auditors of FBG Limited	1,030	726	1,030	726
Amounts received, or due and receivable, by the auditors for other services				
– auditors of FBG Limited	2,925	2,883	3,061	3,169
– associated firms of FBG Limited's auditors	303	121	1,749	1,959

### Note 23 Commitments

	1999		1998	
	FBG LIMITED	CONSOLIDATED	FBG LIMITED	CONSOLIDATED
	\$m	\$m	\$m	\$m
<b>Leases</b>				
Finance leases				
expenditure contracted for in the financial statements				
– under 1 year			2.3	2.3
– between 1 and 2 years			2.1	2.3
– between 2 and 5 years			1.6	2.1
total commitments			6.0	6.7
less future finance charges			(0.4)	(0.6)
finance lease liabilities			5.6	6.1
current (Note 14)			2.2	2.0
non-current (Note 14)			3.4	4.1
			5.6	6.1
Non-cancellable operating leases				
expenditure contracted but not provided for in the financial statements				
– under 1 year	0.5	0.5	28.2	25.2
– between 1 and 2 years	0.5	0.2	22.5	19.1
– between 2 and 5 years	0.4	0.3	41.8	39.7
– over 5 years			46.0	45.7
total commitments	1.4	1.0	138.5	129.7

### Note 23 Commitments (continued)

	1999		1998	
	FBG LIMITED	CONSOLIDATED	FBG LIMITED	CONSOLIDATED
	\$m	\$m	\$m	\$m
Capital expenditure and other commitments				
The following expenditure has been contracted but not provided for in the financial statements.				
Capital expenditure				
– under 1 year			17.6	6.3
– between 1 and 2 years			–	–
– between 2 and 5 years			0.2	–
			17.8	6.3
Other commitments				
– under 1 year			9.9	8.5
– between 1 and 2 years			–	0.2
– between 2 and 5 years			–	–
			9.9	8.7

### Note 24 Contingent liabilities

	1999		1998	
	FBG LIMITED	CONSOLIDATED	FBG LIMITED	CONSOLIDATED
	\$m	\$m	\$m	\$m
Arising in respect of individual Group entities:				
amounts uncalled on shares in controlled entities	698.1	698.1		
Arising in respect of related bodies corporate:				
guarantees				
– banks and other financiers	1,242.6	979.1		
– other persons			1.0	1.0
Arising in respect of other persons:				
guarantees				
– banks and other financiers			26.1	25.8
– other persons			4.2	2.7
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	10.9	9.3	13.4	12.1

In August 1992 the liquidator of Linter Group Limited (in liquidation) and certain other parties made claims against a number of parties including EFG Australia Limited (EFG) and ELFIC Limited (ELFIC) arising out of financing transactions between these entities and Entrad Limited. EFG and ELFIC deny any liability, are defending the proceedings and have initiated counterclaims against certain parties.

ELFIC has commenced action against a debtor in relation to an outstanding debt. The debtor has cross claimed by commencing an action against EFG, ELFIC and EFG Leasing Limited (EFG Leasing). The cross claim alleges wrongdoing in relation to certain financing transactions. EFG, ELFIC, and EFG Leasing have been advised that based on information available the claims should fail. The companies have denied liability and are vigorously defending the proceedings.

The liquidator of the Emanuel Group of companies has commenced legal action against several companies in the Group, including FBG Limited. 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. FBG Limited and the other Group 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.

## Notes to the Financial Statements (continued)

Note 25 Segment results										
	TOTAL OPERATING REVENUE		INTER-SEGMENT SALES		NET EXTERNAL OPERATING REVENUE		OPERATING PROFIT BEFORE INCOME TAX		TOTAL ASSETS AT YEAR END	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
<b>Industry segments</b>										
Beer – Continuing	1,579.1	1,498.1	(58.5)	(35.1)	1,520.6	1,463.0	371.9	327.0	2,128.6	2,075.4
– Molson	–	740.7			–	740.7	–	74.7	–	–
Retail	756.6	501.2			756.6	501.2	81.2	54.1	849.4	449.1
Wine	583.9	418.8	(2.4)		581.5	418.8	119.9	82.5	1,354.8	1,083.6
Property and investments	193.8	90.7			193.8	90.7	45.5	28.6	292.5	370.3
Corporate	35.1	47.4			35.1	47.4	(32.4)	(32.1)	282.7	441.4
Abnormal items	37.5	1,637.0			37.5	1,637.0	18.7	128.1	–	–
	3,186.0	4,933.9	(60.9)	(35.1)	3,125.1	4,898.8	604.8	662.9	4,908.0	4,419.8
Unallocated										
Net interest expense							(61.1)	(111.4)		
							543.7	551.5		
<b>Geographical segments</b>										
Australia and Pacific	2,812.9	2,434.1	(60.9)	(35.1)	2,752.0	2,399.0	541.1	481.4	4,105.9	3,977.3
Asia	76.3	65.1			76.3	65.1	(24.3)	(42.2)	114.9	133.1
Europe	164.8	41.5			164.8	41.5	70.2	19.7	451.2	71.6
Americas	94.5	756.2			94.5	756.2	(0.9)	75.9	236.0	237.8
Abnormal items	37.5	1,637.0			37.5	1,637.0	18.7	128.1	–	–
	3,186.0	4,933.9	(60.9)	(35.1)	3,125.1	4,898.8	604.8	662.9	4,908.0	4,419.8

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

This year the Retail business (Australian hotel operations principally comprising hospitality and entertainment) of Carlton and United Breweries has been identified as a separate industry segment. In prior periods, the Retail

business was included in the Beer segment. The Group disposed of its investment in Molson in 1998 and these results have been disclosed separately. The Lensworth division is included in "Property and investments". 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.

### Note 26 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 Group 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 Group entities, for defined benefit funds, is determined by actuarial valuations, which are carried out at regular intervals not exceeding three years.

Group 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.

During the period, the assets and members' entitlements in the Carlton and United Breweries Limited Staff Superannuation Scheme were transferred into the Foster's Brewing Group Superannuation Fund.

At 30 June 1998 the Foster's Brewing Group Superannuation Fund held 21,055,404 Foster's Brewing Group Limited shares paid to 1.67 cents in its capacity as an Approved Plan Transferee under the Foster's Brewing Group Limited employee share plans. All shares were bought back by the Company during the year for \$39,177,209.

