



COCKATOO RIDGE WINES LIMITED

ACN 008 095 207

Annual report for the year ended 30 June 2009

	<u>Page No.</u>
Corporate Governance Statement	1
Directors' Report	8
Auditor's Independence Declaration	17
Independent Audit Report	18
Directors' Declaration	20
Income Statement	21
Balance Sheet	22
Statement of Changes in Equity	23
Cash Flow Statement	25
Notes to the Financial Statements	26
Additional Information for Listed Public Companies	74
Corporate Directory	75

Corporate governance statement

In March 2003, the Australian Stock Exchange (ASX) Corporate Governance Council (Council) published Principles of Good Governance and Best Practice Recommendations. The Listing Rules of ASX require Australian-listed companies to report on the extent to which they have complied with the best practice recommendations during the reporting period. Where a company has not followed all the recommendations, it must identify the recommendations that have not been followed and give reasons for not adhering to them. If a recommendation has been followed for only part of the period, the company must state the period during which it has been followed.

In August 2007, following a major review of the operation of the Principles and Recommendations since they were issued, a second edition of the Corporate Governance Principles and Recommendations was published by the Council. Cockatoo Ridge Wines Limited (CKR or the Company) is now required to report on its compliance with the revised Principles and Recommendations during the financial year 1 July 2008 to 30 June 2009.

This Statement outlines the main corporate governance practices of the Company. Unless otherwise stated, the Company's corporate governance practices were in place throughout the 2008/09 year and comply with the Council's revised corporate governance principles and recommendations.

As recognised by the Council, corporate governance is "the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations." It encompasses the mechanisms by which companies, and those in control, are held to account. Corporate governance influences how the objectives of the company are set and achieved, how risk is monitored and assessed and how performance is optimised. There is no single model of good corporate governance. Corporate governance practices will evolve in the light of the changing circumstances of a company and must be tailored to meet those circumstances. Corporate governance practices must also evolve in the context of developments both in Australia and overseas.

ROLE OF THE BOARD AND MANAGEMENT

The Board is responsible to shareholders for the overall corporate governance of the Company. This responsibility includes:

- determining and periodically reviewing the Company's strategic direction and operational policies;
- establishing goals for management and tracking the implementation and achievement of these goals;
- reviewing and approving the Company's Business Plan and complementary annual/revised budgets prepared by management;
- approving all significant business transactions including any acquisitions, divestments, resource development and significant capital expenditure;
- approving capital raisings in any form;
- monitoring business risk exposures and risk management systems;
- considering and approving financial and other obligatory reporting, including continuous disclosure reporting;
- receiving and considering the reports of Board committees,
- appointing, assessing and rewarding the Managing Director, taking account of industry benchmarks, and
- timely reporting to shareholders and other stakeholders.

A strategic balance is maintained between the responsibilities of the Chairperson, the Managing Director, the Executive Director/Company Secretary and the Chief Financial Officer.

As Non Executive Chairperson, the specific executive responsibilities of Mr S A Richardson are:

- raise funds for the Company to progress its goals, as required,
- maintain relations with investors, analysts, brokers and the Company's appointed advisers,
- identify suitably qualified, focused and informed individuals for appointment to ensure a motivated board of directors,
- oversee the Company's strategy in relation to grape supply and production contracts each vintage,

Corporate governance statement

- evaluate, in conjunction with the Managing Director, opportunities that may arise in the wine industry periodically which may form part of CKR's five-year strategic plan or otherwise.

The Managing Director and CEO, currently Mr P Perrin, is accountable to the Board for the running of the Company within the policy and authority levels prescribed by the Board. He is responsible for the day to day management of the Company's principal business operations in South Australia and elsewhere and has the authority to approve non-planned capital expenditure, business transactions and personnel appointments within predetermined limits set by the Board and reviewed as external circumstances require.

The Managing Director's specific responsibilities include:

- preparing the Company's annual strategic plan in conjunction with other management and, following its adoption by the Board, ensuring that business development is in accordance with and reported against that plan,
- evaluating domestic and export markets for the Company's products and, where appropriate, proposing to the Board suitable changes to/expansions of operations or acquisition/disposal of assets or businesses,
- leading major distributorship negotiations and maintaining mutually rewarding relationships with key suppliers and local and foreign distributors,
- interfacing with analysts, brokers, investors and the Company's appointed advisers regarding the Company's performance, a role shared with the Chairperson,
- in conjunction with the Chairperson and Company Secretary, preparing and approving announcements, press releases and visual presentations, and
- responding to written, or oral telephonic institutional shareholder enquiries.

The Chief Financial Officer is responsible for maintaining financial control across the Company. In this role, the Chief Financial Officer is responsible for overall management reporting, statutory accounting, auditing, treasury, taxation and insurance covers with her specific responsibilities including:

- in conjunction with the Managing Director, preparing annual and revised budgets for the approval of the Board and monitoring the financial performance of the Company against approved budgets,
- ensuring that appropriate financial reports are provided to the Board at each of its meetings and, on a quarterly, biannual and annual basis, in conjunction with the Company Secretary, also to the ASX,
- liaising with and providing required reports/information to the Company's financiers, and
- monitoring the Company's risk management framework to ensure that established policies, guidelines, procedures and controls are implemented.

In the capacity of Company Secretary, Mr M Drummond is responsible for ensuring that the Board also receives relevant non-financial information and reports (notably on auditing, taxation, regulatory and legal matters) at its regular meetings and otherwise as appropriate. In conjunction with the Chief Financial Officer, he is responsible for the lodgement of statutory financial statements and ASX/ASIC reporting, including dealing with any correspondence in relation to ASX reporting and of a non-routine nature from ASIC.

COMPOSITION OF THE BOARD

During the reporting period, the Company had two non-executive directors (Mr S. A. Richardson and Mr I.T. Limb) with both considered by the Board to be independent in terms of the Council's definition of independent director, and two executive directors (Mr P. Perrin and Mr M. Drummond). Those four Directors are still on office on the date of this Statement.

The Board did not during the reporting period and does not now comprise a majority of independent directors and, consequently, its composition did not and does not comply with recommendation 2.1 of the ASX Corporate Governance Principles and Recommendations. However, the Board has adopted and implemented a number of measures to ensure that independent judgement is achieved and maintained in respect of its decision-making processes, which include the following:

- directors are entitled to seek independent professional advice at the Company's expense, subject to the prior approval of the Chairperson; and
- directors having a conflict of interest in relation to a particular item of business must absent themselves from the board meeting before commencement of discussion and the taking of any vote on the matter.

Corporate governance statement

In addition, the Board has established an audit committee to assist it in discharging its responsibilities. The responsibilities of that committee of the Board are set out later in this Statement. The committee currently comprises the two non-executive independent directors of the Company and one executive director. It is the Board's policy that the audit committee should be entitled to obtain independent professional or other advice at the cost of the Company and to obtain such resources and information from the Group, including direct access to employees of and advisers to the Group, as it may require.

Notwithstanding the ratio of executive to non-executive directors, the Board is otherwise balanced in its composition with each current director bringing a range of different and complementary skills and experience to the Company as indicated below. However, the Board is cognisant of recommendation 2.1 and intends to appoint further non-executive directors as soon as reasonably practicable in order to comply with that recommendation.

During the reporting period, the roles of Chairperson and chief executive officer were not exercised by the same individual. Mr I T Limb was the Chairperson until 8 July 2008, when Mr S. A. Richardson became non-executive Chairperson. Mr P Perrin was the CEO during the whole of the reporting period. The Company's Chairperson and CEO have separate roles. The Chairperson has no executive responsibilities (see above under "Role of the Board and Management") and is primarily responsible for leading the Board in the overall discharge of its duties. The Company therefore considers that it is complying with recommendation 2.3 of the Corporate Governance Principles and Recommendations (that the roles of the chairperson and chief executive officer should not be exercised by the same individual).

The Company does not have a nomination committee and consequently does not comply with recommendation 2.4 of the ASX Corporate Governance Principles and Recommendations. The Board is of a size, composition and physical location which is conducive to making the relevant decisions itself efficiently and expeditiously. It follows that the functions of a nomination committee are carried out by the full Board.

SKILLS EXPERIENCE AND EXPERTISE OF DIRECTORS

The skills, experience and expertise relevant to the position of director held by each Director as at 30 June 2009, and the period of office held by each Director, are as follows:

Stuart A. Richardson – Non-Executive Chairperson

Mr Richardson holds a Bachelor of Business (Accounting) from Swinburne University of Technology, Melbourne, is a CPA and has extensive knowledge of the wine industry. He has considerable experience in capital markets in both Australia and overseas in the field of stockbroking and investment banking. He is a founding director of Blackwood Capital Limited, an Australian-based investment bank operating in capital markets, advisory services and funds management in equities and private equity funds.

Period of office: 2 years

Peter J. Perrin – Managing Director

Mr Perrin has in excess of 20 years wine industry experience including 14 years with Mildara Blass of which 2 years was as Director of Global Trade of Beringer Blass Wine Estates, following 5 years as President and CEO of Mildara Blass in the USA. He is a board member of the Australian Wine and Brandy Corporation – International Trade Advisory Council and is a past Chairman of the Australian Wine Export Council – USA Committee and a past Chairman of the Australian Wine Export Council – Canada Committee.

Period of office: 2.5 years

Ivan T. Limb – Non-Executive Director

Mr Limb holds a Bachelor of Applied Science degree from Charles Sturt University. He has more than 18 years' professional and management experience with Orlando Wyndham, one of Australia's major winemaking groups, where he was responsible for producing many trophy and medal winning wines. In 1993, he was instrumental in establishing Australian Vintage Limited which crushed about eight percent of Australia's vintage in 1995. In 1997, Australian Vintage was taken over by Simeon Wines Limited, valuing the company at approximately \$120 million. Mr Limb resigned from Simeon Wines Limited in 1998 and has since developed more than 200 hectares of vineyards in the Barossa Valley and at Waikerie, South Australia.

Period of office: 7.5 years

Melvyn J. S. Drummond – Executive Director/Company Secretary

Mr Drummond lived and worked in four countries prior to permanently relocating to Australia in 1985. He has held senior finance and administrative positions (including directorships) in both private and public companies in various business sectors in Australasia and abroad between 1976 and relocating to Melbourne. He holds Bachelor of Arts and Commerce degrees from the University of Cape Town and is a Chartered Secretary. While residing in Trinidad in the West Indies between 1976 and 1985, Mr Drummond was, for a number of years, a co-owner of a successful liquor importing and distribution business bringing in wines and spirits from a number of European countries and Chile.

Period of office: 4 years

Corporate governance statement

ETHICAL AND RESPONSIBLE DECISION MAKING

It continues to be the policy of the Company for directors, officers and employees to observe high standards of conduct and ethical behaviour in all of the Company's activities. This includes dealings with suppliers, business partners, regulatory authorities and the general communities in which it operates. In June 2004, the CKR Board formally adopted a Code of Ethics that sets out the principles and standards with which all company officers and employees are expected to comply in the performance of their respective functions. Under the Code, officers and employees are expected to:

- comply with the law,
- act honestly and with integrity and objectivity,
- not place themselves in situations which result in divided loyalties,
- use the Company's assets responsibly and in the interests of the Company,
- respect the confidentiality of information received while performing their duties, and
- be responsible and accountable for their actions.

The Code of Ethics is available on the Company's website (www.cockatooridge.com.au) and will be provided to any shareholder on request to the Company Secretary.

SECURITIES TRADING POLICY

It is company policy that directors notify the Company Secretary timeously before buying or selling securities in the Company. The Board recognises that it is the individual responsibility of each director and employee in possession of market sensitive information to ensure that he/she complies with the spirit and the letter of insider trading laws. Notification to the Company Secretary and, through him, the Board and market, as provided for under the Listing Rules of ASX, does not constitute Board endorsement of any such transaction. It is a policy of the Board that its members and the Company Secretary not trade shares in the Company whilst in possession of price sensitive information and, if not in possession of such information, other than during the month following the announcement of half yearly or annual results, the publication of an ASX quarterly report or the close of a prospectus relating to equity securities.

The Securities Trading Policy is available on the Company's website (www.cockatooridge.com.au) and will be provided to any shareholder on request to the Company Secretary.

INTEGRITY OF FINANCIAL REPORTING

CKR's Managing Director and Chief Financial Officer declare in writing to the Board (in accordance with section 295A of the Corporations Act 2001 and through the audit committee) that, in their opinion, the financial records have been properly maintained and the consolidated financial statements of CKR and its controlled entities for each half and full financial year present a true and fair view of the Group's financial position and performance and are in accordance with prevailing accounting standards.

An audit committee was established by the Board in June 2004.

The members of the CKR audit committee during the reporting period were Messrs I. T. Limb (appointed 8 July 2008), S A Richardson and M Drummond, the former two both independent non-executive directors and the latter an executive director and the Company Secretary. Mr I. Limb, who is not the Chairperson of the Board, is the current Chairperson of the committee. He replaced Mr S A Richardson as Chairperson of the committee as from 8 July 2008. The committee met on two occasions during the reporting period. On both occasions, each of the three members of the committee was present.

The committee was not comprised of non-executive directors only and, until Mr I. T. Limb's appointment on 8 July 2008 did not have a majority of independent directors and at least three members. It therefore did not comply with certain components of Council recommendation 4.2 during all or part of the reporting period.

The ability of the Company to constitute its audit committee entirely in accordance with recommendation 4.2 has been adversely affected by the inability of the Board to appoint suitable persons as further non-executive directors of the Company, given its difficult trading position through most of 2008/09. However, as stated above in relation to recommendation 2.1, the Company still intends to appoint additional non-executive directors as soon as reasonably practicable. Such appointment(s), when made, will enable the Company to better comply with recommendations 2.1 and 4.2.

The external auditor, Managing Director and Chief Financial Officer are invited to meetings of the audit committee at the discretion of the committee. The committee meets at least twice a year.

The objectives of the audit committee are to:

- ensure the integrity of external financial reporting,

Corporate governance statement

- ensure that the directors are provided with financial and non financial information that is of high quality and relevant to the evaluations and decisions to be made by the Board,
- ensure that controls are established, maintained and adhered to in order to safeguard the Company's financial and physical resources,
- ensure that systems or procedures are in place and operational so that the Company complies with relevant statutory, regulatory and reporting requirements,
- assess financial risks arising from the Company's operations, and consider the adequacy of measures taken to moderate those risks, and
- liaise with external auditors periodically and, at least, each six monthly reporting period.

In June 2004, the Board adopted a formal Charter for the audit committee. The Charter is structured so as to separately address objectives, membership, authority, responsibilities and procedures of the committee. The Charter is available on the Company's website (www.cockatooridge.com.au) and will be provided to any shareholder on request to the Company Secretary.

CONTINUOUS DISCLOSURE TO ASX

The Board is responsible for monitoring compliance with ASX Listing Rule disclosure requirements and approves each proposed announcement to ASX before it is released. The Company Secretary is responsible, under the ASX Listing Rules, for all communications with ASX. The Chairman, Managing Director and Director/Company Secretary belong to a Disclosure Committee, assisted by the Chief Financial Officer, which was established during the reporting period, to manage the Company's continuous disclosure reporting obligations.

The company's Market Disclosure and Communications Policy is available on the Company's website (www.cockatooridge.com.au) and will be provided to any shareholder on request to the Company Secretary.

COMMUNICATIONS WITH SHAREHOLDERS

It is the policy of the Company to communicate with shareholders and other stakeholders in an open, regular and timely manner so that those persons and the market are informed of all major developments affecting the Company and have sufficient information to make informed investment decisions on the operations, results and prospects of the Company. Mechanisms used to communicate with shareholders include:

- the statutory financial report is distributed to all shareholders who have "opted in" as that term is now understood and otherwise made available in accordance with the Corporations Act 2001. The Board also ensures that the statutory financial report is made available to any shareholder requesting it at the annual general meeting,
- the half yearly report as at 31 December contains condensed financial information and a review of the operations of the consolidated entity during the period. This financial report is sent to any shareholder requesting it,
- circular information letters,
- using Computershare Investor Services, the Company's share registry service provider, to facilitate the electronic delivery of specific documents to shareholders as permitted by the Corporations Act if so requested by shareholders,
- proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders pursuant to ASX Listing Rules, and
- notices of all meetings of shareholders (and attachments) in printed or electronic form.

