



**TANDOU**  
LIMITED

ANNUAL  
REPORT  
2002

**OUR VISION** TO BE ACKNOWLEDGED AS AN INNOVATIVE, MARKET LEADER IN AGRIBUSINESS, PROVIDING SUPERIOR RETURNS TO OUR SHAREHOLDERS AND THE COMMUNITY.

TO ADOPT AND INITIATE WELL RESEARCHED STRATEGIES THAT DELIVER POSITIVE ECONOMIC, SOCIAL AND ENVIRONMENTAL OUTCOMES.

**OUR MISSION** WE ARE A DYNAMIC AGRIBUSINESS PRODUCING AND MARKETING DIVERSE PRODUCTS OF OUTSTANDING QUALITY AND VALUE.

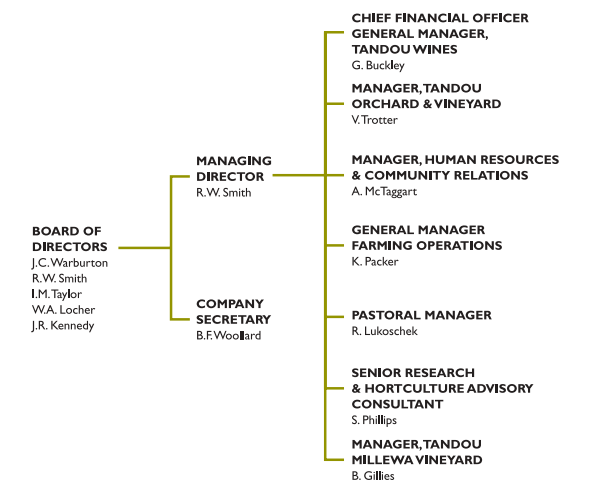


**NOTICE OF AGM** The Annual General Meeting of Tandou Limited will be held at the Tandou Corporate Office, 31 Alan Mathews Drive Mildura Airport, at 4.00pm on Monday 18th November 2002.

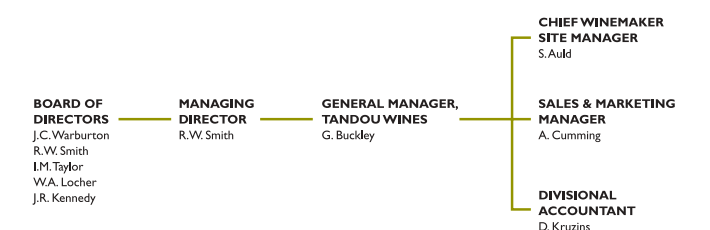
**CORPORATE APPOINTMENTS**

- COMPANY SECRETARY** Bernie Woollard
- AUDITORS** Deloitte Touche Tohmatsu, Chartered Accountants  
190 Flinders Street, ADELAIDE, S.A. 5000
- BANKERS** Rabo Australia Limited  
115 Pitt Street, SYDNEY, N.S.W. 2000  
ANZ Banking Group Limited  
Deakin Avenue MILDURA, VIC. 3500
- REGISTERED OFFICE** 'Tandou', via MENINDEE, N.S.W. 2879  
Telephone: (08) 8091 1513 Facsimile: (08) 8091 1512  
Email: farm@tandou.com.au
- ADMINISTRATION OFFICE** 31 Alan Mathews Drive, Mildura Airport  
Telephone: (03) 5018 6500 Facsimile: (03) 5018 6599  
Email: tandou@tandou.com.au  
Website: www.tandou.com.au
- SHARE REGISTRAR** Computershare Investor Services Pty Ltd  
115 Grenfell Street, ADELAIDE, S.A. 5000  
Telephone: (08) 8236 2300
- STOCK EXCHANGE LISTING** TANDOU LIMITED shares are listed on the Australian Stock Exchange.

**TANDOU LIMITED SENIOR MANAGEMENT CHART**



**TANDOU WINES SENIOR MANAGEMENT CHART**



As of October 2002

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### **Tandou Limited Annual Report 2002**

Consolidating:  
**TANDOU LIMITED**  
ABN 81 001 014 562

**TANDOU WINES  
PTY. LIMITED**  
ABN 79 001 014 553

**MILLEWA COUNTY FARMS PTY. LIMITED**  
ABN 78 059 755 010



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## CHAIRMAN'S & MANAGING DIRECTORS' REPORT TO SHAREHOLDERS

As outlined in the Directors' Review of Operations, Directors were very pleased with the pre tax profit result of \$4.429m.

It was a difficult season in terms of growing conditions and cotton prices. The result achieved underlines the incremental gains being made each year in terms of improved management practices and greater security in income as a result of our carefully planned diversification strategy.

Our performance aligns with forecasted average profit results, which have appeared in previous reports.

Shareholders will have recently received a 6 cent unfranked dividend payment. Conscious of the differing dividend preferences, Directors will continue to seek ways to satisfy shareholder requirements.

We remain focussed on convincing the market of our value as a 'world best practice' irrigated agricultural business. We have strong, supportive shareholders, both here and overseas, enabling pursuit of proven strategies, to add value and build a stronger share price.

Following the winery acquisition, and the subsequent move towards brand development, greater emphasis has been placed on our overall corporate image. The Tandou logo has been modernised to better reflect our growth and branding strategy, and an upgrade of our website design and layout is nearing completion.

To keep our shareholders informed we have compiled a corporate video. This will have been mailed to shareholders prior to receiving this report, enabling those that have not visited our operational sites to gain a better appreciation of our activities.

During the year we farewelled one of Tandou's original Director's, Ray Michell. Ray, who joined the Tandou Limited Board at the time of listing in 1987, retired as a Director in August, having turned 70 during the current year.

We offer Ray our best wishes for a long, healthy retirement and our appreciation of his contribution and support over the last fifteen years.

### OUR STRATEGY

As in previous years, Tandou's strategy is to expand production and add value where we expect investment will generate at least a 15% pre tax return.

Results are now confirming the careful planning of previous years. Last year's purchase of the winery is helping to achieve longer term plans for viticulture operations. Having clear objectives in place allowed us to make a purchase on favourable terms.

### WINERY ACQUISITION

With over 83% of the bulk wine from the 2002 vintage contracted, our confidence in this investment continues to grow.

It will provide greater stability of earnings and higher earnings per share, supporting a stronger share price.

Our own brand, which will be a conservatively managed small addition to our bulk wine business, is nearing release and will be aimed predominately at niche export markets. Strong, long term relationships have been developed for our bulk wine.

### THE COTTON MARKET

Forward selling of 40% of the 2002 cotton production cushioned the impact of historical low prices. Prices did improve, but not to the extent we might have expected, with U.S.A. subsidies and the absence of any significant weather related events resulting in higher than expected world production levels.

The long staple market for Pima is also tending softer, as a result of global economic conditions, which are discussed further in the Review of Operations. With this background, plantings of Pima have been reduced from 55% of production in 2002 to 20% for this coming year, of which 50% has been sold at satisfactory prices.



### CURRENCY HEDGING

Average currency hedges for 2002 production is 57 cents, with 53 cents for 2003 and 50 cents for 2004.

If drought forces production lower in the next two years, we could expect to have excess currency that would be liquidated, currently at profitable levels.

### OUR WATER

A small purchase of water licence during the year has enabled an increase in total licenses from 33,249 to 33,281 megalitres.

Menindee Lakes, which were drawn upon last summer to provide the majority of South Australia's entitlement due to low Murray River flows, are currently at 20% capacity. At these levels the lakes are restricted to NSW use only.

## CHAIRMAN'S & MANAGING DIRECTORS' REPORT TO SHAREHOLDERS Cont'd...

In contrast to other river systems, Tandou's Darling River licences and Murray River Victorian licences still enjoy 100% allocation.

A Natural Heritage Trust funded project examining the ecological sustainable development of Menindee has identified infrastructure projects that can deliver water savings and improved environmental benefits.

If these projects can be implemented, it should further improve Tandou's security of water supply.

### ENVIRONMENT

Tandou has just completed thirty years as a business enterprise, the last fifteen as a publicly listed company.

We are proud of our achievements in the environmental sustainability of production that have resulted from carefully researched trials into new crops and production methods. Our cotton, horticulture and viticulture operations continue to be successfully audited each year by independent consultants.

Soil and water are continually monitored, with our farming practices designed to increase organic matter. Our on site composting of gin and other waste products is applied on our orchards and vineyards each year, with trial areas also recently commencing on the cotton farm.

Tandou is committed to responsible sustainable farming and is pursuing codes of practice, such as ISO 14000, that can confirm this by external audit. We see this verification process materially assisting our sales of wine and other products into the future.

### OUR FINANCES

The Company continues a supportive commercial relationship with our syndicated bankers, ANZ and Rabobank.

Core debt was reduced by \$3m during the 2002 year and is currently 32% of shareholder equity (40.7% 2001). Seasonal debt varies from year to year with the cropping program influenced principally by the area and ratio of upland to Pima plantings.

Our balance sheet this year better illustrates this fact.

### OUR PEOPLE

Once again, the Company has been well served by our employees, in a year with less than ideal growing conditions. As we continue to promote from within and encourage professional development, we feel confident in the level of expertise and professionalism across our workforce.

Staff should also be commended for fully supporting our efforts in risk management, particularly in relation to OH&S.

### EMPLOYEES' AND DIRECTORS' OPTION PLAN

The Company has operated an option plan for the past 15 years, most recently approved by shareholders in 1993.

That plan allowed for a maximum of 9% of issued capital of the Company to be provided by way of options to employees and Directors, at a 10% discount to the average market price for the 5 days immediately preceding the date of issue.

In the past 5 years, 450,000 options were issued to employees. No options were issued to Directors during this period.

Up to the date of this report, the number of options exercised for the last 5 years was 375,000. Options that were not exercised by the 24 June 2002 due date have since expired.

Directors believe that option plans are still an appropriate method of long term remuneration for employees and Directors provided the terms of issue are seen to be fair to both shareholders and recipients.

Our legal advisers and the Board have recently reviewed our option plan, and it is proposed to table an amended plan at the upcoming AGM. The basic element is to reduce the maximum number of options available for issue from 9% of total shares to 5%, and to remove any discount on the issue price of the option.

Other minor amendments were necessary to update the wording of the plan to comply with the Corporations Act 2001 and Listing Rules. In addition, Directors have exercised their discretion as outlined in the plan and, by resolution, determined that all options be subject to an exercise period of between 3 and 5 years.

### OH&S

The safety and well being of our employees is vital to our success and during the past year, continued emphasis was placed on ensuring all sites are complying with current legislation.

This is a challenging area given that we are complying with differing requirements under separate state legislations for NSW, VIC and SA.

The disciplines developed, along with OH&S compliance, will reduce accidents, lost time, and insurance premiums, and have positive benefits for risk analysis, productivity and most importantly, employee well being and safety.

### GOVERNANCE

In these turbulent financial times much has been said about the apparent excesses and deceit, which has occurred in a number of large corporations around the world and in Australia.

Tandou will continue to operate in an open and transparent manner, striving to keep all our stakeholders fully informed on an ongoing basis.

### RISK MANAGEMENT

This is a very important continuing issue for the Board and management. Regular reviews are conducted by management and where appropriate, outside experts.

Regular reports are provided to Directors who monitor progress to ensure risks are reduced to the maximum possible extent.

## CHAIRMANS' & MANAGING DIRECTORS' REPORT TO SHAREHOLDERS Cont'd...

### OUR COMMUNITY

Water and environmental issues increasingly receive prominence in the media. It is vital that our operations are understood and supported by the community. With the recent media attention focusing on irrigation practices and cotton in particular, we endeavour to remain up front and proactive in all our operations.

To this end we support bus tours for many interested people who visit Tandou each year. We actively encourage and support school tours, work experience students, and provide financial and 'in kind' support to the Menindee Community Fund and other local charitable organisations.

### OUR FUTURE

**Change of year end** - Tandou has received approval from both ASIC and the Australian Taxation Office to change our financial year end to 31 December. The reason for this decision is to align the financial reporting with the seasonality of our business.

Instead of having to value a huge inventory of wine and cotton at 30 June, by December 31 Tandou is typically at its low point relative to inventory, making for more simple and accurate closing of the annual accounts. The new fiscal year cycle will improve budgeting, profit and cashflow forecasting.



