



Preliminary Final Report of Coonawarra Australia Property Trust

For the Financial Year Ended 30 June 2010

**ABN 37 529 164 940
ARSN 104 335 159**

**This Preliminary Final Report is provided to the Australian Securities Exchange (ASX) under
ASX Listing Rule 4.3A**

Current Reporting Period:

Financial Year Ended 30 June 2010

Previous Corresponding Period:

Financial Year Ended 30 June 2009

Coonawarra Australia Property Trust

Results For Announcement To The Market For the Financial Year Ended 30 June 2010

Coonawarra Australia Property Trust (ASX:CNR), has reported its financial results for the year ended 30 June 2010. Attached is a summary of the revenue and net loss followed by the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the financial statements.

The preliminary financial report is in the process of being audited. No matters have arisen which would result in a dispute or qualification.

	2010	2009	\$ Change	% Change
Revenue from ordinary activities	3,985,566	5,455,115	(1,469,549)	(26.94%)
Net loss from ordinary activities attributable to members	5,538,417	3,710,530	1,827,887	49.26%
Net loss after tax attributable to members	3,437,367	2,607,411	829,956	31.83%
Net tangible assets per security	0.35	0.72	(0.37)	(51.39%)

Distributions	Amount Per Unit	Franked Amount per unit
Proposed Distribution	Nil	Nil
Interim Distributions	Nil	Nil

Brief Explanation of Revenue, Net Profit and Distributions

For the year ended 30 June 2010 the parent entity disclosed a profit before income taxes, impairments of biological assets (vines), investments in subsidiaries, and bad and doubtful debts of \$827,507 compared to \$714,713 for 2009.

The major differences in relation to the parent entity's loss before income tax of \$3,466,553 for 2010 compared to a loss of \$2,920,909 relate to:-

- the impairment of non related party receivables of \$353,872 and the write off of a loan to CPV Wines of \$752,266,
- the decrease in the value of vines of \$1,584,819 was \$670,443 less than in 2009, and
- the impairment in the carrying value of investments in subsidiaries of \$1,603,106 was \$189,105 more than last year.

The increase in consolidated group loss before tax to \$6,165,152 for 2010 compared to \$4,135,053 for 2009 is due to the non completion of the unconditional contract for the sale of the Mudgee winery and vineyard in Prince Hill Wines Services Pty Ltd which was entered into on 29 September 2008 with the Great Southern Beverage Company Pty Ltd. The winery was sold to CN Wine (Australia) Pty Ltd on 30 June 2010 for \$2,300,000. This resulted in impairment losses of \$2,388,643 by Prince Hill Wines Services Pty Ltd.

The consolidated group loss before income taxes, impairment losses and profits on disposal of subsidiary and property plant and equipment was \$1,364,915 in 2010 compared to \$1,683,431 in 2009.

The major components of the significant decline in group revenues are:-

- there was no revenue from The Wine List Pty Ltd following its disposal on 28 February 2009, (2009: \$714,891),
- lower export sales by \$123,500,
- reduction in bulk wine sales by \$107,973,
- decrease in grape prices resulting in reduced sales value of \$270,415 despite an improvement in crop yield, and
- there were no disposals of property plant and equipment and controlled entities in 2010 (2009: \$280,297).

These declines were partially offset by the gain on disposal of the winery sale receivable realised in 2010: \$129,947.

Various announcements regarding the sale of the vineyard, winery, and function centre located at 1220 Castlereagh Highway, Apple Tree Flat, Mudgee New South Wales to the purchaser (Great Southern Beverage Company Pty Ltd (ACN 132 761 392) were made during the year. A non refundable deposit of \$550,000 (\$247,500 of which was borrowed by the purchaser from Coonawarra Australia Property Trust under a secured interest bearing loan) was received prior to the Notice of Termination being issued on the 9 March 2010. Coonawarra Australia Property Trust has provided in full for potential non recovery of the loan but will continue to pursue its legal rights.

The contract exchanged with CN Wine (Australia) Pty Ltd on the 30 June 2010 for \$2,300,000 settled on 12 August 2010 allowing Prince Hill Wines Services Pty Ltd to repay its NAB bank borrowings of \$768,000 in full. On 31 August 2010 Prince Hill Wine Services Pty Ltd repaid \$1,300,000 of its loan from Coonawarra Australia Property Trust. This enabled Coonawarra Australia Property Trust to reduce its borrowings from the Commonwealth Bank by \$1,300,000.

The Trust and consolidated group net asset position has reduced from \$9,368,040 to \$3,645,171 due to the operating loss of \$5,538,417 and a \$500,000 decline in the current market value of its vineyard land.

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Coonawarra Australia Property Trust

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Statement of Comprehensive Income

For the Year Ended 30 June 2010

	Note	Consolidated		Parent	
		2010	2009	2010	2009
		\$	\$	\$	\$
Sales revenue	2	3,798,440	5,065,405	2,001,359	2,060,072
Cost of sales		(1,614,009)	(3,170,797)	-	-
Gross profit		2,184,431	1,894,608	2,001,359	2,060,072
Other income	2	187,126	389,710	265,027	106,042
Marketing costs		(47,910)	(58,251)	-	-
Occupancy costs		(129,289)	(198,761)	(112,486)	(116,097)
Corporate Expenses		(726,426)	(816,467)	(91,976)	(109,358)
Vineyard Management Expenses		(815,669)	(921,091)	(332,401)	(328,773)
Management Expenses		(647,977)	(808,617)	(239,977)	(253,999)
Fair value movement - biological assets	3(b)	(1,933,358)	(2,657,609)	(1,584,819)	(2,255,262)
Impairment of Inventory	3(b)	(260,373)	(458,729)	-	-
Impairment of Financial Assets	3(b)	(241,221)	-	(1,603,106)	(1,414,001)
Impairment of winery sale receivable	3(b)	(2,388,643)	-	-	-
Impairment of plant and equipment		-	(50,000)	-	-
Other expenses		(359,829)	(36,261)	(1,108,220)	(3,788)
Finance costs	3(b)	(986,014)	(981,108)	(659,954)	(605,745)
Profit on disposal of subsidiary		-	567,523	-	-
Loss before income tax		(6,165,152)	(4,135,053)	(3,466,553)	(2,920,909)
Income tax benefit	4	626,735	424,523	1,035,300	792,055
Loss for the period		(5,538,417)	(3,710,530)	(2,431,253)	(2,128,854)
Other comprehensive income:					
Net loss on revaluation of land.		(417,276)	(590,533)	(272,790)	(169,849)
Net loss on revaluation of available-for-sale financial assets		-	-	(196,414)	(669,380)
Other comprehensive income for the period, net of tax		(417,276)	(590,533)	(469,204)	(839,229)
Total comprehensive income for the period		(5,955,693)	(4,301,062)	(2,900,457)	(2,968,082)
Loss attributable to:					
Members of the parent entity		(3,437,367)	(2,607,411)	(2,431,253)	(2,128,854)
Non-controlling interest		(2,101,050)	(1,103,119)	-	-
		(5,538,417)	(3,710,530)	(2,431,253)	(2,128,854)
Total comprehensive income attributable to:					
Members of the parent entity		(3,854,643)	(3,197,943)	(2,900,457)	(2,968,082)
Non-controlling interest		(2,101,050)	(1,103,119)	-	-
		(5,955,693)	(4,301,062)	(2,900,457)	(2,968,082)
Earnings per share					
Basic earnings per share (cents)		(19.51)	(14.90)	-	-

The accompanying notes form part of these financial statements

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Statement of Financial Position As At 30 June 2010

