

Tanunda Hill Vineyard Limited

ABN 22 093 941 256

Financial Statements

For the Year Ended 30 June 2008

Tanunda Hill Vineyard Limited

ABN 22 093 941 256

For the Year Ended 30 June 2008

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Tanunda Hill Vineyard Limited

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Directors' Report - 30 June 2008

Your directors present their report on the company for the financial year ended 30 June 2008.

1. General information

a Directors

The names of the directors in office at any time during, or since the end of, the year are:

Names

Ronald M Collins

Philip J Slee

Neil A McGuigan

David S White

Gordon S Cooper

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

b Company Secretary

The following persons held the position of company secretary at the end of the financial year:

Philip J Slee - refer "Director Information"

c Principal Activities

The principal activities of Tanunda Hill Vineyard Limited during the financial year were to hold assets relating to the Tanunda Hill Vineyard Project on behalf of investors and lease those assets to growers who are related entities of the shareholders in the company.

There have been no significant changes in the nature of Tanunda Hill Vineyard Limited's principal activities during the financial year.

2. Business review

a Operating Results

The profit of Tanunda Hill Vineyard Limited after providing for income tax amounted to \$ 49,530.

b Dividends Paid or Recommended

No dividends were paid since the start of the financial year. A dividend of \$39,000 has been declared out of the profits for the year ended 30 June 2008, which will be paid in October 2008.

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Directors' Report - 30 June 2008

2. Business review (continued)

c Review of operations

A review of the operations of Tanunda Hill Vineyard Limited during the financial year and the results of those operations are as follows:

Tanunda Hill Vineyard

The 261 hectare property on which the vineyard development has taken place continues to be held by the company. The company remains free of debt.

The property owned by the company was valued by Gaetjens Pickett, Valuers on 30 June 2007 at \$3,000,000, the buildings at \$350,000 and the shares in Barossa infrastructure Limited were valued at \$3,000,000. These assets cost \$2,915,266 and \$623,195 respectively. The complete vineyard was valued at \$14,000,000 which equates to \$53,550 per hectare.

Barossa Infrastructure Limited

At 30 June 2008 the company continued to own 623,195 shares in Barossa Infrastructure Limited (2007: 623,195 shares) so that each unit holder continued to have the right to 0.65 megalitres. These shares entitle the company to 356 megalitres of premium water and 159 megalitres of off peak water. This is considered to be more than sufficient to water the full vineyard. However in 2008 water rights from the Murray River were restricted to 32% of allocation and as a result we had to buy further water allocation on a temporary basis to ensure the vineyard's continuing health and to bring home a quality crop. In 2009 it is anticipated that even bigger restrictions will be placed on irrigators making it harder and more expensive for the vineyard to achieve a reasonable outcome.

3. Financial review

a Financial Position

The net assets of Tanunda Hill Vineyard Limited have increased by \$ 49,530 from \$3,671,128 to \$ 3,720,658 in 2008. The increase has resulted from the profit from operations.

4. Director Information

a Information on Directors

Ronald M Collins BComm, Age 63
B A

Position Executive director - marketing.

Experience Ron Collins has considerable experience in the Australian finance and investment market including a number of years with Hill Samuel Australia Ltd. (now Macquarie Bank Ltd.) and 20 years running his own financial consulting business.

Special Responsibilities Project development and sales and marketing.

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Directors' Report - 30 June 2008

Philip J Slee CA	Age 61
Position	Executive director - administration and company secretary.
Experience	Philip Slee is a Chartered Accountant, specialising in the wine industry. He was previously Company Secretary of Brian McGuigan Wines Limited and Financial Controller and Company Secretary of Wyndham Estate Wines Limited, both publicly listed companies.
Special Responsibilities	Finance and administration.
Neil A McGuigan B AppSc (Oenology)	Age 50
Position	Non executive director.
Experience	Neil McGuigan has extensive experience in the wine industry. He was an Associate Director and Production Director of Wyndham Estate Wines from 1985-1992, and then was Director of Brian McGuigan Wines Limited until 1994. Neil then owned and operated Briar Ridge Wines, which was absorbed into Beringer Blass in 2000. After 3 years with Beringer Blass at Rothbury Estate, Neil is presently the Production Manager for Australian Vintage Limited.
David S White LLB (Syd)	Age 66
Position	Non executive director - Chairman.
Experience	David White is a partner of Sparke Helmore (trading as Fitzgerald White Talbot, Solicitors). He has over 35 years experience in legal practice and acts for numerous Australian and international resource-based companies. He has extensive involvement in the wine and viticultural industry and is a director of a number of private companies.
Gordon S Cooper AM; BSc (Econ), FCA, FTIA, FAICD	Age 57
Position	Non executive director
Experience	Gordon Cooper is a Chartered Accountant who has his own tax consulting practice. Also, he is an Adjunct Professor with the Australian School of Taxation in the Faculty of Law at the University of New South Wales. His wine industry experience includes direct or indirect interests in eight vineyards and as assistant winemaker for Duck Hollow in the Hunter Valley. In addition, he is a director of a number of private companies.