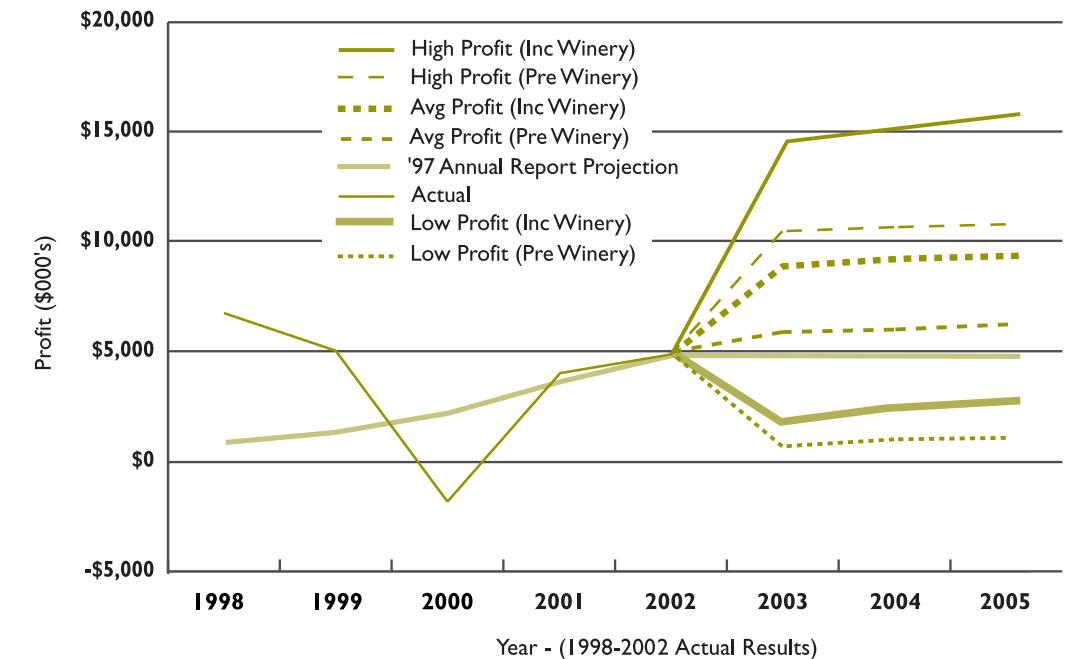
This change requires a full set of audited statutory accounts for the six month period from 1 July to 31 December 2002 and another A.G.M. in March 2003. The following financial period will commence 1 January 2003, ending 31 December 2003.

**Projections** - Directors are confident that our diversification strategy is bringing rewards to shareholders and will continue to add stability to earnings. This position is best illustrated in the graph following.

Last year we included the same diagram showing our expected average profit and possible high and low variations from year to year due to weather, yield, and price. This diagram is now amended to incorporate the addition of the Monash winery enterprise.

We have also included projections from the 1997 Annual Report (when we commenced this strategy) and results since then.

### PRE TAX PROFIT - THEORETICAL LEVELS 2002 - 2005 (Subject to Variable Market, Yield & Weather Conditions)



The above diagram illustrates the actual pre tax profits from 1998 to 2002. From 2003 to 2005 the diagram illustrates the projected profit results on three levels, High profit, Average profit and Low profit. High profit assumes better than average yields and prices, and low profit assumes yields and prices below expectations. The 1997 Annual Report profit projections to 2005 are also shown.

Cotton plantings have been reduced this year from 6,637 hectares to 4,000 hectares, however, the improving horticultural operations and winery acquisition provides the opportunity for sustained profitability.

While yields and prices will vary from year to year, we expect that our balanced business portfolio will enhance average profits and the consistency of dividends, providing the framework for an increasing share price into the future.

R.W. Smith  
Managing Director

J.C. Warburton  
Chairman

8 October 2002



## DIRECTORS' REVIEW OF OPERATIONS

Attaching to and forming part of the report to the ASX for the year ended 30 June 2002

Directors are pleased to report an operating profit before tax of \$4.429m, an increase of more than 20% on last years \$3.653m.

The cotton crop, which had been impacted by below average temperatures early in the year, had ideal finishing conditions and yielded remarkably well. Given the negative impact of world cotton prices, the merit of this result is further enhanced.

The result was impacted positively by the Company's diversification strategy with wine grape revenue exceeding budget.

The recently acquired Monash winery contributed \$0.330m in its first six months of operations, largely as a result of leased wine storage and contract crushing. A small percentage of wine sales had also been completed from the first vintage by 30 June.

Indications are that the winery will contribute at least \$2m profit in a full year, and the Board is confident this enterprise will continue to grow and strengthen Tandou's earnings per share.

During the year there was good support for our non renounceable rights issue, which assisted with the winery purchase. Take up of this offer by shareholders was just under 70%, with the underwriter, Telstra Super Pty Ltd, taking up the balance.

Directors have declared a 6 cent unfranked dividend, payable on 30 September 2002.

### REVIEW OF 2001/2002

**Overview** - Given that cotton prices are at historic lows, compounded by increased US government assistance, the profit result has been very pleasing and supports the Company's policy of sensible diversification around our core business.

Stone fruit revenues are progressing according to plan as areas approach commercial production levels.

Wine grapes are approaching full production and became profitable during 2002 as planned.

Apples disappointed due to poor pollination, which is being addressed.

Also pleasing has been our success in contracting wine grape supply based on the final selling price of the wine.

Worthwhile marketing relationships have been retained and new ones have been sourced, with about 80% of the 2002 vintage now contracted for sale as bulk wine at profitable prices.

**Winter Cereals** - Once again, durum wheat and malting barley provided significant benefit as a rotation crop for cotton, as well as contributing \$3.898m in revenue. Excellent yields were achieved with averages of 6.3 tonnes/hectare (t/ha) for wheat (5.1 t/ha 2001), and 4.4 t/ha for barley (4.8 t/ha 2001).

**Upland Cotton** - 3,003 ha averaged 7.9 bales/hectare (8.7 b/ha 2001).

Picking commenced in the narrow row cotton five weeks later than the previous year, highlighting the effect of the cooler year.

Apart from a very small amount of cotton from one field that had penalties for shorter staple, the majority of the crop made selling basis or better. The uncontracted portion of the upland crop was sold in U.S. cents on a scaled up basis from 38 cents to 48.5 cents US/lb.

**Pima Cotton** - 3,634 ha averaged 6.9 b/ha (6.7 b/ha 2001).

From such a large area this was an exceptional average yield compared to the previous year and showed Pima's ability to handle cooler weather. We must pay tribute to our agronomy staff for having a crop set up to achieve such a result.

Two thirds of the 24,500 bales produced have now been sold with the balance coming into a softening market. U.S. export subsidies, known as Step 2 and which have no dollar limit, has the effect of allowing U.S. growers to compete against the lower prices being offered by Egypt as a result of their devaluation.

Pima marketing, apart from price, is also relationship driven. Without our forward contracts and previously established relationships sales would have been difficult to achieve.

**Cotton Seed** - Widespread drought conditions have seen prices increase dramatically and we have forward contracted our cotton seed at the highest prices yet achieved.

**Cotton Gin** - Excellent turnouts have been achieved this year. Substantial continuing expenditure was undertaken during the year to ensure our compliance with the latest OH&S standards.

**Wine Grapes** - Excellent yields and quality were achieved from our Menindee chardonnay. A large percentage of these grapes, which were delivered to Southcorp under contract, made their top grade for Riverland/Sunraysia fruit.

Our red grape harvest from Lake Cullulleraine also yielded in excess of budget, and with the BRL Hardy contracted fruit making the highest quality under their scoring system, prices were above budget.

**Stone Fruit** - Excellent returns were achieved from apricots harvested in the first three weeks of the season, enabling this fruit to reach the market before the bulk of supply thus securing top prices.

Replacement of later, lower returning trees by grafting and replanting has been implemented this year. We remain confident that apricots will develop into a major revenue source.

Peaches have proven to be not viable and all trees have since been removed.

Nectarines are being re-evaluated this year.

**Apples** - While the apples have been disappointing the large commercial area of apples was only planted in 1999. With these trees still 2 years off full bearing production, trees within 3-4 rows of pollinators have produced expected profitable yields and early, good quality fruit.

We have confidence in the future profitability of apple production. The extra pollinators established by transplanting and the new trees planted this year, combined with increased bee numbers, are expected to have a significant impact on production.

**Packing Shed** - Some improvements to the packing shed have been completed this year to aid efficiency and turnout of quality fruit in future seasons.

**Livestock** - Improved wool prices have returned this enterprise to a small gross margin.

**Compost** - In excess of 2,500 tonnes of compost has been produced primarily using waste from the cotton ginning process. This is being applied to the orchard and is also used in trials on the farm, with the aim of reducing fertiliser costs.

**Winery** - The purchase of the Monash winery facility was completed 21 December 2001, through the wholly owned subsidiary, Tandou Wines Pty Limited.

After prompt capital expenditure to improve quality, and with some storage leased to other wineries, contracts were entered into with growers for the current and future vintages. 11,500 tonnes was crushed by the winery, of which approximately 30% was Tandou grown fruit.

Approximately 3,000 tonnes of grapes were contract crushed for other wineries.

Forward sales contracts have been completed for most of the 2002 vintage and management is confident that growers' final payments will be in line with projections at the start of the season.

The winery purchase also provided a level of risk management, as our own red grapes may have been otherwise difficult to place.

### 2003 OUTLOOK

**Winter Cereals** - 838 ha of durum wheat and 803 ha of malting barley are well established with prices expected to be slightly better than the previous year.

**Cotton** - 4,000 ha planned comprising 70-80% upland and 20-30% Pima. 11,000 bales of upland have been forward sold at an average of \$568 p/bale. Pima plantings have been reduced because of record U.S. stocks and the expectation of lower prices, while upland prices are expected to improve.

**Horticulture/Viticulture** - All vines and trees are expected to be profitable with the exception of apples, which are expected to break even.

**Winery** - With contracted bulk wine storage remaining at 7 million litres, a small increase in grape supply from grower's is budgeted and contract crushing will be undertaken as opportunities allow.

A \$1.6m capital upgrade will be completed prior to vintage and the Company's own wine brand is currently being registered, with the aim of targeting export markets where we already have good relationships.

**Staff** - Our Chief Financial Officer, George Buckley, took on the added responsibility of the winery as General Manager of Tandou Wines. Together with our new Sales and Marketing Manager, Amanda Cumming, and key staff retained from Normans Wines, they have produced a successful first vintage.

Orchard Supervisor, Vincent Trotter, and Vineyard Supervisor, Brett Gillies, have both been promoted to management positions at their respective sites.

Additional research and development support has been attained through the employment of Shane Phillips who is currently completing a PhD concentrating on organic polymers, which he will be trialling on our farming sites.

**Water** - Tandou has long claimed to have some of the most secure access to water. This year the Lower Darling is the only western river in N.S.W. to announce 100% allocation.

The expected reduction in cotton plantings is a result of, firstly, not having supplementary water in on farm storages, and secondly, temporary water transfers to the Lower Darling being prohibited while storages remain low.

## DIRECTORS' REVIEW OF OPERATIONS Cont'd...

### CONCLUSION

Although world upland cotton prices are at historic lows the outlook is positive.

The winery acquisition is proving to be of significant benefit, and is expected to compensate for reduced revenues likely to result from reduced cotton plantings this season.

We expect wine grapes to remain profitable and the balance of stone fruit and apples to continue to improve and make positive contributions.

The Company has made significant core debt repayments over the last four years and has budgeted for a further \$3 million reduction in this financial year.

As always, small movements in yield and price resulting from influences outside our control can have significant effects on results. However, from our diversified activities, a 2003 profit consistent with 2002 seems attainable at this point in time, with the Company well positioned to increase average profits in future years.

On behalf of the Board of Directors,



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R.W. Smith  
Managing Director  
Tandou Limited  
9 September 2002



## DIRECTORS

### CHAIRMAN John C. Warburton - 60

Mr Warburton is a Director of Local Authorities Super Pty Ltd, Chairman of Hastings Port (Holding) Corporation, a Director of SMF Funds Management Ltd, a Trustee of the Melbourne Convention and Exhibition Trust and holds other directorships. Former roles include, Chairman of Pahrhan Market Pty Ltd, Chief Commissioner of the City of Moreland in Victoria and Director and Chief Executive Officer of a publicly listed insurance group. Mr Warburton joined the Board of Tandou in 1996 and was elected Chairman in 1997.

### NON EXECUTIVE DIRECTOR Ian M. Taylor - 63

Mr Taylor was a co founder of Tandou and has been a Director since 1972, associated with all aspects of the company's development. He has extensive personal agricultural and pastoral interests in New South Wales and has been involved in irrigation farming and pastoral properties since 1962.

