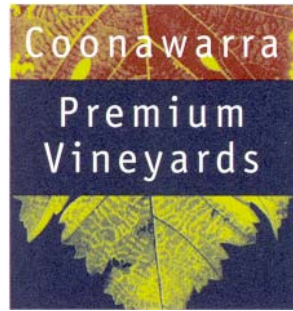


CPV Wines Limited

ABN 96 094 489 639



**Annual Report
for the year ended 30 June 2007**

CPV Wines Limited

Annual Report for the year ended 30 June 2007

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Corporate Information

Directors	Paul Miller (chairman) Rex Watson (group managing director) John Whitehead (non-executive) Mark Leaker (non-executive) Andrew Parkinson (chief executive officer)
Company secretaries	Andrew Parkinson (chief executive officer) Charlie Latham (chief financial officer)
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
Phone:	+61 8 8338 3400
Fax:	+61 8 8338 3244
Email:	enquiries@coonawarravineyard.com.au
Share Registry	Coonawarra Premium Vineyards Ltd, Adelaide
Auditors	Grant Thornton South Australian Partnership
Taxation advisor	Grant Thornton South Australian Partnership
Bankers	Commonwealth Bank of Australia, Adelaide

CPV Wines Limited

Directors' Report

The directors of CPV Wines Limited ABN 96 094 489 639 present their report on the Company for the year ended 30 June 2007. 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 or since the end of the year are:

Name	Particulars
Mr Paul H. Miller	B Ag Sci. Aged 50. Non-executive Chairman. Has over 20 years experience as a research scientist, a consulting horticulturalist, and since 1997 in commercial viticulture. A director since 2001, he was appointed as non-executive chairman on 7 February 2006.
Mr Rex L. Watson	Group Managing Director. Aged 52. Rex 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. Rex 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.
Mr John C Whitehead	BSc (Maths), Dip FP Aged 59. Non-executive director with over 22 years experience in the financial services industry. Developed a number of successful Securities Dealer Groups and been involved in capital raisings for numerous Property Developments. A national board member of the Financial Planning Association of Australia from 1990 to 1993 and state chairman of the WA chapter during that time. Now director and principal of various investment and property development companies and director of a number of public companies in commercial and residential real estate.
Mr Mark Leaker	LLM, SAFIN, MAICD, Dip App. Fin. Aged 50. Non-executive director appointed 7 August 2007. Mark brings to the board the skill and experience gained from over 20 years in legal practice, in corporate life as a corporate counsel, as general manager of a finance and investment company and service on public and private company boards. Mark is the principal of Leaker Partners, a corporate and commercial law practice based in Perth. He holds a Master of Laws and Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia. He is a member of the Australian Corporate Lawyers Association, FINSIA Institute (Associate), the Australian Institute of Company Directors and is admitted to practice in Western Australia, South Australia and Victoria.
Mr Andrew Parkinson	B Comm. LLB, Aged 53. Andrew is a director of CPVL, the responsible entity and trustee of CNR. Mr. Parkinson has extensive senior management experience with a background in stockbroking, banking and chartered accountancy. He has been involved in viticulture and the wine industry since 1999 when he became the inaugural chairman of CPVL. Andrew took on a full time role with CPVL in January 2003 when he was appointed its Chief Executive Officer. He was again appointed a director of CPVL in February 2006.

The above named directors held office during and since the end of the financial year except for Mark Leaker, who was appointed as a director on 7 August 2007 and Andrew Parkinson, who was appointed a director on 26 September 2007.

Company Secretaries

Name	Particulars
Mr Andrew Parkinson	See above
Mr Charlie Latham	BSc(hons), CA, ACA, MAICD. Aged 54. Chief Financial Officer. Chartered Accountant with over 30 years professional accounting experience. Joined CPVL in October 2003 and appointed secretary 10 December 2004. Over thirteen years experience as company secretary at a number of ASX-listed investment and manufacturing companies.

CPV Wines Limited

Directors' Report (continued)

Principal Activities

The Company's principal activity up to 31 January 2006 was to make land available to licensees under a 15 year licence agreement to grow wine grapes as members of the Coonawarra Premium Vineyards Project No.2 (Project). Upon the expiry of the licences on 31 January 2006, ownership of the vineyard improvements vested in the Company.

At general meetings of the Company and the Project held on 31 January 2006 the members voted to restructure the Project so that all the assets and liabilities of the Project vested in the Company and to wind up the Project itself with no further obligation for Growers to pay fees or costs. The members of the Company also resolved to change the name of the Company to CPV Wines Limited.

The winding up of the Project was formally completed in May 2006.

The Company is now the owner and operator of the vineyard property, producing grapes and bulk wine for sale.

The Company has no employees.

Review Of Operations

The net market value of grapevines increased during the financial year by \$1,102,924 (2006: decreased by \$420,278) due to the vineyard now being contracted and the sale of the grapes being underwritten.

A loan of \$750,000 was received from related party Coonawarra Australia Property Trust (ASX: CNR) during the year to provide for working capital. This loan is on commercial terms.

The directors are examining options to generate returns for investors.

Changes In State Of Affairs

During the financial year there was no significant change in the state of affairs of the Company other than that referred to in the financial statements or discussed in the Principal Activities section of this report.

