

COCKATOO RIDGE WINES LIMITED

ABN 72 008 095 207

CORPORATE GOVERNANCE STATEMENT

In March 2003, the Australian Stock Exchange (now Australian Securities Exchange) (ASX) Corporate Governance Council (Council) published Principles of Good Governance and Best Practice Recommendations. The Listing Rules of ASX require Australian-listed companies to report on the extent to which they have complied with the Best Practice Recommendations during the reporting period. Where a company has not followed all the recommendations, it must identify the recommendations that have not been followed and give reasons for not adhering to them. If a recommendation has been followed for only part of the period, the company must state the period during which it has been followed.

In August 2007, following a major review of the operation of the Principles and Recommendations since they were issued, a second edition of the Corporate Governance Principles and Recommendations was published by the Council. However, Cockatoo Ridge Wines Limited (CKR or the company) is not required to report on its compliance with the revised Principles and Recommendations until it issues its 2009 annual report in relation to the financial year, 1 July 2008 to 30 June 2009.

This Statement outlines the main corporate governance practices of the company. Unless otherwise stated, the company's corporate governance practices were in place throughout the 2006/07 year and comply with the Council's best practice recommendations.

As recognised by the Council, corporate governance is "the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations". It encompasses the mechanisms by which companies, and those in control, are held to account. Corporate governance influences how the objectives of the company are set and achieved, how risk is monitored and assessed and how performance is optimised. There is no single model of good corporate governance. Corporate governance practices will evolve in the light of the changing circumstances of a company and must be tailored to meet those circumstances.

ROLE OF THE BOARD AND MANAGEMENT

The board is responsible to shareholders for the overall corporate governance of the company. This responsibility includes:

- determining and periodically reviewing the company's strategic direction and operational policies;
- establishing goals for management and tracking the roll-out and achievements of these goals;
- reviewing and approving the company's Business Plan and complementary annual/revised budgets prepared by management;
- approving all significant business transactions including any acquisitions, divestments, resource development and significant capital expenditure;
- approving capital raisings in any form;
- monitoring business risk exposures and risk management systems;
- considering and approving financial and other obligatory reporting, including continuous disclosure reporting;
- receiving and considering the reports of board committees,

- appointing, assessing and rewarding the Managing Director, taking account of industry benchmarks, and
- timely reporting to shareholders and other stakeholders.

A strategic balance is maintained between the responsibilities of the Chairperson (in his executive capacity), the Chief Executive Officer, the other Executive Director/Company Secretary and the Chief Financial Officer.

As Executive Chairperson (since 1 September 2006), the specific executive responsibilities of Mr I T Limb are:

- identify suitably qualified, focused and informed individuals for appointment to ensure a motivated board of directors,
- oversee the company's strategy in relation to grape supply and production contracts,
- evaluate, in conjunction with the Managing Director, opportunities that may arise in the wine industry from time to time which may form part of CKR's five-year strategic plan or otherwise, and
- consider production orientated capital expenditure and recommend appropriate courses of action.

The Managing Director and CEO, (being Mr I T Limb prior to 1 September 2006, Mr N MacKenzie from 1 September 2006 to 27 April 2007 and then, and currently, Mr P Perrin), is accountable to the board for the management of the company within the policy and authority levels prescribed by the board from time to time. He is responsible for the day to day management of the company's principal business operations in South Australia and elsewhere and has the authority to approve non-planned capital expenditure, business transactions and personnel appointments within predetermined limits set by the board.

The Managing Director's specific responsibilities include:

- preparing the company's annual strategic plan in conjunction with other management and, following its adoption by the board, ensuring that business development is in accordance with that plan,
- evaluating domestic and export markets for the company's products and, where appropriate, proposing to the board suitable changes to/expansions of operations or acquisitions of assets or businesses,
- leading major distributorship negotiations and maintaining mutually rewarding relationships with key suppliers and local and foreign distributors,
- interfacing with analysts, brokers, investors and the company's appointed advisers regarding the company's performance, a role shared with the Executive Chairperson, and
- responding to written or telephonic institutional shareholder enquiries.

The Chief Financial Officer is responsible for maintaining financial control across the company. In this role, the Chief Financial Officer is responsible for overall management reporting, statutory accounting, auditing, treasury, taxation and insurance covers with his specific responsibilities including:

- in conjunction with the Managing Director, preparing annual and revised budgets for the approval of the board and monitoring the financial performance of the company against approved budgets,

- ensuring that appropriate financial reports are provided to the board at each of its meetings and, on a quarterly, biannual and annual basis, to the Board and, in conjunction with the Company Secretary, also to the ASX, and
- monitoring the company's risk management framework to ensure that established policies, guidelines, procedures and controls are implemented.