	Note	Consolidated		Parent	
		2010	2009	2010	2009
		\$	\$	\$	\$
ASSETS					
Current assets					
Cash and cash equivalents	5	23,051	112,698	10	10
Trade and other receivables	6	867,589	1,341,686	2,481,534	2,371,788
Inventories	7	440,637	834,889	-	-
Other assets	8	9,388	344,314	5,310	338,773
Winery sale receivable	9	2,211,421	4,620,000	-	-
Total current assets		3,552,086	7,253,587	2,486,854	2,710,571
Non-current assets					
Other financial assets	10	-	-	432,503	1,924,978
Property, plant and equipment	11	3,754,736	4,331,028	2,817,169	3,232,350
Deferred tax assets	21	815,428	710,048	1,605,609	940,424
Biological assets	12	11,107,831	12,959,480	8,682,831	10,267,650
Total non-current assets		15,677,995	18,000,556	13,538,112	16,365,402
TOTAL ASSETS		19,230,081	25,254,143	16,024,966	19,075,973
LIABILITIES					
Current liabilities					
Trade and other payables	13	1,563,248	987,428	948,042	570,157
Borrowings	14	10,519,836	10,758,549	7,083,539	7,035,773
Current tax liabilities	21	211,288	192,934	211,288	192,934
Short-term provisions	15	16,866	28,409	-	-
Total current liabilities		12,311,238	11,967,320	8,242,869	7,798,864
Non-current liabilities					
Borrowings	14	12,622	17,502	-	-
Deferred tax liabilities	21	3,223,971	3,885,589	2,613,560	3,208,115
Long-term provisions	15	37,079	15,692	-	-
Total non-current liabilities		3,273,672	3,918,783	2,613,560	3,208,115
TOTAL LIABILITIES		15,584,910	15,886,103	10,856,429	11,006,979
NET ASSETS		3,645,171	9,368,040	5,168,537	8,068,994
EQUITY					
Issued capital	16	1,831,210	1,831,210	1,831,210	1,831,210
Reserves	17	1,500,109	1,917,385	775,315	1,244,519
Retained earnings/(losses)		162,812	3,600,179	2,562,012	4,993,265
Parent interest		3,494,131	7,348,774	5,168,537	8,068,994
Minority equity interest		151,040	2,019,266	-	-
TOTAL EQUITY		3,645,171	9,368,040	5,168,537	8,068,994

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Statement of Changes in Equity

For the Year Ended 30 June 2010

	2010		Parent			Total
	Trust Units	Retained Earnings	Asset Revaluation Surplus	Financial Assets Reserve	Non-controlling Interests	
Note	\$	\$	\$	\$	\$	\$
Balance at 1 July	1,831,210	4,993,265	2,373,069	(1,128,550)	-	8,068,994
Loss attributable to members	-	(2,431,253)	-	-	-	(2,431,253)
Total comprehensive income for the period	-	-	(272,790)	(196,414)	-	(469,204)
Sub-total	-	(2,431,253)	(272,790)	(196,414)	-	(2,900,457)
Balance at 30 June 2010	1,831,210	2,562,012	2,100,279	(1,324,964)	-	5,168,537
	2009		Parent			Total
	Trust Units	Retained Earnings	Asset Revaluation Surplus	Financial Assets Reserve	Non-controlling Interests	
Note	\$	\$	\$	\$	\$	\$
Balance at 1 July	1,831,210	7,402,119	2,542,918	(459,170)	-	11,317,077
Loss attributable to members	-	(2,128,854)	-	-	-	(2,128,854)
Total comprehensive income for the period	-	-	(169,849)	(669,380)	-	(839,229)
Sub-total	-	(2,128,854)	(169,849)	(669,380)	-	(2,968,083)
Dividends paid or provided for	22	(280,000)	-	-	-	(280,000)
Balance at 30 June 2009	1,831,210	4,993,265	2,373,069	(1,128,550)	-	8,068,994

The accompanying notes form part of these financial statements

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Statement of Changes in Equity

For the Year Ended 30 June 2010

2010	Note	Consolidated					Total \$
		Trust Units \$	Retained Earnings \$	Asset Revaluation Surplus \$	Financial Assets Reserve \$	Non- controlling Interests \$	
Balance at 1 July		1,831,210	3,600,179	1,917,385	-	2,019,266	9,368,040
Loss attributable to members		-	(3,437,367)	-	-	-	(3,437,367)
Profit attributable to minority shareholders		-	-	-	-	(2,101,050)	(2,101,050)
Total comprehensive income for the period		-	-	(417,276)	-	-	(417,276)
Transaction costs		-	-	-	-	(17,937)	(17,937)
Issue of shares		-	-	-	-	250,761	250,761
Sub-total		-	(3,437,367)	(417,276)	-	(1,868,226)	(5,722,869)
Balance at 30 June 2010		1,831,210	162,812	1,500,109	-	151,040	3,645,171

2009	Note	Consolidated					Total \$
		Trust Units \$	Retained Earnings \$	Asset Revaluation Surplus \$	Financial Assets Reserve \$	Non- controlling Interests \$	
Balance at 1 July		1,831,210	6,487,590	2,507,918	-	3,122,339	13,949,057
Shares issued during the year		-	-	-	-	5,046	5,046
Loss attributable to members		-	(2,607,411)	-	-	-	(2,607,411)
Profit attributable to minority shareholders		-	-	-	-	(1,103,119)	(1,103,119)
Total comprehensive income for the period		-	-	(590,533)	-	-	(590,533)
Transaction costs		-	-	-	-	(5,000)	(5,000)
Sub-total		-	(2,607,411)	(590,533)	-	(1,103,073)	(4,301,017)
Dividends paid or provided for	22	-	(280,000)	-	-	-	(280,000)
Balance at 30 June 2009		1,831,210	3,600,179	1,917,385	-	2,019,266	9,368,040

The accompanying notes form part of these financial statements

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Statement of Cash Flows

For the Year Ended 30 June 2010

	Note	Consolidated		Parent	
		2010 \$	2009 \$	2010 \$	2009 \$
Cash from operating activities:					
Receipts from customers		4,560,391	6,557,494	2,674,474	2,636,113
Payments to suppliers and employees		(4,025,695)	(5,813,949)	(978,187)	(924,798)
Interest received		17,171	36,674	16,957	66,874
Interest paid		(996,543)	(1,004,584)	(659,955)	(618,237)
Income taxes paid		(5,000)	(226,789)	(5,000)	(226,789)
Net cash provided by (used in) operating activities		(449,676)	(451,154)	1,048,289	933,163
Cash flows from investing activities:					
Proceeds from sale of plant and equipment		-	1,731	-	-
Proceeds from sale of winery		110,000	380,000	-	-
Purchase of property, plant and equipment		-	(36,046)	-	(35,196)
Purchase of biological assets		(81,709)	(133,007)	-	-
Purchase of land for boundary realignment		(34,185)	-	(14,700)	-
Late stamp duty charges on purchase of CPV Wines Ltd shares		(241,221)	-	(241,221)	-
Purchase of available for sale investments		-	-	(150,000)	-
Loans to non related parties		-	(413,352)	-	(247,500)
Loans to related parties		-	-	(1,308,005)	(624,007)
Net cash provided by (used in) investing activities		(247,115)	(200,674)	(1,713,926)	(906,703)
Cash flows from financing activities:					
Proceeds from issue of shares		232,866	5,046	-	-
Proceeds of loan from director related company		617,871	-	617,871	-
Proceeds from borrowings		-	1,330,338	-	1,300,000
Repayment of borrowings		(275,000)	(93,726)	-	-
Payment of finance lease liabilities		(7,309)	(28,203)	-	-
Dividends paid by parent entity		-	(437,828)	-	(437,828)
Net cash provided by (used in) financing activities		568,428	775,627	617,871	862,172
Net increase (decreases) in cash held		(128,363)	123,799	(47,766)	888,632
Cash at beginning of financial year		(796,859)	(920,658)	(735,763)	(1,624,395)
Cash at end of financial year	5	(925,222)	(796,859)	(783,529)	(735,763)

The accompanying notes form part of these financial statements

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Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Summary of Significant Accounting Policies

(a) General information

This financial report includes the consolidated financial statements and notes of Coonawarra Australia Property Trust and controlled entities (the Group), and the separate financial statements and notes of Coonawarra Australia Property Trust as an individual parent entity (Parent).

(b) Basis of preparation

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

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

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

(c) Adoption of New and Revised Accounting Standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Coonawarra Australia Property Trust.

AASB 8: Operating Segments

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity. Below is an overview of the key changes and the impact on the Group's financial statements.

Measurement impact

Identification and measurement of segments - AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were

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Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Summary of Significant Accounting Policies continued

(c) Adoption of New and Revised Accounting Standards continued

AASB 8: Operating Segments continued

identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

The adoption of the 'management approach' to segment reporting has resulted in the identification of reportable segments largely consistent with the prior year.

Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

Impairment testing of the segments goodwill

AASB 136: Impairment of Assets, paragraph 80 requires that goodwill acquired in a business combination shall be allocated to each of the acquirer's CGUs, or group of CGUs that are expected to benefit from the synergies of the combination. Each cash generating unit (CGU) which the goodwill is allocated to must represent the lowest level within the entity at which goodwill is monitored, however it cannot be larger than an operating segment. Therefore, due to the changes in the identification of segments, there is a risk that goodwill previously allocated to a CGU which was part of a larger segment could now be allocated across multiple segments if a segment had to be split as a result of changes to AASB 8.

Management have considered the requirements of AASB 136 and determined the implementation of AASB 8 has not impacted the CGUs of each operating segment.

