

Prince Hill Wines



PRINCE HILL



GOLD COLLECTION



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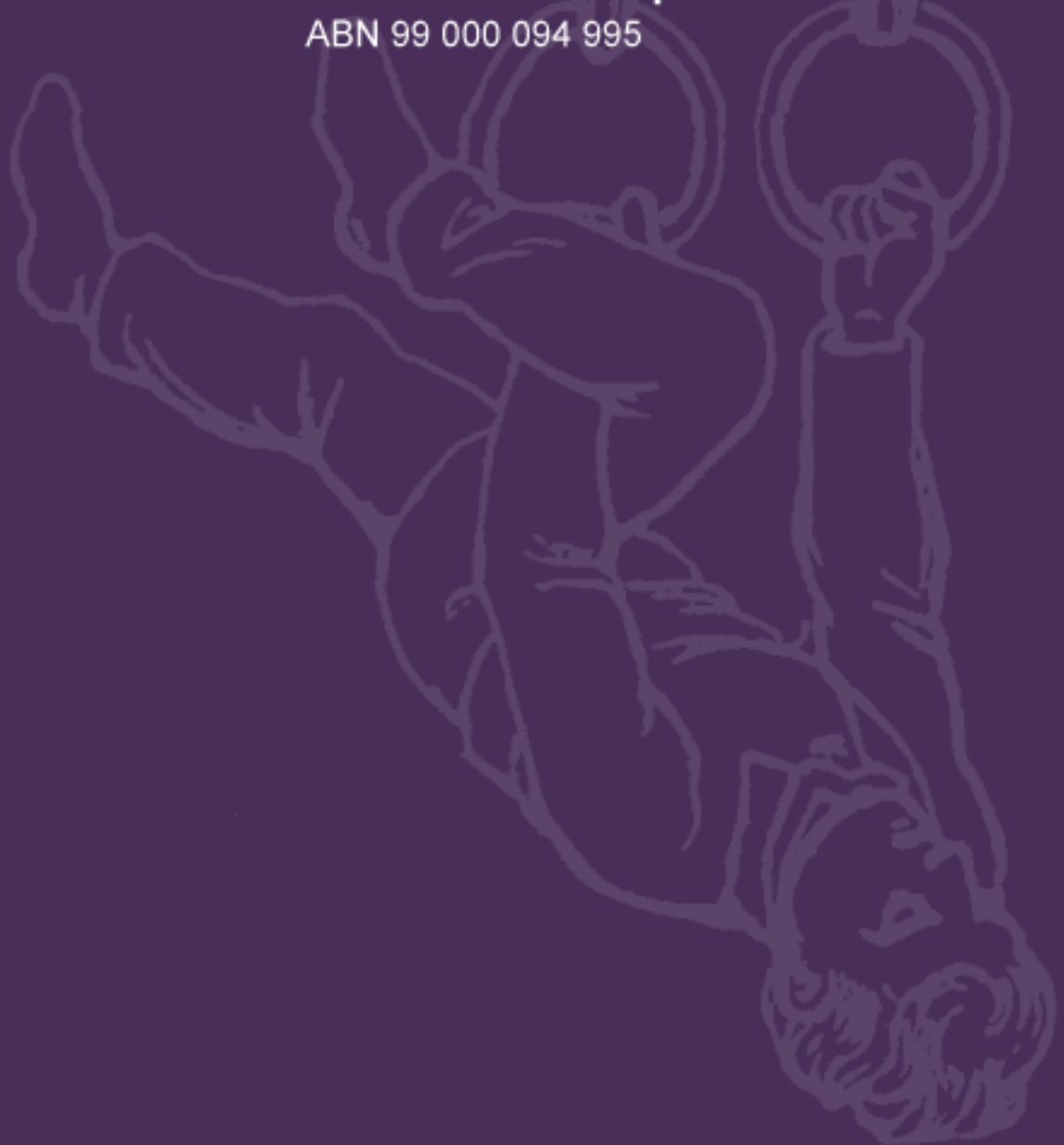


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Prince Hill Wines Limited

2008 Annual Report

ABN 99 000 094 995



Prince Hill Wines Limited

Annual Financial Report for the year ended 30 June 2008

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Corporate Information

ABN:	99 000 094 995
Directors	Rex Watson (non-executive director) Peter Cleaves (non-executive director) Sue Henderson (non-executive director) – resigned 11 January 2008 Andrew Parkinson (managing director and chief executive officer)
Company secretary	Charlie Latham (chief financial officer) – resigned 31 July 2008 Anthony Burt (financial controller) – appointed 31 July 2008
Registered office and principal place of business	235 Glen Osmond Road, Frewville, South Australia 5063
Postal address	PO Box 6243 Halifax Street, Adelaide South Australia 5000
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Email:	enquiries@princehillwines.com
ASX Code:	PHW
Wineries:	Prince Hill Winery: 1220 Castlereagh Hwy, Mudgee, NSW 2850 Ph: +61 2 6373 1245 Fax: +61 2 6373 1350
Share Registry	Registries Limited, Level 7, 207 Kent Street, Sydney, NSW 2000 Ph: +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, SA National Australia Bank, Sydney, NSW

Prince Hill Wines Limited

Managing Director's Report

Dear Shareholder,

The year to 30 June 2008 continued to be a period of significant change for the company. The following major events occurred in the year to 30 June 2008:

- The raising of \$528,168 working capital by way of an underwritten rights issue completed in May 2008
- The change of name of the company to Prince Hill Wines in November 2007.
- Coonawarra Australia Property Trust increasing its shareholding to 45.33% through subscribing to the rights issue
- The resignation of Sue Henderson in January 2008 as director to take up a full time position with another company in the wine sector.
- The disposal of the 70% interest in Cassegrain Wines on 26 June 2008.
- The completion of the sale of the bottling line at Mudgee as it was surplus to requirements
- The sale of the surplus northern vineyard at Mudgee ("Annie's Vineyard") for \$645,000 in January 2008.
- Start up losses for distribution company (TWL) of \$932,069.

Despite changes to the company in relation to management and its operations, the company has not been able to stem the trading losses and bring the company closer to an acceptable result for shareholders. As stated in my previous report there is no overnight fix and there are several years of hard work ahead. The acquisition of Cassegrain and consolidation of operations did not create an improved stream of revenue from packaged wine sales or spread costs over a larger base of sales. Consequently, the 70% interest in Cassegrain Wines was sold on 26 June 2008.

Unfortunately, the creation of The Wine List Pty Ltd ("TWL") the joint marketing and distribution operation did not deliver an improved sales performance for the brands and suffered start up losses of \$932,069. TWL was formed by PHW and Cassegrain Wines in conjunction with the Watson Wine Group (Rex Watson brands) to market and distribute the three brands in the domestic market. As part of the sale of Cassegrain Wines the company has acquired a further 33% of the TWL with the remaining 33% still held by the Watson Wine Group. The directors have commenced an operational review of the TWL and a restructure and downsizing has commenced and will be finalised by 30 September 2008.

The pursuit of international opportunities has also been difficult and new and incremental sales have not eventuated other than a sale of several thousand cases to Sweden.

Case sales (in 9 litre case equivalents) for the twelve months were 22,865 compared to 31,400 in 2007.

Negative impacts on the performance of the business included:

- Case sales were well below planned volumes of over 40,000 cases for the year
- Overall decline in the gross profit margin from packaged wines.
- Cassegrain Wines was sold on 26 June 2008 with effect from 31 March 2008, accordingly revenues and expenses in relation to Cassegrain Wines were not consolidated into the financial results for the last quarter of 2008.

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 amounted to \$2,405,693 (2007: \$7,622,510), after impairment losses of \$76,064 (2007: \$5,561,536) and start up costs of distribution company of \$932,069 (2007: \$0) and finance costs of \$299,375 (2007: \$330,146).

The difficult industry conditions are likely to continue for the next couple of years as the industry yet again faces 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.