All announcements made to the market are made available on the Company's website after they have been released to ASX (www.cockatooridge.com.au). These announcements include the full text of notices of meeting and explanatory material. The website also contains financial data for the last three years and provides information on the winery, range of wines made and sold and tasting notes. In addition, the Company has added a separate Corporate Governance section to its website.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability, understanding of and identification with the Group's strategy and goals. Important issues are segregated and presented to the shareholders as single resolutions as a matter of course. Generally, every shareholder meeting is followed by a presentation by the Chairman and/or Managing Director and shareholders are encouraged to ask questions.

Annual General Meetings are generally held in Adelaide or at the Company's cellar door outlet in Tanunda.

Corporate governance statement

CKR's external auditor is required by law to attend the AGM to answer queries relevant to, *inter alia*, the conduct of the audit and the preparation and content of the auditor's report, and does attend.

RISK MANAGEMENT

The Board, with the assistance of its audit committee, is responsible for the oversight of the Group's risk management and control framework. The Company has implemented a policy framework designed to ensure that the Group's risks are identified and that controls are adequate, in place and functioning effectively. Management is required to design and implement the risk management and internal control system to manage the Company's material business risks and report to the Board (through the audit committee) on whether those risks are being managed effectively. The effectiveness of the risk management and internal control system is reviewed periodically by the Board. The Managing Director and Chief Financial Officer have ultimate responsibility to the Board for the risk management and control framework.

Areas of significant business risk are highlighted in the annual strategic plan presented to the Board by the Managing Director.

Arrangements put in place by the Board to monitor risk management include:

- reporting to each Board meeting in respect of operations and the financial position of the Group by the CEO and the CFO,
- reports to the Board by the Chairperson of the audit committee after each meeting of that committee,
- attendance of appropriate managers/personnel at Board meetings whenever required by the Board,
- presentations to the Board by appropriate managers/personnel (and/or independent advisers, where necessary) on the nature of particular risks and details of the measures which have been or can be adopted to manage or mitigate the risk.

Senior managers have reported to the Board as to the effectiveness of the Company's management of its material business risks and the Board has received assurance from its Chief Executive Officer and Chief Financial Officer that the declaration given in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Company makes publicly available its Risk Oversight and Management Policy on the Company's website (www.cockatooridge.com.au) and it will be provided to any shareholder on request to the Company Secretary.

PERFORMANCE

The Board has adopted a self-evaluation process to measure its own performance and the performance of its committees during each financial year. The Chairperson conducts confidential discussions with each director in relation to matters such as work programme, interaction with management and perceived strengths and weaknesses of the Board and its committees. In the capacity of Company Secretary, Mr M Drummond is accountable to the Board, through the Chairperson, on all governance and best practice matters. After discussion between the Chairperson and Mr M Drummond, any significant performance related issues identified, or changes recommended, are referred to the Board for action in its ongoing development programme.

A performance evaluation of the Board and Directors took place in the reporting period and was in accordance with the process disclosed.

The Board is responsible for the appointment of the Managing Director and conducts an annual review of his performance as Chief Executive Officer of the Company. The performance of the Company's other key executives is also reviewed annually by the Board, taking in to consideration the views and recommendations of the CEO in this regard.

A performance evaluation of senior executives took place in the reporting period and was in accordance with the process disclosed.

REMUNERATION

Details of the remuneration of the directors and certain key executives are disclosed in the Remuneration Report, forming part of the Directors' Report. The remuneration policy adopted by the Board is also described in that Remuneration Report.

Currently, the Company has a remuneration committee comprising the two non-executive independent directors (Messrs S. A. Richardson and I. T. Limb) and the CEO (Mr P. Perrin). The committee is chaired by Mr Richardson but does not have a formal charter. The committee met on two occasions during the reporting period. On both occasions, each of the three members of the committee was present.

It is and has been the policy of the Company that non-executive directors should not be provided with retirement benefits other than statutory superannuation and should be remunerated by way of fixed fees without any equity-based remuneration. However, the Board acknowledges the fact that, in the Company's circumstances and given the state of the wine sector, the

Corporate governance statement

services of an outstanding non-executive candidate for the Board may not be able to be secured without offering a component of equity-based remuneration.

Details of options issued by the Company in earlier years are set out in the Remuneration Report on pages 12 to 15 and the Annual Report on pages 68 to 69. No options were issued during the reporting period.

It is the policy of the Company that persons to whom options have been issued should not enter into any transaction in any associated product which is designed to limit the economic risk of participating in unvested entitlements under an equity-based remuneration scheme.

There are no schemes for retirement benefits, other than superannuation, for non-executive directors.

INTERESTS OF STAKEHOLDERS

The Company has established a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders. To ensure this occurs, the Group conducts its business within the Code of Ethics, outlined under "Ethical and Responsible Decision Making" above, and in accordance with the Group's core values, which are to:

- act with integrity and fairness,
- create a safe, challenging and rewarding workplace,
- respect and protect the environment,
- be commercially competitive and,
- foster a performance driven culture.

The Board has responsibility for protecting, guiding and monitoring the business affairs of the Company in the interests and for the benefit of stakeholders.

To fulfil this role, the Board is responsible for the strategic direction of the business, establishing goals for management and monitoring the achievement of goals directly and through its established committees. Responsibility for day to day activities of the entity is delegated to the CEO. The Company's Board and management jointly strive to achieve best practice in meeting their responsibilities for the business and affairs of the Company. To this end, the Board holds formal meetings at least bi-monthly and informal meetings in person or by telephone hook-up on a weekly basis.

Directors' report

Directors' report

The directors of Cockatoo Ridge Wines Limited ("the company") and its controlled entities ("the Group") submit herewith the annual financial report for the financial year ended 30 June 2009. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the directors and senior management

The names and particulars of the directors of the company during or since the end of the financial year are:

Name	Particulars
S A Richardson	Stuart Richardson holds a Bachelor of Business (Accounting) from Swinburne University of Technology, Melbourne, is a CPA and has extensive knowledge of the wine industry. Mr Richardson has considerable experience in capital markets in both Australia and overseas in the field of stockbroking and investment banking. He is a founding director of Blackwood Capital Limited, an Australian-based investment bank operating in capital markets, advisory services and funds management in equities and private equity funds. Mr Richardson is a member of the audit committee and became Chairman of the company on the retirement of Mr I T Limb on 8 July 2009. He is also Chairman of the Remuneration Committee and a member of the Audit and Disclosure Committees.
I T Limb	<p>Ivan Limb holds a Bachelor of Applied Science degree from Charles Sturt University. He has more than 18 years professional and management experience with Orlando Wyndham, one of Australia's major winemaking groups, where he was responsible for producing many trophy and medal winning wines.</p> <p>In 1993, he was instrumental in establishing Australian Vintage Limited which crushed about eight percent of Australia's vintage in 1995. In 1997, Australian Vintage was taken over by Simeon Wines Limited, valuing the company at approximately \$120 million. Mr Limb resigned from Simeon Wines Limited in 1998 and has since developed more than 200 hectares of vineyards in the Barossa Valley and at Waikerie, South Australia. He has been a director of Cockatoo Ridge since inception in 2002 and became Chairman of the Audit committee during the year and is a member of the Remuneration Committee.</p>
M J S Drummond	Melvyn Drummond is Company Secretary and an Executive Director. He lived and worked in four countries prior to permanently relocating to Australia in 1985. He has held senior finance and administrative positions (including directorships) in both private and public companies in various business sectors in Australasia and abroad between 1976 and relocating to Melbourne. Mr Drummond holds Bachelor of Arts and Commerce degrees from the University of Cape Town and is a Chartered Secretary. While residing in Trinidad in the West Indies between 1976 and 1985, he was, for a number of years, a co-owner of a successful liquor importing and distribution business bringing in wines and spirits from a number of European countries and Chile. Mr Drummond is also an original member of the audit committee and Disclosure committee.
P J Perrin	Peter Perrin, Managing Director and head of Sales and Marketing. He has in excess of 20 years wine industry experience including 14 years with Mildara Blass of which 2 years was as Director of Global Trade of Beringer Blass Wine Estates, following 5 years as President and CEO of Mildara Blass in the USA. Mr Perrin is a board member of the Australian Wine and Brandy Corporation – International Trade Advisory Council and is a past Chairman of the Australian Wine Export Council – USA Committee and a past Chairman of the Australian Wine Export Council – Canada Committee. He is a member of the Disclosure Committee and the Remuneration Committee.

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

S A Richardson	UnderCoverWear Limited	December 2007 to present
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Directors' report

Company secretary

M J S Drummond, Chartered Secretary and commerce graduate, was appointed when the company was launched in January 2002. Also, an executive director since September 2005, a member of the audit and disclosure committees and responsible for contact with the ASX.

Former partners of the audit firm

No audit or former audit partners are directors or officers of the company.

Principal activities

The principal activities of the Group during the year just ended continued to be the production and sale of Australian table and sparkling wines domestically, principally through an Australia-wide distribution agreement and abroad, with the focus on Western Europe, USA and select Asian markets.

Operating results

Gross revenue for the year was \$17.62 million (2008: \$37.73 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 year comprised a mix of domestic and export packaged sales. The Group achieved positive cash inflows from operating activities of \$453 thousand for the year (2008 – cash outflows of \$128 thousand). Net loss after impairment and tax was \$58.66 million (2008: \$3.94 million net loss after tax).

Review of operations

Included in the net loss for the year are trading losses on bulk wine sales of \$1.2 million, resulting from large sales earlier in the calendar year. These sales were necessitated by high bulk inventory levels arising as a result of a large bulk wine transaction failing to complete in the first half of 2008/09. Other significant items included in the net loss include impairment of intangibles of \$40.12 million, provision for onerous contracts of \$2.6 million and impairment of inventory of \$4.12 million.

CKR has refocused its business model on growing its branded wine sales, lead by the "Cockatoo Ridge" brand in Australia. Packaged export sales remain strong as Cockatoo concentrates on new non-traditional markets and are the key to improved profits and solid margins. Significant cost savings are being realised as onerous grape contracts with Great Southern have cancelled and Cockatoo has significantly reduced operating costs and re-negotiated new processing and packaging contracts that will result in improved margins.

The current state of the Australian wine industry, including the significant over supply of bulk wine in the local market, coupled with the global economic turndown, continues to present challenges for wine companies. At the half-year, the Group considered it prudent to make significant write downs and provisions in all these areas which significantly impacted its business. The Group reassessed these adjustments at year end and considered that they remain appropriate.

Cockatoo is also focusing on long term cost savings strategies in all areas of the business including the lease or possible disposal of the Monash winery and is projecting a return to EBITDA positive in 2010. Cockatoo continues to work closely with its financier to further reduce debt levels.

At 30 June 2009, the Group had net assets of \$7.01 million and net tangible assets of \$0.01 million post impairment. However, the Group was in breach of certain of its banking covenants which 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 \$8.59 million at year end.

During the year, the Group reduced its interest bearing debt from \$25.5 million to \$18.3 million and incurred finance costs of \$2.05 million (2008: \$1.75 million).

Changes in state of affairs

Other than mentioned above, there were no significant changes in the state of affairs.

Subsequent events

Subsequent to year end the company restructured its total debt with GE Finance to include a term loan facility of \$10.79 million repayable over two years and a revolver facility of \$7.07 million. The impact of this restructure is that the company is now trading within its facility limits.

On 23 July 2009, the Company announced its intention to seek expressions of interest regarding the sale of the Monash Winery. The Winery is included at \$14.3M, this is considered to be its fair value..

Environmental regulations

There are no environmental issues or challenges facing either the company or any existing or ongoing liabilities in this connection.

Dividends

No dividends were declared or paid during the financial year.

Share options

Shares under option or issued on exercise of options

Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Cockatoo Ridge Wines Limited	1,000,000	Ordinary	\$0.20c	31 October 2011
Cockatoo Ridge Wines Limited	2,000,000	Ordinary	\$0.20c	29 November 2012
Cockatoo Ridge Wines Limited	500,000	Ordinary	\$0.20c	5 August 2012
Cockatoo Ridge Wines Limited	500,000	Ordinary	\$0.20c	29 October 2012

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme. Neither the issue of or exercise of any of the above is performance related.

Each employee share option converts into one ordinary share of Cockatoo Ridge Wines Limited on payment of exercise price. The options carry neither rights to dividends nor voting rights. None of the options may be exercised during the period of 12 months after the date of issue. Thereafter, and until 24 months after the date of issue, no more than half of the options may be exercised.

There have been no shares or interests issued during or since the end of the financial year as a result of exercise of any option.

Indemnification of officers and auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named below), and all executive officers of the company and of any related body corporate against a liability incurred in such capacity of director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Directors' report

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 19 board meetings, 2 audit committee meetings and 2 remuneration committee meetings were held.

Directors	Board of directors		Remuneration committee		Audit committee	
	Held	Attended	Held	Attended	Held	Attended
I T Limb	19	18	2	2	2	2
M J S Drummond	19	19			2	2
P J Perrin	19	19	2	2		
S A Richardson	19	18	2	2	2	2

Directors' shareholdings

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the company or a related body corporate as at the date of this report.

	Fully paid ordinary shares	Share options	Contributed Equity (unissued shares)
Directors	Number	Number	Number
I T Limb	22,425,520	-	-
M J S Drummond	1,000,000	-	-
P J Perrin	2,141,999	3,000,000	-
S A Richardson	32,463,536	-	-

Proceedings on behalf of the 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.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 35 to the financial statements.

The directors are satisfied that the provision of non-audit services during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 35 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and

none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor

Deloitte Touche Tohmatsu.

Auditor's independence declaration

The auditor's independence declaration is included on page 17 of the annual report.

Rounding off of amounts

The company is a company 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 are rounded off to the nearest thousand dollars, unless otherwise indicated.

Directors' report

Remuneration report

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Cockatoo Ridge Wines Limited's directors and its senior management for the financial year ended 30 June 2009. The prescribed details for each person covered by this report are detailed below under the following headings:

- director and senior management details
- remuneration policy for key management personnel
- employment contracts of key management personnel
- relationship between the remuneration policy and company performance
- remuneration of directors and senior management
- options issued to directors and senior management
- employee share option plan.

Director and senior management details

The following persons acted as directors of the company during or since the end of the financial year:

I T Limb: Executive Chairman until he resigned on 8 July 2008, and became Non-executive Director

M J S Drummond

- P J Perrin
- S A Richardson: appointed to role of Non-executive Chairman, 8 July 2008

The highest remunerated company and group executives for the financial year were:

P J Perrin (Managing Director)

D G Lister (Chief Financial Officer) resigned 1 November 2008

- A Thompson (National Sales Manager)

M Starick (Operations Manager)

R W Hunt (Chief Operating Officer) resigned 15 June 2009

Remuneration policy for key management personnel

Compensation packages contain the following key elements:

- Salary/fees
- Benefits including the provision of motor vehicles, superannuation and wine allowance
- Incentive scheme being share options under the Employee Share Option plan as disclosed in the Remuneration report.

Other than the amounts disclosed in the column for bonuses and equity-settled options, all other amounts are fixed as part of the individual executive's remuneration. The remuneration is fixed where the only variable is on sign-on, being the granting of options in relation to the role they have been appointed.

The company's policy for determining the nature and amount of emoluments of board members and senior executives is as follows:

The compensation structure for key management personnel, including executive directors, is based upon 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. Upon retirement, key management personnel are paid employee benefit entitlements accrued to date of retirement. All key management would be paid 25% of their salary in the event of redundancy.

The Group has an employee option plan for directors and senior employees of the Group. In accordance with the provisions of the plans, as approved by shareholders at a previous annual general meeting, directors and senior employees are granted share options as an initial sign on benefit following their appointment. The options issued are not performance related. Any options not exercised before or on the date of termination lapse.

Remuneration and other terms of employment for executives are reviewed annually by the Board having regard to the individual's performance against goals and business plans, comparative data and employment market conditions and independent expert advice.

No bonuses have been paid or are payable in the current year.

The objectives of the reward schemes are to both reinforce the short and long term goals of the company and to provide a congruent interest between management and shareholders.

Directors' report

Remuneration report (cont'd)

Employment contracts of key management personnel

The employment conditions of the Managing Director and key management personnel are formalised in contracts of employment. The Managing Director and certain key management personnel are employed under varying fixed period contracts, each of which continues to roll forward for 12 months every anniversary date.