In the capacity of Company Secretary, Mr M Drummond is responsible for ensuring that the board also receives relevant non-financial information and reports (notably on auditing, taxation and legal matters) at its regular meetings and otherwise as appropriate. In conjunction with the Chief Financial Officer, he is responsible for the lodgement of statutory financial statements and ASX/ASIC reporting, including any correspondence in relation to ASX reporting and of a non-routine nature from ASIC.

COMPOSITION OF THE BOARD

Following resignations and appointments effected during the reporting period, the company presently has one non-executive director (Mr N J Limb), considered by the board to be independent in terms of the Council's definition of independent director, and three executive directors including the Executive Chairperson. The names and qualifications of the directors of the company in office at the date of this statement are set out in the Annual Report.

The board did not during the reporting period and does not now comprise a majority of independent directors and, consequently, its composition did not and does not comply with recommendation 2.1 of the ASX Corporate Governance Guidelines. However, the board has adopted and implemented a number of measures to ensure that independent judgement is achieved and maintained in respect of its decision-making processes, which include the following:

- directors are entitled to seek independent professional advice at the company's expense, subject to the prior approval of the Executive Chairperson; and
- directors having a conflict of interest in relation to a particular item of business must absent themselves from the board meeting before commencement of discussion and the taking of a vote on the matter.

In addition, the board has established an audit committee to assist it in discharging its responsibilities. The responsibilities of that committee of the board are set out later in this statement. The committee currently comprises two directors of the company. It is the board's policy that the audit committee should be entitled to obtain independent professional or other advice at the cost of the company and to obtain such resources and information from the group, including direct access to employees of and advisers to the group, as it may require.

Notwithstanding the ratio of executive to non-executive directors, the board is otherwise balanced in its composition with each current director bringing a range of different and complementary skills and experience to the company as indicated in the Annual Report. However, the board is cognisant of recommendation 2.1 and still intends to appoint further non-executive directors as soon as reasonably practicable in order to comply with recommendation 2.1, or at least restore some balance of this kind to the board.

Following the resignation of Mr R Earl on 31 May 2006, the board did not appoint a replacement Chairperson until Mr I T Limb was appointed as Executive Chairperson effective 1 September 2006. Being employed in an executive capacity by the company Mr I T Limb is not independent in terms of the Council's definition of independent director. It follows that the company did not comply with Council recommendation 2.2 (that the chairperson should be an independent director) during any part of the reporting period.

Mr I T Limb has been a director of the company since it was re-listed five and a half years ago and has an intimate knowledge of its affairs. He is an experienced company director with special expertise in the wine sector and is committed to providing the time necessary to effectively discharge his role as Chairperson, taking into account his executive responsibilities for the company and time commitments associated with his other roles. His executive responsibilities are limited (see above under “Role of the Board and Management”) and he is not the Chief Executive Officer of the company. The directors consider that Mr I T Limb continues to be capable of discharging his role as Chairperson but are cognisant of Council recommendation 2.2 and will, with Mr I T Limb, continue to review his position and performance in that capacity in the context of prevailing circumstances.

During the reporting period, the roles of Chairperson and Chief Executive Officer were not exercised by the same individual: until 1 September 2006, Mr I T Limb was the Chief Executive Officer of the company but there was no Chairperson; from 1 September 2006 until 27 April 2007, Mr I T Limb was the Chairperson and Mr N MacKenzie the CEO; since 2 May 2007, Mr I T Limb has been the Chairperson and Mr P Perrin the CEO. The company’s Chairperson and CEO have separate roles. The Chairperson has limited executive responsibilities (see above under “Role of the Board and Management”) and is primarily responsible for leading the board in the overall discharge of its duties. Notwithstanding that the Chairperson was previously the CEO, the company considers that it has complied with recommendation 2.3 of the guidelines (that the roles of the Chairperson and Chief Executive Officer should not be exercised by the same person).

The company does not have a nomination committee and consequently does not comply with recommendations 2.4 and 2.5 of the ASX Corporate Governance Guidelines. The board is of a size, composition and physical location which is conducive to making the relevant decisions itself efficiently and expeditiously.

ETHICAL AND RESPONSIBLE DECISION MAKING

It continues to be the policy of the company for directors, officers and employees to observe high standards of conduct and ethical behaviour in all of the company’s activities. This includes dealings with suppliers, business partners, regulatory authorities and the general communities in which it operates. In June 2004, the CKR board formally adopted a Code of Ethics that sets out the principles and standards with which all company officers and employees are expected to comply in the performance of their respective functions. Under the Code, officers and employees are expected to:

- comply with the law,
- act honestly and with integrity and objectivity,
- not place themselves in situations which result in divided loyalties,
- use the company’s assets responsibly and in the interests of the company and,
- be responsible and accountable for their actions.