Yours sincerely



Andrew Parkinson
Managing Director

Adelaide, 30 September 2008

Prince Hill Wines Limited

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 (Charlie Latham – 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 Pater 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.
- From 1 July 2007 to 11 January 2008, the board comprised Andrew Parkinson, Rex Watson, Sue Henderson and Peter Cleaves. Andrew Parkinson and Rex Watson are associated with a major shareholder and are not considered independent. From 1 July to 15 September 2007, Sue Henderson acted as interim general manager of the group's sales and marketing operation The Wine List Pty Ltd during the establishment phase due to her significant expertise in this area. Sue Henderson is therefore not regarded as independent. Sue Henderson resigned on 11 January 2008. Peter Cleaves is independent in all regards.

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.

Prince Hill Wines Limited

Corporate Governance Statement (continued)

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.

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 are 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.

Prince Hill Wines Limited

Corporate Governance Statement (continued)

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:

- 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.

Prince Hill Wines Limited

Directors' Report

The directors of Prince Hill Wines Limited ABN 99 000 094 995 (Company) present their report on the Company and its controlled entities for the financial year ended 30 June 2008. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names and particulars of the directors of the Company during the whole of the financial year and up to the date of this report:

Name	Particulars
Mr. Peter Cleaves	Appointed as a non-executive director on 5 April 2007. ASA, FCIS, SAFIN, Dip CM (AGSM – Uni NSW). Aged 53. 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. Aged 53. 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.
Ms Sue Henderson	Appointed as a non-executive director on 5 April 2007. Aged 49. Ms Henderson has over 25 years experience in the wine and beverage industries, with a record of success in driving wine exports into the diverse markets of UK & Europe, USA, Canada, Japan and other parts of Asia. She has a very strong FMCG (fast moving consumer goods) background with extensive international marketing and sales experience and has focused on wine marketing. Sue was previously the Global Sales Director for Grant Burge Wines and more recently a consultant to the wine industry. Resigned 11 January 2008.
Mr. Andrew Parkinson	Appointed as a non-executive director on 20 October 2006 and appointed managing director on 5 April 2007. B Comm. LLB Aged 54. 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.

Prince Hill Wines Limited

Directors' Report (continued)

Directorships of other listed companies

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

Name	Company	Period of Directorship
Mr Rex Watson	Coonawarra Premium Vineyards Limited as trustee for Coonawarra Australia Property Trust	Since 1999
Mr Andrew Parkinson	Coonawarra Premium Vineyards Limited as trustee for Coonawarra Australia Property Trust	Since February 2006

Company Secretaries

The names and particulars of the secretaries of the Company during or since the end of the financial year are:

Name	Particulars
Mr. 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.
Mr. Anthony Burt	Appointed 31 July 2008. B.Bus (Accountancy) CPA. Certified Practising Accountant with over 20 years of commercial and professional accounting experience.

Principal Activities

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

The principal activities during the year of the consolidated entity constituted by Prince Hill Wines Limited and the entities it controlled from time to time during the year consisted of:

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

Operating Results

The consolidated loss of the consolidated entity after providing for income tax amounted to \$2,405,693 (2007: \$7,622,510), after impairment losses of \$76,064 (2007: \$5,561,536) and start up costs of distribution company of \$932,069 (2007: \$nil) and finance costs of \$299,375 (2007: \$330,146). Factors affecting the result are discussed below in the review of operations.

	2008	2007
	\$	\$
Wine sales and services proceeds	5,772,584	6,550,567
Value of grapes picked	-	18,030
Interest earned	46,237	63,476
Operating expenses	<u>(6,917,006)</u>	<u>(8,362,901)</u>
Loss before impairment losses	(1,098,185)	(1,730,828)
Impairment losses	(76,064)	(5,561,536)
Start-up costs for distribution company	<u>(932,069)</u>	-
Loss before finance costs	(2,106,318)	(7,292,364)
Interest expense	<u>(299,375)</u>	<u>(330,146)</u>
Loss for the year	<u>(2,405,693)</u>	<u>(7,622,510)</u>

Dividends Paid or Recommended

The directors recommend that no dividends be paid for the year ended 30 June 2008 (2007: nil).

Review of Operations

Coonawarra Australia Property Trust (ASX: CNR) subscribed to a rights issue made by the Company in May 2008, which resulted in CNR increasing its holding in the Company to 45.33% and raised \$528,165 for the purpose of providing additional working capital.

The board and management reviewed the carrying values of all assets of the business. Impairment losses of \$76,064 have been applied to property, plant, equipment and vines 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 a non-conditional contract signed on 29 September 2008 that has been entered into in relation to the sale of the Mudgee winery and vineyard for \$5.5 million (inclusive of GST).

The board has continued the rationalization process, focusing the production activities to the Cassegrain winery while retaining a retail presence at the Mudgee facility through the cellar door and its function centre.

Prince Hill Wines Limited

Directors' Report (continued)

A joint venture selling company was formed between the Company, Cassegrain Wines and Watson Wine Group (an associated company of CNR) to achieve economies of scale and new drive and focus in the new sales team. 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 has commenced and a restructure will be implemented shortly.

Only 69.73 tons of grapes were harvested from the Mudgee vineyards in the 2008 vintage due to the difficult growing conditions for the 2008 vintage.

Case sales (in 9 litre case equivalents) for the twelve months were 22,865 compared to 31,400 (2007).

Financial Position

	2008	2007
	\$	\$
Cash and cash equivalents	827,420	2,028,520
Other current assets	3,135,633	6,411,919
Non-current assets classified as held for sale	4,773,842	5,999,174
Property, plant & equipment & biological assets	141,262	1,264,586
Other non-current assets	-	-
TOTAL ASSETS	8,878,157	15,704,199
Trade and other payables	2,267,532	2,463,363
Borrowings	1,416,544	5,808,749
Other non-current liabilities	-	-
TOTAL LIABILITIES	3,684,076	8,272,112
NET ASSETS	5,194,081	7,432,087

Significant Changes

One key development during the year was the disposal of the 70% interest in Cassegrain Wines Pty Ltd. Settlement for this transaction occurred on 26 June 2008 with effect from 31 March 2008 and Cassegrain Wines has not been consolidated from that date.

During the financial year, there were no other significant changes in the state of affairs of the Company other than as set out in this report and the financial statements.

Matter Subsequent to the End of the Financial Year

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 Company, the results of those operations, or the state of affairs of the Company in future financial years.

A non-conditional contract was signed on 29 September 2008 for the sale of the Mudgee winery and vineyard for \$5.5 million (inclusive of GST).

Prince Hill Wines Limited

Directors' Report (continued)

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

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
- Finalising the sale of the Mudgee processing facility and vineyard which are subject to a non-conditional contract signed on 29 September 2008.

Environmental Issues

The company continues to manage the environmental impacts from operations, with no material environmental anomalies occurred during the period.

Share Options

Options to take up shares in the Company have been granted as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
7 April 2004	30 November 2008	\$0.22	1,200,000
7 April 2004	30 November 2009	\$0.26	1,200,000
7 April 2004	30 November 2009	\$0.30	600,000
7 April 2004	30 November 2008	\$0.22	4,300,000
7 April 2004	30 November 2009	\$0.26	3,500,000
7 April 2004	30 November 2009	\$0.30	1,800,000
11 May 2007	30 November 2009	\$0.10	3,000,000
TOTAL			15,600,000

No person entitled to exercise the option had or has any right by virtue of the option to participate in any issue of any other body corporate. No options were granted over unissued shares in the Company since the reporting date to the date of this report.

No shares were issued in the Company during or since the end of the financial year as a result of the exercise of an option over unissued shares in the Company.

Prince Hill Wines Limited

Directors' Report (continued)

Remuneration Report (audited)

Key management personnel compensation 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.

