

MYALL RIVER DOWNS PTY LIMITED
ABN 36 000 442 900

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2008

MYALL RIVER DOWNS PTY LIMITED
ABN 36 000 442 900

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MYALL RIVER DOWNS PTY LIMITED
ABN 36 000 442 900

DIRECTORS' REPORT

Your directors present their special purpose financial report on the consolidated entity (the group) for the financial year ended 30 June 2008. The directors are of the opinion that the group is a non reporting entity on the basis that there are no external users of the financial reports and there is no regulatory requirements for the company to prepare reports as a disclosing entity.

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

Geoffrey Cox

Angelique Hogan (resigned 9 October 2007)

Gail Mullins

Andrew Cox

Sharon Maskell (resigned 8 October 2007)

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

The company secretaries are Geoffrey Cox and Gail Mullins.

Geoffrey Cox has been in the business of property development in NSW for 30 years. He was appointed as a Director of Myall River Downs Pty Limited on 9 January 1969. Mr Cox is employed by Crighton Properties Pty Limited and holds the position of Managing Director.

Andrew Cox was appointed as a Director of Myall River Downs Pty Ltd on 1 November 1991. Mr Cox is employed by Crighton Properties Pty Limited and holds the position of Marketing Director and is also involved in the general management of the group.

Gail Mullins was appointed as a Director of Myall River Downs Pty Limited on 23 February 1989. Mrs Mullins is employed by Crighton Lifestyle Resorts Real Estate Pty Limited and holds the position of Chief Executive Officer of the Tea Gardens Grange and the Hermitage Retirement Villages.

The loss of the group for the financial year after providing for income tax amounted to \$ 2,151,281 (2007 loss \$849,460).

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

The principal activities of the group during the financial year were Property Development. During the year a member of the group commenced operations as a retirement village.

No significant change in the nature of these activities occurred during the year.

On 1 July 2008 the group was acquired in its entirety by Crighton Properties Pty Limited. This has had no impact on the ongoing operations of the group. The group operates in industries which could be impacted by the recent world economic crisis, however the directors believe that any impact of these events will be significantly mitigated by the expected reduction in interest rates and the continuing shortage of housing. Other than the items listed, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the result of those operations, or the state of affairs of the group in future financial years.

No dividends were paid during the year.

No options over issued shares or interests in the group were granted during or since the end of the financial year and there were no options outstanding at the date of this report. The company's B Class Shares were converted to Ordinary Shares during the year.

The operations of the group include property development activities that are subject to a number of environmental regulations under both State and Commonwealth legislation.

The directors are of the opinion they have complied with all applicable environmental regulations during the period covered by this report.

MYALL RIVER DOWNS PTY LIMITED
ABN 36 000 442 900

DIRECTORS' REPORT

(Cont'd)


No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor of the group. The company provides directors and officers insurance for directors and key management personnel. Under the terms of the policy disclosure of the premiums or the level of cover is not permitted.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 3.


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

Director:



Geoffrey Cox

Director:



Andrew Cox

Dated this TENTH day of NOVEMBER, 2008

HERBERT & WALKER PTY. LTD.

Chartered Accountants

Director
Stephen Walker
B.Bus, C.A.

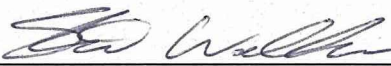
AUDITORS' INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF MYALL RIVER DOWNS PTY LIMITED

We hereby declare, that to the best of our knowledge and belief, during the financial year ended 30 June 2008 there have been no:

- (i) contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) contraventions of any applicable code of professional conduct in relation to the audit.

Name of Firm: Herbert & Walker Pty Limited
Chartered Accountants

Name of Director:


Stephen M Walker

Address: Unit A, 2 Reliance Drive, Tuggerah NSW 2259

Dated this

TENTH

day of

NOVEMBER, 2008



Page 3

Unit A, 2 Reliance Drive,
PO Box 3250
TUGGERAH NSW 2259

HERBERT & WALKER PTY. LTD.
A.B.N. 42 110 886 961

PHONE: (02) 4353 5855
FAX: (02) 4353 5866

LIABILITY LIMITED BY A SCHEME APPROVED UNDER PROFESSIONAL STANDARDS LEGISLATION.

