



# Valuation Report

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Schubert's Vineyard  
Schubert Road & Lobethal-Mount Torrens  
Road, Lobethal, SA

Regenal Investments Pty Limited

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31 December 2010

Ref: VADEL3611

## Valuation Details

<p><b>Instructing Party</b> Bonita Ho Planning and Investment Manager CK Life Sciences Int'l Inc 2 Dai Fu Street Tai Po Industrial Estate New Territories, Hong Kong</p>	<p><b>Reliant Party(s)</b>  <b>Registered Proprietor</b>  <b>Purpose of Report</b>  <b>Interest Valued</b>  <b>Date of Valuation</b>  <b>Date of Inspection</b>  <b>Valuation – Date of Issue</b></p>	<p>Regenal Investments Pty Limited as Nominee of CK Life Sciences Int'l Inc  Tower Trust (SA) Ltd  Major Transaction Purposes  Freehold fee simple on both a vacant possession and an encumbered basis (subject to the existing lease).  31 December 2010  3 November 2010  In accordance with your written instructions dated 2 December 2010, our inspection of the subject property as at 3 November 2010 and the requested date of valuation as at 31 December 2010, we confirm that this valuation certificate has been provided as at 31 December 2010 (Date of Valuation).  We have assumed that there will be no change to the property or the market between the date of issue and the date of valuation. Should we become aware of any relevant market information that may impact on the value of the property, up to and including 31 December 2010, we at our own discretion reserve the right to review and possibly amend the valuation analysis contained herein.</p>
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## Property Overview

### Brief Description

The subject property comprises an irrigated mature vineyard located in the Adelaide Hills GI, approximately two kilometres north east of the township of Lobethal.

The property is leased to Australian Vintage Ltd for 10+5+5+5 years, with the current term due to expire on the 3<sup>rd</sup> of July 2011.

The vineyard is 74.2 hectares in area with the majority of varieties planted in 2001 aside from the Pinot Gris which was planted in 2005.

The property sources irrigation water from two operational bores and contains a reasonable level of building improvements. They are relatively clustered to the property's western boundary.



<b>Total Area</b>	108.01 ha
<b>Planted Area</b>	74.17 ha
<b>Other Area</b>	33.84 ha
<b>Water Authorisation</b>	77.20 hectares
<b>Local Government Area</b>	Adelaide Hills Council
<b>Zoning</b>	Watershed (Primary Production)

## Major Issues

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- The events of early 2008 including the initial sub-prime fallout in the United States and subsequent Global Financial Crisis (GFC) created uncertain times for both the equities and property markets in Australia which impacted to varying degrees upon a variety of market participants. The initial impact was focussed on the Listed Property Trust sector operating assets within the major commercial, industrial, retail and infrastructure sectors. While a degree of uncertainty still remains within these markets, the magnitude is notably less than that evident throughout 2008 and the majority of 2009. Improving levels of general market activity over recent times appears to have resulted in growing investor confidence, albeit shallower than that experienced prior to the GFC. The rural property market has typically lagged the experiences of the other major markets and traditionally has not displayed their volatility. However there have been some very substantial collapses within the managed investment scheme sector in particular that have dampened investor confidence. The very rapid tightening of credit availability that resulted from the GFC remains an issue within the Australian rural property market with LVR requirements causing a general pull back in many regional markets.
- In light of the improving levels of market activity evidenced in CBD and major regional real estate sales and leasing markets over more recent times, we note that investment returns for good quality assets with secure cash flows in many instances appear to have stabilised, and in some instances are showing signs of tightening. However, in contrast to this observation we note poorer quality assets and particularly those with considerable existing vacancy and / or short term major tenant expiry continue to be priced by the shallower market on an opportunistic basis, and thereby remain at risk of a prolonged period of softer yields. The same can be said for rural property markets where although transactions are rarely measured or negotiated on a yield basis, quality land types have retained more demand and hence tended to hold values ahead of less productive, secondary land types.
- We have been provided with planting details by Challenger Wine Trust that show the property has been developed to 74.17 hectares of irrigated vines.
- The main structural improvements on the property comprise a residential dwelling together with an office (converted dairy) and sundry farm sheds, all of which appear to be adequate for the property's existing use.
- Water to the property is sourced via bores which pump into a large catchment dam from which water is drawn for irrigation purposes.
- The property presently comprises three adjoining freehold land parcels. Whilst separately saleable items from a practical point of view, we do not regard the property to be configured in a manner that is conducive to a sale in separate parcels should that be required.
- The property is currently leased to Australian Vintage Ltd with the initial term due to expire 3 July 2011. Under the lease agreement the tenant has three rights of renewal of five years each. The registered proprietor has advised that renewal negotiations as yet have not commenced.
- Schubert's Vineyard has been issued with a Water Authorisation permitting the irrigation of 77.2 hectares of wine grapes on the subject property. The authorisation is administered by the Department of Water Land and Biodiversity Conservation (DWLBC).
- The subject property lies within the Eastern Mount Lofty Ranges Catchment area that was previously located outside of a proclaimed wells area and no restrictions are in place with regards to irrigation from dams and bores. In more recent times, the Mount Lofty Ranges and surrounding catchments have been placed under moratorium as part of the process wherein the region will become a prescribed water resource. Upon formal prescription of the region, the area based entitlements stated will be converted to a volumetric allocation and a new transferable water licence will be issued to the registered proprietor of the land.