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Directors' Report - 30 June 2008

b Meetings of Directors

During the financial year, 4 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Ronald M Collins	4	4
Philip J Slee	4	4
Neil A McGuigan	4	-
David S White	4	3
Gordon S Cooper	4	3

5. Indemnifying Officers or Auditors

During or since the end of the financial year the company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The company under its Constitution agrees to indemnify every director and officer of the company against liability incurred as a director to the extent permitted by the Corporations Act 2001;

The company has also agreed to indemnify every director, secretary, auditor and officer of the company against liability incurred in defending any legal proceedings.

6. Options

No options over unissued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

7. Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

8. Other items

a Significant Changes in State of Affairs

No significant changes in Tanunda Hill Vineyard Limited's state of affairs occurred during the financial year.

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Directors' Report - 30 June 2008

8. Other items (continued)

b Likely developments

The company expects to maintain the present status and level of operations and hence there are no likely developments in the company's operations.

c After balance date events

The Federal Government is progressively taking control of the Murray Darling Water Basin and has indicated that very little water will be available to irrigators in the summer of 2008/2009. This may impact heavily on the amount of water available to the company to sell to the project. Apart from that, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

d Auditors Independence Declaration

The auditor's independence declaration is set out on page 6 and forms part of the directors' report for the financial year ended 30 June 2008.

e Environmental Issues

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory

Signed in accordance with a resolution of the Board of Directors:

Director:
Ronald M Collins

Director:
Philip J Slee

Dated this day of 2008

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Auditors Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2008 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Nexia Court & Co

Chartered Accountants

Robert Mayberry
Partner

Sydney
Date: 16 September 2008

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Income Statement

For the Year Ended 30 June 2008

		2008	2007
	Note	\$	\$
Revenue	4	750,270	638,999
Other income	4	250	1,296
Infrastructure costs		(221,145)	(221,179)
Water costs		(405,160)	(344,926)
Employee benefits expense		(10,000)	(10,000)
Depreciation, amortisation and impairments		(5,447)	(5,447)
Other expenses		(52,366)	(49,995)
Finance costs		(6)	-
Profit before income tax		56,396	8,748
Income tax expense	6	(6,866)	-
Profit attributable to members		49,530	8,748
Earnings Per Share:			
Overall operations:			
Basic earnings / (loss) per share (cents per share)		1.37	0.06

The accompanying notes form part of these financial statements

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Balance Sheet - 30 June 2008

	Note	2008 \$	2007 \$
ASSETS			
Current assets			
Cash and cash equivalents	8	9,157	32,371
Trade and other receivables	9	-	1,735
Other current assets	10	478,390	442,312
Inventories	11	140,840	102,845
Total current assets		628,387	579,263
Non-current assets			
Financial assets	12	623,195	623,195
Investment property, plant and equipment	13a	2,885,578	2,891,025
Deferred tax assets	15a	3,240	1,350
Total non-current assets		3,512,013	3,515,570
TOTAL ASSETS		4,140,400	4,094,833
LIABILITIES			
Current liabilities			
Trade and other payables	14	410,986	423,705
Current tax liabilities	15	8,756	-
Total current liabilities		419,742	423,705
TOTAL LIABILITIES		419,742	423,705
NET ASSETS		3,720,658	3,671,128
EQUITY			
Issued capital	16	3,606,288	3,606,288
Retained earnings		114,370	64,840
TOTAL EQUITY		3,720,658	3,671,128

The accompanying notes form part of these financial statements

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Statement of Changes in Equity

For the Year Ended 30 June 2008

	Ordinary Shares	Retained Earnings	Total
Note	\$	\$	\$
Balance at 1 July 2007	3,606,288	64,840	3,671,128
Profit attributable to members of entity	-	49,530	49,530
Balance at 30 June 2008	3,606,288	114,370	3,720,658
Balance at 1 July 2006	3,606,266	56,092	3,662,358
Profit attributable to members of the entity	-	8,748	8,748
Shares issued during the year	22	-	22
Balance at 30 June 2007	3,606,288	64,840	3,671,128