MYALL RIVER DOWNS PTY LIMITED
ABN 36 000 442 900

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	CONSOLIDATED		COMPANY	
		2008	2007	2008	2007
		\$	\$	\$	\$
Revenue		5,046,462	3,837,473	13,539	10,424,916
Other income		21,212	56,018	4,914	25,226
	2	5,067,674	3,893,491	18,453	10,450,142
Cost of Goods Sold		(1,095,595)	(3,198,181)	-	(10,417,039)
Decrease in Value of Inventories		(4,194,178)	(331,819)	(4,194,178)	(331,819)
Accountancy expenses		(22,378)	(9,440)	(7,840)	(6,200)
Advertising expenses		(450,130)	(21,218)	-	(3,880)
Depreciation and amortisation expenses		(330,976)	(80,998)	(38,074)	(58,690)
Employee benefits expenses		(502,144)	(492,374)	-	-
Borrowing costs		(5,038)	(4,623)	(4,993)	(4,583)
Finance expense		(830,884)	(319,773)	(259,794)	(238,487)
Freight and cartage		-	(191)	(330)	(220)
Repairs & Maintenance		(337,016)	(108,134)	(282,868)	(109,769)
Other expenses		(708,872)	(365,908)	(267,203)	(193,809)
(Loss) Profit before income tax		(3,409,535)	(1,039,168)	(5,036,827)	(914,354)
Income tax expense	1,3	1,258,254	189,708	1,258,254	3,119,507
(Loss) Profit after income tax		(2,151,281)	(849,460)	(3,778,573)	2,205,153

The accompanying notes form part of these financial statements.

MYALL RIVER DOWNS PTY LIMITED
ABN 36 000 442 900

BALANCE SHEET
AS AT 30 JUNE 2008

	Note	CONSOLIDATED		COMPANY	
		2008	2007	2008	2007
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	4	181,092	1,190,563	7,039	45,212
Trade and other receivables	5	149,692	128,215	-	23,318
Inventories	6	2,683,226	2,674,098	962,225	971,551
Other current assets	7	118,853	141,761	83,544	85,186
TOTAL CURRENT ASSETS		<u>3,132,863</u>	<u>4,134,637</u>	<u>1,052,808</u>	<u>1,125,267</u>
NON-CURRENT ASSETS					
Trade and other receivables	5	9,369,390	8,335,703	7,617,449	8,335,703
Financial assets	8	-	-	34	34
Property, plant and equipment	9	20,772,041	14,497,474	228,236	259,504
Inventories	6	24,779,125	28,364,522	24,550,000	28,364,522
Other non-current assets	7	96,681	96,681	10,596	15,589
TOTAL NON-CURRENT ASSETS		<u>55,017,238</u>	<u>51,294,380</u>	<u>32,406,315</u>	<u>36,975,352</u>
TOTAL ASSETS		<u>58,150,101</u>	<u>55,429,017</u>	<u>33,459,123</u>	<u>38,100,619</u>
CURRENT LIABILITIES					
Trade and other payables	10	228,946	605,762	82,496	82,944
Short term borrowings	11	64,134	39,455	38,749	34,207
Provisions	12	57,401	52,748	-	-
Tax liabilities	13	(29,399)	(226,909)	(29,399)	(226,910)
TOTAL CURRENT LIABILITIES		<u>321,081</u>	<u>471,056</u>	<u>91,846</u>	<u>(109,759)</u>
NON-CURRENT LIABILITIES					
Long term borrowings	11	26,744,004	20,319,843	3,744,087	3,402,836
Provisions	12	23,347	19,390	-	-
Tax liabilities	13	8,284,446	9,542,699	5,354,647	6,612,900
Other non-current liabilities	14	2,016,111	2,163,636	2,016,111	2,163,636
TOTAL NON-CURRENT LIABILITIES		<u>37,067,908</u>	<u>32,045,568</u>	<u>11,114,845</u>	<u>12,179,372</u>
TOTAL LIABILITIES		<u>37,388,989</u>	<u>32,516,624</u>	<u>11,206,691</u>	<u>12,069,613</u>
NET ASSETS		<u>20,761,112</u>	<u>22,912,393</u>	<u>22,252,432</u>	<u>26,031,006</u>
EQUITY					
Issued capital	15	9,620	9,620	9,620	9,620
Retained earnings	16	20,751,492	22,902,773	22,242,812	26,021,386
TOTAL EQUITY		<u>20,761,112</u>	<u>22,912,393</u>	<u>22,252,432</u>	<u>26,031,006</u>

The accompanying notes form part of these financial statements.

MYALL RIVER DOWNS PTY LIMITED
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

	Note	CONSOLIDATED 2008 \$	COMPANY 2008 \$
Retained Earnings at 1 July 2006		23,752,233	23,816,232
Profit (loss) attributable to equity shareholders		(849,460)	2,205,153
Balance at 30 June 2007		<u>22,902,773</u>	<u>26,021,385</u>
Profit (loss) attributable to equity shareholders		(2,151,281)	(3,778,573)
Balance at 30 June 2008		<u>20,751,492</u>	<u>22,242,812</u>
Issued Capital as at 1 July 2006		9,620	9,620
Capital issued during the year ended 30 June 2007		-	-
Balance at 30 June 2007		9,620	9,620
Capital issued during the year ended 30 June 2008		-	-
Issued Capital as at 30 June 2008	15	<u>9,620</u>	<u>9,620</u>
The parent entity converted its B Class shares to Ordinary Shares during the year, without any financial impact.			

