



Sample minutes of directors' meeting

**MINUTES OF THE BOARD MEETING
OF BOG VALLEY VINEYARDS LIMITED NO. 2009.7
HELD IN THE TASTING ROOM,
BOG VALLEY VINEYARDS, BROKE ROAD, BROKE
ON MONDAY 21 SEPTEMBER 2009
COMMENCING AT 10:00AM**

PRESENT:

Xavier Beveridge	Chairman
Howard Spirit	Managing Director/CEO
Harold Counter	Director of Finance
Frank Barrell	Director
Pauline Cork	Director (By teleconference from Napa Valley)
Susan Twomey	Director

APOLOGY

Alan Fairey Director

IN ATTENDANCE:

Adrienne Wrightman Company Secretary

DISCLOSURE OF INTERESTS

Frank Barrell and Susan Twomey reminded the directors that they were shareholders in Bog Valley Vineyards (Operations) Pty Limited and also sold grapes to that company from their own vineyards and would therefore have interests in various contracts with the two companies. The directors (other than Frank Barrell and Susan Twomey) resolved, pursuant to **s 195(2)** of the **Corporations Act**, that Frank Barrell and Susan Twomey should remain in the boardroom and be entitled to speak and vote on resolutions of the board despite the interests disclosed above as the remaining directors were satisfied that the nature of those interests were not sufficiently significant to disqualify Frank Barrell or Susan Twomey from being present and voting.

TELECONFERENCE

All directors consented to Pauline Cork joining the meeting by teleconference from the Napa Valley.

ITEM 05.7.1 — MINUTES OF PREVIOUS MEETING

- A. Minutes of board meeting held on 12 July 2009. RESOLVED to approve the minutes in the form tabled.
- B. Audit committee meeting of 13 July 2009 (draft). RESOLVED to note the draft minutes.
- C. Regulatory compliance committee of 11 July 2009. RESOLVED to note the draft minutes.
- D. Compensation and nomination committee meeting of 20 July 2009 (draft) RESOLVED to note the draft minutes.

ITEM 05.7.2 — MATTERS ARISING FROM THE MINUTES OF PREVIOUS MEETINGS

There were no matters arising from the minutes of the previous meetings not otherwise dealt with.

ITEM 05.7.3 — CLASS ORDER

NOTED that, for the purposes of Class Order 98/1418, it remains in the interests of the company for the deed of cross-guarantee dated 30 December 2003 under which the company guarantees the liabilities of Bog Valley Vineyards (Marketing) Pty Limited and Dryasdust Vineyards Pty Limited and they guarantee the liabilities of the company, to stay in force.

ITEM 05.7.4 — APPROVAL OF FINANCIAL STATEMENTS

A. Statement of financial performance, statement of financial position and statement of cash flows

RESOLVED:

THAT the directors declare that the financial statements and notes as tabled:

- (a) comply with Accounting Standards, the **Corporations Regulations** and other mandatory professional reporting requirements and
- (b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance, as represented by the results of their operations and their cash flows, for the 12 months ended on that date.

and THAT in the directors' opinion:

- (a) the financial statements are in accordance with the **CA**
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 36 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross-guarantee described in note 36.

B. Directors' declaration

RESOLVED:

THAT the draft directors' declaration attached to the company's financial statements be adopted and that Dr Xavier Beveridge as chairman be authorised to sign the directors' declaration on behalf of the directors.

C. Directors' statutory report

RESOLVED:

THAT the draft directors' statutory report as tabled at the meeting, with the manuscript amendments appearing thereon and as initialled by the chair be adopted and that Dr Xavier Beveridge be authorised to sign the directors' statutory report on behalf of the directors.

ITEM 05.7.5 — DECLARATION OF FINAL DIVIDEND

RESOLVED:

THAT, subject to the auditors signing an unqualified audit report, the directors declare a final dividend of 20 cents on each ordinary share, fully franked, and payable on 21 September 2009 to shareholders on the register at the close of business on the record date, 7 September 2009.

ACTION ITEM

ITEM 05.7.6 — PRELIMINARY FINAL REPORT

RESOLVED:

THAT the directors approve the preliminary final report appendix 4B and attachments as tabled at the meeting, detailing the financial results for the reporting period ended 30 June 2009 and THAT the company secretary be authorised to sign the report on behalf of the company and to release it to the ASX.