Remuneration

The remuneration of the key management personnel of the consolidated entity applicable to the consolidated entity during the financial year was:

Key management person	Short -term employee benefits				Post-employment benefits		Share Based Payment	Total
	Cash salary & fees	Cash bonus	Non-monetary benefits	Other	Super-annuation	Other		
2008	\$	\$	\$	\$	\$	\$	\$	\$
<u>Director</u>								
Rex Watson	10,354	-	-	-	1,364	-	-	11,718
Peter Cleaves	20,184	-	-	-	1,816	-	-	22,000
Sue Henderson	11,917	-	-	15,000	4,055	-	-	30,972
Andrew Parkinson	133,000	-	-	-	21,470	-	-	154,470
<u>Key management person</u>								
Charlie Latham	48,472	-	-	-	16,018	-	-	64,490
Ian Sunderland	25,682	-	-	-	1,379	-	-	27,061
John Cassegrain	86,250	-	-	-	7,763	-	-	94,013
Total	335,859	-	-	15,000	53,865	-	-	404,724
2007								
<u>Director</u>								
Rex Watson	4,231	-	-	-	388	-	-	4,619
Peter Cleaves	3,364	-	-	13,500	303	-	-	17,167
Sue Henderson	5,500	-	-	12,000	4,055	-	-	21,555
Andrew Parkinson	40,897	-	-	-	3,788	-	-	44,685
<u>Key management person</u>								
David Combe	34,167	-	3,154	-	3,075	-	-	40,396
Paul Pacino	201,317	-	11,722	56,667	19,856	-	-	289,562
Andrew Bursill	32,614	-	3,738	-	2,935	-	-	39,288
Charlie Latham	23,925	-	-	-	2,153	-	-	26,078
John Cassegrain	72,979	-	-	-	6,568	-	-	79,548
Yuri van der Walt	97,420	-	2,449	34,222	8,625	-	-	142,716
Andrew Ewart	74,951	-	7,894	-	3,911	10,618	-	97,374
Ian Sunderland	130,000	-	15,851	-	18,200	-	-	164,051
Total	721,365	-	44,808	116,389	73,857	10,618	-	967,039

Interest in Contract

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 year ended 30 June 2008.

No directors have any interests in any other contracts with the Company or any or its controlled entities.

Prince Hill Wines Limited

Directors' Report (continued)

Directors' Meetings

The following tables set out the number of directors' meetings (including meetings of board committees) held during the financial year whilst each board or committee member was in office and the number of meetings attended by each. The total numbers of meetings of each body held during the financial year are shown at the bottom of each table.

<u>Meetings of:</u>	<u>Board</u>		<u>Audit Committee</u>		<u>Remuneration & Nomination Committee</u>	
<u>Name</u>	<u>Meetings eligible to attend</u>	<u>Attended</u>	<u>Meetings eligible to attend</u>	<u>Attended</u>	<u>Meetings eligible to attend</u>	<u>Attended</u>
Rex Watson	9	9	3	3	————	————
Peter Cleaves	9	9	3	3	————	————
Sue Henderson	5	4	3	2	————	————
Andrew Parkinson	9	9	3	3	————	————
Charlie Latham	9	7	3	3	————	————
Total meetings held	9	————	3	————	————	————

Environmental Compliance

The Company complies with all aspects of its water licences and the Company ensures that the manager complies with regulations for chemical use on the vineyard.

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.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Non-audit services

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

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 5 to the financial statements.

Auditor's independence declaration

The auditor's independence declaration is included on page 14.

This directors' report is made in accordance with a resolution of the directors pursuant to s298 (2) of the Corporations Act 2001.

On behalf of the Directors



Director

Adelaide, 30 September 2008

**Grant Thornton South Australian
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**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF PRINCE HILL WINES LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Prince Hill Wines Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

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

GRANT THORNTON
South Australian Partnership
Chartered Accountants



S J Gray
Partner

Signed at Wayville on this 30th day of September 2008

Prince Hill Wines Limited

Income Statement for the year ended 30 June 2008

	Notes	Consolidated Group		Parent entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Revenue		5,738,047	6,568,597	-	-
Other revenue		34,537	-	243,257	-
Interest revenue	3	46,237	63,476	16,178	3,816
Total Income		5,818,821	6,632,073	259,435	3,816
Expenses:					
Cost of goods sold		(4,658,342)	(4,871,976)	-	-
Management expenses		(966,637)	(1,498,469)	(8,531)	(28,526)
Vineyard management expenses		(110,204)	(136,033)	-	-
Sales & marketing costs		(649,486)	(493,912)	-	-
Corporate expenses		(354,368)	(730,239)	(13,303)	-
Occupancy expenses		(86,175)	(237,384)	-	-
Other expenses		(91,794)	(394,888)	-	-
Profit/(Loss) before start-up, impairment and finance costs		(1,098,185)	(1,730,828)	237,601	(24,710)
Impairment losses - property, plant, equipment & biological assets		-	(4,675,000)	-	-
Impairment losses - inventories		-	(699,152)	-	-
Start up costs of distribution joint venture company		(932,069)	-	-	-
Impairment - trade debtors		(76,064)	(187,384)	-	-
Loss before finance costs		(2,106,318)	(7,292,364)	237,601	(24,710)
Finance costs	4	(299,375)	(330,146)	-	(7,823)
Loss before income tax expense		(2,405,693)	(7,622,510)	237,601	(32,533)
Income tax benefit (expense)	6	-	-	-	-
Loss for the year		(2,405,693)	(7,622,510)	237,601	(32,533)
Profit/(loss) is attributable to:					
Equity holders of parent entity		(2,405,693)	(7,682,985)	237,601	(32,533)
Minority interest		-	60,475	-	-
Loss for the year		(2,405,693)	(7,622,510)	237,601	(32,533)
		cents	cents		
Basic earnings per share	2	(2.23)	(10.11)		

Diluted earnings per share is not disclosed as it is not materially different to basic earnings per share

Notes to the financial statements are included on pages 18 to 37

Prince Hill Wines Limited

Balance Sheet as at 30 June 2008

ASSETS	Notes	Consolidated Group		Parent entity	
		2008	2007	2008	2007
Current assets		\$	\$	\$	\$
Cash and cash equivalents	7	827,420	2,028,520	45,356	961,686
Trade and other receivables	8	1,257,364	2,314,649	2,704,305	182,509
Inventories	9	1,878,269	4,097,270	-	-
		3,963,053	8,440,439	2,749,661	1,144,195
Non-current assets classified as held for sale	10	4,773,842	5,999,174	-	-
TOTAL CURRENT ASSETS		8,736,895	14,439,613	2,749,661	1,144,195
Non-current assets					
Property, plant & equipment	11, 12, 13	141,262	1,264,586	-	-
Financial assets	14	-	-	1,092,823	1,955,623
TOTAL NON-CURRENT ASSETS		141,262	1,264,586	1,092,823	1,955,623
TOTAL ASSETS		8,878,157	15,704,199	3,842,484	3,099,818
LIABILITIES					
Current liabilities					
Trade and other payables	16	2,267,532	2,463,363	32,706	55,806
Financial liabilities	17	1,071,293	1,436,912	-	-
TOTAL CURRENT LIABILITIES		3,338,825	3,900,275	32,706	55,806
Non-current liabilities					
Long term financial liabilities	18	345,251	4,371,837	-	-
TOTAL NON-CURRENT LIABILITIES		345,251	4,371,837	-	-
TOTAL LIABILITIES		3,684,076	8,272,112	32,706	55,806
NET ASSETS		5,194,081	7,432,087	3,809,778	3,044,012
EQUITY					
Issued capital	19	36,094,103	35,565,938	36,094,103	35,565,938
Reserves	20	15,000	15,000	15,000	15,000
Retained earnings		(30,915,022)	(28,509,329)	(32,299,325)	(32,536,926)
Parent entity interest		5,194,081	7,071,609	3,809,778	3,044,012
Minority interest		-	360,478	-	-
TOTAL EQUITY		5,194,081	7,432,087	3,809,778	3,044,012

Notes to the financial statements are included on pages 18 to 37

Prince Hill Wines Limited

Statement of Changes in Equity for the year ended 30 June 2008

CONSOLIDATED GROUP		Share Capital	Reserves	Retained Earnings	Minority Interest	Total
	Notes	\$	\$	\$	\$	\$
Balance at 1 July 2006		33,407,497	-	(20,826,344)	-	12,581,153
Issue of shares		2,158,441	15,000	-	300,003	2,473,444
Loss for the year ended 30 June 2007		-	-	(7,682,985)	60,475	(7,622,510)
Balance at 30 June 2007		35,565,938	15,000	(28,509,329)	360,478	7,432,087
Balance at 1 July 2007		35,565,938	15,000	(28,509,329)	360,478	7,432,087
Issue of shares	19	528,165	-	-	-	528,165
Eliminated on disposal of subsidiaries		-	-	-	(360,478)	(360,478)
Loss for the year ended 30 June 2008		-	-	(2,405,693)	-	(2,405,693)
Balance at 30 June 2008		36,094,103	15,000	(30,915,022)	-	5,194,081