The accompanying notes form part of these financial statements.

MYALL RIVER DOWNS PTY LIMITED
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2008

		CONSOLIDATED		COMPANY	
		2008	2007	2008	2007
	Note	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers		1,299,952		13,539	10,435,424
Interest Received		19,017		4,914	19,903
Payments to Suppliers and employees		(2,015,933)		(365,984)	(651,036)
Net cash provided (used in) operating activities	18	(696,964)		(347,531)	9,804,291
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments of property, plant and equipment		(5,909,081)		(524,661)	(1,087,925)
Proceeds for property, plant and equipment		-		-	10,213
Net cash provided (used in) investing activities		(5,909,081)		(524,661)	(1,077,712)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from Bank Borrowings		5,750,725		380,000	1,530,000
Proceeds from Resident Loans		3,793,597		-	-
Proceeds from Finance Leases		130,438		-	-
Payments of Bank Borrowings		(3,120,715)		-	-
Payments of Bank Interest		(816,813)		(253,345)	(228,928)
Payment of Finance Leases		(74,167)		(34,207)	(32,922)
Related Party Loans		(66,491)		741,571	(9,958,284)
Net cash provided (used in) financing activities		5,596,574		834,019	(8,690,134)
Net increase (decrease) in cash held		(1,009,471)		(38,173)	36,445
Cash at beginning of financial year		1,190,563		45,212	8,767
Cash at end of financial year	4	181,092		7,039	45,212

A comparative statement of cashflows for the consolidated group for the year ended 30 June 2007 has not been prepared as the directors believe that preparation of the statement would not provide additional information otherwise available and would be cost prohibitive.

MYALL RIVER DOWNS PTY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1 Statement of Significant Accounting Policies

This financial report has been prepared in accordance with the requirements of the Corporations Act 2001 for use by the directors and members of the group and is a special purpose financial report. The directors have determined that the company is not a reporting entity.

Myall River Downs Pty Limited was incorporated and has its domicile in Australia and is a company limited by shares. The company is listed on the Bermuda Stock Exchange. The functional currency for the preparation of these accounts is the \$AUD.

Statement of Compliance

The financial report has been prepared in accordance with the requirements of the following Australian Accounting Standards:

AASB 101:	Presentation of Financial Statements
AASB 102:	Inventories
AASB 108:	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110:	Events after the Balance Sheet Date
AASB 117:	Leases
AASB 118:	Revenue
AASB 123:	Borrowing Costs
AASB 137:	Provisions, Contingent Liabilities and Contingent Assets
AASB 140:	investment Property
AASB 1031:	Materiality
Interpretation 1031:	Accounting for Goods and Service Tax

No other applicable Accounting Standards or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The financial report has been prepared on an accruals basis and is based on historic costs modified by the revaluation of financial assets, financial liabilities and selected non-current assets for which the fair value basis of accounting has been applied.

The following is a summary of the material accounting policies adopted by the group in the preparation of this report. Unless otherwise stated, the accounting policies are consistent with the previous period.

Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

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

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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

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

Future Tax Benefits relating to carry forward tax losses are not brought to account as given the nature of the group's operations their future realisation is not probable.

Inventories

Land held for development and sale is valued at the lower of cost and net realisable value where the development and sale of the property is a short term project. Where land is held for an indeterminate period of time it is treated as an investment property and revalued to either directors or independent valuation.

Livestock is valued at average costs in accordance with Australian Taxation methodology.

Property, Plant and Equipment

Property, plant and equipment are carried at cost, independent or directors' valuation. All assets, excluding freehold land and buildings, are depreciated over their useful lives to the group. Due to the integral nature of land and buildings they are disclosed in the accounts as a single item.

Investment Property

Investment property includes land and/or buildings that earns rental income or appreciates in value. All tenant leases were made on an arm's length basis. Investment property is valued annually by directors or independent valuers and carried at fair value. Changes in fair value are recorded in the income statement.

Investment property disclosed in the accounts as either inventories where land is held for resale or as land and buildings where they relate to residential or retirement village land and buildings.

Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

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

MYALL RIVER DOWNS PTY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

Employee Benefits

Provision is made for the group's liability for employee benefits arising from services rendered by employees to balance date. Employee annual leave has been measured at the current pay rates with allowance for related employee on-costs. Other employee benefits payable later than one year have also been measured at current pay rates with allowance for related on costs. These amounts have not been discounted back to present values.

This treatment is a departure from AASB 1028 which requires that all on costs be provided for and all non current employee entitlements are calculated using all related on costs and then discounted to net present value. The directors are of the opinion that this departure from the standards does not have a material impact on the accounts.