Disclosure impact

AASB 8 requires a number of additional quantitative and qualitative disclosures, not previously required under AASB 114, where such information is utilised by the chief operating decision maker. This information is now disclosed as part of the financial statements.

AASB 101: Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

Disclosure impact

Terminology changes - The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

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Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Summary of Significant Accounting Policies continued

(c) Adoption of New and Revised Accounting Standards continued

AASB 101: Presentation of Financial Statements continued

Reporting changes in equity - The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income - The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Group's financial statements now contain a statement of comprehensive income.

Other comprehensive income - The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

(d) Comparatives

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

Two comparative periods are presented for the statement of financial position when the Group:

- i Applies an accounting policy retrospectively,
- ii Makes a retrospective restatement of items in its financial statements, or
- iii Reclassifies items in the financial statements.

We have determined that only one comparative period for the statement of financial position was required for the current reporting period as the application of the new accounting standards have had no material impact on the previously presented primary financial statements that were presented in the prior year financial statements.

(e) Inventories

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

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Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Summary of Significant Accounting Policies continued

(f) 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 revalued 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 revalued amount of the asset.

Plant and equipment

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

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

Depreciation

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

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

Class of Fixed Asset

Improvements - unsealed roads	8.3%
Improvements - brick buildings	2%
Improvements - steel buildings	4%
Other Improvements	10%
Other Property, Plant and Equipment	10%

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Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Summary of Significant Accounting Policies continued

(f) Property, plant and equipment continued

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

(g) Financial Instruments

Recognition and Initial Measurement

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

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

Classification and Subsequent Measurement

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

Amortised cost is calculated as:

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

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

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

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

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading

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Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Summary of Significant Accounting Policies continued

(g) Financial Instruments continued

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

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

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

(v) Financial liabilities

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

Financial assets at fair value through profit and loss

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

Loans and receivables

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

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For the Year Ended 30 June 2010

1 Summary of Significant Accounting Policies continued

(g) Financial Instruments continued

Held-to-maturity investments

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

Available-for-sale financial assets

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

Financial liabilities

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

Fair value

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

Impairment

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

(h) Investments (financial assets)

Available-for-sale financial assets

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

Fair value

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

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Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Summary of Significant Accounting Policies continued

(h) Investments (financial assets) continued

Recognition

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

(i) Cash and cash equivalents

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

(j) Employee benefits

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

(k) 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.

(l) Income taxes

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

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

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

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

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred

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Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Summary of Significant Accounting Policies continued

(l) Income taxes continued

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.

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

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

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

(m) Revenue

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

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

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

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the reporting date and where the outcome of the contract can be

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For the Year Ended 30 June 2010

1 Summary of Significant Accounting Policies continued

(m) Revenue continued

estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

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

(n) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

(o) Goods and Services Tax (GST)

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

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

(p) Basis of consolidation

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

A list of controlled entities is contained in Note 24 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

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

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the Group, are shown separately within the Equity section of the consolidated Statement of Financial Position and the consolidated Statement of Comprehensive Income.

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Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Summary of Significant Accounting Policies continued

(q) New Accounting Standards for Application in Future Periods

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

- AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Group will be unable to be determined. The following changes to accounting requirements are included:
 - acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
 - contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
 - there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Group's policy);
 - a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
 - dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
 - where there is, in substance, no change to Group interests, parent entities inserted above existing Groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.
 - impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and

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

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Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Summary of Significant Accounting Policies continued

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

- AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.
- AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.
- AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Group as a policy of capitalising qualifying borrowing costs has been maintained by the Group.
- AASB 2008-1: Amendments to Australian Accounting Standard — Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.
- AASB 2008-2: Amendments to Australian Accounting Standards — Puttable Financial Instruments and Obligations Arising on Liquidation [AASB 7, AASB 101, AASB 132 & AASB 139 & Interpretation 2] (applicable for annual reporting periods commencing from 1 January 2009). These amendments introduce an exception to the definition of a financial liability to classify as equity instruments certain puttable financial instruments and certain other financial

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Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Summary of Significant Accounting Policies continued

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

instruments that impose an obligation to deliver a pro-rata share of net assets only upon liquidation.

- AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's 10 annual improvements project. No changes are expected to materially affect the Group.
- AASB 2008-8: Amendments to Australian Accounting Standards — Eligible Hedged Items [AASB 139] (applicable for annual reporting periods commencing from 1 July 2009). This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations and is not expected to materially affect the Group.
- AASB 2008-13: Amendments to Australian Accounting Standards arising from AASB Interpretation 17 —Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110] (applicable for annual reporting periods commencing from 1 July 2009). This amendment requires that non-current assets held for distribution to owners be measured at the lower of carrying value and fair value less costs to distribute.

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

(r) Critical accounting estimates and judgments

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

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Notes to the Financial Statements

For the Year Ended 30 June 2010

3 Loss for the Year continued

(a) Significant Revenue and Expenses continued

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Wine & wine service sale proceeds	1,264,557	2,076,077	-	-

3(b) Expenses

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Interest expense on financial liabilities not at fair value through profit or loss:				
external	972,474	981,108	659,954	605,745
related entities	13,541	-	-	-
Total interest expense	986,015	981,108	659,954	605,745
Devaluation of biological assets	1,933,358	2,657,609	1,584,819	2,255,262
Bad and doubtful debts				
Trade receivables	351,468	(7,770)	355,954	3,788
Partly-owned subsidiaries	-	-	752,266	-
Total bad and doubtful debts	351,468	(7,770)	1,108,220	3,788
Impairment of Financial Assets	241,221	-	1,603,106	1,414,001
Impairment of plant & equipment	-	50,000	-	-
Impairment of winery sale receivable	2,388,643	-	-	-
Impairment of bulk wine inventory	260,373	458,729	-	-

4 Income tax expense/(benefit)

(a) The components of tax expense/(benefit) comprise:

	Note	Consolidated		Parent	
		2010	2009	2010	2009
		\$	\$	\$	\$
Current tax		249,034	192,934	23,354	192,934
Arising from previously unrecognised tax loss/tax credit/temporary difference		-	(113,084)	-	(113,084)
Recoupment of prior year tax losses		(225,680)	-	-	-

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Notes to the Financial Statements

For the Year Ended 30 June 2010

4 Income tax expense/(benefit) continued

(a) The components of tax expense/(benefit) comprise: continued

	Note	Consolidated		Parent	
		2010	2009	2010	2009
		\$	\$	\$	\$
Deferred tax		(654,755)	(533,239)	(1,063,320)	(900,771)
(Under)/over provision in respect of prior years		4,666	28,866	4,666	28,866
		(626,735)	(424,523)	(1,035,300)	(792,055)

(b) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Prima facie tax payable on profit / (loss) from ordinary activities before income tax at 30% (2009: 30%)				
- economic entity	(1,849,546)	(1,113,159)	(1,039,966)	(876,273)
Add:				
Tax effect of:				
- under provision for income tax in prior year	4,666	84,218	4,666	84,218
- Deferred tax assets not brought to account	1,443,825	604,418	-	-
Income tax expense / (benefit) attributable to entity	(401,055)	(424,523)	(1,035,300)	(792,055)

The applicable weighted average effective tax rates are as follows:	7 %	11 %	30 %	27 %
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The decrease in the weighted average effective consolidated tax rate for 2010 is a result of deferred tax assets relating to income tax losses not brought to account.

5 Cash and cash equivalents

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Cash on hand	1,761	1,764	10	10
Cash at bank	21,290	110,934	-	-
	23,051	112,698	10	10

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Notes to the Financial Statements

For the Year Ended 30 June 2010

5 Cash and cash equivalents continued

The effective interest rate on short-term bank deposits was 0.3% (2009: 0.1%); these deposits have an average maturity of 20 days.

