

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2010**

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**CONTENTS**

Directors' Report	1
Auditor's Independence Declaration	3
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8
Directors' Declaration	26
Independent Auditor's Report	27
Independent Auditor's Disclaimer	30
Detailed Profit and Loss Statement	31

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**DIRECTORS' REPORT**

Your directors present their report on the consolidated company for the financial year ended 30 June, 2010.

**DIRECTORS**

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

Mr Geoffrey John Cox  
Mr Andrew Douglas Cox  
Mrs Gail Marie Mullins

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

The company secretary is Geoffrey Cox.

**DIRECTORS INFORMATION**

**Mr Geoffrey John Cox**

*Position:* Managing Director

*Responsibilities:* Geoffrey Cox has been in the business of property development in NSW for 31 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.

**Mr Andrew Douglas Cox**

*Position:* Director

*Responsibilities:* Andrew Cox was appointed as a director of Myall River Downs Pty Limited on 1 November 1991. Andrew 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.

**Mrs Gail Marie Mullins**

*Position:* Director

*Responsibilities:* 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.

**OPERATING RESULTS**

The profit of the company for the financial year after providing for income tax amounted to \$2,728,997 (2009 : \$5,038,841 loss).

**SIGNIFICANT CHANGES IN THE YEAR**

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

**PRINCIPAL ACTIVITIES**

The principal activities of the company during the financial year were property development.

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

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**DIRECTORS' REPORT**

**AFTER BALANCE DATE EVENTS**

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

**FUTURE DEVELOPMENTS**

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

**DIVIDENDS**

No dividends were paid during the year and the directors have not recommended the payment of any dividends.

**SHARES IN COMPANIES**

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

**INDEMNIFYING OFFICER OR AUDITOR**

During the year, the company effected a directors and officer's liability policy. The insurance policy provides cover for the directors named in this report, the company secretary, officers and former directors and officers of the company.

This policy prohibits the disclosure of the nature of the indemnification and the insurance cover, and the amount of the premium.

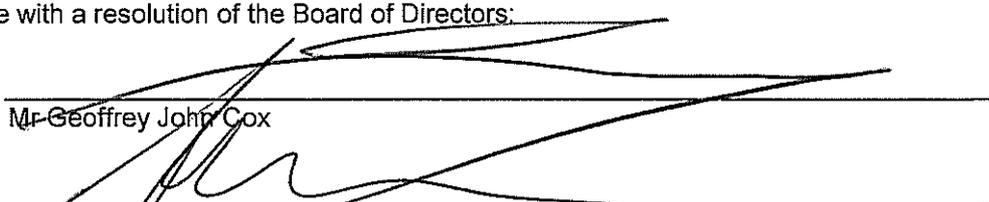
No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor of the company.

**Auditors' Independence Declaration**

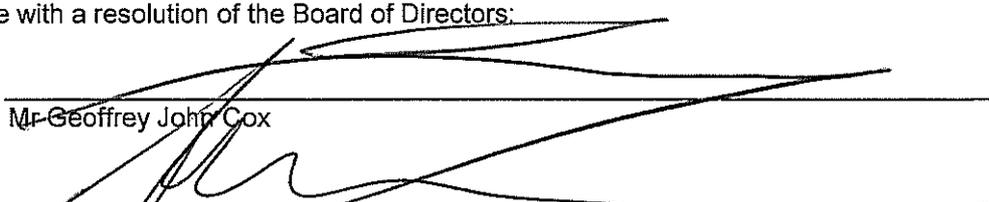
A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 3.

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

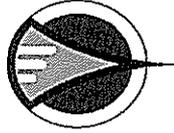
Director:

  
Mr Geoffrey John Cox

Director:

  
Mr Andrew Douglas Cox

**Dated this 1st day of November 2010**



Unit 1,  
1 Pioneer Avenue  
PO Box 3399  
Tuggerah NSW 2259

# BISHOP COLLINS

CHARTERED ACCOUNTANTS

ABN 13 188 486 905

T: (02) 4353 2333  
F: (02) 4351 2477  
E: mail@bishopcollins.com.au  
W: www.bishopcollins.com.au

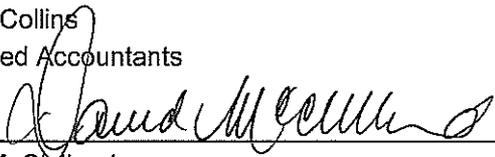
**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF  
MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES**

We hereby declare, that to the best of our knowledge and belief, during the year ended 30 June, 2010 there have been:

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

**Name of Firm:** Bishop Collins  
Chartered Accountants

**Name of Partner:**

  
David McClelland

**Auditor's Registration  
No.**

320260

**Address:**

Unit 1, 1 Pioneer Avenue TUGGERAH NSW 2259

**Dated this 1st day of November 2010**



**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2010**

	Note	Group 2010 \$	Group 2009 \$	Parent 2010 \$	Parent 2009 \$
Revenue	2	2,537,558	333,593	1,666,273	-
Movement in fair value of villas	2	4,600,063	(719,377)	-	-
Movement in fair value of investment properties	2	(1,117,765)	(5,029,547)	(1,117,765)	(5,029,547)
Other income	2	3,324,846	713,721	48,013	36,120
		<u>9,344,702</u>	<u>(4,701,610)</u>	<u>596,521</u>	<u>(4,993,427)</u>
Materials and subcontractors	4	(3,116,122)	(299,293)	(1,071,812)	-
Advertising expenses		(170,201)	(196,450)	-	(69)
Auditors' remuneration	3	(25,373)	(27,945)	(18,780)	(25,600)
Commissions paid		(299,676)	(78,809)	(24,973)	-
Depreciation and amortisation expenses	4	(291,468)	(220,464)	(28,782)	(35,375)
Employee benefits expenses		(307,662)	(326,743)	-	-
Finance costs	4	(446,380)	(636,270)	(193,209)	(268,231)
Loss on sale of fixed assets	4	(403)	-	-	-
Repairs and maintenance		(136,768)	(76,890)	(98,379)	(72,598)
Utilities		(105,135)	(106,524)	(61,454)	(62,814)
Other expenses		(546,947)	(527,689)	(272,667)	(180,251)
<b>Profit (Loss) before income tax</b>		<u>3,898,567</u>	<u>(7,198,687)</u>	<u>(1,173,535)</u>	<u>(5,638,365)</u>
Tax (expense)/ income	5	(1,169,570)	2,159,846	352,061	1,691,546
<b>Profit (Loss) after income tax</b>		<u>2,728,997</u>	<u>(5,038,841)</u>	<u>(821,474)</u>	<u>(3,946,819)</u>
<b>Profit (loss) attributable to members of the company</b>		<u>2,728,997</u>	<u>(5,038,841)</u>	<u>(821,474)</u>	<u>(3,946,819)</u>
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income attributable to members of the entity		<u>2,728,997</u>	<u>(5,038,841)</u>	<u>(821,474)</u>	<u>(3,946,819)</u>

The accompanying notes form part of these financial statements.

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2010**

	Note	Group 2010 \$	Group 2009 \$	Parent 2010 \$	Parent 2009 \$
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	6	517,329	307,643	3,032	27,408
Trade and other receivables	7	92,564	23,601	-	8,430
Inventories	8	22,007	50,858	22,007	50,858
Investment property	9	725,000	901,255	725,000	901,255
Other current assets	10	126,904	147,873	82,625	99,515
<b>TOTAL CURRENT ASSETS</b>		<u>1,483,804</u>	<u>1,431,230</u>	<u>832,664</u>	<u>1,087,466</u>
<b>NON-CURRENT ASSETS</b>					
Trade and other receivables	7	13,973,283	9,854,264	8,487,474	7,984,517
Financial assets	11	-	-	34	34
Property, plant and equipment	12	11,200,397	11,855,906	164,081	192,862
Investment property	9	34,969,885	30,129,353	17,500,000	19,262,900
Tax assets	13	-	650,944	62,595	182,645
Other non-current assets	10	13,217	45,667	-	5,603
<b>TOTAL NON-CURRENT ASSETS</b>		<u>60,156,782</u>	<u>52,536,134</u>	<u>26,214,184</u>	<u>27,628,561</u>
<b>TOTAL ASSETS</b>		<u>61,640,586</u>	<u>53,967,364</u>	<u>27,046,848</u>	<u>28,716,027</u>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Trade and other payables	14	620,159	353,243	216,958	64,569
Financial liabilities	15	4,556,225	4,921,606	4,536,657	4,906,847
Provisions	16	48,913	51,072	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<u>5,225,297</u>	<u>5,325,921</u>	<u>4,753,615</u>	<u>4,971,416</u>
<b>NON-CURRENT LIABILITIES</b>					
Financial liabilities	15	29,210,255	24,534,028	383	4,715
Provisions	16	24,522	21,065	-	-
Tax liabilities	13	7,294,208	6,775,581	3,373,672	3,845,783
Other non-current liabilities	17	1,435,038	1,588,499	1,435,038	1,588,499
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>37,964,023</u>	<u>32,919,173</u>	<u>4,809,093</u>	<u>5,438,997</u>
<b>TOTAL LIABILITIES</b>		<u>43,189,320</u>	<u>38,245,094</u>	<u>9,562,708</u>	<u>10,410,413</u>
<b>NET ASSETS</b>		<u>18,451,266</u>	<u>15,722,270</u>	<u>17,484,140</u>	<u>18,305,614</u>
<b>EQUITY</b>					
Share capital	18	9,620	9,620	9,620	9,620
Retained earnings	19	18,441,646	15,712,650	17,474,520	18,295,994
<b>TOTAL EQUITY</b>		<u>18,451,266</u>	<u>15,722,270</u>	<u>17,484,140</u>	<u>18,305,614</u>

The accompanying notes form part of these financial statements.

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2010**

<b>CONSOLIDATED</b>	Note	Retained earnings \$	Total \$
		<u>          </u>	<u>          </u>
<b>Balance at 1 July 2008</b>		20,751,490	20,751,490
Profit attributable to equity shareholders		<u>(5,038,841)</u>	<u>(5,038,841)</u>
<b>Balance at 30 June 2009</b>		<u>15,712,649</u>	<u>15,712,649</u>
Profit attributable to equity shareholders		<u>2,728,997</u>	<u>2,728,997</u>
<b>Balance at 30 June 2010</b>		<u><u>18,441,646</u></u>	<u><u>18,441,646</u></u>
<b>Share Capital</b>	<b>18</b>		<u><u>9,620</u></u>
<b>PARENT</b>	Note	Retained earnings \$	Total \$
		<u>          </u>	<u>          </u>
<b>Balance at 1 July 2008</b>		22,242,813	22,242,813
Profit attributable to equity shareholders		<u>(3,946,819)</u>	<u>(3,946,819)</u>
<b>Balance at 30 June 2009</b>		<u>18,295,994</u>	<u>18,295,994</u>
Profit attributable to equity shareholders		<u>(821,474)</u>	<u>(821,474)</u>
<b>Balance at 30 June 2010</b>		<u><u>17,474,520</u></u>	<u><u>17,474,520</u></u>
<b>Share Capital</b>	<b>18</b>		<u><u>9,620</u></u>

The accompanying notes form part of these financial statements.