The accompanying notes form part of these financial statements

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Statement of Cash Flows

For the Year Ended 30 June 2008

	Note	2008 \$	2007 \$
Cash from operating activities:			
Receipts from customers		786,728	700,853
Payments to suppliers and employees		(757,375)	(691,462)
Interest received		250	1,296
Interest paid		(6)	-
Income tax instalment refunded / (Income taxes paid)		-	8,570
Net cash from operating activities	22	29,597	19,257
Cash flows from financing activities:			
Proceeds from issue of shares		-	22
Proceeds from borrowings - related party		-	5,751
Repayment of borrowings - related party		(52,811)	-
Net cash from financing activities		(52,811)	5,773
Net increase (decreases) in cash and cash equivalents		(23,214)	25,030
Cash and cash equivalents at beginning of year		32,371	7,341
Cash and cash equivalents at end of financial year		9,157	32,371

The accompanying notes form part of these financial statements

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Notes to the Financial Statements

For the Year Ended 30 June 2008

1 Statement of Significant Accounting Policies

(a) General information

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards ('AASBs'), Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Tanunda Hill Vineyard Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report of Tanunda Hill Vineyard Limited also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(b) Basis of Preparation

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(c) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(d) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is

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Notes to the Financial Statements

For the Year Ended 30 June 2008

1 Statement of Significant Accounting Policies (continued)

(d) Income Tax (continued)

realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(f) Investment property, Plant and Equipment

Real Property

Any real property purchased by the company is brought to account at cost. All real property held by the company must be valued at intervals of not less than three years and the directors may arrange to have any real property valued at any time if it considers it is in the interests of the shareholders. Any real property must be re-valued in the accounts of the company in accordance with any valuation undertaken unless the directors believe the valuation should not be adopted.

Plant and equipment

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the useful lives of the assets, commencing from the time the asset is held ready for use.

(g) Financial Instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

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Notes to the Financial Statements

For the Year Ended 30 June 2008

1 Statement of Significant Accounting Policies (continued)

(g) Financial Instruments (continued)

Non-derivative financial instruments (continued)

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the company's contractual rights to the cash flows from the financial assets expire or if the group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Held-to-maturity investments

If the company has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

The company's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Investments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Share capital

(i) Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

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Notes to the Financial Statements

For the Year Ended 30 June 2008

1 Statement of Significant Accounting Policies (continued)

(g) Financial Instruments (continued)

Non-derivative financial instruments (continued)

(ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity.

(iii) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(h) Impairment

Financial Asset

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Non-financial assets

The carrying amounts of the company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that

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Notes to the Financial Statements

For the Year Ended 30 June 2008

1 Statement of Significant Accounting Policies (continued)

(h) Impairment (continued)

Non-financial assets (continued)

generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

(j) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(k) New standards and interpretations not yet adopted

Certain new accounting standards and interpretation have been published that are not mandatory for 30 June 2008 reporting periods. The company's assessment of the impact of these new standards and interpretations is set out below :

(i) AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 makes amendments to AASB 1-First time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 117 Leases, AASB 118 Revenue, AASB 120 Accounting for Government Grants and Disclosure of Government Assistance, AASB 121 The Effects of Changes in Foreign Exchange Rates, AASB 127 Consolidated and Separate Financial Statements, AASB 131 Interest in Joint Ventures, and AASB 139 Financial Instruments: Recognition and Measurement. AASB 2007-2 is applicable for annual reporting periods beginning on or after 1 January 2008 and must be applied at the same time as Interpretation 12 Service Concession Arrangements.

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Notes to the Financial Statements

For the Year Ended 30 June 2008

1 Statement of Significant Accounting Policies (continued)

(k) New standards and interpretations not yet adopted (continued)

(ii) AASB 2007-2 Amendments to Australian Accounting Standards also amends the reference to "UIG Interpretation" to interpretations. This amending standard is applicable to annual reporting periods ending on or after 28 February 2007.

2 Financial Risk Management

Overview

The company has exposure to the following risks from its use of financial instruments:

- liquidity risk;
- interest risk and
- credit risk and

This note presents information about the company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the company and group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's and group's activities. The company and group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

Typically the group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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Notes to the Financial Statements

For the Year Ended 30 June 2008

2 Financial Risk Management (continued)

Overview (continued)

Interest rate risk

The company adopts a policy of ensuring that its exposure to changes in interest rates is minimised by changing to fixed rate borrowings when interest rates are volatile.