Reconciliation of Cash

Note	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Cash at the end of the financial year as shown in the statement of cash flow is reconciled to items in the statement of financial position as follows:				
Cash and cash equivalents	23,051	112,698	10	10
Bank overdraft	14 (948,273)	(909,557)	(783,539)	(735,773)
	(925,222)	(796,859)	(783,529)	(735,763)

6 Trade and other receivables

Note	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
CURRENT				
Trade receivables	968,647	806,812	675,327	510,452
Provision for impairment of receivables	6(a) (151,089)	(107,000)	(150,128)	(95,000)
	817,558	699,812	525,199	415,452
Other receivables	6(c) 339,064	320,154	298,872	247,500
Impairment of other receivables	(298,872)	-	(298,872)	-
Amounts receivable from:				
- partly-owned subsidiaries	-	-	1,946,496	1,387,116
- other related parties	9,839	321,720	9,839	321,720
	867,589	1,341,686	2,481,534	2,371,788

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Notes to the Financial Statements

For the Year Ended 30 June 2010

6 Trade and other receivables continued (a) Provision for Impairment of receivables

Movement in provision for impairment of receivables is as follows:

	Consolidated				Parent			
	Opening balance 1 July 2009	Charge for the year	Amounts written off	Closing balance 30 June 2010	Opening balance 1 July 2009	Charge for the year	Amounts written off	Closing balance 30 June 2010
(i) Current trade receivables	\$ (107,000)	\$ (56,090)	\$ 12,000	\$ (151,090)	\$ (95,000)	\$ (55,128)	\$ -	\$ (150,128)
(ii) Other receivables	-	(298,872)	-	(298,872)	-	(298,872)	-	(298,872)
	<u>(107,000)</u>	<u>(354,962)</u>	<u>12,000</u>	<u>(449,962)</u>	<u>(95,000)</u>	<u>(354,000)</u>	<u>-</u>	<u>(449,000)</u>
	Opening balance 1 July 2008	Charge for the year	Amounts written off	Closing balance 30 June 2009	Opening balance 1 July 2008	Charge for the year	Amounts written off	Closing balance 30 June 2009
(i) Current trade receivables	\$ (240,104)	\$ 77,146	\$ 55,958	\$ (107,000)	\$ (128,641)	\$ (1,740)	\$ 35,381	\$ (95,000)
	<u>(240,104)</u>	<u>77,146</u>	<u>55,958</u>	<u>(107,000)</u>	<u>(128,641)</u>	<u>(1,740)</u>	<u>35,381</u>	<u>(95,000)</u>

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

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Notes to the Financial Statements

For the Year Ended 30 June 2010

6 Trade and other receivables continued

(b) Credit risk - Trade and Other Receivables

	Consolidated						Parent							
	Past due and impaired						Past due and impaired							
	Gross amount \$	Past due and impaired \$	< 30 \$	31-60 \$	61-90 \$	> 90 \$	Within initial trade terms \$	Gross amount \$	Past due and impaired \$	< 30 \$	31-60 \$	61-90 \$	> 90 \$	Within initial trade terms \$
2010														
Trade and term receivables	968,648	962	259	102	8,330	314,179	644,816	675,327	-	-	-	7,726	314,179	353,422
Other receivables	339,064	289,872	-	-	-	-	49,192	2,255,207	298,872	-	-	-	-	1,956,335
Total	1,307,712	290,834	259	102	8,330	314,179	694,008	2,930,534	298,872	-	-	7,726	314,179	2,309,757
2009														
Trade and term receivables	806,812	97,518	42,351	5,287	55,969	116,245	489,442	510,452	87,119	-	5,249	55,969	116,245	245,870
Other receivables	641,874	-	-	-	-	-	641,874	2,371,788	-	-	-	-	-	2,371,788
Total	1,448,686	97,518	42,351	5,287	55,969	116,245	1,131,316	2,882,240	87,119	-	5,249	55,969	116,245	2,617,658

(c) Collateral held as security

Included in other receivables is an amount owing to the Trust of \$298,872 (2009: \$247,500). Collateral has been received from the borrower in the form of unregistered mortgages and personal guarantees. This amount was repayable on 7 October 2009. Due to the borrower's default the loan has been fully provided for.

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Notes to the Financial Statements

For the Year Ended 30 June 2010

7 Current Inventories

	Note	Consolidated		Parent	
		2010	2009	2010	2009
		\$	\$	\$	\$
At Cost					
Raw materials and stores		9,934	56,037	-	-
Finished goods		430,703	778,852	-	-
		<u>440,637</u>	<u>834,889</u>	<u>-</u>	<u>-</u>

8 Other Current Assets

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Prepayments	9,388	344,314	5,310	338,773
	<u>9,388</u>	<u>344,314</u>	<u>5,310</u>	<u>338,773</u>

9 Winery sale receivable

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Winery sale receivable	2,211,421	4,620,000	-	-

A non conditional contract was signed on 29 September 2008 for \$5,500,000 (inclusive of GST) with the remaining balance of \$4,620,000 is payable in instalments. The purchaser did not settle the sale and on 9 March 2010 the contract was rescinded and an agent appointed to find a new purchaser. A new contract was signed on 30 June 2010 and settlement occurred on 12 August 2010. The receivable value above is the net proceeds after selling and legal expenses.

10 Financial assets

(a) Financials Assets Comprise:

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
NON CURRENT				
Listed investments, at fair value shares in controlled entities	-	-	432,503	1,924,978
Total available-for-sale financial assets	<u>-</u>	<u>-</u>	<u>432,503</u>	<u>1,924,978</u>

Financial assets comprise investments in the ordinary issued capital of Prince Hill Wines Limited. There are no fixed returns or fixed maturity date attached to these investments.

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For the Year Ended 30 June 2010

The Group adopted the amendments to IFRS 7 Improving Disclosures about Financial Instruments effective from 1 January 2009. These amendments require the Group to present certain information about financial instruments measured at fair value in the statement of financial position. In the first year of application comparative information may not be to be presented for the disclosures required by the amendment. Accordingly, the disclosure for the fair value hierarchy is only presented for the 30 June 2010.

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows.

	Consolidated	Parent
	2010	2010
	\$	\$
Level 1	-	432,503
Level 2	-	-
Level 3	-	-
Total	-	432,503

Measurement of Fair Value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

b Listed securities and debentures

All the listed equity securities and debentures are denominated in AUD and are publicly traded in Australia. Fair values have been determined by reference to their average quoted bid prices for the financial year.

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For the Year Ended 30 June 2010

11 Property, plant and equipment

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
LAND				
Freehold land				
At fair value	3,150,000	3,650,000	2,325,000	2,700,000
Total land	3,150,000	3,650,000	2,325,000	2,700,000
PLANT AND EQUIPMENT				
Plant and equipment				
At cost	290,755	759,898	-	-
Accumulated depreciation	(198,475)	(637,746)	-	-
Total plant and equipment	92,280	122,152	-	-
Leased plant and equipment				
Capitalised leased assets	41,864	41,864	-	-
Accumulated depreciation	(21,577)	(15,337)	-	-
Total leased plant and equipment	20,287	26,527	-	-
Improvements				
At fair value	635,638	635,638	635,638	635,638
Accumulated depreciation	(143,469)	(103,288)	(143,469)	(103,288)
Total improvements	492,169	532,350	492,169	532,350
Total plant and equipment	604,736	681,029	492,169	532,350
Total property, plant and equipment	3,754,736	4,331,029	2,817,169	3,232,350

(a) Movements in Carrying Amounts

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

Parent

	Land	Plant and Equipment	Improvements	Total
	\$	\$	\$	\$
Current Year				
Balance at the beginning of year	2,700,000	-	532,350	3,232,350
Depreciation expense	-	-	(40,181)	(40,181)
Revaluation decrement	(375,000)	-	-	(375,000)
Carrying amount at the end of year	2,325,000	-	492,169	2,817,169

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For the Year Ended 30 June 2010

11 Property, plant and equipment continued

(a) Movements in Carrying Amounts continued

Parent

	Land \$	Plant and Equipment \$	Improvements \$	Total \$
Prior Year				
Balance at the beginning of year	2,962,640	-	534,448	3,497,088
Additions	-	-	35,196	35,196
Depreciation expense	-	-	(37,294)	(37,294)
Revaluation decrement	(262,640)	-	-	(262,640)
Carrying amount at the end of year	2,700,000	-	532,350	3,232,350

Consolidated

	Land \$	Plant and Equipment \$	Improvements \$	Total \$
Current Year				
Balance at the beginning of year	3,650,000	148,678	532,350	4,331,028
Depreciation expense	-	(36,111)	(40,181)	(76,292)
Revaluation decrement	(500,000)	-	-	(500,000)
Carrying amount at the end of year	3,150,000	112,567	492,169	3,754,736
Prior Year				
Balance at the beginning of year	3,992,640	141,261	873,090	5,006,991
Additions	-	7,232	77,215	84,447
Disposals	-	(2,820)	-	(2,820)
Disposals through sale of subsidiary	-	(38,962)	-	(38,962)
Transfers from assets held for sale	-	194,926	-	194,926
Depreciation expense	-	(102,959)	(97,270)	(200,229)
Revaluation decrement	(342,640)	-	(320,685)	(663,325)
Impairment loss in income	-	(50,000)	-	(50,000)
Carrying amount at the end of year	3,650,000	148,678	532,350	4,331,028

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For the Year Ended 30 June 2010

11 Property, plant and equipment continued

Notes regarding the property assets

(i) Coonawarra Vineyard Property, South Australia

Coonawarra Australia Property Trust has 227 hectares of grapevines planted in the premium grape growing area of the Coonawarra, South Australia. Under the terms of a 13-year license agreement, the members of the Coonawarra Premium Vineyards Project (Growers) are entitled to a grant of use to establish and grow wine grapes on the land held by the Trust, which for this purpose is divided into 2,800 vineyard lots. Upon expiry of the licence, ownership of improvements to the land vests in the Trust.