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2010**

	Group 2010 \$	Group 2009 \$	Parent 2010 \$	Parent 2009 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	2,544,962	515,082	588,177	-
Payments to suppliers and employees	(3,947,651)	(1,821,673)	231,679	(286,938)
Interest received	26,476	2,801	8,417	365
Income tax (paid)/received	-	29,436	-	29,436
Interest paid	(421,551)	(259,919)	(187,162)	(259,918)
<b>Net cash provided by (used in) operating activities</b>	<b>(1,797,764)</b>	<b>(1,534,273)</b>	<b>641,110</b>	<b>(517,055)</b>
<b>20</b>				
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of investments	-	-	615,875	-
Payments for property, plant and equipment	(115,937)	(27,514)	-	-
Payments for investments	(1,317,289)	(752,381)	(403,883)	(224,233)
<b>Net cash provided by (used in) investing activities</b>	<b>(1,433,226)</b>	<b>(779,895)</b>	<b>211,992</b>	<b>(224,233)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from bank borrowings	-	1,727,304	-	1,160,000
Proceeds from resident loans	7,848,659	2,251,696	-	-
Payment of bank borrowings	(1,910,908)	(2,308,557)	(357,675)	-
Payment of finance leases	(22,210)	(67,460)	(16,847)	(31,275)
Related party loans	(2,474,865)	837,736	(502,957)	(367,068)
<b>Net cash provided by (used in) financing activities</b>	<b>3,440,676</b>	<b>2,440,719</b>	<b>(877,478)</b>	<b>761,657</b>
Net increase (decrease) in cash held	209,686	126,551	(24,376)	20,369
Cash at beginning of financial year	307,643	181,092	27,408	7,039
<b>Cash at end of financial year</b>	<b>517,329</b>	<b>307,643</b>	<b>3,032</b>	<b>27,408</b>
<b>6</b>				

The accompanying notes form part of these financial statements.

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

---

**1 Statement of Significant Accounting Policies**

This financial report includes the consolidated financial statements and notes of Myall River Downs Pty Limited and Controlled Entities (consolidated entity or group) and the separate financial statements and notes of Myall River Downs Pty Limited as an individual parent entity (parent entity). Myall River Downs Pty Limited and Controlled Entities are companies limited by shares, incorporated and domiciled in Australia. Myall River Downs Pty Limited is listed on the Bermuda Stock Exchange.

**Reporting basis and conventions**

The directors have prepared the financial statements on the basis that the company is a non reporting entity because there are no users dependent on general purpose financial reports. This financial report is therefore a special purpose financial report that has been prepared in order to meet the needs of members.

The financial report has been prepared in accordance with the significant accounting policies disclosed below which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial statements are presented in Australian dollars which is the entity's functional and presentation currency.

The financial statements have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. The material accounting policies that have been adopted in the preparation of this report are as follows:

**Principles of Consolidation**

A controlled entity is any entity over which Myall River Downs Pty Ltd 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 the holdings of actual and potential voting rights are considered.

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.

All inter-group balances and transactions between entities in the consolidated 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.

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

---

## **Accounting Policies**

### **Going Concern**

The financial report has been prepared on the going concern basis, which defines the entity as:

- (a) being able to pay its debts as and when they fall due; and
- (b) being able to continue in operation without any intention or necessity to liquidate or otherwise wind up its operations.

### **Income Tax**

The tax expense/(income) for the year comprises current 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 (recovered from) the relevant taxation authority.

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

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

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

---

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.

Current tax 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.

### **Inventories**

In respect to livestock, cost is calculated on the average cost basis used for income tax purposes.

### **Property, Plant and Equipment**

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

#### **Plant and equipment**

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

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

#### **Depreciation**

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the company commencing from the time the asset is held ready for use.

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

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	10 - 40 %
Motor Vehicles	18.5 - 22.5%
Office Equipment	10 - 40%
Furniture & Fittings	10 - 40%
Leased Vehicles & Equipment	25%

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

---

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

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

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

### **Investment Property**

The retirement village and villas include land and/or buildings that earn income. All tenant leases were made on an arm's length basis. These investment properties are carried at fair value based on independent or director's valuation.

All other investment properties are held for capital appreciation. They are valued annually by independent valuers or directors and carried at fair value. Changes in fair value are recorded in the statement of comprehensive income.

### **Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company, 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.

### **Impairment of Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

---

### **Employee Benefits**

Provision is made for the group'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 its current value.

### **Superannuation**

Contributions are made by the group to an employee superannuation fund and are charged as expenses when incurred. The entity has no legal obligation to provide benefits to employees on retirement.

### **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.

Provisions recognised represent the best estimate of the amounts required to settle the obligation at reporting date.

### **Cash and Cash Equivalents**

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

### **Revenue and Other Income**

Revenue from the sale of properties is recognised at completion of the sales contract as this corresponds to the transfer of significant risks and rewards of ownership of the properties and cessation of all involvement in those properties.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

All revenue is recognised on an accrual basis.

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

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

---

**Self Care Villas, Redemption and Rollover**

Self care residents who enter the villages during the financial year as a result of the redemption of a previous resident, enter 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 (the departure fee) and a shared capital gain calculated.

**Resident Loans and Capital Gain Payable to 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 represent the residents' share of 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.

**Borrowing Costs**

Borrowing costs in the form of bank and legal fees associated with an application for finance are capitalised and amortised over five years.

All other fees and interest charges are charged to the statement of comprehensive income as incurred.

**Goods and Services Tax (GST)**

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

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

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

---

**Comparative Figures**

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

**Critical Accounting Estimates and Judgments**

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

*Key estimates - Independent Property Valuation*

The group periodically revalues property held based on independent external valuations or directors valuations. These valuations 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 amount applicable to the retirement village operations is allocated to the villa and included in villas at valuation.

