COCKATOO RIDGE

DECEMBER 2008 APPENDIX 4D COMMENTARY

PRINCIPAL ACTIVITIES

The principal activities of the Group during the half-year just ended continued to be the production and sale of a range of Australian table and sparkling wines, domestically through an exclusive Australia-wide distribution agreement as regards the "Cockatoo Ridge" range and other local distributors for the Group's other labels, and abroad. Overseas, the focus has remained on western Europe, north America and a number of select Asian markets, principally China.

The current state of the Australian wine industry has presented unprecedented challenges for wine companies. The global economic slowdown, coupled with current oversupply, has meant that carrying values of wine stocks, grape supply contracts and brands have needed to be severely reviewed. The Group has not been immune to this need to rationalise and has considered it prudent to make significant write downs and provisions in all these areas which has impacted its business.

OPERATING RESULTS

Gross revenue for the half-year was $9.55 million (2007: $18.49 million) made up of sales of bottled and bulk wine in both years, and other income. Gross receipts from the sale of goods during the first six months in the main reflected a balanced mix of domestic and export packaged sales. Net cash from operating activities was marginally negative ($0.22 million) in the six months ended 31 December 2008. Net loss after impairment and tax was $53.17 million (2007: $4.01 million net profit after tax).

At 31 December 2008, while the consolidated entity had net assets of $12.15 million and net tangible assets of $1.42 million post impairment, it was in breach of certain of its banking covenants. This resulted in some non-current liabilities being reclassified as current liabilities pursuant to the covenant terms and conditions in the facility documentation entered into between the "Cockatoo" group and its financier, GE Commercial Finance. The amount of borrowings reclassified as current as a result was $5.4 million at period end.

Although the Group reduced its interest bearing debt from $23.9 million to $19.6 million over the six month period, improving its balance sheet, finance costs of $1.2 million were higher than these in the equivalent six month period in 2007/08 ($0.79 million).

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REVIEW OF OPERATIONS

Performance

The directors hereby report a profit from trading of $0.90 million prior to stock write down (2007: $9.31 million profit) and a loss for the period of $53.17 million (2007: $4.01 million profit) after recognising/providing for the following at period end:

1. Reversal of bulk wine sale from the 2007/08 financial year necessitating raising Bad Debt provision $2.9 million
2. Impairment of Stock – write down of bulk wine inventory by $2.7 million.
3. Impairment of Goodwill and Brand Names
    a. Impairment of Goodwill of ACW $29.9 million
    b. Impairment of Normans/NXG brands $2.9 million
    c. Impairment of Cockatoo Ridge brands $7.3 million
4. Onerous grape contracts 2009 vintage $2.7 million
5. Sale of the Normans Brand - Loss on Sale $1.5 million

The company's financial statements are being prepared on a going concern basis which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities and commitments in the normal course of business.

The continuation of the company as a going concern is dependent upon its ability to generate sufficient cash from operating and financing activities. Notwithstanding the net loss above and net decrease in cash held at 31 December 2008, the Directors consider that the going concern basis of accounting is appropriate. The basis of the board's determination in this connection will be contained in the company's half-year report due to be released on 27 February 2009.

Branded Wine Sales

The Cockatoo Ridge brand continues to outperform the market in Australia. Sales to end January 2009 were 14% ahead of the same seven month period last year and Nielsen data confirms that the lead brand, Cockatoo Ridge Brut NV, increased its value in the Australian marketplace by 16%, [the category itself declined by (3%)], and increased its volume by 25%, [the category declining by (5%)]. This data shows continuing strong customer support for the brand.

The company has continued its export drive with its new agent in the U.S.A. doubling their first orders and a new agent in Ireland receiving initial shipments this quarter. China packaged sales continue to be strong, with this country on track to be the company's largest packaged export market in 2009.

For additional information, please contact:

Peter Perrin
Managing Director
Tel: 0408 127 940

Appendix 4D

Half year report

ASX Listing Rule 4.3A.3

Name of entity

COCKATOO RIDGE WINES LIMITED

ABN or equivalent company reference	Half year ended ('current period')
72 008 095 207	31 DECEMBER 2008

Results for announcement to the market

				$000
Total revenue	Down	-48.37%	to	9,547
Earnings before interest, tax , depreciation and amortisation (EBITDA)	Down	-1229.39%	to	(51,568)
Earnings before interest and tax (EBIT)	Down	-1140.78%	to	(51,966)
Profit before tax	Down	-1019.70%	to	(53,168)
Profit after tax attributable to members	Down	-1425.89%	to	(53,168)
Profit for the period attributable to members	Down	-1425.89%	to	(53,168)

Dividends (distributions)

	Amount per security	Franked amount per security
Interim dividend	–	–
Previous corresponding period	–	–
Record date for determining entitlements to the dividend	–	

The directors have not recommended the payment of an interim dividend.

Net tangible assets per ordinary share

	December 2008	December 2007
Net tangible asset backing per ordinary share (cents)	0.0049	4.53

Details of controlled entities acquired or disposed of

There were no controlled entities acquired or disposed of during the period.

Dividends

During the half year concluded the company did not declare a dividend relating to the full year ended 30 June 2008.

Details of aggregate share of profits (losses) of associates and joint venture entities

There were no associates or joint venture entities contributing to the results of the consolidated group during the period.

Commentary on the results for the half-year ended 31 December 2008

Total revenue generated by the consolidated entity in the half-year ended 31 December 2008 showed a decrease of 48.37% to $9.55 million (2007 - $18.49 million).

The overall group operating (loss) after income tax attributable to members in the six month period just concluded was ($53.17) million (2007 – profit $4.01 million).

Cash on hand at the end of the period was $0.302 million versus $3.574 million as at 30 June 2008. Interest bearing liabilities as at 31 December 2008 were reduced to $19.57 million ($23.92 million as at 30 June 2008).

Receivables were lower at $6.99 million as at 31 December 2008 (30 June 2008 - $20.71 million) with the decrease resulting from the write back of sales.

Net assets decreased to $12.15 million at the end of the half-year under review (30 June 2008 - $65.26 million).

Compliance statement

1 This report, and the accounts upon which this report is based, have been prepared in accordance with A-IFRS Standards, other authoritative pronouncements and Urgent Issues Group Consensus Views.

2 This report, and the accounts upon which the report is based, use the same accounting policies.

3 This report gives a true and fair view of the matters disclosed.

4 This report is based on accounts to which one of the following applies.

- ☐ The accounts have been audited.
- ☐ The accounts have been subject to review.
- ☑ The accounts are in the process of being audited or subject to review.
- ☐ The accounts have *not* yet been audited or reviewed.

5 If the audit report or review by the auditor is not attached, details of any qualifications will follow immediately they are available.

Sign here: .... Date: 25 February 2009
Director and Company Secretary

Print name: M.J.S. Drummond