

**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2010**

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Your Directors present their report for Barossa Vines Landholdings Limited ("the company") for the financial year ended 30 June 2010.

**Directors**

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

Mario De Francesco  
Luciano Signore  
Antonio De Francesca

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

**Company Secretary**

The following person held the position of company secretary at the end of the financial year:  
Linden Huxtable –

Qualifications: Professional Accountant of the National Institute of Accountants,  
Senior Associate of the Financial Services Institute of Australasia, Associate of the Executor  
and Trustee Institute.

Experience: Employed in the Trustee Industry for over 33 years in various Management positions.

**Principal Activities**

The principal activities of the company during the financial year was holding land for the Barossa Vines Projects 2004/2005, Barossa Vines Project 2006 and Barossa Vines Project 2007.

There were no significant changes in the nature of the company's principal activities during the financial year.

**Operating Results**

The profit of the company after providing for income tax amounted to \$25,005 (2009: loss \$381,202).

**Dividends Paid Or Recommended**

No dividend has been paid or declared since the commencement of the financial year.

**Review Of Operations**

The company continued to hold land for the Barossa Vines Projects 2004/2005, Barossa Vines Project 2006 and Barossa Vines Project 2007.

**DIRECTORS' REPORT (CONT)**  
**FOR THE YEAR ENDED 30 JUNE 2010**

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**Significant Changes In State Of Affairs**

No significant changes in the state of affairs of the company occurred during the financial year.

**After Balance Date Events**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significant affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

**Future Developments**

Likely developments, future prospects and business strategies of the operations of the company and the expected results of those operations have not been included in this report as the directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the company.

**Environmental Issues**

The company's operations are not subject to any significant environmental regulations under the Law of the Commonwealth or State.

**Information On Directors**

*Mario De Francesco* - Executive Director

Mario has a Masters degree in Business Administration and Diplomas in Financial Advising and Financial Services. He is also a Fellow of the National Institute of Accountants, the Taxation Institute of Australia, Associate of the Financial Planning Association, and Senior Associate of the Financial Services Institute of Australasia.

Mario has 28 years experience in accounting, taxation, company management, financial planning and securities. He has 20 years experience as a director of companies which have managed prescribed interest and managed investment schemes.

Responsibilities - Chairman of the Board of Directors, Finance and Marketing

**DIRECTORS' REPORT (CONT)**  
**FOR THE YEAR ENDED 30 JUNE 2010**

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**Information On Directors (cont)**

*Luciano Signore* - Executive Director

Luciano is a Fellow of the Professional National Accountant's Association and the Taxation Institute of Australia. He is also a Certified Financial Planner with a Diploma in Financial Planning.

Luciano has 23 years experience in company management, taxation accounting and financial planning. He has 20 years experience as a director of companies which have managed prescribed interest and managed investment schemes.

Responsibilities - Finance and Property Management

*Antonio De Francesca* - Executive Director

Antonio is a Fellow of the Taxation Institute of Australia and Associate of the Financial Planning Association and a Certified Practising Accountant with a Bachelor of Economics.

Antonio has 26 years experience in the accounting profession including auditing. He has 14 years experience as a director of companies which have managed prescribed interest and managed investment schemes.

Responsibilities - Finance, Marketing and Audit

**Remuneration Report**

No amounts were paid by the company to Directors in respect of the year ended 30 June 2010.

Barossa Vines Limited, a related entity, is the responsible entity for ten managed investments schemes. The amount of remuneration paid by the Responsible Entity and its related parties to the Directors in connection with their responsibilities for each individual scheme and their responsibilities as Directors of Barossa Vines Landholdings Limited is not separately identifiable.

**Meetings of Directors**

<b>Director</b>	<b>Number eligible to attend</b>	<b>Number attended</b>
Mario De Francesco	3	3
Luciano Signore	3	3
Antonio De Francesca	3	3

**DIRECTORS' REPORT (CONT)**  
**FOR THE YEAR ENDED 30 JUNE 2010**

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**Indemnifying Officers or Auditor**

During or since the end of the financial year the company has not given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums for its present or former officers or auditors of the company, or a related body corporate.