As at balance date investment property, GST payable and deferred tax liability disclosed in the financial statements rely on, or are calculated from, the amounts disclosed on the independent/directors valuations of the properties held by the group.

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

---

*Key judgments - Impairment*

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. The fair value of the investments is considered to be represented by the net assets of the entity. Value-in-use calculations have not been performed since future cash flows are uncertain.

*Key judgments - Classification of Properties*

The directors are of the opinion that properties held by the group are held for the purpose of obtaining rental income and/or capital appreciation and are therefore classified as investment properties in accordance with AASB 140 Investment Property.

*Key judgments - Uncertainty Regarding Continuity of Banking Finance*

A portion of the group's external loan funding is due for renewal within twelve months. Discussion with financiers are ongoing and the continuance of funding has been indicated to the company and the group. However, since the year end Myall River Downs Pty Limited is no longer in accordance with its loan to valuation covenants and therefore is in breach of their funding agreements with respect to their financiers. Acknowledging this, the company and group have alternative plans in place to rationalise operations on the assumption that ongoing funding may not be available. These plans include the active marketing of non-core assets and the appointment of a leading international real estate agency to actively seek a joint venture partner for the group's current and future retirement village projects. These actions, if achieved, could reasonably be expected to rectify the breach of financial covenants with the group's financiers.

*Key judgments - GST Adjustments*

Subsequent to year end, the Australian Taxation Office (ATO) has notified Myall River Downs Pty Limited of an audit of the real property transactions for the tax period 1 October 2006 to 31 December 2006. GST input tax credits have been claimed by the group based on advice received from consultants.

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

	Group 2010 \$	Group 2009 \$	Parent 2010 \$	Parent 2009 \$
<b>2 Revenue</b>				
<b>Operating activities</b>				
Property sales	1,666,273	-	1,666,273	-
Fees received	871,285	333,593	-	-
Total operating revenue	<u>2,537,558</u>	<u>333,593</u>	<u>1,666,273</u>	<u>-</u>
Movement in fair value of villas	4,600,063	(719,377)	-	-
Movement in fair value of investment properties	(1,117,765)	(5,029,547)	(1,117,765)	(5,029,547)
<b>Non-operating activities</b>				
Increase/(decrease) residents departure fee due on redemption	3,248,850	660,103	-	-
Interest received	26,476	2,801	8,417	365
Sundry income	12,453	15,062	2,529	-
Profit on trading of livestock	37,067	35,755	37,067	35,755
Other income	<u>3,324,846</u>	<u>713,721</u>	<u>48,013</u>	<u>36,120</u>
<b>Total revenue</b>	<u>9,344,702</u>	<u>(4,701,610)</u>	<u>596,521</u>	<u>(4,993,427)</u>
<b>Interest revenue from:</b>				
Financial Institutions	<u>26,476</u>	<u>2,801</u>	<u>8,417</u>	<u>365</u>
Total interest revenue	<u>26,476</u>	<u>2,801</u>	<u>8,417</u>	<u>365</u>
<b>3 Auditors' Remuneration</b>				
<b>Auditor's Remuneration</b>				
Audit Services	10,200	16,795	8,900	14,450
Accounting Services	15,173	11,150	9,880	11,150
	<u>25,373</u>	<u>27,945</u>	<u>18,780</u>	<u>25,600</u>

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

	Group 2010 \$	Group 2009 \$	Parent 2010 \$	Parent 2009 \$
<b>4 Profit</b>				
<b>Expenses</b>				
Materials and subcontractors	3,116,122	299,293	1,071,812	-
Borrowing Costs	16,982	8,062	4,993	4,993
Finance Charges	7,847	10,528	1,054	3,320
<b>Interest Paid</b>				
Interest - Property	<u>421,551</u>	<u>617,680</u>	<u>187,162</u>	<u>259,918</u>
<b>Depreciation and Amortisation Expense</b>				
Depreciation of property, plant and equipment	92,293	120,440	28,782	35,375
Amortisation	<u>199,175</u>	<u>100,024</u>	<u>-</u>	<u>-</u>
	<u>291,468</u>	<u>220,464</u>	<u>28,782</u>	<u>35,375</u>
Research and development costs	(407)	-	-	-
<b>Revenues and Net Gains</b>				
Loss on Sale of Non-current Assets	(403)	-	-	-
<b>5 Income Tax Expense</b>				
The components of tax expense comprise:				
Deferred Tax Expense/(Income)	<u>1,169,570</u>	<u>(2,159,846)</u>	<u>(352,061)</u>	<u>(1,691,546)</u>
The prima facie tax payable on profit (loss) before income tax is reconciled to the income tax expense as follows:				
Prima facie tax payable on profit (loss) before income tax at 30% (2009: 30%):	<u>1,169,570</u>	<u>(2,159,846)</u>	<u>(352,061)</u>	<u>(1,691,509)</u>
Income tax expense attributable to company	<u>1,169,570</u>	<u>(2,159,846)</u>	<u>(352,061)</u>	<u>(1,691,509)</u>