Subsequent Events

The Company came under the control of CNR on 30 August 2007, following acceptance by 62% of the shareholders of an offer by CNR to buy all their shares in the Company. On 27 June 2007 CNR announced a takeover bid for all the ordinary shares in the Company, a related party of CNR. The bid was formally made on 13 July 2007 by the issue of a Bidder's Statement offering \$18 for each share in the Company. The offer closed on 30 August 2007 with acceptances received from holders of 65,500 shares representing 62% of the issued capital of the Company.

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.

Ongoing Funding Requirements

In the Target's Statement dated 9 August 2007, sent to all shareholders, the directors stated (on page 3): "The continued operation of CPV Wines' vineyard will require additional finance through equity or debt or a combination of both. Depending on market conditions at the time, CPV Wines may not be able to raise the necessary capital on acceptable terms and any required capital raisings could result in a substantial dilution of existing Shareholders' interests." As the takeover bid by CNR did not result in the Company being 100% owned by CNR, the Company still needs to fund its own ongoing operations.

The directors have assessed the funding needs of the Company and determined that additional funds are required for the continued operations of the Company in the short to medium term. The directors have put in process steps to address this need including consideration of additional debt, a rights issue or an equity placement. The directors are of the view that one or other of these mechanisms will eventuate within the time window required, such that the required funding will be secured. Accordingly the financial statements have been prepared on a going concern basis.

Future Developments

Disclosure of 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.

Dividends

No dividends have been declared or paid since the beginning of the financial year up to the date of this report. The directors do not recommend the payment of any dividend in respect of the current financial year.

CPV Wines Limited

Directors' Report (continued)

Directors' Meetings

The following table sets out the number of directors' meetings held during the financial year whilst each board member was in office and the number of meetings attended by each. During the financial year, 19 board meetings were held.

<u>Name</u>	<u>Meetings eligible to attend</u>	<u>Attended</u>
Paul Miller	19	17
Rex Watson	19	16
John Whitehead	9	7
Mark Leaker *	-	-
Andrew Parkinson *	-	-

* Mark Leaker and Andrew Parkinson were appointed directors after the end of the financial year.

Share Options

No options were granted over unissued shares in the Company during or since the financial year or were granted to the Responsible Entity. No unissued shares in the Company were under option as at the date on which this Report is made. 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 the Company.

Auditors Independence

The Auditors Independence Statement is included on page 6 of the financial report.

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 such 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 such an officer or auditor.

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



Paul Miller
Chairman

Adelaide, 24 October 2007

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF CPV WINES LTD**

In accordance with the requirements of section 307C of the Corporations Act 2001, as auditor for the audit of CPV Wines Ltd for the year ended 30 June 2007, 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 Adelaide this 24th day of October 2007

CPV Wines Limited

Income Statement for the year ended 30 June 2007

	Notes	2007	2006
		\$	\$
Revenue			
Interest revenue: customers		2,975	11,036
Sales of bulk wine		548,097	33,303
Value of grapes picked at time of picking		708,630	138,230
Total revenue		<u>1,259,702</u>	<u>182,568</u>
Other income			
Profit arising from changes in fair value, less estimated point of sale costs, of grapevines	12	1,102,924	-
Total other income		<u>1,102,924</u>	<u>-</u>
Total		<u>2,362,626</u>	<u>182,568</u>
Cost of goods sold		(588,546)	(53,748)
Vineyard operating expenses		(607,883)	(534,465)
Corporate expenses		(272,831)	(54,490)
Corporate expenses - restructuring proposal		(39,901)	(23,360)
Contract incentive payment re grape supply agreement	22(f)	(650,000)	-
Other expenses	2	7,456	(18,908)
Loss arising from changes in fair value, less estimated point of sale costs, of grapevines	12	-	(420,278)
Finance costs	2	(238,041)	(105,479)
Total expenses		<u>(2,389,746)</u>	<u>(1,210,728)</u>
Loss before income tax expense		(27,120)	(1,028,160)
Income tax benefit/(expense)	6	(8,880)	308,448
Loss for the year		<u>(36,000)</u>	<u>(719,712)</u>

Notes to the financial statements are included on pages 10 to 23.

CPV Wines Limited

Balance Sheet as at 30 June 2007

	Notes	2007 \$	2006 \$
Current assets			
Cash and cash equivalents		-	-
Trade and other receivables	7	471,436	213,067
Inventories	8	-	563,364
TOTAL CURRENT ASSETS		471,436	776,431
Non-current assets			
Property, plant & equipment	9	1,466,687	2,417,106
Biological assets	12	3,033,313	1,032,894
TOTAL NON-CURRENT ASSETS		4,500,000	3,450,000
TOTAL ASSETS		4,971,436	4,226,431
Current liabilities			
Trade and other payables	13	25,283	47,682
Borrowings	14	982,662	938,138
TOTAL CURRENT LIABILITIES		1,007,945	985,820
Non-current liabilities			
Borrowings	15	1,637,949	887,949
Deferred tax liabilities	16	399,064	390,184
TOTAL NON-CURRENT LIABILITIES		2,037,013	1,278,133
TOTAL LIABILITIES		3,044,958	2,263,953
NET ASSETS		1,926,478	1,962,478
EQUITY			
Issued capital	17	1,191,794	1,191,794
Reserves	18	681,977	681,977
Retained earnings	19	52,707	88,707
TOTAL EQUITY		1,926,478	1,962,478

Notes to the financial statements are included on pages 10 to 23.