**Options**

The company has not at any time granted options over the unissued shares of the Company.

**Non-Audit Services and Auditor's Independence Declaration**

Grant Thornton, in its capacity as auditor for Barossa Vines Landholdings Limited, has provided compliance tax and accounting advice services with respect to the 2009 prospectus issued during the period which amount to \$5,000. This amount has been paid by a director related entity.

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

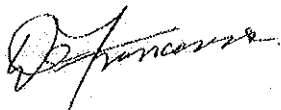
A copy of the auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 5 of this Financial Report.

**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.

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

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



**Director:** .....  
Antonio De Francesca



**Director:** .....  
Mario De Francesco

Signed at Payneham this 29 day of October 2010



Grant Thornton

Level 1,  
67 Greenhill Rd  
Wayville SA 5034  
GPO Box 1270  
Adelaide SA 5001

T 61 8 8372 6666  
F 61 8 8372 6677  
E info.sa@au.gt.com  
W www.granthornton.com.au

**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF BAROSSA VINES LANDHOLDINGS LTD**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Barossa Vines Landholdings Ltd for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

*Grant Thornton*

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP  
Chartered Accountants

  
S J Gray  
Director – Audit & Assurance Services

Adelaide, 29 October 2010

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**BAROSSA VINES LANDHOLDINGS LIMITED**  
**ACN 110 500 000**

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	Note	2010 \$	2009 \$
Revenue	2	1,655,200	1,593,124
Finance costs	14	(883,736)	(1,271,289)
Administration expenses	14	(540,000)	(270,000)
Depreciation		(172,500)	(172,500)
Rates and taxes		(30,369)	(33,698)
Other expenses		(3,590)	(13,682)
Fair value movement - biological assets	8	-	(376,530)
Profit/(loss) before income tax expense	3	25,005	(544,575)
Income tax (expense)/benefit	4	-	163,373
Net profit/(loss) for the year		25,005	(381,202)
Other comprehensive income		-	-
Total comprehensive income		25,005	(381,202)

**The accompanying notes form part of these financial statements.**

**BAROSSA VINES LANDHOLDINGS LIMITED**  
**ACN 110 500 000**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2010**

	Note	2010	2009
<b>CURRENT ASSETS</b>		\$	\$
Cash and cash equivalents	5	1,047,337	5,526
Trade and other receivables	6	1,820,252	-
<b>TOTAL CURRENT ASSETS</b>		<u>2,867,589</u>	<u>5,526</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	7	15,871,865	16,044,365
Biological assets	8	18,155,645	18,155,645
<b>TOTAL NON-CURRENT ASSETS</b>		<u>34,027,510</u>	<u>34,200,010</u>
<b>TOTAL ASSETS</b>		<u>36,895,099</u>	<u>34,205,536</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	705,478	396,444
Current tax liabilities		422	-
<b>TOTAL CURRENT LIABILITIES</b>		<u>705,900</u>	<u>396,444</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	10	4,933,005	4,933,005
Long-term financial liabilities	11	16,911,907	17,249,258
Other liabilities	12	2,692,452	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<u>24,537,365</u>	<u>22,182,263</u>
<b>TOTAL LIABILITIES</b>		<u>25,243,265</u>	<u>22,578,707</u>
<b>NET ASSETS</b>		<u>11,651,834</u>	<u>11,626,829</u>
<b>EQUITY</b>			
Issued capital	13	31,696	31,696
Retained earnings		11,620,138	11,595,133
<b>TOTAL EQUITY</b>		<u>11,651,834</u>	<u>11,626,829</u>

The accompanying notes form part of these financial statements.