## Key Assumptions

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- Details in relation to historical yields and prices received have also been supplied by the registered proprietor and we have assumed that these are accurate.
- We have assumed that there are no other encumbrances or notations except those shown on the Titles or noted in this valuation report.
- We have assumed there are no easements, rights of way or encroachments except those shown on the Titles or in the valuation.
- We have assumed there are no actual or potential contamination issues affecting the value or marketability of the property or the site.

## Key Assumptions (Cont'd)

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- We have assumed that no significant capital expenditure is required for the subject property at the present time (other than as discussed elsewhere in this report).
- In preparing this valuation, we have included a vacant possession value (unencumbered value) of the property ignoring the current lease and in this instance we have assumed that the fruit produced on the property will be saleable under contract commensurate with current yield and quality levels. The vacant possession value has been included to assist with determining a market rental for the subject property.
- In determining the current market value of the property on an encumbered basis (leased value) we have had regard to the subject property's Weighted Average Lease Expiry (WALE) of 0.50 years from the date of valuation. Given this time period encompasses only two quarterly payments we assumed the lease will not be reviewed for the purpose of this valuation. We are of the opinion buyers in the market place would have regard to the secured income only and we have therefore assessed the NPV of the remaining income streams.

## Verifiable Assumptions

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- We have not been supplied a copy of the Water Authorisation due to timing constraints and privacy laws of DWLBC. A valid copy of the water authorisation attached to the subject property has not been sighted by the valuer. We recommend the registered proprietor obtain a valid copy of the Authorisation and verify the details of the authorisation outlined in the report are correct.

## Valuation Criteria & Conclusion Vacant Possession Basis

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Vines	74.17 ha	@	\$59,781/ha	\$ 4,440,650
Roadways, headlands and creeks	33.84 ha	@	\$15,000/ha	\$ 507,600
Structural Improvements				\$ 289,520
Total				\$ 5,237,770
Total (Rounded)				\$ 5,250,000

## Valuation Conclusion – Encumbered Basis

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Rounded Encumbered Value	\$ 5,400,000
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## Valuation

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**Market Value on an Unencumbered/Vacant Possession Basis:**

**\$5,250,000 – GST Exclusive**

**(FIVE MILLION TWO HUNDRED AND FIFTY THOUSAND DOLLARS)**

**Market Value on an Encumbered/Leased Basis:**

**\$5,400,000 – GST Exclusive**

**(FIVE MILLION FOUR HUNDRED THOUSAND DOLLARS)**

**Colliers International Consultancy and Valuation Pty Limited**

A handwritten signature in blue ink, appearing to read "N Cranna".

**Nicholas Cranna, AAPI**  
**Certified Practising Valuer**  
**B Bus (Prop) Val**

**14 December 2010** (Date of Signing Report)

A handwritten signature in blue ink, appearing to read "A Thamm".

**Alex Thamm, AAPI**  
**Certified Practising Valuer**  
**B Bus (Prop) Val**

**14 December 2010** (Date of Signing Report)

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This report has been verified by **Angus Barrington-Case – Associate Director Consultancy and Valuation**

NOTE: This Executive Summary must be read in conjunction with the attached report and the details contained therein.