### NON EXECUTIVE DIRECTOR Walter A. Locher - 59

Mr Locher was, until 1997, Chief Executive Officer of Anderson Clayton Corp., the largest privately held cotton processor in the USA, and is currently a Board member of, or advisor to, a number of US and European companies. He is a principal in the private equity fund managed by the SAM Sustainability Group, Switzerland. Mr Locher joined the Board of Tandou in 1994.

### MANAGING DIRECTOR Robert W. Smith - 62

Mr Smith has been involved in irrigation farming since 1961 and on a full-time basis with Tandou as Managing Director since 1972, when he jointly founded the Company with Ian Taylor. He is responsible for the oversight of Company operations and commodity marketing. He was awarded the BHP Pursuit of Excellence Award in the Rural Development Category, 1988, and is a former Director of Cotton Australia Ltd.

### NON EXECUTIVE DIRECTOR Jim R. Kennedy - 55

Mr Kennedy is Executive Director of the Supermarket to Asia Council, a member of the Trade Policy Advisory Council and Premier's Food Councils in South Australia and Victoria. He spent 19 years exporting Australian rice for Ricegrowers Co-operative Ltd, being Chief Executive Officer/Managing Director for 14 years. He is also a director of BRI Ltd, Queensland Sugar Ltd, Golden Circle Ltd, Agri Chain Solutions Ltd and the Sustainable Rice CRC. Mr Kennedy joined the Tandou Board, in September 2000.

## STATUTORY REPORT OF DIRECTORS

The Directors of Tandou Limited submit herewith the annual financial report for the financial year ended 30 June 2002. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

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

J.C. Warburton	Chairman
I.M. Taylor	Non Executive Director
R.W. Smith	Managing Director
W.A. Locher	Non Executive Director
J.R. Michell	Non Executive Director
J.R. Kennedy	Non Executive Director

With the exception of J.R. Michell who retired as a director on 21 August 2002, all of the above named Directors held office during and since the end of the financial year.

Particulars and further information on Directors are shown elsewhere in this report.

### PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity constituted by the Company and the entities it controlled during the financial year were:

- Production of irrigated cotton and cereal crops and ginning of cotton at TANDOU FARM, via Menindee, NSW and livestock on the surrounding Company property;
- The continuing establishment and production of tree fruits and white wine grapes at TANDOU ORCHARD & VINEYARD, Menindee, NSW;
- The establishment of red wine grape varieties at TANDOU MILLEWA VINEYARD, Cullulleraine, Vic and
- The processing of grapes into wine at TANDOU WINES, Monash, SA.

### REVIEW OF OPERATIONS

A review of the operations of the consolidated entity during the year and the results of those operations is disclosed in the 'Directors' Review of Operations' section of this Report.

### CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity that occurred during the year ended 30 June 2002 were as follows:

- On 21 December 2001 the consolidated entity purchased a winery at Monash, South Australia from the liquidators of Normans Wines Limited, for a total purchase consideration of \$3.5 million. Depreciation recognised for the period \$0.9 million, (\$0.18 million full financial year equivalent) reflects the discounted purchase price on acquisition. The notional depreciation that would normally apply to a facility of this size and nature would be approximately \$1.0 million (full financial year equivalent).
- On 28 March 2002, the Company made a cash issue of ordinary shares at \$1.00 per share pursuant to the Prospectus dated 19 February 2002. The shares were issued to fund the purchase of the winery assets at Monash.
- On 21 June 2002, the Australian Securities and Investments Commission approved the Company's application to change its financial year end to 31 December. The approval was granted on the condition that the Company produces a general purpose financial report, which has been prepared in accordance with the Chapter 2M of the Corporations Act 2001, in respect of the financial year from 1 July 2002 to 31 December 2002.

## STATUTORY REPORT OF DIRECTORS Cont'd...

### SUBSEQUENT EVENTS

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, or in this Report, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

### ENVIRONMENTAL REGULATIONS

The consolidated entity holds leases in perpetuity from the Western Lands Commission of NSW, for its principal properties in far western NSW. Victorian land is held as freehold title. Water Licences are granted to the consolidated entity by the Department of Land and Water Conservation in NSW and the Sunraysia Rural Water Authority in Victoria. Regulatory bodies consulted include the Department of Natural Resources and Environment, Vic. and National Parks and Wildlife Service of NSW as well as relevant local government bodies.

Development of all properties has been carried out under approvals granted by appropriate local and/or State authorities and statutory bodies governing land and water resource use. Particular attention is given to compliance with licensing requirements as they pertain to protection of native fauna, flora and natural resources within, and bordering upon, the consolidated entity's properties. This extends to lands and waterways accessed for the purposes of utilising and/or exercising rights under licences granted.

The Australian cotton industry has developed a Best Management Practice manual for sustainable cotton production. During the year an independent audit was completed from which Tandou has now been granted full accreditation under the Best Management Practice criteria. Management expects this to ultimately lead to ISO 14000 accreditation.

### DIVIDENDS

In respect of the financial year ended 30 June 2002, the Directors recommend that payment of a final dividend of 6 cents per share (2001: nil), unfranked, to the holders of fully paid ordinary shares on 18 September 2002.

### ROUNDING OFF OF AMOUNTS

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

### SHARE OPTIONS

The company has an Employee and Directors Options Plan, established in 1978 and amended at the Annual General Meeting in 1993. During and since the end of the financial year, no share options were granted to Directors and executives of the Company.

During the financial year 255,000 options were exercised under the provisions of the Employee and Directors Options Plan. Further details of the Employee and Directors Options Plan are disclosed in Note 7 to the financial statements.

### INDEMNIFICATION OF OFFICERS AND AUDITORS

During or since the financial year, the Company has paid premiums to insure the previously named Directors, the Company Secretary and all executive officers, against liabilities for costs and expenses incurred by them while acting in the capacity of a Director or an officer of the Company, to the extent permitted by the Corporations Act 2001. Conditions of the relevant contract prevent disclosure of the details of indemnity and/or the premiums paid.

### DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings (including Remuneration and Audit Committee meetings) held during the financial year and the number of meetings attended by each Director. During the financial year, eleven Board meetings, two Remuneration Committee meetings and two Audit Committee meetings were held.

Directors	Board of Directors		Remuneration Committee		Audit Committee	
	Held	Attended	Held	Attended	Held	Attended
J. C. Warburton	11	11	2	2	2	2
J. R. Mitchell	11	8	2	1	2	2
I. M. Taylor	11	11	2	2	2	2
R. W. Smith	11	11	2	2	2	2
W. A. Locher	11	11	2	2	2	1
J.R. Kennedy	11	11	2	2	2	2

### DIRECTORS' SHAREHOLDINGS

The following table sets out each Director's relevant interest in shares of the Company or a related body corporate as at the date of this Report.

Directors	Fully Paid Ordinary	Shares Relevant Interest	Total
J. C. Warburton	-	5,500	5,500
I. M. Taylor	-	2,055,709	2,055,709
R. W. Smith	303,670	1,057,556	1,361,226
W. A. Locher	-	-	-
J.R. Kennedy	-	12,621	12,621

## STATUTORY REPORT OF DIRECTORS Cont'd...

### DIRECTORS' AND EXECUTIVES' REMUNERATION

The Non Executive Directors convene as a Remuneration Committee from time to time to review the remuneration packages of all Directors and senior executive officers. Remuneration packages are reviewed with due regard to performance and other relevant factors.

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the Company's operations, the Committee seeks the advice of external advisers in connection with the structure of remuneration packages.

Remuneration packages contain the following key elements:

- a) Salary/fees;
- b) Benefits – including, wherever applicable, the provision of motor vehicle, superannuation, and appropriate FBT.

The following table discloses the remuneration of the Directors of the Company and the highest remunerated executive officers of the Company (including executive Directors).

Name	Office	Salary/Fees	Benefits	Total
R.W. Smith	Managing Director	\$168,034	\$92,769	\$260,803
J.C. Warburton	Chairman	\$35,000	\$2,800	\$37,800
J.R. Michell	Non Executive Director	\$20,000	\$1,600	\$21,600
I.M. Taylor	Non Executive Director	\$20,000	\$1,600	\$21,600
W.A. Locher	Non Executive Director	\$20,000	-	\$20,000
J.R. Kennedy	Non Executive Director	\$20,000	\$1,600	\$21,600
G.T. Buckley	Chief Financial Officer	\$129,630	\$25,370	\$155,000

### OTHER INFORMATION

The following other information attached to this Report shall be deemed to be incorporated herein:

- Particulars of the Directors of the Company in office at the date of this Report;
- The Directors' Review of Operations;
- Information regarding the likely developments in the operations of the consolidated entity and the expected results of those operations.

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



R.W. Smith  
Director

Mildura, 25 September 2002



# STATEMENT OF FINANCIAL PERFORMANCE

for the Financial Year ended 30 June 2002

NOTE	Consolidated		Company		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	
	Sales revenue (sales of goods)	44,868	37,722	39,822	36,263
	Cost of sales	(36,167)	(28,710)	(33,043)	(27,283)
	<b>Gross Profit</b>	<b>8,701</b>	<b>9,012</b>	<b>6,779</b>	<b>8,980</b>
	Other revenue from ordinary activities	1,710	1,315	1,432	1,315
	Administration expenses	(2,362)	(3,031)	(2,118)	(2,999)
	Marketing expenses	(169)	-	-	-
	Borrowing costs	(3,451)	(3,643)	(2,792)	(3,643)
2	<b>Profit (Loss) From Ordinary Activities Before Income Tax Expense</b>	<b>4,429</b>	<b>3,653</b>	<b>3,301</b>	<b>3,653</b>
4	Income tax (expense) benefit relating to ordinary activities	(1,508)	(1,322)	(1,245)	(1,312)
	<b>Profit (Loss) From Ordinary Activities After Related Income Tax Expense</b>	<b>2,921</b>	<b>2,331</b>	<b>2,056</b>	<b>2,341</b>
28	<b>Net Profit (Loss)</b>	<b>2,921</b>	<b>2,331</b>	<b>2,056</b>	<b>2,341</b>
	Adjustment to retained profits at 1 July 2000 as a result of the adoption of revised Accounting Standard AASB 1037 "Self Generating and Regenerating Assets"	-	(702)	-	(702)
28	<b>Total Revenue, Expense and Valuation Adjustments Attributable to Members of the Parent Entity Recognised Directly in Equity</b>	<b>-</b>	<b>(702)</b>	<b>-</b>	<b>(702)</b>
	<b>Total Changes in Equity Other than those Resulting from Transactions with Owners as Owners</b>	<b>2,921</b>	<b>1,629</b>	<b>2,056</b>	<b>1,639</b>
	<b>Earnings Per Share</b>				
29	- Basic (cents per share)	14.1	11.6		
29	- Diluted (cents per share)	14.1	11.5		

Notes to the financial statements are included on pages 25 to 58.

# STATEMENT OF FINANCIAL POSITION

as at 30 June 2002

NOTE	Consolidated		Company		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	
	<b>Current Assets</b>				
	Cash assets	1,348	1,737	111	1,737
9	Receivables	4,429	3,830	3,489	3,830
10	Self generating and regenerating assets	1,741	2,211	1,741	2,211
11	Inventories	33,904	19,714	26,074	19,714
12	Other financial assets	83	341	83	341
13	Other	4,207	6,945	4,189	6,945
	<b>Total Current Assets</b>	<b>45,712</b>	<b>34,778</b>	<b>35,687</b>	<b>34,778</b>
	<b>Non Current Assets</b>				
14	Self generating and regenerating assets	9,703	9,044	4,199	3,820
15	Property, plant and equipment	57,822	53,929	49,404	49,632
16	Deferred tax assets	834	642	713	642
17	Other financial assets	-	-	10,913	9,518
18	Other	270	300	270	300
	<b>Total Non Current Assets</b>	<b>68,629</b>	<b>63,915</b>	<b>65,499</b>	<b>63,912</b>
	<b>Total Assets</b>	<b>114,341</b>	<b>98,693</b>	<b>101,186</b>	<b>98,690</b>
	<b>Current Liabilities</b>				
	Payables	6,784	3,144	3,432	3,144
19	Interest bearing liabilities – Core debt	4,447	1,240	4,447	1,240
20	Provisions	1,857	1,123	1,836	1,123
21	Other	209	30	-	30
22					
	<b>Total Current Liabilities</b>	<b>13,297</b>	<b>5,537</b>	<b>9,715</b>	<b>5,537</b>
	<b>Non Current Liabilities</b>				
	Interest bearing liabilities – Seasonal debt	36,019	30,500	29,819	30,500
23a	Interest bearing liabilities – Core debt	15,885	19,317	13,775	19,317
23b	Deferred tax liabilities	5,228	3,529	5,061	3,745
24	Provisions	539	3	527	3
25					
	<b>Total Non Current Liabilities</b>	<b>57,671</b>	<b>53,349</b>	<b>49,182</b>	<b>53,565</b>
	<b>Total Liabilities</b>	<b>70,968</b>	<b>58,886</b>	<b>58,897</b>	<b>59,102</b>
	<b>Net Assets</b>	<b>43,373</b>	<b>39,807</b>	<b>42,289</b>	<b>39,588</b>
	<b>Equity</b>				
26	Contributed equity	24,152	22,180	24,152	22,180
27	Reserves	-	-	-	-
28	Retained profits	19,221	17,627	18,137	17,408
	<b>Total Equity</b>	<b>43,373</b>	<b>39,807</b>	<b>42,289</b>	<b>39,588</b>

Notes to the financial statements are included on pages 25 to 58.