**BAROSSA VINES LANDHOLDINGS LIMITED**  
**ACN 110 500 000**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2010**

Note	Issued Capital				Retained Earnings	Total
	"A" Class Shares	"B" Class Shares	"C" Class Shares	"D" Class Shares		
	\$	\$	\$	\$	\$	\$
<b>Balance 1 July 2008 - Restated</b>	19,018	3,761	3,889	5,028	11,976,335	12,008,031
Total comprehensive income	-	-	-	-	(381,202)	(381,202)
<b>Balance 30 June 2009</b>	19,018	3,761	3,889	5,028	11,595,133	11,626,829
Total comprehensive income	-	-	-	-	25,005	25,005
<b>Balance 30 June 2010</b>	19,018	3,761	3,889	5,028	11,620,138	11,651,834

**BAROSSA VINES LANDHOLDINGS LIMITED**  
**ACN 110 500 000**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	Note	2010 \$	2009 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,654,774	3,040,642
Payments to suppliers and employees		(264,453)	(191,228)
Interest received		377	72
Finance costs		(883,736)	(1,271,289)
Income tax paid		-	(10,897)
Net cash inflow/(outflow) from operating activities	16	<u>506,962</u>	<u>1,567,300</u>
<b>Cash flows from investing activities</b>			
Payments for purchases of property, plant & equipment		-	(6,389,040)
Proceeds from disposal of PPE		-	40,000
Net cash inflow/(outflow) from investing activities		<u>-</u>	<u>(6,349,040)</u>
<b>Cash flow from financing activities</b>			
Proceeds from the issue of shares		2,692,452	-
Proceeds from borrowings		(2,157,603)	4,782,054
Net cash inflow/(outflow) from financing activities		<u>534,849</u>	<u>4,782,054</u>
<b>Net increase/(decrease) in cash held</b>		1,041,811	314
Cash at the beginning of the financial year		<u>5,526</u>	<u>5,212</u>
Cash at the end of the financial year	5	<u><u>1,047,337</u></u>	<u><u>5,526</u></u>

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

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**NOTE 1 - STATEMENT OF ACCOUNTING POLICIES**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Barossa Vines Landholdings Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report was authorised for issue on the 29 October 2010 by the board of directors.

**Basis of Preparation**

*Reporting basis and conventions*

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets.

The accounting policies set out below have been consistently applied to all years presented unless otherwise stated.

**(a) Compliance With IFRS**

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of the company comply with International Financial Reporting Standards (IFRS).

**(b) Income Tax**

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

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

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**NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (CONT)**

**(c) Cash and cash Equivalents**

Cash includes cash on hand and in banks or financial institutions, investment in money market instruments maturing within less than two months, net of bank overdrafts.

**(d) Revenues**

Revenue from services is recognised upon rendering of services to the customer/grower.

**Sale of non-current assets**

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Any related balance in the asset revaluation reserve is transferred to retained earnings on disposal.

**Biological assets**

Increments or decrements in the net market values of grape vines are recognised as revenues or expenses in the income statement in the financial year in which they occur. The net increment or decrement in total net market value of grape vines is determined as the difference between the net market value at the beginning of the year and at the end of the year, less costs incurred during the financial year to acquire and plant vines. Expenses of maintaining the grape vines are recognised as expenses when incurred. Therefore, these expenses are not included in the determination of the net increment in net market values.

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

Lease revenue is recognised on a straight-line basis over the period of the lease term so as to reflect a constant periodic rate of return on the net investment.

**(e) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

**(f) Trade and other payables**

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(g) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

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**NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (CONT)**

**(h) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility. All other borrowing costs are recognised in income in the period in which they are incurred.

**(i) Financial Instruments**

*Recognition and Initial Measurement*

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

*Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

***Classification and Subsequent Measurement***

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

*Fair value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

*Impairment*

At each reporting date, the Company's Directors assess whether there is objective evidence that a financial instrument has become impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to indicate an impairment has arisen. Impairment losses are recognised in the Statement of Comprehensive Income.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

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**NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (CONT)**

**(j) Impairment of Assets**

At each reporting date, the directors review the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the assets's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

Where it is not possible to estimate the recoverable amount of an individual assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**(k) Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

**Property**

Freehold land is shown at fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers. In the interim period the directors may also value freehold land based on available market data.

