

Prince Hill Wines



PRINCE HILL



CARD COLLECTION



ACROBAT



FIVE SHILLINGS

Prince Hill Wines Limited 2009 Annual Report

ABN 99 000 094 995



Prince Hill Wines



Financial Statements

For the Year Ended 30 June 2009

Prince Hill Wines Limited

ABN: 99 000 094 995

For the Year Ended 30 June 2009

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Corporate Information

ABN:	99 000 094 995
Directors:	Peter Cleaves (Non-executive Director) Rex Watson (Non-executive Director) Andrew Parkinson (Managing Director and Chief Executive Officer)
Company Secretary:	Conrad Guerra
Registered Office and Principal place of business:	235 Glen Osmond Road, Frewville, South Australia 5063
Postal address:	PO Box 167 Fullarton, South Australia, 5064
Telephone:	+61 8 8338 3400
Facsimile:	+61 8 8338 3244
Email:	enquiries@princehillwines.com
ASX Code:	PHW
Wineries:	Prince Hill Winery: 1220 Castlereagh Highway, Mudgee, New South Wales, 2850 Tel: +61 2 6373 1245 Fax: +61 2 6373 1350
Share Registry:	Registries Limited, Level 7, 207 Kent Street, Sydney, New South Wales, 2000 Tel: +61 2 9290 9600 Fax: +61 2 9279 0664 Website: www.registriesltd.com.au
Auditor:	Grant Thornton, South Australian Partnership
Taxation Advisor:	Grant Thornton, South Australian Partnership
Bankers:	Commonwealth Bank of Australia, Adelaide, South Australia National Australia Bank, Sydney, New South Wales

Prince Hill Wines Limited

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Managing Director's Report

The year to 30 June 2009 continued to be another difficult period for the company. The following major events occurred in the year to 30 June 2009:

- Coonawarra Australia Property Trust lending \$705,483 at commercial rates of interest to provide working capital
- The disposal of the 67% interest in the distribution company The Wine List (TWL).
- The winery and vineyards at Mudgee, NSW became subject to a non-conditional contract signed on 29 September 2008 for \$5.5m (inclusive of GST).
- A small crush of 314 tonnes occurred at the winery in Mudgee during the year.
- 267 tonnes of grapes were grown on PHW's own vineyard.
- Stock impairment of \$458,728

Revenue has decreased as a result of the disposal of Cassegrain Wines effective 31 March 2008 and disposal of The Wine List Pty Ltd effective 28 February 2009.

Operating loss from ordinary activities after tax has improved as a result of the reduction in employee expenses and other operating costs due to the rationalisation of the business operations.

Net Loss attributable to members has improved due to a write back of previously recognised losses of The Wine List Pty Ltd because of the disposal of that entity (\$567,523).

Various announcements regarding the sale of the vineyard, winery, function centre and cellar door wine sales business located at 1220 Castlereagh Highway, Apple Tree Flat, Mudgee New South Wales to the purchaser (Great Southern Beverage Company Pty Ltd (ACN 132 761 392) were made during the year as a result of renegotiations of the payment terms relating to the sale. A total of \$429,750 as a non refundable deposit has been received to date (\$247,500 of which has been borrowed by the purchaser from Coonawarra Australia Property Trust under a secured interest bearing loan). A further \$120,250 is due for payment on 30 September 2009 (supported by security and a director's personal guarantee) and the final installment of \$4,950,000 is due on 18 February 2010. Commencing 1 August 2009 the purchasers have also taken over the management and costs of the vineyard in accordance with an agreed management plan with PHW. Interest is also accruing at \$30,000 per month from 1 June 2009 to 30 September 2009 payable at settlement on 18 February 2010. From 1 October 2009 interest of \$30,000 will be payable monthly in arrears with first payment commencing 1 November 2009.

Various changes to the company in relation to management and its operations have reduced the trading losses unfortunately it is still an unacceptable result for shareholders. As stated in my previous reports there is no overnight fix and there are several years of hard work ahead.

The directors completed their review during the year of the financial performance of The Wine List Pty Ltd ('TWL') the joint marketing and distribution operation which was contributing losses and sold the 67% interest to Watson Wine Group Pty Ltd effective 28 February 2009. Subsequently, TWL and other third party distributors have been appointed to perform sales and marketing functions and receive a commission for their services.

The pursuit of international opportunities has also been difficult and new and incremental sales have not eventuated with export sales almost static at 2,684 cases.

Case sales (in 9 litre case equivalents) for the twelve months showed minimal growth of 23,431 cases compared to 22,865 cases in 2008.

Negative impacts on the performance of the business included:

- Case sales continued to be well below planned volumes of over 40,000 cases for the year due mainly to the disappointing performance of TWL
- Overall decline in the gross profit margin from packaged wines.

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External factors also contributed to the company's poor performance over the past year, namely:

- The oversupply across all markets, impacting sales and margins from sales into traditional channels
- Continuing consolidation of distribution and retail channels
- The underperformance of TWL

The consolidated loss of the consolidated entity after providing for income tax and after minority interest amounted to \$1,561,986 (2008: \$2,405,693) after impairment losses of \$508,729 (2008:\$76,064) and finance costs of \$135,503 (2008: \$299,372).

The difficult industry conditions are likely to continue for the next couple of years as the industry continues to face large vintages, sales of surplus assets from the major players and significant discounting by the major players as they struggle to recover lost marketing share for some of their recognised brands.

Andrew Parkinson
Managing Director

Prince Hill Wines Limited

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Corporate Governance Statement

The board of directors of Prince Hill Wines Limited is responsible for the corporate governance of the Company. The board monitors the business affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The consolidated entity comprises the Company and any entities that the Company controls from time to time.

The directors acknowledge the Principles of Good Corporate Governance and Best Practice Recommendations set by the Australian Securities Exchange ("ASX") Corporate Governance Council. In view of the Company's current size and extent and nature of operations, however, full adoption of the recommendations is currently not practical. The board will continue to work towards full adoption of the recommendations in line with growth and development of the Company in the years ahead. Where the Company's framework has been different to the Principles of Good Corporate Governance and Best Practice Recommendations set by the ASX Corporate Governance Council, the differences have been noted.

A summary of the current corporate governance practices as adopted by the board follows:

The Board of Directors

As at the date of this report the board comprised three directors: one executive director (the managing director) and two non-executive directors. There are no set terms for directors to hold office. The board generally meets on a monthly basis. The board carries out its responsibilities according to the following mandate:

- The Board should comprise at least three directors, with at least two-thirds being non-executive directors;
- The chairman of the board should be a non-executive director;
- The directors should possess a broad range of skills, qualifications and experience;
- The board should meet at least on a quarterly basis; and
- All available information in connection with items to be discussed at a meeting of the board shall be provided to each director prior to that meeting.

The primary responsibilities of the board include:

- The approval of the annual and half-yearly financial report;
- The establishment of the long term goals of the consolidated entity and strategic plans to achieve those goals;
- The review and adoption of annual budgets for the financial performance of the consolidated entity and monitoring the results on a quarterly basis;
- Ensuring that the consolidated entity has implemented adequate internal controls together with appropriate monitoring of compliance activities; and
- Ensuring that the consolidated entity is able to pay its debts as and when they fall due.

The Company discloses the curriculum vitae of each director in its Annual Report.

There is no nominated chairperson of the board. The chairperson of the board alternates between each of the non-executive directors and the Chief Executive Officer is managing director Andrew Parkinson, therefore as required under best practice, the chairperson is not the same as the Chief Executive Officer.

The Company's executive management comprises the Chief Executive Officer and the Chief Financial Officer (Conrad Guerra replacing Charlie Latham who resigned 31 July 2008), to whom the board delegate responsibilities as expected for these executive positions.

Due to the size of the Company, the members of the Remuneration & Nomination Committee are the same as the members of the board.

Due to the Company's current size and extent and nature of operations, the following departures from the Principles of Good Corporate Governance and Best Practice Recommendations have occurred:

- The majority of the board should be independent. Since January 2008 the board consisted of one executive director (Andrew Parkinson) and two non-executive directors (Rex Watson and Peter Cleaves). As Andrew Parkinson was an executive director and Rex Watson an associate of a substantial shareholder, Andrew Parkinson and Rex Watson were not considered independent. Peter Cleaves is independent in all regards.

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Corporate Governance Statement Independent Professional Advice

With the prior approval of the company secretary, each director has the right to seek independent legal and other professional advice at the consolidated entity's expense concerning any aspect of the consolidated entity's operations or undertaking in order to fulfil their duties and responsibilities as directors.

Ethical Standards

The board endeavours to ensure that the directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. Specifically, that directors, officers and employees must:

- Comply with the law;
- Act in the best interests of the Company;
- Be responsible and accountable for their actions; and
- Observe the ethical principles of fairness, honesty and truthfulness, including disclosure of potential conflicts.

Trading Policy

The Company's policy regarding directors and employees trading in its securities is set by the Board. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices. The Company has set the following windows for trading in the Company's securities by the directors and employees, being thirty days following:

- The release to the ASX of the Company's preliminary full year financial statements
- The release to the ASX of the Company's half year financial statements
- The date on which the Company holds its annual general meeting.

Audit Committee

The board has established an Audit Committee consisting of non-executive directors of the Company.

The names and qualifications of the directors in the Audit Committee and the number of meetings held and attendees are disclosed in the Annual Report. Andrew Parkinson was a member of the Audit Committee only while he was a non-executive director between October 2006 and 5 April 2007. The present members of the Audit Committee are Peter Cleaves, and Rex Watson.