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

	Group 2010 \$	Group 2009 \$	Parent 2010 \$	Parent 2009 \$
<b>6 Cash and Cash Equivalents</b>				
<b>Current</b>				
Cash on Hand	1,504	1,504	470	470
Cash at Bank	515,825	306,139	2,562	26,938
	<u>517,329</u>	<u>307,643</u>	<u>3,032</u>	<u>27,408</u>
<b>Reconciliation of cash</b>				
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:				
Cash and cash equivalents	<u>517,329</u>	<u>307,643</u>	<u>3,032</u>	<u>27,409</u>
	<u>517,329</u>	<u>307,643</u>	<u>3,032</u>	<u>27,409</u>
<b>7 Trade and Other Receivables</b>				
<b>Current</b>				
Sundry Debtors	4,301	3,022	-	73
Trade Debtors	56,835	15,998	-	-
Input Tax Credits	207,089	15,866	-	8,682
	<u>(175,661)</u>	<u>(11,285)</u>	<u>-</u>	<u>(325)</u>
	<u>92,564</u>	<u>23,601</u>	<u>-</u>	<u>8,430</u>
<b>Non-Current</b>				
Departure Fee Due on Redemption	4,883,869	1,635,019	-	-
Loans - Related Parties	9,089,414	8,219,245	8,487,474	7,984,517
	<u>13,973,283</u>	<u>9,854,264</u>	<u>8,487,474</u>	<u>7,984,517</u>
<b>8 Inventories</b>				
<b>Current</b>				
At cost:				
Stock on Hand - Cattle	<u>22,007</u>	<u>50,858</u>	<u>22,007</u>	<u>50,858</u>

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

	Group 2010 \$	Group 2009 \$	Parent 2010 \$	Parent 2009 \$
<b>9 Investment Property</b>				
<b>Current</b>				
<b>Investment Properties</b>				
Investments - at Independent Valuation	725,000	190,000	725,000	190,000
Investments - at Directors Valuation	-	711,255	-	711,255
	<u>725,000</u>	<u>901,255</u>	<u>725,000</u>	<u>901,255</u>
<b>Non Current</b>				
<b>Investment Properties</b>				
Investments - at Directors Valuation	-	19,262,900	-	19,262,900
Investments - Independent Valuation	17,500,000	-	17,500,000	-
Investments - at Cost	2,254,786	2,507,697	-	-
Amortisation on Investments	(154,082)	(101,677)	-	-
Balance at end of year	<u>19,600,704</u>	<u>21,668,920</u>	<u>17,500,000</u>	<u>19,262,900</u>
<b>Villas - at Directors Valuation</b>	-	-	-	-
Occupied Villas	6,030,357	2,833,128	-	-
Development Costs - Occupied Villas	2,960,700	1,449,899	-	-
Revaluation Adjustment - Occupied Villas	4,566,376	1,417,773	-	-
Unoccupied Villas	577,546	1,121,632	-	-
Development Costs - Unoccupied Villas	382,677	604,124	-	-
Revaluation Adjustment - Unoccupied Villas	634,277	591,844	-	-
WIP Homes - at Cost	217,248	442,033	-	-
Balance at end of year	<u>15,369,181</u>	<u>8,460,433</u>	<u>-</u>	<u>-</u>
	<u>34,969,885</u>	<u>30,129,353</u>	<u>17,500,000</u>	<u>19,262,900</u>

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

	Group 2010 \$	Group 2009 \$	Parent 2010 \$	Parent 2009 \$
<b>10 Other Assets</b>				
<b>Current</b>				
Security Deposits	61,750	88,200	61,750	77,750
Prepayments	33,453	27,972	15,272	16,772
Formation Costs	2,125	2,125	-	-
Prepaid Borrowing Expenses	29,576	29,576	5,603	4,993
	<u>126,904</u>	<u>147,873</u>	<u>82,625</u>	<u>99,515</u>
<b>Non-Current</b>				
Prepaid Borrowing Expenses	113,309	118,302	-	5,603
Less Accumulated Amortisation	(100,092)	(72,635)	-	-
	<u>13,217</u>	<u>45,667</u>	<u>-</u>	<u>5,603</u>
<b>11 Financial Assets</b>				
<b>Non-Current</b>				
Shares in Subsidiaries	-	-	34	34
	<u>-</u>	<u>-</u>	<u>34</u>	<u>34</u>
<b>12 Property, Plant and Equipment</b>				
<b>LAND AND BUILDINGS</b>				
<b>Land:</b>				
at cost	8,942,351	9,410,948	-	-
	<u>8,942,351</u>	<u>9,410,948</u>	<u>-</u>	<u>-</u>
<b>Buildings:</b>				
at cost	1,763,059	1,928,580	-	-
	<u>1,763,059</u>	<u>1,928,580</u>	<u>-</u>	<u>-</u>
<b>Total Land and Buildings</b>	<u>10,705,410</u>	<u>11,339,528</u>	<u>-</u>	<u>-</u>

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

	Group 2010 \$	Group 2009 \$	Parent 2010 \$	Parent 2009 \$
<b>PLANT AND EQUIPMENT</b>				
<b>Plant and Equipment:</b>				
At cost	1,130,310	1,055,067	584,676	584,676
Accumulated depreciation	<u>(643,955)</u>	<u>(552,131)</u>	<u>(420,595)</u>	<u>(391,814)</u>
	486,355	502,936	164,081	192,862
<b>Leased Plant and Equipment</b>				
Capitalised leased assets	37,620	37,620	18,380	18,380
Accumulated amortisation	<u>(28,988)</u>	<u>(24,178)</u>	<u>(18,380)</u>	<u>(18,380)</u>
	8,632	13,442	-	-
<b>Total Plant and Equipment</b>	<u>494,987</u>	<u>516,378</u>	<u>164,081</u>	<u>192,862</u>
<b>Total Property, Plant and Equipment</b>	<u>11,200,397</u>	<u>11,855,906</u>	<u>164,081</u>	<u>192,862</u>