CPV Wines Limited

Statement of Changes in Equity for the year ended 30 June 2007

	Notes	2007 \$	2006 \$
Total equity at the beginning of the year		1,962,478	2,517,823
Increment arising on revaluation of property, plant & equipment	9,18	-	234,809
Less income tax impact	9,18	-	(70,442)
Net Income recognised directly in equity		-	164,367
Loss for the year		(36,000)	(719,712)
Total recognised income and expense for the year		(36,000)	(555,345)
Total equity at the end of the year		1,926,478	1,962,478

Notes to the financial statements are included on pages 10 to 23.

Cash Flow Statement for the year ended 30 June 2007

	Notes	2007 \$	2006 \$
Cash flows from operating activities			
Receipts from customers		1,005,814	48,773
Payments to suppliers		(1,559,817)	(1,082,996)
Interest revenue: customers		2,975	11,036
Interest and other costs of finance paid		(238,041)	(105,479)
Net cash used in operating activities	20	(789,069)	(1,128,666)
Cash flows from investing activities			
Advances made to related parties		-	(14,111)
Payments for plant and equipment	9	(5,455)	-
Net cash used in investing activities		(5,455)	(14,111)
Cash flows from financing activities			
Proceeds from borrowings	15	750,000	200,000
Net cash provided by financing activities		750,000	200,000
NET DECREASE IN CASH HELD		(44,524)	(942,777)
Cash and cash equivalents at the beginning of the year		(938,138)	4,639
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		(982,662)	(938,138)
Reconciliation of cash and cash equivalents			
Cash at bank		-	-
Bank overdraft	14	(982,662)	(938,138)
Net cash / (overdraft)		(982,662)	(938,138)

Notes to the financial statements are included on pages 10 to 23.

CPV Wines Limited

Notes to the Financial Statements for the year ended 30 June 2007

1. SUMMARY OF ACCOUNTING POLICIES

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 24 October 2007.

Basis of preparation of financial report

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of A-IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Significant Accounting Policies

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2007 and the comparative information presented in these financial statements for the year ended 30 June 2006.

Property Plant and Equipment

Land and improvements are measured at fair value. Fair value is determined on the basis of an independent valuation prepared by external valuation experts, based on discounted cash flows or capitalisation of net income (as appropriate). The fair values are recognised in the financial statements of the Company, and are reviewed at the end of each reporting period to ensure that the carrying value of land and improvements is not materially different from their fair values.

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

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

Depreciation is provided on all property including freehold improvements but excluding land. Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. The following estimated useful lives are used in the calculation of depreciation:

- Improvements - unsealed roads 20 years
- Improvements - other 20 years

CPV Wines Limited

Notes to the Financial Statements for the year ended 30 June 2007

1. SUMMARY OF ACCOUNTING POLICIES (continued)

Goods and Services Tax

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

- (a) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (b) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

Income Tax

Current Tax

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

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

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

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

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

Current and deferred tax for the period

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

Biological assets (Grapevines)

The Company 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. The directors use a combination of external valuations, establishment costs and the discounted net present values of expected future cash flows to determine the value 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.

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 net market value of grapes harvested is recognised as revenue in the period of harvest. Costs incurred in maintaining vines are recognised as expenses as incurred.

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.

Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

CPV Wines Limited

Notes to the Financial Statements for the year ended 30 June 2007

1. SUMMARY OF ACCOUNTING POLICIES (continued)

Revenue Recognition

Revenue is recognised when the Company gains control of the revenue or the right to receive the revenue. Interest revenue is recognised on an accruals basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Financial assets

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The only financial assets held by the company are loans and receivables.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

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 decrease.

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

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 Company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

New Accounting Standards and Interpretations

Certain new accounting standards and Interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Company's assessment is that there will be no impact from these new standards and interpretations

CPV Wines Limited

Notes to the Financial Statements for the year ended 30 June 2007

2. LOSS FROM ORDINARY ACTIVITIES

	2007	2006
The loss from ordinary activities includes the following items of revenue and expense:	\$	\$
interest expense - related parties	44,753	
Interest expense - other entities	193,288	105,479
	<u>238,041</u>	<u>105,479</u>
Allowance for doubtful debts	(7,456)	18,908
Depreciation	<u>58,379</u>	<u>10,717</u>

3. REMUNERATION OF AUDITORS

Current auditor - Grant Thornton South Australian Partnership

Auditing or reviewing the financial reports of the Company	7,500	-
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Previous auditor - Deloitte Touche Tohmatsu

Auditing or reviewing the financial reports of the Company	-	18,000
Auditing the completion financial report of the Project	-	17,500
Auditing the compliance plan of the Project	-	2,640
Taxation services	-	13,000
	<u>7,500</u>	<u>51,140</u>

4. EARNINGS PER SHARE

	cents	cents
Basic earnings per share	(34.09)	(681.55)
Diluted earnings per share	<u>(34.09)</u>	<u>(681.55)</u>
	number	number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	105,600	105,600
Earnings used in the calculation of basic earnings per share:	\$	\$
Net loss	(36,000)	(719,712)
	number	number
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	105,600	105,600
Earnings used in the calculation of diluted earnings per share:	\$	\$
Net loss	<u>(36,000)</u>	<u>(719,712)</u>

5. SEGMENT INFORMATION

The Company operates solely in Australia and solely within the wine industry.