The company may terminate the Managing Director's employment contract without cause by providing 3 months' written notice or by making payment based on his annual salary component in lieu of notice. Termination payments are generally not payable on resignation and never on dismissal for serious misconduct. In the instance of serious misconduct, the company can terminate employment at any time. Major provisions of the employment agreements in force are set out below:

Peter J Perrin – Managing Director

- Term of agreement – no fixed term
- Base Salary - \$220,000 reviewed annually
- Employer or employee may terminate employment on giving of three months' notice and in the event of early termination at the option of the employer, by payment of a termination benefit equal to the base salary for the unexpired period of notice
- Long term incentive in the form of options over ordinary shares in the company in line with the Group options policy.

All other executives (as listed earlier)

- Term of agreement – no fixed term
- Base salary exclusive of superannuation to be reviewed annually
- Employer or employee may terminate employment on giving of between one and three months' notice and in the event of early termination at the option of the employer, by payment of a termination benefit equal to the base salary for the unexpired period of notice
- Long term incentive in the form of options over ordinary shares in the company in line with the Group options policy.

Relationship between the remuneration policy and company performance

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to 30 June 2009.

	30 June 2009	30 June 2008	30 June 2007	30 June 2006	30 June 2005
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	17,622	37,730	13,720	22,853	16,936
Net profit/(loss) before tax	(54,175)	(1,379)	(4,230)	(12,883)	3,997
Net profit/(loss) after tax	(58,657)	(3,936)	(3,672)	(9,030)	2,910

	30 June 2009	30 June 2008	30 June 2007	30 June 2006	30 June 2005
Share price at start of year(\$)	0.09	0.14	0.14	0.41	0.53
Share price at end of year (\$)	0.005	0.09	0.14	0.14	0.41
Interim dividend (\$)	-	-	-	0.01	0.03
Final dividend (\$)	-	-	-	0.03	0.01
Basic earnings per share (c)	(15.93)	(1.44)	(5.21)	(12.98)	3.71
Diluted earnings per share (c)	(15.93)	(1.44)	(5.21)	(12.98)	3.57

As the table indicates, earnings have varied significantly over the past five years. It has been the focus of the board of directors to retain management personnel essential to the growth of its bulk and bottled products by the issue of options to key management personnel.

There is no explicit relationship between the performance of the company and the remuneration policy.

Directors' report

Remuneration report (cont'd)

Remuneration of directors and senior management

The directors and the identified key management executives received the following amounts as compensation for their services as directors and executives of the group during the year:

	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Share-based payment Options & rights	Total	% consisting of options
	Salary & fees	Non-monetary	Other	Super-annuation				
2009	\$	\$	\$	\$	\$	\$	\$	
Non-executive Directors								
S A Richardson	40,000	-	-	-	-	-	40,000	
I T Limb	27,197	21,837	-	-	-	-	49,033	
Executive Directors								
P Perrin (i)	250,000	40,714	-	22,240	-	63,411	376,365	16.8
M S Drummond	32,000	25,348	-	2,880	-	-	60,228	
Executive Officers								
M Starick (ii)	140,000	18,163	-	12,261	-	14,644	185,068	7.9
A Thompson (iii)	157,500	1,000	-	12,552	-	7,841	178,893	4.4
D G Lister(iv)	65,596	8,666	-	4,829	-	-	79,091	
R W Hunt(v)	139,556	15,001	-	11,487	-	-	166,042	
	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Share-based payment Options & rights	Total	% consisting of options
	Salary & fees	Non-monetary	Other	Super-annuation				
2008	\$	\$	\$	\$	\$	\$	\$	
Non-executive Directors								
S A Richardson	-	-	-	-	-	-	-	
N J Limb (viii)	16,666	-	-	1,500	-	-	18,166	
Executive Directors								
P Perrin (i)	258,333	40,713	-	23,250	-	71,110	393,406	18.1
M S Drummond	24,000	33,673	-	2,160	-	-	59,833	
I T Limb (vi)	212,963	14,969	-	19,167	-	-	247,099	
Executive Officers								
M Starick (ii)	107,692	11,012	-	9,692	-	17,667	146,063	12.1
A Thompson (iii)	135,539	1,000	16,042	12,198	-	17,722	182,501	9.7
D G Lister (iv)	135,000	28,302	-	12,150	-	-	175,452	
R W Hunt (v)	30,875	4,835	-	2,778	-	-	38,488	
V Van Dommele (vii)	65,837	7,993	-	5,925	50,425	-	130,180	

(i) P Perrin was granted share options under the employee share option plan on 31 October 2006 and 30 November 2007.

(ii) M Starick was granted share options under the employee share option plan on 6 August 2007.

(iii) A Thompson was granted share options under the employee share option plan on 30 October 2007.

The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting standards.

(iv) D G Lister resigned on 1 November 2008.

(v) R W Hunt was appointed on 25 March 2008 and resigned on 15 June 2009.

(vi) I T limb resigned as executive Chairman on 8 July 2008.

(vii) V Van Dommele resigned on 1 December 2007.

(viii) N J limb resigned on 4 October 2007

No director or senior management person appointed during the period received a payment as part of consideration for agreeing to hold the position.

Directors' report

Remuneration report (cont'd)

Options issued to directors and senior management

The following table summarises the value of options granted, exercised or lapsed during the annual reporting period to the identified directors and executives:

	Value of options granted at the grant date	Value of options exercised at the exercise date	Value of options lapsed at the date of lapse	Total
	\$	\$	\$	\$
P J Perrin	-	-	-	-
A Thompson	-	-	-	-
M Starick	-	-	-	-

Employee share option plan

The Group has an employee option plan for directors and senior employees of the Group where options are granted in appointment of the individuals to the positions held within the company. The granting of options is not performance based as they are granted at time of appointment of key management.

Each employee share option converts into one ordinary share of Cockatoo Ridge Wines Limited on payment of exercise price. The options carry neither rights to dividends nor voting rights. None of the options currently on issue may be exercised during the period of 12 months after the date of issue. Thereafter, and until 24 months after the date of issue, no more than half of the options on issue may be exercised.

The options granted as part of remuneration will automatically lapse if not exercised before expiry, or one month of the resignation of the director or senior employee, whichever is the earlier.

The weighted average fair value of the share options granted during the prior financial year was \$0.07c. No options were granted during the current financial year. Options were priced using a Black-Scholes model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations. Expected volatility was based on the historical share price volatility over the past 3 years.

It is the policy of the Company that persons to whom options have been issued should not enter into any transaction in any associated product which is designed to limit the economic risk of participating in unvested entitlements under an equity-based remuneration scheme.

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Options series	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$
(1) P J Perrin	1,000,000	01/11/2006	31/10/2011	0.20c	0.06c
(2) P J Perrin	2,000,000	30/11/2007	29/11/2012	0.20c	0.06c
(3) A Thompson	500,000	06/08/2007	05/08/2012	0.20c	0.05c
(4) M Starick	500,000	30/10/2007	29/10/2012	0.20c	0.07c

In accordance with the terms of the share-based arrangement, 1,500,000 of P J Perrin's options, 250,000 of A Thompson's options and 250,000 of M Starick's options have vested in the current year. The remaining options noted above remain unvested.

Inputs into the model	Option series			
	Series 1	Series 2	Series 3	Series 4
Grant date share price	0.5c	0.13c	0.12c	0.14c
Exercise price	0.20c	0.20c	0.20c	0.20c
Expected volatility	48.71%	62.85%	58.92%	62.14%
Option life	5	5	5	5
Dividend yield	-	-	-	-
Risk-free interest rate	5.78%	6.17%	6.07%	6.37%

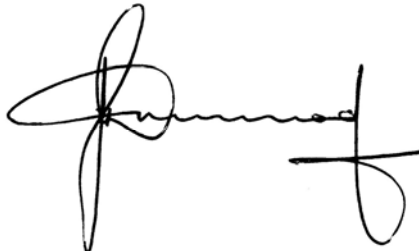
Directors' report

Signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001 and dated this 30 September 2009.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'P J Perrin', with a long horizontal stroke extending to the right.

P J Perrin
Managing Director

A handwritten signature in black ink, appearing to read 'M J S Drummond', with a large loop at the start and a horizontal stroke extending to the right.

M J S Drummond
Director and Company Secretary

Board of Directors
Cockatoo Ridge Wines Limited
71-73 Fullarton Road
Kent Town SA 5071

30 September 2009

Dear Chairperson

Cockatoo Ridge Wines Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the chairperson of Cockatoo Ridge Wines Limited.

As lead audit partner for the audit of the financial statements of Cockatoo Ridge Wines Limited for the financial year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Stephen Harvey
Partner
Chartered Accountants

Independent Auditor's Report to the members of Cockatoo Ridge Wines Limited

Report on the Financial Report

We have audited the accompanying financial report of Cockatoo Ridge Wines Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration 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 as set out on pages 20 to 73.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- (a) the financial report of Cockatoo Ridge Wines Limited is in accordance with 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 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2 in the financial report which indicates that the Company and Group incurred a net loss of \$53.38M and \$58.66M respectively for the year ended 30 June 2009 and, as of that date, the Company's current liabilities exceeded its current assets by \$18.54M and the Group's current liabilities exceed its current assets by \$15.39M. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Company's and Group's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 15 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Cockatoo Ridge Wines Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Stephen Harvey
Partner
Chartered Accountants
Adelaide, 30 September 2009

Directors' declaration

The directors declare that:

- (a) In the directors' opinion, there are reasonable grounds to believe that the company will be able to continue to pay its debts as and when they become due and payable;
- (b) In the directors' opinion the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and giving a true and fair view of the financial position and performance of the company and consolidated entity; and
- (c) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

At the date of this declaration, the company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

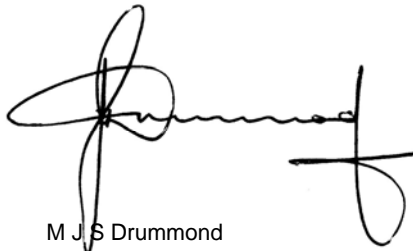
In the directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in note 29 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001 and dated this 30 September 2009.

On behalf of the Directors



P J Perrin
Managing Director



M J S Drummond
Director and Company Secretary

Income statement
for the financial year ended 30 June 2009

	Note	Consolidated		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue	6	17,622	37,730	-	18
Cost of sales		(15,566)	(23,289)	-	-
Gross profit		2,056	14,441	-	18
Other revenue	6	15	52	5	17
Sales and marketing expenses		(1,699)	(2,645)	-	(700)
Administration expenses		(3,305)	(2,907)	(1,407)	(1,919)
Loss on sale of brand names		(1,525)	-	(1,525)	-
Loss on sale of other assets		(22)	-	-	-
Bad and doubtful debts		(590)	-	-	-
Write down of inventory		(4,118)	-	-	-
Onerous Grape Contracts		(2,614)	-	-	-
Impairment of investment in subsidiaries	8,11	-	-	(33,406)	(7,905)
Impairment of amounts due from fellow subsidiaries		-	-	(7,472)	-
Impairment of goodwill and brand names	8,14,15	(40,119)	(8,569)	(3,000)	(664)
Impairment of other assets		(205)	-	-	-
Finance costs	7	(2,049)	(1,751)	(1,756)	(1,153)
Loss before tax	8	(54,175)	(1,379)	(48,561)	(12,308)
Income tax (expense)/benefit	9	(4,481)	(2,557)	(4,816)	1,175
Loss for the year – Attributable to equity holders of parent		(58,657)	(3,936)	(53,377)	(11,133)
Earnings per share					
Basic (cents per share)	25	(15.93)	(1.44)		
Diluted (cents per share)	25	(15.93)	(1.44)		

Notes to the financial statements are included on pages 26 to 73.

Balance sheet
as at 30 June 2009

	Note	Consolidated		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current assets					
Cash and cash equivalents	30(a)	104	3,574	43	339
Trade and other receivables	10	3,123	11,090	16	-
Inventories	12	9,716	16,665	-	-
Other	16	76	5	7	2
Total current assets		13,019	31,334	66	341
Non-current assets					
Other financial assets	11	-	33	22,560	69,245
Property, plant and equipment	13	17,400	18,592	2,805	2,962
Deferred tax assets	9	-	4,481	-	4,816
Goodwill	14	-	29,825	-	-
Other intangible assets	15	7,000	19,019	-	4,725
Total non-current assets		24,400	71,950	25,365	81,748
Total assets		37,420	103,284	25,431	82,089
Current liabilities					
Trade and other payables	18	9,118	15,944	323	272
Borrowings	19	18,278	13,712	18,278	13,712
Provisions	20	746	117	-	-
Other		267	-	-	-
Total current liabilities		28,409	29,773	18,601	13,984
Non-current liabilities					
Borrowings	19	-	10,211	-	10,211
Provisions	20	2,000	29	-	84
Total non-current liabilities		2,000	10,240	-	10,295
Total liabilities		30,409	40,013	18,601	24,279
Net assets		7,011	63,271	6,830	57,810
Equity					
Issued capital	21	76,729	68,394	76,729	68,394
Contributed equity	22	-	6,000	-	6,000
Reserves	23	118	56	118	56
Accumulated losses	24	(69,836)	(11,179)	(70,017)	(16,640)
Total equity		7,011	63,271	6,830	57,810

Notes to the financial statements are included on pages 26 to 73.

Statement of changes in equity
for the financial year ended 30 June 2009

Consolidated

	Fully paid ordinary shares \$'000	Contributed equity \$'000	Equity- settled employee benefits reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2007	62,003	12,000	40	(7,243)	66,800
Loss for the period	-	-	-	(3,936)	(3,936)
Total recognised income and expense	-	-	-	(3,936)	(3,936)
Issue of options under share option plan	-	-	16	-	16
Issue of shares for placement (note 21)	475	-	-	-	475
Issue of shares for acquisition (note 21)	6,000	-	-	-	6,000
Share issue costs (net of tax) (note 21)	(84)	-	-	-	(84)
Shares to be issued under business combination (note 21)	-	(6,000)	-	-	(6,000)
Balance at 30 June 2008	68,394	6,000	56	(11,179)	63,271
Balance at 1 July 2008	68,394	6,000	56	(11,179)	63,271
Loss for the period	-	-	-	(58,657)	(58,657)
Total recognised income and expense	-	-	-	(58,657)	(58,657)
Issue of options under share option plan	-	-	62	-	62
Issue of shares for placement (note 21)	471	-	-	-	471
Issue of shares under capital raising (note 21)	1,975	-	-	-	1,975
Issue of shares for acquisition (note 21)	6,000	-	-	-	6,000
Share issue costs (net of tax) (note 21)	(111)	-	-	-	(111)
Shares to be issued under business combination (note 21)	-	(6,000)	-	-	(6,000)
Balance at 30 June 2009	76,729	-	118	(69,836)	7,011

Notes to the financial statements are included on pages 26 to 73.

Statement of changes in equity
for the financial year ended 30 June 2009

Company

	Fully paid ordinary shares \$'000	Contributed equity \$'000	Equity- settled employee benefits reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2007	62,003	12,000	40	(5,507)	68,536
Loss for the period	-	-	-	(11,133)	(11,133)
Total recognised income and expense	-	-	-	(11,133)	(11,133)
Issue of options under share option plan	-	-	16	-	16
Issue of shares for placement (note 21)	475	-	-	-	475
Issue of shares for acquisition (note 21)	6,000	-	-	-	6,000
Share issue costs (net of tax) (note 21)	(84)	-	-	-	(84)
Shares to be issued under business combination (note 21)	-	(6,000)	-	-	(6,000)
Balance at 30 June 2008	68,394	6,000	56	(16,640)	57,810
Balance at 1 July 2008	68,394	6,000	56	(16,640)	57,810
Loss for the period	-	-	-	(53,377)	(53,377)
Total recognised income and expense	-	-	-	(53,377)	(53,377)
Issue of options under share option plan	-	-	62	-	62
Issue of shares for placement (note 21)	471	-	-	-	471
Issue of shares under capital raising (note 21)	1,975	-	-	-	1,975
Issue of shares for acquisition (note 21)	6,000	-	-	-	6,000
Share issue costs (net of tax) (note 21)	(111)	-	-	-	(111)
Shares to be issued under business combination (note 21)	-	(6,000)	-	-	(6,000)
Balance at 30 June 2009	76,729	-	118	(70,017)	6,830

Notes to the financial statements are included on pages 26 to 73.