The Audit Committee has a formal Charter and provides a forum for the effective communication between the board and external auditors. The committee reviews:

- The annual and half-yearly financial report prior to their approval by the board;
- The effectiveness of management information systems and systems of internal control; and
- The efficiency and effectiveness of the external audit function.

The Audit Committee invites the external auditors to attend committee meetings on occasion. The Audit Committee also meets with external auditors, as necessary, concerning any matters that arise in connection with the performance of their role, including the adequacy of internal controls.

The Audit Committee requests the Company's external auditor to attend the annual general meeting and be available to answer shareholder questions about conduct of the audit and the preparation and content of the auditors report.

The members of the Audit Committee are at liberty to meet with the external auditors and discuss matters of relevance to their respective roles independent of management.

Due to the Company's current size and extent of nature of operations, the following departures from the Principles of Good Corporate Governance and Best Practice Recommendations have occurred:

- The Audit Committee Chairperson should be independent and not the Chairperson of the board. Neither the Committee nor the board has a designated chairperson, with these roles being rotated through the members of the board and the Committee.
- As Andrew Parkinson has been acting in an executive capacity since April 2007 there are only two non-executive directors and currently therefore only two members of the Audit Committee.

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Corporate Governance Statement

Continuous Disclosure

The company secretary has been appointed as the person responsible for communications with the Australian Stock Exchange (ASX). Together with the board this person is also responsible for ensuring the compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX.

The board and the company secretary are responsible for the communications strategy to promote effective communications with shareholders and encourage effective participation at general meetings. The Company adheres to best practice in its preparation of notices of meetings to ensure all shareholders are fully informed. Due to the size of the Company, all communications are prepared and administered in-house.

Remuneration & Nomination Committee

The board has established a Remuneration & Nomination Committee consisting of all the directors of the Company.

The Remuneration & Nomination Committee reviews the remuneration policies applicable to all directors and executive officers on an as needed basis and makes recommendations on remuneration packages and terms of employment to the board. Remuneration packages, which consist of base salary, fringe benefits, incentive schemes (including performance-related bonuses), superannuation, and entitlements upon retirement or termination, are reviewed with due regard to performance and other relevant factors.

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the consolidated entity's operations, the remuneration committee may occasionally seek the advice of external advisers in connection with the structure of remuneration packages.

Full remuneration disclosure, including superannuation entitlements, and the number of meetings of the Remuneration & Nomination Committee is provided by the Company in its Annual Report. The Remuneration & Nomination Committee ensures that all equity based executive remuneration is made within the guidelines set by plans approved by shareholders.

The Remuneration & Nomination Committee considers the appointment and retirement of non-executive Directors on a case by case basis. In doing so, the Board must take into account the requirements of Listing Rules and the Corporations Act 2001. Currently all Directors are required to be re-elected at least every three years and at least one-third of Directors must retire at each annual general meeting.

This process also includes ongoing evaluation of the performance of the board and its individuals according to the goals, objectives and primary responsibilities of each director as outlined in the Board of Directors Section.

Due to the Company's current size and extent and nature of operations, the following departures from the Principles of Good Corporate Governance and Best Practice Recommendations have occurred:

- The Remuneration & Nomination Committee Chairperson should be independent and not the Chairperson of the board. Neither the Committee nor the board has a designated chairperson, with these roles being rotated through the members of the board and Committee.
- The present board has not carried out a formal review of remuneration policies.

Risk Management

The board is responsible for the consolidated entity's system of internal controls. The board monitors the operational and financial aspects of the consolidated entity's activities and considers the recommendations and advice of external auditors and other external advisers on the operations and financial risks that face the consolidated entity.

The board ensures that recommendations made by the external auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that the consolidated entity has an appropriate internal control environment in place to manage the key risks identified.

In addition, the board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel.

The Company obtains statements from its chief executive officer and chief financial officer that:

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Corporate Governance Statement

- The consolidated entity's financial reports present a true and fair view in all material respects, of the consolidated entity's financial position and operational results, in accordance with the relevant accounting standards. Furthermore the board of directors does, in its role, state to shareholders in the consolidated entity's accounts that they are true and fair, in all material respects
- The integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements policies adopted by the board
- The consolidated entity's risk management and internal compliance and control system is operating efficiently and effectively in all material respects to the best of their knowledge and belief.

The Board has no reason to believe the consolidated entity's risk management and internal compliance and control procedures are not operating efficiently and effectively in all material aspects appropriate for a Company of Prince Hill Wines Limited's size and nature.

Code of Conduct

As part of the Board's commitment to the highest standard of conduct, the consolidated entity adopts a code of conduct to guide executives, management and employees in carrying out their duties and responsibilities. The code of conduct covers such matters as:

- Responsibilities to shareholders;
- Compliance with laws and regulations;
- Relationships with customers and suppliers;
- Ethical responsibilities;
- Employment practices; and
- Responsibilities to the environment and the community.

Environmental Review

The board has a strong commitment to playing its part in reducing the damaging impact of human activity on the environment.

Occupational Health and Safety

The board recognises its duty to ensure the occupational health, safety and welfare (OHS&W) at work of its contractors and visitors when on the consolidated entity's property. The consolidated entity's management plan involves several key elements:

- A preventative approach is adopted through adequate hazard management and regular review of action plans.
- Appropriate standards of work methods are maintained by consultation between contractors and managers.
- Contractors are provided with information necessary to understand the risks associated with their work and their responsibility to safe work practices.
- All legislative requirements are met and incorporate continuous improvement via Company action plans.

Related Party Transactions

The non-executive directors review all related party transactions, which are approved in the absence of any representatives of the respective related party.

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Directors' Report

30 June 2009

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2009.

Director's Report

1. Director Information

(a) Information on Directors

Mr Peter Cleaves	Appointed as a non-executive director on 5 April 2007.
Qualifications	ASA, FCIS, SAFIN, Dip CM (AGSM – Uni NSW)
Experience	Mr Cleaves brings considerable wine industry experience to the Board. He was Finance Director of Rosemount Wines from 1985 to 2001. From March 2001 to March 2002 he was Chief Financial Officer of Southcorp Limited - Wine Division and from April 2002 to May 2003 he was Chief Financial Officer of Southcorp Limited.

Mr Rex Watson	Appointed as a non-executive director on 5 April 2007.
Experience	Mr Watson is the founding group managing director of Coonawarra Premium Vineyards Limited (CPVL) and the driving force behind the Coonawarra Australia Property Trust (ASX: CNR), which between them own, manage or control almost 1,000 acres of vineyards located in the Coonawarra region of South Australia. His understanding of the wine industry and its networks is extensive. Mr. Watson has built a number of businesses including an industrial service company specifically operating in the wine industry and a vineyard management services company. In addition he has developed the Watson Wine Group, his family owned company, from a grape producer to a significant wine enterprise that now sells wines to more than seven international markets.

Directorships held in other listed entities	Coonawarra Premium Vineyards Limited as trustee for Coonawarra Australia Property Trust
---------------------------------------------	-----------------------------------------------------------------------------------------

Mr Andrew Parkinson	Appointed as a non-executive director on 20 October 2006 and appointed managing director on 5 April 2007.
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Qualifications	B Comm. LLB
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Experience	Mr Parkinson is a director of CPVL, the responsible entity and trustee of CNR. Mr. Parkinson has extensive senior management experience with a background in stock broking, banking and chartered accountancy. He has been involved in viticulture and the wine industry since 1999 when he became the inaugural chairman of CPVL. Mr. Parkinson took on a full time role with CPVL in January 2003 when he was appointed its Chief Executive. He was again appointed a director of CPVL in February 2006.
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Directorships held in other listed entities	Coonawarra Premium Vineyards Limited as trustee for Coonawarra Australia Property Trust
---------------------------------------------	-----------------------------------------------------------------------------------------

(b) Meetings of Directors

During the financial year, 14 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

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Directors' Report

30 June 2009

1. Director Information continued

Meetings of Directors continued

	Directors' Meetings		Audit Committee Meetings	
	Eligible to attend	Number attended	Eligible to attend	Number attended
Peter Cleaves	11	11	3	3
Rex Watson	11	11	3	3
Andrew Parkinson	11	11	-	-

2. General information

(a) Company Secretary

The following person(s) held the position of company secretary during the financial year:

Charlie Latham BSc (Hons), CA, ACA, MAICD. Aged 54. Chartered Accountant with over 30 years professional accounting experience. Secretary of Coonawarra Premium Vineyards Limited (CPVL) since 2004. Over thirteen years experience as company secretary of a number of ASX-listed investment and manufacturing companies. Responsible Officer for CPVL's Australian Financial Services licence. Resigned 31 July 2008.

Anthony Burt Appointed 31 July 2008. B.Bus (Accountancy) CPA. Certified Practising Accountant with over 20 years of commercial and professional accounting experience. Resigned 29 April 2009

Conrad Guerra Appointed 29 April 2009. Bachelor of Economics CA, Chartered Accountant with over 30 years of professional accounting experience.

Andrew Parkinson Appointed 31 July 2008, refer to Information on Directors above

(b) Principal Activities and Significant Changes in Nature of Activities

The Company is domiciled in Australia and listed on the Australian Stock Exchange (ASX).

The principal activities of the Group during the financial year were:

- Production of premium Australian table wines for sale to the consumer market
- Processing of grapes, winemaking and packaging of wines for other winemakers.

The following significant changes in the nature of the principal activities occurred during the financial year:

- The disposal of the 67% interest in the distribution company (TWL); and
- The sale of the winery and vineyards at Mudgee, NSW which became subject to a non-conditional contract signed on 29 September 2008 for \$5.5m (inclusive of GST).