CPV Wines Limited

Notes to the Financial Statements for the year ended 30 June 2007

6. INCOME TAX	2007	2006
(a) Income tax expense/(benefit):	\$	\$
Current tax	-	-
Deferred tax	8,880	(308,448)
Aggregate income tax expense/(benefit) attributable to loss from continuing operations	<u>8,880</u>	<u>(308,448)</u>
Deferred tax expense/(benefit) included in income tax expense/(benefit) comprises		
Decrease/(increase) in deferred tax assets	(321,197)	(308,448)
Increase / (decrease) in deferred tax liabilities	330,077	(127,008)
	<u>8,880</u>	<u>(435,455)</u>
(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax		
Loss from continuing operations before income tax expense	(27,120)	(1,028,160)
Tax at Australian tax rate of 30% (2006: 30%)	(8,136)	(308,448)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Other	5,046	-
Restructure costs not deductible	11,970	-
	<u>8,880</u>	<u>(308,448)</u>
Income tax expense/(benefit) attributable to operating loss	<u>8,880</u>	<u>(308,448)</u>
(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	-	(70,442)
(d) Franking account balance	<u>41,913</u>	<u>41,913</u>
Note 16 shows the analysis of deferred tax balances and movements for the year.		
7. CURRENT - TRADE AND OTHER RECEIVABLES		
Trade receivables - other	221,092	220,000
Less allowance for doubtful debts	(18,902)	(26,358)
	<u>202,190</u>	<u>193,642</u>
Trade receivables - related parties	228,380	-
Other receivables - GST recoverable	40,866	19,425
	<u>471,436</u>	<u>213,067</u>
8. CURRENT - INVENTORIES		
Bulk wine - at cost	-	530,782
Bulk wine - at net realisable value	-	32,582
	<u>-</u>	<u>563,364</u>

CPV Wines Limited

Notes to the Financial Statements for the year ended 30 June 2007

9. NON-CURRENT - PROPERTY PLANT AND EQUIPMENT	Freehold land (at fair value)	Improvements (at fair value)	Total
	\$	\$	\$
30 June 2007			
Gross carrying amount			
Balance at 30 June 2006	1,997,495	419,611	2,417,106
Reclassification to biological assets	(897,495)	-	(897,495)
Additions	-	5,455	5,455
Balance at 30 June 2007	<u>1,100,000</u>	<u>425,066</u>	<u>1,525,066</u>
Depreciation			
Balance at 30 June 2006	-	-	-
Depreciation expense	-	(58,379)	(58,379)
Balance at 30 June 2007	<u>-</u>	<u>(58,379)</u>	<u>(58,379)</u>
Net book value 30 June 2007	<u>1,100,000</u>	<u>366,687</u>	<u>1,466,687</u>
30 June 2006			
Gross carrying amount			
Balance at 1 July 2005	1,773,403	405,500	2,178,903
Revaluations to market value	224,092	-	224,092
Additions	-	14,111	14,111
Balance at 30 June 2006	<u>1,997,495</u>	<u>419,611</u>	<u>2,417,106</u>
Depreciation			
Balance at 30 June 2005	-	-	-
Depreciation expense	-	(10,717)	(10,717)
Revaluations to market value	-	10,717	10,717
Balance at 30 June 2006	<u>-</u>	<u>-</u>	<u>-</u>
Net book value 30 June 2006	<u>1,997,495</u>	<u>419,611</u>	<u>2,417,106</u>

The overall property is a vineyard comprised of land, water licences, roads, vines, trellising, irrigation equipment and other improvements. The Company has 69 hectares (2006: 81 hectares) of grapevines planted in the premium grape growing area of the Coonawarra, South Australia. Since 2006 12 hectares of vines have been removed and are being replanted with white wine grape varieties. The existing infrastructure was retained and will be reused with the new vines.

Under the terms of a 13-year license agreement, the members of the Project were entitled to establish and grow wine grapes on 74 hectares of the land held by the Company. Upon expiry of the licence, ownership of improvements to the land was to vest in the Company. The balance of 8 hectares has been developed by the Company for its own account.

The development of the Project property was carried out as part of a Managed Investment Scheme (the Scheme) under the Corporations Act 2001. The structure of the Scheme resulted in the Company being the legal and beneficial owner of the land. The development of the land into a vineyard was funded by the grower participants in the Scheme (the Growers) as pursuant to a prospectus issued in April 2001. The Growers beneficially owned the grapevines but they are legally part of the land and therefore owned by the Company. A lease agreement between the Growers and the Company provided income to the Company for a Grant of Use rental for the Project property.

At general meetings of the Company and the Project held on 31 January 2006 the members voted to restructure the Project so that all the assets and liabilities of the Project vested in the Company and to wind up the Project itself with no further obligation for Growers to pay fees or costs. The winding up of the Project commenced on 31 January 2006 and was completed in May 2006.

	2007	2006
	\$	\$
The carrying amount of land had it been recognised under the cost model is as follows:		
Freehold land at cost	1,291,962	1,291,962
Accumulated depreciation	-	-
Net book amount	<u>1,291,962</u>	<u>1,291,962</u>

CPV Wines Limited

Notes to the Financial Statements for the year ended 30 June 2007

10. REVALUATION OF PROPERTY ASSETS

Land and grapevines are recorded at fair value. The carrying amount of improvements to non-current assets is initially recorded at the previous year's fair value less depreciation, 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 fair value basis

The Company's valuation separated the assets between biological and non-biological for the purposes of the Accounting Standard AASB 141. Grapevines are biological assets and are dealt with in Note 12 below.

To assist the directors in making their determination a formal valuation of the Company's property as at 30 June 2007, dated August 2007, has been provided by an independent valuer Colin Pickett, Certified Practising Valuer, Associate Australian Property Institute, Gaetjens Pickett Valuers, that states the current market value of the property (including the land, improvements and grapevines) is \$4,500,000 (2006: \$3,275,000) on an unencumbered freehold basis. This approach is consistent with the methodology used in the prior year, except that it recognised that the whole vineyard is now contracted and therefore has a higher fair value per hectare than the previously uncontracted vineyard blocks.