Contributions are made by the group to an employee superannuation fund and are charged as expenses when incurred.

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.

Self Care Villas, Redemption and Rollover - Revenue Recognition

Self care residents who enter the village during the financial year as a result of the redemption of a previous resident, entered on the basis of a 99 year lease, with an interest free loan granted by the incoming resident. When the resident leaves the village, there is a Deferred Management Fee and a shared capital gain calculated (the Departure Fee).

Resident Loans and Capital Gain Payable by Resident

Resident loans are measured at face value, representing the principal amount. Resident loans are non-interest bearing and repayable upon departure.

Resident Capital Gains represents the residents' share of the capital gains (as set out in the lease agreements) on the leased villas that have accrued at balance sheet date and are payable to residents on their departure. The capital gain on the villas is calculated on the difference between the current value of the villas, as determined by the directors and the original lease value of the villas.

Departure Fees

Departure Fees become payable by residents when they depart the village. The amount payable by the departing resident is calculated based upon a long term lease agreement with respect to the relevant villas. The Departure Fee is calculated with reference to the re-lease value of the relevant villas and the length of residency of each departing resident.

Departure Fees that have accrued but are not payable as at the balance sheet date are recognised as non-current assets in the balance sheet. The accrual amount is calculated by forecasting when each resident is expected to depart the village, by reference to the anticipated average length of occupancy of each resident, and the amount of Departure Fees that would be payable at that time, based on directors assessment of current and historical evidence of values and transactions in an open market. These forecast amounts are then discounted to determine a net present value of future Departure Fees as at the balance sheet date.

Values relating to revenue recognition for self care villas and departure fees are disclosed as key estimates on page 11 of the accounts.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

Principals of consolidation

The consolidated financial statements comprise the financial statements of Myall River Downs Pty Ltd and its subsidiaries ("The Group").

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. The effects of all transactions between entities in the group are eliminated in full.

Critical accounting estimates and judgments

In preparing this financial report, the directors were required to make estimates and assumptions. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. All estimates are based on best available information. Actual results may differ from these estimates, should the current turmoil in world financial markets significantly impact property values. The estimates and underlying assumptions are reviewed on an ongoing basis.

Key estimates - Independent Property Valuation

The group revalues property held periodically based on independent external valuations and directors reliance on them, or directors valuations. These valuations, which were obtained over the period 3 February, 2006 - 27 June 2008, assume a market for the property which will remain consistent with recent sales and does not take account of any future trends within the property market. When a retirement village villa is constructed a pro rata allocation of the revalued applicable to the retirement village operations is allocated to the villa and included in villas at valuation.

As at balance date the following amounts were disclosed in the financial statements which rely on, or are calculated from, the amounts disclosed on the independent valuations of the properties held by the group.

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Land at independent valuation	34,860,947	38,150,000	25,450,000	28,150,000
GST Payable	2,069,030	2,230,291	2,069,030	2,230,291
Deferred Tax Liability	8,284,466	9,542,699	5,354,646	6,612,900

Key Estimates - Retirement Village Operations - refer notes at page 10 of the accounts.

	2008	2007	2008	2007
	\$	\$	\$	\$
Villas at Valuation	8,818,400	-		
Residents Departure Fees Receivable	974,916	-		
Resident Share of Capital Gain Payable	-	-		

This report is to be read in conjunction with the attached independent auditor's report.

MYALL RIVER DOWNS PTY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

		CONSOLIDATED		COMPANY	
		2008	2007	2008	2007
		\$	\$	\$	\$
2	Revenue				
	Fees Received	1,247,510	3,412,556	-	-
	Property Sales	-	417,038	-	10,417,038
	Departure Fees	974,916	-	-	-
	Maintenance Levies	81,503	-	-	-
	Profit on Livestock Trading	13,539	7,879	13,539	7,878
	Revaluation of Retirement Village Villas	2,728,994	-	-	-
	Total Revenue	<u>5,046,462</u>	<u>3,837,473</u>	<u>13,539</u>	<u>10,424,916</u>
	Other Income	21,212	56,018	4,914	25,226
		<u>5,067,674</u>	<u>3,893,491</u>	<u>18,453</u>	<u>10,450,142</u>
	Operating loss has been determined after				
	Expenses				
	Revalued Cost of Property Sold	-	300,539	-	10,417,038
	Materials & Subcontractors	1,095,595	2,897,642	-	-
	Movement in Value of Inventories	4,194,178	331,819	4,194,178	331,819
	Finance Costs - External	830,884	319,773	259,794	238,487
	Borrowing costs	<u>5,038</u>	<u>4,623</u>	<u>4,993</u>	<u>4,583</u>
3	Income Tax Expense				
	The prima facie tax payable on loss before income tax is reconciled to the income tax expense as follows:				
	Prima facie tax payable on loss before income tax at 30% (2007: 30%):	(1,022,861)	(311,751)	(1,511,038)	(274,306)
	Tax losses not brought to account	617,431	122,043	252,784	(2,845,201)
	Depreciation of Villas	(34,126)	-	-	-
	Revaluation of villas	<u>(818,698)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Income tax expense attributable to company	<u>(1,258,254)</u>	<u>(189,708)</u>	<u>(1,258,254)</u>	<u>(3,119,507)</u>
4	Cash and Cash Equivalents				
	Current				
	Cash on Hand	1,504	1,504	470	470
	Cash at Bank	<u>179,588</u>	<u>1,189,059</u>	<u>6,569</u>	<u>44,742</u>
		<u>181,092</u>	<u>1,190,563</u>	<u>7,039</u>	<u>45,212</u>