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

### Note 26 Superannuation commitments (continued)

FUND	BENEFIT TYPE	BASIS OF CONTRIBUTION	DATE OF LAST ACTUARIAL VALUATION	ACTUARY
Foster's Brewing Group Superannuation Fund	Defined Benefit Lump Sum	Balance of cost	June 1996	RS Mitchell FIA, FIAA, ASA

The latest actuarial valuation at 1 July 1996 identified the value of the Foster's Brewing Group Superannuation Fund assets to be \$150.4 million. Fully vested benefits at this date were \$112.7 million (fund assets in excess

by \$37.7 million). Accrued benefits at this date were \$113.1 million (fund assets in excess by \$37.3 million). Other funds have been consolidated into the Foster's Brewing Group Superannuation Fund since this date.

	1999	1998
	CONSOLIDATED	
	\$m	\$m
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:		
Foster's Brewing Group Superannuation Fund		
Fund assets	285.7	171.7
Vested benefits	(218.7)	(130.4)
Employer contributions to the fund	0.4	0.4
Employer contributions payable to the fund	–	–
Aggregate totals		
Fund assets	287.3	181.9
Vested benefits	(220.2)	(139.8)
Employer contributions to the fund	0.4	0.4
Employer contributions payable to the fund	–	–

Fund assets and vested benefits for the above funds are as at 30 June 1999. The Group is not aware of any material adverse movements in the financial position of those funds since the last actuarial valuations. Accrued benefits are benefits which the fund is presently obliged to pay at some future date,

as a result of the membership of the fund. Vested benefits are member entitlements which are not conditional upon the continued membership and are payable on resignation from the fund.

### Note 27 Notes to the statements of cash flows

	1999	1998	1999	1998
	FBG LIMITED		CONSOLIDATED	
	\$m	\$m	\$m	\$m
<b>Reconciliation of cash</b>				
For the purpose of the statements 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 statement of cash flows is reconciled to the related items in the balance sheet as follows:				
cash at bank, on hand and in transit (Note 6)	0.4	–	78.9	59.2
cash on deposit (Note 6)	–	–	85.6	240.3
bank overdrafts (Note 14)	–	(0.1)	(25.1)	(12.0)
	0.4	(0.1)	139.4	287.5

## Notes to the Financial Statements (continued)

Note 27 Notes to the statement of cash flows (continued)	1999		1998	
	FBG LIMITED		CONSOLIDATED	
	\$m	\$m	\$m	\$m
<b>Reconciliation of net cash flows from operating activities to operating profit after income tax</b>				
operating profit after income tax	222.2	264.4	385.5	410.9
depreciation and amortisation	2.6	1.6	122.0	106.8
contributions from partnerships			(10.5)	26.4
(profit)/loss on sale of non-current assets	(0.1)	(0.1)	(43.4)	(6.6)
provisions	0.2	8.3	30.1	28.7
capitalised borrowing costs			(7.0)	(2.7)
movement in unrealised foreign exchange			(7.4)	(15.5)
change in working capital, net of effects from acquisition/disposal of controlled entities				
– receivables	(50.6)	(50.9)	(1.1)	45.6
– inventories			(54.6)	(47.1)
– other assets	0.2	–	15.3	(3.5)
– accounts payable	(1.9)	0.9	(45.1)	(204.0)
– provisions	11.4	6.7	(35.4)	(13.8)
other	–	2.2	(2.4)	(1.4)
net cash flows on behalf of Group entities	(198.1)	(78.3)		
<b>net cash flows from operating activities</b>	<b>(14.1)</b>	<b>154.8</b>	<b>346.0</b>	<b>323.8</b>
<b>Entities acquired</b>				
Consideration paid and accrued				
– cash			476.1	274.7
– debt acquired			–	(95.4)
– accrued			45.8	19.1
			521.9	198.4
Net assets acquired				
– cash			18.8	10.2
– receivables			33.7	18.9
– inventories			83.5	73.7
– property, plant and equipment			351.6	87.8
– intangibles			64.6	66.5
– accounts payable			(44.8)	(17.3)
– borrowings			(16.6)	(29.8)
– provisions			(46.0)	(6.6)
– other			10.0	7.8
			454.8	211.2
Outside equity interest acquired			(16.8)	(1.3)
Goodwill acquired			73.9	82.8
			511.9	292.7
Cash consideration (net of debt acquired)			476.1	179.3
less: net cash balances acquired			(18.8)	(10.2)
			457.3	169.1

Note 27 Notes to the statement of cash flows (continued)	1999		1998	
	FBG LIMITED		CONSOLIDATED	
	\$m	\$m	\$m	\$m
<b>Entities disposed of</b>				
Consideration <sup>1</sup>				
– cash			3.5	1,048.3
– accrued			4.0	–
			7.5	1,048.3
Net assets disposed of				
– cash			0.8	–
– current receivables			(0.9)	–
– inventories			0.3	–
– property, plant and equipment			0.1	–
– other assets			(1.6)	–
– investments			–	773.4
– provisions			(0.3)	(138.6)
– accounts payable			(2.9)	–
– borrowings			(23.5)	(66.5)
			(28.0)	568.3
profit on disposal			35.5	480.0

1. In June 1998, the Group sold its entire 50% interest in the Molson Breweries Partnership and 24.95% interest in Coors Canada to The Molson Companies Limited. Cash received from the sale of the Molson Partnership structure comprised the sale price of A\$1,114.8 million (\$Can 1,000.0 million) less debt in the structure of A\$66.5 million (\$Can 59.6 million).

Note 28 Standby arrangements and unused credit facilities	1999	1998
	CONSOLIDATED	
	\$m	\$m
Committed arrangements/facilities available to the Group:		
Arrangements to provide standby funds and/or support facilities	1,312.1	1,404.4
Amounts utilised	458.7	154.3
Amount of credit unused	853.4	1,250.1

Details of major arrangements are as follows:

### Bank loans

Total facilities are \$1,305.7 million (1998 \$1,385.6 million) of which \$853.4 million was unutilised (1998 \$1,250.1 million). Facilities totalling \$921.9 million have maturity dates beyond June 2002. These facilities are reviewable annually for further extension by mutual agreement.

## Notes to the Financial Statements (continued)

### Note 29 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 Brewing 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 and interest rate 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
- types of derivative financial instruments which may be utilised to hedge the Group's foreign currency and interest rate exposures.

#### Interest rate risk

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 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.