The directors have considered this latest valuation in conjunction with other pertinent facts in the present wine industry environment to determine the fair value of the property at 30 June 2007 at \$4,500,000 (2006: \$3,450,000).

The independent valuation was determined by the valuer using the following key assumptions:

- Data derived from comparable market transactions adjusted for attributes of the subject vineyard; and
- Discounted cash flow analysis of likely future income.

11. ASSETS PLEDGED AS SECURITY

In accordance with the security arrangements of liabilities, all non-current assets of the Company have been pledged as security.

12. NON-CURRENT - BIOLOGICAL ASSETS

	2007	2006
Net market value of vines	\$	\$
At beginning of year	1,032,894	1,453,172
Revaluations to net market value	1,102,924	(420,278)
Reclassification from property plant & equipment	897,495	-
At end of year	<u>3,033,313</u>	<u>1,032,894</u>

(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

Value of grapes picked at time of picking	708,630	138,230
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(b) Physical quantity of vines

Number of vines owned	125,779	147,440
Hectares planted (including improvements)	69	81

12 hectares of merlot grapevines were removed in 2006/7 and will be replaced with white grape varieties

(c) Nature of asset

CPV Wines Ltd owns a vineyard in the Coonawarra district of South Australia.

(d) Significant assumptions

Significant assumptions made in determining the net market value of the vines are:

- 60 hectares of the vines are currently mature and the remainder will mature over the next 1 to 3 years. The vines will be productive for periods up to 100 years per vine;
- the expected price of the vines is constant in real terms, based on average prices throughout the current year;
- the costs expected to arise throughout the life of the vines are constant in real terms, based on average costs throughout the year;
- inflation will continue at the current rate.

Cash flows are gross of income tax and are expressed in real terms.

CPV Wines Limited

Notes to the Financial Statements for the year ended 30 June 2007

	Notes	2007 \$	2006 \$
13. CURRENT - TRADE & OTHER PAYABLES			
Trade payables - related parties		-	3,627
Trade payables - other entities		25,283	44,055
		<u>25,283</u>	<u>47,682</u>
14. CURRENT - BORROWINGS			
Secured			
Bank overdraft		982,662	938,138
Secured by a fixed and floating charge over the Company's vineyard assets.	11		
15. NON-CURRENT - BORROWINGS			
Secured			
Bank loan	11,14	887,949	887,949
Loan from related party	11	750,000	-
		<u>1,637,949</u>	<u>887,949</u>

The bank loan is secured by a mortgage over the company's two freehold land titles, the current market value of which exceeds the value of the mortgage. The loan facility is interest only and scheduled for review in December 2007 (refer note 20).

	2007 \$	2006 \$
16. NON-CURRENT - DEFERRED TAX LIABILITIES		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit & loss:		
Doubtful debts provision & other deferred deductions	(11,655)	(15,388)
Accelerated deductions on plant and equipment	91,284	92,084
Revaluation of biological assets	640,745	309,868
Income tax losses carried forward	(578,931)	(254,001)
	<u>141,443</u>	<u>132,563</u>
Amounts recognised directly in equity:		
Revaluation of property, plant & equipment	257,621	257,621
	<u>399,064</u>	<u>390,184</u>
Movements in deferred tax liability		
At beginning of year	390,184	628,189
Charged/(credited) to profit and loss	8,880	(308,448)
Charged to equity	-	70,443
At end of year	<u>399,064</u>	<u>390,184</u>

17. ISSUED CAPITAL	2007 number	2006 number	2007 \$	2006 \$
Share capital - fully paid ordinary shares				
Held by related parties	48,900	48,900	422,375	422,375
Other investors	56,700	56,700	769,419	769,419
	<u>105,600</u>	<u>105,600</u>	<u>1,191,794</u>	<u>1,191,794</u>

All fully paid ordinary shares carry one vote per share and carry the right to dividends.

The Company's shares are no longer stapled to Grower Units in the Coonawarra Premium Vineyards Project No. 2 ARSN 096 298 074. Previously each share in the Company (in parcels of 100 shares) had to be held at all times by a Grower, or an associate of a Grower, in the Coonawarra Premium Vineyards Project No. 2.

After the balance date shareholders representing 62% of the shares accepted an offer by Coonawarra Australia Property Trust (ASX: CNR) to buy all their shares in the Company. From 30 August 2007 CNR holds 65,500 shares in the Company.

CPV Wines Limited

Notes to the Financial Statements for the year ended 30 June 2007

18. RESERVES	2007	2006
Asset revaluation reserve	\$	\$
At beginning of year	681,977	517,610
Revaluation of land and improvements to market value	-	164,367
At end of year	<u>681,977</u>	<u>681,977</u>

The asset revaluation reserve arises on the revaluation of non-current assets. Where a revalued asset is sold, that portion of the asset revaluation reserve which relates to the asset that is realised is transferred to retained profits. The reserve is stated net of applicable deferred capital gains tax.