It is company policy that directors notify the Company Secretary on a timely basis before buying or selling securities in the company. The board recognises that it is the individual responsibility of each director and employee in possession of market sensitive information to ensure that he/she complies with the spirit and the letter of insider trading laws. Notification to the Company Secretary and, through him, the board and market, as provided for under the Listing Rules of ASX, does not constitute board endorsement of any such transaction. It is a policy of the board that its members and the Company Secretary not trade shares in the company whilst in possession of price sensitive information and, if not in possession of such information, other than during the month following the announcement of half yearly or annual results, the publication of an ASX quarterly report or the close of a prospectus relating to equity securities.

The Code of Ethics and Trading Policy are available on the company's website (www.cockatooridge.com.au) and will be provided to any shareholder on request to the Company Secretary.

INTEGRITY OF FINANCIAL REPORTING

CKR's Managing Director and Chief Financial Officer declare in writing to the board (in accordance with section 295A of the Corporations Act 2001 and through the audit committee) that, in their opinion, the consolidated financial statements of CKR and its controlled entities for each half and full financial year present a true and fair view of the group's financial position and performance and are in accordance with prevailing accounting standards.

An audit committee was established by the board in June 2004.

The members of the CKR audit committee during the reporting period were Messrs N J Limb and M Drummond, the former an independent non-executive director and the latter an executive director and the Company Secretary. Mr N Limb, who is not the Chairperson of the board, is the Chairperson of the committee and has a casting vote in the event of a deadlock at meetings of the committee. Details of the attendance of the members at committee meetings held in 2006/07 are set out in the Annual Report.

The committee is not comprised of non-executive directors only, does not have a majority of independent directors and does not have at least three members. It therefore does not comply with Council recommendation 4.3 in most respects and, given the present composition of the board, cannot for now.

The ability of the company to constitute and operate its audit committee substantially in accordance with recommendation 4.3 has been adversely affected by the inability of the board to identify and appoint suitable persons as further non-executive directors of the company. However, as stated above in relation to recommendation 2.1, the company still intends to appoint additional non-executive directors as soon as reasonably practicable. Such appointment(s), when made, will enable the company to better comply with recommendations 2.1 and 4.3.

The external auditor, Managing Director and Chief Financial Officer are invited to meetings of the audit committee at the discretion of the committee. The committee meets at least twice a year.

The objectives of the audit committee are to:

- ensure the integrity of external financial reporting,
- ensure that the directors are provided with financial and other information that is of high quality and relevant to the evaluations and decisions to be made by the board,
- ensure that controls are established, maintained and adhered to in order to safeguard the company's financial and physical resources,
- ensure that systems or procedures are in place and operational so that the company complies with relevant statutory and regulatory requirements,
- assess financial risks arising from the Company's operations, and consider the adequacy of measures taken to moderate those risks, and
- liaise with external auditors periodically.

In June 2004, the board adopted a formal Charter for the audit committee. The Charter is structured so as to separately address objectives, membership, authority, responsibilities and procedures of the committee. The Charter is available on the company's website (www.cockatooridge.com.au) and will be provided to any shareholder on request to the Company Secretary.

CONTINUOUS DISCLOSURE TO ASX

The board is responsible for monitoring compliance with ASX Listing Rule disclosure requirements and approves each proposed announcement to ASX before it is released. The Company Secretary is responsible, under the ASX Listing Rules, for all communications with ASX. The Executive Chairperson, Managing Director and Company Secretary periodically discuss issues relating to the company's continuous disclosure obligations.

The company's Market Disclosure and Communications Policy is available on the company's website (www.cockatooridge.com.au) and will be provided to any shareholder on request to the Company Secretary.

COMMUNICATION WITH SHAREHOLDERS

It is the policy of the company to communicate with shareholders and other stakeholders in an open, regular and timely manner so that those persons and the market are informed of all major developments affecting the company and have sufficient information to make informed investment decisions on the operations, results and prospects of the company information is communicated to shareholders as follows:

- the statutory financial report is distributed to all shareholders who have "opted in" as that term is now understood and otherwise made available in accordance with the Corporations Act 2001. The board also ensures that the statutory financial report is made available to any shareholder requesting it at the annual general meeting,
- the half yearly report as at 31 December contains summarised financial information and a review of the operations of the consolidated entity during the period. This financial report is sent to any shareholder requesting it,
- circular information letters,
- using Computershare Investor Services, the company's share registry service provider, to facilitate the electronic delivery of specific documents to shareholders as permitted by the Corporations Act if so requested by shareholders,
- proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders pursuant to ASX Listing Rules, and
- notices of all meetings of shareholders (and attachments).