**Movements in Carrying Amounts**

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

	Freehold Land \$	Buildings \$	Plant and Equipment \$	Leased Plant and Equipment \$	Total \$
Balance at 1 July 2008	9,410,948	1,928,580	595,862	18,252	11,953,642
Additions	-	-	27,514	-	27,514
Depreciation expense	<u>-</u>	<u>-</u>	<u>(120,440)</u>	<u>(4,810)</u>	<u>(125,250)</u>
Balance at 30 June 2009	<u>9,410,948</u>	<u>1,928,580</u>	<u>502,936</u>	<u>13,442</u>	<u>11,855,906</u>
Additions	-	6,555	109,382	-	115,937
Disposals	-	-	(403)	-	(403)
Transfers	(467,074)				(467,074)
GST Adjustments	(1,523)	(172,076)	(33,266)		(206,865)
Depreciation/amortisation expense	<u>-</u>	<u>-</u>	<u>(92,293)</u>	<u>(4,810)</u>	<u>(97,103)</u>
Balance at 30 June 2010	<u>8,942,351</u>	<u>1,763,059</u>	<u>486,355</u>	<u>8,632</u>	<u>11,200,397</u>

**13 Tax**

**Liabilities**

**Non-current**

Deferred Tax Liability	<u>7,294,208</u>	<u>6,775,581</u>	<u>3,373,672</u>	<u>3,845,783</u>
------------------------	------------------	------------------	------------------	------------------

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

	Group 2010 \$	Group 2009 \$	Parent 2010 \$	Parent 2009 \$
<b>Assets</b>				
Deferred Tax Asset	-	650,944	62,595	182,645
<b>14 Trade and Other Payables</b>				
<b>Current</b>				
Trade Creditors	426,935	183,557	172,949	56,554
Other Creditors	184,448	26,355	18,190	7,015
Deposits Held	-	143,331	-	1,000
Input Tax Credits	-	-	(21,150)	-
GST Payable	-	-	46,969	-
PAYG Withholding Payable	8,776	-	-	-
	<u>620,159</u>	<u>353,243</u>	<u>216,958</u>	<u>64,569</u>
<b>15 Financial Liabilities</b>				
<b>Current</b>				
Hire Purchase Liability	28,329	37,352	4,648	17,823
Finance Charges	(4,429)	(5,746)	(316)	(976)
Loans - Bank	4,532,325	4,890,000	4,532,325	4,890,000
	<u>4,556,225</u>	<u>4,921,606</u>	<u>4,536,657</u>	<u>4,906,847</u>
<b>Non-Current</b>				
Hire Purchase Liability	38,311	56,738	387	5,035
Finance Charges	(3,318)	(7,242)	(4)	(320)
Loans - Bank	3,024,531	4,577,764	-	-
Loans - Related Parties	12,254,227	13,858,923	-	-
Resident Loans	13,893,952	6,045,293	-	-
Residents Capital Gain Payable on Sale	2,552	2,552	-	-
	<u>29,210,255</u>	<u>24,534,028</u>	<u>383</u>	<u>4,715</u>
<b>16 Provisions</b>				
Provision for Annual Leave	48,913	51,072	-	-
Provision for Long Service Leave	24,522	21,065	-	-
<b>Total provisions</b>	<u>73,435</u>	<u>72,137</u>	<u>-</u>	<u>-</u>

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

	Group 2010 \$	Group 2009 \$	Parent 2010 \$	Parent 2009 \$
<b>Analysis of Total Provisions</b>				
Current	48,913	51,072	-	-
Non-current	24,522	21,065	-	-
	<u>73,435</u>	<u>72,137</u>	<u>-</u>	<u>-</u>
<b>Movements in carrying amounts of employee provisions:</b>				
Balance at 01 July, 2009	72,137	80,748	-	-
Charge for the year	24,632	18,375	-	-
Transfers to related parties	-	(3,688)	-	-
Entitlements paid during the year	(23,334)	(23,298)	-	-
Balance at 30 June, 2010	<u>73,435</u>	<u>72,137</u>	<u>-</u>	<u>-</u>
<b>17 Other Liabilities</b>				
<b>Non Current</b>				
Deferred GST Payable	<u>1,435,038</u>	<u>1,588,499</u>	<u>1,435,038</u>	<u>1,588,499</u>
<b>18 Share Capital</b>				
B Class Shares at \$2	7,290	7,290	7,290	7,290
A Class Shares at \$2	2,330	2,330	2,330	2,330
	<u>9,620</u>	<u>9,620</u>	<u>9,620</u>	<u>9,620</u>
<b>19 Retained Earnings</b>				
Retained earnings at the beginning of the financial year	15,712,649	20,751,491	18,295,994	22,242,813
Net profit (Net loss) attributable to members of the company	2,728,997	(5,038,841)	(821,474)	(3,946,819)
Retained earnings at the end of the financial year	<u>18,441,646</u>	<u>15,712,650</u>	<u>17,474,520</u>	<u>18,295,994</u>

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

	Group 2010 \$	Group 2009 \$	Parent 2010 \$	Parent 2009 \$
<b>20 Cash Flow Information</b>				
<b>Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>				
Profit (Loss) after income tax	2,728,997	(5,038,841)	(821,474)	(3,946,819)
<b>Non-cash flows in profit:</b>				
Loss on sale of non-current assets	403	-	-	-
Amortisation	199,175	100,024	-	-
Depreciation	92,293	120,440	28,782	35,375
Movement in fair value of investments	1,117,765	5,029,547	1,117,765	5,029,547
Movement in fair value of villas	(4,600,063)	719,377	-	-
Tax Expense / (Income)	1,169,570	(2,159,809)	(352,061)	(1,691,546)
Movement in departure fees due on redemption	(3,248,850)	(660,103)	-	-
Capitalised interest	-	357,761	-	-
Movement in Revaluation on property sales	455,937	-	455,937	-