19. RETAINED EARNINGS	2007	2006
Movements during the year	\$	\$
At beginning of year	88,707	808,419
Net loss for the year	(36,000)	(719,712)
At end of year	<u>52,707</u>	<u>88,707</u>

20. NET CASH USED IN OPERATING ACTIVITIES	2007	2006
	\$	\$
Operating loss after income tax	(36,000)	(719,712)
Depreciation	58,379	10,717
Allowance for doubtful debts	(7,456)	18,908
(Increase) / decrease in market value of biological assets	(1,102,924)	420,278
Deferred tax liabilities	8,880	(308,448)
Trade and other receivables	(250,913)	(122,759)
Other current assets	-	97,561
Inventories	563,364	(563,364)
Current payables	(22,399)	38,153
Net cash used in operating activities	<u>(789,069)</u>	<u>(1,128,666)</u>

Financing facilities

Secured 3-year multi-option bank facility, reviewed annually *

Loan facility - amount used	887,949	887,949
Loan facility - amount unused	12,051	12,051
	<u>900,000</u>	<u>900,000</u>

Secured bank overdraft facility **

Overdraft facility - amount used	982,662	938,138
Overdraft facility - amount unused	17,338	61,862
	<u>1,000,000</u>	<u>1,000,000</u>

Secured related party loan facility ***

Related party loan facility - amount used	750,000	887,949
Related party loan facility - amount unused	-	12,051
	<u>750,000</u>	<u>900,000</u>

* The Company has a multi-option facility of \$900,000 (2006: \$900,000) from Commonwealth Bank of Australia that was used to develop an 8.2 hectare vineyard on land owned by the Company adjacent to the Coonawarra Premium Vineyards Project No.2 vineyards. This facility is for 3 years to 1 March 2009, subject to annual review, and is secured by a fixed and floating charge over the Company's assets.

** The Company has an overdraft facility of \$1,000,000 (2006: \$1,000,000) from Commonwealth Bank of Australia, repayable on demand, that is used for working capital.

*** The Company has a loan facility of \$750,000 (2006: \$nil) from related party CNR on commercial terms, repayable on demand, that is used for working capital.

CPV Wines Limited

Notes to the Financial Statements for the year ended 30 June 2007

21. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives

Coonawarra Vineyard Management Services Pty Ltd (CVMS), a related party, 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 Company. 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, 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.

(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 Company. The Company does not have any significant credit risk exposure to any single counter party or any group of counter parties having similar characteristics, other than former Growers in the Coonawarra Premium Vineyards Project No.2 who had not paid in full their Grant of Use fees or management fees for the Project prior to the Project being wound up. Those debts reverted to the Company, and are now being pursued by recovery action against those former Growers.

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

(d) Interest rate risk exposures

	Fixed interest rate	Floating interest rate	Non-interest bearing	Total
	\$	\$	\$	\$
2007				
Financial assets				
Receivables	221,092	-	269,246	490,338
	221,092	-	269,246	490,338
Weighted average interest rate	10.70%			
Financial liabilities				
Bank loan and overdraft	-	1,870,611	-	1,870,611
Related party borrowings	-	750,000	-	750,000
Trade payables	-	-	25,283	25,283
	-	2,620,611	25,283	2,645,894
Weighted average interest rate		9.35%		
2006				
Financial assets				
Cash assets	-	-	-	-
Receivables	220,000	-	-	220,000
	220,000	-	-	220,000
Weighted average interest rate	10.70%			
Financial liabilities				
Bank overdraft	-	938,138	-	938,138
Bank loan	-	887,949	-	887,949
Trade payables	-	-	47,682	47,682
	-	1,826,087	47,682	1,873,769
Weighted average interest rate		9.35%		

(e) Liquidity risk management

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

CPV Wines Limited

Notes to the Financial Statements for the year ended 30 June 2007

22. KEY MANAGEMENT PERSONNEL DISCLOSURES & RELATED PARTY TRANSACTIONS

(a) Directors

The following persons were directors of the Company during or since the financial year:

Paul Miller (Compliance Officer, non-executive chairman)
Rex Watson (Group Managing Director, executive)
John Whitehead (non-executive)
Mark Leaker (non-executive) appointed director 7 August 2007
Andrew Parkinson (Company Secretary, Chief Executive Officer) appointed director 26 September 2007

(b) Other key management personnel

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

Charlie Latham (Company Secretary, Chief Financial Officer)

(c) Key management personnel compensation policy

The board of directors 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 related Managed Investment Schemes, Coonawarra Australia Property Trust and the Coonawarra Premium Vineyards Project, and other relevant factors. All director and senior executive compensation is paid by CVMS, and passed onto the Company through a management fee.

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 whatsoever.

None of the key management personnel of the Company is entitled to be granted any options over 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.

	2007	2006
	\$	\$
Short-term employee benefits	89,752	74,096
Post - employment benefits	10,906	19,469
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<u>100,658</u>	<u>93,565</u>

CPV Wines Limited

Notes to the Financial Statements (continued) for the year ended 30 June 2007

22. KEY MANAGEMENT PERSONNEL DISCLOSURES & RELATED PARTY TRANSACTIONS (continued)

(d) Key management personnel compensation (continued)