This report is to be read in conjunction with the attached independent auditor's report.

MYALL RIVER DOWNS PTY LIMITED
ABN 36 000 442 900

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

		CONSOLIDATED		COMPANY	
		2008	2007	2008	2007
		\$	\$	\$	\$
5	Trade and Other Receivables				
	Current				
	Sundry Debtors	18,955	1,505	-	-
	Trade Debtors	130,737	103,392	-	-
	Loans - Related Individuals	-	23,318	-	23,318
		<u>149,692</u>	<u>128,215</u>	<u>-</u>	<u>23,318</u>
	Non-Current				
	Loans - Related Parties	8,394,474	8,189,893	7,617,449	8,189,893
	Loans - Related Individuals	-	145,810	-	145,810
	Departure Fee due on Redemption	974,916	-	-	-
		<u>9,369,390</u>	<u>8,335,703</u>	<u>7,617,449</u>	<u>8,335,703</u>
6	Inventories				
	Current				
	Stock on Hand - Cattle	62,225	69,781	62,225	69,781
	Land and Work in Progress	2,621,001	2,604,317	900,000	901,770
		<u>2,683,226</u>	<u>2,674,098</u>	<u>962,225</u>	<u>971,551</u>
	Non-Current				
	Land and Work in Progress	<u>24,779,125</u>	<u>28,364,522</u>	<u>24,550,000</u>	<u>28,364,522</u>
7	Other Assets				
	Current				
	Security Bonds	88,200	88,200	77,750	77,750
	Prepayments	28,528	21,166	801	2,443
	Prepaid Borrowing Expenses	-	30,270	4,993	4,993
	Formation Costs	2,125	2,125	-	-
		<u>118,853</u>	<u>141,761</u>	<u>83,544</u>	<u>85,186</u>
	Non-Current				
	Prepaid Borrowing Expenses	141,971	116,694	10,596	15,589
	Less Accumulated Amortisation	(45,290)	(20,013)	-	-
		<u>96,681</u>	<u>96,681</u>	<u>10,596</u>	<u>15,589</u>
8	Financial Assets				
	Non-Current				
	Shares in Subsidiaries	<u>-</u>	<u>-</u>	<u>34</u>	<u>34</u>

This report is to be read in conjunction with the attached independent auditor's report.

MYALL RIVER DOWNS PTY LIMITED
ABN 36 000 442 900

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
9 Property, Plant and Equipment				
Land and Buildings at directors' valuation	20,157,926	10,002,455	-	-
Development Costs	-	4,187,303	-	-
	<u>20,157,926</u>	<u>14,189,758</u>	<u>-</u>	<u>-</u>
Plant & Equipment at cost	619,782	616,562	580,406	573,600
Less: Accumulated Depreciation	(362,998)	(318,780)	(352,791)	(314,867)
	<u>256,784</u>	<u>297,782</u>	<u>227,615</u>	<u>258,733</u>
Office Furniture & Fittings at cost	3,705	420	-	-
Less: Accumulated Depreciation	(585)	(80)	-	-
	<u>3,120</u>	<u>340</u>	<u>-</u>	<u>-</u>
Furniture & Fittings at cost	143,774	13,112	4,270	4,270
Less: Accumulated Depreciation	(30,882)	(3,518)	(3,649)	(3,499)
	<u>112,892</u>	<u>9,594</u>	<u>621</u>	<u>771</u>
Motor Vehicles at cost	64,957	-	-	-
Less: Accumulated Depreciation	(7,979)	-	-	-
	<u>56,978</u>	<u>-</u>	<u>-</u>	<u>-</u>
Computer Equipment at cost	195,338	-	-	-
Less: Accumulated Depreciation	(29,247)	-	-	-
	<u>166,091</u>	<u>-</u>	<u>-</u>	<u>-</u>
Leased Vehicles & Equipment at cost	37,620	18,380	18,380	18,380
Less: Accumulated Amortisation	(19,368)	(18,380)	(18,380)	(18,380)
	<u>18,251</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Plant and Equipment	<u>614,115</u>	<u>307,716</u>	<u>227,615</u>	<u>258,733</u>
Total Property, Plant and Equipment	<u>20,772,041</u>	<u>14,497,474</u>	<u>227,615</u>	<u>258,733</u>
10 Trade and Other Payables				
Current				
Trade Creditors	110,348	513,312	37,733	49,873
Other Creditors	66,361	49,574	4,932	2,500
Input Tax Credits	(37,997)	(77,683)	(13,239)	(36,233)
GST Payable	90,234	120,559	53,070	66,804
	<u>228,946</u>	<u>605,762</u>	<u>82,496</u>	<u>82,944</u>