The overall property is a vineyard comprised of land, water licences, vines, trellising, irrigation equipment and other buildings & improvements. The development of the property was carried out in 1999 as part of a Managed Investment Scheme (the Scheme) under the then Corporations Law. The structure of the Scheme resulted in the Trust 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 part of a prospectus issued in June 1999. The Growers beneficially own the grapevines but they are legally part of the land and therefore owned by the Trust. A lease agreement between the Growers and the Trust provides income to the Trust for a Grant of Use rental for the property.

Where any Grower has had their grant of use of their vineyard lot terminated due to failure to adhere to the management conditions (generally non-payment of fees due), the vineyard lot reverts to the Trust as the owner of the land. The Trust has entered into a management agreement with the vineyard manager for that vineyard lot to be managed on behalf of the Trust so that the vineyard asset is maintained. The Trust receives the grapes, which are sold where possible.

The constitution provides for the following:

Land - the land is held for the benefit of the Unit-holders. The value of the land includes the value of the water licences.

Irrigation Equipment - the irrigation equipment and other improvements are owned by the Growers until expiry or termination of the Grant to Use between the Growers and the Trust. On termination or expiry the Grower is not entitled to remove from the Land or claim any compensation or reimbursement for such items. The Lease and Underlease also contemplates that irrigation equipment will revert to the landowner at the end of the lease.

Trellising - the trellising is presently owned by the Growers and on termination or expiry of the Grant of Use between the Growers and the Trust the Growers may remove the trellising provided no damage is caused in the removal. Given that the trellising is effectively integral with the vines and irrigation system it is considered that it is highly unlikely that the trellising can be removed without damage being caused to the irrigation system or the vines and in any event the costs of removal would far outweigh any benefits.

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12 Biological Assets - Grapevines

(a) Net market value of grapevines

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Balance at beginning of year	12,959,480	15,526,028	10,267,650	12,522,912
Improvements	81,709	91,060	-	-
Revaluations to market value	(1,933,358)	(2,657,608)	(1,584,819)	(2,255,262)
Total	11,107,831	12,959,480	8,682,831	10,267,650

Fair Value

Coonawarra Vineyard Property, South Australia

The directors of the RE have determined that the valuation of the Trust's Coonawarra vineyard property (land, improvements and vines) for the purpose of this financial report is \$11,500,000 (2009: \$13,500,000) on the basis of the value of the rental income stream plus a residual sale value at the end of the Project in 2013. This basis of valuation is consistent with the prior year.

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

The RE's valuation separated the assets between biological assets and non-biological assets for the purposes of Accounting Standard AASB 141 - Agriculture

To assist the directors of the RE in making their determination a formal valuation of the Trust property conducted in June 2010 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 to the Trust, including the benefits and obligations attaching to the leases with the Growers, is \$11,500,000 (2009: \$13,500,000). The directors of the RE have considered this latest valuation in conjunction with other pertinent facts in the present wine industry environment to determine the fair value.

The independent valuation also states the current market value of the property on an unencumbered freehold basis to be \$9,000,000 (2009: \$10,500,000), ignoring the benefits and obligations of the leases with the Growers. This unencumbered valuation is regarded by the directors of the RE as a current valuation that is not reflective of the long term holding value of the vineyard. The vineyard is tied to the Project and cannot be independently sold while the Project lease is in place.

The vineyard assets are carried at fair value and no impairment charges have been incurred. Costs to realise the assets at the end of the Project in 2012 are immaterial after discounting.

The water licences have been included in the valuation of the biological assets. These water licences are not valued separately given there is no active market in the Coonawarra.

The assumptions applied in the calculation of fair value are:

- (i) 100% of the vines are currently mature and will be productive for periods up to 100 years per vine;
- (ii) the expected price of the vines is constant in real terms, based on average prices throughout the current year;
- (iii) the costs expected to arise throughout the life of the vines are constant in real terms, based on average costs throughout the year; and a discount rate of 15% has been used;
- (iv) inflation will continue at the current rate.

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Fair Value continued

Description of assets

Coonawarra Australia Property Trust owns a vineyard in the Coonawarra district of South Australia.

CPV Wines Limited owns a vineyard adjoining the Trust vineyard. A formal valuation of the property conducted in June 2010 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 is \$3,250,000 (2009: \$3,500,000). The directors of the RE have considered this latest valuation in conjunction with other pertinent facts in the present wine industry environment to determine the fair value.

	2010 Consolidated	2009 Consolidated	2010 Parent	2010 Parent
Physical quantity of vines owned	484,322	434,332	484,322	434,332
Hectares of vineyard owned	332	332	245	245

13 Trade and other payables

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
CURRENT				
Unsecured liabilities				
Trade payables	434,114	718,051	253,826	504,869
Other payables	159,849	103,464	41,420	10,675
Amount payable to:				
- key management personnel related entities	617,871	-	617,871	-
- other related parties	316,489	111,300	-	-
	1,528,323	932,815	913,117	515,544
Secured Liabilities				
Other payables	34,925	54,613	34,925	54,613
	34,925	54,613	34,925	54,613
	1,563,248	987,428	948,042	570,157

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For the Year Ended 30 June 2010

13 Trade and other payables continued

(a) Financial liabilities at amortised cost classified as trade and other payables

	Note	Consolidated		Parent	
		2010	2009	2010	2009
		\$	\$	\$	\$
Trade and other payables					
- Total Current		1,563,248	987,427	948,042	570,157
		1,563,248	987,427	948,042	570,157
Less:					
Accrued employee entitlements		-	(10,674)	-	-
Financial liabilities as trade and other payables	19	1,563,248	976,753	948,042	570,157

14 Borrowings

	Note	Consolidated		Parent	
		2010	2009	2010	2009
		\$	\$	\$	\$
CURRENT					
Secured liabilities					
Bank overdraft		948,273	909,557	783,539	735,773
Finance lease obligation		3,563	5,992	-	-
Bank Borrowings		9,568,000	9,843,000	6,300,000	6,300,000
		10,519,836	10,758,549	7,083,539	7,035,773
NON-CURRENT					
Secured liabilities					
Finance lease obligation		12,622	17,502	-	-
		12,622	17,502	-	-

(a) Total current and non-current secured liabilities

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Bank overdraft	948,273	909,557	783,539	735,773
Finance lease obligations	16,184	23,494	-	-
Bank Borrowings	9,568,000	9,843,000	6,300,000	6,300,000
	10,532,457	10,776,051	7,083,539	7,035,773

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Bank Borrowings

The bank loans and overdrafts of the entity are secured by first mortgages over the Group's freehold land, including vineyard property.

Covenants within the bank borrowings require Interest Coverage Ratio to be no less than 1.75 times and that the Loan Value Ratio (LVR) at all times will be no more than 60% of unencumbered land value of \$12,250,000. At the end of the financial the year Coonawarra Australia Property Trust and CPV Wines Limited breached their Interest Coverage Covenant and Loan Value Covenant.

The group has used independent valuations of \$14,750,000 in the preparation of the financial statements. This takes into account a value for the rental stream associated with the managed investment scheme.

The bank is reserving its rights in relation to the breaches, and the bank and the trust are working together to remedy the situation.

Under the long term finance arrangement in place the bank holds the right to reduce the facility amount by an amount sufficient to ensure that the Loan Value Ratio ratio is equal to or less than 60% unless additional security property is provided, to the bank's satisfaction, of sufficient value to ensure the aforesaid ratio is equal to or less than 60%. As a result the Group has classified its liability within those long term finance arrangements as current.

15 Provisions

Analysis of Total Provisions

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Current	16,866	28,409	-	-
Non-current	37,079	15,692	-	-
	<u>53,945</u>	<u>44,101</u>	<u>-</u>	<u>-</u>

Consolidated

	Employee entitlements	Total
	\$	\$
Opening balance at 1 July 2009	44,101	44,101
Additional provisions	36,390	36,390
Amounts used	<u>(26,546)</u>	<u>(26,546)</u>
Balance at 30 June 2010	<u>53,945</u>	<u>53,945</u>

Provision for Employee Entitlements

Provisions have been recognised for employee entitlements relating to long service leave and annual leave. The measurement and recognition criteria relating to employee benefits has been included in note 1 to this report.