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

3. Financial review

(a) Review of Operations

Revenue has decreased as a result of the disposal of Cassegrain Wines effective 31 March 2008 and

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Directors' Report

30 June 2009

3. Financial review continued

Review of Operations continued

disposal of The Wine List Pty Ltd effective 28 February 2009.

Operating loss from ordinary activities after tax has improved as a result of the reduction in employee expenses and other operating costs due to the rationalisation of the business operations.

Net Loss attributable to members has improved due to a write back of previously recognised losses of The Wine List Pty Ltd because of the disposal of that entity (\$567,523).

The net assets of the Group have decreased by \$ 1,566,986 from 30 June 2008 to \$ 3,627,095 in 2009.

The consolidated loss of the consolidated entity after providing for income tax and equity interests amounted to \$1,561,986 (2008: \$2,405,693), after impairment losses of \$508,729 (2008: \$76,064) and finance costs of \$135,503 (2008: \$299,373). Factors affecting the result are:

- The board and management reviewed the carrying values of all assets of the business. Impairment losses of \$458,729 have been applied to bulk wine and \$50,000 have been applied to property, plant, equipment to reflect realistic values of these assets at the present time. The values attributed to these assets are supported by a combination of 3rd party valuations and subsequent sales and offers for sale.
- TWL has not provided the expected financial results or sales volume and has not been able to penetrate the domestic market in a meaningful way. A review of these operations was completed during the year resulting in the sale of TWL to Watson Wine Group at nominal consideration as supported by an independent experts report. The sale contributed a gain after tax of \$50,637 to the group.
- 267 tonnes of grapes were harvested from the Mudgee vineyards in the 2009 vintage (2008: 69.73 tonnes).
- Case sales (in 9 litre case equivalents) for the twelve months were 23,431 cases compared to 22,865 cases (2008)

4. Other items

(a) Significant Changes in State of Affairs

No significant changes in the Group's state of affairs occurred during the financial year.

(b) Dividends Paid or Recommended

There were no dividends paid or declared for payment since the beginning of the financial period.

(c) After balance day events

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

(d) Matters subsequent to the end of the financial year

Disclosure of other information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

Future Developments, Prospects and Business Strategies

Given the very difficult industry circumstances and the past and current performance of the business,

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Directors' Report

30 June 2009

4. Other items continued

Matters subsequent to the end of the financial year continued

management and the Board will continue to meet the challenge.

In addition to restructuring the businesses the board will continue to pursue all appropriate options for improving the company's near and medium term performance, including as necessary:

- Rationalising operations to the most cost effective model
- Implementing pricing and product positioning adjustments as needed to drive sales

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 above), the Company secretaries, and all executive officers of the Company against a liability incurred as a 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, indemnified or agreed to indemnify an officer or auditor of the Company against a liability incurred as an officer or auditor.

Proceedings on Behalf of Company

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

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

Non-audit services

Grant Thornton in its capacity as auditor for Prince Hill Wines Ltd, has not provided any non-audit services throughout the reporting period.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 22 to the financial statements

(e) Environmental Issues

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

(f) Auditors Independence Declaration

The lead auditors independence declaration for the year ended 30 June 2009 has been received and can be found on page 13 of the financial report.

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Directors' Report

30 June 2009

5. Remuneration Report

(a) Remuneration Policy

The board of directors of the Company reviews the remuneration packages of all directors and senior executives of the Company on an annual basis and makes recommendations to the board. Remuneration packages are reviewed and determined with due regard to current market, comparable industry salaries, performance of the consolidated entity and other relevant factors. All director and senior executive compensation is paid by the consolidated entity, either directly or by associated entities and passed onto the consolidated entity through a management fee.

(b) Changes in Directors and Executives Subsequent to Year-end

There have been no changes to Directors and Executives subsequent to year end.

(c) Remuneration Details for the Year Ended 30 June 2009

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the Group.

Table of Benefits and Payments for the Year Ended 30 June 2009

		Short-term benefits		Post-employment benefits	Termination benefits	Total
		Salary, fees and leave	Other	Pension and superannuation		
		\$	\$	\$	\$	\$
Key Management Personnel						
Rex Watson	2009	20,077	-	1,807	-	21,884
	2008	10,354	-	1,364	-	11,718
Peter Cleaves	2009	20,184	-	1,816	-	22,000
	2008	20,184	-	1,816	-	22,000
Andrew Parkinson	2009	140,754	22,271	24,004	-	187,029
	2008	133,000	-	21,470	-	154,470
Sue Henderson	2009	-	-	-	-	-
	2008	11,917	15,000	4,055	-	30,972
Total Key Management Personnel						
	2009	181,015	22,271	27,627	-	230,913
	2008	175,455	15,000	28,705	-	219,160
Other Executives						
Anthony Burt	2009	75,808	-	6,823	14,853	97,484
Charlie Latham	2009	5,698	-	547	2,656	8,901
	2008	48,472	-	16,018	-	64,490
Conrad Guerra	2009	18,981	-	1,708	-	20,689
Ian Sunderland	2009	-	-	-	-	-
	2008	25,682	-	1,379	-	27,061
John Cassegrain	2009	-	-	-	-	-
	2008	86,250	-	7,763	-	94,013
Total Other Executives						
	2009	100,487	-	9,078	17,509	127,074
	2008	160,404	-	25,160	-	185,564

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Directors' Report

30 June 2009

5. Remuneration Report continued

(d) Securities Received that are not Performance Related

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

(e) Cash Bonuses, Performance-related Bonuses and Share-based Payments

None of the key management personnel of the Company is employed under a contract or entitled to any performance-related bonus or remuneration of any kind, except for Andrew Parkinson whose contract with the Company to act as managing director of the consolidated entity includes the ability to earn a cash bonus of up to \$20,000 per year provided certain targets agreed with the board of directors of that company are met. These targets were not met for the year ended 30 June 2009.

6. Share Options

(a) The names of substantial option holders and the grant and exercise details are as follows:

Option Holder	Grant Date	Date of Expiry	Exercise Price	Number under Option
Southern Cross Equities	7 April 2004	30 November 2009	\$0.26	1,200,000
Southern Cross Equities	7 April 2004	30 November 2009	\$0.30	600,000
Bachus Strategic Developments Group	7 April 2004	30 November 2009	\$0.26	3,500,000
Bachus Strategic Developments Group	7 April 2004	30 November 2009	\$0.30	1,800,000
Coonawarra Premium Vineyards Limited as trustee for Coonawarra Australia Property Trust	11 May 2007	30 November 2009	\$0.10	3,000,000
				<u>10,100,000</u>

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Director:

Dated 25 September 2009

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2009 there have been:

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

[Enter place of signing]

Prince Hill Wines Limited

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Income Statement

For the Year Ended 30 June 2009

	Note	Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
Sales revenue	3	2,430,012	5,738,047	-	-
Cost of sales	4	(3,170,795)	(4,658,342)	-	-
Gross profit (loss)		(740,783)	1,079,705	-	-
Other income	3	339,143	80,774	13,167	259,435
Marketing expenses		(58,402)	(649,486)	(100)	-
Occupancy expenses		950	(86,175)	-	-
Corporate expenses		(618,934)	(1,058,431)	(47,375)	(21,834)
Finance costs		(135,503)	(299,375)	(585)	-
Vineyard Management Expenses		-	(110,204)	-	-
Management Expenses		(374,617)	(354,368)	-	-
Impairment of inventory		(458,729)	-	-	-
Impairment of plant and equipment		(50,000)	-	-	-
Other expenses		(32,473)	(76,064)	-	-
Profit on disposal of subsidiary		567,523	-	-	-
Share of net losses of joint venture		-	(932,069)	-	-
Profit / (Loss) before income tax		(1,561,825)	(2,405,693)	(34,893)	237,601
Income tax expense / (benefit)		(161)	-	(161)	-
Profit / (Loss) attributable to members		(1,561,986)	(2,405,693)	(35,054)	237,601
Earnings Per Share:					
Overall operations:					
Basic earnings per share (cents per share)	2	(0.02)	(0.02)	-	-
Continuing operations:					
Basic earnings per share (cents per share)		(0.01)	(0.02)	-	-

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Balance Sheet

As At 30 June 2009

	Note	Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
ASSETS					
Current assets					
Cash and cash equivalents	5	112,688	827,420	4,509	45,356
Trade and other receivables	6	120,331	1,228,227	2,696,248	2,704,305
Inventories	7	834,888	1,878,269	-	-
Other assets	8	5,540	29,137	3,725	-
Winery sale receivable		4,620,000	-	-	-
Non-current assets classified as held for sale	9	-	4,773,842	-	-
Total current assets		5,693,447	8,736,895	2,704,482	2,749,661
Non-current assets					
Financial Assets	10	-	-	1,092,823	1,092,823
Property, plant and equipment	11	148,679	141,262	-	-
Total non-current assets		148,679	141,262	1,092,823	1,092,823
TOTAL ASSETS		5,842,126	8,878,157	3,797,305	3,842,484
LIABILITIES					
Current liabilities					
Trade and other payables	13	398,954	2,212,609	15,801	32,706
Borrowings	14	1,754,475	1,071,293	11,780	-
Short-term provisions	15	28,409	39,231	-	-
Total current liabilities		2,181,838	3,323,133	27,581	32,706
Non-current liabilities					
Borrowings	14	17,501	345,251	-	-
Other long-term provisions	15	15,692	15,692	-	-
Total non-current liabilities		33,193	360,943	-	-
TOTAL LIABILITIES		2,215,031	3,684,076	27,581	32,706
NET ASSETS		3,627,095	5,194,081	3,769,724	3,809,778
EQUITY					
Issued capital	16	36,089,103	36,094,103	36,089,103	36,094,103
Reserves	17	15,000	15,000	15,000	15,000
Accumulated Losses		(32,477,008)	(30,915,022)	(32,334,379)	(32,299,325)
TOTAL EQUITY		3,627,095	5,194,081	3,769,724	3,809,778