This report is to be read in conjunction with the attached independent auditor's report.

MYALL RIVER DOWNS PTY LIMITED
ABN 36 000 442 900

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

		CONSOLIDATED		COMPANY	
		2008	2007	2008	2007
		\$	\$	\$	\$
11	Borrowings				
	Current				
	Hire Purchase Liability	70,688	46,193	42,146	40,656
	Less: Unexpired Charges	(9,435)	(6,738)	(3,397)	(6,449)
	Lease Liability	2,881	-	-	-
		<u>64,134</u>	<u>39,455</u>	<u>38,749</u>	<u>34,207</u>
	Non-Current				
	Hire Purchase Liability	80,788	57,452	15,305	57,452
	Less Unexpired Charges	(12,618)	(4,616)	(1,218)	(4,616)
	Loans - Secured	9,669,863	7,039,853	3,730,000	3,350,000
	Loans - Related Parties	13,196,116	13,227,154	-	-
	Lease Liability	16,258	-	-	-
	Residents Loans	3,793,597	-	-	-
		<u>26,744,004</u>	<u>20,319,843</u>	<u>3,744,087</u>	<u>3,402,836</u>
12	Provisions				
	Current				
	Provision for Annual Leave	<u>57,401</u>	<u>52,748</u>	<u>-</u>	<u>-</u>
	Non Current				
	Provision for Long Service Leave	<u>23,347</u>	<u>19,390</u>	<u>-</u>	<u>-</u>
13	Tax				
	Liabilities				
	Current				
	Provision for Income Tax	<u>(29,399)</u>	<u>(226,909)</u>	<u>(29,399)</u>	<u>(226,910)</u>
	Non-current				
	Deferred tax liability comprises:				
	Provision for Deferred Tax Liability	<u>8,284,446</u>	<u>9,542,699</u>	<u>5,354,647</u>	<u>6,612,900</u>

As at 30 June 2008 the group had carry forward tax losses of \$3,339,557. These have not been brought to account but are available to be utilised against future taxable income.

MYALL RIVER DOWNS PTY LIMITED
ABN 36 000 442 900

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

		CONSOLIDATED		COMPANY	
		2008	2007	2008	2007
		\$	\$	\$	\$
14	Other Liabilities				
	Non Current				
	GST Payable	<u>2,016,111</u>	<u>2,163,636</u>	<u>2,016,111</u>	<u>2,163,636</u>
15	Issued Capital				
	Issued Capital	<u>9,620</u>	<u>9,620</u>	<u>9,620</u>	<u>9,620</u>

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

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

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

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

		CONSOLIDATED		COMPANY	
		2008	2007	2008	2007
		\$	\$	\$	\$
16	Retained Earnings				
	Retained earnings at the beginning of the financial year	22,902,773	23,752,233	26,021,385	23,816,233
	(Net loss) Net profit attributable to members of the company	<u>(2,151,281)</u>	<u>(849,460)</u>	<u>(3,778,573)</u>	<u>2,205,153</u>
	Retained earnings at the end of the financial year	<u>20,751,492</u>	<u>22,902,773</u>	<u>22,242,812</u>	<u>26,021,386</u>
17	Post Balance Date Events				

On 1 July 2008 the group was acquired by Crighton Properties Pty Ltd. Under the terms of the agreement the purchase price is to equal the audited net assets of the consolidated net assets of the consolidated Myall River Downs Group. The form of consideration has not yet been determined and is to be elected by the vendors. The directors believe the acquisition will have no financial impact on the ongoing viability or operations of the company, or the group.