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# 1 INTRODUCTION

## 1.1 INSTRUCTIONS

We have received written instructions from Bonita Ho, CK Life Sciences Int'l., Inc, dated 2 December 2010, to determine the Market Value of Schubert's Vineyard, Schubert Road and Lobethal-Mount Torrens Road, Lobethal, SA on behalf of Regenal Investment Pty Limited in accordance with the Hong Kong Stock Exchange's regulatory requirements to determine the current market value for major transaction purposes as at 31 December 2010.

Our valuation has been prepared in accordance with Australian Property Institute (API) Valuation Standards.

We have assumed that the instructions and subsequent information supplied contain a full and frank disclosure of all information that is relevant. Furthermore, we have prepared our valuation in accordance with our standard Terms of Business as previously provided to you and as appended at **Appendix A**.

The authenticity of this report and valuation contained herein may be confirmed by telephoning the signatory or the Valuation Director at the issuing office.

A copy of the Letter of Instruction is attached at **Appendix B**.

## 1.2 INFORMATION SOURCES

Our valuation conclusions have been reached after reviewing financial, tenancy and production information provided by Challenger Wine Trust and Australian Vintage Limited. The information reviewed and supplied includes, although is not limited to, the following:

- Executed lease documents;
- Current passing rental information;
- Planting details;
- Historical yield data;
- Water licences;
- Viticulturalist's report; and
- Other relevant information.



### 1.3 BASIS AND PURPOSE OF VALUATION

The subject property in our opinion is likely to be regarded as a leased investment. Consequently, in adopting this definition of value we are of the opinion that it is consistent with the definition of Market Value defined by International Valuation Standards Committee (IVSC) and endorsed by the Australian Property Institute (API).

**"Market Value"** is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

This valuation report is provided by Colliers International Consultancy and Valuation Pty Limited (CICV) and not by any other company in the Colliers International Group. The valuation report has been prepared for **Major Transaction purposes** and should not be relied upon for any other purpose or by any person other than **Regenal Investments Pty Limited**. CICV accepts no responsibility for any statements in this report other than for the stated purpose. This report is issued on the basis that no liability attaches to the companies in the Colliers International Group other than CICV in relation to any statements contained in the valuation report.

### 1.4 PECUNIARY INTEREST

We advise that the Valuers nominated within this report are authorised under the relevant laws of South Australia to practice as a Valuer and Alex Thamm has had in excess of five (5) years continuous experience in the valuation of similar property to the subject.

Further, we confirm that the nominated Valuers do not have a pecuniary interest that could conflict with the proper valuation of the property, and we advise that this position will be maintained until the purpose for which this valuation is being obtained is completed.

### 1.5 DATE OF VALUATION

**31 December 2010** based upon our inspection of 3 November 2010. Due to possible changes in market forces and circumstances in relation to the subject property the report can only be regarded as representing our opinion of the value of the property as at the date of valuation, which has been based on appropriate assumptions determined as at the date of inspection.

### 1.6 DATE OF VALUATION

In accordance with your written instructions dated 2 December 2010, our inspection of the subject property as at 3 November and the requested date of valuation as at 31 December 2010, we confirm that in accordance with your instructions that this final valuation report has been provided as at 31 December 2010 (Date of Valuation).

We have assumed that there will be no change to the property or the market between the date of issue and the date of valuation. Should we become aware of any relevant market information that may impact on the value of the property, up to and including 31 December 2010, we at our own discretion reserve the right to review and possibly amend the valuation analysis contained herein.

## 1.7 PREVAILING MARKET CONDITIONS – UNCERTAIN TIMES

The events of early 2008 including the initial sub-prime fallout in the United States and subsequent Global Financial Crisis (GFC) created uncertain times for both the equities and property markets in Australia which impacted to varying degrees upon a variety of market participants. The initial impact was focussed on the Listed Property Trust sector operating assets within the major commercial, industrial, retail and infrastructure sectors. While a degree of uncertainty still remains within these markets, the magnitude is notably less than that evident throughout 2008 and the majority of 2009. Improving levels of general market activity over recent times appears to have resulted in growing investor confidence, albeit shallower than that experienced prior to the GFC. The rural property market has typically lagged the experiences of the other major markets and traditionally has not displayed their volatility. However there have been some very substantial collapses within the managed investment scheme sector in particular that have dampened investor confidence. The very rapid tightening of credit availability that resulted from the GFC remains an issue within the Australian rural property market with LVR requirements causing a general pull back in many regional markets.