All documents which are released publicly are made available on the company's website (www.cockatooridge.com.au). The website provides information on the winery, range of wines made and sold and tasting notes as well as ASX releases and audited financial statements. In addition, the company has added a separate Corporate Governance section to its website.

The board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are segregated and presented to the shareholders as single resolutions as a matter of course.

CKR's external auditor is required by law to attend the AGM to answer questions relevant to, *inter alia*, the conduct of the audit and the preparation and content of the auditor's report, and does attend.

RISK MANAGEMENT

The board is responsible for the oversight of the Group's risk management and control framework. The audit committee assists the board in fulfilling its responsibilities in this regard by reviewing the financial and reporting aspects of that framework. The company has implemented a policy framework designed to ensure that the Group's risks are identified and that controls are adequate, in place and functioning effectively. Responsibility for aspects of control and risk management is delegated to the pertinent individual within the Group with the Managing Director and Chief Financial Officer having ultimate responsibility to the board for the risk management and control framework.

Areas of significant business risk are highlighted in the annual strategic plan presented to the board by the Managing Director.

Arrangements put in place by the board to monitor risk management include:

- reporting to each board meeting in respect of operations and the financial position of the Group,
- reports to the board by the Chairperson of the audit committee after each meeting of that committee,
- attendance of appropriate managers at board meetings whenever required by the board,
- presentations to the board by appropriate managers (and/or independent advisers, where necessary) on the nature of particular risks and details of the measures which have been or can be adopted to manage or mitigate the risk.

The company's Managing Director and Chief Financial Officer report in writing to the board (through the audit committee) that:

- the declaration given in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board; and
- the company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

A summary of the company's Risk Oversight and Management Policy is available on the company's website (www.cockatooridge.com.au) and will be provided to any shareholder on request to the Company Secretary.

PERFORMANCE

The board has adopted a self-evaluation process to measure its own performance and the performance of its committees during each financial year. The Chairperson conducts confidential discussions with each director in relation to matters such as work programme, interaction with management and perceived strengths and weaknesses of the board and its committees. In the capacity of Company Secretary, Mr M Drummond is accountable to the board, through the Chairperson, on all governance matters. After discussion between the Executive Chairperson and Mr M Drummond, any significant performance related issues identified, or changes recommended, are referred to the board for action in its ongoing development programme.

The board is responsible for the appointment of the Managing Director and conducts an annual review of his performance as Chief Executive Officer of the company. The performance of the company's other key executives is also reviewed annually by the board, taking in to consideration the views and recommendations of the CEO in this regard.

REMUNERATION

Details of the remuneration of the directors and certain key executives are disclosed in the Remuneration Report, set out in the Annual Report. The remuneration policy adopted by the board is described in the Remuneration Report.

Currently, the company does not have a functioning remuneration committee and therefore does not comply with Council recommendation 9.2 (that the board should establish a remuneration committee). Because of the size of the board and the operations of the company, there is no need for a separate committee. However, the board may reinstate the remuneration committee if and when additional non-executive directors are appointed.

Whilst it is and has been the policy of the company that non-executive directors should not receive equity-based remuneration, the board acknowledges the fact that, in the company's circumstances and given the state of the wine sector, the services of an outstanding non-executive candidate for the board may not be able to be secured without offering a component of equity-based remuneration.

Details of options issued by the company are set out in the Remuneration Report. During the reporting period, 2,000,000 options were issued to the former CEO, Mr N MacKenzie, with the approval of shareholders at the 2006 AGM held on 30 November 2006. Those options were issued pursuant to the company's Employee Option Plan, which was approved by shareholders of the company at the 2001 AGM held on 21 December 2001. All of these options lapsed when Mr MacKenzie resigned within two years of their issue not having yet been vested. During the reporting period, and in advance of his appointment to the board being contemplated, 1,000,000 options were issued to the current CEO, Mr P Perrin, pursuant to the aforesaid Employee Option Plan.

INTERESTS OF STAKEHOLDERS

The company has established a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders. To ensure this occurs, the Group conducts its business within the Code of Ethics, outlined under "Ethical and Responsible Decision Making" above, and in accordance with the Group's core values, which are to:

- act with integrity and fairness,
- create a safe, challenging and rewarding workplace,
- respect and protect the environment,
- be commercially competitive and,
- foster a performance driven culture.

The board has responsibility for protecting, guiding and monitoring the business affairs of the company in the interests and for the benefit of stakeholders.

To fulfil this role, the board is responsible for the strategic direction of the business, establishing goals for management and monitoring the achievement of goals directly and through its established committees. Responsibility for day to day activities of the entity is delegated to the Managing Director. The company's board and management jointly strive to achieve best practice in meeting their responsibilities for the business and affairs of the company.