Increases in the carrying amount arising on revaluation of land are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the Statement of Comprehensive Income.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

**Plant and equipment**

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

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

**Depreciation**

The depreciable amount of all fixed assets but excluding freehold land, is depreciated on a straight-line basis over the assets' useful life to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Land improvements including irrigation and dams	20 years

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

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**NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (CONT)**

**(k) Property, Plant and Equipment (Cont)**

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

**(l) Biological Assets**

Grape vines are valued at net market value. The net market value of grape vines has been determined by directors as the difference between the net present value of the pre-tax cash flows expected to be generated by the produce harvested from the grape vines discounted at a current market determined rate which reflects the risks associated with the vineyard, the net market value of the other integral fixed assets associated with the vineyard and the land on which the vines are growing.

In determining the net market value, directors have had regard to certain assumptions including the market price, yield and quality of the grapes. The values are confirmed by periodic, but at least triennial, valuations by external independent valuers. Grape vines are not depreciated.

**(m) Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

*Biological Assets*

Grape vines are recorded at net market value. The basis of this valuation is discussed in Note 8.

**(n) Adoption of new and revised accounting standards**

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. The 2009 comparatives contained in these financial statements therefore differ from those published in the financial statements for the year ended 30 June 2009 as described below.

Significant effects on current, prior or future periods arising from the first-time application of the standards discussed above in respect of presentation, recognition and measurement of accounts are described in the following notes.

*Adoption of AASB 8 Operating Segments*

Barossa Vines Landholdings Ltd has adopted AASB 8 Operating Segments in these financial statements which has resulted in the removal of the requirement for presentation of the segment reporting note.

*Adoption of AASB 101 Presentation of Financial Statements (revisions), AASB 2007-8 and 2007-10 Amendments arising from the revisions to AASB 101*

The company has adopted the revisions to AASB 101 Presentation of Financial Statements in these financial statements which has resulted in the introduction of the statement of comprehensive income, changes to the statement of changes in equity, and other terminology changes.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

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**NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (CONT)**

**(n) New accounting standards for application in future periods**

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Company follows:

*AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).*

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the company.

*AASB 2009-4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).*

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the company.

*AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013)*

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Company has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
  - a. the objective of the entity's business model for managing the financial assets; and
  - b. the characteristics of the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

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NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (CONT)

**(n) New accounting standards for application in future periods (cont)**

*AASB 2009-8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010)*

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the company.

*AASB 2009-9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010)*

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Company.

**(o) Comparative Figures**

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

**BAROSSA VINES LANDHOLDINGS LIMITED**  
**ACN 110 500 000**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	Note	2010 \$	2009 \$
<b>NOTE 2 - REVENUE</b>			
Lease fees charged to related company	14	1,654,775	1,578,084
Interest received		425	72
		<u>1,655,200</u>	<u>1,593,124</u>

**NOTE 3 - PROFIT BEFORE INCOME TAX**

**a) Expenses**

Finance costs			
Interest paid/payable to parent entity	14	883,736	1,271,289
Other expenses			
Renumeration of auditor - audit of financial report		4,000	4,000
Renumeration of auditor - non-audit services provided		-	5,000
Administration expenses			
Management fee paid/payable to parent entity	14	540,000	270,000
Depreciation		172,500	172,500

**NOTE 4 - INCOME TAX EXPENSE**

Current tax expense	7,502	-
Deferred tax expense	(7,502)	(163,373)
Total tax expense	<u>-</u>	<u>(163,373)</u>

The prima facie tax payable on ordinary activities before income tax is reconciled to income tax as follows:

Operating profit/(loss) before income tax	25,005	(544,575)
Prima facie tax payable/(benefit) on loss from ordinary activities before income tax at 30%	7,502	(163,373)
Less: other taxable differences	(7,502)	-
Income tax attributable to operating profit	<u>-</u>	<u>(163,373)</u>