The accompanying notes form part of these financial statements

Prince Hill Wines Limited

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Statement of Changes in Equity

For the Year Ended 30 June 2009

	2009				
	Note	Ordinary Shares	Accumulated Losses	Option Reserve	Total
		\$	\$	\$	\$
1 July 2008		36,094,103	(32,299,325)	15,000	3,809,778
(Loss) attributable to members		-	(35,054)	-	(35,054)
Transaction costs		(5,000)	-	-	(5,000)
Sub-total		(5,000)	(35,054)	-	(40,054)
Balance at 30 June 2009		36,089,103	(32,334,379)	15,000	3,769,724

	2008				
	Note	Ordinary Shares	Accumulated Losses	Option Reserve	Total
		\$	\$	\$	\$
Balance at 1 July 2007		35,565,938	(32,536,926)	15,000	3,044,012
Profit attributable to members		-	237,601	-	237,601
Shares issued during the year		528,165	-	-	528,165
Sub-total		528,165	237,601	-	765,766
Balance at 30 June 2008		36,094,103	(32,299,325)	15,000	3,809,778

	2009					
	Note	Ordinary Shares	Accumulated Losses	Option Reserve	Minority Equity Interests	Total
		\$	\$	\$	\$	\$
Balance at 1 July 2008		36,094,103	(30,915,022)	15,000	-	5,194,081
(Loss) attributable to members		-	(1,561,986)	-	-	(1,561,986)
Transaction costs		(5,000)	-	-	-	(5,000)
Sub-total		(5,000)	(1,561,986)	-	-	(1,566,986)
Balance at 30 June 2009		36,089,103	(32,477,008)	15,000	-	3,627,095

	2008					
	Note	Ordinary Shares	Accumulated Losses	Option Reserve	Minority Equity Interests	Total
		\$	\$	\$	\$	\$
Balance at 1 July 2007		35,565,938	(28,509,329)	15,000	360,478	7,432,087
(Loss) attributable to members		-	(2,405,693)	-	-	(2,405,693)
Shares issued during the year		528,165	-	-	-	528,165
Eliminated on disposal of subsidiary		-	-	-	(360,478)	(360,478)
Sub-total		528,165	(2,405,693)	-	(360,478)	(2,238,006)
Balance at 30 June 2008		36,094,103	(30,915,022)	15,000	-	5,194,081

The accompanying notes form part of these financial statements

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Cash Flow Statement

For the Year Ended 30 June 2009

	Note	Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
Cash from operating activities:					
Receipts from customers		3,089,539	6,829,869	18,334	-
Payments to suppliers and employees		(3,898,063)	(7,871,866)	(50,059)	(32,081)
Interest received		-	46,237	-	16,178
Interest paid		(121,212)	(299,375)	(472)	-
Net cash provided by (used in) operating activities	24	(929,736)	(1,295,135)	(32,197)	(15,903)
Cash flows from investing activities:					
Proceeds from sale of plant and equipment		1,709	-	-	-
Proceeds from sale of available-for-sale investments		-	1,553,934	-	-
Proceeds from winery sale receivable		380,000	-	-	-
Proceeds from disposal of subsidiary		-	1,623,362	-	1,106,054
Purchase of property, plant and equipment		(850)	(319,354)	-	-
Loans to related parties - payments made		-	1,100,169	(8,650)	(3,634,815)
Loans to related parties - proceeds from repayments		(165,852)	-	-	1,100,169
Net cash provided by (used in) investing activities		215,007	3,958,111	(8,650)	(1,428,592)
Cash flows from financing activities:					
Proceeds from issue of shares		-	528,165	-	528,165
Proceeds from borrowings		28,200	81,224	-	-
Repayment of borrowings		-	(4,473,429)	-	-
Payment of finance lease liabilities		(28,203)	-	-	-
Net cash provided by (used in) financing activities		(3)	(3,864,040)	-	528,165
Net increase (decreases) in cash held		(714,732)	(1,201,064)	(40,847)	(916,330)
Cash at beginning of financial year		827,420	2,028,484	45,356	961,686
Cash at end of financial year	5	112,688	827,420	4,509	45,356

The accompanying notes form part of these financial statements

Prince Hill Wines Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2009

1 Summary of Significant Accounting Policies

(a) General information

This financial report includes the consolidated financial statements and notes of Prince Hill Wines Limited and controlled entities (the Group), and the separate financial statements and notes of Prince Hill Wines Limited as an individual parent entity (Parent).

(b) Basis of preparation

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

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, financial assets and financial liabilities.

(c) Comparatives

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

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

(e) 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.

Plant and equipment

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

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

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Notes to the Financial Statements

For the Year Ended 30 June 2009

1 Summary of Significant Accounting Policies continued

(e) Property, plant and equipment continued

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset

Plant and Equipment	20%
Furniture, Fixtures and Fittings	10%
Motor Vehicles	20%
Computer Software	33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(f) Financial Instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that the the Group commits itself to either purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- the amount in which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- less any reduction for impairment.

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Notes to the Financial Statements

For the Year Ended 30 June 2009

1 Summary of Significant Accounting Policies continued

(f) Financial Instruments continued

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *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 .

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(v) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

(i) Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Prince Hill Wines Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2009

1 Summary of Significant Accounting Policies continued

(f) Financial Instruments continued

(ii) 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 stated at amortised cost using the effective interest rate method.

(iii) Held-to-maturity investments

These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments held by the Group are stated at amortised cost using the effective interest rate method.

(iv) Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

(v) Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(vi) Fair value

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

(vii) Impairment

At each reporting date, the Group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(g) Investments (financial assets)

(i) Available-for-sale financial assets

Investments are classified as available-for-sale financial assets. Available-for-sale financial assets are reflected at fair value unless their fair value cannot be reliably measured. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

(ii) Fair value

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

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Notes to the Financial Statements

For the Year Ended 30 June 2009

1 Summary of Significant Accounting Policies continued

(g) Investments (financial assets) continued

(iii) Recognition

Financial assets are initially measured at cost of trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

(h) Cash and cash equivalents

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

(i) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

(j) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(k) Income taxes

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. 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 assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively

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Notes to the Financial Statements

For the Year Ended 30 June 2009

1 Summary of Significant Accounting Policies continued

(k) Income taxes continued

enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

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.

Current assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(l) Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

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

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the reporting date and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

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

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Notes to the Financial Statements

For the Year Ended 30 June 2009

1 Summary of Significant Accounting Policies continued

(m) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare 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.

All other borrowing costs are recognised in income in the period in which they are incurred.

(n) Goods and Services Tax (GST)

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

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(o) Basis of consolidation

A list of controlled entities is contained in Note 12 to the financial statements.

All inter-group balances and transactions between entities in the the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

A controlled entity is an entity over which Prince Hill Wines Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

(p) Rounding of Amounts

All inter-group balances have and transactions between entities in the consolidated group, including any unrealised profits or losses have been eliminated on consolidation. Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the Group, are shown separately within the equity section of the Consolidated Balance sheet and Consolidated Income Statement.

(q) New Accounting Standards for Application in Future Periods

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

- AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2,4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable

Prince Hill Wines Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2009

1 Summary of Significant Accounting Policies continued

(q) New Accounting Standards for Application in Future Periods continued

prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Group will be unable to be determined. The following changes to accounting requirements are included:

- acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
- contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
- there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Group's policy);
- a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
- dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
- where there is, in substance, no change to Group interests, parent entities inserted above existing Groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.
- impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and

The Group will need to determine whether to maintain its present accounting policy of calculating goodwill based on the parent entity's share of net assets acquired or change its policy so goodwill recognised also reflects that of the non-controlling interest.

- AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.
- AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements

Prince Hill Wines Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2009

1 Summary of Significant Accounting Policies continued

(q) New Accounting Standards for Application in Future Periods continued

including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

- AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Group as a policy of capitalising qualifying borrowing costs has been maintained by the Group.
- AASB 2008-1: Amendments to Australian Accounting Standard — Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.
- AASB 2008-2: Amendments to Australian Accounting Standards — Puttable Financial Instruments and Obligations Arising on Liquidation [AASB 7, AASB 101, AASB 132 & AASB 139 & Interpretation 2] (applicable for annual reporting periods commencing from 1 January 2009). These amendments introduce an exception to the definition of a financial liability to classify as equity instruments certain puttable financial instruments and certain other financial instruments that impose an obligation to deliver a pro-rata share of net assets only upon liquidation.
- AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's 10 annual improvements project. No changes are expected to materially affect the Group.
- AASB 2008-8: Amendments to Australian Accounting Standards — Eligible Hedged Items [AASB 139] (applicable for annual reporting periods commencing from 1 July 2009). This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations and is not expected to materially affect the Group.
- AASB 2008-13: Amendments to Australian Accounting Standards arising from AASB Interpretation 17 — Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110] (applicable for annual reporting periods commencing from 1 July 2009). This amendment requires that non-current assets held for distribution to owners be measured at the lower of carrying value and fair value less costs to distribute.
- AASB Interpretation 15: Agreements for the Construction of Real Estate (applicable for

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Notes to the Financial Statements

For the Year Ended 30 June 2009

1 Summary of Significant Accounting Policies continued

(q) New Accounting Standards for Application in Future Periods continued

annual reporting periods commencing from 1 January 2009). Under the interpretation, agreements for the construction of real estate shall be accounted for in accordance with AASB 111 where the agreement meets the definition of 'construction contract' per AASB 111 and when the significant risks and rewards of ownership of the work in progress transfer to the buyer continuously as construction progresses. Where the recognition requirements in relation to construction are satisfied but the agreement does not meet the definition of 'construction contract', revenue is to be accounted for in accordance with AASB 118. Management does not believe that this will represent a change of policy to the Group.