In light of the improving levels of market activity evidenced in CBD and major regional real estate sales and leasing markets over more recent times, we note that investment returns for good quality assets with secure cash flows in many instances appear to have stabilised, and in some instances are showing signs of tightening. However, in contrast to this observation we note poorer quality assets and particularly those with considerable existing vacancy and / or short term major tenant expiry continue to be priced by the shallower market on an opportunistic basis, and thereby remain at risk of a prolonged period of softer yields. The same can be said for rural property markets where although transactions are rarely measured or negotiated on a yield basis, quality land types have retained more demand and hence tended to hold values ahead of less productive, secondary land types.

## 2 LOCATION

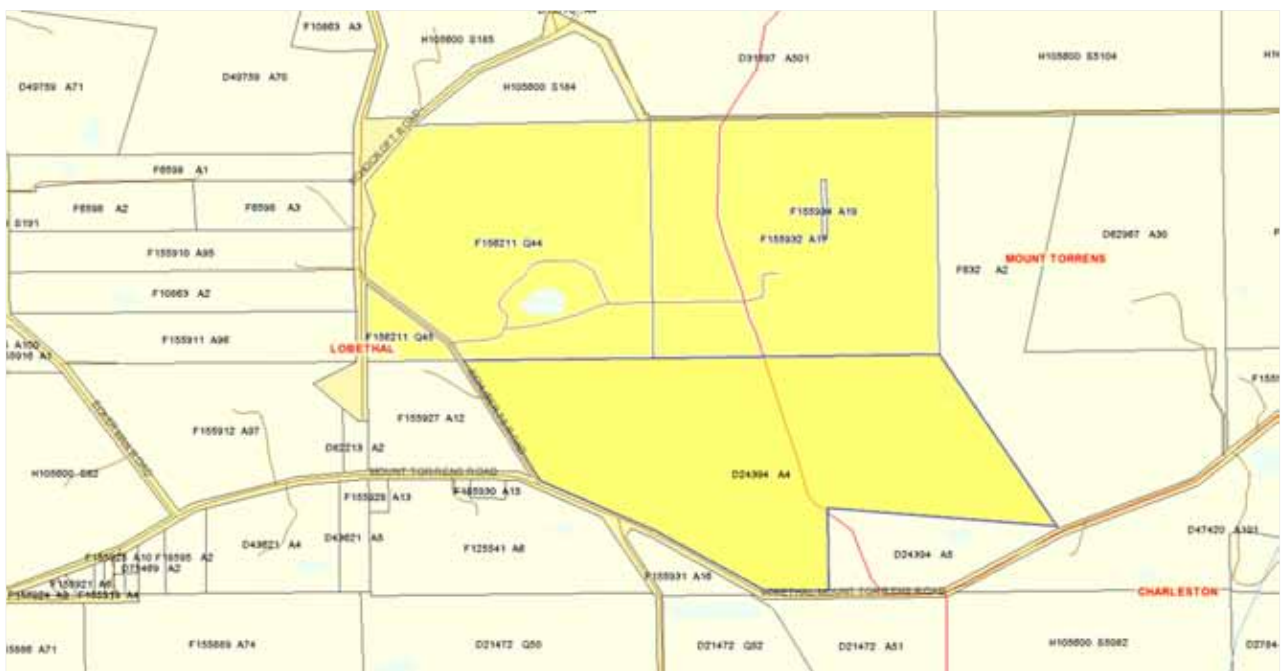
The subject property is situated approximately two kilometres east north-east of the Adelaide Hills township of Lobethal on the corner of Schubert and Lobethal-Mount Torrens Roads.

The township of Lobethal is situated approximately 33 kilometres east of the Adelaide Central Business District and provides a modest level of facilities, including schooling, banking, shopping and GP services.