**NOTE 5 - CASH AND CASH EQUIVALENTS**

Cash at bank	<u>1,047,337</u>	<u>5,526</u>
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Cash at bank is non interest bearing.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	Note	2010 \$	2009 \$
<b>NOTE 6 - TRADE AND OTHER RECEIVABLES</b>			
Amounts due from director related entities	14	1,820,252	-
		<u>1,820,252</u>	<u>-</u>

Receivables from a related party are unsecured, interest free and are receivable on demand. At 30 June 2010, no receivables are past due but not impaired.

**NOTE 7 - PROPERTY, PLANT & EQUIPMENT**

Land			
- At directors valuation		12,766,865	12,766,865
		<u>12,766,865</u>	<u>12,766,865</u>
Plant and equipment - Vineyard infrastructure			
- Vineyard infrastructure - cost		3,450,000	3,450,000
- Accumulated depreciation		(345,000)	(172,500)
		<u>3,105,000</u>	<u>3,277,500</u>
Total property, plant and equipment		<u>15,871,865</u>	<u>16,044,365</u>

	Freehold Land	Vineyard Infrastructure	Total
Movement in the carrying amounts for property, plant and equipment between the beginning and end of the current financial year is as follows:			
Balance at 1 July 2008	9,867,825	-	9,867,825
Additions	2,924,072	3,450,000	6,374,072
Depreciation	-	(172,500)	(172,500)
Balance at 30 June 2009	<u>12,791,897</u>	<u>3,277,500</u>	<u>16,069,397</u>
Additions	-	-	-
Disposal	-	-	-
Depreciation	-	(172,500)	(172,500)
Balance at 30 June 2010	<u>12,791,897</u>	<u>3,105,000</u>	<u>15,896,897</u>

The land acts as security for a Bank SA facility entered into by the parent company. Additional details are included at note 18.

The land was valued at 30 June 2010 by the Directors. The directors valuation was arrived at by comparing the carrying value of land with recent open market land sales in the locality where the land is situated. There was no increment or decrement to the carrying value of land in the 2010 financial year.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	2010 \$	2009 \$
<b>NOTE 8 - BIOLOGICAL ASSETS - GRAPEVINES</b>		
<b>(a) Net market value of grapevines</b>		
Balance at beginning of year	18,155,645	18,532,175
Movements in fair value	-	(376,530)
<b>Total</b>	<b>18,155,645</b>	<b>18,155,645</b>

**Fair Value**

**Vineyard Property, South Australia**

The directors have determined that the valuation of the vineyard property (land, improvements and vines) for the purpose of this financial report is \$34,200,010 (2009: \$34,200,100) on the basis of the unencumbered freehold value of the vineyard at 30 June 2010.

Land and grapevines are recorded at net market value. The carrying amount of valuation improvements to non-current assets is initially recorded at the previous year's fair value less depreciation and any impairment, which is compared to market value at the end of the financial year and an adjustment to market value is made. The grapevines are biological assets, measured on a net market value basis. The director's valuation separated the assets between biological assets and non-biological assets for the purposes of Accounting Standard AASB 141.

To assist the directors in their assessment of fair value, a formal valuation of the vineyard valuation was performed in October 2007 by Colin Pickett from Gaetjens Pickett Valuers an independent valuer. The valuation states that the market value of the vineyard excluding the benefits and obligations attaching to the leases with Barossa Vines Ltd and the Growers was \$28,400,000. The directors have considered this independent valuation in conjunction with the acquisition of land during the period, other pertinent facts present in the wine industry, the continued environmental difficulties and recent open market vineyard sales within the locality when determining fair value.

The vineyard assets are carried at fair value and no impairment charges have been recognised. Costs to realise the assets at the end of projects are considered to be immaterial after discounting.