- AASB Interpretation 16: Hedges of a Net Investment in a Foreign Operation (applicable for annual reporting periods commencing from 1 October 2008). Interpretation 16 applies to entities that hedge foreign currency risk arising from net investments in foreign operations and that want to adopt hedge accounting. The interpretation provides clarifying guidance on several issues in accounting for the hedge of a net investment in a foreign operation and is not expected to impact the Group.
- AASB Interpretation 17: Distributions of Non-cash Assets to Owners (applicable for annual reporting periods commencing from 1 July 2009). This guidance applies prospectively only and clarifies that non-cash dividends payable should be measured at the fair value of the net assets to be distributed where the difference between the fair value and carrying value of the assets is recognised in profit or loss.
- AASB Interpretation 18: Transfers of Assets from Customers (applicable for annual reporting periods commencing from 1 July 2009). This guidance applies prospectively to entities that receive transfers of assets, such as plant and equipment, from their customers in order to connect customers to a network and provide them with access to a supply of goods or services. The Interpretation outlines the appropriate accounting treatment in respect of such transfers.

The Group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Group's financial statements.

(r) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and based on current trends and economic data, obtained both externally and within the Group.

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Notes to the Financial Statements

For the Year Ended 30 June 2009

2 Earnings per share

(a) Reconciliation of Earnings to Profit or Loss

	Consolidated	
	2009	2008
	\$	\$
Profit / (Loss)	(2,129,508)	(2,405,693)
Profit / (Loss) attributable to minority equity interest	<u>567,523</u>	-
Earnings used to calculate basic EPS	<u>(1,561,985)</u>	(2,405,693)
Earnings used in calculation of dilutive EPS	<u>(1,561,985)</u>	(2,405,693)

(b) Reconciliation of Earnings to Profit or Loss from Continuing Operations

	Consolidated	
	2009	2008
	\$	\$
Profit / (Loss) from continuing operations	<u>(1,605,276)</u>	(2,203,148)
Earnings used to calculate basic EPS from continuing operations	<u>(1,605,276)</u>	(2,203,148)
Earnings used in the calculation of dilutive EPS from continuing operations	<u>(1,605,276)</u>	(2,203,148)

(c) Reconciliation of Earnings to Profit or Loss from Discontinuing Operations

	Consolidated	
	2009	2008
	\$	\$
Profit / (Loss) from discontinuing operations	(524,232)	202,454
Profit / (Loss) attributable to minority equity interest	<u>172,997</u>	(60,745)
Earnings used to calculate basic EPS from discontinuing operations	<u>(351,235)</u>	141,709

(d) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

	Consolidated	
	2009	2008
Weighted average number of ordinary shares outstanding during the year - No. used in calculating basic EPS	<u>124,638,407</u>	107,940,466
Weighted average number of options outstanding	<u>15,600,000</u>	15,600,000
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<u>140,238,407</u>	123,540,466

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Notes to the Financial Statements

For the Year Ended 30 June 2009

2 Earnings per share continued

(e) Diluted earnings per share is not reflected for discontinuing operations as the result is anti-dilutive in nature.

3 Revenue

	Note	Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
Sales revenue					
- Sale of goods		2,217,911	5,519,051	-	-
- Services revenue		212,101	218,996	-	-
- Rental income		-	34,055	-	-
- Recoveries		44,083	483	12,960	-
- Gain on asset and subsidiary disposals		280,296	-	-	-
- Interest received		14,764	46,236	208	16,178
- Dividend received		-	-	-	243,257
Total Revenue		2,769,155	5,818,821	13,168	259,435
		Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
Dividend revenue from:					
partly-owned subsidiaries		-	-	-	(243,257)
Total dividend revenue		-	-	-	(243,257)

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Interest revenue from:				
other related parties	8,260	-	-	-
interest charged on trade and other receivables	6,504	46,236	208	16,178
Total interest revenue on financial assets not at fair value through profit or loss	14,764	46,236	208	16,178

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Notes to the Financial Statements

For the Year Ended 30 June 2009

4 Profit / (Loss) for the Year

(a) Expenses

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cost of sales	3,170,795	4,658,342	-	-
Interest expense on financial liabilities not at fair value through profit or loss:				
external	135,503	299,375	585	-
Total interest expense	135,503	299,375	585	-
Impairment of stock	458,728	-	-	-
Bad and doubtful debts				
Bad debts	(11,558)	76,065	-	-
Total bad and doubtful debts	(11,558)	76,065	-	-

5 Cash and cash equivalents

(a) Detailed table

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash on hand	1,754	2,936	3	3
Cash at bank	110,934	824,484	4,506	45,353
	112,688	827,420	4,509	45,356

(b) Effective Interest Rate

The effective interest rate on short-term bank deposits was 0.1% (2008: 4.6%); these deposits have an average maturity of 20 days.

(c) Reconciliation of Cash

Note	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:				
Cash and cash equivalents	112,688	827,420	4,509	45,356
	112,688	827,420	4,509	45,356

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Notes to the Financial Statements

For the Year Ended 30 June 2009

6 Trade and other receivables

	Note	Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
CURRENT					
Trade receivables		85,314	954,758	-	-
Provision for impairment of receivables		(12,000)	(111,464)	-	-
		73,314	843,294	-	-
Other receivables		47,017	197,897	420	-
Amounts receivable from:					
- wholly-owned subsidiaries		-	-	43,155,541	43,164,018
- provision for impairment of receivable from wholly-owned subsidiaries		-	-	(40,459,713)	(40,459,713)
- other related parties		-	187,036	-	-
		120,331	1,228,227	2,696,248	2,704,305

(a) Provision for Receivables

Current trade receivables are non-interest bearing loans and are generally on 30 to 60 day terms. A provision is recognised when there is an objective evidence that an individual trade receivable is impaired. These amounts have been included in the other expense item.

The movement in provision for receivables is as follows:

	Consolidated			
	Opening balance	Charge for the year	Amounts written off	Closing balance 2009
	\$	\$	\$	\$
(i) Current trade receivables	111,463	(131,410)	31,947	12,000
	111,463	(131,410)	31,947	12,000

There are no balances within trade and other receivables that contain assets that are not doubtful and are past due. It is expected these balances will be received when due. Doubtful assets are provided for in full.

(b) Credit risk - Trade and Other Receivables

These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

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Notes to the Financial Statements

For the Year Ended 30 June 2009

6 Trade and other receivables continued

(c) Credit risk - Trade and Other Receivables

	Consolidated						Within initial trade terms
	Past due and impaired						
	Gross amount	Past due and impaired	< 30	31-60	61-90	> 90	
\$	\$	\$	\$	\$	\$	\$	
2009							
Trade and term receivables	85,313	10,399	206	-	206	-	74,502
Total	85,313	10,399	206	-	206	-	74,502
2008							
Trade and term receivables	954,758	111,463	-	-	268,046	105,754	469,495
Total	954,758	111,463	-	-	268,046	105,754	469,495

7 Inventories

	Note	Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
CURRENT					
At Cost					
Raw materials and stores		56,037	120,937	-	-
Finished goods		778,851	1,757,332	-	-
		834,888	1,878,269	-	-

8 Other Assets

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
CURRENT				
Prepayments	5,540	29,137	3,725	-
	5,540	29,137	3,725	-

9 Assets Held For Sale

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Land	-	651,534	-	-
Improvements	-	1,651,253	-	-
Biological assets - grapevines and grapes	-	191,555	-	-
Plant and equipment	-	2,279,500	-	-
	-	4,773,842	-	-

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Notes to the Financial Statements

For the Year Ended 30 June 2009

10 Financial Assets

	Note	Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
Investments in controlled entities		-	-	1,092,823	1,092,823
		-	-	1,092,823	1,092,823

11 Property, plant and equipment

(a) Property Plant and Equipment - detailed table

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Plant and equipment				
At cost	753,516	-	-	-
Accumulated depreciation	(637,746)	-	-	-
Total plant and equipment	115,770	-	-	-
Motor vehicles				
At cost	41,864	179,885	-	-
Accumulated depreciation	(15,337)	(45,285)	-	-
Total motor vehicles	26,527	134,600	-	-
Office equipment				
At cost	-	7,508	-	-
Accumulated depreciation	-	(846)	-	-
Total office equipment	-	6,662	-	-
Computer software				
At cost	6,382	-	-	-
Total computer software	6,382	-	-	-
Total property, plant and equipment	148,679	141,262	-	-

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Notes to the Financial Statements

For the Year Ended 30 June 2009

11 Property, plant and equipment continued

(b) Movements in Carrying Amounts

Movement in the carrying amount for each class of property, plant and equipment between the beginning and the end of the current financial year

Consolidated

	Plant and Equipment	Motor Vehicles	Office Equipment	Computer Software	Total
	\$	\$	\$	\$	\$
Balance at the beginning of year	-	134,600	6,662	-	141,262
Additions	850	-	-	6,382	7,232
Disposals	-	-	(2,820)	-	(2,820)
Disposals through business divestiture	-	(36,540)	(2,422)	-	(38,962)
Transfers from assets held for sale	179,017	15,909	-	-	194,926
Depreciation expense	(64,097)	(37,442)	(1,420)	-	(102,959)
Impairment loss in income	-	(50,000)	-	-	(50,000)
Carrying amount at the end of year	115,770	26,527	-	6,382	148,679

12 Controlled Entities

Name	Country of incorporation	Percentage Owned (%)* 2009	Percentage Owned (%)* 2008
Parent Entity:			
Prince Hill Wines Limited (ASX: PHW)	Australia		
Subsidiaries of parent entity:			
Prince Hill Wine Services Pty Ltd	Australia	100%	100%
Prince Hill Cellars Pty Ltd	Australia	100%	100%
The Wine List Pty Ltd	Australia	0%	66.7%

* Percentage of voting power is in proportion to ownership

(a) Acquisitions - Disposals of Controlled Entities

The group did not acquire any entities during the year. The group disposed The Wine List Pty Ltd during the year.