Cash flow statement
for the financial year ended 30 June 2009

	Note	Consolidated		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash flows from operating activities					
Receipts from customers		24,828	42,381	-	76
Payments to suppliers and employees		(22,469)	(40,810)	(283)	(364)
Interest received	6	15	52	5	17
Interest and other costs of finance paid	7	(1,921)	(1,751)	(1,628)	(1,153)
Net cash provided by /(used in) operating activities	30(e)	453	(128)	(1,906)	(1,424)
Cash flows from investing activities					
Payments for property, plant and equipment	13	(126)	(947)	-	-
Proceeds from sale of property, plant and equipment		503	202	-	73
Proceeds from unsecured loans		-	468	-	-
Proceeds from sale of brands		200		200	
Net cash outflow from acquisition of subsidiary		-	(1,005)	-	(806)
Net cash provided by /(used in) investing activities		577	(1,282)	200	(733)
Cash flows from financing activities					
Proceeds from issues of equity securities	21	2,187	475	2,187	475
Payment for share issue costs		(61)	(17)	(61)	(17)
Proceeds from borrowings		700	7,666	6,610	7,666
Repayment of borrowings		(7,326)	(3,892)	(7,326)	(5,751)
Net cash (used in)/provided by financing activities		(4,500)	4,232	1,410	2,373
Net (decrease)/increase in cash and cash equivalents		(3,470)	2,822	(296)	216
Cash and cash equivalents at the beginning of the financial year		3,574	752	339	123
Cash and cash equivalents at the end of the financial year	30(a)	104	3,574	43	339

Notes to the financial statements are included on pages 26 to 73.

Notes to the financial statements
for the financial year ended 30 June 2009

Note	Contents
1	General information
2	Significant accounting policies
3	Key sources of estimation uncertainty
4	Errors
5	Segment information
6	Revenue
7	Finance costs
8	Profit/(loss) for the year
9	Income taxes
10	Trade and other receivables
11	Other financial assets
12	Inventories
13	Property, plant and equipment
14	Goodwill
15	Other intangible assets
16	Other assets
17	Assets pledged as security
18	Trade and other payables
19	Borrowings
20	Provisions
21	Issued capital
22	Contributed equity
23	Reserves
24	Accumulated losses
25	Earnings per share
26	Dividends
27	Commitments for expenditure
28	Leases
29	Subsidiaries
30	Notes to the cash flow statement
31	Financial instruments
32	Share-based payments
33	Key management personnel compensation
34	Related party transactions
35	Remuneration of auditors
36	Contingent liabilities
37	Subsequent events

Notes to the financial statements
for the financial year ended 30 June 2009

1. General information

Cockatoo Ridge Wines Limited (the company) is a listed public company, incorporated in Australia and operating in South Australia.

Cockatoo Ridge Wines Limited's registered office and its principal place of business are as follows:

Registered office

Level 7 Exchange Tower
530 Little Collins Street
Melbourne, Victoria 3000

Principal place of business

71 – 73 Fullarton Road
Kent Town
Adelaide SA 5071

The entity's principal activities are the production and sale of packaged and bulk wines.

2. Significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS'). The financial statements were authorised for issue by the directors on 30 September 2009.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company 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 financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Refer to note 3 for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

Going Concern

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

During the year ended 30 June 2009, the consolidated entity incurred a net loss of \$58.66 million, had net cash inflows from operating activities of \$0.45 million and a net decrease in cash held of \$3.47 million. This result took accumulated losses to \$69.84 million and an excess of current liabilities over current assets of \$15.39 million as at 30 June 2009.

Notes to the financial statements
for the financial year ended 30 June 2009

2. Significant accounting policies (cont'd)

Going Concern (cont'd)

Contributing to the Group's loss of \$58.66million, post impairment, in the period just ended were the following:

- a) The company had entered into a major bulk wine transaction in May 2008. The revenue and profit from this transaction were recorded in error in the prior financial year. However, in the current period, the transaction failed to complete and the company was not able to recognise a material profit of \$2.85 million as a result. The failure of this transaction to complete also contributed to the inventory impairment disclosed in (b) by an amount of \$1.08 million;
- b) impairment of inventory of \$2.93 million;
- c) impairment of intangible assets (brands, goodwill) of \$40.12 million;
- d) loss on disposal as a result of the sale of the "Normans" brand of \$1.53 million;
- e) provision for onerous grape purchase contracts of \$2.61 million; and
- f) impairment of trade receivables of \$0.59 million.

Breach of covenants

During the year, the consolidated entity was in breach of certain banking covenants and exceeded its facility limit which resulted in interest rate penalties and all of its finance facilities being classified 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 Corporation (Australia) Pty Ltd (GE Commercial Finance or 'GE'). The amount of borrowings reclassified as current at year end was \$8.59 million, resulting in the total facility of \$16.60 million being classified as current and repayable on demand. The security for this facility is a fixed and floating charge over all assets and undertakings of the company and other group entities.

The continuation of the consolidated entity as a going concern is wholly dependent upon:

- the continuing support of its financier, GE. The consequence of the breach of the covenant terms and conditions in the facility documentation is that the facility is repayable upon demand, but GE has not demanded repayment;
- its ability to generate sufficient cash from operating and financing activities; and
- its ability to continue to pay remaining aged creditors in accordance with agreed payment plans.

Other factors

Notwithstanding the net loss above, the Directors consider that the going concern basis of accounting is appropriate for the following reasons:

- In the year ended 30 June 2009, the consolidated entity reduced by \$5.62 million its borrowings in accordance with its negotiated bank facilities and debt amortisation schedule.
- Subsequent to year end, the company restructured its total debt to include a term loan facility of \$10.79 million repayable over two years and a revolver facility of \$7.07 million. The impact of this restructure is that the company is now trading within its facility limits. Due to the continued covenant breaches, the term loan facility is classified as current in the financial statements.
- The Company is in continuing discussions with its financier to further restructure its debt facility so that its repayment terms and financial and other covenants are more consistent with the business going forward. The company believes that as trading conditions continue to improve in line with expectations and either the level of debt is reduced as a consequence of the sale of the winery or net cash flows are improved by entering into a longer term contract in relation to the winery facilities, it will be able to achieve this outcome with its financier and therefore improve the company's net cash position. The company is actively working with its financier to ensure the continued availability of credit facilities to fund current and future cash flow needs.
- The company successfully completed a capital raising of \$1.97million, attracting both current and new investors.
- The consolidated entity has significantly reduced its older outstanding unsecured creditors including further reductions subsequent to year end and is continuing to work with all unsecured creditors to maintain adequate repayment schedules.
- The budgets for the financial year ending 30 June 2010 prepared by management and reviewed by the Directors indicate that the consolidated entity will generate sufficient cash to meet its operating requirements and indicate a return to profitability in 2010. These budgets are prepared based on the following assumptions
 - The continuing performance of the Company's core brand "Cockatoo Ridge". The key factors providing the basis for the projected Brand performance are:
 - The Company has refocused its business model on growing its branded sales both in Australia and overseas;
 - Export sales of packaged goods remain strong and the higher margins achieved on these sales provide a strong contribution to forecast profits. In particular, China sales continue to be robust, with this country on track to be the largest packaged export market in 2010.

Notes to the financial statements
for the financial year ended 30 June 2009

2. Significant accounting policies (cont'd)

Going Concern (cont'd)

- This budget takes into account the consolidated entity's implementation of cost savings already underway. These will significantly reduce cash expenditure in such areas as staffing and on-costs, storage through rationalisation and, processing grapes of a tonnage geared to the company's forecast bottled packaging needs.
- Operating cash flows in the year ended 30 June 2009, were significantly impacted by the cash flow implications of the unsuccessful bulk wine sale transaction of \$9.18 million previously mentioned. The collapse of the bulk wine sale resulted in extremely difficult trading conditions for the company during the 2008/09 year and necessitated a restatement of the prior year results. The surplus of bulk wine arising from the 2009 vintage coupled with the excess of industry bulk wine inventory levels have kept a very low cap on bulk wine prices. The Company's bulk wine stocks are continuing to be disposed of through its network of local and international agents and it expects to realise at least the values at which such inventory is currently recorded.
- The company is continuing to pursue opportunities to rationalise its asset base and align contracted grape supply so that these are more closely tied in with its strategy and direction. This includes investigating any offers for the sale of the winery at Monash already on the market or entering into longer term contracts in relation to the winery.
- The Directors will continue to provide financial accommodation to the company through 30 June 2010. The two non-executive Directors have agreed with the company to continue to accrue Directors' fees and interest thereon and defer receipt of payment until the company is better placed to do so. The executive Director based at the Melbourne corporate office has agreed to continue a reduction in his remuneration effective 1 January 2009.
- The resolution and/or settlement of the few remaining outstanding legal matters will significantly reduce the amount spent on legal fees as compared to the past.

Material Uncertainty

In the event that the company and consolidated entity are unable to:

- continue to maintain the support of GE whilst in breach of certain covenant terms and conditions in the facility documentation or further renegotiate the facility terms with its financier or obtain a new source of debt funding; and/or
- continue to maintain the support of its unsecured creditors; and/or
- maintain the momentum of bottled wine sales locally and abroad and steadily dispose of its remaining bulk wine holdings; and/or
- achieve identified cost savings progressively being implemented; and/or
- generate sufficient cash flows from operations (and investing activities); and/or
- rationalise its asset base and better align contracted grape supply so that they better reflect its strategy and direction,

there is material uncertainty whether the company and the consolidated entity could continue as "going concerns". Should the company and the consolidated entity be unable to continue as going concerns, they may be required to realise their assets and extinguish their liabilities other than in the normal course of business and at amounts that are substantially less than those stated in the financial report.

In particular, if the financier, GE Commercial Finance, withdraws its support at any time, it is highly unlikely the company and consolidated entity will be able to continue as going concerns.

No adjustments have been made relating to the recoverability and classification of recorded asset values and the amount and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB), that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised standards and interpretations has not resulted in any changes to the Company's and the Group's accounting policies.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Notes to the financial statements
for the financial year ended 30 June 2009

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

(b) Foreign currency

The individual financial statements of each group entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Cockatoo Ridge Wines Limited and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

(c) Goods and services tax

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

- i. 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
- ii. 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.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(d) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods.

Notes to the financial statements
for the financial year ended 30 June 2009

2. Significant accounting policies (cont'd)

(e) Revenue (cont'd)

Dividend and interest revenue

Dividend revenue from investments is recognised when the Group's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(e) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 32.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(f) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the financial statements
for the financial year ended 30 June 2009

2. Significant accounting policies (cont'd)

(g) Income tax

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Cockatoo Ridge Wines Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'stand alone taxpayer' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

Further information about the tax funding arrangement is detailed in note 9.

(g) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(h) Financial assets

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

- (i) has been acquired principally for the purpose of selling in the near future;
- (ii) is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- (iii) is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 31.

Notes to the financial statements
for the financial year ended 30 June 2009

2. Significant accounting policies (cont'd)

(i) Financial assets

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest income is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(j) Inventories

Inventories are stated 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. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

(k) Property, plant and equipment

Land and buildings are carried in the balance sheet at fair value, less any subsequent accumulated depreciation. Fair value is determined on the basis of an independent valuation prepared by external valuation experts, based on discounted cash flows or capitalisation of net income, as appropriate. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of land and buildings is credited to a revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve, net of any related taxes, is transferred directly to retained earnings.

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Notes to the financial statements
for the financial year ended 30 June 2009

2. Significant accounting policies (cont'd)

(k) Property, plant and equipment (cont'd)

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following useful lives are used in the calculation of depreciation:

Buildings	10 – 40 years
Equipment under finance lease	3 years
Plant and equipment	2 – 33 years

(l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(m) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Group as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Refer to note 2(l). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(n) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition. Goodwill is subsequently measured at its cost less any accumulated impairment losses.

Notes to the financial statements
for the financial year ended 30 June 2009

2. Significant accounting policies (cont'd)

(n) Goodwill (cont'd)

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or groups of CGUs) and then to the other assets of the CGU, pro-rata on the basis of the carrying amount of each asset in the CGU (or groups of CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(o) Intangible assets

Brand names and trademarks

Brand names and trademarks recognised by the company have an indefinite useful life and are not amortised. Each period, the useful life of these assets is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in note 2(p).

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated impairment losses.

(p) Impairment of long-lived assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease (refer note 2(i)).

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase (refer note 2(i)).

Notes to the financial statements
for the financial year ended 30 June 2009

2. Significant accounting policies (cont'd)

(q) Employee benefits

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

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits 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 Group in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

(r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

(s) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Notes to the financial statements
for the financial year ended 30 June 2009

2. Significant accounting policies (cont'd)

(s) Financial instruments issued by the company (cont'd)

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of

- The amount of the obligation under the contract, as determined in AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'; and
- The amount initially recognised less, where appropriate, cumulative amortisation in accordance with the revenue recognition policies described in note (2e)

(t) Standards and Interpretations issued not yet effective

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the consolidated entity's and the company's financial report:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<ul style="list-style-type: none"> • AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101', AASB 2007-10 'Further amendments to Australian Accounting Standards arising from AASB 101. 	1 January 2009	30 June 2010
<ul style="list-style-type: none"> • AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8' 	1 January 2009	30 June 2010
<ul style="list-style-type: none"> • AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments' 	1 January 2009 (and that ends on or after 30 April 2009)	30 June 2010

Initial application of the following Standards is not expected to have any material impact on the financial report of the group and the company:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<ul style="list-style-type: none"> • AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123' 	1 January 2009	30 June 2010
<ul style="list-style-type: none"> • AASB 3 'Business Combinations' (2008), AASB 127 'Consolidated and Separate Financial Statements' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127' 	AASB 3 (business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009), AASB 127 and AASB 2008-3 (1 July 2009)	30 June 2010
<ul style="list-style-type: none"> • AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations' 	1 January 2009	30 June 2010
<ul style="list-style-type: none"> • AASB 2008-2 'Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation' 	1 January 2009	30 June 2010
<ul style="list-style-type: none"> • AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project' 	1 January 2009	30 June 2010
<ul style="list-style-type: none"> • AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project' 	1 July 2009	30 June 2010
<ul style="list-style-type: none"> • AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate' 	1 January 2009	30 June 2010

Notes to the financial statements
for the financial year ended 30 June 2009

2. Significant accounting policies (cont'd)

(t) Standards and Interpretations issued not yet effective (cont'd)

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 2008-8 'Amendments to Australian Accounting Standards – Eligible Hedged Items'	1 January 2009	30 June 2010
• AASB 2009-4 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 July 2009	30 June 2010
• AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 January 2010 ⁽¹⁾	30 June 2011
• AASB 2009-6 'Amendments to Australian Accounting Standards'	1 January 2009 ⁽²⁾	30 June 2010
• AASB 2009-7 'Amendments to Australian Accounting Standards'	1 July 2009	30 June 2010
• AASB Interpretation 15 'Agreements for the Construction of Real Estate'	1 January 2009	30 June 2010
• AASB Interpretation 16 'Hedges of a Net Investment in a Foreign Operation'	1 October 2008	30 June 2010
• AASB Interpretation 17 'Distributions of Non-cash Assets to Owners', AASB 2008-13 'Amendments to Australian Accounting Standards arising from Interpretation 17 – Distribution of Non-cash Assets to Owners'	1 July 2009	30 June 2010
• AASB Interpretation 18 'Transfers of Assets from Customers'	1 July 2009 ⁽³⁾	30 June 2010

¹ Applicable to financial years beginning on or after 1 January 2010, except for the amendments made to the guidance to AASB 118 'Revenue' that have no explicit application date and are taken to be immediately effective.

² Applicable to financial years beginning on or after 1 January 2009 that end on or after 30 June 2009.

³ AASB Interpretation 18 applies to transfers of assets from customers received on or after 1 July 2009.

Revised AASB 101 'Presentation of Financial Statements'

The impact of this standard will be on disclosure in the financial statements. All non-owner changes in equity must be presented in one statement of comprehensive income, or in a separate income statement and statement of comprehensive income. Components of comprehensive income may not be presented in the statement of changes in equity. Income tax and reclassification adjustments relating to each component of other comprehensive income have to be disclosed. The titles of financial statements will also change.

AASB 123 'Borrowing Costs'

The standard eliminates the option of expensing borrowing costs related to qualifying assets, instead requiring capitalisation. Transitional provisions require prospective application to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the application date.

AASB 3 'Business Combinations' and AASB 127 'Consolidated and Separate Financial Statements'

The standard introduces greater emphasis on the use of fair value through increasing the judgement and subjectivity around business combination accounting and requiring greater involvement of valuation experts. Further volatility in the income statement will be introduced through the separate accounting for transaction costs, changes in the fair value of contingent consideration, settlement of pre-existing contracts and share-based payments.