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

Key management person	Short -term employee benefits			Post-employment benefits		Share Based Payment	Total
	Cash salary & fees	Cash bonus	Non-monetary benefits	Super-annuation	Other		
2007	\$	\$	\$	\$	\$	\$	\$
Rex Watson	34,081	-	8,099	4,080	-	-	46,260
Paul Miller	8,257	-	-	743	-	-	9,000
Andrew Parkinson	12,789	-	1,747	2,027	-	-	16,563
John Whitehead	9,000	-	-	810	-	-	9,810
Charlie Latham	13,552	-	2,227	3,246	-	-	19,025
Total	77,679	-	12,073	10,906	-	-	100,658
2006							
Rex Watson	15,688	-	3,022	2,364	-	-	21,074
Paul Miller	11,559	-	-	1,086	-	-	12,645
Andrew Parkinson	23,150	-	2,167	4,578	-	-	29,895
John Whitehead (from 15 Feb 2006)	2,500	-	-	225	-	-	2,725
Charlie Latham	13,895	-	2,115	2,467	-	-	18,477
Richard Beck (to 14 Feb 2006)	-	-	-	8,749	-	-	8,749
Total	66,792	-	7,304	19,469	-	-	93,565

CPV Wines Limited

Notes to the Financial Statements for the year ended 30 June 2007

22. KEY MANAGEMENT PERSONNEL DISCLOSURES & RELATED PARTY TRANSACTIONS (continued)

(e) Equity instrument disclosures relating to key management personnel

Equity holdings

The numbers of shares held during the financial year by each director of the Company and other key management personnel, including their personally-related parties, are set out below. There were no shares granted during the financial year as compensation. All issued shares are fully paid.

	Balance at start of year	Change during the year ##	Disposed during the year	Balance at end of year
	<u>number</u>	<u>number</u>	<u>number</u>	<u>number</u>
2007				
<u>Directors of the Company</u>				
Rex Watson #	36,900	400	-	37,300
Paul Miller	-	-	-	-
John Whitehead ##	5,000	-	-	5,000
	<u>41,900</u>	<u>400</u>	<u>-</u>	<u>42,300</u>
<u>Other key management personnel</u>				
Andrew Parkinson	-	-	-	-
Charlie Latham	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2006				
<u>Directors of the Company</u>				
Rex Watson #	39,900	-	(3,000)	36,900
Paul Miller	-	-	-	-
John Whitehead ##	-	5,000	-	5,000
Richard Beck ##	15,000	(15,000)	-	-
	<u>54,900</u>	<u>(10,000)</u>	<u>(3,000)</u>	<u>41,900</u>
<u>Other key management personnel</u>				
Andrew Parkinson	-	-	-	-
Charlie Latham	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

1,900 shares held by Coonawarra Vineyard Management Services Pty Ltd (CVMS), 32,000 shares held by CVMS's parent company Watson Wine Group Pty Ltd (WWG) and 3,400 shares held by Leed Capital Pty Ltd (Leed). These shares were all sold to CNR pursuant to the Takeover Offer in August 2007

Change is due to resignation/appointment of directors. Their individual holdings did not change

(f) Other transactions with key management personnel

Aggregate amounts receivable from other related parties are disclosed in notes 7 and 13 to the financial statements.

During the financial year the Company paid CVMS for management, administration, property management and operating costs totalling \$746,550 (2006 \$720,795) pursuant to the arms length terms and conditions of a contract that was approved by the shareholders in January 2006 as part of the winding up of the Project in 2006.

The Company borrowed a total of \$750,000 in October and December 2006 from CNR on arms length terms. This loan carries interest payable monthly in arrears at the rate of 10% per annum and is repayable on demand. Interest paid on this loan during the year was \$44,753 (2006: \$nil). Refer note 15.

A contract incentive payment of \$650,000 was paid to WWG as consideration for WWG entering a long term grape supply agreement for the whole of the Company's vineyards from 2007 to 2015. The effect of the contract on the value of the Company's vineyards was an increase of approximately \$1,250,000.

23. CONTINGENT ASSETS AND LIABILITIES

The Company has no contingent assets or liabilities.

CPV Wines Limited

Notes to the Financial Statements for the year ended 30 June 2007

24. SUBSEQUENT EVENTS

The Company came under the control of Coonawarra Australia Property Trust (ASX: CNR) on 30 August 2007, following acceptance by 62% of the shareholders of an offer by CNR to buy all their shares in the Company. On 27 June 2007 CNR announced a takeover bid for all the ordinary shares in the Company, a related party of CNR. The bid was formally made on 13 July 2007 by the issue of a Bidder's Statement offering \$18 for each share in the Company. The offer closed on 30 August 2007 with acceptances received from holders of 65,500 shares representing 62% of the issued capital of the Company.

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.

25. ONGOING FUNDING

In the Target's Statement dated 9 August 2007 the directors stated (on page 3): "The continued operation of CPV Wines' vineyard will require additional finance through equity or debt or a combination of both. Depending on market conditions at the time, CPV Wines may not be able to raise the necessary capital on acceptable terms and any required capital raisings could result in a substantial dilution of existing Shareholders' interests." As the takeover bid by CNR did not result in the Company being 100% owned by CNR, the Company still needs to fund its own ongoing operations.

The directors have assessed the funding needs of the Company and determined that additional funds are required for the continued operations of the Company in the short to medium term. The directors have put in process steps to address this need including consideration of additional debt, a rights issue or an equity placement. The directors are of the view that one or other of these mechanisms will eventuate within the time window required, such that the required funding will be secured. Accordingly the accounts have been prepared on a going concern basis.

26. ADDITIONAL INFORMATION

CPV Wines Ltd is an unlisted public company, incorporated and operating in Australia. Other than the directors of the Company, there are no employees of the Company. The Company operated in connection with a registered Managed Investment Scheme operating in Australia until that scheme was wound up earlier in 2006.