## STATEMENT OF CASH FLOWS

for the Financial Year ended 30 June 2002

NOTE		Consolidated		Company	
		Inflows (Outflows)		Inflows (Outflows)	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
	Receipts from customers	40,631	34,238	36,512	34,238
	Payments to suppliers and employees	(37,346)	(25,134)	(31,037)	(25,564)
	Interest and bill discounts received	60	46	85	46
	Interest and other costs of finance paid	(3,381)	(3,359)	(2,783)	(3,359)
	Income tax paid	-	-	-	-
37(d)	Net cash provided by operating activities	(36)	5,791	2,777	5,461
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
	Proceeds from sale of investment securities	255	-	255	-
	Payments for property, plant and equipment	(6,445)	(2,895)	(1,913)	(2,796)
	Proceeds from sale of property, plant and equipment	550	1,222	563	1,222
	Payments for self generating and regenerating assets	(659)	(1,618)	(379)	(129)
	Capitalised interest- self generating and regenerating assets	-	(181)	-	(56)
	Net cash provided by/(used in) investing activities	(6,299)	(3,472)	(1,474)	(1,759)
	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
	Proceeds from issues of equity securities	2,086	89	2,086	89
	Expenses relating to the issue of equity securities	(114)	-	(114)	-
	Funding of controlled entity	-	-	(562)	(1,383)
	Proceeds from borrowings	37,895	2,269	27,585	2,269
	Repayment of borrowings	(33,924)	(1,764)	(31,924)	(1,764)
	Payments for close out of excess foreign exchange contracts	-	(1,635)	-	(1,635)
	Net cash provided by/(used in) financing activities	5,943	(1,041)	(2,929)	(2,424)
	<b>Net Increase In Cash Held</b>	<b>(389)</b>	<b>1,278</b>	<b>(1,626)</b>	<b>1,278</b>
37(a)	<b>Cash at the Beginning of the Financial Year</b>	<b>1,737</b>	<b>459</b>	<b>1,737</b>	<b>459</b>
	<b>Cash at the End of the Financial Year</b>	<b>1,348</b>	<b>1,737</b>	<b>111</b>	<b>1,737</b>

Notes to the financial statements are included on pages 25 to 58.

## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 30 June 2002

### NOTE 1. SUMMARY OF ACCOUNTING POLICIES

#### Financial Reporting Framework

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

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

#### Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

#### (a) Accounts Payable

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

#### (b) Capitalisation of Borrowing Costs

Interest and other borrowing costs associated with financing development programmes are capitalised as part of the cost of those assets.

#### (c) Depreciation

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

Depreciation is provided on property, plant and equipment including buildings and fixed structures but excluding land, land improvements and water licences, and is calculated on diminishing value and straight line bases so as to write off the net cost of each asset during its expected economic life. The following estimated useful lives are used in calculating depreciation:

Buildings	30-40 years
Improvements	8-10 years
Plant and equipment	3-20 years
Equipment under finance lease	2-7 years

#### (d) Derivative Financial Instruments

The consolidated entity enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts, forward interest rate contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in note 38 to the financial statements.

for the Financial Year ended 30 June 2002

**Foreign Exchange Contracts**

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

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

- deferred and included in the measurement of the purchase or sale when it takes place, where the anticipated transaction is still expected to occur; or
- recognised in the profit and loss at the date of termination, if the anticipated transaction is no longer expected to occur.

**Interest Rate Swaps**

Gains and losses on interest rate swaps are included in the determination of interest expense.

**(e) Employee Entitlements**

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

Provisions made in respect of wages and salaries, annual leave and long service leave, expected to be settled within 12 months, are measured at their nominal values.

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

**(f) Financial Instruments Issued by the Company**

Debt and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement. Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instrument.

**(g) Foreign Currency**

All foreign currency transactions during the financial year have been brought to account using the exchange rate in effect at the date of the transaction. Exchange differences are brought to account in the statement of financial performance in the period in which they arise except that exchange differences on transactions entered into in order to hedge the purchase or sale of specific goods are deferred and included in the measurement of the purchase or sale.

**(h) Goods and Services Tax**

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

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

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

for the Financial Year ended 30 June 2002

**(i) Income Tax**

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

**(j) Interest Bearing Liabilities**

All loans are measured at the principal amount. Interest is charged as an expense as it accrues. Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing.

**(k) Inventories**

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis.

**(l) Investments**

Investments are recorded at cost. Dividend revenue is recognised when received. Interest revenue is recognised on an accrual basis.

**(m) Leased Assets**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the assets, but not the legal ownership, are transferred to entities within the consolidated entity, are classified as finance leases. Finance leases are capitalised and amortised on a straight line basis over the estimated useful life of the asset. Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are charged as an expense in the period in which they are incurred.

**(n) Principles of Consolidation**

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its controlled entities as defined in accounting standard AASB 1024 "Consolidated Accounts". A list of controlled entities appears in note 34 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

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

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

**(o) Receivables**

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.



## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 30 June 2002

### (p) Recoverable amount of Non Current Assets

Non current assets are written down to recoverable amount where the carrying value of any non current asset exceeds recoverable amount.

Recoverable amount is determined as the present value of the amount expected to be recovered through the net cash inflows and cash outflows arising from the continued use and subsequent disposal of the non current asset.

### (q) Research and Development Costs

Research and development costs are expensed as incurred, except to the extent that such costs, together with unamortised deferred costs in relation to the projects, are expected, beyond any reasonable doubt, to be recoverable.

Any deferred research and development costs are amortised over the period in which the corresponding benefits are expected to arise, commencing with the commercial production of the product.

The unamortised balance of research and development costs deferred in previous periods is reviewed regularly and at each reporting date, to ensure the criterion for deferral continues to be met. Where such costs are no longer considered recoverable, they are written off as an expense in net profit or loss.

### (r) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue can be recognised:

#### Sale of Goods and Disposal of Assets

Control of the goods or other assets has passed to the buyer.

#### Rendering of Services

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

### (s) Self Generating and Regenerating Assets

Trees and vines are measured at net market value at each reporting date. The best representation of net market value is the costs incurred in establishing the trees and vines to a stage where the yields are commercially viable. All costs associated with trees and vines are expensed when incurred. If the trees and vines have not reached commercial viability, the value of the trees and vines are increased by the amount of expenses incurred during the period, by way of a credit to revenue.

The net market value of fruit and grapes picked during the year and recognised as revenue is determined as the net market value of fruit and grapes immediately after picking less costs of picking.

The net market value of crops harvested during the year and recognised as revenue, is determined as the net market value of crops immediately after harvesting less costs of harvesting.

## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 30 June 2002

Consolidated Company

2002 2001 2002 2001  
\$'000 \$'000 \$'000 \$'000

### NOTE 2. PROFIT (LOSS) FROM ORDINARY ACTIVITIES

Profit from ordinary activities before income tax includes the following items of revenue and expense:

#### (a) Operating Revenue

Sales revenue:				
Farming (note 40)	42,561	37,540	39,660	36,081
Bulk wine	1,849	-	-	-
Contracting	296	-	-	-
Other	162	182	162	182
	<b>44,868</b>	<b>37,722</b>	<b>39,822</b>	<b>36,263</b>
Rental revenue	742	-	186	-
Management fee:				
- Controlled entities	-	-	245	-
Interest revenue:				
- Controlled entities	-	-	25	-
- Other entities	60	46	60	46
	<b>45,670</b>	<b>37,768</b>	<b>40,338</b>	<b>36,309</b>

#### (b) Non Operating Revenue

Proceeds from the sale of assets (note 3):				
- Property, plant and equipment	550	1,222	563	1,222
- Other financial assets	255	-	255	-
Other	103	47	98	47
	<b>908</b>	<b>1,269</b>	<b>916</b>	<b>1,269</b>
	<b>46,578</b>	<b>39,037</b>	<b>41,254</b>	<b>37,578</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 30 June 2002

	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>NOTE 2.</b>				
<b>PROFIT (LOSS) FROM ORDINARY ACTIVITIES (Cont'd)</b>				
<b>(c) Expenses</b>				
Borrowing costs:				
- Interest	<b>3,121</b>	3,352	<b>2,477</b>	3,352
- Finance lease and hire purchase finance charges	<b>330</b>	291	<b>315</b>	291
	<b>3,451</b>	3,643	<b>2,792</b>	3,643
Depreciation of non current assets:				
- Property, plant and equipment	<b>2,802</b>	2,674	<b>2,378</b>	2,350
Amortisation of non current assets:				
- Leased assets	<b>661</b>	1,032	<b>661</b>	1,032
- Research and development costs	<b>30</b>	-	<b>30</b>	-
Net transfers to provision for employee entitlements	<b>(54)</b>	14	<b>(90)</b>	14
Foreign exchange loss	<b>294</b>	-	<b>294</b>	-
Operating lease rental expenses:				
- Minimum lease payments	<b>118</b>	117	<b>118</b>	117
Book value of property, plant and equipment sold	<b>412</b>	422	<b>425</b>	422
Book value of other financial assets sold	<b>258</b>	-	<b>258</b>	-
Significant Items:				
Loss on close out of excess foreign exchange contracts	-	1,635	-	1,635
Allowance for doubtful debts	-	354	-	322
	-	1,989	-	1,957

## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 30 June 2002

	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>NOTE 3.</b>				
<b>SALE OF ASSETS</b>				
Sales of assets in the ordinary course of business have given rise to the following profits and losses:				
Net Profits:				
Property, plant and equipment	<b>150</b>	826	<b>150</b>	826
Net Losses:				
Property, plant and equipment	<b>12</b>	26	<b>12</b>	26
Other financial assets	<b>3</b>	-	<b>3</b>	-
<b>NOTE 4.</b>				
<b>INCOME TAX</b>				
The prima facie income tax expense (benefit) on pre tax accounting profit (loss) reconciles to the income tax expense (benefit) in the financial statements as follows:				
Profit (loss) from Ordinary Activities	<b>4,429</b>	3,653	<b>3,301</b>	3,653
Income tax expense (benefit) calculated at 30% (2001: 34%) of operating profit	<b>1,329</b>	1,242	<b>990</b>	1,242
Permanent Differences:				
Non deductible items	<b>11</b>	(40)	<b>7</b>	(40)
Tax losses transferred to subsidiary company for no consideration	-	-	<b>104</b>	-
Effect on future income tax benefit and provision for deferred income tax due to the change in income tax rate and under provision of income tax in previous year	<b>168</b>	120	<b>144</b>	110
Income tax expense attributable to operating profit	<b>1,508</b>	1,322	<b>1,245</b>	1,312

for the Financial Year ended 30 June 2002

Consolidated		Company	
2002	2001	2002	2001
\$	\$	\$	\$

**NOTE 5.  
DIRECTORS' REMUNERATION**

The Directors of Tandou Limited during the year were:

J.C. Warburton  
J.R. Michell  
I.M. Taylor  
R.W. Smith  
W.A. Locher  
J.R. Kennedy

The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all Directors of each entity in the consolidated entity, directly or indirectly, by the entities in which they are Directors or by any related party

<b>383,403</b>	360,249	<b>383,403</b>	360,249
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The number of Directors of the Company whose total income falls within each successive \$10,000 band of income:

	No.	No.	No.	No.
\$10,000 - \$19,999	-	1	-	1
\$20,000 - \$29,999	4	3	4	3
\$30,000 - \$39,999	1	1	1	1
\$240,000 - \$249,999	-	1	-	1
\$260,000- \$269,999	1	-	1	-
	\$	\$	\$	\$

**NOTE 6.  
EXECUTIVES' REMUNERATION**

Aggregate remuneration of executive officers of each entity in the consolidated entity working mainly in Australia and receiving \$100,000 or more from the entity for which they are executive officers or from any related party

<b>415,803</b>	376,629	<b>415,803</b>	376,629
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The number of executive officers whose remuneration within each successive \$10,000 band of income (commencing at \$100,000):

	No.	No.	No.	No.
\$130,000 - \$139,999	-	1	-	1
\$150,000 - \$159,999	1	-	1	-
\$240,000 - \$249,999	-	1	-	1
\$260,000 - \$269,999	1	-	1	-

for the Financial Year ended 30 June 2002

**NOTE 7.  
OWNERSHIP BASED REMUNERATION SCHEMES**

**Employees and Directors Option Plan**

The Company has an ownership based remuneration scheme for employees and Directors, as approved by shareholders at previous annual general meetings. Shares issued from the conversion of options are shown in the financial report in note 26.