The Standard also focuses on changes in control as a significant economic event, with requirements to remeasure interests to fair value on gaining or losing control, and to recognise all transactions between controlling and non-controlling shareholders whilst control is retained in equity.

Notes to the financial statements
for the financial year ended 30 June 2009

2. Significant accounting policies (cont'd)

(t) Standards and Interpretations issued not yet effective (cont'd)

AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations'

The standard clarifies for share-based payments what are vesting conditions and restricts the definition to include only service conditions and performance conditions. It also amends the definition of performance conditions to require the completion of a service period in addition to specified performance targets and to specify that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

AASB 2008-2 'Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation'

The Standard amends the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on the entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.

AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project' and AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'

The Standards have led to a number of changes in detail of accounting policies, some of which are terminology only, and some of which are substantive but are not expected to have any impact on the Group and the Company's financial report.

AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'

The amendments:

- remove the definition of the cost method from AASB 127 *Consolidated and Separate Financial Statements* and replace it with a requirement to present dividends as income in the separate financial statements of the investor;
- implement consequential amendments to AASB 136 *Impairment of Assets*, introducing a new indicator of impairment for investments in subsidiaries, jointly controlled entities and associates where a dividend has been recognised; and
- require the separate financial statements of a new parent formed as the result of a specific type of reorganisation to measure the cost of its investments in the previous parent at the carrying amount of its share of the equity items of the previous parent at the date of the reorganisation.

The Standard will be applied prospectively and will therefore have no impact on previous accounting for dividends or group reorganisations.

AASB 2008-8 'Amendments to Australian Accounting Standards – Eligible Hedged Items'

The Standard amends AASB 139 *Financial Instruments: Recognition and Measurement* to clarify hedge accounting with respect to identifying inflation as a hedged risk or portion and hedging with options.

AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments'

The Standard amends AASB 7 *Financial Instruments: Disclosures* to require enhanced disclosures about fair value measurement and liquidity risk. The amendments:

- clarify that the existing AASB 7 fair value disclosures must be made separately for each class of financial instrument;
- require additional disclosure of any change in the method for determining fair value and the reasons for the change;
- introduce a three-level hierarchy for classifying fair value measurements;
- require disclosure about relative reliability of each fair value measurement in the balance sheet;
- clarify that the current maturity analysis for non-derivative financial instruments should include financial guarantee contracts; and
- require disclosure of a maturity analysis for derivative financial liabilities.

Notes to the financial statements
for the financial year ended 30 June 2009

2. Significant accounting policies (cont'd)

(t) Standards and Interpretations issued not yet effective (cont'd)

AASB Interpretation 15 'Agreements for the Construction of Real Estate'

The Interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of AASB 111 *Construction Contracts* or AASB 118 *Revenue* and, accordingly, when revenue from the construction should be recognised. If the agreement allows the buyer limited ability to influence the design of the real estate (i.e. not the ability to specify or change major structural elements) it does not meet the definition of a construction contract and would, therefore, be accounted for as either the provision of services or the sale of goods under AASB 118.

AASB Interpretation 16 'Hedges of a Net Investment in a Foreign Operation'

The Interpretation deals with the following issues with respect to net investment hedging:

- which foreign currency risks qualify for hedge accounting, and what amount can be designated;
- where within the group, the hedging instrument can be held; and
- what amount should be reclassified to profit or loss when the hedged foreign operation is disposed of.

AASB Interpretation 17 'Distributions of Non-cash Assets to Owners' and AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 –Distributions of Non-cash Assets to Owners'

The Interpretation requires a dividend payable to be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity. A dividend payable must be measured at the fair value of the non-cash assets to be distributed. On settlement of the dividend payable any difference between the dividend payable and the carrying amount of the assets distributed must be recognised in profit or loss.

IFRIC 18 'Transfers of Assets from Customers'

The Interpretation clarifies the accounting for the transfers of items of property, plant and equipment by entities that receive such transfers from their customers. When an item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of transfer, with the credit recognised as revenue in accordance with AASB 118 *Revenue*.

3. Key sources of uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at balance date was fully impaired after an impairment loss of \$29.83 million was assessed. Details of the impairment testing are provided at note 14.

Impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which intangibles have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of other intangible assets at balance date was \$7.00 million after an impairment loss of \$12.02 million was assessed. Details of the impairment testing are provided at note 15.

Carried forward tax losses

Accumulated tax losses of \$4.48 million have been de-recognised as a deferred tax asset by the Group. The directors have assessed the recognition criteria of these losses in light of forecast profitability of the Group.

Onerous contracts

Onerous contracts were reviewed as at balance date and were deemed to be no longer onerous and were reduced. The Group has recognised \$2.61 million as provisions for onerous contracts relating to grape purchase contracts. The directors have assessed the amount of the provision based on the present value of the estimated future cash outflows expected to arise under these agreements.

Notes to the financial statements
for the financial year ended 30 June 2009

4. Errors

The company reported sale of bulk wine in the 30 June 2008 financial year, however in the current period, the relevant sales were cancelled as it was determined, following the non-payment of the receivable, that not all risks and rewards were transferred at the time the sale was initially recognised. In accordance with AASB108 'Accounting Policies, Changes in Accounting Estimates and Errors' the company is required to restate the comparative amounts for the period in which the error occurred.

Outlined below is the effect of the restatement of the prior period comparative amounts.

Consolidated

Income Statement	Report 30 June 2008 \$'000	Adjustments \$'000	Restated 30 June 2008 \$'000
Revenue	46,911	(9,181)	37,730
Cost of sales	(29,623)	6,334	(23,289)
Gross profit	17,288	(2,847)	14,441
Other revenue	52	-	52
Sales and marketing expenses	(2,645)	-	(2,645)
Administration expenses	(2,907)	-	(2,907)
Impairment charge of goodwill and brand names	(8,569)	-	(8,569)
Finance costs	(1,751)	-	(1,751)
Profit/(loss) before tax	1,468	(2,847)	(1,379)
Income tax (expense)/benefit	(3,411)	854	(2,557)
Loss for the year – Attributable to equity holders of parent	(1,943)	(1,993)	(3,936)
Earnings per share (cents)			
Basic	(0.71)		(1.44)
Diluted	(0.71)		(1.44)

Notes to the financial statements
for the financial year ended 30 June 2009

4. Errors (cont'd)

Balance Sheet	Report 30 June 2008 \$'000	Adjustments \$'000	Restated 30 June 2008 \$'000
Current assets			
Cash and cash equivalents	3,574	-	3,574
Trade and other receivables	21,189	(10,099)	11,090
Inventories	10,331	6,334	16,665
Other	5	-	5
Total current assets	35,099	(3,765)	31,334
Non-current assets			
Other financial assets	33	-	33
Property, plant and equipment	18,592	-	18,592
Deferred tax assets	3,627	854	4,481
Goodwill	29,825	-	29,825
Other intangible assets	19,019	-	19,019
Total non-current assets	71,096	854	71,950
Total assets	106,195	(2,911)	103,284
Current liabilities			
Trade and other payables	16,862	(918)	15,944
Borrowings	13,712	-	13,712
Provisions	117	-	117
Total current liabilities	30,691	(918)	29,773
Non-current liabilities			
Borrowings	10,211	-	10,211
Provisions	29	-	29
Total non-current liabilities	10,240	-	10,240
Total liabilities	40,931	(918)	40,013
Net assets	65,264	(1,993)	63,271
Equity			
Issued capital	68,394	-	68,394
Contributed equity	6,000	-	6,000
Reserves	56	-	56
Accumulated losses	(9,186)	(1,993)	(11,179)
Total equity	65,264	(1,993)	63,271

Notes to the financial statements
for the financial year ended 30 June 2009

5. Segment information

Information on business segments

For management purposes the Group reports its primary segment information into the following:

- Packaged wine – This includes the bottling and packaging of wine into the various labels under Cockatoo Ridge Wines Limited control for sale in Australia and overseas
- Bulk wines – After the crushing and processing of grapes at the Monash winery, bulk wine sales are to customers in Australia and overseas
- Other – Storage and processing fees for the use of facilities in the Barossa Valley and Monash winery

Segment revenues

	Revenue from external sales		Segment result		
	2009 \$'000	2008 \$'000	2009 \$'000 before significant items(ii)	2009 \$'000 after significant items	2008 \$'000
Packaged wine	11,216	11,789	(57)	(10,721)	(6,855)
Bulk wine	5,950	24,941	(1,248)	(36,248)	8,516
Other	456	1,000	456	456	772
Unallocated	-	-	-	-	-
Interest revenue	-	-	15	15	51
Finance costs	-	-	(2,049)	(2,049)	(1,747)
Administration costs (i)	-	-	(3,308)	(5,628)	(2,116)
	17,622	37,730	(6,191)	(54,175)	(1,379)

(i) includes non-cash share based payment expense.

(ii) refer to note 8(b) for details of significant expenses.

Segment assets and liabilities

	Segment Assets		Segment Liabilities	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Packaged wine	12,246	28,678	9,206	8,377
Bulk wine	22,171	63,053	1,813	7,649
Other	-	2,060	-	982
Unallocated	3,003	9,493	19,390	23,005
	37,420	103,284	30,409	40,013

Other segment information

	Acquisition of segment assets		Depreciation and amort'n of segment assets		Impairment of segment assets	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Packaged wine	126	24	160	202	10,664	8,569
Bulk wines	-	691	628	570	32,387	-
Other	-	232	-	19	-	-
Unallocated	-	-	6	29	205	-
	126	947	794	820	43,256	8,569

Notes to the financial statements
for the financial year ended 30 June 2009

5. Segment information (cont'd)

Information on geographical segments

The foreign activities of the Group are limited to selling and distributing goods manufactured in and supplied from Australia.

The Group's revenue from external customers and information about its segment assets by geographical location is detailed below:

	Revenue from external customers		Segment assets		Acquisition of segment assets	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Australia	15,947	33,026	37,420	103,251	126	947
United States of America	174	126	-	33	-	-
United Kingdom	332	1,003	-	-	-	-
China	366	14	-	-	-	-
Other	803	3,561	-	-	-	-
	17,622	37,730	37,420	103,284	126	947

6. Revenue

An analysis of the Group's revenue for the year, from operations, is as follows:

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue from the sale of goods	17,622	37,730	-	18
	17,622	37,730	-	18
Interest revenue:				
Bank deposits	15	52	5	17
	15	52	5	17
	17,637	37,782	5	35

7. Finance costs

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Interest on bank overdrafts and loans	2,049	1,689	1,756	1,149
Interest on obligations under finance leases	-	62	-	4
Total interest expense	2,049	1,751	1,756	1,153

Notes to the financial statements
for the financial year ended 30 June 2009

8. Profit/(loss) for the year

(a) Gains and losses

Profit/(loss) for the year has been arrived at after (charging)/crediting the following gains and losses:

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
(Loss)/gain on disposal of property, plant and equipment	(22)	40	-	26
Loss on sale of brand names	(1,525)	-	(1,525)	-
Net foreign exchange losses	(6)	(41)	-	-
	(1,553)	(1)	(1,525)	26

(b) Other expenses

Loss for the year includes the following expenses

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Inventory:				
Write down of inventory to net realisable value	(4,118)	-	-	-
Impairment of investments	-	-	(33,406)	(7,905)
Impairment of amounts due from subsidiaries	-	-	(7,472)	-
Impairment of goodwill and brand names	(40,119)	(8,569)	(3,000)	(664)
Impairment of trade receivables	(590)	-	-	-
Impairment of other assets	(205)	-	-	-
Depreciation of non-current assets	(794)	(820)	(157)	(176)
Operating lease rental expenses:				
Minimum lease payments	(329)	(169)	(114)	(169)
Employee benefit expense:				
Post employment benefits:				
Defined contribution plans	(154)	(183)	(24)	(129)
Other employee benefits (incl salary and wages)	(2,068)	(2,477)	(336)	(1,711)
Share-based payments:				
Equity-settled share-based payments	(62)	(16)	(62)	(16)
	(2,284)	(2,676)	(422)	(1,856)

Notes to the financial statements
for the financial year ended 30 June 2009

9. Income taxes

Income tax recognised in profit or loss

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Tax expense/(income) comprises:				
Current tax expense/(income)	-	(2,875)	-	(3,533)
Adjustments recognised in the current year in relation to the current tax of prior years	-	423	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	5,009	-	(2,358)
De-recognition of deferred tax assets brought forward	4,481	-	4,816	-
Total tax (income)/expense	4,481	2,557	4,816	(1,175)

The prima facie income tax income on pre-tax accounting loss from operations reconciles to the income tax income in the financial statements as follows:

Loss from operations	(54,175)	(1,379)	(48,561)	(12,308)
Income tax benefit calculated at 30%	(16,253)	(414)	(14,568)	(3,692)
Add:				
Tax effect of:				
Non deductible expense	-	14	-	6
Less:				
Impairment of assets not recognised as deferred tax asset	12,097	2,571	13,163	2,571
Correction of prior year overstatement of deferred tax asset	-	422	-	(24)
Equity raising cost amortisation charged to equity	(36)	(36)	(36)	(36)
Effect of expenses that are not deductible in determining taxable loss	1,868	-	442	-
Unused tax losses and temporary differences not recognised as deferred tax assets	2,324	-	999	-
De-recognition of deferred tax assets brought forward	4,481	-	4,816	-
	4,481	2,557	4,816	(1,175)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Income tax recognised directly in equity

The following deferred amounts were charged/(credited) directly to equity during the period:

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Deferred tax				
Share issue expenses deductible over 5 years	-	108	-	108

Deferred tax balances

Deferred tax assets comprise:

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Temporary differences	-	610	-	1,799
Amounts charged to equity	-	108	-	108
Carry forward tax losses	-	3,763	-	2,909
	-	4,481	-	4,816

No deferred tax asset has been recognised as the company has incurred losses and there is uncertainty whether forecast future taxable profits will be realised that will utilise the tax losses.

Notes to the financial statements
for the financial year ended 30 June 2009

9. Income taxes (cont'd)

Relevance of tax consolidation to the consolidated entity

Cockatoo Ridge Wines Limited and its wholly owned subsidiaries have formed a tax consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Cockatoo Ridge Wines Limited. The members of the tax consolidated group are identified at note 29.

Nature of tax funding arrangement and tax sharing agreements

Entities within the tax-consolidated Group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Cockatoo Ridge Wines Limited and each of the entities in the tax-consolidated Group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. The tax funding arrangement requires each subsidiary to prepare an individual tax calculation to determine the amount payable or receivable. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated Group.

The tax sharing agreement entered into between members of the tax-consolidated Group provides for the determination of the allocation or income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

Tax assets and liabilities

(a) Assets

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<u>Current</u>				
Income tax refundable	-	-	-	-
	-	-	-	-
<u>Non-current</u>				
Deferred tax asset comprises:				
Provisions and accrued expenses	-	408	-	22
Impairment of investments	-	202	-	1,777
Carry forward tax losses	-	3,763	-	2,909
Equity raising costs deductible over 5 years	-	108	-	108
	-	4,481	-	4,816

(b) Reconciliations

(i) Gross movements

The overall movement in the deferred tax balances is as follows:

Opening balance	4,481	7,038	4,816	6,784
Credit/(charge) to the income statement	(4,481)	(2,665)	(4,816)	(2,076)
Credit/(charge) to equity	-	144	-	144
Amortisation of establishment costs	-	(36)	-	(36)
Closing balance	-	4,481	-	4,816

Notes to the financial statements
for the financial year ended 30 June 2009

9. Income taxes (cont'd)

(b) Reconciliations (cont'd)

(ii) Deferred tax assets

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

Provisions:

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Opening balance	408	1,863	22	34
Credit/(charge) to the income statement	(408)	(1,455)	(22)	(12)
Closing balance	-	408	-	22

Impairment of investments:

Opening balance	202	142	1,777	1,760
Credit/(charge) to the income statement	(202)	60	(1,777)	17
Closing balance	-	202	-	1,777

Equity raising costs:

Opening balance	108	158	108	158
Credit/(charge) to the income statement	(108)	(158)	(108)	(158)
Credit/(charge) to equity	-	144	-	144
Reduction in current tax liability	-	(36)	-	(36)
Closing balance	-	108	-	108

Other:

Opening balance	-	46	-	3
Credit/(charge) to the income statement	-	(46)	-	(3)
Closing balance	-	-	-	-

The movement in deferred tax assets from tax losses during the year is as follows:

Carry forward tax losses (revenue account):

Opening balance	3,763	4,829	2,909	4,829
Credit/(charge) to the income statement	(3,763)	745	(2,909)	(109)
Transferred from wholly owned subsidiaries	-	(1,811)	-	(1,811)
Acquired by business combination	-	-	-	-
Closing balance	-	3,763	-	2,909

Tax losses carried forward but not recognized above as it is not probable that the Group will utilize them in the future:

Capital losses	3,866	3,408	3,866	3,408
Tax losses - revenue	6,087	-	6,087	-

Notes to the financial statements
for the financial year ended 30 June 2009

10. Trade and other receivables

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade receivables (i)	2,683	10,613	-	-
Allowance for doubtful debts	(123)	(914)	-	-
	2,560	9,699	-	-
Other	168	-	16	-
Goods and services tax recoverable	395	1,391	-	-
	3,123	11,090	16	-

- (i) The average credit period on sales of goods is 60 days. No interest is charged on trade receivables on the outstanding balance. An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods, determined by reference to past default experience. During the current financial year, the allowance for doubtful debts decreased by \$791 thousand (2008: decreased by \$5 thousand) in the Group. Trade receivables greater than 90 plus days are provided for based on estimated recoverable amounts from the sale of goods and the ability to recover based on previous experience. New customers are required to fill in current application for credit forms and supply a minimum of 3 customer references. A decision is then made by management as to the acceptance of the application, based on the rating process and history of default.