Notes to the financial statements are included on pages 18 to 37

Prince Hill Wines Limited

Cash Flow Statement for the year ended 30 June 2008

	Notes	Consolidated Group		Parent entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		6,829,869	6,842,744	-	-
Payments to suppliers and employees		(7,871,866)	(7,867,446)	(32,081)	-
Interest received		46,237	63,476	16,178	3,816
Finance costs		(299,375)	(330,146)	-	(7,823)
Net cash provided by/(used in) operating activities	21	(1,295,135)	(1,291,372)	(15,903)	(4,007)
Cash flows from investing activities					
Payments for property, plant & equipment		(319,354)	(69,749)	-	-
Proceeds from part sale of assets classified as held for sale		1,553,934	-	-	-
Advances to controlled entities		-	-	(3,634,815)	(861,829)
Advances repaid by controlled entities		1,100,169	-	1,100,169	700,000
Proceeds from sale of (payments for) shares in controlled entities, net of cash disposed (acquired)		1,623,363	(860,501)	1,106,054	(862,797)
Net cash provided by/(used in) investing activities		3,958,112	(930,250)	(1,428,592)	(1,024,626)
Cash flows from financing activities					
Proceeds from issue of shares (net of issue costs)		528,165	2,173,441	528,165	2,173,441
Proceeds from borrowings		81,224	(637,840)	-	-
Repayment of borrowings		(4,473,429)	822,618	-	(183,227)
Net cash provided by/(used in) financing activities		(3,864,040)	2,358,219	528,165	1,990,214
Net increase/(decrease) in cash held		(1,201,064)	136,597	(916,330)	961,581
Cash and cash equivalents at the beginning of the period		2,028,484	1,891,887	961,686	105
Net cash and cash equivalents at the end of the year		827,420	2,028,484	45,356	961,686
Reconciliation of cash and cash equivalents					
Cash at bank		825,670	2,026,771	45,356	961,686
Cash on hand		1,750	1,749	-	-
Bank overdraft		-	(36)	-	-
Net cash and cash equivalents at the end of the year	7	827,420	2,028,484	45,356	961,686

Notes to the financial statements are included on pages 18 to 37

Prince Hill Wines Limited

Notes to the Financial Statements for the year ended 30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation of financial report

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.

Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in note 15 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

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 are based on current trends and economic data, obtained both externally and within the group.

Key Estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Biological assets (Grapevines)

The consolidated entity recognises grapevines as biological assets in the balance sheet, measured on a net market value basis. Changes in net market value are recognised as revenue or expenses in the period in which the changes occur. There is no active and liquid market for the grapevines at present and they cannot be physically separated from the land to which they are attached.

The directors use a combination of external valuations, establishment costs and the discounted net present values of expected future cash flows to determine the net market values of the vineyards. The net market value of grapevines has been determined as the difference between the vineyard values and the values of the land and other vineyard improvements thereon. In determining the net market valuations, certain assumptions have been made about the yields and market prices of grapes in current and future vintages, the costs of running the vineyards and the quality of grapes grown.

Prince Hill Wines Limited

Notes to the Financial Statements for the year ended 30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Plant and Equipment

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

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the re-valued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

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

Plant and equipment

Plant and equipment are measured on the cost basis.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated 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	Depreciation Rate
• Improvements - unsealed roads	8.3%
• Improvements - brick buildings	2%
• Improvements – steel and concrete buildings	4%
• Other Improvements	10%
• Plant & equipment	10%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use.

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

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

Prince Hill Wines Limited

Notes to the Financial Statements for the year ended 30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian 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.

Income Tax

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 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.

Revenue and Other Income

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.

Revenue from grant of use fees is recognised on a straight line accruals basis over the term of the licence.

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

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.

Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

Financial instruments issued by the consolidated entity

Recognition and Initial Measurement

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

Prince Hill Wines Limited

Notes to the Financial Statements for the year ended 30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

De-recognition

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

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The sale of the asset (or disposal group) is expected to be completed within one year from the date of classification.

Leases

Leases of property plant & equipment, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the consolidated entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are amortised on a diminishing value basis over their estimated useful lives where it is likely that the consolidated entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability. Lease payments received reduce the liability.

Foreign Currency Transactions and Balances

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of short-term assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

Employee Entitlements

Allowance is made for the consolidated entity's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements together with entitlements arising from wages and salaries, annual leave and sick leave have been measured at their nominal amount.

Contributions are made by the consolidated entity to employee superannuation funds and are charged as expenses when incurred.

New Accounting Standards and Interpretations

Certain new accounting standards and Interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The consolidated entity's assessment is that there will be no impact from these new standards and interpretations.

Comparative Figures

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

The financial report was authorised for issue on 30 September 2008 by the board of directors.

Prince Hill Wines Limited

Notes to the Financial Statements (continued) for the year ended 30 June 2008

2. EARNINGS PER SHARE

	Year ended 30 June	
	2008	2007
	cents	cents
Basic earnings per share	(2.23)	(10.11)
	number	number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	107,940,466	75,998,147
	\$	\$
Earnings used in the calculation of basic earnings per		
Net loss attributable to members of the parent entity	(2,405,693)	(7,682,985)

	Consolidated Group		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
3. REVENUE				
Interest revenue: other entities	46,237	63,476	16,178	3,816
	46,237	63,476	16,178	3,816
4. EXPENSES				
Depreciation - improvements	-	130,264	-	-
- plant & equipment	126,023	491,292	-	-
- leased plant & equipment	-	-	-	-
Total depreciation	126,023	621,556	-	-
Finance costs: interest paid to other entities	299,375	330,146	-	7,823
Bad debts written off - other entities	-	-	-	-
Impairment - Trade receivables	76,064	187,384	-	-
5. REMUNERATION OF AUDITORS				
Auditing the financial report	52,000	62,250	20,000	20,000
Reviewing the full year financial report	18,000	12,250	-	-
Accounting services	-	-	-	-
	70,000	74,500	20,000	20,000

Prince Hill Wines Limited

Notes to the Financial Statements (continued) for the year ended 30 June 2008

6. INCOMETAX	Consolidated Group		Parent entity	
	2008	2007	2008	2007
(a) Income tax expense/(benefit):	\$	\$	\$	\$
Current tax	-	-	-	-
Deferred tax	-	-	-	-
Aggregate income tax expense/(benefit) attributable to loss from continuing operations	-	-	-	-
Deferred tax expense/(benefit) included in income tax expense/(benefit) comprises				
Decrease/(increase) in deferred tax assets	-	-	-	-
Increase / (decrease) in deferred tax liabilities	-	-	-	-
	-	-	-	-
(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax				
Tax at Australian tax rate of 30% (2007: 30%)	(721,708)	(2,286,753)	71,280	(9,760)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Other	-	-	-	-
Income tax liability / (benefit) in respect of prior period now recognised	-	-	-	-
	(721,708)	(2,286,753)	71,280	(9,760)
Deferred tax assets/(liability) not brought to account	721,708	2,286,753	(71,280)	9,760
Income tax expense/(benefit) attributable to operating loss	-	-	-	-
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in profit or loss but directly debited or credited to equity	-	-	-	-
Franking account balance	-	-	-	-
7. CASH AND CASH EQUIVALENTS				
Cash at bank and in hand	827,420	2,028,484	45,356	961,686
(a) Reconciliation to cash at the end of the year				
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:				
Cash and cash equivalents	827,420	2,028,520	45,356	961,686
Bank overdrafts	-	(36)	-	-
Balances per statement of cash flows	827,420	2,028,484	45,356	961,686

Prince Hill Wines Limited

Notes to the Financial Statements (continued) for the year ended 30 June 2008

	Consolidated Group		Parent entity	
	2008	2007	2008	2007
8. CURRENT - TRADE & OTHER RECEIVABLES	\$	\$		
Trade receivables	954,758	1,789,522	-	-
Provision for impairment of receivables	(111,464)	(255,397)	-	-
	843,294	1,534,125	-	-
Trade receivables - related parties	70,709	-	-	-
Loans to related parties	122,359	-	43,164,018	43,690,115
Less - Impairment of loans	-	-	(40,459,713)	(43,521,616)
Other receivables	197,898	322,754	-	14,010
Prepayments	23,104	457,770	-	-
	1,257,364	2,314,649	2,704,305	182,509

(a) Past Due but not impaired

As of 30 June 2008, trade receivables of \$373,800 (2007 - \$882,222) were past due but not impaired.