During the year under review, a total of 30,000 (2001: 90,000) partly paid shares originally issued under the Plan, were converted to fully paid ordinary shares by the payment of 99 cents per share.

During the year under review, 255,000 options were exercised (2001: nil) and no options were issued (2001: nil). Unexercised options expired on 24 June 2002. The options were not quotable on the Australian Stock Exchange, were not transferable until exercised and upon exercise had an issue price of \$1.00.

The market price of a Tandou Limited ordinary share at 30 June 2002 was \$1.01 (2001: \$1.33)

Consolidated		Company	
2002	2001	2002	2001
\$	\$	\$	\$

**NOTE 8.  
REMUNERATION OF AUDITORS**

Amounts received or due and receivable by the Auditors of the Company from the Company and any related body corporate:

Auditing the financial statements	<b>64,600</b>	54,850	<b>54,000</b>	54,850
Other services	<b>16,250</b>	20,500	<b>16,250</b>	20,500

	\$'000	\$'000	\$'000	\$'000
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**NOTE 9.  
CURRENT RECEIVABLES**

Trade receivables	<b>4,407</b>	4,147	<b>2,638</b>	4,147
Allowance for doubtful debts	<b>(356)</b>	(354)	<b>(354)</b>	(354)

	<b>4,051</b>	3,793	<b>2,284</b>	3,793
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Amount owing by controlled entities	-	-	<b>833</b>	-
Other	<b>378</b>	37	<b>372</b>	37

	<b>4,429</b>	3,830	<b>3,489</b>	3,830
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**NOTE 10.  
CURRENT SELF GENERATING  
AND REGENERATING ASSETS**

Livestock - sheep	<b>348</b>	442	<b>348</b>	442
Crops	<b>1,393</b>	1,769	<b>1,393</b>	1,769

	<b>1,741</b>	2,211	<b>1,741</b>	2,211
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## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 30 June 2002

	Consolidated		Company	
	2002 S'000	2001 S'000	2002 S'000	2001 S'000
<b>NOTE 11. CURRENT INVENTORIES</b>				
<b>At Cost</b>				
Cotton (ginned and unginne)	24,367	17,780	24,367	17,780
Bulk wine	7,629	-	-	-
Cotton seed	364	475	364	475
Spare parts	316	351	316	351
Consumable stores	1,060	674	859	674
Other	168	434	168	434
	<b>33,904</b>	<b>19,714</b>	<b>26,074</b>	<b>19,714</b>
<b>NOTE 12. OTHER FINANCIAL ASSETS</b>				
Investments – at cost	83	341	83	341
<b>NOTE 13. OTHER CURRENT ASSETS</b>				
Prepayments	249	694	231	694
Fallow fields	3,958	6,251	3,958	6,251
	<b>4,207</b>	<b>6,945</b>	<b>4,189</b>	<b>6,945</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 30 June 2002

	Consolidated		Company	
	2002 S'000	2001 S'000	2002 S'000	2001 S'000
<b>NOTE 14. NON CURRENT SELF GENERATING AND REGENERATING ASSETS (i) (ii)</b>				
Vines	7,472	7,049	1,968	1,825
Trees	2,231	1,995	2,231	1,995
	<b>9,703</b>	<b>9,044</b>	<b>4,199</b>	<b>3,820</b>
<b>(i) Physical quantities</b>				
	No.	No.	No.	No.
Vines	359,830	359,830	121,256	121,256
Trees	77,922	77,922	77,922	77,922
	<b>Hectares</b>	<b>Hectares</b>	<b>Hectares</b>	<b>Hectares</b>
Vines	258	258	84	84
Trees	68	68	68	68

**(ii) Nature of Assets**

Tandou Limited has 326 hectares (2001: 326 hectares) of land used to grow wine grapes and tree fruit, to sell domestically.



## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 30 June 2002

### NOTE 15. PROPERTY, PLANT AND EQUIPMENT

#### Consolidated

	Leasehold & freehold land, & water licences \$'000	Improvements, structures & buildings \$'000	Plant & equipment \$'000	Equipment under finance lease \$'000	Total \$'000
<b>Gross Carrying Amount</b>					
Balance at 30 June 2001	17,974	28,797	16,493	4,876	68,140
Additions	235	1,556	4,654	1,323	7,768
Disposal	-	(104)	(868)	-	(972)
Transfers	-	-	1,057	(1,057)	-
Balance at 30 June 2002	18,209	30,249	21,336	5,142	74,936
<b>Accumulated Depreciation/Amortisation</b>					
Balance at 30 June 2001	-	(5,373)	(7,125)	(1,713)	(14,211)
Depreciation expense	-	(1,606)	(1,196)	(661)	(3,463)
Disposals	-	13	547	-	560
Transfers	-	-	(642)	642	-
Balance at 30 June 2002	-	(6,966)	(8,416)	(1,732)	(17,114)
<b>Net Book Value</b>					
As at 30 June 2001	17,974	23,424	9,368	3,163	53,929
As at 30 June 2002	18,209	23,283	12,920	3,410	57,822

The current value of leasehold land, improvements, fixed structures, buildings and water licences, including the cotton gin determined in accordance with an independent valuation on the basis of a "going concern", performed as at 30 June 2000 was \$67.033m.

## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 30 June 2002

### NOTE 15 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

#### Company

	Leasehold & freehold land, and water licences \$'000	Improvements structures & buildings \$'000	Plant & equipment \$'000	Equipment under finance lease \$'000	Total \$'000
<b>Gross Carrying Amount</b>					
Balance at 30 June 2001	16,291	25,885	16,451	4,876	63,503
Additions	218	887	808	1,323	3,236
Disposals	-	(104)	(899)	-	(1,003)
Transfers	-	-	1,057	(1,057)	-
Balance at 30 June 2002	16,509	26,668	17,417	5,142	65,736
<b>Accumulated Depreciation/Amortisation</b>					
Balance at 30 June 2001	-	(5,045)	(7,113)	(1,713)	(13,871)
Depreciation expenses	-	(1,275)	(1,103)	(661)	(3,039)
Disposals	-	13	565	-	578
Transfers	-	-	(642)	642	-
Balance at 30 June 2002	-	(6,307)	(8,293)	(1,732)	(16,332)
<b>Net Book Value</b>					
As at 30 June 2001	16,291	20,810	9,338	3,163	49,632
As at 30 June 2002	16,509	20,361	9,124	3,410	49,404

## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 30 June 2002

	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>NOTE 16. DEFERRED TAX ASSETS</b>				
Future income tax benefit				
Timing differences	<b>834</b>	642	<b>713</b>	642
<b>NOTE 17. OTHER NON CURRENT FINANCIAL ASSETS</b>				
Amount owing by controlled entities	-	-	<b>10,913</b>	9,518
<b>NOTE 18. OTHER NON CURRENT ASSETS</b>				
Deferred research and development costs	<b>300</b>	300	<b>300</b>	300
Accumulated amortisation	<b>(30)</b>	-	<b>(30)</b>	-
	<b>270</b>	300	<b>270</b>	300

## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 30 June 2002

	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>NOTE 19. CURRENT PAYABLES</b>				
Trade payables	<b>4,306</b>	1,672	<b>1,651</b>	1,672
Accrued expenses	<b>2,466</b>	1,179	<b>1,821</b>	1,179
Net goods and services tax payable	<b>12</b>	293	<b>(40)</b>	293
	<b>6,784</b>	3,144	<b>3,432</b>	3,144
<b>NOTE 20. CURRENT INTEREST BEARING LIABILITIES</b>				
<i>Secured</i>				
<b>Core debt:</b>				
Cash advances (i)	<b>3,000</b>	-	<b>3,000</b>	-
Finance lease liabilities (ii) (note 33)	<b>1,337</b>	1,133	<b>1,337</b>	1,133
Hire purchase liabilities (ii) (note 33)	<b>110</b>	107	<b>110</b>	107
	<b>4,447</b>	1,240	<b>4,447</b>	1,240

(i) Secured by the first mortgage over all of the consolidated entity's Western Lands Leases held in perpetuity and freehold land in North Western Victoria, and by equitable charge over operating plant and equipment, growing crops and the produce therefrom.

(ii) Secured over the relevant assets.

## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 30 June 2002

	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>NOTE 21. CURRENT PROVISIONS</b>				
Dividends	1,32	-	1,327	-
Employee entitlements (note 30)	530	1,123	509	1,123
	<b>1,857</b>	<b>1,123</b>	<b>1,836</b>	<b>1,123</b>
<b>NOTE 22. OTHER CURRENT LIABILITIES</b>				
Revenue received in advance	209	-	-	-
Other	-	30	-	30
	<b>209</b>	<b>30</b>	<b>-</b>	<b>30</b>
<b>NOTE 23. NON CURRENT INTEREST BEARING LIABILITIES</b>				
<b>Secured</b>				
<b>(a) Seasonal debt:</b>				
Cash advances (i)	36,019	30,500	29,819	30,500
<b>(b) Core debt:</b>				
Cash advances (i)	13,010	16,219	10,900	16,219
Finance lease liabilities (ii) (note 33)	2,312	2,495	2,312	2,495
Hire purchase liabilities (ii) (note 33)	563	603	563	603
	<b>15,885</b>	<b>19,317</b>	<b>13,775</b>	<b>19,317</b>

(i) Secured by the first mortgage over all of the consolidated entity's Western Lands Leases held in perpetuity and freehold land in North Western Victoria, and by equitable charge over operating plant and equipment, growing crops and the produce therefrom.

(ii) Secured over the relevant assets.

## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 30 June 2002

	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>NOTE 24. DEFERRED TAX LIABILITIES</b>				
Provision for deferred income tax attributable to timing differences	9,108	9,380	7,248	7,653
Less tax losses	(3,880)	(5,851)	(2,187)	(3,908)
	<b>5,228</b>	<b>3,529</b>	<b>5,061</b>	<b>3,745</b>
<b>NOTE 25. NON CURRENT PROVISIONS</b>				
Employee entitlements (note 30)	539	3	527	3

## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 30 June 2002

	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>NOTE 26. CONTRIBUTED EQUITY</b>				
22,060,773 fully paid ordinary shares (2001: 20,025,248)	24,100	22,179	24,100	22,179
255,000 partly paid ordinary shares paid to twenty cents (2001: nil)	51	-	51	-
74,318 partly paid ordinary shares paid to one cent (2001: 104,318)	1	1	1	1
	<b>24,152</b>	<b>22,180</b>	<b>24,152</b>	<b>22,180</b>

### Options over unissued shares

On 24 June 2002, unexercised options over unissued shares expired. As at 30 June 2002, nil options over unissued shares were held by employees pursuant to the Employees and Directors Options Plan (2001: 330,000). Further details are disclosed in note 7.

	2002		2001	
	No. '000	\$'000	No. '000	\$'000
<b>Fully Paid Ordinary Share Capital</b>				
Balance at beginning of financial year	20,025	22,179	19,935	22,089
Issue of shares pursuant to Prospectus dated 19 February 2002	2,005	2,005	-	-
Share issue expenses	-	(114)	-	-
Issue of shares under executive and employee share option plan (note 7)	-	-	-	-
Conversion of partly paid shares	30	30	90	90
Balance at end of financial year	<b>22,060</b>	<b>24,100</b>	<b>20,025</b>	<b>22,179</b>

Fully paid ordinary shares carry one vote per share and carry the right to dividends. On 28 March 2002 the Company made a cash issue of 2,005,525 ordinary shares at \$1.00 per share pursuant to the Prospectus dated 19 February 2002.