Ageing of past due but not impaired

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
31 – 60 days	-	1,178	-	-
61 – 90 days	43	1,179	-	-
91 plus days	119	7,246	-	-
	162	9,603	-	-

Movement in the allowance for doubtful debts

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Balance at the beginning of the year	(914)	(919)	-	-
Additional provisions raised	(590)	-	-	-
Amounts recovered or written off as uncollectible	1,381	5	-	-
Balance at the end of the year	(123)	(914)	-	-

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The carrying amount (prior to allowance for doubtful debts) of the impaired receivables is \$123 thousand (2008: \$2.034 million) The impaired receivables are aged at 120+ days.

Notes to the financial statements
for the financial year ended 30 June 2009

11. Other financial assets

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Investments (carried at cost less impairment charge):				
<u>Non-current</u>				
Investments in subsidiaries (Note 29) (ii)	-	-	-	33,404
Loans to subsidiaries(i)	-	-	22,560	35,841
Investments in other entities – Davies & Co. Inc	-	33	-	-
	-	33	22,560	69,245
Disclosed in the financial statements as:				
Non-current other financial assets	-	33	22,560	69,245
	-	33	22,560	69,245

- (i) During the current year, there was an impairment of this receivable as a result of the decrease in net assets of the subsidiaries following the write down of various intangible and other assets. The amounts are at call and are non-interest bearing.
- (ii) During the current year, there was a full impairment in the value of the investment in subsidiary companies following the write down in value of intangible assets in those subsidiaries and expected future cash flows.

12. Inventories

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Current				
Bulk wine	7,836	13,073	-	-
Raw materials, tirage and stores	223	1,165	-	-
Finished goods	1,657	2,427	-	-
	9,716	16,665	-	-

No inventories expected to be recovered after more than 12 months.

Notes to the financial statements
for the financial year ended 30 June 2009

13. Property, plant and equipment

	Consolidated				
	Freehold land at fair value \$'000	Buildings at fair value \$'000	Plant and equipment at cost \$'000	Equipment under finance lease at cost \$'000	Total \$'000
Gross carrying amount					
Balance at 1 July 2007	300	3,707	16,313	76	20,396
Additions	-	-	947	-	947
Disposals	-	-	(347)	-	(347)
Reclassification	-	-	76	(76)	-
Balance at 1 July 2008	300	3,707	16,989	-	20,995
Additions	-	-	126	-	126
Disposals	-	-	(585)	-	(585)
Reclassification	-	-	-	-	-
Balance at 30 June 2009	300	3,706	16,530	-	20,536
Accumulated depreciation/ amortisation and impairment					
Balance at 1 July 2007	-	-	(1,726)	(43)	(1,769)
Disposals	-	-	186	-	186
Reclassification	-	-	(43)	43	-
Depreciation expense	-	(62)	(758)	-	(820)
Balance at 1 July 2008	-	(62)	(2,341)	-	(2,403)
Disposals	-	-	61	-	61
Reclassification	-	-	-	-	-
Depreciation expense	-	(93)	(701)	-	(794)
Balance at 30 June 2009	-	(155)	(2,981)	-	(3,136)
Net book value					
As at 30 June 2008	300	3,645	14,647	-	18,592
As at 30 June 2009	300	3,551	13,549	-	17,400

Notes to the financial statements
for the financial year ended 30 June 2009

13. Property, plant and equipment (cont)

	Company		
	Plant and equipment at cost \$'000	Equipment under finance lease at cost \$'000	Total \$'000
Gross carrying amount			
Balance at 1 July 2007	3,927	76	4,003
Additions	-	-	-
Disposals	(115)	-	(115)
Reclassification	76	(76)	-
Balance at 1 July 2008	3,888	-	3,888
Additions	-	-	-
Disposals	-	-	-
Reclassification	-	-	-
Balance at 30 June 2009	3,888	-	3,888
Accumulated depreciation/ amortisation and impairment			
Balance at 1 July 2007	(805)	(43)	(848)
Disposals	98	-	98
Reclassification	(43)	43	-
Depreciation expense	(176)	-	(176)
Balance at 1 July 2008	(926)	-	(926)
Disposals	-	-	-
Reclassification	-	-	-
Depreciation expense	(157)	-	(157)
Balance at 30 June 2009	(1,083)	-	(1,083)
Net book value			
As at 30 June 2008	2,962	-	2,962
As at 30 June 2009	2,805	-	2,805

During the period, the Group carried out a review of the recoverable amount of plant and equipment. These assets are used in the Group's bulk and packaged wine segment. The review indicated no impairment loss for the period. The recoverable amount of the relevant assets has been determined on the basis of their value in use.

The following useful lives are used in the calculation of depreciation:

Buildings	10 – 40 years
Plant and equipment	2 – 33 years
Equipment under finance lease	3 years

Freehold land and buildings carried at fair value

An independent valuation of the Group's land and buildings was performed by Colin F Gaetjens to determine market values in relation to the acquisition of Australian Commercial Wines Pty Ltd. The valuation was determined by current use of the land and buildings. The effective date of the valuation was March 2007.

The directors re-assessed the value for the 30 June 2009 year, based on fair value, and have determined that the valuation from March 2007 remains consistent with the current fair value of the land and buildings.

Bank loans for the Group of \$8.59 million (2008 \$10.2 million) are secured by a mortgage over the Group's freehold land and buildings and plant and equipment at the Monash Winery site, with a total net book value at of \$14.3 million (2008: \$15.4 million).

Subsequent to year end, the Company announced its intention to seek expressions of interest regarding the sale of the Monash Winery. The Winery is included in land and buildings at a value of \$14.3M and is included as part of the bulk wine segment assets in note 5.

Notes to the financial statements
for the financial year ended 30 June 2009

14. Goodwill

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Gross carrying amount				
Balance at beginning of financial year	34,722	34,722	664	664
Balance at end of financial year	34,722	34,722	664	664
Accumulated impairment losses				
Balance at beginning of financial year	(4,897)	-	(664)	-
Impairment losses for the year	(29,825)	(4,897)	-	(664)
Balance at end of financial year	(34,722)	(4,897)	-	(664)
Net book value				
At the beginning of the financial year	29,825	34,722	-	664
At the end of the financial year	-	29,825	-	-

At balance date, the Group assessed the recoverable amount of goodwill, resulting in an impairment of \$29.825 million (2008: \$4.897 million). The impairment in the current period related to the goodwill attributed to the bulk wine business following the acquisition of Australian Commercial Wines Pty Ltd. The Group's business plans were adjusted to focus on packaged sales and not bulk wine contracts which resulted in an impairment charge, based on assessment of value in use, of goodwill related to the bulk wine business in the current year.

15. Other intangible assets

	Consolidated	Company
	Brand names and trademarks	Brand names and trademarks
	\$'000	\$'000
Gross carrying amount		
Balance at 1 July 2007	22,691	4,725
Additions	-	-
Balance at 1 July 2008	22,691	4,725
Additions	-	-
Balance at 30 June 2009	22,691	4,725
Accumulated amortisation and impairment		
Balance at 1 July 2007	-	-
Additions	-	-
Impairment loss charged to profit and loss	(3,672)	-
Balance at 1 July 2008	(3,672)	-
Disposals	(1,725)	(1,725)
Impairment loss charged to profit and loss	(10,294)	(3,000)
Balance at 30 June 2009	(15,691)	(4,725)
Net book value		
As at 30 June 2008	19,019	4,725
As at 30 June 2009	7,000	-

Notes to the financial statements
for the financial year ended 30 June 2009

15. Other intangible assets (cont'd)

At balance date, the Group assessed the recoverable amount of brand names and trademarks resulting in an impairment of \$10.294 million (2008: \$3.672 million). The recoverable value of the cash-generating unit, being the assets and intangibles, was assessed by reference to the cash-generating unit's value in use, based on financial budgets approved by management covering a 5 year period (2010 to 2015). A discount factor of 17.09% (2008: 12.54%) was applied in the value in use model. The cash flow projections assumed a growth rate of 10.00% on the Cockatoo Ridge brands. Increased competition in the market for products of similar price points was the main contributing factor to the impairment of the brands.

The key assumptions used in the value in use assumptions for the Group's brand names and trademarks are as follows:

Budgeted brand growth	The value assigned to the assumption reflects past experience and management plans for new products. Growth rates of 10% have been applied.
Budgeted margin growth	The margin growth is based on past experience plus increased efficiencies.

16. Other assets

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<u>Current</u>				
Prepayments	76	5	7	2
	<u>76</u>	<u>5</u>	<u>7</u>	<u>2</u>

17. Assets pledged as security

In accordance with the security arrangements as described in note 19, all current and non-current assets of the Group, except goodwill and deferred tax assets, have been pledged as security. GE Commercial Corporation (Australia) Pty Ltd, the holder of the security does not have the right to sell or repledge the assets.

The Group does not hold title to the equipment under finance lease pledged as security.

GE Commercial Corporation (Australia) Pty Ltd has been granted a first rank fixed and floating charge and mortgage over all present and future assets of the Group, which takes priority over all other security interests.

18. Trade and other payables

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade payables	8,029	13,890	77	32
Accrued expenses	183	116	136	-
Other payables	529	530	110	240
Goods and services tax payable	377	1,408	-	-
	<u>9,118</u>	<u>15,944</u>	<u>323</u>	<u>272</u>

The average credit period on purchases is 30 – 60 days. No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Notes to the financial statements
for the financial year ended 30 June 2009

19. Borrowings

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Unsecured – at amortised cost				
<u>Current</u>				
Loans from related parties (ii)	1,681	-	1,681	-
Secured – at amortised cost				
<u>Current</u>				
Finance loans (i)	16,597	13,712	16,597	13,712
<u>Non-current</u>				
Finance loans (i)	-	10,211	-	10,211
	<u>18,278</u>	<u>23,923</u>	<u>18,278</u>	<u>23,923</u>
Disclosed in the financial statements as:				
Current borrowings	18,278	13,712	18,278	13,712
Non-current borrowings	-	10,211	-	10,211
	<u>18,278</u>	<u>23,923</u>	<u>18,278</u>	<u>23,923</u>

- (i) Fixed term loans with GE Commercial Corporation (Australia) Pty Ltd with maturity periods not exceeding 2 years (2008: 3 years). The interest rate on the loans is at an index rate plus 2.25% per annum (90 day bank bill swap rate – average bid) for the first business day of that month. They are secured by a mortgage over the Group's freehold land, buildings and all other assets of the Group. The GE facility includes the setup of a revolver facility to clear the receipts of payments and to act as the overdraft facility for the use of the Group. During the year, the consolidated entity was in breach of certain banking covenants and exceeded its facility limit which resulted in interest rate penalties and all of its finance facilities being classified 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 ('GE'). The amount of borrowings reclassified as current at year end was \$8.59 million, resulting in the total facility of \$16.60 million being classified as current and repayable on demand.
- (ii) Amounts repayable to related parties of the Group. Interest of 10% p.a. is charged on the outstanding loan balances.

20. Provisions

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<u>Current</u>				
Employee benefits (i)	124	117	-	-
Onerous contracts (ii)	622	-	-	-
	<u>746</u>	<u>117</u>	<u>-</u>	<u>-</u>
<u>Non-current</u>				
Employee benefits	8	29	-	84
Onerous contracts (ii)	1,992	-	-	-
	<u>2,000</u>	<u>29</u>	<u>-</u>	<u>84</u>
	<u>2,746</u>	<u>146</u>	<u>-</u>	<u>84</u>

- (i) The current provision for employee benefits includes \$43 thousand of annual leave entitlements accrued but not expected to be taken within 12 months (2008: \$55 thousand).
- (ii) The provision for onerous contracts relating to grape purchases represents the present value of payments in excess of market value. The terms of the contracts range from 1 to 5 years. Grape prices have decreased resulting in the onerous contracts.

Notes to the financial statements
for the financial year ended 30 June 2009

20. Provisions (cont'd)

(ii) Onerous contracts

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Balance at 1 July 2008	-	3,062	-	-
Provisions reversed	-	(3,062)	-	-
Additional provisions recognised	2,614	-	-	-
Balance at 30 June 2009	2,614	-	-	-

21. Issued capital

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
845,927,110 fully paid ordinary shares (2008: 287,609,363)	76,729	68,394	76,729	68,394
	76,729	68,394	76,729	68,394

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

	2009		2008	
	No.	\$'000	No.	\$'000
Fully paid ordinary shares				
Balance at beginning of financial year	287,609,363	68,394	241,359,371	62,003
Issue of shares under placement	120,460,604	471	3,392,850	475
Issue of shares under capital raising	395,000,000	1,975		
Issue of shares for acquisition of subsidiary	42,857,143	6,000	42,857,142	6,000
Transaction costs relating to placement and acquisition	-	(111)	-	(119)
Related income tax	-	-	-	35
Balance at end of financial year	845,927,110	76,729	287,609,363	68,394

Share options granted under the employee share option plan

In accordance with the provisions of the employee share option plan, as at 30 June 2009, executives and senior employees have options over 4,000,000 ordinary shares, in aggregate.

Share options granted under the employee share option plan carry no rights to dividends and no voting rights. Further details of the employee share option plan are contained in note 32 to the financial statements.

	Consolidated		Company	
	2009 No. of options	2008 No. of options	2009 No. of options	2008 No. of options
Balance at beginning of financial year	4,000,000	1,000,000	4,000,000	1,000,000
Issue of options	-	3,000,000	-	3,000,000
Exercise of options	-	-	-	-
Expired/cancelled options	-	-	-	-
Balance at end of financial year	4,000,000	4,000,000	4,000,000	4,000,000

Notes to the financial statements
for the financial year ended 30 June 2009

21. Issued capital (cont'd)

Summary of options issued at balance date

		Consolidated		Company	
		2009 No. of options	2008 No. of options	2009 No. of options	2008 No. of options
Unlisted remuneration options expiring 31.10.2011	(a)	-	1,000,000	-	1,000,000
Unlisted remuneration options expiring 29.11.2012	(b)	-	2,000,000	-	2,000,000
Unlisted remuneration options expiring 5.08.2012	(c)	-	500,000	-	500,000
Unlisted remuneration options expiring 28.10.2012	(d)	-	500,000	-	500,000

Terms of exercise of options issued:

(a) These unlisted remuneration options were issued under the employee share option plan and are exercisable up to 31.10.2011. These share options were issued at \$0.20 per share. None of these options may be exercised during the period of 12 months after their date of issue. Thereafter, and until 24 months after the date of issue, no more than 500,000 options may be exercised.

(b) These unlisted remuneration options were issued under the employee share option plan and are exercisable up to 29.11.2012. These share options were issued at \$0.20 per share. None of these options may be exercised during the period of 12 months after their date of issue. Thereafter, and until 24 months after the date of issue, no more than 1,000,000 options may be exercised.

(c) These unlisted remuneration options were issued under the employee share option plan and are exercisable up to 05.08.2012. These share options were issued at \$0.20 per share. None of these options may be exercised during the period of 12 months after their date of issue. Thereafter, and until 24 months after the date of issue, no more than 250,000 options may be exercised.