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the company defines as net operating income divided by total shareholders' equity, excluding minority interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The company's target is to achieve a return on capital of 5 percent; during the year ended 30 June 2008 the return was 1.3 percent (2007: 0.6 percent).

There were no changes in the company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

3 Determination of Fair Values

A number of the group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Investment property, plant and equipment

The fair value of investment property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

(b) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

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Notes to the Financial Statements

For the Year Ended 30 June 2008

3 Determination of Fair Values (continued)

(c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

4 Revenue

	Note	2008 \$	2007 \$
Operating activities			
- sale of goods (net)		748,440	637,969
- rental revenue for property investment		1,830	1,030
- interest received	4(a)	250	1,296
Total Revenue		<u>750,520</u>	<u>640,295</u>
(a) Interest revenue from:			
other interest		<u>250</u>	<u>1,296</u>
Total interest revenue		<u>250</u>	<u>1,296</u>

5 Expenses

Infrastructure costs		221,145	221,179
Water		405,160	344,926
Finance Costs:			
external		6	-

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Notes to the Financial Statements

For the Year Ended 30 June 2008

	2008	2007
	\$	\$
6 Income Tax Expense		
a The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2007: 30%)		
- company	16,919	2,625
Add:		
Tax effect of:		
- under provision for income tax in prior year	1,350	-
Less:		
Tax effect of:		
- Over provision for income tax in prior year	-	2,625
Recoupment of prior year tax losses not previously brought to account	11,403	-
Income tax attributable to company	<u>6,866</u>	<u>-</u>
The applicable weighted average effective tax rates are as follows:	10 %	- %
7 Dividends		
a Balance of franking account		
Balance of franking account at period end adjusted for franking credits arising from:		
payment of provision for income tax	<u>59,572</u>	<u>52,706</u>

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Notes to the Financial Statements

For the Year Ended 30 June 2008

	2008	2007
	\$	\$
8 Cash and Cash Equivalents		
Cash at bank	9,157	32,371
	<u>9,157</u>	<u>32,371</u>
	<u>9,157</u>	<u>32,371</u>
<p>The effective interest rate on short-term bank deposits was 5.8% (2007: 5.8%).</p>		
Reconciliation of Cash		
<p>Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:</p>		
Cash and cash equivalents	9,157	32,371
	<u>9,157</u>	<u>32,371</u>
	<u>9,157</u>	<u>32,371</u>
9 Trade and Other Receivables		
CURRENT		
Trade receivables	-	1,735
	<u>-</u>	<u>1,735</u>
	<u>-</u>	<u>1,735</u>
10 Other Assets		
CURRENT		
Prepayments	220,425	221,145
Accrued income	257,965	221,167
	<u>478,390</u>	<u>442,312</u>
	<u>478,390</u>	<u>442,312</u>
11 Inventories		
CURRENT		
At Cost		
Water in dams	140,840	102,845
	<u>140,840</u>	<u>102,845</u>
	<u>140,840</u>	<u>102,845</u>

Tanunda Hill Vineyard Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2008

	2008	2007
	\$	\$
12 Financial Assets		
Available for sale financial assets	623,195	623,195
Less non-current portion	<u>(623,195)</u>	<u>(623,195)</u>
Current portion	<u>-</u>	<u>-</u>
Available-for-sale Financial Assets Comprise:		
Unlisted investments, at cost:		
shares in Barossa Infrastructure Limited	<u>623,195</u>	<u>623,195</u>
Total available-for-sale financial assets	<u><u>623,195</u></u>	<u><u>623,195</u></u>

Available-for-sale financial assets comprise of investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

The fair value of unlisted available-for-sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. As a result, all unlisted investments are reflected at cost. Management has determined that the estimate of total fair values for unlisted investments would not be less than the amount stated at 30 June 2008.

13 Investment property Plant and Equipment

LAND AND BUILDINGS

Freehold land

At cost	<u>2,766,590</u>	2,766,590
Buildings		
At cost	148,676	148,676
Less: accumulated depreciation	<u>(29,687)</u>	<u>(24,241)</u>
Total buildings	<u>118,989</u>	124,435
Total land and buildings	<u><u>2,885,579</u></u>	<u><u>2,891,025</u></u>

a Movements in Carrying Amounts

	Land	Buildings	Total
	\$	\$	\$
Balance at the beginning of year	2,766,590	124,435	2,891,025
Depreciation expense	-	(5,447)	(5,447)
Carrying amount at the end of year	<u>\$ 2,766,590</u>	<u>\$ 118,988</u>	<u>\$ 2,885,578</u>

Tanunda Hill Vineyard Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2008

13 Investment property Plant and Equipment (continued)

Movements in Carrying Amounts (continued)

b Property Valuation

A valuation was performed by Colin Pickett, Certified Practicing Valuer, Associate Australian Property Institute of Gaetjens Pickett Valuers as at 30 June 2007. The market value of the land, buildings and water was assessed as \$6,350,000.