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:

Up to 3 months	268,046	346,174	-	-
3 to 6 months	105,754	536,048	-	-
	373,800	882,222	-	-

9. CURRENT - INVENTORIES

Packaging materials	120,937	404,714	-	-
Bulk stock	1,196,002	2,697,209	-	-
Finished goods at net realisable value	561,330	995,347	-	-
	1,878,269	4,097,270	-	-

10. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Property, plant & equipment held for sale

Land	651,534	815,000	-	-
Improvements	1,651,253	1,965,643	-	-
Plant & equipment	2,279,500	2,923,531	-	-
Biological assets - grapevines and grapes	191,555	295,000	-	-
	4,773,842	5,999,174	-	-

PHW Winery and Vineyards, Mudgee, New South Wales

Following the sale of Annie's vineyard in December 2007 the Mudgee property comprises 102.3 hectares freehold land of which 25 hectares is vineyard planted in 1998 and 1999; winery and associated buildings and ground improvements; and plant and equipment as part of a functional winery. The property is situated on the southern side of Sydney Road approximately 15 kilometres south east of Mudgee.

The winery processing facility has approximately 5,000 tonnes of crushing capacity together with approximately 4.0 million litres of tank storage and 84,000 litres of rotary fermentation. Other components include a 25 tonne crusher, and a 50 tonne press. Vineyard plantings (25 hectares) include Shiraz, Merlot, Cabernet Sauvignon, Sangiovese, Petit Verdot, and Zinfandel.

A small crush occurred at the winery in Mudgee during the year with the majority of the production occurring at Cassegrain Wines at Port Macquarie.

The PHW winery and the remainder of the vineyards at Mudgee, NSW are subject to a non-conditional contract signed on 29 September 2008 for \$5.5 m (inclusive of GST). The assets are presented within total assets of the winemaking segment in note 23.

Prince Hill Wines Limited

Notes to the Financial Statements (continued) for the year ended 30 June 2008

11. NON-CURRENT - PROPERTY PLANT & EQUIPMENT	Freehold land	Improvements	Plant & equipment	Total
	\$	\$	\$	\$
CONSOLIDATED				
At 1 July 2006				
Cost or fair value	-	4,336,308	5,741,014	10,077,322
Depreciation	-	(159,730)	(577,090)	(736,820)
Net book amount at 30 June 2006	-	4,176,578	5,163,924	9,340,502
Year ended 30 June 2007				
Additions	-	4,329	65,420	69,749
Acquired by acquisition of subsidiary	-	-	1,050,065	1,050,065
Reclassification from biological assets	415,000	-	-	415,000
Reclassification of land	400,000	(400,000)	-	-
Disposals	-	-	-	-
Depreciation charge	-	(130,264)	(491,292)	(621,556)
Impairment loss	-	(1,685,000)	(1,600,000)	(3,285,000)
Reclassification to non-current assets classified as held for sale	(815,000)	(1,965,643)	(2,923,531)	(5,704,174)
Net movement for the year	-	(4,176,578)	(3,899,338)	(8,075,916)
At 30 June 2007				
Cost or fair value	-	-	1,412,559	2,622,962
Depreciation	-	-	(147,973)	(1,358,376)
Net book amount at 30 June 2007	-	-	1,264,586	1,264,586
Year ended 30 June 2008				
Additions	-	-	319,354	319,354
Disposed through sale of subsidiary	-	-	(1,282,417)	(1,282,417)
Reclassification from biological assets	-	-	-	-
Reclassification of land	-	-	-	-
Disposals	-	-	-	-
Depreciation charge	-	-	(126,023)	(126,023)
Impairment loss	-	-	-	-
Net movement for the year	-	-	(1,089,085)	(1,089,085)
At 30 June 2008				
Cost or fair value	-	-	187,394	187,394
Depreciation	-	-	(46,132)	(46,132)
Net book amount at 30 June 2008	-	-	141,262	141,262

Prince Hill Wines Limited

Notes to the Financial Statements (continued) for the year ended 30 June 2008

12. NON-CURRENT - BIOLOGICAL ASSETS	Consolidated Group		Parent entity	
	2008	2007	2008	2007
Net market value of vines	\$	\$	\$	\$
At beginning of year	-	2,100,000	-	-
Reclassification to freehold land	-	(415,000)	-	-
Impairment loss	-	(1,390,000)	-	-
Reclassification to non-current assets classified as held for sale	-	(295,000)	-	-
At end of year	-	-	-	-

(a) Impact on Income Statement

The profit / (loss) before tax included in the Income Statement resulting from the movement in market value of biological assets is	-	-	-	-
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(b) Physical quantity of vines

Number of vines owned	49,990	78,830	-	-
Hectares owned (including improvements)	26	41	-	-

(c) Nature of asset

PHW owns a vineyard in the Central Ranges district of New South Wales.

(d) Valuation details

The net market value of vines was calculated as the difference between the value of the vineyard as a whole and the value of adjacent vacant land, the values of which were determined from the subsequent sale price of the northern "Annie's" vineyard.

13. VALUATION OF PROPERTY ASSETS

(i) PHW Winery and Vineyards, Mudgee, New South Wales

The directors of the Company determined that the fair value of PHW's winery and vineyard property at Mudgee (land, improvements, plant & equipment and vines) was \$4,773,842 at 30 June 2008. The values have been determined by reference to subsequent sale values and a non-conditional contract signed on 29 September 2008 for \$5.5 million (inclusive of GST).

Land and grapevines are recorded at net market value. The carrying amount of improvements to non-current assets is initially recorded at the fair value on acquisition less depreciation and any impairment, which is compared to market value at the end of the financial year and a revaluation to market value is made. The grapevines are biological assets, measured on a net market value basis.

The directors of the Company separated the assets between biological assets and non-biological assets for the purposes of Accounting Standard AASB 141.

14. NON-CURRENT - OTHER FINANCIAL ASSETS	Consolidated Group		Parent entity	
	2008	2007	2008	2007
(a) Unlisted securities - shares in controlled entities	\$	\$	\$	\$
At beginning of year	-	-	1,955,623	1,092,826
Additions / (disposals) (i)	-	-	(862,800)	862,797
At end of year	-	-	1,092,823	1,955,623

(i) Shares in Cassegrain Wines Pty Ltd

Prince Hill Wines Limited

Notes to the Financial Statements (continued) for the year ended 30 June 2008

15. CONTROLLED ENTITIES

The controlled financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1.

	Country of Incorporation	% owned 2008	% owned 2007	(Disposed)/ Acquired
Parent entity				
Prince Hill Wines Limited (ASX: PHW)	Australia			
Subsidiaries of Prince Hill Wines Limited:				
Prince Hill Wine Services Pty Ltd (formerly Simon Gilbert Wine Services Pty Ltd)	Australia	100%	100%	
Cassegrain Wines Pty Ltd	Australia		70%	(31 Mar 2008)
Prince Hill Cellars Pty Ltd (formerly Vinone Pty Ltd)	Australia	100%	100%	
Vintoo Pty Ltd	Australia		100%	(10 Dec 2007)
Vintree Pty Ltd	Australia		100%	(10 Dec 2007)
Vinfor Pty Ltd	Australia		100%	(10 Dec 2007)
The Wine List Pty Ltd *	Australia	66.7%	33%	31 Mar 2008

* The Wine List Pty Ltd is owned two thirds by Prince Hill Wines Limited and one third by Watson Wine Group Pty Ltd (a related entity of CNR).

(b) Acquisition of controlled entities

As at 31 March 2008, Cassegrain Wines' one third share of The Wine List Pty Ltd was purchased by Prince Hill Wine Services Pty Ltd in accordance with a sale agreement finalised on 26 June 2008.