(b) Disposal of Controlled Entities

On 28 February 2009, the Group disposed of its 67% interest in The Wine List Pty Ltd to the Watson Wine Group Pty Ltd (WWG) a related party of director, Rex Watson. An operating profit of \$ 50,637 after income tax was attributable to members of the parent company from the disposal. The disposal also recovered WWG's share of the losses (\$567,523) incurred by The Wine List Pty Ltd. No remaining interest in the entity was held by any member of the Group.

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Notes to the Financial Statements

For the Year Ended 30 June 2009

13 Trade and other payables

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
CURRENT				
Unsecured liabilities				
Trade payables	206,188	1,255,398	15,801	740
Other payables	92,789	35,684	-	31,966
Amount payable to:				
- other related parties	99,977	921,527	-	-
	398,954	2,212,609	15,801	32,706

14 Borrowings

(a) Bank borrowings

The bank borrowings expire on 18 February 2010. Agreement has been reached with the company's bankers to repay the borrowings on 18 February 2010 on settlement of the winery sale.

(b) Detailed Table Current

Note	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
CURRENT				
Unsecured liabilities				
Related party borrowings	705,483	-	11,780	-
	705,483	-	11,780	-
Secured liabilities				
Finance lease obligation	5,992	28,293	-	-
Bank borrowings	1,043,000	1,043,000	-	-
	1,754,475	1,071,293	11,780	-

(c) Detailed Table Non Current

Note	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
NON-CURRENT				
Secured liabilities				
Finance lease obligation	17,501	165,251	-	-
Related party borrowings	-	180,000	-	-
	17,501	345,251	-	-

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Notes to the Financial Statements

For the Year Ended 30 June 2009

14 Borrowings continued

(d) Total current and non-current secured liabilities

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Finance lease obligations	23,493	193,544	-	-
Bank borrowings	1,043,000	1,223,000	-	-
	1,066,493	1,416,544	-	-

(e) The carrying amounts of non-current assets pledged as security are:

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
First mortgage over freehold land and buildings	-	4,773,842	-	-
Floating charge over winery sale receivable	4,620,000	-	-	-
	4,620,000	4,773,842	-	-

(f) Bank borrowings

Funds have been drawn under a Floating Rate Bill Facility. The facility has an amortisation schedule of \$155,000 at 15 July 2009 and \$145,000 on 15 October 2009 with the balance of \$745,000 due on 18 February 2010 (date of settlement of winery sale) and bear variable interest at 3.9% payable monthly in arrears (2008: 7.9%).

(g) Collateral Provided

The bank borrowings are secured by a registered first mortgage over the freehold properties owned by the company and the winery sale receivable.

Lease liabilities are secured by the underlying leased assets.

15 Provisions

(a) Movement in carrying amounts - detailed table

Consolidated	Employee entitlements	Total
	\$	\$
Opening balance at 1 July 2008	54,923	54,923
Additional provisions	65,391	65,391
Amounts used	(76,213)	(76,213)
Balance at 30 June 2009	44,101	44,101

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For the Year Ended 30 June 2009

15 Provisions continued

(b) Analysis of Total Provisions

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Current	28,409	39,231	-	-
Non-current	15,692	15,692	-	-
	44,101	54,923	-	-

(c) Provision for Employee Entitlements

Provisions have been recognised for employee entitlements relating to long service leave and annual leave. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report. The parent entity has no provisions to recognise.

16 Issued Capital

(a) Summary Table

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
124,638,407 (2008: 124,638,407) Ordinary	36,089,103	36,094,103	36,089,103	36,094,103
Total	36,089,103	36,094,103	36,089,103	36,094,103

Issued capital has decreased by \$5,000 due to transaction costs for a rights issue from the prior year.

(b) Ordinary Shares

	Consolidated		Parent	
	2009	2008	2009	2008
	No.	No.	No.	No.
At the beginning of reporting period	124,638,407	106,553,100	124,638,407	106,553,100
Rights Issue	-	18,085,307	-	18,085,307
At reporting date	124,638,407	124,638,407	124,638,407	124,638,407

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

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

(c) Options

- (i) For information relating to Prince Hill Wines Limited employee option plan, including details of options issued and lapsed during the financial year and the options outstanding at year-end, refer to Note 17.

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For the Year Ended 30 June 2009

16 Issued Capital continued

(c) Options continued

- (ii) For information relating to share options issued to key management personnel during the financial year, refer to Note 17.

(d) Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio and ensure that it can fund its operations as going concern.

The Group's debt and capital includes ordinary capital and financial liabilities.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group'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 and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. This strategy is to ensure that the Group's gearing ratio is between 10% and 50%.

The gearing ratio for the year ended 30 June 2009 and 30 June 2008 are as follows:

	Note	Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
Total borrowings		1,771,976	1,416,544	11,780	-
Less Cash and cash equivalents	5	(112,688)	(827,420)	(4,509)	(45,356)
Net debt		1,659,288	589,124	7,271	(45,356)
Total equity		3,627,095	5,194,081	3,769,724	3,809,778
Total capital		5,286,383	5,783,205	3,776,995	3,764,422
Gearing ratio		31.00 %	10.00 %	- %	(1.00)%

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Notes to the Financial Statements

For the Year Ended 30 June 2009

17 Options

(a) Options to take up shares in the company have been granted as follows:

	Grant Date	Date of Expiry	Exercise Price	Number under Option
Option Holders				
Southern Cross Equities	7 April 2004	30 November 2009	\$0.26	1,200,000
Southern Cross Equities	7 April 2004	30 November 2009	\$0.30	600,000
Bacchus Strategic Developments Group	7 April 2004	30 November 2009	\$0.26	3,500,000
Bacchus Strategic Developments Group	7 April 2004	30 November 2009	\$0.30	1,800,000
Coonawarra Premium Vineyards Limited as Trustee for Coonawarra Australia Property trust	11 May 2007	30 November 2009	\$0.10	3,000,000
Total				<u>10,100,000</u>

18 Capital and Leasing Commitments

(a) Finance Lease Commitments

	Consolidated	
	2009	2008
	\$	\$
Payable - minimum lease payments		
- not later than 12 months	7,416	43,398
- between 12 months and 5 years	20,560	194,552
Minimum lease payments	<u>27,976</u>	237,950
Less future finance changes	<u>(4,482)</u>	(44,406)
Present value of minimum lease payments	14 <u>23,494</u>	193,544

The finance lease relate to motor vehicles used in winery and cellar door operations. The prior year includes finance lease obligations of a disposed subsidiary. The parent entity has no lease obligations.

19 Financial instruments

(a) Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries, bills and leases.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	112,688	827,420	4,509	45,356
Loans and receivables	5,240,331	1,228,227	2,696,248	2,704,305
	<u>5,353,019</u>	2,055,647	<u>2,700,757</u>	2,749,661

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19 Financial instruments continued

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Financial Liabilities				
Financial liabilities at amortised cost				
- Trade and other payables	1,604,437	2,212,609	27,583	21,453
- Borrowings	1,066,580	1,236,544	-	-
	2,671,017	3,449,153	27,583	21,453

(b) Financial Risk Management Policies

The Company provides treasury services to the business, co-ordinates access to domestic and international financial markets, and manages the financial risks relating to the operations of the consolidated group. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Company's policies approved by the board of directors of the Company, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the board on a continuous basis. The Company's activities expose it primarily to the financial risks of changes in interest rates. The Company does not enter into derivative financial instruments to manage its exposure to interest rate risk.

(c) Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk and liquidity risk.

(d) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

(e) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financial activities
- monitoring undrawn credit facilities
- obtaining funding from a variety of sources
- maintaining a reputable credit risk profile
- managing credit risk related to financial assets
- investing only in surplus cash with major financial institutions
- comparing the maturity profile of financial liabilities with the realisation profile of financial

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For the Year Ended 30 June 2009

19 Financial instruments continued

(e) **Liquidity risk continued**
assets

(f) **Liquidity Risk - financial assets pledged as collateral**

Financial assets pledged as collateral

Certain financial assets have been pledged as security for debt and their realisation into cash may be restricted subject to terms and conditions attached to the relevant debt contracts. Refer to Note 14: Borrowings for further details.