MYALL RIVER DOWNS PTY LIMITED
ABN 36 000 442 900

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

		CONSOLIDATED		COMPANY	
		2008	2007	2008	2007
		\$	\$	\$	\$
18	Reconciliation of Cash Flow from Operations with Profit / (Loss) from Ordinary Activities after Income Tax				
	Profit / (Loss) from ordinary activities after income tax	(2,151,281)		(3,778,573)	2,205,153
	CashFlows Excluded from ordinary activities				
	Interest Paid	816,813		253,345	228,928
	Non-cash flows in profit / (loss) from ordinary activities				
	Amortisation	221,484		-	-
	Depreciation	109,492		38,074	58,690
	Annual Leave Provided	6,613		-	-
	(Profit)/Loss on Sale of fixed assets	8,843		-	(1,513)
	Revaluation	4,194,178		4,194,178	10,748,857
	Departure Fees	(974,916)		-	-
	Revaluation of Retirement Village	(2,728,994)		-	-
	Changes in assets & liabilities	-			
	(Increase)/decrease in Trade Debtors	(27,345)		-	-
	(Increase)/decrease in other debtors	(17,450)		-	6,698
	(Increase)/decrease in Other Assets	22,909		6,635	28,101
	Increase/(decrease) in Provision for income tax	197,510		(1,060,742)	(3,186,562)
	Increase/(decrease) in Trade Creditors	(402,965)		(12,140)	(220,667)
	Increase/(Decrease) in accruals & sundry creditors	28,145		11,692	(63,394)
	Cash Flows from Operations	<u>(696,964)</u>		<u>(347,531)</u>	<u>9,804,291</u>

A comparative statement of cashflows for the consolidated group for the year ended 30 June 2007 has not been prepared as the directors believe that preparation of the statement would not provide additional information otherwise available and would be cost prohibitive.

MYALL RIVER DOWNS PTY LIMITED
ABN 36 000 442 900

DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

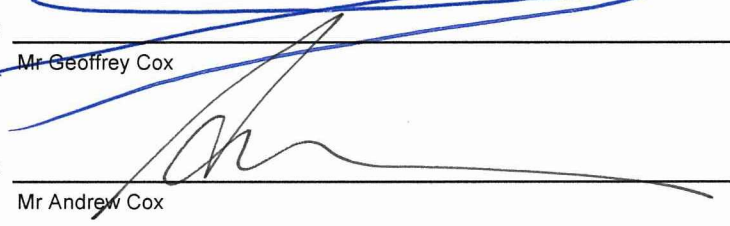
The directors of the company declare that:

- 1 The financial statements and notes, as set out on pages 1 to 17 are in accordance with the Corporations Act 2001;
 - (a) comply with Australian Accounting Standards as described in Note 1 to the financial statements and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the company's and the group's financial position as at 30 June 2008 and of their performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and
- 2 In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debt as and when they become due and payable.

Director:


Mr Geoffrey Cox

Director:


Mr Andrew Cox

Dated this TENTH

day of NOVEMBER, 2008

HERBERT & WALKER PTY. LTD.

Chartered Accountants

Director
Stephen Walker
B.Bus, C.A.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MYALL RIVER DOWNS PTY LIMITED ABN 36 000 442 900

Report on the Financial Report

We have audited the accompanying financial report, being a special purpose financial report, of Myall River Downs Pty Limited which comprises the balance sheet as at 30 June 2008, income statement and statement of cashflows for the year then ended, a summary of significant accounting policies and other explanatory notes and the director's declaration.

Director's Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report and has determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the financial reporting requirements of the company's constitution and are appropriate to meet the needs of the members. The director's responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the members. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

The financial report has been prepared for distribution to members for the purpose of fulfilling the director's financial reporting under the company's constitution. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

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



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FAX: (02) 4353 5866

LIABILITY LIMITED BY A SCHEME APPROVED UNDER PROFESSIONAL STANDARDS LEGISLATION.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MYALL RIVER DOWNS PTY LIMITED
ABN 36 000 442 900**

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We have given the directors of the company a written auditors independence declaration, a copy of which is included at page 3 of this report.

Auditors' Opinion

In our opinion, the financial report presents fairly, in all material aspects, the financial position of Myall River Downs Pty Limited as of 30 June 2008 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

Name of Firm: Herbert & Walker Pty Ltd
Chartered Accountants

Name of Director:



Stephen M Walker

Address: Unit A, 2 Reliance Drive, Tuggerah NSW 2259

Dated this TENTH **day of** NOVEMBER, 2008

HERBERT & WALKER PTY. LTD.

Chartered Accountants

Director
Stephen Walker
B.Bus, C.A.

AUDITOR'S DISCLAIMER TO THE MEMBERS OF MYALL RIVER DOWNS PTY LIMITED ABN 36 000 442 900

The additional financial data presented on pages 22 to 23 is in accordance with the records of Myall River Downs Pty Limited, which have been subject to auditing procedures applied in our audit for the year ended 30 June 2008.

It will be appreciated that our statutory audit did not cover all the details of this additional financial data.

Accordingly we do not express an opinion on such financial data and no warranty of accuracy or reliability is given.

In accordance with firm policy we advise that neither the firm nor any employee undertakes responsibility arising in any way whatsoever to any person in respect of such data, including any errors or omissions therein, arising through negligence or otherwise, however caused.