(c) Disposal of controlled entities

(i) Assets and liabilities of Cassegrain Wines Pty Ltd disposed of:

As at 31 March 2008 the disposal of 70% of Cassegrain Wines Pty Ltd was completed through a sale agreement and finalised on 26 June 2008 with John Baptiste Cassegrain. As detailed below, vendor loans payable by Cassegrain Wines to Prince Hill Wines Limited were repaid upon settlement.

	2008	2008
	\$	\$
Gross cash consideration		1,988,646
less: Net payable/receivable due to related entities		(139,075)
Cash consideration attributable to Prince Hill Wines		1,849,571
less: Investment in Cassegrain Wines		(862,797)
		986,774
The assets and liabilities of Cassegrain Wines as at 31 March 2008:		
Cash	43,515	
Trade receivables	1,990,280	
Inventories	2,208,295	
Property plant & equipment	1,282,418	
Deferred tax asset	32,403	
Trade payables	(2,284,229)	
Financial liabilities	(53,046)	
Long term financial liabilities	(1,809,959)	1,409,677
Less: Minority interest		(422,903)
Net result on disposal		-

Prince Hill Wines Limited

Notes to the Financial Statements (continued) for the year ended 30 June 2008

15. CONTROLLED ENTITIES (continued)

(c) Disposal of Controlled Entities (continued)

(ii) Effect of Sale of Controlled Entity:

The effect of the sale on the Groups operating results for the year (i.e. had the subsidiary not been part of the group for the year) would have been to reduce operating revenues by \$2,585,660 and operating profit by approximately \$141,718.

	Consolidated Group		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
16. CURRENT - TRADE AND OTHER PAYABLES				
Trade payables - related parties	759,657	100,000	-	-
Trade payables (i)	1,255,398	2,357,778	21,452	55,806
Other payables	90,607	5,585	11,254	-
Other payables - related parties	161,870	-	-	-
	<u>2,267,532</u>	<u>2,463,363</u>	<u>32,706</u>	<u>55,806</u>

(i) the average credit period is 30 days. No interest is charged on trade payables.

17. CURRENT - FINANCIAL LIABILITIES

Secured

Bank loan	1,043,000	150,036	-	-
Lease liabilities	28,293	36,876	-	-
Other secured loans	-	1,250,000	-	-
	<u>1,071,293</u>	<u>1,436,912</u>	<u>-</u>	<u>-</u>

18. NON-CURRENT - BORROWINGS

Secured (see (i) below)

Bank bills	-	4,000,000	-	-
Lease liability	165,251	255,444	-	-
Loans from director related entities	180,000	-	-	-
Loans from other entities	-	116,393	-	-
	<u>345,251</u>	<u>4,371,837</u>	<u>-</u>	<u>-</u>

(i) Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

Bank overdrafts, loans and bills	1,043,000	4,150,036	-	-
Equipment finance	160,371	255,444	-	-
Hire purchase finance	33,173	36,876	-	-
Loans from other entities	180,000	1,366,393	-	-
	<u>1,416,544</u>	<u>5,808,749</u>	<u>-</u>	<u>-</u>

In accordance with the security arrangements of borrowings, all non-current assets of the consolidated entity have been pledged as security.

Prince Hill Wines Limited

Notes to the Financial Statements (continued) for the year ended 30 June 2008

19. ISSUED CAPITAL	2008	2007	2008	2007
Parent entity - fully paid ordinary shares	Number	Number	\$	\$
At the beginning of the year	106,553,100	71,035,400	35,565,938	33,407,497
Issued during the year - rights issue	18,085,307	35,517,700	528,165	2,158,441
	<u>124,638,407</u>	<u>106,553,100</u>	<u>36,094,103</u>	<u>35,565,938</u>

Rights of Shareholders

All issued shares are fully paid, carry one vote per share and carry the right to receive distributions

Options

Options to take up shares in the Company have been granted as follows:

<u>Grant Date</u>	<u>Date of Expiry</u>	<u>Exercise Price</u>	<u>Number under Option</u>
7 April 2004	30 November 2008	\$0.22	1,200,000
7 April 2004	30 November 2009	\$0.26	1,200,000
7 April 2004	30 November 2009	\$0.30	600,000
7 April 2004	30 November 2008	\$0.22	4,300,000
7 April 2004	30 November 2009	\$0.26	3,500,000
7 April 2004	30 November 2009	\$0.30	1,800,000
11 May 2007	30 November 2009	\$0.10	3,000,000
TOTAL			<u>15,600,000</u>

No person entitled to exercise the option had or has any right by virtue of the option to participate in any issue of any other body corporate.

20. RESERVES

Share option reserve

The option reserve records items recognised as expense on valuation of employee share options.

Prince Hill Wines Limited

Notes to the Financial Statements (continued) for the year ended 30 June 2008

21. RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT AFTER INCOME TAX

	Consolidated Group		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Profit/(loss) for the year	(2,405,693)	(7,622,510)	237,601	(32,533)
Depreciation expense	126,023	621,556	-	-
Impairment losses - property, plant & equipment	-	4,675,000	-	-
Impairment of receivables	76,064	187,384	-	-
Diminution in value of loans to controlled entities	-	-	(239,154)	-
<u>Changes in net assets and liabilities, net of the effects of purchase and disposal of subsidiaries:</u>				
(Increase)/decrease in trade receivables	409,913	(434,209)	14,010	(14,010)
(Increase)/decrease in inventories	(487,440)	1,616,758	-	-
Increase/(decrease) in trade payables & accruals	985,998	(335,351)	(28,360)	42,536
Cash flow from operations	(1,295,135)	(1,291,372)	(15,903)	(4,007)

Finance facilities

Commercial hire purchase facility for equipment purchases

Amount used	193,544	292,320	-	-
Amount unused	-	-	-	-
	193,544	292,320	-	-

Secured bank multi-option facility

Amount used	1,043,000	4,150,036	-	-
Amount unused	1,630,000	509,964	-	-
	2,673,000	4,660,000	-	-

Secured vendor finance facility for the purchase of Cassegrain Wines assets

Amount used	-	1,250,000	-	-
Amount unused	-	-	-	-
	-	1,250,000	-	-

22. CAPITAL AND HIRE PURCHASE COMMITMENTS

(a) Finance lease and hire purchase commitments

Property, plant & equipment payable:	\$	\$	\$	\$
w within one year	43,398	37,716	-	-
later than one year but not later than five years	194,552	336,462	-	-
later than five years	-	-	-	-
	237,950	374,178	-	-
Less future finance charges	(44,406)	(81,857)	-	-
Recognised as liabilities	193,544	292,321	-	-
Representing lease & hire purchase liabilities				
current	28,293	36,876	-	-
non-current	165,251	255,444	-	-
	193,544	292,320	-	-

Prince Hill Wines Limited

Notes to the Financial Statements (continued) for the year ended 30 June 2008

23. SEGMENT INFORMATION

In 2008, the Company operated principally in one business segment, being wine production and sales. The previous activity of contract winemaking was suspended after the 2006 vintage other than a minor prior commitment for contract processing in 2007. Cassegrain Wines does not carry out any contract processing. Accordingly, the primary reporting segment is now regarded as being geographical and no business segment analysis is relevant in 2008 and 2007.

Primary Reporting - Geographical Segments

Segment revenues from external customers

	2008	2007
Geographical location:	\$	\$
Australia - Wine sale proceeds	5,106,070	4,855,777
- Services sale proceeds	236,544	397,205
- Net increase in value of biological assets	-	18,030
- Other revenue	34,537	-
- Interest revenue	46,237	63,476
North America - Wine sale proceeds	67,683	239,086
Europe - Wine sale proceeds	172,877	72,898
Oceania - Wine sale proceeds	9,463	80,397
Asia - Wine sale proceeds	145,410	905,204
	5,818,821	6,632,073

All assets and liabilities of the consolidated entity are held in Australia.

Carrying amount of segment assets

Australia	8,878,157	15,704,199
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Prince Hill Wines Limited

Notes to the Financial Statements (continued) for the year ended 30 June 2008

24. SUBSEQUENT EVENTS

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.

25. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives

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.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

(c) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity does not have any significant credit risk exposure to any single counter party or any group of counter parties having similar characteristics. Any overdue invoices are collected by normal credit activity (reminders, phone calls etc) in the first instance, then by recovery action against the customer.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the entity's maximum exposure to credit risk.