	2002		2001	
	No. '000	\$'000	No. '000	\$'000
<b>Partly Paid Ordinary Share Capital</b>				
Balance at beginning of financial year	104	1	19	42
Issue of shares under employee and directors option plan (note 7)	255	51	-	-
Less partly paid shares now paid in full	(30)	-	(90)	(1)
Balance at end of financial year	<b>329</b>	<b>52</b>	<b>104</b>	<b>1</b>

Partly paid ordinary shares carry both the right to vote and the right to dividends on a basis of the amount paid per share proportionate to its issue price.

In respect of partly paid ordinary shares on issue at the reporting date:

- a - there are no calls in arrears; and
- b - a total of \$277,574 may be called up in the event of winding up of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 30 June 2002

	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>NOTE 27. RESERVES</b>				
<b>Asset Revaluation Reserve</b>				
Balance at beginning of financial year	-	5,407	-	5,407
Transfer to retained earnings	-	(5,407)	-	(5,407)
Balance at end of financial year	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### NOTE 28. RETAINED PROFITS

Balance at beginning of financial year	17,627	10,591	17,408	10,362
Net Profit (Loss)	2,921	2,331	2,056	2,341
Dividends provided for or paid	(1,327)	-	(1,327)	-
Adjustment to retained profits at 1 July 2000 as a result of the adoption of revised accounting standard AASB 1037 "Self Generating and Regenerating Assets"	-	(702)	-	(702)
Transfer from asset revaluation reserve	-	5,407	-	5,407
Balance at end of financial year	<b>19,221</b>	<b>17,627</b>	<b>18,137</b>	<b>17,408</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 30 June 2002

### NOTE 29.

#### EARNINGS PER SHARE

	Cents per share 2002	Cents per share 2001
Basic earnings per share	14.1	11.6
Diluted earnings per share	14.1	11.5

#### Basic Earnings per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	\$'000	\$'000
Earnings	2,921	2,331

Earnings used in the calculation of basic earnings per share reconciles directly to net profit in the statement of financial performance.

	No.	No.
Weighted average number of ordinary shares	20,666,699	20,172,302

The converting partly paid ordinary shares and options are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. When dilutive, potential ordinary shares are included in the calculation of diluted earnings per share (refer below).

#### Diluted Earnings per Share

The earnings and weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share are as follows:

	\$'000	\$'000
Earnings	2,921	2,331

Earnings used in the calculation of diluted earnings per share reconciles directly to net profit in the statement of financial performance.

	No.	No.
Weighted average number of ordinary and potential ordinary shares	20,725,108	20,088,502

Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 30 June 2002

### NOTE 29.

#### EARNINGS PER SHARE (cont'd)

	2002 No.	2001 No.
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:		

Weighted average number of ordinary shares used in the calculation of basic EPS	20,666,699	20,172,302
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Shares deemed to be issued for no consideration in respect of:

Partly paid ordinary shares	21,013	30,109
Employee options converted	27,705	68,714
Employee options expired	9,691	-
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	20,725,108	20,271,125

Weighted average number of converted, lapsed, or cancelled potential ordinary shares used in the calculation of diluted earnings per share:

Option to purchase ordinary shares pursuant to the employee share scheme expired on 24 June 2002	9,691	-
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Earnings used in the calculation of basic earnings per share reconciles directly to net profit in the statement of financial performance.

	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000

### NOTE 30.

#### EMPLOYEE ENTITLEMENTS

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

Provision for employee entitlements:				
Current (note 21)	530	1,123	509	1,123
Non current (note 25)	539	3	527	3
	1,069	1,126	1,036	1,126
	No.	No.	No.	No.

Number of employees at end of financial year	140	118	111	118
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## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 30 June 2002

	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>NOTE 31. CAPITALISED BORROWING COSTS</b>				
Borrowing costs capitalised during the financial year	-	181	-	56
Weighted average capitalisation rate on funds borrowed generally in 2001 was 6.73%.				
<b>NOTE 32. COMMITMENTS FOR EXPENDITURE</b>				
<b>(a) Capital Expenditure Commitments</b>				
The following expenditure commitments are all due within one year				
Property, plant and equipment	66	710	51	710
<b>(b) Operating Lease Commitments</b>				
Not longer than 1 year	92	108	92	108
Longer than 1 year and not longer than 5 years	165	180	165	180
Longer than 5 years	113	-	113	-
	370	288	370	288

### Operating leasing arrangements

Operating leases relate to NSW Western Land leases with lease terms in perpetuity with a rental review each 5 years. There is also a lease on land from the Mildura Rural City Council with a 15 year term and an option to extend another 6 years.

## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 30 June 2002

	Consolidated		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>NOTE 33. LEASES</b>				
<b>Finance Leases</b>				
<b>Leasing arrangements</b>				
Finance leases relate to plant and equipment with lease terms of between 1 to 7 years. The consolidated entity has options to purchase the related item for a nominal amount at the conclusion of the lease arrangement.				
<b>Finance lease liabilities</b>				
No later than 1 year	1,564	1,357	1,564	1,357
Later than 1 year and not later than 5 years	2,537	2,777	2,537	2,777
Later than 5 years	-	-	-	-
Minimum finance lease payments	4,101	4,134	4,101	4,134
Less future finance charges	(452)	(506)	(452)	(506)
Finance lease liabilities	3,649	3,628	3,649	3,628
Included in the financial statements as:				
Current interest bearing liabilities (note 20)	1,337	1,133	1,337	1,133
Non current interest bearing liabilities (note 23)	2,312	2,495	2,312	2,495
	3,649	3,628	3,649	3,628
<b>Hire Purchase</b>				
Not longer than 1 year	268	191	268	191
Longer than 1 year and not longer than 5 years	478	627	478	627
Longer than 5 years	-	-	-	-
Minimum finance lease payments	746	818	746	818
Less future finance charges	(73)	(108)	(73)	(108)
Hire purchase liabilities	673	710	673	710
Included in the financial statements as:				
Current interest bearing liabilities (note 20)	110	107	110	107
Non current interest bearing liabilities (note 23)	563	603	563	603
	673	710	673	710

## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 30 June 2002

### NOTE 34. CONTROLLED ENTITIES

Controlled entities of Tandou Limited are:

- Tandou Wines Pty Limited
- Millewa County Farms Pty Limited

Tandou Wines Pty Limited and Millewa County Farms Pty Limited are bound by a deed of guarantee to Rabo Australia Limited in respect of the obligations of the parent entity under security arrangements referred to in note 23.

Tandou Wines Pty Limited and Millewa County Farms Pty Limited have not prepared audited financial reports as the entities are classified as small proprietary companies under the Corporations Act 2001.

All controlled entities are incorporated in Australia and are wholly owned by Tandou Limited.

During the year, Tandou Dairy Pty Limited changed its name to Tandou Wines Pty Limited.

### NOTE 35. SEGMENT INFORMATION

#### Information on Business Segments (primary reporting format)

#### Segment Revenues

	External Sales		Other		Total	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Crops	27,598	33,206	8,507	(24)	36,105	33,182
Horticulture	853	419	236	-	1,089	419
Viticulture	4,706	1,854	423	1,459	5,129	3,313
Winery	2,701	-	-	-	2,701	-
Total of all segments					45,024	36,914
Unallocated					1,554	2,123
Consolidated					46,578	39,037

#### Segment Results

	2002 \$'000	2001 \$'000
Crops	5,487	7,631
Horticulture	(1,126)	(773)
Viticulture	1,536	(156)
Winery	313	-
Total of all segments	6,210	6,702
Unallocated	(1,781)	(3,059)
Profit from ordinary activities before income tax expense	4,429	3,643
Income tax expense relating to ordinary activities	(1,508)	(1,322)
Net Profit	2,921	2,331

## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 30 June 2002

### NOTE 35. SEGMENT INFORMATION (cont'd)

#### Segment Assets & Liabilities

	Assets		Liabilities	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Crops	77,309	75,353	3,622	3,415
Horticulture	5,557	4,900	53	45
Viticulture	15,525	14,813	18	20
Winery	15,206	-	4,423	-
Total of all segments	113,597	95,066	8,116	3,480
Eliminations	(833)	-	(833)	-
Unallocated	1,577	3,627	63,685	55,406
Consolidated	114,341	98,693	70,968	58,886

#### Other Segment Information

	Crops		Horticulture		Viticulture		Winery	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Acquisition of segment assets	2,469	3,935	977	330	530	1,589	4,451	-
Depreciation and amortisation of segment assets	2,690	2,956	149	163	534	587	90	-
Other non cash expenses	1,971	6,059	75	6	39	-	3,411	-

#### Products and Services within Each Business Segment

For management purposes, the consolidated entity is organised into four major operating divisions, namely, crops, horticulture, viticulture and the winery. These divisions are the basis on which the consolidated entity reports its primary segment information. The principal products and services of each of these divisions are as follows:

- Crops - the plantation and processing of upland and Pima cotton for sale in Australian and international markets and the plantation of cereal crops for sale in the Australian market.
- Horticulture - the growing of fruit and wine for sale in the Australian market.
- Viticulture - the growing of grapes for wine for sale in the Australian market.
- Winery - the processing of grapes into wine for sale in the Australian and international markets.

for the Financial Year ended 30 June 2002

**NOTE 35.  
SEGMENT INFORMATION (cont'd)**

**Information on Geographical Segments (secondary reporting format)**

The consolidated entity operates in Australia and sells its products to customers located in Australia, Europe, Asia and the United States of America. The table below shows a breakdown of revenue from external customers by geographical segment.

Geographical Segments	Revenue from External Customers	
	2002 \$'000	2001 \$'000
Australia	24,254	25,727
Europe	9,196	10,155
Asia	1,100	1,214
United States of America	193	215

**NOTE 36.  
RELATED PARTY DISCLOSURES**

One person related to a Director, Mr R.W. Smith, received remuneration and benefits from the parent entity on normal commercial terms and conditions. The total of salaries and other benefits paid was \$10,000 (2001: 1 person \$10,045).

During the financial year, 283,960 shares were issued, through participation in the rights issue, to Directors and their Director related entities (2001: nil).

During the financial year, there were no issues of options on partly paid shares to Directors and their Director related entities (2001: nil).

At 30 June 2002, the aggregate number of ordinary shares held by Directors or Director related entities was 4,056,741 (2001: 3,702,742).

As at 30 June 2002, the aggregate number of ordinary shares partly paid to one cent (\$0.01) held by Directors or Director related entities was nil (2001: nil).

**Transactions within the Wholly Owned Group**

The wholly owned group includes:

- the ultimate parent entity in the wholly owned group; and
- wholly owned controlled entities.

The ultimate parent entity in the wholly owned group is Tandou Limited.

Details of interest revenue derived by the entity from entities in the wholly owned group is disclosed in note 2 to the financial statements.

Amounts receivable from and payable to entities in the wholly owned group are disclosed in notes 9 and 17 to the financial statements.

During the financial year, Tandou Limited provided accounting and administration services, at cost, to entities in the wholly owned group. Details of management fee revenue derived by the entity from entities in the wholly owned group are disclosed in note 2 to the financial statements.

Other transactions that occurred during the financial year between entities in the wholly owned group were:

- advancement of loans at commercial interest rates
- sale and purchase of goods at normal commercial rates.

for the Financial Year ended 30 June 2002

	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
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**NOTE 37.  
NOTES TO THE STATEMENT  
OF CASH FLOWS**

**(a) Reconciliation of Cash**

For the purposes of the statement of cash flows, cash includes cash on hand and in the bank net of outstanding bank overdraft. Cash at the end of the financial year as shown in the statement is reconciled to the related items in the statement of financial position as follows:

Cash on hand and at bank	1,348	1,737	111	1,737
Bank overdraft	-	-	-	-
	<b>1,348</b>	<b>1,737</b>	<b>111</b>	<b>1,737</b>

**(b) Non Cash Financing and Investing Activities**

During the financial year the consolidated entity acquired plant and equipment with an aggregate value of \$1.3 million (2001: \$1.5 million) by way of finance leases. These additions are not reflected in cash flows. The assets acquired, the liabilities incurred and the resulting effects are disclosed in notes 15, 20 and 23 of the notes to the financial statements.

**(c) Financing Facilities**

Firmly committed financing facilities available at the end of the financial year (all secured, refer note 23).

The annual review conducted during September 2002 has resulted in the bank extending the seasonal cropping facilities until 30 September 2003.