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For the Year Ended 30 June 2010

16 Issued Capital

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
17,500,000 (2009: 17,500,000) Trust units fully paid	1,831,200	1,831,200	1,831,200	1,831,200
Settled Sum	10	10	10	10
Total	1,831,210	1,831,210	1,831,210	1,831,210

There were no units issued or redeemed during the current or previous financial year.

All issued units are fully paid, carry one vote per unit and carry the right to receive distributions.

(a) 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 trust units and financial liabilities supported by financial assets.

Externally imposed capital requirements were breached at balance date and have been disclosed at note 14.

Management effectively manages the Group's capital by assessing the group's financial risks and adjusting structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to unit-holders and unit issues. The gearing ratio is adversely affected by failure of the Mudgee Winery sale to settle during the year and the decrease in valuation of the Coonawarra vineyards. Funds from the August 12 settlement of the Mudgee winery have been committed to reducing borrowings.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year.

The gearing ratio for the year ended 30 June 2010 and 30 June 2009 are as follows:

	Note	Consolidated		Parent	
		2010	2009	2010	2009
		\$	\$	\$	\$
Total borrowings		10,532,458	10,776,051	7,083,539	7,035,773
Less Cash and cash equivalents	5	(23,051)	(112,698)	(10)	(10)
Net debt		10,509,407	10,663,353	7,083,529	7,035,763
Total equity		3,645,171	9,368,040	5,168,537	8,068,994
Total capital		14,154,578	20,031,393	12,252,066	15,104,757
Gearing ratio		74.00 %	53.00 %	58.00 %	47.00 %

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17 Reserves

(a) Asset Revaluation Reserve

The asset revaluation reserve records revaluations of non current assets. Under certain circumstances dividends can be declared from this reserve.

18 Finance Lease Commitments

	Note	Consolidated	
		2010 \$	2009 \$
Payable - minimum lease payments			
- not later than 12 months		5,038	7,416
- between 12 months and 5 years		14,263	20,560
Minimum lease payments		<u>19,301</u>	<u>27,976</u>
Less future finance changes		<u>(3,116)</u>	<u>(4,482)</u>
Present value of minimum lease payments	14	<u>16,185</u>	<u>23,494</u>

Finance leases relate to motor vehicles used in cellar door operations. The parent entity has no lease obligations.

19 Financial instruments

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills and leases.

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

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Financial Assets				
Cash and cash equivalents	23,051	112,698	10	10
Loans and receivables	3,079,010	5,961,686	2,481,534	2,371,788
Available-for-sale financial assets				
- Equity Investments	-	-	432,503	1,924,978
	<u>3,102,061</u>	<u>6,074,384</u>	<u>2,914,047</u>	<u>4,296,776</u>
Financial Liabilities				
Financial liabilities at amortised cost				
- Trade and other payables	1,563,248	987,428	948,042	570,157
- Borrowings	10,532,458	10,776,051	7,083,539	7,035,773
	<u>12,095,706</u>	<u>11,763,479</u>	<u>8,031,581</u>	<u>7,605,930</u>

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Notes to the Financial Statements

For the Year Ended 30 June 2010

19 Financial instruments continued

Financial Risk Management Policies

The Trust's RE 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 Trust does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Trust's policies approved by the Board of Directors of the RE, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the Compliance Committee on a continuous basis. The Trust's activities expose it primarily to the financial risks of changes in interest rates. The Trust does not enter into derivative financial instruments to manage its exposure to interest rate risk.

Specific Financial Risk Exposures and Management

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

(a) Interest rate risk

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

Interest rate risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings

The net effective variable interest rate borrowings (ie unhedged debt) exposes the Group to interest rate risk which will impact future cash flows and interest charges and is indicated by the following floating interest rate financial liabilities:

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Floating rate instruments				
Bank overdraft	948,273	909,557	783,539	735,773
Bank Borrowings	9,568,000	9,843,000	6,300,000	6,300,000
	<u>10,516,273</u>	<u>10,752,557</u>	<u>7,083,539</u>	<u>7,035,773</u>

(b) Liquidity risk

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

The Group manages 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

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Notes to the Financial Statements

For the Year Ended 30 June 2010

19 Financial instruments continued

(c) Foreign exchange risk

The Group is not exposed to fluctuations in foreign currencies.

(d) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contract obligations that could lead to a financial loss to the Group.

The Group does not have any significant credit risk exposure to any single counter party or any group of counter parties having similar characteristics, other than:-

- the loan to Great Southern Beverage Pty Ltd referred to in note 3(c),
- the winery sale receivable referred to in note 5, or
- the growers in the Coonawarra Premium Vineyards Project. Growers who default on payment of their Grant of Use fees are liable to have that Grant of Use terminated. In the event of termination, the relevant vineyard lots revert to the Trust. Any arrears of Grant of Use fees are collected from Growers by withholding grape proceeds in the first instance, then by recovery action against the Grower or terminated Grower.

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.

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Consolidated		Parent	
	Profit	Equity	Profit	Equity
	\$	\$	\$	\$
Year Ended 30 June 2010				
Increase Interest rate by 2%	(210,325)	(210,325)	(141,671)	(141,671)
Decrease interest rate by 2%	210,325	210,325	141,671	141,671
	Consolidated		Parent	
	Profit	Equity	Profit	Equity
	\$	\$	\$	\$
Year Ended 30 June 2009				
Increase Interest rate by 2%	(214,029)	(214,029)	(140,715)	(140,715)
Decrease interest rate by 2%	214,029	214,029	140,715	140,715

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20 Segment information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

(a) Business and Geographic Segments

Business segments

The Group has the following - business segments:

- Wine sales and wine services
- A Managed Investment Scheme providing land to licenced growers who are members of the Coonawarra Premium Vineyards Project
- A vineyard in the Coonawarra

Geographic segments

The Group's business segments are located in Australia.

(b) Accounting Policies

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

(c) Intersegment Transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Group at an arm's length. These transfers are eliminated on consolidation.

(d) Impairment Losses

Impairment losses amounting to \$ 1,933,358 relating to biological assets within the grape sales segment and \$2,388,643 relating to the winery sale receivable within the wine sales segment were recognised as an expense for the year ended 30 June 2010.

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Notes to the Financial Statements

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20 Segment information continued

(e) Segment performance

	Wine Services		Managed Investment Scheme		Vineyard		Elimination		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
REVENUE										
External sales	\$ 1,415,181	\$ 2,430,012	\$ 2,001,359	\$ 2,060,072	\$ 388,899	\$ 622,739	\$ (7,999)	\$ (47,417)	\$ 3,797,440	\$ 5,065,406
Other revenue	11,981	44,083	-	-	-	-	-	-	11,981	44,083
Interest revenue	215	14,764	265,027	106,042	-	-	(220,043)	(55,476)	45,199	65,330
Total segment revenue	1,427,377	2,488,859	2,266,386	2,166,114	388,899	622,739	(228,042)	(102,893)	3,854,620	5,174,819
Reconciliation of segment revenue to group revenue										
Gain on asset disposals	129,246	280,296	-	-	-	-	-	-	129,246	280,296
Total group revenue	\$ 1,556,623	\$ 2,769,155	\$ 2,266,386	\$ 2,166,114	\$ 388,899	\$ 622,739	\$ (228,042)	\$ (102,893)	\$ 3,983,866	\$ 5,455,115
Segment net loss before tax	(1,354,509)	(1,461,825)	(873,664)	(665,647)	(578,952)	(616,918)	1,262,846	1,316,946	(1,544,279)	(1,427,444)
Reconciliation of segment result to group net loss before tax										
(i) Amounts not included in segment result but reviewed by the Board	-	-	(1,584,818)	(2,255,262)	(348,540)	(402,347)	-	-	(1,933,358)	(2,657,609)
Impairment of biological assets	(2,388,643)	(50,000)	(1,051,138)	-	-	-	752,266	-	(2,687,515)	(50,000)
Other impairments										
Net loss before tax from continuing operations	\$(3,743,152)	\$ 1,511,825)	\$(3,509,620)	\$ 2,920,909)	\$ (927,492)	\$ 1,019,265)	\$ 2,015,112	\$ 1,316,946	\$(6,165,152)	\$ 4,135,053)

Coonawarra Australia Property Trust

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Notes to the Financial Statements