(d) Fair value of financial instruments

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Transaction costs are included in the determination of net fair value.

(e) Liquidity risk management

The directors manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(f) Interest rate risk management

The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the tables below. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings.

Prince Hill Wines Limited

Notes to the Financial Statements (continued) for the year ended 30 June 2008

25. FINANCIAL INSTRUMENTS (continued)

(g) Interest Rate Risk

	Fixed interest rate				Total
	Floating interest rate	Within 1 Year	1 to 5 Years	Non-interest bearing	
2008					
Financial assets	\$	\$	\$	\$	\$
Cash assets	809,168	-	-	18,252	827,420
Receivables	-	-	-	1,257,364	1,257,364
Total financial assets	809,168	-	-	1,275,616	2,084,784
Weighted average interest rate	4.62%			n/a	
Financial liabilities					
Bank bills	-	1,043,000	-	-	1,043,000
Trade and sundry payables	-	-	-	1,346,005	1,346,005
Amounts payable related parties	-	-	180,000	921,527	1,101,527
Lease Liabilities	-	28,293	165,251	-	193,544
Total financial liabilities	-	1,071,293	345,251	2,267,532	3,684,076
Weighted average interest rate		8.20%	8.91%	n/a	
2007					
Financial assets					
Cash assets	1,193,891	-	-	4,629	1,198,520
Term Deposit	-	830,000	-	-	830,000
Receivables	-	-	-	2,314,649	2,314,649
Total financial assets	1,193,891	830,000	-	2,319,278	4,343,169
Weighted average interest rate	4.10%	6.05%		n/a	
Financial liabilities					
Bank overdrafts and bills	4,150,036	-	-	-	4,150,036
Bills of exchange	-	-	-	-	-
Trade and sundry payables	-	-	-	2,363,363	2,363,363
Amounts payable related parties	-	-	-	100,000	100,000
Loans from other entities	116,393	1,250,000	-	-	1,366,393
Lease Liabilities	255,444	36,876	-	-	292,320
Total financial liabilities	4,521,873	1,286,876	-	2,463,363	8,272,112
Weighted average interest rate	9.23%	8.50%		n/a	

Prince Hill Wines Limited

Notes to the Financial Statements (continued) for the year ended 30 June 2008

25. FINANCIAL INSTRUMENTS (continued)

(h) Sensitivity Analysis

Interest Rate Risk

The group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

Interest Rate Sensitivity Analysis

At 30 June 2008, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Group		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Change in profit/loss				
- Increase in interest rate by 2%	(12,000)	(42,000)	1,000	19,000
- Decrease in interest rate by 2%	12,000	42,000	(1,000)	(19,000)
Change in Equity				
- Increase in interest rate by 2%	(12,000)	(42,000)	1,000	19,000
- Decrease in interest rate by 2%	12,000	42,000	(1,000)	(19,000)

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

(i) Capital Management

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

The group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

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, distributions to shareholders 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 remains between 30% and 50%.

Prince Hill Wines Limited

Notes to the Financial Statements (continued) for the year ended 30 June 2008

26. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were directors of Prince Hill Wines Limited, during the financial year:

Rex Watson (Non-executive director) – appointed director 5 April 2007
Andrew Parkinson (Managing Director & Chief Executive Officer) – appointed director 21 October 2006
Sue Henderson (Non-executive director) – appointed director 5 April 2007, resigned 11 January 2008
Peter Cleaves (Non-executive director) – appointed director 5 April 2007

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Charlie Latham (Company Secretary & Chief Financial Officer) – appointed secretary 5 April 2007. Resigned 31 July 2008.
Anthony Burt (Company Secretary & Financial Controller) – appointed secretary 31 July 2008.
John Cassegrain (Chief winemaker) – from December 2006 to 26 June 2008

(c) Key management personnel compensation policy

The board of directors reviews the remuneration packages of all directors and senior executives of the consolidated entity 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 or paid by a related company and passed on to the consolidated entity through management fees.

None of the key management personnel of the consolidated entity 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 Company includes the ability to earn a cash bonus of up to \$20,000 per year provided certain targets agreed with the board of directors are met. The targets were not met for the year ended 30 June 2008.

None of the key management personnel of the consolidated entity is entitled to be granted any options over shares in the Company or unissued shares in the Company.

(d) Key management personnel compensation

The aggregate compensation of the key management personnel attributable to the Company is set out below.

	Consolidated Group		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Short-term employee benefits	350,859	882,562	-	-
Post - employment benefits	53,865	84,476	-	-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payment	-	-	-	-
	404,724	967,038	-	-

Details of remuneration of each Director and Key Management personnel of the Group are disclosed in the Remuneration Report in the Directors' Report.

Prince Hill Wines Limited

Notes to the Financial Statements (continued) for the year ended 30 June 2008

26. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(e) Equity instruments disclosures relating to key management personnel

Directors' Interests in Shares and Options

The following tables set out each director's relevant interest in the shares and options of the Company or a related body corporate as at the date of this report.

	At beginning of year	Director appointed in the year	No longer a director / key person	At end of year
Ordinary shares held:	<u>number</u>	<u>number</u>	<u>number</u>	<u>number</u>

Directors

Rex Watson (#)	39,834,018	-	-	56,500,685
Andrew Parkinson (#)	39,834,018	-	-	56,500,685
Sue Henderson	-	-	-	-
Peter Cleaves	-	-	-	-

Other key management personnel

Charlie Latham	-	-	-	-
John Cassegrain	-	-	-	-

	At beginning of year	Bought / (sold) during year	No longer a director / key person	At end of year
Options held to acquire ordinary shares:	<u>number</u>	<u>number</u>	<u>number</u>	<u>number</u>

Directors

Rex Watson (#)	-	3,000,000	-	3,000,000
Andrew Parkinson (#)	-	3,000,000	-	3,000,000
Sue Henderson	-	-	-	-
Peter Cleaves	-	-	-	-

Other key management personnel

Charlie Latham	-	-	-	-
John Cassegrain	-	-	-	-

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

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.

Prince Hill Wines Limited

Notes to the Financial Statements (continued) for the year ended 30 June 2008

26. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(f) Related party Transactions

Aggregate amounts receivable from other related parties are disclosed in note 8 to the financial statements.

During the financial year the consolidated entity paid fees of \$355,689 (2007: \$62,282) to Coonawarra Vineyard Management Services Pty Ltd (CVMS), a related entity of directors Rex Watson and Andrew Parkinson. These fees were in respect of management services (including administration, finance, accounting, sales and marketing) provided to the consolidated entity for the 2007/8 financial year. These fees are charged to PHW 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.

During the financial year the consolidated entity did not purchase any grapes (2007: \$93,388) from Coonawarra Premium Vineyards Limited as responsible entity for Coonawarra Premium Vineyards Project. The consolidated entity purchased bulk wine at a cost of \$174,435 (2007: \$18,080) from Watson Wine Group Pty Ltd (WWG) and packaged wine from WWG for \$5,383 (2007: \$10,520) for resale and did not sell any bottling services to WWG (2007: \$11,824). It sold packaged wine to WWG in the amount of \$47,324 (2007: \$2,392). All these transactions were on third party commercial terms and conditions.

During the financial year the consolidated entity sold packaged wine totalling \$1,088,819 (2007: \$1,749,584) to Hastings Estate Pty Ltd and Hastings Wine Services (together referred to as "Hastings"), businesses which are related to key management person John Cassegrain. These sales are at normal wholesale prices and comprise sales made through the Cassegrain Winery Cellar Door and the Cassegrain Wine Club, which are operated by Hastings.

The consolidated entity paid fees to Hastings for management and production services including administration, winemaking, bottling and sales operations totalling \$589,429 (2007: \$1,382,275). These charges are calculated on the basis of cost recovery and do not include any profit element. The consolidated entity paid rent to Hastings for the use of the Cassegrain winery land and buildings (which are owned by Hastings) of \$137,700 (2007: \$89,262).

The net amount received from Hastings for the above transactions totals \$80,736 (2007: \$278,047).

29. CONTINGENT ASSETS AND LIABILITIES

The consolidated group has no contingent assets or liabilities.