14 Trade and Other Payables

	2008	2007
	\$	\$
CURRENT		
Unsecured liabilities		
Trade payables	219,350	225,330
Sundry payables and accrued expenses	119,696	73,625
Amount payable to:		
- Blaxland Vineyards Limited	71,940	124,751
	<u>410,986</u>	<u>423,706</u>

15 Tax

a Assets

NON-CURRENT

Deferred tax assets comprise:

Accruals	3,240	1,350
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(i) Deferred Tax Assets

The movement in deferred tax assets for each temporary difference during the year is as follows:

Liabilities for accruals		
Transferred from income tax expense	3,240	1,350

(ii) Deferred tax assets not brought to account:

Tax losses:		
- operating losses	-	38,010

Tanunda Hill Vineyard Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2008

	2008	2007
	\$	\$
16 Issued Capital		
3,606,288 (2007: 3,606,288) fully paid Ordinary shares	<u>3,606,288</u>	<u>3,606,288</u>

Ordinary Shares

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

The company's constitution has not set any limit on the amount of capital it may raise.

17 Auditors' Remuneration

	2008	2007
	\$	\$
Remuneration of the auditor for:		
- Auditing or reviewing the financial report	9,700	9,250
- Other services	4,466	4,300

18 Commitments

Expenditure commitments contracted for:

- water infrastructure and delivery	<u>4,940,100</u>	<u>5,320,912</u>
-------------------------------------	------------------	------------------

Payable:

- not later than 12 months	304,750	304,750
- between 12 months and 5 years	1,817,080	1,817,265
- greater than 5 years	2,818,270	3,198,897
	<u>4,940,100</u>	<u>5,320,912</u>

Tanunda Hill Vineyard Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2008

19 Key Management Personnel Compensation

(a) Compensation Practices

The board's policy for determining the nature and amount of compensation of key management for Tanunda Hill Vineyard Limited is as follows:

The compensation structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future.

Refer to Note 19(c) for the compensation to the key management personnel.

(b) Key Management Personnel

Names and positions held of the company's key management personnel in office at any time during the financial year are:

Key Management Person	Position
Ronald M Collins	Director
Philip J Slee	Director
Neil A McGuigan	Director
David S White	Director
Gordon S Cooper	Director

Tanunda Hill Vineyard Limited

ABN 22 093 941 256

Notes to the Financial Statements

For the Year Ended 30 June 2008

19 Key Management Personnel Compensation (continued)

(c) Key Management Personnel Compensation

2008	Short-term benefits	Total
	Cash, salary & commissions	
	\$	\$
Neil A McGuigan	3,334	3,334
David S White	3,333	3,333
Gordon S Cooper	3,333	3,333
	<hr/> 10,000	<hr/> 10,000
	<hr/>	<hr/>
2007	Short-term benefits	Total
	Cash, salary & commissions	
	\$	\$
Neil A McGuigan	3,334	3,334
David S White	3,333	3,333
Gordon S Cooper	3,333	3,333
	<hr/> 10,000	<hr/> 10,000
	<hr/>	<hr/>

20 Financial Instruments

(a) Interest Rate Risk

The company's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates on classes of financial assets and financial liabilities, is as follows:

	Carrying Amount		Total	
	2008	2007	2008	2007
	\$	\$	\$	\$
Variable rate instruments				
Financial assets	9,157	32,731	9,157	32,731
	<hr/> 9,157	<hr/> 32,731	<hr/> 9,157	<hr/> 32,731
	<hr/>	<hr/>	<hr/>	<hr/>

Tanunda Hill Vineyard Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2008

20 Financial Instruments (continued)

(b) Cash flow sensitivity analysis for variable rate instruments

The company is not exposed to significant change in profit and equity as result of a change in the interest rate.