(d) These unlisted remuneration options were issued under the employee share option plan and are exercisable up to 28.10.2012. These share options were issued at \$0.20 per share. None of these options may be exercised during the period of 12 months after their date of issue. Thereafter, and until 24 months after the date of issue, no more than 250,000 options may be exercised.

22. Contributed equity

As part of the purchase consideration of Australian Commercial Wines Pty Ltd (ACW) by Cockatoo Ridge Wines Limited (CKR), CKR entered into an agreement to pay the ACW shareholders in 3 Tranches. These tranches were reliant on ACW achieving targets in net profit after tax for 2007 and 2008. Tranches 1 and 2 were issued in prior years with Tranche 3 issued in the current reporting period.

	Consolidated/Company	
	At end of current period \$'000	Previous corresponding period \$'000
Balance at beginning of financial year	6,000	12,000
Transfer from contributed to issued	(6,000)	(6,000)
Balance at end of financial year	-	6,000

	Consolidated/Company	
	At end of current period No. of shares	Previous corresponding period No. of shares
Balance at beginning of financial year	42,857,142	85,714,285
Transfer from contributed to issued	(42,857,142)	(42,857,143)
Balance at end of financial year	-	42,857,142

Notes to the financial statements
for the financial year ended 30 June 2009

23. Reserves

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Equity-settled employee benefits	118	56	118	56
	118	56	118	56
Equity-settled employee benefits reserve				
Balance at beginning of financial year	56	40	56	40
Share-based payment	62	16	62	16
Balance at end of financial year	118	56	118	56

The equity-settled employee benefits reserve arises on the grant of share options to executives and senior employees under the employee share option plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to employees is made in note 32 to the financial statements.

24. Accumulated losses

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Balance at beginning of financial year	(11,179)	(7,243)	(16,640)	(5,507)
Net (loss) attributable to members of the parent entity	(58,657)	(3,936)	(53,377)	(11,133)
Balance at end of financial year	(69,836)	(11,179)	(70,017)	(16,640)

25. Earnings per share

	Consolidated	
	2009 Cents per share	2008 Cents per share
Basic earnings per share	(15.93)	(1.44)
Diluted earnings per share	(15.93)	(1.44)
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:

	2009 \$'000	2008 \$'000
Net loss	(58,657)	(3,936)
Loss used in the calculation of basic EPS	(58,657)	(3,936)
	2009 No.	2008 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	368,292,237	274,061,098

The options and contributed shares (not issued) are not dilutive as the consolidated entity recorded a net loss and as a result the basic and diluted are the same.

Notes to the financial statements
for the financial year ended 30 June 2009

26. Dividends

No dividends were declared or paid during the financial year (2008: nil).

Franking account

Balance at 1 July 2008
Income tax instalments
Dividends paid
Income tax refunds

Company	
2009	2008
\$'000	\$'000
1,404	1,404
-	-
-	-
-	-
1,404	1,404

27. Commitments for expenditure

(a) Capital expenditure commitments

There are no capital expenditure commitments. (2008: nil)

(b) Lease commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 28 to the financial statements.

(c) Grape commitments

The company has entered into various grape purchase contracts. The purchase contracts have varying terms, some of which extend to 2015. The company is unable to reliably quantify the grape commitments as it is unable to reliably estimate the yields expected in future periods and the weighted average district prices (basis of future purchase price).

28. Leases

Finance leases

Leasing arrangements

The company and the Group did not have any outstanding finance lease arrangements at 30 June 2009 (and 30 June 2008).

Operating leases

Leasing arrangements

Operating leases relate to office space expiring 31 October 2010 with an option to extend to 31 October 2013 and warehouse facilities lease terms to five years expiring 30 June 2012, with an option to extend for a further five years expiring 30 June 2017.

Non-cancellable operating lease commitments

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Not longer than 1 year	276	348	276	348
Longer than 1 year and not longer than 5 years	438	941	438	941
Longer than 5 years	95	528	95	528
	809	1,817	809	1,817

Notes to the financial statements
for the financial year ended 30 June 2009

29. Subsidiaries

Name of entity	Country of incorporation	Ownership interest	
		2009 %	2008 %
Parent entity			
Cockatoo Ridge Wines Limited	Australia		
Subsidiaries			
CKR Brands Pty Ltd (formerly Australian Resource Investments Pty Ltd)	Australia	100	100
Cockatoo Ridge Pty Ltd (i)	Australia	100	100
Cockatoo Ridge Sales Pty Ltd (i)	Australia	100	100
Cockatoo Ridge IP Pty Ltd	Australia	100	100
Playford Wine Holdings Pty Ltd	Australia	100	100
Playford Wines Pty Ltd	Australia	100	100
International Vintners (Europe) Ltd	UK	100	100
Australian Commercial Wines Pty Ltd (i)	Australia	100	100

- (i) These wholly-owned subsidiaries have entered into a deed of cross guarantee on the 9th November, 2005, with Cockatoo Ridge Wines Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report. Australian Commercial Wines Pty Ltd was entered into the cross guarantee prior to the 30 June 2008.

The consolidated income statement and balance sheet of the entities party to the deed of cross guarantee are:

	Consolidated	
	2009 \$'000	2008 \$'000
Income statement		
Revenue	17,622	37,728
Cost of sales	(15,566)	(23,281)
Gross profit	2,056	14,447
Other income	15	52
Sales and marketing expenses	(1,699)	(2,645)
Administration expenses	(3,304)	(2,899)
Loss on sale of brand names	(1,525)	-
Loss on sale of other assets	(22)	-
Bad and doubtful debts	(590)	-
Write down of inventory	(4,118)	-
Onerous Grape Contracts	(2,613)	-
Impairment of goodwill and brand names	(40,119)	(8,569)
Impairment of other assets	(205)	-
Finance costs	(2,049)	(1,751)
Loss before tax expense	(54,173)	(1,366)
Income tax expense	(4,481)	(2,283)
Loss for the year	(58,655)	(3,649)

Notes to the financial statements
for the financial year ended 30 June 2009

29. Subsidiaries (cont)

	Consolidated	
	2009	2008
	\$'000	\$'000
Balance sheet		
Current assets		
Cash and cash equivalents	104	3,567
Trade and other receivables	3,123	10,613
Inventories	9,716	16,665
Other	76	1,394
Total current assets	13,019	32,239
Non-current assets		
Other financial assets	-	38
Property, plant and equipment	17,382	18,567
Deferred tax assets	-	5,382
Loans receivable	-	7,335
Goodwill	-	22,773
Other intangible assets	7,000	19,018
Total non-current assets	24,382	73,113
Total assets	37,401	105,352
Current liabilities		
Trade and other payables	9,118	15,924
Other financial liabilities	560	-
Borrowings	18,278	13,712
Provisions	746	-
Other	267	-
Total current liabilities	28,969	29,636
Non-current liabilities		
Borrowings	-	10,211
Provisions	2,000	1,082
Total non-current liabilities	2,000	11,293
Total liabilities	30,969	40,929
Net assets	6,432	64,423
Equity		
Issued and contributed capital	76,847	74,450
Accumulated losses*	(70,415)	(10,027)
Total equity	6,432	64,423
* Accumulated losses		
Accumulated losses as at beginning of the financial year	(10,027)	(8,295)
Acquired by business combination	(1,733)	1,917
Net Loss	(58,655)	(3,649)
Accumulated losses as at end of the financial year	(70,415)	(10,027)

Notes to the financial statements
for the financial year ended 30 June 2009

30. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash and cash equivalents	104	3,574	43	339
Bank overdraft	-	-	-	-
	104	3,574	43	339

(b) Non-cash financing and investing activities

Cockatoo Ridge Wines Limited issued a total of 42,857,143 shares at fair value of \$0.14c per share (\$6,000,000) relating to the Tranche 3 share issue to finance the earlier acquisition of Australian Commercial Wines Pty Ltd.

Cockatoo Ridge Wines Limited issued a total of 395,000,000 shares at fair value of \$0.05c per share (\$1,975,000) in relation to a capital raising carried out in the period. 51,858,800 new shares (\$259,294) were issued in settlement of existing liabilities.

(c) Financing facilities

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Credit and standby arrangements				
Secured revolving credit facility reviewed annually:				
Amount used	8,011	13,712	8,011	13,712
Amount unused	6,989	1,288	6,989	1,288
	15,000	15,000	15,000	15,000
Secured overdraft facility				
Amount used	-	-	-	-
Amount unused	-	-	-	-
	-	-	-	-
Loan facilities				
Secured loan – GE Commercial Corporation (Australia) Pty Ltd				
Amount used	8,586	10,211	8,586	10,211
Amount unused	-	-	-	-
	8,586	10,211	8,586	10,211

Notes to the financial statements
for the financial year ended 30 June 2009

30. Notes to the cash flow statement (cont'd)

(d) Cash balances not available for use

Included in cash is an amount held in trust of \$nil (2008: \$316 thousand) by the company's legal representatives, Cowell Clarke.

The Trust account was established to facilitate settlement of certain items under a broader legal dispute.

(e) Reconciliation of loss for the period to net cash flows from operating activities

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Loss for the year	(58,657)	(3,936)	(53,377)	(11,133)
Loss/(profit) on sale of fixed assets	22	(40)	-	(56)
Employee options expense	62	16	62	-
Depreciation	794	820	157	176
Loss on sale of brand names	1,525	-	1,525	-
Impairment of non-current assets	45,869	8,569	43,876	8,569
(Increase)/decrease in current tax assets		-		-
(Increase)/decrease in deferred tax balances	4,481	2,557	4,816	1,969
Changes in net assets and liabilities, net of effects from acquisition of business:				
(Increase)/decrease in assets:				
Trade and other receivables	7,967	652	(16)	4
Inventories	4,017	(8,425)		-
Prepayments	(71)	113	(5)	4
Increase/(decrease) in liabilities:				
Trade and other payables	(5,543)	(451)	1,139	(846)
Employee entitlements	(14)	(3)	(84)	(111)
Other provisions				
Net cash provided by/(used in) operating activities	453	(128)	(1,906)	(1,424)

Notes to the financial statements
for the financial year ended 30 June 2009

31. Financial instruments

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through optimising the debt and equity balance.

The Group's overall strategy remains unchanged from 2008.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 19, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in notes 21 to 24.

Operating cash flows are used to maintain and expand the Group's processing and production assets, as well as to make the routine outflows of tax and repayment of maturing debt. The Group's policy is to borrow centrally using a mix of capital market issues and borrowing facilities to meet anticipated funding requirements.

Gearing ratio

The Group's board of directors reviews the capital structure on a semi-annual basis. As a part of this review, the Board considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at year end was as follows:

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Debt (i)	18,278	23,923	18,278	23,923
Cash and cash equivalents	(104)	(3,574)	(43)	(339)
Net debt	18,174	20,349	18,235	23,584
Equity (ii)	7,011	63,271	6,830	57,810
Net debt to equity ratio	259%	32%	267%	41%

(i) Debt is defined as long and short-term borrowings, as defined in note 19.

(ii) Equity includes all capital and reserves.

Externally imposed capital requirements

The Group is subject to externally imposed capital requirements by its provider of borrowings, GE Commercial Corporation (Australia) Pty Ltd.

The nature of these requirements is as follows:

- Capital expenditures of the Group in any financial year do not (in total) exceed:
 - \$2,000,000 for the year ended 30 June 2008;
 - \$2,000,000 for the year ended 30 June 2009;
 - \$2,000,000 for the year ended 30 June 2010;
 - \$2,000,000 for the year ended 30 June 2011;

Or such other amounts as may be agreed in writing by the provider for the relevant year.
- At all times, the tangible net worth of the Group remains at least \$10,000,000.
- At all times, the fixed coverage ratio of the Group (calculated by reference to the previous rolling 12 month period) is not less than 1.2 times at all times, measured as earnings before interest, tax, depreciation and amortisation, less any capital any capital expenditures divided by the total of all cash, interest and fee expense and income taxes plus scheduled payments of principal.

The requirements are monitored on a continual basis and form part of the regular management and board reporting. At 30 June 2009, the Group had net tangible assets of \$0.54 million post impairment and was accordingly in breach of certain of its banking covenants which resulted in some non-current liabilities being reclassified as current liabilities.

Notes to the financial statements
for the financial year ended 30 June 2009

31. Financial instruments (cont'd)

(b) Financial risk management objectives

The Group's financial management team provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the Group and identifies any exposures by degree and magnitude of risks. These risks include credit risk, liquidity and cash flow interest rate risk and currency risk. The Group actively pursues avenues to minimise the effect of these risks.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

(c) Categories of financial instruments

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Financial assets				
Fair value through profit or loss (FVTPL)	-	-	-	-
Held-to-maturity investments	-	-	-	-
Loans and receivables	2,728	9,699	22,576	35,842
Cash and cash equivalents	104	3,574	43	339
Available-for-sale financial assets	-	33	-	33
Financial liabilities				
Amortised cost	27,019	38,459	18,601	23,975

(d) Foreign currency risk management

The Group undertakes a small proportion of its transactions denominated in foreign currencies. As a result, some exposures to exchange rate fluctuations arise. The carrying amount of the Group's foreign currency denominated monetary assets at the reporting date is as follows:

	Assets	
	2009 \$'000	2008 \$'000
US Dollars	74	281
British Pounds	-	-

(e) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed periodically.

Trade receivables consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The Group does not have a significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and borrowings is limited because the counterparties are banks and a finance company with high credit-ratings assigned by international credit-rating agencies.

The company has an additional exposure relating to amounts due from wholly-owned subsidiaries. Credit risk for amounts due from wholly-owned subsidiaries is assessed against future cash flows and net assets available. The maximum exposure to credit risk without taking account of assets of the company relating to members of the deed of cross guarantee is \$23.1 million (2008: \$16.6 million).

Notes to the financial statements
for the financial year ended 30 June 2009

31. Financial instruments (cont'd)

(f) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. The carrying amount approximates fair value because of their short term to maturity; and
- the fair value of short term financial liabilities approximates because of their short term to maturity; and
- the fair value of long term finance borrowings is estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values.

(g) Interest rate risk management

The company and the Group are exposed to interest rate risk as it borrows funds at floating interest rates. The risk is that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and liabilities.

The company and Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section below.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting date. The board of directors has determined that a 50 basis point increase or decrease represents a material interest rate risk and represents management's assessment of the possible changes in interest rates.

At reporting date, if the interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net loss would have been increased by \$127 thousand and decreased by \$119 thousand respectively (company: increase of \$109 thousand and decrease of \$102 thousand respectively). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

(h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Notes to the financial statements
for the financial year ended 30 June 2009

31. Financial instruments (cont'd)

Maturity profile of financial instruments

The following tables detail the company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The financial liabilities are derived on undiscounted cash flows based on the earliest date on which the Group can be required to pay:

Consolidated	Average interest rate	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	5 + years	Total
2009	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities							
Trade payables		5,969	965	1,095	-	-	8,029
Finance loans	8.08%	18,278	-	-	-	-	18,278
		24,247	965	1,095	-	-	26,307

Consolidated	Average interest rate	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	5 + years	Total
2008	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities							
Trade payables	-	1,440	13,417	-	-	-	14,857
Finance loans	9.87%	357	702	12,653	10,211	-	23,923
		1,797	14,119	12,653	10,211	-	38,780

The following tables detail the company's remaining contractual maturity for its non-derivative financial liabilities.

Company	Average interest rate	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	5 + years	Total
2009	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities							
Trade payables	-	22	56	-	-	-	78
Finance loans	8.08%	18,278	-	-	-	-	18,278
		18,300	56	-	-	-	18,356

Company	Average interest rate	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	5 + years	Total
2008	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities							
Trade payables	-	20	13	-	-	-	33
Finance loans	9.87%	357	702	12,653	10,211	-	23,923
		377	715	12,653	10,211	-	23,956

Notes to the financial statements
for the financial year ended 30 June 2009

31. Financial instruments (cont'd)

Maturity profile of financial instruments (cont'd)

The following tables detail the company's and the Group's expected maturity for its non-derivative financial liabilities.