ACTION ITEM

ITEM 05.7.7 — PRESS RELEASE

RESOLVED:

THAT the draft press release as tabled at the meeting be approved and the company secretary be authorised to release it to the ASX.

ACTION ITEM

ITEM 05.7.8 — NOTICE OF ANNUAL GENERAL MEETING

RESOLVED:

- (a) THAT the company's AGM be held at 10.00 am on Wednesday, 25 November 2009 in the Tasting Room at the Bog Valley Vineyard, Broke Road, Broke, Hunter Valley
- (b) THAT the notice of meeting as tabled at the meeting be approved subject to approval by circular resolution of additional resolutions dealing with:
 - (i) 200,000 additional options for the managing director/chief executive officer under the company's employee share option plan
 - (ii) amendment of the company's option and share plans to incorporate performance hurdles and
 - (iii) adoption of a new constitution.

ITEM 05.7.9 — CEO's REPORT

The chief executive officer spoke to his report and also referred to matters relating to the planting of additional acreage in the Bottom Paddock at a cost of \$450,000. His report was NOTED by the board.

The CEO spoke to the paper proposing the purchase of the Sandy Bottom Vineyard of 45 hectares at Broke, to which was attached a report from the company's consulting oenologists. The board NOTED the following matters:

1. None of the directors or senior executives had any material personal interest in the proposal.
2. The vineyard was suitable for the planting of Semillon grapes and the company's traditional source of these grapes from a contract grower would be terminated in 2010 due to the redevelopment of his property; the sale of Semillon wines was part of the company's ongoing strategy.
3. The vineyard was only half a kilometre from the company's Dryasdust vineyard and the two could be efficiently managed in conjunction; the cost of operation would be 15 per cent below what it would have cost as a stand-alone vineyard.
4. The company had adequate banking facilities to pay for the cost of acquisition of \$1.5 million and partial replanting of the property, estimated to cost \$350,000 but the total cost would increase the company's gearing to 63 per cent which was significantly higher than the board's guidelines; it would therefore be necessary to investigate methods of bringing the gearing back to 50 per cent within 15 months.
5. The effect of the acquisition would be to reduce forecast earnings per share by 7.5 per cent in the current financial year and by nine per cent in the next financial year but would be positive in year 4; the board NOTED that the company's continuous disclosure policies would require this fact to be announced at the time of announcement of the acquisition and this may result in a drop in the share price.
6. The board had inspected the vineyard the day before the board meeting and had met with the company's consulting oenologists.

Having considered these factors and the other factors set out in the CEO's paper, the board RESOLVED to approve the acquisition of the vineyard for a price of \$1.5 million and the expenditure of approximately \$350,000 on the partial replanting of the vineyard on the terms set out in the paper. The board RESOLVED that the acquisition should be announced to the Securities Exchange as soon as confirmation of the company's offer had been received.

ACTION ITEM

ITEM 05.7.10 — CFO's REPORT

The director of finance tabled the summary of the results at 31 July 2009 as well as the detailed results at 30 June 2009. The board NOTED his report.

ITEM 05.7.11 — CORPORATE GOVERNANCE

RESOLVED:

- (a) Statement of corporate governance principles

THAT the statement of corporate governance principles for inclusion in the annual report as included in the board papers and as amended in respect of retirement policy and meetings of the regulatory compliance committee, be approved.

- (b) Committee terms of reference

THAT the proposed terms of reference of the compensation and nomination committee as amended at the meeting be adopted.

- (c) Committee membership

THAT the board's committees be constituted as follows:

- (i) *Audit committee*

Dr Xavier Beveridge
Susan Twomey (Chair)
Pauline Cork

(All non-executive directors) with Harold Counter having the right to attend and speak at meetings of the committee as director of finance.

- (ii) *Compensation and nomination committee*

Frank Barrell (Chair)
Howard Spirit
Alan Fairey

With Tony Person (General Manager — Human resources) having the right to attend and speak at meetings of the committee.

- (iii) *Executive committee*

Dr Xavier Beveridge (Chair)
Howard Spirit
Harold Counter

(d) Executive remuneration

The board NOTED advice from the General Manager — Human resources on the company's remuneration and retention policies.