Name of Firm: Herbert & Walker Pty Ltd
Chartered Accountants

Name of Director:



Stephen M Walker

Address: Unit A, 2 Reliance Drive, Tuggerah NSW 2259

Dated this TENTH

day of NOVEMBER, 2008



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LIABILITY LIMITED BY A SCHEME APPROVED UNDER PROFESSIONAL STANDARDS LEGISLATION.

MYALL RIVER DOWNS PTY LIMITED
ABN 36 000 442 900

DETAILED PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Sales				
Fees Received	1,247,509	3,412,556	-	-
Property Sales	-	417,038	-	10,417,038
Less Revalued Cost of Property Sold	-	(300,539)	-	(10,417,038)
Materials & Subcontractors	(1,095,595)	(2,897,642)	-	-
Movement in Value of Inventories	(4,194,178)	(331,819)	(4,194,178)	(331,819)
Gross Profit	(4,042,264)	299,594	(4,194,178)	(331,819)
INCOME				
Departure Fees	974,916	-	-	-
Interest Received	19,017	34,408	4,914	19,903
Maintenance Levies	81,503	-	-	-
Profit on Livestock Trading	13,539	7,879	13,539	7,878
Other Income	2,196	20,097	-	3,810
Profit on Sale of Non-current Assets	-	1,513	-	1,513
Revaluation of Retirement Village Villas	2,728,994	-	-	-
	3,820,165	63,897	18,453	33,104
Gross (loss) profit from trading	(222,100)	363,491	(4,175,725)	(298,715)
EXPENSES				
Accountancy Fees	22,378	9,440	7,840	6,200
Administration Fees	1,750	-	-	-
Advertising	450,130	21,216	-	3,880
Amortisation	221,484	20,013	-	-
Bank Charges	93,630	86,060	89,992	83,702
Borrowing Costs	5,038	4,623	4,993	4,583
Capital Expenditure Written Off	9,226	-	-	-
Cattle Expenses	49,660	26,468	-	-
Cleaning	16,664	2,620	-	-
Communication Lines	1,672	1,050	-	-
Computer Expenses	983	-	-	-
Consultants Fees	46,281	3,055	2,040	1,788
Depreciation	109,492	60,985	38,074	58,690
Entertainment	154	-	-	-
Filing Fees	636	636	212	212
Freight & Cartage	-	191	330	220
Fuel & Oil	12,244	10,540	14,081	12,121
Electricity	15,900	3,133	15	-
Finance Charges	14,071	13,262	6,449	9,559
General Expenses	2,629	557	-	-

The accompanying notes form part of these financial statements.

MYALL RIVER DOWNS PTY LIMITED
ABN 36 000 442 900

DETAILED PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Hire of Equipment	8,643	14,182	-	-
Insurance	110,350	99,132	15,773	12,007
Interest Paid	816,813	306,511	253,345	228,928
Legal Costs	40,122	6,861	276	1,163
Licensing Fees	1,430	995	-	-
Livestock Expenses	-	-	54,602	29,938
Logging	-	3,833	-	-
Loss on sale of Fixed Assets	8,843	-	-	-
Maintenance Levy Subsidy	63,987	-	-	-
Medical	512	590	-	-
Motor Vehicle Expenses	19,032	24,970	15,652	24,970
Newspapers & Publications	539	477	-	-
Office	10,232	3,122	-	-
Pasture Expenses	2,696	287	3,101	4,738
Payroll Tax	53,924	35,505	-	-
Property Expenses	4,964	3,151	1,090	3,151
Printing & Stationery	55,808	9,695	261	743
Provision for Employee Entitlement	6,613	30,000	-	-
Rates & Taxes	67,583	36,363	69,625	19,277
Recruiting	4,055	1,000	-	-
Repairs & Maintenance	337,016	108,134	282,868	109,769
Residents Activities	1,001	-	-	-
Safety Expense	7,563	9,295	483	-
Security	6,040	-	-	-
Seminars	-	150	-	-
Sponsorship	40	-	-	-
Staff Amenities	107	-	-	-
Staff Training	6,152	2,095	-	-
Subscriptions & Donations	3,863	1,055	-	-
Superannuation	65,411	50,721	-	-
Telephone	18,309	11,118	-	-
Transport	1,939	-	-	-
Travel & Accommodation	135	-	-	-
Uniforms	6,160	1,826	-	-
Wages	376,197	376,148	-	-
Waste Disposal	2,183	1,594	-	-
Water Usage	5,155	-	-	-
	<u>3,187,435</u>	<u>1,402,659</u>	<u>861,102</u>	<u>615,639</u>
(Loss) Profit before income tax	<u>(3,409,535)</u>	<u>(1,039,168)</u>	<u>(5,036,827)</u>	<u>(914,354)</u>

The accompanying notes form part of these financial statements.