1999	NOTES	FLOATING INTEREST RATE	FIXED INTEREST RATE 1 YEAR OR LESS	MATURING IN: 1 TO 5 YEARS	OVER 5 YEARS	NON-INTEREST BEARING	TOTAL
		\$m	\$m	\$m	\$m	\$m	\$m
<b>Financial assets</b>							
Cash	6	164.5					164.5
Receivables <sup>1</sup>	7		24.5	1.0	15.0	306.6	347.1
Investments	9					51.7	51.7
Total financial assets		164.5	24.5	1.0	15.0	358.3	563.3
Weighted average interest rate		4.8%	10.0%	6.0%	12.0%		
<b>Financial liabilities</b>							
Trade and other creditors	13					(503.1)	(503.1)
Bank overdraft	14	(25.1)					(25.1)
Bank loans <sup>2</sup>	14	(141.6)					(141.6)
Other loans	14	(240.6)			(757.6) <sup>3</sup>		(998.2)
Lease liabilities	14	(5.6)					(5.6)
Total financial liabilities		(412.9)	–	–	(757.6)	(503.1)	(1,673.6)
Net hedging activity <sup>4</sup>		(161.4)	50.0	–	111.4	–	–
Total financial liabilities including hedging activities		(574.3)	50.0	–	(646.2)	(503.1)	(1,673.6)
Weighted average interest rate		5.3%	5.3%		8.1%		
<b>Net hedging activity <sup>4</sup></b>							
Net movement on revaluation of USD bonds		(110.2)					(110.2)
Interest rate swaps		(50.0)	50.0		31.8		31.8
Cross currency swaps		(376.2)			454.6		78.4
Interest rate options		375.0			(375.0)		–
Net hedging activity		(161.4)	50.0	–	111.4	–	0.0

1. Excludes employee share plans.

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, i.e. interest rate and cross currency swaps, interest rate options and forward rate agreements.

### Note 29 Financial instruments (continued)

1998	NOTES	FLOATING INTEREST RATE	FIXED INTEREST RATE 1 YEAR OR LESS	MATURING IN: 1 TO 5 YEARS	OVER 5 YEARS	NON-INTEREST BEARING	TOTAL
		\$m	\$m	\$m	\$m	\$m	\$m
<b>Financial assets</b>							
Cash	6	299.5					299.5
Receivables <sup>1</sup>	7	2.8	0.1	12.4	15.1	296.5	326.9
Investments	9					160.1	160.1
Total financial assets		302.3	0.1	12.4	15.1	456.6	786.5
Weighted average interest rate		5.8%	9.0%	10.0%	12.0%		
<b>Financial liabilities</b>							
Trade and other creditors	13	(0.8)				(489.2)	(490.0)
Bank overdraft	14	(12.0)					(12.0)
Bank loans <sup>2</sup>	14	(154.2)					(154.2)
Other loans	14	80.2			(815.1) <sup>3</sup>		(734.9)
Lease liabilities	14	(6.1)					(6.1)
Total financial liabilities		(92.9)	–	–	(815.1)	(489.2)	(1,397.2)
Net hedging activity <sup>4</sup>		(53.8)	(65.0)	(50.0)	168.8	–	–
Total financial liabilities including hedging activities		(146.7)	(65.0)	(50.0)	(646.3)	(489.2)	(1,397.2)
Weighted average interest rate		8.2%	5.6%	6.0%	8.0%		
<b>Net hedging activity <sup>4</sup></b>							
Net movement on revaluation of USD bonds		(167.6)					(167.6)
Interest rate swaps		115.0	(65.0)	(50.0)	54.8		54.8
Cross currency swaps		(376.2)			489.0		112.8
Interest rate options		375.0			(375.0)		–
Net hedging activity		(53.8)	(65.0)	(50.0)	168.8	–	0.0

1. Excludes employee share plans.

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, i.e. interest rate and cross currency swaps, interest rate options and forward rate agreements.

#### 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 and Great Britain pounds.

The market value of foreign exchange contracts used to hedge the Group's net assets denominated in foreign currencies at reporting date was \$86.8 million (1998 \$68.9 million). The market value of the foreign exchange contracts used to hedge the Group's foreign currency transactional exposure was \$142.6 million (1998 \$299.6 million).

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 gain on hedges of anticipated sales and purchases denominated in foreign currencies at reporting date was \$6.1 million (1998 \$2.8 million loss).

## Notes to the Financial Statements (continued)

Note 29 Financial instruments (continued)	1999		1998	
	FACE VALUE OF CONTRACTS		AVERAGE EXCHANGE RATE	
	\$m	\$m		
At reporting date, the details of outstanding forward foreign exchange contracts are (Australian dollar equivalents):				
Buy CAD Sell AUD 0-6 months	5.1	607.0	0.9189	0.8884
Buy CAD Sell AUD 6-12 months	8.6	–	0.9303	–
Sell CAD Buy AUD 0-6 months	11.6	608.8	0.9222	0.8980
Sell CAD Buy AUD 6-12 months	15.0	–	0.9257	–
Sell CAD Buy AUD greater than 12 months	15.3	–	0.9505	–
Net CAD position – Sell CAD	28.2	1.8		
Buy EUR Sell AUD 0-6 months	4.4	–	0.6104	–
Buy EUR Sell AUD 6-12 months	0.4	–	0.6104	–
Sell EUR Buy AUD 0-6 months	1.5	–	0.6325	–
Sell EUR Buy AUD 6-12 months	29.1	–	0.6228	–
Buy EUR Sell USD 0-6 months	1.1	–	1.0667	–
Buy EUR Sell USD 6-12 months	0.5	–	1.0790	–
Net EUR position – Sell EUR	24.2	–		
Buy GBP Sell AUD 0-6 months	12.3	15.9	0.3971	0.3621
Buy GBP Sell AUD 6-12 months	13.2	–	0.3901	–
Sell GBP Buy AUD 0-6 months	70.4	78.9	0.4054	0.3715
Sell GBP Buy AUD 6-12 months	30.0	6.2	0.3856	0.4040
Sell GBP Buy AUD greater than 12 months	16.9	7.1	0.3896	0.4001
Net GBP position – Sell GBP	91.8	76.3		
Buy NZD Sell AUD 0-6 months	4.1	–	1.1843	–
Sell NZD Buy AUD 0-6 months	26.5	23.0	1.1731	1.1806
Sell NZD Buy AUD 6-12 months	7.6	–	1.1783	–
Buy NZD Sell USD 0-6 months	0.2	–	0.5282	–
Net NZD position – Sell NZD	29.8	23.0		
Buy USD Sell AUD 0-6 months	51.5	87.4	0.6469	0.5981
Buy USD Sell AUD 6-12 months	18.6	–	0.6382	–
Buy USD Sell AUD greater than 12 months	30.2	–	0.6622	–
Sell USD Buy AUD 0-6 months	109.9	193.5	0.6559	0.6116
Sell USD Buy AUD 6-12 months	40.1	5.1	0.6402	0.5900
Sell USD Buy AUD greater than 12 months	12.6	–	0.6364	–
Net USD position – Sell USD	62.3	111.2		
Buy Foreign Currency Sell AUD	–	0.3		
Sell Foreign Currency Sell AUD	–	9.6		
Currency Options sold – Sell USD	15.1	–	0.6606	–

### 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 balance sheet 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 Brewing 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 \$91.4 million (1998 \$124.9 million). The Group has a material exposure with one counterparty (which has a Standard & Poor's long-term credit rating of AA+) of \$43.2 million (1998 \$75.8 million) in respect to derivative financial instruments. The Group is not materially exposed, in respect of financial assets, 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 \$35.6 million (1998 \$67.5 million).