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For the Year Ended 30 June 2009

20 Segment information

Primary reporting - Business segments

	Australia		North America		Europe		Oceania		Asia		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE												
Revenue from external customers:												
Sale of goods	\$ 1,737,404	\$ 5,106,070	\$ 123,384	\$ 67,683	\$ -	\$ 172,877	\$ -	\$ 9,463	\$ 35,200	\$ 145,410	\$ 1,895,988	\$ 5,501,503
services revenue	212,101	236,544	-	-	-	-	-	-	-	-	212,101	236,544
Operating grants	321,923	-	-	-	-	-	-	-	-	-	321,923	-
Other Revenue	58,847	80,774	-	-	-	-	-	-	-	-	58,847	80,774
Total revenue from external customers	2,330,275	5,423,388	123,384	67,683	-	172,877	-	9,463	35,200	145,410	2,488,859	5,818,821
Total revenue	\$ 2,330,275	\$ 5,423,388	\$ 123,384	\$ 67,683	\$ -	\$ 172,877	\$ -	\$ 9,463	\$ 35,200	\$ 145,410	\$ 2,488,859	\$ 5,818,821
RESULT												
Net income/loss for the period	\$ (1,544,090)	\$ 2,405,693	\$ (17,840)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (56)	\$ -	\$ (1,561,986)	\$ 2,405,693
Unallocated expenses:												
Finance costs	135,503	-	-	-	-	-	-	-	-	-	135,503	-
Minority interest	567,523	-	-	-	-	-	-	-	-	-	567,523	-
	(841,064)	2,405,693	(17,840)	-	-	-	-	-	(56)	-	(858,960)	2,405,693
Net profit for the year	\$ (841,064)	\$ 2,405,693	\$ (17,840)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (56)	\$ -	\$ (858,960)	\$ 2,405,693
ASSETS												
Segment assets	\$ 6,294,932	\$ 8,878,157	\$ 47,193	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,342,125	\$ 8,878,157
Total assets	\$ 6,294,932	\$ 8,878,157	\$ 47,193	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,342,125	\$ 8,878,157
LIABILITIES												
Segment liabilities	\$ 2,715,031	\$ 3,684,075	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,715,031	\$ 3,684,075

Prince Hill Wines Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2009

20 Segment information continued

	Australia		North America		Europe		Oceania		Asia		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total liabilities	\$ 2,715,031	\$ 3,684,075	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2,715,031	3,684,075

	Australia		North America		Europe		Oceania		Asia		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
OTHER												
Cash flows from operating activities	\$ 959,033	\$ 1,295,135	\$ (29,353)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56	\$ -	929,736	1,295,135
Cash flows from investing activities	\$ (32,471)	\$ 3,958,112	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(32,471)	3,958,112
Cash flows from financing activities	\$ 247,497	\$ 3,864,040	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	247,497	3,864,040

Prince Hill Wines Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2009

20 Segment information continued

(a) Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles, and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

(b) Business and Geographic Segments

In 2009 and 2008, the Company operated principally in one business segment, being wine production and sales. Accordingly, the primary reporting segment is now regarded as being geographical and no business segment analysis is relevant in 2009 and 2008.

(c) Impairment Losses

An impairment loss amounting to \$ 458,728 relating to bulk wine within the Australian segment was recognised as an expense for the year ended 30 June 2009. There were no impairment losses for 2008.

An impairment loss amounting to \$50,000 relating to motor vehicles within the Australian segment was recognised as an expense for the year ended 30 June 2009. There were no impairment losses for 2008.

21 Interests of Key Management Personnel

(a) Totals of remuneration paid

Refer to the Remuneration Report contained in the Directors Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2009.

The totals of remuneration paid to key management personnel of the company and the Group during the year are as follows:

	2009	2008
	\$	\$
Short-term employee benefits	302,736	350,859
Post-employment benefits	26,457	53,865
Termination benefits	17,509	-
	<u>346,702</u>	<u>404,724</u>

Prince Hill Wines Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2009

21 Interests of Key Management Personnel continued

(b) Options and Rights Holdings

There were no options granted during the financial year to the directors or any of the five most highly remunerated officers as part of their remuneration. The listed individuals each have a relevant interest in the options.

The 56,500,685 shares and 3,000,000 options are all held by Australian Executor (SA) Trust Limited as custodian for Coonawarra Australia Property Trust, a related party.

The number of options over ordinary shares held by each key management personnel of the Group during the financial year is as follows:

	Balance at beginning of year	Other changes during the year	Balance at end of year
30 June 2009			
Rex Watson	3,000,000	-	3,000,000
Andrew Parkinson	3,000,000	-	3,000,000

	Balance at beginning of year	Other changes during the year	Balance at end of year
30 June 2008			
Rex Watson	-	3,000,000	3,000,000
Andrew Parkinson	-	3,000,000	3,000,000

(c) Key Management Personnel Shareholdings

All shares listed below are held in trust by Australian Executor (SA) Trust Limited as custodian for Coonawarra Australian Property Trust, a related party.

The number of ordinary shares in Prince Hill Wines Limited in which a relevant interest is held by each key management personnel of the Group during the financial year is as follows:

	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
30 June 2009					
Rex Watson	56,500,685	-	-	-	56,500,685
Andrew Parkinson	56,500,685	-	-	-	56,500,685

Prince Hill Wines Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2009

21 Interests of Key Management Personnel continued

(c) Key Management Personnel Shareholdings continued

	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
30 June 2008					
Rex Watson	39,834,018	-	-	16,666,667	56,500,685
Andrew Parkinson	39,834,018	-	-	16,666,667	56,500,685

(d) Other Key Management Personnel Transactions

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with key management personnel, refer to Note 23: Related Party Transactions.

For details of loans to key management personnel, refer to Note 6: Trade and Other Receivables.

22 Auditors' Remuneration

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Remuneration of the auditor of the parent entity for:				
- auditing or reviewing the financial report	18,500	65,922	10,500	70

Prince Hill Wines Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2009

23 Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transaction with related parties:

	Consolidated	
	2009	2008
	\$	\$
During the financial year the consolidated entity paid fees to Coonawarra Vineyard Management Services Pty Ltd (CVMS), a related entity of director, Rex Watson. These fees were in respect of management services (including administration, finance, accounting, sales and marketing) provided to the consolidated entity for the financial year. These fees were charged to Prince Hill Wines at cost with CVMS not making any profit margin on the fees. In this respect, the fees are at a discount to normal commercial terms and conditions.	311,238	355,689
The Coonawarra Australia Property Trust has lent the consolidated group the funding to pay for its operational losses and an installment for the Winery sale. The interest charges were on third party commercial terms and conditions.	705,842	-
During the financial year the consolidated entity purchased bulk wine, finished wine and bottling services from the Watson Wine Group, a related entity of director, Rex Watson. These charges were calculated on the basis of cost recovery and do not include any profit element.	903,024	179,788
During the financial year the consolidated entity sold finished wine to the Watson Wine Group, a related entity of director, Rex Watson. These charges were on third party commercial terms and conditions.	47,741	47,324
During the financial year the consolidated entity charged commission to the Watson Wine Group, a related entity of director, Rex Watson. These charges were on third party commercial terms and conditions.	165,501	-
During the financial year the consolidated entity sold packaged wine to Hastings Estate Pty Ltd and Hastings Wine Services (together referred to as Hastings), businesses which are related entities to the key management person John Cassegrain. These sales are at normal wholesale prices and comprise sales made through Cassegrain Winery Cellar Door and the Cassegrain Wine Club, which are owned by Hastings.	-	(1,088,819)
During the year the consolidated entity paid fees to Hastings for management and production services (including administration, winemaking, bottling and sales operations and rent for the use of the Cassegrain Winery land and buildings). These charges were calculated on the basis of cost recovery and do not include any profit element.	-	727,129

Prince Hill Wines Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2009

24 Cash Flow Information

(a) Reconciliation of Cash Flow from Operations with Profit / (Loss) after Income Tax

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Net income / (loss) for the period	(1,561,986)	(2,405,693)	(35,054)	237,601
Cash flows excluded from profit attributable to operating activities				
Non-cash flows in profit				
Depreciation	102,959	126,023	-	-
Impairment of property, plant and equipment	50,000	-	-	-
Impairment of receivables	(11,558)	76,064	-	-
Impairment of inventory	458,729	-	-	-
Net gain on disposal of property, plant and equipment	(228,863)	-	-	-
Diminution in value of loans to controlled entities	-	-	-	(239,154)
Net gain/(loss) on disposal of controlled entity	(50,637)	-	-	-
Share of associated companies net profit after income tax and dividends	(567,523)	-	-	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and term receivables	178,991	409,913	451	14,010
(Increase)/decrease in prepayments	23,597	-	(3,725)	-
(Increase)/decrease in inventories	29,121	(487,440)	-	-
Increase/(decrease) in trade payables and accruals	658,256	985,998	6,130	(28,360)
Increase/(decrease) in provisions	(10,822)	-	-	-
	(929,736)	(1,295,135)	(32,198)	(15,903)

(b) Loan Facilities

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Loan facilities unutilised	-	1,630,000	-	-
Amount utilised	1,043,000	1,043,000	-	-
	1,043,000	2,673,000	-	-

Funds have been drawn under a Floating Rate Bill Facility. The facility has an amortisation schedule of \$155,000 at 15 July 2009 and \$145,000 on 15 October 2009 with the balance of \$745,000 due on 18 February 2010 (date of settlement of winery sale) and bear variable interest at 3.9% payable monthly in arrears (2008: 7.9%).

Prince Hill Wines Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2009

25 Events after the end of the reporting period

(a) There has not been any other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

(b) The financial report was authorised for issue on 31 August 2009 by the board of directors.

26 Company Details

(a) Registered office

The registered office of the company is:

Prince Hill Wines Limited
235 Glen Osmond Road
Frewville SA 5063

(b) Principal place of business

The principal place of business is:

Prince Hill Wines
1220 Castlereagh Highway
Mudgee NSW 2850

Prince Hill Wines Limited

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Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 14 to 49, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards; and
 - (b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company and consolidated group;
2. The Chief Executive Officer and Chief Financial Officer have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. 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

Director

Dated 25 September 2009

Prince Hill Wines Limited

ABN: 99 000 094 995

Independent Audit Report to the members of Prince Hill Wines Limited

Report on the Financial Report

We have audited the accompanying financial report of Prince Hill Wines Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement 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 Prince Hill Wines Limited and the entities it controlled at the year's end or from time to time during the financial year.