Seasonal cropping facilities				
- available	44,000	33,000	37,000	33,000
- used	36,019	30,500	29,819	30,500

Facilities established with expiry 31 March 2004:

Core debt capital funding				
- available	16,010	16,400	13,900	16,400
- used	16,010	16,219	13,900	16,219

## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 30 June 2002

	2002 S'000	2001 S'000	2002 S'000	2001 S'000
<b>NOTE 37.</b>				
<b>NOTES TO THE STATEMENT OF CASH FLOWS (cont'd)</b>				
(d) Reconciliation of net cash provided by operating activities to operating profit after income tax				
<b>Operating profit after Income Tax</b>	<b>2,921</b>	2,331	<b>2,056</b>	2,341
<b>Non-cash flows in operating profit</b>				
Adjustment to retained earnings at 1 July 2000 as a result of adoption of revised Accounting Standard AASB 1037 "Self Generating and Regenerating Assets"				
	-	(702)	-	(702)
Net profit on sale of non current assets	(135)	(800)	(135)	(800)
Loss on close out of excess foreign exchange contracts	-	1,635	-	1,635
Depreciation	2,802	2,674	2,378	2,350
Lease amortisation	661	1,032	661	1,032
Research and development amortisation	30	-	30	-
Changes in net assets and liabilities:				
<b>(Increase)/decrease in assets</b>				
Current receivables	(599)	(968)	(492)	(968)
Current other assets	2,738	(1,447)	2,756	(1,454)
Current inventories	(14,190)	3,425	(6,360)	3,425
Self generating and regenerating assets	470	(2,014)	470	(2,014)
Future income tax benefit	(192)	(55)	(71)	(55)
<b>Increase/(decrease) in liabilities</b>				
Current payables & accruals	3,816	(325)	258	(325)
Provisions	(57)	14	(90)	14
Provision for deferred income tax	1,699	991	1,316	982
Net cash from operating activities	<b>(36)</b>	5,791	<b>2,777</b>	5,461

## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 30 June 2002

### NOTE 38. FINANCIAL INSTRUMENTS

#### Terms, conditions and accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

#### (a) Financial Assets

Trade Receivables are carried at nominal amounts due, less any provision for doubtful debts. Credit sales are on 30 or 60 day terms, following delivery.

#### (b) Financial Liabilities

(i) Cash advances are carried in the financial statements at their principal amount. They have a maturity of 30 to 182 days with effective interest rates of 4.74% to 5.90% (2001: 5.44% to 6.85%).

(ii) Trade payables and accruals are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Trade liabilities are normally settled on 30 day terms except for certain contracted farm activities such as harvest costs, which are settled according to the contract terms.

(iii) Lease liabilities. Finance lease liabilities are accounted for in accordance with AASB 1008. Hire purchase liabilities are disclosed as the principal amount owing. As at balance date the consolidated entity had finance leases with an average lease term of 25 months (2001: 20 months). The average discount rate implicit in the leases is 7.88 % (2001: 8.16%). Hire purchase liabilities have an average term remaining of 16 months (2001: 20 months) with an implicit interest rate of 7.97 % (2001: 8.14%).

#### (c) Forward Foreign Exchange Contracts

The consolidated entity enters into forward exchange contracts where it agrees to sell specified amounts of US\$ in future at predetermined exchange rates. The objective is to match the contracts with anticipated future cash flows from sales in US\$ to protect the consolidated entity from possible losses due to exchange rate fluctuations. Contracts are usually for periods up to 24 months. Up to 97% of significant exposures are covered. Exchange gains or losses are charged to the statement of financial performance except for those relating to hedges of specific commitments, which are deferred and included in the measurement of the sale.

#### (d) Foreign Exchange Risk

Set out below is details of forward foreign current contracts outstanding as at balance date.

##### (i) Hedging Current Transactions

The contracts listed below have been entered into to hedge contracted sales denominated in \$US.

	2002	2001
Contracts outstanding maturing within 12 months	US\$9.031m	US\$6.034m
Average exchange rate	\$0.5750	\$0.6309
Contracts outstanding maturing between 12 and 24 months	US\$0.076m	US\$5.282m
Average exchange rate	\$0.5363	\$0.5756

## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 30 June 2002

### NOTE 38. FINANCIAL INSTRUMENTS (cont'd)

#### (ii) Hedging Anticipated Transactions

The contracts listed below have been undertaken to hedge anticipated foreign currency sales. Consequently any unrealised gains and losses on the contracts will be recognised at the time the underlying transaction occurs. The net unrecognised loss on these contracts at 30 June 2002 is \$0.149m (2001: loss \$8.433m).

	2002	2001
Contracts outstanding maturing within 12 months	<b>US\$5.469m</b>	US\$6.716m
Average exchange rate	<b>\$0.5410</b>	\$0.6126
Contracts outstanding maturing between 12 and 24 months	<b>US\$9.924m</b>	US\$5.968m
Average exchange rate	<b>\$0.5338</b>	\$0.5762
Contracts outstanding maturing between 24 and 30 months	<b>US\$3.000m</b>	US\$10.000m
Average exchange rate	<b>\$0.4988</b>	\$0.5338

#### (e) Interest Rate Swaps

The consolidated entity has entered into an interest rate swap agreement to convert the variable interest rate of a proportion of its long term borrowings to fixed interest rates. It is the policy of the consolidated entity not to recognise interest rate swaps in the financial statements. Net receipts and payments are recognised as an adjustment to interest rate expense.

At balance date the consolidated entity had an interest rate swap agreements with a notional amount of \$15m, on which it pays 6.2% interest and receives the Bank Bill Swap Rate (BBSW) calculated on the notional amount (2001: \$15m and 6.2%). Settlement occurs every 90 days. The swap is used to protect approximately 34% (2001: 32%) of bank borrowings outstanding as at balance date, from exposure to increasing interest rates. The agreement expires on 31 March 2004. This agreement has been extended by the consolidated entity for a further 2 years to 31 March 2005, 31 March 2006 and 31 March 2007 on which it will pay 7.02%, 5.99% and 6.85% respectively for these additional years.

The estimated amount, which the consolidated entity would be expected to pay if the interest rate swaps, which are not recorded in the statement of financial position, were closed out at balance date, would be \$0.287m (2001: pay \$0.06m).

## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 30 June 2002

### NOTE 38. FINANCIAL INSTRUMENTS (cont'd)

#### (f) Interest Rate Risk

The consolidated entity's exposure to interest rate risks at 30 June 2002 is shown in the following table. All other financial assets and liabilities are non interest bearing.

2002	Variable Interest Rate	Fixed interest rate maturing in:			Total carrying value per the statement of financial position	Weighted average effective interest rate
		1 year or less	Over 1 to 5 years	More than 5 years		
	\$'000	\$'000	\$'000	\$'000	\$'000	%
<b>Financial Assets:</b>						
Cash	1,348	-	-	-	1,348	3.75
<b>Total Financial Assets</b>	<b>1,348</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,348</b>	
<b>Financial Liabilities:</b>						
Cash advances	36,019	-	16,010	-	52,029	5.33
Finance leases	-	1,337	2,312	-	3,649	7.88
Hire purchase	-	110	563	-	673	7.97
<b>Total Financial Liabilities</b>	<b>36,019</b>	<b>1,447</b>	<b>18,885</b>	<b>-</b>	<b>56,351</b>	

2001	Variable Interest Rate	Fixed interest rate maturing in:			Total carrying value per the statement of financial position	Weighted average effective interest rate
		1 year or less	Over 1 to 5 years	More than 5 years		
	\$'000	\$'000	\$'000	\$'000	\$'000	%
<b>Financial Assets:</b>						
Cash	1,737	-	-	-	1,737	4.00
<b>Total Financial Assets</b>	<b>1,737</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,737</b>	
<b>Financial Liabilities:</b>						
Cash advances	30,500	-	16,219	-	46,719	5.76
Finance leases	-	1,133	2,495	-	3,628	8.16
Hire purchase	-	107	603	-	710	8.14
<b>Total Financial Liabilities</b>	<b>30,500</b>	<b>1,240</b>	<b>19,317</b>	<b>-</b>	<b>51,057</b>	

for the Financial Year ended 30 June 2002

**NOTE 38.  
FINANCIAL INSTRUMENTS (cont'd)**

**(g) Net Fair Values**

The carrying amount of all financial assets and liabilities recorded on the statement of financial performance represent their respective fair values.

If the consolidated entity were to close out their derivative financial instruments relating to foreign currency amounts and interest rate swaps currently not recorded on the statement of financial position, as these are hedging anticipated future transactions, at their fair market value at 30 June 2002 they would expect to pay \$0.149m and \$0.287m respectively (2001: pay \$8.4330m and \$0.06m).

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments, forward exchange contracts and interest rate swaps.

**(h) Credit Rate Risk**

Credit risk refers to the risk that the counterparty or customer will default on its contractual obligations resulting in a financial loss to the consolidated entity.

The credit risk on the financial assets of the consolidated entity, which have been recognised on the statement of financial performance, is generally the carrying amount, net of any provision for doubtful debts. The consolidated entity has adopted the policy of dealing with creditworthy customers.

The consolidated entity has significant credit risk exposure to the following groups, having similar characteristics:

	2002 \$'000	2001 \$'000
Customers in the cotton trading industry	729	2,981
Customers in the wine industry	2,001	971

The credit risk on derivative financial instruments contracts is minimised, as counterparties are recognised financial intermediaries with acceptable credit ratings by a recognised agency.

**NOTE 39.  
DIVIDENDS**

	2002		2001	
	Cents per Share	\$'000	Cents per Share	\$'000
<b>Fully Paid Ordinary Shares</b>				
Final dividend – unfranked	6	1,327	-	-

Franking account balance is nil (2001: nil).

for the Financial Year ended 30 June 2002

**NOTE 40.  
FARMING**

**(i) Sales revenue - Farming.**

2002 Consolidated	Grapes & Vines \$'000	Fruit & Trees \$'000	Cereal Crops \$'000	Cotton \$'000	Livestock \$'000	Total \$'000
Revenue from sale of	4,706	853	3,594	24,004	330	33,489
Net market value of items sold	(4,706)	(853)	(3,594)	(19,900)	(330)	(29,385)
Net revenue from sale of	-	-	-	4,104	-	4,104
Net increment in net market value of vines	423	-	-	-	-	423
Net increment in net market value of fruit & trees	-	236	-	-	-	236
Net increment in net market value of crops in progress	-	-	1,393	-	-	1,393
Net increment in net market value of livestock	-	-	-	-	(94)	(94)
Net market value of items harvested/picked	4,706	855	3,594	27,014	-	36,169
Net market value of livestock sold	-	-	-	-	330	330
Net revenue from farming activities	5,129	1,091	4,987	31,118	236	42,561

2001 Consolidated	Grapes & Vines \$'000	Fruit & Trees \$'000	Cereal Crops \$'000	Cotton \$'000	Livestock \$'000	Total \$'000
Revenue from sale of	1,854	419	2,009	31,197	381	35,860
Net market value of items sold	(1,854)	(419)	(2,009)	(29,068)	(381)	(33,731)
Net revenue from sale of	-	-	-	2,129	-	2,129
Net increment in net market value of vines	1,459	-	-	-	-	1,459
Net increment in net market value of crops in progress	-	-	1,760	-	-	1,760
Net increment in net market value of livestock	-	-	-	-	245	245
Net market value of items harvested/picked	1,854	419	2,009	27,284	-	31,566
Net market value of livestock sold	-	-	-	-	381	381
Net revenue from farming activities	3,313	419	3,769	29,413	626	37,540

for the Financial Year ended 30 June 2002

Tandou Limited ABN 81 001 014 562

**NOTE 40.  
FARMING (cont'd)**

**(i) Sales revenue - Farming.**

2002 Company	Grapes & Vines \$'000	Fruit & Trees \$'000	Cereal Crops \$'000	Cotton \$'000	Livestock \$'000	Total \$'000
Revenue from sale of Net market value of items sold	2,084 (2,084)	855 (855)	3,594 (3,594)	24,004 (19,900)	330 (330)	30,867 (26,763)
Net revenue from sale of Net increment in net market value of vines	- 144	- -	- -	4,104 -	- -	4,104 144
Net increment in net market value of fruit & trees	-	236	-	-	-	236
Net increment in net market value of crops in progress	-	-	1,393	-	-	1,393
Net increment in net market value of livestock	-	-	-	-	(94)	(94)
Net market value of items harvested/picked	2,084	855	3,594	27,014	-	33,547
Net market value of livestock sold	-	-	-	-	330	330
Net revenue from farming activities	2,228	1,091	4,987	31,118	236	39,660

2001 Company	Grapes & Vines \$'000	Fruit & Trees \$'000	Cereal Crops \$'000	Cotton \$'000	Livestock \$'000	Total \$'000
Revenue from sale of Net market value of items sold	1,854 (1,854)	419 (419)	2,009 (2,009)	31,197 (29,068)	381 (381)	35,860 (33,731)
Net revenue from sale of Net increment in net market value of crops in progress	- -	- -	2,129 1,760	- -	- -	2,129 1,760
Net increment in net market value of livestock	-	-	-	-	245	245
Net market value of items harvested/picked	1,854	419	2,009	27,284	-	31,566
Net market value of livestock sold	-	-	-	-	381	381
Net revenue from farming activities	1,854	419	3,769	29,413	626	36,081

The Directors declare that:

- the attached financial statements and notes thereto comply with Accounting Standards;
- the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Company and the consolidated entity;
- in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors,



R.W. Smith  
Director

Mildura, 25 September 2002

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF  
TANDOU LIMITED

**Scope**

We have audited the financial report of Tandou Limited for the financial year ended 30 June 2002 as set out on pages 22 to 58. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The Company's Directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. 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 whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

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

**Audit Opinion**

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

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2002 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



Stephen Harvey  
Partner  
Chartered Accountants

Adelaide, 25 September 2002



DELOITTE TOUCHE TOHMATSU

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

**S T A T E M E N T O F  
C O R P O R A T E G O V E R N A N C E**

This statement sets out the main Corporate Governance practices adopted by the Board and in place during the financial year.