## Note 29 Financial instruments (continued)

### 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.

THE CARRYING AMOUNT AND NET FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AS AT REPORTING DATE ARE:	1999	1998	1999	1998
	CARRYING AMOUNT	CARRYING AMOUNT	NET FAIR VALUE	NET FAIR VALUE
	\$m	\$m	\$m	\$m
<b>Financial assets</b>				
Cash	164.5	299.5	164.5	299.5
Trade debtors	255.6	221.7	255.6	221.7
Other debtors	48.7	49.7	48.7	49.7
Loans to Directors and other persons	42.7	55.5	42.7	55.5
Quoted shares	–	0.5	–	2.1
Unquoted shares	16.2	110.9	16.2	110.9
Unquoted options and other investments	–	0.1	–	0.1
Interest in partnerships	35.5	48.6	35.5	48.6
Total financial assets	563.2	786.5	563.2	788.1
<b>Financial liabilities</b>				
Trade and other creditors	503.1	490.0	503.1	490.0
Bank overdraft	25.1	12.0	25.1	12.0
Bank loans	141.6	154.2	141.6	154.2
Other loans	998.2	734.9	998.2	734.9
Lease liabilities	5.6	6.1	5.6	6.1
Total financial liabilities	1,673.6	1,397.2	1,673.6	1,397.2

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 independent market quotations and determined 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.

## Notes to the Financial Statements (continued)

Note 29 Financial instruments (continued)	1999	1998
THE NET FAIR VALUE OF OFF-BALANCE SHEET DERIVATIVE FINANCIAL INSTRUMENTS HELD AT REPORTING DATE ARE:		
	NET FAIR VALUE	
	\$m	\$m
Interest rate hedging instruments		
– interest rate swaps	32.8	56.8
– cross currency swaps	78.4	112.0
– interest rate options	(15.1)	(23.2)
Foreign currency hedging instruments		
– foreign exchange contracts	8.1	(9.1)
– currency options	(0.2)	–

In addition to the above, the Group has entered into a series of deferred start cross currency interest rate swaps in order to extend its interest rate hedge cover on its USD \$300 million borrowings which mature in 2016. The net effect of these transactions is \$325 million (1998 \$375 million) being hedged at an average

AUD fixed interest rate of 7.3% (1998 7.4%) out to the year 2011 and an AUD equivalent (yet to be determined) of USD \$300 million (1998 USD \$100 million) at floating AUD interest rate for the balance of the period until 2016 (1998 2006).

Note 30 Related party disclosures	1999	1998	1999	1998
	FBG LIMITED		CONSOLIDATED	
	\$'000	\$'000	\$'000	\$'000
<b>Directors</b>				
The following persons held the position of Director of Foster's Brewing Group Limited during the financial year:				
Messrs GA Cohen, B Healey, FG Hilmer, JT Ralph, ET Kunkel, GW McGregor and FJ Swan.				
<b>Director-related transactions</b>				
In accordance with the terms of the FBG 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	443	341	443	341
Aggregate of repayments received from Directors during the year:				
– share plan loans	199	35	199	35

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 FBG Employee Share and Option Plan nor were there loans to such Directors).

CR McPherson, M Miles, B Moore, T Murray, CJ O'Dwyer, JF O'Grady, TL O'Hoy, VJ Patrick, J Parkinson, MF Pelly, NR Phillips, M Prechelt, S Prendergast, GD Rankin, BA Richardson, JT Ryan, RW Scully, IAJ Shannon, J Shortt, DM Smith, IDF Smith, RJ Smith, ST Tan, SH Tee, PJ Turner, RG Willersdorf, SJW Wilson.

Messrs GL Bainbridge, PA Bobeff, IW Booker, RP Bowen, JF Bresnan, MP Brooks, PJM Browne, LJ Bullock, VT Cain, A Chu, DM Coelho, GS Cook, BH Cracknell, BJ Croarken, NA D'Aquino, TJ Davis, JC Dawson, MV Dean, MR De Garis, RK Dudfield, BM Dunham, BD Elliott, AA Gardner, KJ Gittoes, PCG Goodson, RNC Hammond, JYS Hu, A Jefferies, AJ Kemp, PR Kennedy, HL King, JS King, RC King, J Koa, ET Kunkel, IHW Lam, JL Latchford, RB MacMillan, K McNairn,

During the year, in accordance with a waiver granted by Australian Stock Exchange Limited, Mr Kunkel purchased 2,000 (1998 2,000) ordinary shares of \$1.00 each pursuant to the terms and conditions of the FBG 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 16).

Note 30 Related party disclosures (continued)	1999	1998	1999	1998
	FBG LIMITED		CONSOLIDATED	
	\$'000	\$'000	\$'000	\$'000
Aggregate number of ordinary shares in the parent entity held by Directors of FBG Limited and their Director-related entities at year-end	302,489	418,910		
Aggregate number of partly paid shares in the parent entity held by Directors of FBG Limited and their Director-related entities at year-end	–	300,000		
Aggregate number of options over unissued ordinary shares in the parent entity held by executive Directors of FBG Limited and their Director-related entities at year-end	2,400,000	3,600,000		
Aggregate number of JB Were Capital Markets Limited Exchangeable Unsecured Notes of \$3.00 each held by Directors of FBG Limited and their Director-related entities at year-end	80,000	280,000		
Other than transactions arising from the FBG Employee Share and Option Plan, the above transactions were conducted on terms and conditions no more favourable than those offered to other shareholders of FBG Limited.				
<b>Amounts receivable and payable</b>				
Amounts receivable at reporting date from				
Directors				
– current – share plan loans	38	26	38	26
– non-current – share plan loans	746	475	746	475
other related parties				
– current			333	5,078
Other than Employee Share Plan Loans, which are interest free, all the above mentioned loans to Directors were made to Group employees who are Directors of Group entities and have been made on a commercial basis with the interest rates applicable being determined by reference to market rates.				
Amounts payable at reporting date to other related parties				
– current			–	700

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

A Director-related entity of Mr RC King supplied wine grapes to Mildara Blass Limited under a standard grape purchase contract. The total amount of the purchases brought to account was \$1,284,343.