The directors have reviewed the discounted present value of the properties including the benefits and obligations of the leases with Barossa Vines Limited and the Growers as at 30 June 2010. This rental income plus the residual site value at the end of the project is not significantly different from the

The assumptions applied in the calculation of fair value are:

- (i) 70% of the vines are currently mature and will be productive for periods up to 100 years per vine;
- (ii) Vineyard operating costs continue at their current total in real terms;
- (iii) Grape revenues remain consistent with grape prices firming over time;
- (iv) A discount rate of 12.5% applied to pre-tax cashflows

<b>Description of assets</b>	<b>2010</b> \$	<b>2009</b> \$
Physical quantity of vines owned	1,298,373	1,298,373
Hectares of vineyard owned	853	853
Tonnage of grape harvested	1,444	879

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	Note	2010 \$	2009 \$
<b>NOTE 9 - TRADE AND OTHER PAYABLES</b>			
Trade payables		594,000	-
GST payable		111,478	392,444
Sundry creditors		-	4,000
		<u>705,478</u>	<u>396,444</u>

**NOTE 10 - DEFERRED TAX LIABILITIES**

Timing differences attributable to:

Biological Assets		5,423,693	5,423,693
Land revaluation decrements		(456,074)	(456,074)
Accrued expenses		(1,200)	(1,200)
Taxation losses		(33,414)	(33,414)
		<u>4,933,005</u>	<u>4,933,005</u>

Total deferred tax liabilities

**NOTE 11 - LONG TERM FINANCIAL LIABILITIES**

Amounts payable to parent company	14	<u>16,911,907</u>	<u>17,249,258</u>
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Amount due to the parent entity, Australian Vines Ltd, is unsecured and is currently not payable within one year. Interest is charged at 10% per annum.

**NOTE 12 - OTHER LIABILITIES**

Amount received from shareholders		<u>2,692,452</u>	-
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Amount received from shareholders represents monies received for B class shares for the balance of the issue price. This amount will be converted to issued capital on 1 July 2010.

**NOTE 13 - ISSUED CAPITAL**

**Paid Up Capital**

Fully Paid A Class Shares		19,018	19,018
B Class Shares Paid to \$1		3,761	3,761
C Class Shares Paid to \$1		3,889	3,889
D Class Shares Paid to \$1		5,028	5,028
		<u>31,696</u>	<u>31,696</u>

A Class Shares have voting powers and are not entitled to a dividend until the period commencing 15 years after issue. The issue price per share of \$1 is payable at the time of allotment. Should the company or property be sold, A Class Shareholders participate in the proceeds only to the extent of their proportional ownership.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

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**NOTE 13 - ISSUED CAPITAL (CONT)**

B & C Class Shares are non-cumulative preference shares with a deferred right to dividends. The issue price of each B Class Share is \$1,250, with \$1 payable at the time of application and the balance of \$1,249 due after five years. The issue price of each C Class Share is \$1,000, with \$1 payable at the time of application, and the balance of \$999 due after five years. Dividends are limited to an amount of \$500 per annum per share. Should the company or property be sold, B & C Class Shareholders participate in the net proceeds from the sale of any surplus assets or any surplus profits.

D Class Shares are non-cumulative preference shares with a deferred right to dividends. The issue price per D Class Share is \$1,000, with \$1 payable at the time of application, and the balance of \$999 due after five years. Dividends paid are limited to an amount of \$500 per annum per share. Should the company or property be sold, D Class Shareholders participate in their proceeds from the sale of any surplus assets or any surplus profits.

**Capital Management**

Management controls the capital of the company in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the company can fund its operations and continue as a going concern.

The company's debt and capital includes ordinary share capital and financial liabilities, supported by vineyard land and plant.

Externally imposed capital requirements have been disclosed at Note 19.

Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes to the strategy adopted by management to control the capital of the company since prior year, which is to maintain a gearing ratio of less than 1. The gearing ratio's for the years ended 30 June 2010 and 30 June 2009 are as follows:

	<b>Note</b>	<b>2010</b>	<b>2009</b>
		\$	\$
Total borrowings		17,519,406	17,519,406
Less cash and cash equivalents		(5,526)	(5,526)
Net debt		<u>17,513,880</u>	<u>17,513,880</u>
Total equity		<u>11,626,829</u>	<u>11,626,829</u>
Total capital		<u>29,140,709</u>	<u>29,140,709</u>
Gearing ratio		0.60	0.60

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	2010	2009
	\$	\$
<b>NOTE 14 - RELATED PARTY TRANSACTIONS</b>		
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
<b>(a) Transactions with related parties:</b>		
<b>Director-related entities</b>		
<b>Administration fees</b>		
Australian Vines Limited	<u>(540,000)</u>	<u>(270,000)</u>
<b>Finance costs</b>		
Interest charge by parent company Australian Vines Limited for loan to the Company (Note 11)	<u>(883,736)</u>	<u>(1,271,289)</u>
<b>Lease fees</b>		
Lease fees are derived from leasing property to Barossa Vines Ltd who licences the property to participants in the Barossa Vines Project 04/05, Project 2006 and 2007 Managed Investment Schemes.	<u>1,654,775</u>	<u>1,578,084</u>
<b>(b) Amounts (payable to) / receivable from related entities:</b>		
Payable to parent company - Australian Vines Limited	<u>(16,911,907)</u>	<u>(17,249,258)</u>
Receivable from Director-related Entities - Barossa Vines Ltd	<u>1,820,252</u>	<u>-</u>
Loans from related entities included advancing of funds to purchase land and the purchase of infrastructure assets constructed on the company's land holdings.		

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

**NOTE 15 - FINANCIAL INSTRUMENTS**

The company's activities expose it to a variety of financial risks: Market risk (interest rate), Credit risk and Liquidity risk.

The Directors meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

**(a) Market risk**

**Interest rate risk**

The financial instruments are subject to changes of market interest rate and effective weighted average interest rate on classes of financial assets and liabilities are as follows:

	Weighted Average Effective Interest Rate 2010	Weighted Average Effective Interest Rate 2009	Floating Interest Rate 2010	Floating Interest Rate 2009	Non Interest Bearing 2010	Non Interest Bearing 2009	Total 2010	Total 2009
<b>Financial Assets</b>								
Cash	2.40%	1.00%	-	-	1,047,337	5,526	1,047,337	5,212
Receivables	-	-	-	-	1,820,252	1,447,446	1,820,252	1,447,446
<b>Total Financial Assets</b>			<b>-</b>	<b>-</b>	<b>2,867,589</b>	<b>1,452,972</b>	<b>2,867,589</b>	<b>1,452,658</b>
<b>Financial Liabilities</b>								
Borrowings	10.00%	10.00%	16,911,907	17,249,258	-	-	16,911,907	17,249,258
Payables	-	-	-	-	4,000	7,410	4,000	7,410
<b>Total Financial Liabilities</b>			<b>16,911,907</b>	<b>17,249,258</b>	<b>4,000</b>	<b>7,410</b>	<b>16,915,907</b>	<b>17,256,668</b>

The interest rate risk on cash, receivables and payables are immaterial in terms of the possible impact on profit or loss or equity and no sensitivity analysis is done.

Interest rate on borrowings from related entity is fixed at 10% in accordance with the loan agreement. As such is not sensitive to interest rate changes. Borrowings have no set repayment period.

**(b) Credit risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance sheet date to recognise financial assets is the carrying amount as disclosed in the Statement of Financial Position and notes to the financial statements.

The company's credit risk exposures are the balances held with bank and the outstanding receivables. The company minimised credit risk exposure by depositing with licenced and reputable banks and financial institutions. The company's only receivables are with related party of \$1,820,252 (2009: nil).

**(c) Liquidity risk**

The Directors manage the liquidity risk by continuously monitoring cashflows and ensuring that adequate unutilised borrowing facilities are maintained.