Because of the size and nature of the corporate structure of Tandou Limited, it is not always possible, or appropriate, to adopt a framework of governance of stand alone functions. Nevertheless, the Board believes that the arrangements it has in place serve the spirit of the requirements of the Australian Stock Exchange and at the same time function effectively and efficiently at reasonable cost. The Board takes a responsible and conservative approach to matters of business behaviour and ethics.

**Board of Directors and Committees**

The Board supports the application of Corporate Governance principles, which focus on Tandou Limited meeting the objectives of the consolidated entity, and the management and monitoring of progress.

**Audit and Compliance Committee**

For the general reasons discussed in paragraph 2 above, the Board constitutes itself from time to time as a (separate) Audit and Compliance Committee.

This committee oversees the establishment and maintenance of a sound internal control framework and relationships with the external auditors and other financial, accounting and taxation advisers. This includes, for example, the audit planning, costs and review of the financial statements.

Where appropriate, external professional advice is sought. This is available to individual Directors, if required.

**Remuneration Committee**

The Non Executive Directors meet periodically as a remuneration committee to review the remuneration packages and policies applicable to the Managing Director, Senior Executives and the Directors themselves. Remunerations are set at levels commensurate with competencies and relevant market situations on a competitive basis.

**Business Risks and Future Policy**

The Board has in place policies for the review and management of risk. Given that much of our production is sold into markets strongly influenced by international economics and commodity trading, the Board continually monitors business risk aspects of the consolidated entity. This particularly applies to the forward selling of cotton and the hedging of foreign exchange.

The Board has ready access to significant advice from risk management professionals, major cotton trading organisations in Australia and around the world and international banking services, which are highly regarded in the agribusiness field.

**Environment**

In harmony with the Board's culture of conservative governance, it monitors the Tandou Limited group's practices on environmental protection, conservation generally and Aboriginal affairs, within the locations and environments in which the group operates.

## SHAREHOLDER INFORMATION

As at 10 September 2002

### Ordinary Share Capital

The number of issued ordinary fully paid shares of \$1.00 in the Company total 22,060,773 held by 577 individual shareholders.

The number of issued ordinary shares of \$1.00 partly paid to \$0.20 (20 cents) total 255,000 held by four individual shareholders.

The number of issued ordinary shares of \$1.00 partly paid to \$0.01 (1 cent) total 74,318 held by six individual shareholders.

There are no issued convertible securities, i.e., options convertible to ordinary shares (see Note 26), currently on issue.

All shares issued are ordinary shares. Each fully paid share carries one vote on a poll.

Class	Ordinary Fully Paid	Ordinary Partly Paid	Convertible Securities
1 - 1,000	170	-	-
1,001 - 5,000	223	3	-
5,001 - 10,000	81	1	-
10,001 - 100,000	84	2	4
100,001 - over	19	-	-
	577	6	4
The number of shareholders holding less than a marketable parcel	38	Not quoted	Not quoted

### Twenty Largest Holders of Quoted Fully Paid Securities

Shareholders	Number	% held
ANZ Nominees Ltd	5,028,554	22.79
Volcom Holdings Ltd	4,029,551	18.27
Mr Rolf Werner	2,475,000	11.22
Gateland Pty Ltd	2,036,528	9.23
Mrs Colleen Faye Smith	1,044,163	4.73
Volcot Holding AG	632,500	2.87
National Nominees Ltd	577,864	2.62
Brazil Farming Pty Ltd	493,929	2.24
Mr Andrew Roy Newbery Sisson	404,000	1.83
Mr Robert Walter Smith	303,670	1.38
Mr James Raymond Michell	297,322	1.35
Farmoz Pty Limited	264,438	1.20
Stoneleigh Pty Limited	212,988	0.97
Two Seas Pty Ltd	168,300	0.76
Consolo Ltd	165,000	0.75
Salay Pty Ltd	110,000	0.50
Mr David Laurence O'Donnell	109,175	0.49
Dr William Trethowan Fifoot	100,000	0.45
Eric Ross Yuncken	100,000	0.45
Scottsdale Pty Ltd	93,500	0.42
	18,646,482	84.52

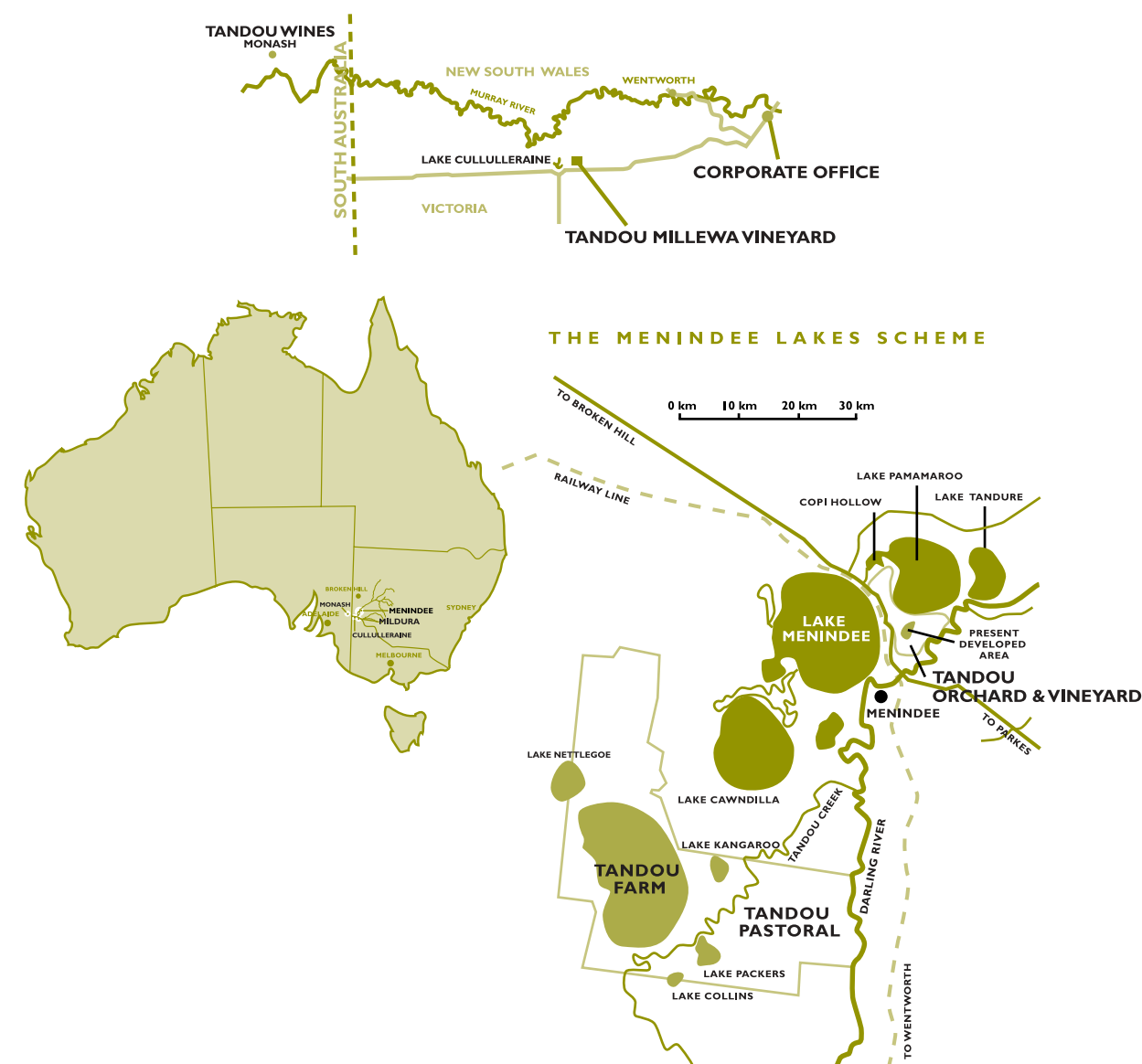
## SHAREHOLDER INFORMATION

As at 10 September 2002

### Substantial Shareholders, Fully Paid Ordinary Shares

Shareholder	Number
ANZ Nominees Ltd	5,028,554
Volcom Holdings Ltd	4,029,551
Mr Rolf Werner	2,475,000
Mr I. M. Taylor and associated entities including Gateland Pty Ltd	2,055,709
Mr R.W. Smith and associated persons including Mrs C.F. Smith	1,361,226

## TANDOU LOCATION MAPS



## ANNUAL PERFORMANCE DATA

	Value	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Sales	\$000's	8,939	18,067	17,944	17,593	32,161	26,192	25,639	38,417	37,722	44,868
EBITDA	\$000's	-3,965	2,179	5,991	3,480	6,140	11,258	9,515	3,759	11,002	11,373
Income tax	\$000's	-1,725	0	219	-92	663	80	1,727	-645	1,322	1,508
Interest	\$000's	964	1,226	1,791	1,975	2,272	1,945	1,915	2,555	3,643	3,451
Depreciation/Amortisation	\$000's	942	870	1,061	1,201	1,772	2,189	2,565	3,193	3,706	3,493
Net Profit/Loss	\$000's	-4,146	83	2,920	396	1,433	7,044	3,308	-1,344	2,331	2,921
Shareholders' Equity	\$000's	25,700	25,333	28,159	30,421	31,674	36,957	39,328	38,089	39,807	43,373
Property, Plant, Equipment, & Water Licences - Book Value	\$000's	33,036	33,873	36,141	38,504	40,847	42,864	51,707	53,662	53,929	57,822
Property, Plant, Equipment, & Water Licences - Valuation	\$000's	34,036	36,479	38,105	41,852	47,393	54,191	66,612	73,691	*73,691	*73,691
Additional Capital Raised	\$000's	1,600	0	0	1,770	0	0	263	105	90	2,086
Shares on Issue - fully paid - partly paid	Numbers Numbers	17,794,566 445,000	17,794,566 445,000	17,794,566 445,000	19,564,566 445,000	19,564,566 445,000	19,564,566 445,000	19,829,566 285,000	19,935,248 194,318	20,025,248 104,318	22,060,773 329,318
NTAB @ Book Value	\$0.00	\$1.39	\$1.36	\$1.51	\$1.50	\$1.57	\$1.81	\$1.92	\$1.85	\$1.94	\$1.92
NTAB @ Valuation	\$0.00	\$1.45	\$1.51	\$1.62	\$1.67	\$1.90	\$2.37	\$2.66	\$2.84	*\$2.96	*\$2.95
Earnings /Share	\$0 cents	-24.3	0.5	16.4	2.2	7.3	36.0	17.0	-6.7	11.7	14.1
Dividends per Share	\$0 cents	0.0	0.0	0.0	0.0	0.0	9.0	6.0	0.0	0.0	6.0
Return on S/ Holders Funds	%	-16.13%	0.30%	10.40%	1.30%	4.50%	19%	8.41%	-3.53%	5.86%	6.73%
Current Assets/Liabilities	Ratio	0.81	0.81	0.74	0.78	0.88	3.88	4.09	5.27	6.28	3.44

\* Based on valuation as at 30 June 2000

## NOTES