30. ADDITIONAL INFORMATION

The registered office and principal place of business of the Company is located at:

235 Glen Osmond Road, Frewville, South Australia 5063

Phone: +61 8 8338 3400

Fax: +61 8 8338 3244

email: enquiries@yourwinecompany.com

The winery is located at:

Prince Hill Wines: 1220 Castlereagh Hwy, Mudgee, NSW 2850

Phone: +61 2 6373 1245

Fax: +61 2 6373 1350

email: enquiries@princehillwines.com

Prince Hill Wines Limited

Directors' Declaration

The financial statements and notes thereto of Prince Hill Wines Limited (Company) and its controlled entities for the year ended 30 June 2008 have been prepared in accordance with the Corporations Act 2001.

1. The directors of the Company declare that:

- a) 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;
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company; and
- c) the directors have been given the declarations required by s.295A of the Corporations Act 2001

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001

2. The Chief Executive Officer and Chief Finance 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;



Director

Adelaide, 30 September 2008

Grant Thornton South Australian Partnership
ABN 27 244 906 724

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001
DX 275 Adelaide

T 61 8 8372 6666
F 61 8 8372 6677
E info@gtsa.com.au
W www.grantthornton.com.au

INDEPENDENT AUDITOR'S 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 (the company) which comprises the balance sheet as at 30 June 2008, 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 company 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 establishing and maintaining internal controls 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 1, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRINCE HILL WINES LIMITED Cont

Auditor's Responsibility Cont

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

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

Independence

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

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 and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PRINCE HILL WINES LIMITED Cont**

Auditor's Opinion

In our opinion the Remuneration Report of Prince Hill Wines Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

GRANT THORNTON
South Australian Partnership
Chartered Accountants



S J Gray
Partner

Signed at Wayville on this 30th day of September 2008

Prince Hill Wines Limited

Additional ASX Information at 29 September 2008

Shares

As at 29 September 2008, there were 124,638,407 fully paid ordinary shares held by 739 shareholders. All shares carry full voting rights. Of these ordinary shares, the twenty largest holders held 99,372,360 shares equal to 79.7% of all issued shares.

Distribution of Holders of Equity Securities

<u>Range</u>	<u>Total holders</u>	<u>Shares</u>	<u>% issued capital</u>
1-1,000	482	72,276	0.06%
1,001-5,000	62	163,213	0.13%
5,001-10,000	24	191,941	0.15%
10,001-100,000	87	3,897,385	3.13%
100,001-99,999,999,999	83	120,313,592	96.53%
Total	738	124,638,407	100.00%

Substantial Shareholdings

The substantial shareholders listed in the Company's register of substantial holdings as at 29 September 2008 were:

<u>Shareholder</u>	<u>Number</u>	
	<u>Ordinary</u>	<u>Preference</u>
COONAWARRA PREMIUM VINEYARDS LIMITED <COONAWARRA AUST PROP A/C>	56,500,685	-
THREE CROWNS INVESTMENTS PTY LIMITED	11,587,000	-
CIMB-GK SECURITIES PTE LTD <CLIENT A/C>	5,748,265	-

Voting Rights

At a meeting of Members, every ordinary shareholder who is present in person or by proxy, attorney or as duly authorised representative, on a show of hands has one vote and on a poll will have one vote for each share held.

Top Twenty Shareholders

<u>Rank</u>	<u>Name</u>	<u>Shares</u>	<u>% held</u>
1	COONAWARRA PREMIUM VINEYARDS LIMITED <COONAWARRA AUST PROP A/C>	42,922,608	34.44%
2	THREE CROWNS INVESTMENTS PTY LIMITED	11,587,000	9.30%
3	COONAWARRA PREMIUM VINEYARDS LIMITED	9,265,486	7.43%
4	CIMB-GK SECURITIES PTE LTD <CLIENT A/C>	5,748,265	4.61%
5	LUTON PTY LIMITED	3,450,000	2.77%
6	MR JOHN DAVID SERGEANT <SERGEANT FAMILY A/C>	3,327,063	2.67%
7	MR GERALD FRANCIS PAULEY & MR MICHAEL JAMES PAULEY <PAULEY SUPER FUND A/C>	2,972,998	2.39%
8	ANZ NOMINEES LIMITED <CASH INCOME A/C>	2,893,190	2.32%
9	COONAWARRA PREMIUM VINEYARDS LTD	2,562,775	2.06%
10	BENDE HOLDINGS PTY LIMITED	2,495,151	2.00%
11	MR DAVID CORLEY	2,000,000	1.61%
12	COONAWARRA VINEYARD MANAGEMENT SERVICES PTY LTD	1,749,816	1.40%
13	TOPORINO PTY LIMITED	1,735,991	1.39%
14	SANDSTONE NOMINEES PTY LTD <JWMACKENZIE PRIVATE S/F A/C>	1,305,391	1.05%
15	RUMINATOR PTY LTD	1,136,363	0.91%
16	WINPAR HOLDINGS LIMITED	1,050,000	0.84%
17	MR ALAN JOHN STRINGFELLOW & MRS SUSAN JOY STRINGFELLOW <AJ'S SUPER FUND A/C>	1,018,000	0.82%
18	TALL WIND PTY LTD	1,000,000	0.80%
19	DR DAVID WELSH	1,000,000	0.80%
20	DR STEPHANIE PHILLIPS	834,081	0.67%
	Total of top 20 shareholders	100,054,178	80.28%

Prince Hill Wines Limited

Additional ASX Information at 29 September 2008 (continued)

Options

(a) The names of substantial option holders in the Company's register as at 29 September 2008 are:

<u>Option holder</u>	<u>Number of options</u>
David Combe	400,000
Bacchus Strategic Developments Group	9,200,000
Southern Cross Equities	3,000,000
Coonawarra Premium Vineyards Limited as trustee for Coonawarra Australia Property Trust	3,000,000
	15,600,000

(b) The 20 largest option holders are the same as the substantial holders listed in (a) above:

Distributions

No distributions or dividends have been made in the current or prior financial years and none is anticipated in the year ending 30 June 2009.

Trading and Pricing Information

Shares in the Company trade in the same manner as other shares in Australian listed public companies. Trading takes place between 10:00am and 4:00pm EST each business day. All major Australian newspapers publish trading prices for securities listed on the ASX on the day following each trading day.

Prince Hill Wines Limited

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 Friday 28 November 2008 commencing at 12 noon.

BUSINESS

1. To consider reports.

The annual financial report, directors' report and independent auditor's report for the year ended 30 June 2008 will be presented for consideration.

2. Election of director

Mr Andrew Parkinson, who was appointed to fill a casual vacancy during at the 2006 AGM, retires in accordance with the Company's constitution and, being eligible, offers himself for election.



Anthony Burt
Company Secretary

Adelaide, 30 September 2008

See overleaf for explanatory notes.

Prince Hill Wines Limited

EXPLANATORY NOTES

1. To consider reports

Unless the Company share registry has been notified otherwise, each shareholder will have received an annual report, which contains the reports to be considered

Following consideration of the reports, the chairman will give shareholders a reasonable opportunity to ask questions about the reports. The chairman will also give shareholders a reasonable opportunity to ask the auditor questions relevant to the conduct of the audit; the preparation and content of the independent audit report; the accounting policies adopted by the Company in relation to the preparation of the financial statements; and the independence of the auditor in relation to the conduct of the audit.

2. Resolution 1: To elect Mr Andrew Parkinson as a director

Mr Andrew Parkinson was appointed as an executive director 20 October 2006. He retires in accordance with the Company's constitution and, being eligible, offers himself for election

Mr Parkinson (B Comm. LLB) was appointed managing director on 5 April 2007 and 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.

A form of proxy accompanies this notice of meeting. Detailed notes regarding proxies are included on the reverse of that proxy form. Forms of proxy must be lodged at the registered office at least 48 hours before the meeting.

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Prince Hill Wines Limited

Proxy Form

I / We

(Name in Block Letters)

Of

- Postcode:

(Address in Block Letters)

Being a Shareholder of Simon Gilbert 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 Friday 28 November 2008 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. To re-elect Mr Andrew Parkinson as a director

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 _____ 2008

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

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 lodgement 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 6243, Halifax St, Adelaide, South Australia 5000.
- 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.

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