The registered office and principal place of business is located at 235 Glen Osmond Road, Frewville, South Australia 5063

Phone: +61 8 8338 3400 Fax: +61 8 8338 3244 email: enquiries@coonawarravineyard.com.au

CPV Wines Limited

Directors' Declaration

The directors 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; and
- 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.

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



Paul Miller
Director

Adelaide, 24 October 2007

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CPV WINES LTD

Report on the financial report

We have audited the accompanying financial report of CPV Wines Ltd, which comprises the balance sheet as at 30 June 2007, 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 and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that 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, which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

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

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

Independence

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

Auditor's opinion

In our opinion:

- (a) The financial report of CPV Wines Ltd is in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of the Company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
 - ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Significant uncertainty regarding continuation as a going concern

Without qualification to the audit opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 25 to the financial statements, there is significant uncertainty whether the company will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

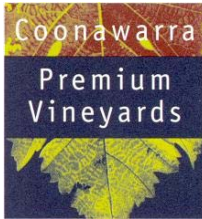
GRANT THORNTON
South Australian Partnership
Chartered Accountants



S J GRAY
Partner

Signed at Adelaide this 24th day of October 2007

CPV Wines Limited



ACN 094 489 639

Notice of Annual General Meeting

Notice is hereby given that the annual general meeting of CPV Wines Limited (Company) ACN 094 489 639, will be held at 235 Glen Osmond Road, Frewville, South Australia 5063 on Wednesday 21 November 2007 at 11.15 am.

BUSINESS

1. To consider reports.

The annual financial report, directors' report and independent auditor's report for the year ended 30 June 2007 will be presented for consideration.

2. Election of director

Mr Mark Leaker, who was appointed to fill a casual vacancy during the year, retires in accordance with the Company's constitution and, being eligible, offers himself for election.

3. Election of director

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

4. Election of director

Mr Paul Miller retires in accordance with the Company's constitution and, being eligible, offers himself for re-election.

A handwritten signature in black ink, appearing to read 'C. Latham'.

Charlie Latham
Company Secretary
Adelaide, 24 October 2007

See overleaf for explanatory notes

CPV Wines Limited

EXPLANATORY NOTES

1. To consider reports

Unless the Company 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. To elect Mark Leaker as a director

Mark Leaker was appointed as a non-executive director on 7 August 2007 to ensure the board has a quorum of independent directors to deal with the takeover offer from CNR. LLM, SAFIN, MAICD, Dip App. Fin. Aged 50. Mark brings to the board the skill and experience gained from over 20 years in legal practice, in corporate life as a corporate counsel, as general manager of a finance and investment company and service on public and private company boards.

Mark is the principal of Leaker Partners, a corporate and commercial law practice based in Perth. He holds a Master of Laws and Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia. He is a member of the Australian Corporate Lawyers Association, FINSIA Institute (Associate), the Australian Institute of Company Directors and is admitted to practice in Western Australia, South Australia and Victoria.

3. To elect Andrew Parkinson as a director

Andrew Parkinson was appointed an executive director 7 August 2007. B Comm. LLB, Aged 53. Andrew is a director of CPVL, the responsible entity and trustee of CNR. Mr. Parkinson has extensive senior management experience with a background in stockbroking, banking and chartered accountancy. He has been involved in viticulture and the wine industry since 1999 when he became the inaugural chairman of CPVL. Andrew took on a full time role with CPVL in January 2003 when he was appointed its Chief Executive Officer. He was again appointed a director of CPVL in February 2006.

4. To re-elect Paul Miller as a director

Mr Paul Miller retires in accordance with the Company's constitution and, being eligible, offers himself for re-election. Paul Miller, B Ag Sci. is the non-executive Chairman of the Company. Has over 20 years experience as a research scientist, a consulting horticulturalist, and since 1997 in commercial viticulture. A director since 2001, he was appointed as non-executive chairman on 7 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.

CPV Wines Limited

Proxy Form

I / We
(Name in Block Letters)

Of
- Postcode
(Address in Block Letters)

Being a member of CPV Wines Limited (Company)

hereby appoint(s)

(Name in Block Letters)

- Postcode
(Address in Block Letters)

or failing him/her, the Chair of the Meeting, as my/our proxy to attend, vote and otherwise act on my/our behalf at the annual general meeting of the Company to be held at 235 Glen Osmond Road, Frewville, South Australia 5063, on Wednesday 21 November 2007 commencing at 11.15 a.m. 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 elect Mark Leaker as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 To elect Andrew Parkinson as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 To re-elect Paul Miller as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the meeting intends to vote in favour of the 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

PRIVACY

The Company advises that Chapter 2C of the Corporations Act 2001 requires information about securityholders (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 securityholder ceases to be a securityholder. 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.coonawarravineyard.com.au)

SEE OVERLEAF FOR NOTES ON PROXIES

CPV 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 appointor is a corporation, the appointment must be signed by its duly authorized attorney, or in accordance with the corporation's constitution and the Corporations Act 2001.
- 8 A corporate shareholder wishing to appoint a natural person to act as its representative at the meeting can do so in accordance with the Corporations Act 2001. The representative must bring evidence of his or her appointment as a representative to the meeting.
- 9 To be valid, the instrument appointing a proxy, and the power of attorney or other authority (if any) under which it is signed or executed (or a copy certified by a notary), must be lodged at the registered office of the Company, (being 235 Glen Osmond Road, Frewville, South Australia 5063), not less than 48 hours before the time appointed for the meeting or any adjournment thereof. The lodgment referred to in this paragraph can also be achieved by faxing the document(s) to the attention of the "Company Secretary" on (+61) 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.