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: designing, implementing 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 , 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 judgment, 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 company'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*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Prince Hill Wines Limited on , would be in the same terms if provided to the directors as at the date of this auditor's report.

Prince Hill Wines Limited

ABN: 99 000 094 995

Independent Audit Report to the members of Prince Hill Wines Limited

Prince Hill Wines Limited

ABN: 99 000 094 995

Independent Audit Report to the members of Prince Hill Wines Limited Auditor's Opinion

In our opinion:

- (a) the financial report of Prince Hill Wines Limited 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 2009 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 Note .

[Enter place of signing]

Prince Hill Wines Limited

ABN: 99 000 094 995

Additional Information for Listed Public Companies

As at the 25 August 2009 there were 124,638,407 fully paid ordinary shares held by 733 shareholders. All shares carry full voting rights. Of these ordinary shares, the twenty largest holders held 100,932,353 shares equal to 80.98% of all issued shares.

1. Shareholding

a. Distribution of Shareholders

Category (size of holding)	Number	
	Ordinary	Total Units
- 1,000	483	73,180
1, - 5,000	61	160,963
5, - 10,000	23	183,091
10, - 100,000	87	3,839,150
100, - shares and over	<u>79</u>	<u>120,382,023</u>
	<u>733</u>	<u>124,638,407</u>

b. The number of shareholdings held in less than marketable parcels is 621

c. The names of the substantial shareholders listed in the holding company's register as at 25 August 2009 are:

Shareholder	Number		% Held of Issued Ordinary Capital
	Ordinary		
Coonawarra Premium Vineyards Limited (Coonawarra Australia Property Trust A/C)	56,500,685		45.33
Three Crowns Investments Pty Ltd	20,807,765		16.69
Mr John David Sergeant (Sergeant Family A/C)	3,327,063		2.67
Luton Pty Ltd	2,500,000		2.01
Bende Holdings Pty Ltd	2,495,151		2.00

d. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Redeemable and converting preference shares

- These shares have no voting rights.

Prince Hill Wines Limited

ABN: 99 000 094 995

Additional Information for Listed Public Companies

e. 20 Largest Shareholders - Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
Coonawarra Premium Vineyards Limited (Coonawarra Australia Property Trust A/C)	42,922,608	34.44
Three Crowns Investments Pty Ltd	20,807,765	16.70
Coonawarra Premium Vineyards Limited	9,265,486	7.43
Mr John David Sergeant (Sergeant Family A/C)	3,327,063	2.67
Coonawarra Premium Vineyards Ltd	2,562,775	2.06
Luton Pty Ltd	2,500,000	2.01
Bende Holdings Pty Ltd	2,495,151	2.00
Mr David Corley	2,000,000	1.61
Coonawarra Vineyard Management Services Pty Ltd	1,749,816	1.40
Toporino Pty Ltd	1,735,991	1.39
G & J Paul Pty Ltd	1,576,691	1.26
Sandstone Nominees Pty Ltd (JW Mackenzie Private S/F A/C)	1,305,391	1.05
Mr Guenther Franz Goetz (G Goetz & CO Super A/C)	1,250,000	1.00
Mr Gerald Francis Pauley & Mr Michael James Pauley (Pauley Super Fund A/C)	1,146,589	0.92
ANZ Nominees Limited (Cash Income A/C)	1,136,364	0.91
Ruminator Pty Ltd	1,136,363	0.91
Winpar Holdings Limited	1,050,000	0.84
Mr Alan John Stringfellow & Mrs Susan Joy Stringfellow (AJS Super Fund A/C)	1,018,000	0.82
Tall Wind Pty Ltd	1,000,000	0.80
Mrs Milly Elkington	<u>946,300</u>	<u>0.76</u>
	<u>100,932,353</u>	<u>80.98</u>

- The name of the company secretary is Conrad Guerra
- The address of the principal registered office in Australia is 235 Glen Osmond Road, Frewville SA 5063. Telephone +61 8 8338 3400
- Registers of securities are held at the following addresses

New South Wales

Level 7, 207 Kent Street Sydney 2000

5. Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited.

6. Unquoted Securities

Options over Unissued Shares

A total of 10,100,000 options are on issue. 7,100,000 options are on issue to 2 holders of ordinary securities.

3,000,000 options are on issue to Coonawarra Australia Property Trust for which 2 directors a relevant interest.

Prince Hill Wines Limited

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Notice of Annual General Meeting

Notice is hereby given that the annual general meeting of the Company will be held at 235 Glen Osmond Road, Frewville, South Australia 5063 on Wednesday 25 November at 12 noon.

BUSINESS

1. **To consider reports.**

The annual financial report, director's report and independent auditor's report for the year ended 30 June 2009 will be presented for consideration.

2. **Adoption of Remuneration Report**

To consider and if thought fit to pass the following resolutions as an ordinary resolution:

"That the remuneration report for the Company (included in the Report of the Directors at page 11) for the 30 June 2009 be adopted" (1)

(1) Please note whilst the Corporations Act 2001 (Cth) requires this resolution to be put to the vote, the resolution is advisory only and does not bind the Directors or the Company. A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting

EXPLANATORY NOTE

The remuneration report is set out in the report of the Directors (*at page 11*) in the Company's 2009 Annual Report.

The Corporation's Act requires companies to put a resolution to their shareholder's that the Remuneration Report be adopted. Under section 250R(3) of the Corporations Act, the vote on the resolution is advisory only and does not bind the Director's or the Company.

Prince Hill Wines Limited

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Proxy Form

Proxy Form

I / We

(Name in Block Letters)

Of

- Postcode:

(Address in Block Letters)

Being a Shareholder of Prince Hill Wines Limited (Company)

hereby appoint(s)

(Name in Block Letters)

- Postcode

(Address in Block Letters)

or failing him/her, the Chair of the Meeting, as my/our proxy to attend, vote and otherwise act on my/our behalf at the annual general meeting of the Company to be held at 235 Glen Osmond Road, Frewville, South Australia 5063, on Wednesday 25 November 2009 commencing at 12.00 noon and at any adjournment of that meeting.

If I/we have appointed two proxies, this proxy shall represent _____% of my/our voting rights or _____ (number) of my/our shares.

ORDINARY RESOLUTIONS (refer to Notice of Meeting):

My/our proxy is instructed to vote as indicated below in respect of the resolution arising out of the business in the Notice of Meeting. If I/we have not specifically directed my/our proxy how to vote, my/our proxy may vote or abstain from voting as the proxy thinks fit.

	FOR	AGAINST	ABSTAIN	* NO DIRECTION
1. Adoption of Remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the meeting intends to vote in favour of each resolution with any undirected proxies he holds.

* If you **do not** wish to direct your proxy how to vote, please place a mark in the box marked "no direction". By marking this box you acknowledge that the Chairman, if appointed as your proxy, may exercise your proxy, even if he has an interest in the outcome of the resolution and votes cast by him other than as a proxyholder will be disregarded because of that interest.

Signature(s) of member(s) _____

(Refer to note 7 overleaf)

Dated _____ 2009

PRIVACY

The Company advises that Chapter 2C of the Corporations Act 2001 requires information about security holders (including name, address and details of the securities held) to be included in the public register of the entity in which the securities are held. This information must continue to be included in the public register if the security holder ceases to be a security holder. These statutory obligations are not altered by the Privacy Amendment (Private Sector) Act 2000. Information is collected to administer the security holdings and if some of the information is not collected it might not be possible to administer the security holding. The Company's privacy policy is available on its website (www.princehillwines.com)

SEE OVERLEAF FOR NOTES ON PROXIES

Prince Hill Wines Limited

ABN: 99 000 094 995

Notes on Proxies

1. A member who is entitled to attend and cast a vote at a meeting of members of the Company may appoint a person as the member's proxy to attend and vote for the member at the meeting.
2. The appointment may specify the proportion or number of votes that the proxy may exercise.
3. If the member is entitled to cast 2 or more votes at the meeting, the member may appoint 2 proxies. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes.
4. Any fractions of votes resulting from the application of notes 2 or 3 above will be disregarded.
5. A proxy need not be a member of the Company.
6. A proxy appointed to attend and vote for a member has the same rights as the member to speak at the meeting, to vote (but only to the extent allowed by the appointment) and to join in a demand for a poll.
7. The appointment of a proxy must be signed by the member or his attorney duly authorized in writing. If the appointer is a corporation, the appointment must be signed by its duly authorized attorney, or in accordance with the corporation's constitution and the Corporations Act 2001.
8. A corporate shareholder wishing to appoint a natural person to act as its representative at the meeting can do so in accordance with the Corporations Act 2001. The representative must bring evidence of his or her appointment as a representative to the meeting.
9. To be valid, the instrument appointing a proxy, and the power of attorney or other authority (if any) under which it is signed or executed (or a copy certified by a notary), must be lodged at the registered office of the Company, (being 235 Glen Osmond Road, Frewville, South Australia 5063), not less than 48 hours before the time appointed for the meeting or any adjournment thereof. The lodgment referred to in this paragraph can also be achieved by faxing the document(s) to the attention of the "Secretary" on (+61) 8 8338 3244 or mailing to PO Box 167, Fullarton, South Australia 5064.
10. If this proxy form is signed by the member(s) but otherwise left blank, it shall be deemed to be a valid appointment of the Chair of the meeting as the member's proxy.
11. A proxy other than the Chair need not vote on a poll or a show of hands, but if the proxy does vote he/she must vote the way the appointment specifies. A proxy who is the Chair must vote on a poll.
12. If a member desires to direct the proxy how to vote on a particular resolution, the member should place an "X" in the appropriate box, otherwise the proxy may vote or abstain as he or she deems fit.
13. The Company will make further copies of this form available to members on request.