Bryt Pty Ltd, a Director-related entity of Mr T Davis, was paid \$1,032,182 as a result of a profit share buy-back agreement relating to the purchase of Cellarmaster Wine Group by Mildara Blass.

Paracor Company Inc., a Director-related entity of Messrs J Lynch and 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.

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, FBG Limited 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.

### Ownership interests in related parties

All material ownership interests in related parties are disclosed in Note 9 to the financial statements.

### Transactions with entities in the wholly owned Group

FBG Limited 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 FBG Limited and transfer of the benefit of income tax losses for no consideration between Group companies, these transactions were on commercial terms and conditions.

## Notes to the Financial Statements (continued)

### Note 31 Group entities

The FBG 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
Airport Trinity Inc. <sup>2</sup>	USA	Australian, Mercantile, London Limited <sup>2</sup>	England
Alagon Pty. Ltd. <sup>3</sup>	Australia	Austotel Trading Pty. Ltd. <sup>1</sup>	Australia
Alagon Unit Trust	Australia	Austotel (Victoria Holdings) Pty. Ltd. <sup>1,3</sup>	Australia
Aldershot Nominees Pty. Ltd.	Australia	Avilock Limited	Australia
ALH (Victoria) Pty. Ltd. <sup>3</sup>	Australia	Babble Pty. Ltd. <sup>3</sup>	Australia
ALH (WA) Pty. Ltd. <sup>3</sup>	Australia	Beitz Pty. Ltd. <sup>3</sup>	Australia
ALH Group Pty. Ltd.	Australia	Bevcorp Pty. Ltd. <sup>3</sup>	Australia
Allied Estates Pty. Limited <sup>1</sup>	Australia	Bilyara Vineyards Pty. Ltd.	Australia
Alston Glen Pty. Ltd. <sup>3</sup>	Australia	Bourse du Vin International B.V. <sup>2</sup>	Netherlands
Amayana Pty. Ltd.	Australia	Bourse du Vin Limited (formerly Brewman SWW Limited) <sup>2</sup>	England
Amberton Wines Pty. Ltd. <sup>3</sup>	Australia	Brewing Holdings Limited	Australia
AML&F Holdings Limited	Australia	Brewing Investments Limited	Australia
Amwex Inc. <sup>2</sup>	USA	Brewman CBL Limited <sup>2</sup>	England
Anglemaster Limited <sup>2</sup>	England	Brewman Eastern Limited <sup>2</sup>	England
Archana Pty. Ltd. <sup>1,3</sup>	Australia	Brewman Group Limited <sup>2</sup>	England
Arnade Pty. Limited <sup>3</sup>	Australia	Brewman JSTB Limited <sup>2</sup>	England
Ashwick (NT) No. 2 Pty. Ltd. <sup>3</sup>	Australia	Brewman NBC Limited <sup>2</sup>	England
Ashwick (NT) No. 7 Pty. Ltd. <sup>3</sup>	Australia	Brewman PBC Limited <sup>2</sup>	England
Ashwick (Qld.) No. 1 Pty. Ltd. <sup>3</sup>	Australia	Brewman SW Limited <sup>2</sup>	England
Ashwick (Qld.) No. 9 Pty. Ltd. <sup>3</sup>	Australia	Brewman TL Limited <sup>2</sup>	England
Ashwick (Qld.) No. 12 Pty. Ltd. <sup>3</sup>	Australia	Brewman WT Limited <sup>2</sup>	England
Ashwick (Qld.) No. 15 Pty. Ltd. <sup>3</sup>	Australia	Brewtech Pty. Ltd. <sup>3</sup>	Australia
Ashwick (Qld.) No. 16 Pty. Ltd. <sup>3</sup>	Australia	Bright Star Investments Limited	Australia
Ashwick (Qld.) No. 17 Pty. Ltd. <sup>3</sup>	Australia	Brokenback Pty. Ltd. <sup>3</sup>	Australia
Ashwick (Qld.) No. 18 Pty. Ltd. <sup>3</sup>	Australia	Buddina Estates Pty. Limited <sup>1</sup>	Australia
Ashwick (Qld.) No. 29 Pty. Ltd. <sup>3</sup>	Australia	C.F.L. Securities Pty. Ltd. <sup>3</sup>	Australia
Ashwick (Qld.) No. 35 Pty. Ltd. <sup>3</sup>	Australia	Caboolture Waters Pty. Ltd. <sup>3</sup>	Australia
Ashwick (Qld.) No. 73 Pty. Ltd. <sup>3</sup>	Australia	Caloundra Downs Pty. Ltd. <sup>3</sup>	Australia
Ashwick (Qld.) No. 74 Pty. Ltd. <sup>3</sup>	Australia	Camberwell Hotels Pty. Ltd. <sup>3</sup>	Australia
Ashwick (Qld.) No. 83 Pty. Ltd. <sup>3</sup>	Australia	Cardmember Wines Limited	New Zealand
Ashwick (Qld.) No. 95 Pty. Ltd. <sup>3</sup>	Australia	Cardmember Wines Pty. Ltd.	
Ashwick (Qld.) No. 96 Pty. Ltd. <sup>3</sup>	Australia	(formerly Telemasters Pty. Limited)	Australia
Ashwick (Qld.) No. 127 Pty. Ltd. <sup>3</sup>	Australia	Carlton and United Breweries (N.S.W.) Pty. Limited	Australia
Ashwick (Qld.) No. 129 Pty. Ltd. <sup>3</sup>	Australia	Carlton and United Breweries (N.Z.) Pty. Ltd.	Australia
Ashwick (Qld.) No. 167 Pty. Ltd. <sup>3</sup>	Australia	Carlton and United Breweries (New Zealand) Limited	New Zealand
Ashwick (Vic.) No. 15 Pty. Ltd. <sup>3</sup>	Australia	Carlton and United Breweries (Queensland) Limited	Australia
Ashwick (Vic.) No. 27 Pty. Ltd. <sup>3</sup>	Australia	Carlton and United Breweries (Stator) Pty. Ltd.	Australia
Ashwick (Vic.) No. 65 Pty. Ltd. <sup>3</sup>	Australia	Carlton and United Breweries Limited	Australia
Ashwick (Vic.) No. 75 Pty. Ltd. <sup>3</sup>	Australia	Carlton Brewery Hotels (N.R.) Pty. Limited	Australia
Ashwick (Vic.) No. 121 Pty. Ltd. <sup>3</sup>	Australia	Carlton and United Breweries (UK) Limited	
Asmur Pty. Limited	Australia	(formerly EFGSB UK Limited) <sup>2</sup>	England
Atata Pty. Limited <sup>1,3</sup>	Australia	Carlton Brewery Hotels (Victoria) Pty. Ltd. <sup>3</sup>	Australia
Australian Estates Ltd.	Australia	Carlton Brewery Hotels Pty. Ltd.	Australia
Australian Leisure and Hospitality Group Pty. Ltd. <sup>3</sup>	Australia	Carlton Finance Limited	Australia
Australian, Mercantile, Land and Finance Company, Limited	Australia	Cascade Brewery Company Pty. Ltd.	Australia