The company secretary tabled a paper reporting on decisions reached by the compensation committee at a meeting on Wednesday 19 July 2009. The board NOTED and agreed with decisions made by the committee in relation to changes to the remuneration of the direct reports of the managing director and for the grant of options to executive officers of the company.

(At this point the managing director left the room.)

The board also considered the committee's recommendations in respect of the remuneration of the managing director and on the matter of a bonus for him in respect of the 12 months ended 30 June 2009 and for an additional grant of options under the company's employee share option plan.

RESOLVED:

To approve an increase in the notional base salary of the CEO from \$450,000 to \$495,000 with effect from 1 July 2009 and also to pay a bonus of \$150,000 to the CEO in respect of the 12 months ending 30 June 2009.

ACTION ITEM

(The managing director then returned to the meeting).

The board expressed its appreciation of the efforts of the managing director and of his executive team in achieving the results for the 12 months to 30 June 2009.

(e) Remuneration report

The board also considered a paper put forward by Tony Person on the company's remuneration policies and RESOLVED to approve the paper for inclusion in the annual report and for submission to the AGM for approval by non-binding resolution.

ACTION ITEM

(f) Employees share option plan

The board also considered a paper put forward jointly by the company secretary and Tony Person recommending the incorporation of performance hurdles in the company's employee share option plan. The proposed hurdles had been designed on conjunction with the company's remuneration consultants. The proposed hurdles provide that 50 per cent of the options held by a member of the plan would be exercisable if the total return to shareholders of the company over the relevant period exceeded the 50th percentile return shown by the ASX/S&P Small Ordinary Shares Accumulation Index over the same period.

Thereafter an additional two per cent of the options would be exercisable for each one percentile achieved by the shareholders in excess of the 50th percentile of the Index with the intention that 100 per cent of the options would be exercisable if the total return to shareholders equated to the 75th percentile of the Index. The board RESOLVED to approve the hurdles and to submit them to shareholders at the AGM for approval.

ACTION ITEM

(g) Board remuneration

The board NOTED a paper on this subject tabled by the company secretary. The company secretary was authorised to obtain further information on the conditions of service and fees of directors of comparable Australian public companies.

ACTION ITEM

(h) Corporate disclosure

The board NOTED with approval the procedures and guidelines adopted by the company to ensure the proper and orderly disclosure of information to the market in accordance with the guidelines of the Australian Securities and Investments Commission and in conformity with **LR 3.1**.

ACTION ITEM

ITEM 05.7.12 — ADOPTION OF NEW CONSTITUTION

The board NOTED an update from the company secretary on the drafting of the new constitution, which was intended to be put to the shareholders for approval at the Annual General Meeting. A fresh draft including a provision requiring shareholder approval for partial takeover bids would be circulated to directors on Friday 25 August 2009. The board NOTED that it had previously approved the other provisions of the proposed constitution and agreed to deal with approval of the final document by circular resolution.

ITEM 05.7.13 — OTHER REPORTS

(a) Share registry

The board NOTED the share registry report for July 2009.

(b) Allotment of shares

The company secretary reported that he had received notices of exercise of 85,000 options under the company's executive share option plan from three executives. The board NOTED that 85,000 new shares would be allotted to the executives on 28 August 2009. The executives proposed to sell the new shares within 30 days of the announcement of the year's results in accordance with the company's policy on share transactions by executives.

ITEM 05.7.14 — OTHER BUSINESS

- (a) Dividend franking credits

The board NOTED a paper prepared by the Director of Finance on the company's dividend franking credit position looking forward.

- (b) Advice from Frank Barrell

The board NOTED the advice from Frank Barrell as sole director and secretary of Vineyard Investments Pty Limited of his intention to sell up to 100,000 shares following the release of the results.

- (c) Future board topics

The board requested that it receive reports on the company's environmental practices and exposure and its formal internal risk management process be brought forward at future board meetings.

ITEM 05.7.15 — NEXT BOARD MEETING

The next board meeting is on Monday, 25 September 2009.

The principal items of business will be:

Results for month ended 31 August 2009
Budburst report
AGM planning

The meeting closed at 2:45pm.

Signed as a true and correct record:

Chairman

Date