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

	Group 2010 \$	Group 2009 \$	Parent 2010 \$	Parent 2009 \$
<b>Changes in assets and liabilities, net of the effects of purchase and disposals of subsidiaries</b>				
(Increase) Decrease in current inventories	28,851	11,367	28,851	11,367
(Increase) Decrease in current receivables	(42,512)	130,672	73	(73)
(Increase) Decrease in prepayments	-	(5,352)	22,494	(10,978)
(Increase) Decrease in prepaid borrowing expenses	32,450	-	-	-
Increase (Decrease) in trade creditors	266,920	73,208	160,744	21,943
Increase (Decrease) in other creditors	-	96,548	-	4,730
Increase (Decrease) in provisions	1,299	(8,611)	-	-
Increase (Decrease) in income tax payable	-	29,399	-	29,399
Less (Increase) Decrease in investments creditors	-	(351,293)	-	-
Less (Increase) Decrease in interest creditors	-	21,393	-	-
<b>Net cash provided by (used in) operating activities</b>	<u>(1,797,764)</u>	<u>(1,534,273)</u>	<u>641,110</u>	<u>(517,055)</u>

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 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 25 present fairly the company's financial position as at 30 June, 2010 and its 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 debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

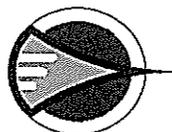
Director:

  
Mr Geoffrey John Cox

Director:

  
Mr Andrew Douglas Cox

**Dated this 1st day of November 2010**



Unit 1,  
1 Pioneer Avenue  
PO Box 3399  
Tuggerah NSW 2259

# BISHOP COLLINS

CHARTERED ACCOUNTANTS

ABN 13 188 486 905

T: (02) 4353 2333  
F: (02) 4351 2477  
E: mail@bishopcollins.com.au  
W: www.bishopcollins.com.au

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MYALL RIVER DOWNS PTY LTD AND CONTROLLED ENTITIES A.B.N. 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 Ltd and controlled entities which comprises the statement of financial position as at 30 June, 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report and have 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 requirements of the Corporations Act 2001 and are appropriate to meet the needs of the members. The directors' 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.

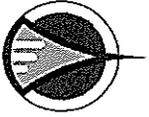
### Auditors' Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. 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.

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





**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Myall River Downs Pty Ltd and controlled entities on the date shown, would be in the same terms if provided to the directors as at the date of this auditors' report.

**Auditors' Opinion**

In our opinion the financial report for Myall River Downs Pty Ltd and Controlled Entities are in accordance with the Corporations Act 2001, including:

(a) the financial report presents fairly, in all material respects, the financial position of Myall River Downs Pty Ltd and Controlled Entities as of 30 June 2010, and of its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements; and

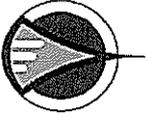
(b) complying with Australian Accounting Standards, to the extent described in Note 1 and complying with the Corporations Regulations 2001.

**Emphasis of Matter**

The financial report of Myall River Downs Pty Limited and controlled entities is a special purpose financial report that has been prepared in accordance with the accounting policies described in Note 1 to the financial report.

**Significant Uncertainty Regarding Continuation as a Going Concern**

Without qualifying our opinion, we draw attention to Note 15 in the financial report which indicates the company and the majority of the group's external loan funding is due for renewal within 12 months. Discussions with all financiers are ongoing and the continuance of funding has been indicated. The company and the group has alternative plans in place to rationalise operations should ongoing funding not be available. These conditions indicate the existence of a material uncertainty which may uncertainty which may cast significant doubt about the company's and the group's ability to continue as a going concern.



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**Name of Firm:** Bishop Collins  
Chartered Accountants

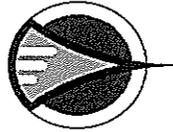
**Name of Partner:** \_\_\_\_\_

David McClelland

**Address:** Unit 1, 1 Pioneer Avenue TUGGERAH NSW 2259

**Dated this 1st day of November 2010**





Unit 1,  
1 Pioneer Avenue  
PO Box 3399  
Tuggerah NSW 2259

# BISHOP COLLINS

CHARTERED ACCOUNTANTS

ABN 13 188 486 905

T: (02) 4353 2333  
F: (02) 4351 2477  
E: mail@bishopcollins.com.au  
W: www.bishopcollins.com.au

**INDEPENDENT AUDITOR'S DISCLAIMER  
TO THE MEMBERS OF MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

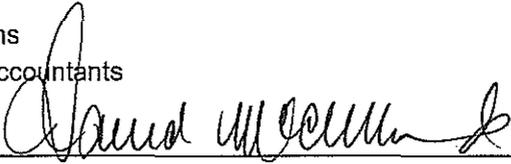
The additional financial data presented on the following pages is in accordance with the books and records of Myall River Downs Pty Ltd and controlled entities which have been subjected to auditing procedures applied in our statutory audit of the company for the year ended 30 June, 2010. It will be appreciated that our statutory audit did not cover all details of the additional financial data. Accordingly we do not express an opinion on such financial data and no warrant of accuracy or reliability is given.