(c) Net fair values

The net fair values approximates their carrying values. No financial assets or financial liabilities are readily traded on organised markets in standardised form. Financial assets where the carrying amount exceeds net fair values have not been written down as the company intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date:

	2008		2007	
	Carrying amount	Net Fair value	Carrying amount	Net Fair value
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalent	9,157	9,157	32,371	32,371
Held-to-maturity financial assets	623,195	623,195	623,195	623,195
	632,352	632,352	655,566	655,566
Financial Liabilities				
Trade and other payable	339,046	339,046	298,955	298,955
Other loans and amounts due	71,941	71,941	124,751	124,751
	410,987	410,987	423,706	423,706

Fair value are materially in line with carrying values.

21 Segment Reporting

The company operates in the viticultural industry in Australia.

Tanunda Hill Vineyard Limited

ABN 22 093 941 256

Notes to the Financial Statements

For the Year Ended 30 June 2008

	2008	2007
	\$	\$
22 Cash Flow Information		
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Net income for the period	49,530	8,748
Non-cash flows in profit		
Depreciation	5,447	5,448
changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and term receivables	1,735	-
(Increase)/decrease in inventories	(37,995)	(102,846)
Increase/(decrease) in trade payables and accruals	40,092	37,483
Increase/(decrease) in income accrued in advance	(36,078)	61,854
Increase/(decrease) in income taxes payable	8,756	8,570
Increase/(decrease) in deferred taxes asset	(1,890)	-
	<u>29,597</u>	<u>19,257</u>

23 Company Details

Registered office

The registered office of the company is:

Tanunda Hill Vineyard Limited

493 High Street

MAITLAND NSW 2320

Tanunda Hill Vineyard Limited

ABN 22 093 941 256

Directors' Declaration

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 27, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards as described in Note 1 to the financial statements and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2008 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. 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.

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

Director:
Ronald M Collins

Director:
Philip J Slee

Dated this day of 2008

Tanunda Hill Vineyard Limited

ABN 22 093 941 256

Independent Audit Report to the members of Tanunda Hill Vineyard Limited

Scope

We have audited financial report of Tanunda Hill Vineyard Limited for the financial year ended 30 June 2008 as set out on pages 7 to 28.

The company's directors are responsible for the financial report. We have conducted an independent audit of this 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 financial position and performance as represented by the results of its operations and cash flows.

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

Independence

In conducting our audit, we followed the applicable independence requirements of Australian professional and ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration as set out in the financial report has not changed as at the date of providing our audit opinion.

Audit Opinion

In our opinion, the financial report of Tanunda Hill Vineyard Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) the financial report of the company also comply with International Financial Reporting Standards as disclosed in note 1(a).

Nexia Court & Co.

Chartered Accountants

Robert Mayberry
Partner

Tanunda Hill Vineyard Limited

ABN 22 093 941 256

Disclaimer to the Members of Tanunda Hill Vineyard Limited

For the Year Ended 30 June 2008

The additional financial data presented on page 31 is in accordance with the books and records of the company which have been subjected to the auditing procedures applied in our statutory audit of the company for the financial year ended 30 June 2008. It will be appreciated that our statutory audit did not cover all details of the additional financial data. Accordingly, we do not express an opinion on such financial data and we give no warranty of accuracy or reliability in respect of the data provided. Neither the firm nor any member or employee of the firm undertakes responsibility in any way whatsoever to any person (other than Tanunda Hill Vineyard Limited) in respect of such data, including any errors of omissions therein however caused.

Nexia Court & Co.

Chartered Accountants

Robert Mayberry

Partner

Sydney

Dated:

Tanunda Hill Vineyard Limited

ABN 22 093 941 256

Profit and Loss Account

For the Year Ended 30 June 2008

	2008	2007
	\$	\$
Sales		
Management fees	748,440	637,969
Total sales	748,440	637,969
Cost of sales	626,305	566,106
Gross Profit	122,135	71,863
Less: Expenses		
Auditors remuneration	14,166	13,550
Bank charges	322	219
Cleaning	1,102	736
Collection costs	1,000	1,065
Consulting and professional fees	3,500	-
Depreciation	5,447	5,447
Finance costs - external	6	-
Gas	53	50
Insurance	211	-
Rates and taxes	29,950	33,180
Rental outgoings	138	-
Salaries - directors' fees	10,000	10,000
Sundry expenses	-	452
Travel - domestic	1,924	742
Total expense	67,819	65,441
Trading Profit	54,316	6,422
Other operating income/expenses:		
Interest income	250	1,296
Rental income	1,830	1,030
	2,080	2,326
Profit before income tax	56,396	8,748

The accompanying notes form part of these financial statements