The Company's only financial liability relates to borrowings from its parent company of \$16,922,907 (2009: \$17,249,258). The amount is not payable within the next 12 months.



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

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**NOTE 15 - FINANCIAL INSTRUMENTS (CONT)**

**(d) Fair values**

The carrying value less impairment provision of receivables and payables are assumed to approximate their fair value due to their short term nature.

The fair value of financial assets and financial liabilities are estimated by discounting the future contractual/expected cash flows at the current market interest rate that is available to the company for similar financial instruments.

	<b>2010</b>	<b>2009</b>
	\$	\$
<b>NOTE 16 - CASH FLOW INFORMATION</b>		
<b>Reconciliation of cash from operations with operating profit after income tax</b>		
Operating profit/(loss) after income tax	25,005	(381,202)
Add: non-cash items		
Depreciation	172,500	172,500
(Increase)/Decrease in trade and other receivables	-	1,447,446
Increase/(Decrease) in trade and other payables	309,457	126,296
Increase/(Decrease) in income tax payable	-	(10,897)
Increase/(Decrease) in biological assets	-	376,530
Increase/(Decrease) in DTL	-	(163,373)
	<u>506,962</u>	<u>1,567,300</u>
Net cash inflow/(outflow) from operating activities		

**NOTE 17 - ECONOMIC DEPENDENCY**

The company's main source of income is derived through the lease of the land it owns to the responsible entity of a number of managed investment schemes, Barossa Vines Ltd. The lease agreements are for a fixed amount each year and the company is therefore dependant on Barossa Vines Ltd for revenue.

**NOTE 18 - EVENTS AFTER BALANCE SHEET DATE**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

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**NOTE 19 - CONTINGENT LIABILITIES**

The company, along with other director related entities, have provided a guarantee to Bank SA which is secured by the company's property. This guarantee supports the bank facilities of the company's parent, Australian Vines Ltd. At balance sheet date, the total value of the bank facilities was \$23.3 million.

Covenants within the bank borrowings require that the Loan Value Ratio (LVR) at all times will be no more than 40% of the aggregate of market value of the Secured Property, Interest cover to be not less than 2 times and the gearing ratio does not exceed 0.75.

As at the date of this report a number of the bank covenants have not been complied with. The bank has acknowledged the breaches in a letter to the Australian Vines Group and has reserved it's rights to take action in respect of the breaches. At the date of this report Bank SA had not taken any action under the financing arrangements.

**NOTE 20 - COMPANY DETAILS**

The principal place of business of the company is:  
Barossa Vines Landholdings Ltd  
266-268 Payneham Road  
Payneham, SA, 5070

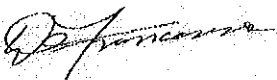
**DIRECTORS' DECLARATION**

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The Directors of the company declare that:

1. the financial statements and notes, as set out on pages 6 to 26, are in accordance with the Corporations Act 2001:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2010 and performance for the year ended on that date of the company;
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director:   
.....  
Antonio De Francesca

Director:   
.....  
Mario De Francesco

Signed at Payneham this 29                      day of October                      2010

Level 1,  
67 Greenhill Rd  
Wayville SA 5034  
GPO Box 1270  
Adelaide SA 5001

T 61 8 8372 6666  
F 61 8 8372 6677  
E [info.sa@au.gt.com](mailto:info.sa@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF BAROSSA VINES LANDHOLDINGS LTD**

We have audited the accompanying financial report of Barossa Vines Landholdings Ltd (the "Company"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial report and the directors' declaration.

**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 controls relevant to the preparation and fair presentation of the financial report that are 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. The directors also state, in the notes to the financial report, 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 which require us to 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.

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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.

**Independence**

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 Barossa Vines Landholdings Ltd is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the Company's financial position as at 30 June 2010 and of its 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 the notes to the financial statements.

*Grant Thornton*

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP  
Chartered Accountants



S.J. Gray  
Director – Audit & Assurance Services

Adelaide, 29 October 2010