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

**Name of Firm:**

Bishop Collins  
Chartered Accountants

**Name of Partner:**

  
David McClelland

**Address:**

Unit 1, 1 Pioneer Avenue TUGGERAH NSW 2259

**Dated this 1st day of November 2010**



**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**PROFIT AND LOSS STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2010**

	Group 2010 \$	Group 2009 \$	Parent 2010 \$	Parent 2009 \$
<b>SALES</b>				
Fees Received	871,285	333,593	-	-
Movement in Fair Value - Villas	4,600,063	(719,377)	-	-
Property Sales	1,666,273	-	1,666,273	-
Movement in Fair Value - Investment Properties	(1,117,765)	(5,029,547)	(1,117,765)	(5,029,547)
	<u>6,019,856</u>	<u>(5,415,331)</u>	<u>548,508</u>	<u>(5,029,547)</u>
<b>LESS: COST OF SALES</b>				
Materials and Contractors	-	299,293	-	-
Less: Cost of Property Sold	3,116,122	-	1,071,812	-
	<u>3,116,122</u>	<u>299,293</u>	<u>1,071,812</u>	<u>-</u>
<b>GROSS PROFIT (LOSS) FROM TRADING</b>	<u>2,903,734</u>	<u>(5,714,624)</u>	<u>(523,304)</u>	<u>(5,029,547)</u>
<b>OTHER INCOME</b>				
Sundry Income	10,845	11,930	-	-
Contract Extras	4	5	-	-
Insurance Claims	-	2,320	-	-
Administration Fees	1,075	807	-	-
Interest Received	26,476	2,801	8,417	365
Increase/(Decrease) Resident Departure Fee due on Redemption	3,248,850	660,103	-	-
Other Income	529	-	2,529	-
Profit on trading of livestock	37,067	35,755	37,067	35,755
	<u>3,324,846</u>	<u>713,721</u>	<u>48,013</u>	<u>36,120</u>
	<u>6,228,580</u>	<u>(5,000,903)</u>	<u>(475,291)</u>	<u>(4,993,427)</u>

The accompanying notes form part of these financial statements.

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**PROFIT AND LOSS STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2010**

	Group 2010 \$	Group 2009 \$	Parent 2010 \$	Parent 2009 \$
<b>EXPENSES</b>				
Loss on Sale of Non-current Assets	403	-	-	-
Advertising	170,201	196,450	-	69
Amortisation	199,175	100,024	-	-
Auditor's Remuneration	25,373	27,945	18,780	25,600
Bank Charges	142,379	96,764	134,547	93,147
Borrowing Costs	16,982	8,062	4,993	4,993
Capital Expenditure W/off	2,082	4,219	-	-
Cattle Expense	28,826	-	-	-
Cleaning	14,066	10,622	-	-
Commission Paid	299,676	78,809	24,973	-
Consultancy Fees	-	17,917	-	-
Computer Expenses	35,393	-	-	-
Consumables and Replacements	7,078	396	-	-
Communication Lines	2,853	-	-	-
Data Processing Charges	-	443	-	-
Depreciation	92,293	120,440	28,782	35,375
Discounts Allowed	-	-	16,958	-
Entertainment Expenses	(34)	217	-	-
Filing Fees	6,395	1,225	5,971	801
Finance Charges	7,847	10,528	1,054	3,320
Fuel	9,392	8,399	-	-
General Expenses	678	1,826	-	-
Ground Care	(67)	534	-	-
Hire of Plant & Equipment	54,038	64,160	-	863
Employee Entitlements	1,299	(4,924)	-	-
Insurance	45,959	114,047	17,155	16,763
Interest Paid	421,551	617,680	187,162	259,918
Legal Costs	37,722	12,088	15,116	629
Light & Power	7,512	13,218	-	-
Livestock Expenses	-	28,480	28,876	30,893
Logging	9,275	-	9,275	-
Medical Supplies	1,408	1,708	-	-
Maintenance Levy Subsidy	29,513	50,541	-	-
Motor Vehicle Expenses	30,271	22,892	41,503	34,685
Newspapers	2,103	223	-	-
Office Expenses	4,104	7,277	-	-
Pasture Improvements	2,179	-	2,179	-
Payroll Tax	30,131	29,196	-	-

The accompanying notes form part of these financial statements.

**MYALL RIVER DOWNS PTY LTD  
AND CONTROLLED ENTITIES  
A.B.N. 36 000 442 900**

**PROFIT AND LOSS STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2010**

	Group 2010 \$	Group 2009 \$	Parent 2010 \$	Parent 2009 \$
Permits, Licences & Fees	(29)	2,249	-	-
Pest Control	259	1,058	-	476
Postage	8,862	11,676	-	-
Printing & Stationery	17,719	45,692	1	(3)
Property Expenses	9,493	2,017	1,072	100
Increase/(Decrease) in Resident Capital Gain Payable	-	2,552	-	-
Rates & Taxes	74,346	71,406	61,454	62,814
Recruitment Costs	950	-	-	-
Refurbishment	3,072	-	-	-
Repairs & Maintenance	136,768	76,890	98,379	72,598
Research & Development	(407)	-	-	-
Resident Activities	4,094	3,999	-	-
Salaries & Wages	234,313	262,735	-	-
Security Costs	-	842	-	-
Seminar Expense	1,750	-	-	-
Settlement Discount	21,870	-	-	-
Safety Equipment	908	4,418	-	1,839
Sponsorships	(4)	-	-	-
Staff Amenities	111	25	-	-
Staff Training & Welfare	811	1,007	-	-
Storage Expenses	200	-	-	-
Subscriptions & Donations	2,012	2,508	-	-
Sundry Expenses	-	4,680	-	-
Superannuation Contributions	39,895	37,649	-	-
Telephone	23,277	21,900	-	-
Travelling Expenses	10,585	982	14	58
Uniforms	1,102	1,055	-	-
Waste Disposal	-	1,038	-	-
	<u>2,330,013</u>	<u>2,197,784</u>	<u>698,244</u>	<u>644,938</u>
<b>Profit (Loss) before income tax</b>	<u><u>3,898,567</u></u>	<u><u>(7,198,687)</u></u>	<u><u>(1,173,535)</u></u>	<u><u>(5,638,365)</u></u>

The accompanying notes form part of these financial statements.