For the Year Ended 30 June 2010

20 Segment information continued

(f) Segment assets

	Wine Services		Managed Investment Scheme		Vineyard		Elimination		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Segment assets										
Segment asset increases for the period:										
Capital expenditure	-	-	-	-	-	-	-	-	-	-
Reconciliation of segment assets to group assets										
Winery Sale Receivable									2,211,421	4,620,000
Unallocated assets:										
Derivative assets									-	-
Deferred tax assets									815,428	710,048
Intangibles									-	-
Total group assets									19,230,082	25,242,143

Coonawarra Australia Property Trust

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Notes to the Financial Statements

For the Year Ended 30 June 2010

21 Tax

(a) Liabilities

	Note	Consolidated		Parent	
		2010	2009	2010	2009
		\$	\$	\$	\$
CURRENT					
Income tax		211,288	192,934	211,288	192,934
		211,288	192,934	211,288	192,934

(b) Deferred Tax Liability - Consolidated

	Opening Balance 2008	Charged to Income	Charged directly to Equity	Changes in Tax Rate	Closing Balance 2009
	\$	\$	\$	\$	\$
Consolidated Group					
Deferred Tax Liability					
Property, Plant and Equipment revaluation	118,663	(95,061)	(11,321)	-	12,281
Revaluation of biological assets	3,375,305	200,742	-	-	3,576,047
Revaluation of land	396,413	-	(102,792)	-	293,621
Accrued grape income	4,961	(1,321)	-	-	3,640
Balance at 30 June 2009	3,895,342	104,360	(114,113)	-	3,885,589
Property, Plant and Equipment revaluation	12,281	9,378	-	-	21,659
Revaluation of biological assets	3,576,047	(512,946)	-	-	3,063,101
Revaluation of land	293,621	(37,500)	(116,910)	-	139,211
Accrued grape income	3,640	(3,640)	-	-	-
Balance at 30 June 2010	3,885,589	(544,708)	(116,910)	-	3,223,971

(c) Deferred Tax Assets - Consolidated

	Opening Balance 2009	Charged to Income	Charged directly to Equity	Changes in Tax Rate	Closing Balance 2010
	\$	\$	\$	\$	\$
Consolidated Group					
Deferred Tax Assets					
Property, Plant and Equipment Provisions					
Doubtful debts	-	28,500	-	-	28,500
Fair value gain adjustments	58,421	-	(58,421)	-	-
Deferred tax assets attributable to tax losses	-	667,181	-	-	667,181
Borrowing costs	-	14,367	-	-	14,367

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Notes to the Financial Statements

For the Year Ended 30 June 2010

21 Tax continued

(c) Deferred Tax Assets - Consolidated continued

	Opening Balance 2009 \$	Charged to Income \$	Charged directly to Equity \$	Changes in Tax Rate \$	Closing Balance 2010 \$
Consolidated Group					
Deferred Tax Assets					
Balance at 30 June 2009	58,421	710,048	(58,421)	-	710,048
Property, Plant and Equipment Provisions					
Doubtful debts	28,500	106,200	-	-	134,700
Fair value gain adjustments	-	72,366	-	-	72,366
Deferred tax assets attributable to tax losses	667,181	(61,254)	-	-	605,927
Borrowing costs	14,367	(11,932)	-	-	2,435
Balance at 30 June 2010	710,048	105,380	-	-	815,428

(d) Deferred Tax Liability

	Opening Balance 2008 \$	Charged to Income \$	Charged directly to Equity \$	Changes in Tax Rate \$	Closing Balance 2009 \$
Parent Entity					
Deferred Tax Liability					
Property, Plant and Equipment revaluation	42,035	1,145	-	-	43,180
Revaluation of biological assets	3,642,686	(562,391)	-	-	3,080,295
Revaluation of land	153,792	-	(72,792)	-	81,000
Accrued grape income	-	3,640	-	-	3,640
Balance at 30 June 2009	3,838,513	(557,606)	(72,792)	-	3,208,115
Property, Plant and Equipment revaluation	43,180	1,441	-	-	44,621
Revaluation of biological assets	3,080,295	(475,446)	-	-	2,604,849
Revaluation of land	81,000	-	(116,910)	-	(35,910)
Accrued grape income	3,640	(3,640)	-	-	-
Balance at 30 June 2010	3,208,115	(477,645)	(116,910)	-	2,613,560

Coonawarra Australia Property Trust

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Notes to the Financial Statements

For the Year Ended 30 June 2010

21 Tax continued (e) Deferred Tax Assets

	Opening Balance 2009 \$	Charged to Income \$	Charged directly to Equity \$	Changes in Tax Rate \$	Closing Balance 2010 \$
Parent Entity					
Deferred Tax Assets					
Property, Plant and Equipment Provisions					
Doubtful debts	-	28,500	-	-	28,500
Fair value gain adjustments	255,007	169,194	483,664	-	907,865
Borrowing costs	-	4,059	-	-	4,059
Balance at 30 June 2009	255,007	201,753	483,664	-	940,424
Property, Plant and Equipment Provisions					
Doubtful debts	28,500	106,200	-	-	134,700
Fair value gain adjustments	907,865	476,432	84,177	-	1,468,474
Borrowing costs	4,059	(1,624)	-	-	2,435
Balance at 30 June 2010	940,424	581,008	84,177	-	1,605,609

(f) Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(l) occur:

Note	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
- temporary differences	67,060	27,607	-	-
- tax losses:				
- operating losses	8,246,390	7,808,496	-	-
- capital losses	863,044	185,435	-	-
	9,176,494	8,021,538	-	-

22 Distributions

Distributions paid

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Quarter ended 30 September 2008 at 0.8 cents per unit	-	140,000	-	140,000
Quarter ended 31 December 2008 at 0.8 cents per unit	-	140,000	-	140,000
Total	-	280,000	-	280,000

Coonawarra Australia Property Trust

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Notes to the Financial Statements

For the Year Ended 30 June 2010

22 Distributions continued

Balance of franking account at period end adjusted for franking credits arising from:

payment of provision for income tax

299,723	106,789	299,723	106,789
299,723	106,789	299,723	106,789

23 Auditors' Remuneration

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Remuneration of the auditor of the parent entity for:				
- auditing or reviewing the financial report	61,000	51,720	24,500	33,300
- auditing the compliance plan	2,500	2,500	2,500	2,500

24 Controlled Entities

(a) Acquisitions - Disposals of Controlled Entities

There have been no acquisitions of controlled entities during the year.

Name	Country of incorporation	Percentage Owned (%)*	Percentage Owned (%)*
		2010	2009
Parent Entity:			
Coonawarra Australia Property Trust	Australia		
Subsidiaries of parent entity:			
Prince Hill Wines Limited	Australia	42.2	45.3%
CPV Wines Limited	Australia	77.3	77.3%
Subsidiaries of Prince Hill Wines Limited			
Prince Hill Wine Services Pty Ltd	Australia	42.2	45.3%
Prince Hill Cellars Pty Ltd	Australia	42.2	45.3%

* Percentage of voting power is in proportion to ownership

(b) Controlled Entities with Ownership Interest of 50% or Less

The Coonawarra Australia Property Trust holds 42% of the ordinary shares of Prince Hill Wines Limited. The Trust has appointed 2 of the 3 directors of Prince Hill Wines Limited, including the managing director, and effectively controls the financial and operational policies of Prince Hill Wines Limited. As a consequence of common directors, management control and no other party holding a controlling interest in Prince Hill Wines Limited, Prince Hill Wines Limited and its controlled entities have been consolidated in the preparation of this report.

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Notes to the Financial Statements

For the Year Ended 30 June 2010

Movements during the Year in Investments in Controlled Entities

	Note	Consolidated		Parent	
		2010	2009	2010	2009
		\$	\$	\$	\$
Balance at beginning of the financial year	10	-	-	1,924,978	3,635,025
Add:					
New investments during the year		-	-	391,221	660,234
Less:					
Adjustment of Values		-	-	(1,883,696)	(2,370,281)
Balance at end of the the financial year		-	-	432,503	1,924,978

The investment in Prince Hill Wines Limited (PHW) is valued at the market price at the 30 June 2010.

25 Contingent Liabilities and Contingent Assets

Prince Hill Wine Service Pty Ltd is in the process of issuing a claim against Great Southern Beverage Pty Ltd (ACN 132 761 392) due to its failure to complete the unconditional contract for the purchase of the vineyard and winery located at 1220 Castlereagh Highway, Apple Tree Flat, Mudgee New South Wales by the 9 March 2010.

The Group is pursuing its legal rights but it is not practicable to estimate the value of any recovery.

The consolidated group has no other contingent assets or liabilities.