### Note 31 Group entities (continued)

	Country of Incorporation		Country of Incorporation
Catering Holdings Pty. Ltd. <sup>3</sup>	Australia	Elstone Developments Pty. Ltd. <sup>3</sup>	Australia
Cellar Door Direct GmbH (formerly Sema Verwaltungsgesellschaft mbH)	Germany	ESG (Enterprises) B.V.	Netherlands
Cellar Door Direct Limited (formerly Brewman MNB Limited) <sup>2</sup>	England	ESG (Enterprises) N.V.	Neth. Ant.
Cellar Door Direct Pty. Limited <sup>3</sup>	Australia	FBG (U.K.) Limited	England
Cellarmaster Nominees Pty. Limited <sup>3</sup>	Australia	FBG Brewery Holdings UK Limited	England
Cellarmaster Wines Europe B.V.	Netherlands	FBG Canada Limited <sup>2</sup>	Canada
Cellarmaster Wines Germany GmbH & Co. Vermögens KG (formerly Simonetta KG)	Germany	FBG Canadian Treasury Inc. <sup>2</sup>	Canada
Cellarmaster Wines Germany GmbH (formerly Simonetta Verwaltungsgesellschaft mbH)	Germany	FBG Credits Limited	Australia
Cellarmaster Wines Holdings (U.K.) Limited	England	FBG Equipment Finance Limited	Australia
Cellarmaster Wines Limited <sup>2</sup>	New Zealand	FBG Finance Limited	Australia
Cellarmaster Wines Pty. Limited <sup>3</sup>	Australia	FBG Financial Services Limited	Australia
Classic Packaging Pty. Limited <sup>1</sup>	Australia	FBG Holdings (UK) Limited	England
Craigburn Land Co. Pty. Ltd. <sup>3</sup>	Australia	FBG India Holdings Limited	Mauritius
Craigburn Property Pty. Ltd. <sup>3</sup>	Australia	FBG India Holdings Pty. Ltd. <sup>3</sup>	Australia
Crintana Pty. Ltd. <sup>3</sup>	Australia	FBG International Limited	England
Crosswhite Investments Limited	Australia	FBG Investments Pty. Ltd.	Australia
CSB Pty. Ltd.	Australia	FBG Treasury (Aust.) Limited	Australia
Data Co-ordination Centre Inc. – The Wine Exchange <sup>2</sup>	USA	FBG Treasury (Europe) B.V.	Netherlands
Demener Pty. Ltd. <sup>3</sup>	Australia	FBG Treasury (USA) Inc. <sup>1,2</sup>	USA
Dennys Strachan Mercantile Limited	Australia	FBG Treasury (UK) plc	England
Dere EMI Pty. Ltd. <sup>3</sup>	Australia	FBG Vietnam Holdings Pty. Ltd.	Australia
Dere ERF Limited	Australia	Filehaze Pty. Ltd. <sup>3</sup>	Australia
Dere ESC Limited	Australia	Findon Inc. <sup>2</sup>	Cayman Islands
Dere Grain Pty. Ltd. <sup>3</sup>	Australia	Finnews Pty. Ltd. <sup>3</sup>	Australia
Dere IT Pty. Ltd. <sup>3</sup>	Australia	Foster's Brewing Group (U.S.A.) Limited	USA
Dere QGGA Pty. Ltd. <sup>3</sup>	Australia	Foster's Brewing Group Canada Inc.	Canada
Dismin Investments Pty. Ltd.	Australia	Foster's Brewing Group Limited	Australia
Dorsey Center, Inc. <sup>2</sup>	USA	Foster's China Limited	Australia
Doulton Cross Pty. Ltd. <sup>3</sup>	Australia	Foster's Danang Limited	Vietnam
Dreamgame Limited <sup>2</sup>	England	Foster's Tien Giang Limited	Vietnam
East Doncaster Hotels Pty. Ltd. <sup>3</sup>	Australia	Galemaze Pty. Ltd.	Australia
EFG Australia Limited	Australia	Gapern Enterprises Pty. Ltd. <sup>3</sup>	Australia
EFG Finance Leasing Limited	Australia	Ghalias (BBA) Limited	Australia
EFG Holdings (USA) Inc. <sup>2</sup>	USA	Glenmore Park Estate Limited	Australia
EFG Holdings NZ Limited <sup>2</sup>	New Zealand	Glenmore Park Sales Pty. Ltd. <sup>3</sup>	Australia
EFG Investments Limited	Australia	Gold Coast Brewery Pty. Ltd. <sup>3</sup>	Australia
EFG Leasing Limited	Australia	Gontai Pty. Ltd. <sup>3</sup>	Australia
EFG Properties Inc. <sup>2</sup>	USA	Grand Cru Expertise "De Belgische Wijnbeurs" N.V. <sup>2</sup>	Belgium
EFG Securities Limited	Australia	Grand Cru Expertise "De Nederlandse Wijnbeurs" B.V. <sup>2</sup>	Netherlands
EFG Services Limited <sup>2</sup>	New Zealand	H. Jones & Co. Pty. Ltd. <sup>3</sup>	Australia
EFG Treasury Pty. Limited <sup>3</sup>	Australia	Herlstone Vineyards Pty. Ltd. <sup>3</sup>	Australia
ELFIC Limited	Australia	Hotel (FP) Pty. Ltd. (formerly Rothbury (Canada) Pty. Ltd.) <sup>3</sup>	Australia
		Imagemasters Pty. Ltd. <sup>3</sup>	Australia
		Island Cooler Pty. Ltd. <sup>3</sup>	Australia
		J.J. Goller & Co. Proprietary Limited <sup>3</sup>	Australia
		Jedberg Investments Pty. Ltd.	Australia