Consolidated	Average interest rate %	Less than 1 month \$'000	1 to 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	5 + years \$'000	Total \$'000
2009							
Financial liabilities							
Trade payables		5,969	965	645	450	-	8,029
Finance loans	8.08%	-	-	8,936	9,342	-	18,278
		5,969	965	9,581	9,792	-	26,307

Company	Average interest rate %	Less than 1 month \$'000	1 to 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	5 + years \$'000	Total \$'000
2009							
Financial liabilities							
Trade payables	-	22	56	-	-	-	78
Finance loans	8.08%	-	-	8,936	9,342	-	18,278
		22	56	8,936	9,342	-	18,356

32. Share-based payments

Employee share option plan

The Group has an employee option plan for directors and senior employees of the Group. In accordance with the provisions of the plan, as approved by shareholders at a previous annual general meeting, directors and senior employees may be granted options as a sign on benefit to the employment contract and participate in the option plan of the company to purchase parcels of ordinary shares at an exercise price of \$0.20c per ordinary share.

Each employee share option converts into one ordinary share of Cockatoo Ridge Wines Limited on payment of exercise price. The options carry neither rights to dividends nor voting rights. None of the options may be exercised during the period of 12 months after the date of issue. Thereafter, and until 24 months after the date of issue, no more than half of the options may be exercised.

The options granted will automatically lapse if not exercised before expiry, or one month of the resignation of the director or senior employee, whichever is the earlier.

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Options series	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$
(1) Issued 31 October 2006	1,000,000	01/11/2006	31/10/2011	0.20c	0.06c
(2) Issued 30 November 2007	2,000,000	30/11/2007	29/11/2012	0.20c	0.06c
(3) Issued 6 August 2007	500,000	06/08/2007	05/08/2012	0.20c	0.05c
(4) Issued 30 October 2007	500,000	30/10/2007	29/10/2012	0.20c	0.07c

Options were priced using a Black-Scholes model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 3 years.

Notes to the financial statements
for the financial year ended 30 June 2009

32. Share-based payments (cont'd)

Inputs into the model	Option series			
	Series 1	Series 2	Series 3	Series 4
Grant date share price	0.15c	0.13c	0.12c	0.14c
Exercise price	0.20c	0.20c	0.20c	0.20c
Expected volatility	48.71%	62.85%	58.92%	62.14%
Option life	5	5	5	5
Dividend yield	-	-	-	-
Risk-free interest rate	5.78%	6.17%	6.07%	6.37%

	2009		2008	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the financial year	4,000,000	0.20c	1,000,000	0.20c
Granted during the financial year	-	-	3,000,000	0.20c
Forfeited during the financial year	-	-	-	-
Exercised during the financial year (i)	-	-	-	-
Cancelled during the financial year	-	-	-	-
Balance at end of the financial year (ii)	4,000,000	0.20c	4,000,000	0.20c
Exercisable at end of the financial year	2,500,000	-	500,000	-

(i) Exercised during the financial year

No share options granted under the employee share option plan were exercised during the financial year (2008: nil).

(ii) Balance at end of the financial year

The share options outstanding at the end of the financial year had an exercise price of \$0.20c (2008: \$0.20c), and a weighted average remaining contractual life of 3.10 years (2008: 4.53 years).

33. Key management personnel compensation

Details of key management personnel

The directors and other members of key management personnel of the Group during the year were:

I T Limb (Non-executive director) – resigned as executive chairman 8 July 2008

P J Perrin (Managing Director)

M J S Drummond (Company Secretary)

A Thompson (National Sales Manager)

M Starick (Operations Manager)

R W Hunt (Chief Operating Officer) – resigned 15 June 2009

D G Lister (Chief Financial Officer) – resigned 1 November 2008

Key management personnel compensation policy

Compensation packages contain the following key elements:

- Salary/fees
- Benefits including the provision of motor vehicles, superannuation and wine allowance
- Incentive scheme being share options under the Employee Share Option plan as disclosed in note 32.

Other than the amounts disclosed in the column for bonuses and equity-settled options, all other amounts are fixed as part of the individual executive's remuneration. The remuneration is fixed where the only variable is on sign-on, being the granting of options in relation to the role to which they have been appointed.

Notes to the financial statements
for the financial year ended 30 June 2009

33. Key management personnel compensation (cont'd)

The company's policy for determining the nature and amount of emoluments of board members and senior executives is as follows:

The compensation structure for key management personnel, including executive directors, is based upon 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. Upon retirement, key management personnel are paid employee benefit entitlements accrued to date of retirement. All key management would be paid 25% of their salary in the event of redundancy.

The Group has an employee option plan for directors and senior employees of the Group. In accordance with the provisions of the plans, as approved by shareholders at a previous annual general meeting, directors and senior employees are granted share options as an initial sign on benefit following their appointment. The options issued are not performance related. Any options not exercised before or on the date of termination lapse.

Remuneration and other terms of employment for executives are reviewed annually by the Board having regard to the individual's performance against goals and business plans, comparative data and employment market conditions and independent expert advice.

No bonuses have been paid or are payable in the current year.

The objectives of the reward schemes are to both reinforce the short and long term goals of the company and to provide a congruent interest between management and shareholders.

Key management personnel compensation

The aggregate compensation made to key management personnel of the company and the Group is set out below:

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Short-term employee benefits	893,544	1,028,778	348,061	1,028,778
Post-employment benefits	66,247	87,320	25,120	87,320
Termination benefits	-	50,425	-	106,499
Share-based payment	85,896	106,499	63,411	1,373,021
	1,045,687	1,373,022	436,592	1,028,778

The compensation of each member of the key management personnel of the Group for the current year is set out below:

	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Share-based payment	Total
2009	Salary & fees	Non-monetary	Other	Super-annuation		Options & rights	
	\$	\$	\$	\$	\$	\$	\$
P Perrin (i)	250,000	40,714	-	22,240	-	63,411	376,365
M S Drummond	32,000	25,348	-	2,880	-	-	60,228
M Starick (ii)	140,000	18,163	-	12,261	-	14,644	185,068
A Thompson (ii)	157,500	1,000	-	12,552	-	7,841	178,893
D G Lister(iv)	65,596	8,666	-	4,829	-	-	79,091
R W Hunt(v)	139,556	15,001	-	11,485	-	-	166,042
	784,652	108,892		66,247		85,896	1,045,687

Notes to the financial statements
for the financial year ended 30 June 2009

33. Key management personnel compensation (cont'd)

The compensation of each member of the key management personnel of the Group for the prior year is set out below:

	Short-term employee benefits		Post-employment benefits	Other long-term employee benefits	Share-based payment	
	Salary & fees	Non-monetary	Other	Superannuation	Options & rights	Total
2008	\$	\$	\$	\$	\$	\$
P Perrin	258,333	40,713	-	23,250	-	393,406
M S Drummond	24,000	33,673	-	2,160	-	59,833
I T Limb (vi)	212,963	14,969	-	19,167	-	247,099
M Starick	107,692	11,012	-	9,692	17,667	146,063
A Thompson	135,539	1,000	16,042	12,198	17,722	182,501
D G Lister	135,000	28,302	-	12,150	-	175,452
R W Hunt (v)	30,875	4,835	-	2,778	-	38,488
V Van Dommele (vii)	65,837	7,993	-	5,925	50,425	130,180
	970,239	142,497	16,042	87,320	50,425	1,373,022

- (i) P Perrin was granted share options under the employee share option plan on 31 October 2006 and 30 November 2007. Further details of the options granted are contained in notes 32 and 34.
- (ii) M Starick was granted share options under the employee share option plan on 6 August 2007. Further details of the options granted are contained in notes 32 and 34.
- (iii) A Thompson was granted share options under the employee share option plan on 30 October 2007. Further details of the options granted are contained in notes 32 and 34.
- (iv) D G Lister resigned on 1 November 2008.
- (v) R W Hunt was appointed on 25 March 2008 and resigned on 15 June 2009.
- (vi) I T Limb resigned as executive Chairman on 8 July 2008.
- (vii) V Van Dommele resigned on 1 December 2007.

Contracts for services of key management personnel

The employment conditions of the Managing Director and key management personnel are formalised in contracts of employment. The Managing Director and certain key management personnel are employed under varying fixed period contracts, each of which continues to roll forward for 12 months every anniversary date.

The company may terminate the Managing Director's employment contract without cause by providing 3 months' written notice or by making payment based on his annual salary component in lieu of notice. Termination payments are generally not payable on resignation and never on dismissal for serious misconduct. In the instance of serious misconduct, the company can terminate employment at any time. Major provisions of the employment agreements in force are set out below:

Peter J Perrin – Managing Director

- Term of agreement – no fixed term
- Base Salary - \$220,000 reviewed annually
- Employer or employee may terminate employment on giving of three months' notice and in the event of early termination at the option of the employer, by payment of a termination benefit equal to the base salary for the unexpired period of notice
- Long term incentive in the form of options over ordinary shares in the company in line with the Group options policy.

All other executives (as listed earlier)

- Term of agreement – no fixed term
- Base salary exclusive of superannuation to be reviewed annually
- Employer or employee may terminate employment on giving of between one and three months' notice and in the event of early termination at the option of the employer, by payment of a termination benefit equal to the base salary for the unexpired period of notice
- Long term incentive in the form of options over ordinary shares in the company in line with the Group options policy.

Notes to the financial statements
for the financial year ended 30 June 2009

34. Related party transactions

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 29 to the financial statements.

(b) Transactions with key management personnel

i. Key management personnel compensation

Details of key management personnel compensation are disclosed in note 33 to the financial statements.

ii. Loans to key management personnel

There were no loans granted to key management personnel during the financial year (2008: nil).

iii. Key management personnel equity holdings

Fully paid ordinary shares of Cockatoo Ridge Wines Limited

	Balance at 1 July No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June No.	Balance held nominally No.
2009						
M J Drummond	-	-	-	1,000,000	1,000,000	-
I T Limb	2,425,520	-	-	20,000,000	22,425,520	-
P J Perrin	141,999	-	-	2,000,000	2,141,999	-
S A Richardson	21,838,536	-	-	10,625,000	32,463,536	-
2008						
I T Limb	1,611,234	-	-	814,286	2,425,520	-
N J Limb	1,569,347	-	-	-	1,569,347	-
P J Perrin	141,999	-	-	-	141,999	-
S A Richardson	-	-	-	21,838,536	21,838,536	-
D G Lister	-	-	-	3,319,906	3,319,906	-

(b) Transactions with key management personnel (cont'd)

Share options of Cockatoo Ridge Wines Limited

	Balance at 1 July No.	Granted as compensation No.	Exercised / forfeited No.	Bal at 30 June No.	Bal vested at 30 June No.	Vested but not exercisable No.	Vested and exercisable No.	Vested during year No.
2009								
P J Perrin	3,000,000	-	-	3,000,000	2,000,000	-	2,000,000	1,500,000
A Thompson	500,000	-	-	500,000	250,000	-	250,000	250,000
M Starick	500,000	-	-	500,000	250,000	-	250,000	250,000
2008								
P J Perrin	1,000,000	2,000,000	-	3,000,000	500,000	-	500,000	500,000
A Thompson	-	500,000	-	500,000	-	-	-	-
M Starick	-	500,000	-	500,000	-	-	-	-

All share options issued to key management personnel were made in accordance with the provisions of the employee share option plan.

During the financial year, nil options (2008: nil) were exercised by key management personnel.

Further details of the employee share option plan and of share options granted during 2008 and 2007 financial years are contained in the financial statements.

Notes to the financial statements
for the financial year ended 30 June 2009

34. Related party transactions (cont'd)

Contributed equity (unissued shares representing 3rd tranche of ACW acquisition consideration)

	Contributed Equity					
	Balance at 1 July	Granted as compensation	Ordinary shares received on exercise of tranche	Net other change	Balance as at 30 June	Balance held nominally
2009						
S A Richardson	10,423,388	-	(10,423,388)	-	-	-
	-					
2008						
S A Richardson	20,846,776	-	(10,423,388)	-	10,423,388	-

iv. Transactions with entities in the wholly-owned group

The company provided management, accounting and administrative assistance to other entities in the wholly-owned group during the year. These transactions were on commercial terms and conditions and were no more favourable than those available to other corporations.

v. Other transactions with directors and director related entities

During the period, office accommodation and facilities were provided by Mineral Deposits Limited, of which Mr. M J S Drummond is company secretary. Mineral Deposits Limited charged \$4,290 (2008: \$3,960) in relation to the provision of these services to 30 June 2009.

During the period, office accommodation was provided to Limb Vineyards, of which Mr I T Limb is a director. The Group charged rentals of \$7,617 in relation to the provision of accommodation to 30 June 2009.

The above transactions were made on commercial terms and conditions and at market rates.

During the period, interest charges of \$49,232 were incurred in relation to a loan provided to the Group by Boston First Capital Pty Ltd, of which Mr S R Richardson is a director. Further details of the loan are included in note 19.

During the period, interest charges of \$52,436 were incurred in relation to a loan provided to the Group by Mr I T Limb. Further details of the loan are included in note 19.

35. Remuneration of auditors

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Auditor of the parent entity				
Audit or review of the financial report	165,000	106,500	165,000	106,500
Other non-audit services - tax	49,503	6,500	49,503	6,500
	<u>214,503</u>	<u>113,000</u>	<u>214,503</u>	<u>113,000</u>

The auditor of Cockatoo Ridge Wines Limited is Deloitte Touche Tohmatsu Adelaide.

36. Contingent liabilities

No contingent liabilities have been identified that require disclosure in these financial statements.

37. Subsequent events

Subsequent to year end, the company restructured its total debt with GE Finance to include a term loan facility of \$10.79 million repayable over two years and a revolver facility of \$7.07 million. The impact of this restructure is that the company is now trading within its facility limits.

On 23 July 2009, the Company announced its intention to seek expressions of interest regarding the sale of the Monash Winery. The Winery is included in property plant and equipment at 30 June 2009 with a value of \$14.3M calculated at fair value.

Additional stock exchange information
as at 28 September 2009

Number of holders of equity securities

Ordinary share capital

845,927,110 fully paid ordinary shares are held by 1,767 individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

Options

4,000,000 options are held by 3 individual option holders.

Options do not carry a right to vote.

Distribution of holders of equity securities

	Number of shareholders	%	Number of shares held	%
1 – 1,000	229	12.96	81,918	0.01
1,001 – 5,000	431	24.39	1,241,208	0.15
5,001 – 10,000	226	12.79	1,841,491	0.22
10,001 – 100,000	423	23.94	16,505,888	1.95
100,001 and over	458	25.92	826,256,595	97.67
	1,767	100.00	845,927,110	100.00

There were 1,281 shareholders who held less than a marketable parcel of shares. At the date of this report, those 1,281 shareholders collectively held 16,162,218 shares. A less than marketable parcel of shares at the date of the report is a holding of less than 100,000 shares.

Substantial shareholders

Ordinary shareholders	Fully paid ordinary shares Number	%
NIL	-	-

Twenty largest holders of quoted equity securities

Ordinary shareholders	Fully paid ordinary shares Number	%
Mr Malcolm Arnold Haines & Mrs Jennifer Haines	40,100,000	4.74
Monarque Pty Ltd	33,311,428	3.94
Mr Andrew Donnelly	30,000,000	3.55
JSR Nominees Pty Ltd	29,498,604	3.49
Mr William Booth	28,000,000	3.31
Narlack Pty Ltd	26,000,000	3.07
Mr Peter Lehmann	20,500,000	2.42
Frontier Forge Pty Ltd	20,100,000	2.38
Barriag Pty Ltd	20,000,000	2.36
Nashly Pty Ltd	20,000,000	2.36
Servicelink Aust Pty Ltd	20,000,000	2.36
Capital Access Australia Pty Limited	16,616,700	1.96
JP Morgan Nominees Australia Limited	16,354,790	1.93
ANZ Nominees Limited	13,253,000	1.57
Ian Garnsey Everingham & Christine Mary Everingham	11,071,429	1.31
Flagstaff Superannuation Fund	10,800,000	1.28
CIMB-CK Securities Pte Ltd	10,763,079	1.27
Mr Gerald Francis Pauley	10,641,462	1.26
Blackwood Capital Limited	10,580,000	1.25
Ruminator Pty Ltd	10,000,000	1.18
	397,590,492	47.00

Options

Options to acquire ordinary shares	No. of options	%
P J Perrin	3,000,000	75.00
A C Thompson	500,000	12.50
M Starick	500,000	12.50

Corporate directory

Company secretary

Melvyn.J.S.Drummond

Registered office

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Adelaide SA 5000
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Tax agents and advisors

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Solicitors

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Bankers

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Level 13,
255 George Street
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Home exchange

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Level 19,
91 King William Street
Adelaide SA 5000

Trading code: CKR