26 Interests of Key Management Personnel

(a) Totals of remuneration paid

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2010.

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

	2010	2009
	\$	\$
Short-term employee benefits	355,949	293,944
Post-employment benefits	46,559	41,468
	402,508	335,412

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Notes to the Financial Statements

For the Year Ended 30 June 2010

27 Key Management Personnel Shareholdings

The number of units in Coonawarra Australia Property Trust held by each key management personnel of the Group during the financial year is as follows:

	Balance at beginning of year 2010	Bought / (Sold) during the year 2010	Balance at end of year 2010	Balance at beginning of year 2009	Bought / (Sold) during the year 2009	Balance at end of year 2009
Units held						
Rex Watson #	2,287,285	-	2,287,285	2,287,285	-	2,287,285
Paul Miller	-	-	-	-	-	-
Andrew Parkinson	-	-	-	-	-	-
Conrad Guerra	-	-	-	-	-	-
	2,287,285	-	2,287,285	2,287,285	-	2,287,285

Units all held by related party Coonawarra Vineyard Management Services Pty Ltd.

Other Key Management Personnel Transactions

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with key management personnel, refer to Note 28: Related Party Transactions.

There are no loans to key management personnel.

28 Related party transactions

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

(a) Directors

The following persons were directors of the RE, Coonawarra Premium Vineyards Limited, during the financial year:

Paul Miller (Compliance Officer, non-executive) (Chairman)
Rex Watson (Group Managing Director, executive)
Andrew Parkinson (Company Secretary, Chief Executive Officer)

(b) Other key management personnel

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

Conrad Guerra (Company Secretary & Chief Financial Officer) (employed by related party Essential Project Administration Pty Ltd), appointed 1 December 2008

All the above persons were also key management personnel during the year ended 30 June 2009.

(c) Key management personnel compensation policy

The board of directors of the RE reviews the remuneration packages of all directors and senior executives

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Notes to the Financial Statements

For the Year Ended 30 June 2010

28 Related party transactions continued

of the RE 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 Trust and the related Managed Investment Scheme Coonawarra Premium Vineyards Project and other relevant factors. All director and senior executive compensation is paid by the RE, and passed onto the Trust through a management fee.

None of the key management personnel of the RE is employed under a contract or entitled to any performance-related bonus or remuneration of any kind, except for Andrew Parkinson whose contract with Prince Hill Wines Ltd to act as managing director of that 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 of that company are met. The targets were not met for the year and no bonus was payable.

None of the key management personnel of the RE is entitled to be granted any options over shares in the RE or unissued units in the Trust.

(d) Key management personnel compensation

The aggregate compensation of the key management personnel attributable to the Trust is set out in the directors report.

(e) Other transactions with key management personnel

Aggregate amounts receivable from other related parties are disclosed in note 6 to the financial statements.

Details of interest revenue from other related parties are disclosed in note 2 to the financial statements. This interest is receivable from the RE.

During the financial year :-

- The Trust paid fees to the RE for management, administration and property management totalling \$239,977 (2009: \$253,999) pursuant to the arms length terms and conditions of a contract that was approved by the unitholders in December 2002 as part of the restructuring of the Project in 2003. The Trust paid fees of \$332,401 (2009: \$328,773) to the Project Manager in respect of management of the terminated vineyard lots for the 2009/10 financial year.
- The Trust paid interest of \$30,854 on loans from Watson Wine Group Pty Ltd, a related entity of director, Rex Watson. These charges were on third party commercial terms and conditions.
- Prince Hill Wine Services (PHWS) paid fees of \$229,731 (2009: \$311,238) to Coonawarra Vineyard Management Services Pty Ltd (CVMS), a related entity of director, Rex Watson. These fees were in respect of management services (including administration, finance, accounting, sales and marketing) provided to the Prince Hill Wines Group for the financial year. These fees were charged to PHWS 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.
- PHWS purchased bulk wine, finished wine and bottling services to the value of \$572,652 (2009: \$903,024) from the Watson Wine Group, a related party of director Rex Watson. These charges were calculated on the basis of cost recovery and do not include any profit element.
- PHWS sold \$22,520 (2009: \$47,741) of finished wine to the Watson Wine Group, a related entity of director, Rex Watson. These charges were on third party commercial terms and conditions.

Coonawarra Australia Property Trust

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Notes to the Financial Statements

For the Year Ended 30 June 2010

28 Related party transactions continued

- The Wine List Pty Ltd, a related entity of director, Rex Watson charged commission of \$209,818 (2009:\$165,501) to Prince Hill Group. These charges were on third party commercial terms and conditions.
- PHWS sold \$209,818 (2009: \$165,501) of finished wine to The Wine List Pty Ltd, a related entity of director, Rex Watson. These charges were on third party commercial terms and conditions.
- CPV Wines Limited paid management, administration, property management and operating costs of \$663,268 (2009: \$772,319) to Coonawarra Vineyard Management Services Pty Ltd (CVMS) a related entity of director, Rex Watson, pursuant to a contract approved by the shareholders of CPV Wines Limited in January 2006.
- CPV Wines Limited also made payments of \$81,709 (2009: \$141,903) to CVMS for redevelopment of vineyard lots and contract staff.
- Watson Wine Group, a related party of director, Rex Watson, purchased all the grapes harvested by CPV Wines Limited \$381,890 (2009: \$559,465) pursuant to a contract to purchase the grapes at district weighted average prices.
- The Group reimbursed the RE for insurance premiums of \$80,821 (2009: \$66,227). These charges were calculated on the basis of cost recovery and do not include any profit element.

29 Cash Flow Information

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

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Net loss for the period	(5,538,417)	(3,710,530)	(2,431,253)	(2,128,854)
Cash flows excluded from profit attributable to operating activities				
Non-cash flows in profit				
Depreciation	76,292	200,229	40,181	37,294
Impairment of property, plant and equipment	-	50,000	14,699	-
Impairment of receivables	351,468	(45,199)	1,108,220	(33,641)
Impairment of winery sale receivable	2,388,643	-	-	-
Impairment of inventory	260,373	458,729	-	-
Net gain on disposal of property, plant and equipment	(129,947)	(228,863)	-	-
Net gain on disposal of controlled entity	-	(567,523)	-	-
Impairment of Financial Assets	241,221	-	1,603,106	1,414,001

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Notes to the Financial Statements

For the Year Ended 30 June 2010

29 Cash Flow Information continued

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

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Fair value movement - biological assets	1,933,358	2,657,609	1,584,819	2,255,262
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and term receivables	291,119	952,135	69,091	570,597
(Increase)/decrease in prepayments	334,926	20,202	333,464	(3,395)
(Increase)/decrease in inventories	133,879	29,121	-	-
Increase/(decrease) in trade payables and accruals	(53,840)	(493,279)	(32,652)	(441,065)
Increase/(decrease) in income taxes payable	244,034	(424,523)	244,034	(792,055)
(Increase)/decrease in deferred taxes payable	(766,948)	661,560	(1,485,420)	55,019
Increase/(decrease) in provisions	9,843	(10,822)	-	-
	(223,996)	(451,154)	1,048,289	933,163

(b) Loan Facilities

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Loan facilities	10,268,000	10,743,000	7,000,000	7,000,000
Amount utilised	(10,185,404)	(10,618,570)	(6,952,914)	(6,902,031)
	82,596	124,430	47,086	97,969

The major facilities are summarised as follows:

At 30 June 2010 the Trust had a multi-option facility from Commonwealth Bank of Australia of \$7,000,000, including an overdraft sub-limit of \$700,000 for working capital, secured by a fixed and floating charge over the Trust's property assets. \$1,300,000 of this facility was repaid on 30 August 2010.

CPV Wines had bank loan of \$2,500,000 and an overdraft limit of \$200,000. The bank loan is secured by a mortgage over the company's two freehold land titles.

The remainder of the finance facilities of \$768,000 were in the PHW Group and were secured on the assets of that group. This was repaid in full on 12 August 2010. There are no cross guarantees between the assets and the borrowings of PHW and the Trust.

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Notes to the Financial Statements

For the Year Ended 30 June 2010

30 Events after the end of the reporting period

On 12 August 2010 the new contract for the sale of the Mudgee winery and vineyard was settled. The figures in the group accounts reflect this transaction. On 31 August 2010 \$1,300,000 of the Trust's borrowing were repaid to the Commonwealth Bank. 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 trust, the results of those operations, or the state of affairs of the trust in future financial years.

31 Company Details

Registered office and Principal Place of Business

The registered office and principal place of business of the company is:

Coonawarra Australia Property Trust
235 Glen Osmond Road
Frewville SA 5063

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