## Notes to the Financial Statements (continued)

### Note 31 Group entities (continued)

	Country of Incorporation		Country of Incorporation
Kawana Estates Pty. Limited <sup>1</sup>	Australia	Paracor Finance Inc. <sup>2</sup>	USA
Kawana Real Estate Pty. Limited <sup>1</sup>	Australia	Paterson Simons & Co. (Malaysia) Sendirian Berhad <sup>2,6</sup>	Malaysia
Kinglingston Pty. Ltd. <sup>3</sup>	Australia	Paterson Simons & Co. (Singapore) Pte. Ltd. <sup>2,6</sup>	Singapore
Kings Festival Corp., Inc. <sup>2</sup>	USA	Pekrove Pty. Ltd. <sup>3</sup>	Australia
Kranston Pty. Ltd. <sup>3</sup>	Australia	Pica Finance Holdings Limited <sup>2</sup>	England
Krondorf Wines Pty. Ltd. <sup>3</sup>	Australia	Pica Finance Limited <sup>2</sup>	England
Lachlan Valley Unit Trust	Australia	Pica Group Limited (formerly Colonial First State Land Developments Limited) <sup>1</sup>	Australia
Lancastrion Pty. Limited <sup>3</sup>	Australia	Pica Nominees Pty. Limited	
LBC Ontario Inc. <sup>2</sup>	USA	(formerly PFHL Nominees Pty. Limited) <sup>1,3</sup>	Australia
Ledsen Pty. Ltd. <sup>3</sup>	Australia	Pica Real Estate Limited <sup>2</sup>	England
Lensworth Group Limited	Australia	Pitt, Son & Badgery Limited	Australia
Lensworth MPC Pty. Ltd. <sup>3</sup>	Australia	Power Brewing Company Pty. Ltd. <sup>3</sup>	Australia
Lensworth Northside Pty. Ltd. <sup>3</sup>	Australia	Primedan Pty. Ltd. <sup>3</sup>	Australia
Lensworth Pine Rivers Pty. Ltd. <sup>3</sup>	Australia	Projects NSW Pty. Limited <sup>1,3</sup>	Australia
Lensworth Services Pty. Ltd. <sup>3</sup>	Australia	Projects Old No.1 Pty. Limited <sup>1,3</sup>	Australia
Lensworth Sunshine Coast Pty. Ltd. <sup>3</sup>	Australia	Projects Old No.2 Pty. Limited <sup>1,3</sup>	Australia
Liana Cottage Pty. Ltd.	Australia	Queensland Breweries (Sales) Pty. Ltd. <sup>3</sup>	Australia
LIC Industry Center Inc. <sup>2</sup>	USA	Queensland Breweries Pty. Ltd.	Australia
Maglieri Wines Pty. Ltd. <sup>1,3</sup>	Australia	Queensland Brewery Pty. Ltd. <sup>3</sup>	Australia
Manassas Apartments Inc. <sup>6</sup>	USA	Quest Technologies Inc. <sup>2</sup>	USA
Mango Hill Development Pty. Ltd. <sup>3</sup>	Australia	Rimpacific Shipping (UK) Ltd. <sup>2</sup>	England
Matilda Bay Brewing Co. Ltd.	Australia	Robertsons Well Joint Venture	Australia
Matua Finance Limited <sup>2</sup>	New Zealand	Robertsons Well Pty. Ltd. <sup>3</sup>	Australia
Mayefair B.V. <sup>2</sup>	Netherlands	Robertsons Well Unit Trust	Australia
MBL Packaging Pty. Ltd. <sup>3</sup>	Australia	Rothbury Denman Pty. Ltd. <sup>3</sup>	Australia
McLaren Vale Bottling Company Pty. Ltd. <sup>1,3</sup>	Australia	Rothbury Sales Pty. Ltd. <sup>3</sup>	Australia
Melbourne Brewery Company Pty. Ltd.	Australia	Rothbury Superannuation Pty. Ltd. <sup>3</sup>	Australia
Melbotel Pty. Ltd. <sup>1,3</sup>	Australia	Rothbury Vineyards Pty. Ltd. <sup>3</sup>	Australia
Mildara Blass (Europe) Limited	England	Rothbury Wines Pty. Ltd. <sup>3</sup>	Australia
Mildara Blass Holdings Inc.	USA	Rumar International Limited	Australia
Mildara Blass Inc.	USA	Sarl Grand Cru Expertise La Bourse du Vin <sup>2</sup>	France
Mildara Blass Limited	Australia	Sarl Les Crus Prevendus <sup>2</sup>	France
Mildara Blass Wines Inc.	USA	Savirak Pty. Ltd. <sup>3</sup>	Australia
Mildara Holdings Pty. Limited		Seeton Pty. Ltd. <sup>3</sup>	Australia
(formerly Flanagan's Run Pty. Ltd.) <sup>3</sup>	Australia	Sharden Lodge Pty. Ltd.	Australia
Moorabbin Junction Pty. Ltd. <sup>3</sup>	Australia	Silvester Brothers (AMH) Pty. Limited <sup>3</sup>	Australia
Navistar Group Limited <sup>2</sup>	New Zealand	Silvester Brothers (AMHUK) Limited	England
New Crest Investments Pty. Ltd.	Australia	Silvester Brothers (TBPAC) Limited	New Zealand
Nexday Pty. Limited <sup>3</sup>	Australia	Silvester Brothers Pty. Limited <sup>3</sup>	Australia
Norwood Beach Pty. Ltd. <sup>3</sup>	Australia	Somar Pty. Ltd.	Australia
Nova Glen Pty. Ltd.	Australia	Stamford Hotel Pty. Ltd. <sup>1,3</sup>	Australia
N.T. Brewery Pty. Ltd. <sup>3</sup>	Australia	Starada Pty. Ltd. <sup>3</sup>	Australia
Oakland Glen Pty. Ltd.	Australia	Sylfield Hotels Pty. Ltd. <sup>3</sup>	Australia
Oakley Park Pty. Ltd. <sup>3</sup>	Australia	Telemasters Limited <sup>2</sup>	New Zealand
Olaroll Pty. Limited <sup>3</sup>	Australia	The Australian Pubco (NSW) Pty. Ltd. <sup>3</sup>	Australia
Ordimar Pty. Ltd. <sup>3</sup>	Australia	The Ballarat Brewing Company Limited	Australia
Overload Investments Pty. Ltd. <sup>3</sup>	Australia		

### Note 31 Group entities (continued)

	Country of Incorporation		Country of Incorporation
The Castlemaine Brewery Company Melbourne Pty. Ltd. <sup>3</sup>	Australia	Watfield Investments Limited <sup>2</sup>	New Zealand
The Foster Brewing Company Pty. Ltd. <sup>3</sup>	Australia	Werribee Properties (RWDS) Proprietary Limited <sup>3</sup>	Australia
The Redback Brewery (Hotel) Trust	Australia	Werribee Properties (WIE) Pty. Ltd. <sup>3</sup>	Australia
The Redback Brewery (Property) Trust	Australia	Westwools Energy Pty. Ltd. <sup>3</sup>	Australia
The Redback Brewery Trust	Australia	Whitcross Investments Limited	Australia
The Rothbury Estate Pty. Ltd. <sup>3</sup>	Australia	Windemere Securities Limited <sup>2</sup>	T & C Is.
The Shamrock Brewing Company Pty. Ltd. <sup>3</sup>	Australia	Wine Rollover Pty. Limited	Australia
Tibscos Limited <sup>2</sup>	England	Wolf Blass Wines Pty. Ltd.	Australia
Tibscos Pensions Limited <sup>2</sup>	England	Wood Hall (Aust.) Pty. Limited <sup>1,5</sup>	Australia
TPP Corp., Inc. <sup>2</sup>	USA	Wood Hall Trust plc <sup>2</sup>	England
Traclon (No. 2) Pty. Ltd. <sup>3</sup>	Australia	World-Wide Wine B.V. <sup>2</sup>	Netherlands
United Hotels Pty. Ltd. <sup>3</sup>	Australia	Yanaba Pty. Ltd. <sup>3</sup>	Australia
VICD – Produtos Em Cortica, LDA <sup>2</sup>	Portugal	Yarra Valley Wine Co. Pty. Ltd. <sup>3</sup>	Australia
Vicotel Pty. Ltd. <sup>1,3</sup>	Australia	Yarra Valley Wine Holdings Pty. Ltd. <sup>3</sup>	Australia
Victoria Brewery Pty. Ltd. <sup>3</sup>	Australia	Zedoworth Pty. Limited <sup>3</sup>	Australia
Vinpac International Pty. Limited	Australia	Zedozoa Pty. Limited <sup>3</sup>	Australia
Vintage Estates of Australia Pty. Ltd. <sup>3</sup>	Australia	151435 Canada Ltd. <sup>2</sup>	Canada
Vintners Imports Pty. Limited	Australia	18th Street Corp. <sup>2</sup>	USA
Volz Pty. Ltd. <sup>3</sup>	Australia	A.C.N. 004 526 523 Pty. Ltd. <sup>3</sup>	Australia
Voskane Pty. Ltd.	Australia	A.C.N. 006 327 313 Pty. Ltd. <sup>3</sup>	Australia

**Note 31 Group entities (continued)**

The FBG 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	
		1999	1998
Carlton Brewery (Fiji) Limited <sup>6</sup>	Fiji	63.1	63.1
Foster's India Limited <sup>7</sup>	India	74.0	74.0
Graymoor Estate Joint Venture	Australia	48.8	48.8
Graymoor Estate Pty. Ltd. <sup>3</sup>	Australia	48.8	48.8
Graymoor Estate Unit Trust	Australia	48.8	48.8
H.Maximilian Pallhuber GmbH Weingut und Weinkelleri <sup>1,6</sup>	Germany	76.0	-
"St. Maximilian" Wein-Export Gesellschaft mbH, Vienna <sup>1,6</sup>	Austria	76.0	-
Shanghai Foster's Brewery Limited	China	90.0	90.0
South Pacific Distilleries Limited	Fiji	50.8	50.8
Strategic Equity Investment Pty. Ltd. <sup>3</sup>	Australia	50.0	50.0
The Australian Wine Centre Limited <sup>1</sup>	UK	45.0	-

**Entities no longer controlled**

Ashwick (Qld) No. 14 Pty. Ltd.	Brewprops (Zeta) Limited
Ashwick (Qld) No. 30 Pty. Ltd.	Camwal Limited
Ashwick (Vic) No. 93 Pty. Ltd.	Courlim Properties Limited
Australian Natural Care Products Pty. Limited	Foster's Wheelock Tianjin Investment Company Limited
B.B.C. Hotels (Campbellfield) Pty. Ltd.	Great Beers of the World Limited
B.B.C. Hotels (Westmeadows) Pty. Ltd.	Guangdong Foster's Brewery Limited
Brewman CBS Limited	Horselydown Egham Limited
Brewman Overseas Limited	NIFCO Limited
Brewman WW Limited	Park View Motel Proprietary Limited
Brewprops (Alpha) Limited	Rothbury Wines Europe Limited
Brewprops (Beta) Limited	Shortridge Lawton & Company Limited
Brewprops (Delta) Limited	Spur Taverns Limited
Brewprops (Epsilon) Limited	Stampaust Limited (formerly Carlton and United Breweries (UK) Limited)
Brewprops (Kappe) Limited	The Ballarat Brewing Company (Geelong) Pty. Ltd.
Brewprops (Landa) Limited	Tianjin Foster's Brewery Company Limited
Brewprops (Nu) Limited	Traclon (No. 4) Pty. Limited
Brewprops (Omnion) Limited	Traclon (No. 9) Pty. Limited

1. These entities were acquired during the current financial year.  
 2. Foreign incorporated entity audited as part of a group by a PricewaterhouseCoopers firm.  
 3. Entity not audited individually as it is a small proprietary company not required to prepare financial statements.  
 4. Entity audited by a firm other than PricewaterhouseCoopers or their affiliates.  
 5. Entity is relieved from the requirement to prepare audited financial statements by ASIC Class Order (98/1417).  
 6. Entity audited by a firm other than PricewaterhouseCoopers or their affiliates in 1998.  
 7. 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%.  
 None of the foreign controlled entities were audited by PricewaterhouseCoopers, Australian firm.  
 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.

**Directors' Declaration**

The Directors declare that the Financial Statements and Notes set out on pages 10 to 46:

- (a) comply with Accounting Standards, the Corporations Regulations 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 1999 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 Law; 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.

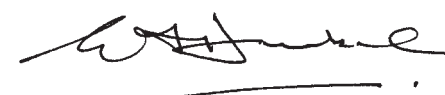
This declaration is made in accordance with a resolution of the Directors.

Dated at Melbourne this 23rd day of August 1999

On behalf of the Board



**John T Ralph**  
Chairman



**ET (Ted) Kunkel**  
President  
and Chief Executive Officer

# Independent Audit Report to the Members of Foster's Brewing Group Limited

## Scope

We have audited the financial report of Foster's Brewing Group Limited (the Company) for the financial year ended 30 June 1999 as set out on pages 10 to 47. 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 Law 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 names of the entities controlled during all or part of, or at the end of, the financial year, but of which we have not acted as auditor is identified in Note 31 to the financial statements. We have, however, received sufficient information and explanations concerning these controlled entities to enable us to form an opinion on the consolidated financial statements.

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 Law, including:
  - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 1999 and of their performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.



**PricewaterhouseCoopers**  
Chartered Accountants



**Paul V Brasher**  
Partner  
Melbourne 23 August 1999

## directory

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**Carlton and United Breweries Limited**  
**Foster's Asia**  
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**Foster's Brewing Group Limited**

Financial Report 1999

77 Southbank Boulevard Southbank Victoria 3006 Australia