In terms of viticulture, the Adelaide Hills wine region is a cool climate growing location that is regarded principally for its white wine production notably Sauvignon Blanc and Chardonnay. Red varieties are also grown in the region, notably Pinot Noir, and other milder red styles.

Surrounding uses to the subject property include other commercial scale vineyards, lifestyle properties, mixed farms and horticultural properties.

The location of the subject property is highlighted in yellow in the map below.



Source : [www.landservices.sa.gov.au/PropertyLocationBrowser](http://www.landservices.sa.gov.au/PropertyLocationBrowser)

## 3 TITLE PARTICULARS

### 3.1 TITLE REFERENCE

#### Title Details

Search Date	3 November 2010
Local Government Area	Adelaide Hills Council
Area	Lobethal
Hundred	Onkaparinga

Legal Description	Volume / Folio	Registered Proprietor	Area
Allotment comprising Pieces 44 and 45 within Filed Plan 156211	5292 / 992	Tower Trust (SA) Ltd	32.53
Allotment 17 within Filed Plan 155932	5292 / 993	Tower Trust (SA) Ltd	33.68
Allotment 4 within Deposited Plan 24394	5434 / 78	Tower Trust (SA) Ltd	41.80

The total area of Schubert Vineyard as calculated from the title plans is approximately **108.01 hectares**.

### 3.2 ENCUMBRANCES, EASEMENTS AND INTERESTS

We highlight the following notations on Titles:

Certificate of Title	Notation	Description
5292 / 992, 5292 / 993 and 5434 / 78	9193308A	Mortgage to National Australia Bank Ltd
	9193308B	Lease to Brian McGuigan Wines Ltd commencing on 3.7.2001 and expiring on 2.7.2011
	11478703	Extension of Lease 9193308B expiring on 3.7.2011
5292 / 993	Easements	<ul style="list-style-type: none"> <li>Subject to the easement over the land Marked A. <i>The easement affects a small irregular shaped rectangle of land along the northern boundary of the title plan.</i></li> <li>Subject to a right of way over the land Marked B. <i>The right of way affects a narrow strip of land that runs north-south from the northern boundary of the title.</i></li> </ul>

We have assumed that there are no other encumbrances or notations except those shown on the Title or noted in this valuation report.

We also note that this valuation is conditioned upon the basis that the abovementioned encumbrances or easements on title have no material affect on value, marketability or current development.

We have assumed there are no easements, rights of way or encroachments except those shown on the Title or in the valuation.

A full copy of the Title Search is attached at **Appendix C**.

## 4 SITE PARTICULARS

### 4.1 SITE DETAILS

#### Dimensions and Area

The property has an irregular frontage to both sides of Schubert's Road with the main portion of the property being on the eastern side where the frontage is estimated at approximately 600 metres or thereabouts. The property also has a frontage to the northern side of the main Lobethal-Mount Torrens Road measuring approximately 395 metres or thereabouts. The property also has a minor frontage to Schocroft Road along the north western corner.

Schubert's Road and Lobethal-Mount Torrens Road are bitumen surfaced dual lane roads of good condition that provide good exposure to the subject property.

As previously stated the combined area of the three titles is calculated as being 108.01 hectares (approximately) according to title plans.

#### Topography and Soils

The subject property essentially encompasses a valley with elevated slopes to its eastern and western sides and a central valley through which passes a tree-lined creek. Row orientation is predominantly east/west in sympathy with existing land contours.

In total, there are two watercourses located on the property; one abutting the western boundary and the latter passes in a north/south direction through the middle of the property.

Topographically, the land is considered to be gently undulating with several pockets of mature timber scattered throughout the vineyard, together with tree-lined creeks and watercourses and some grazing land; the latter confined to the property's western boundary.

It is our understanding that soil mapping was undertaken prior to establishing vines on the property in 2001 although no reports have been provided to the valuer confirming this. The vineyard layout and irrigation design was based on this soil survey. The soils of this vineyard and surrounding areas are proven for the production of grapes.

#### Climate and Rainfall

The Lobethal region is a highly regarded cool climatic region of the Adelaide Hills GI and has a good reputation for producing premium white wine grapes as a result of these climatic conditions. The vineyard is susceptible to frosts, with portions of blocks 11 and 12 previously affected. Average annual rainfall for the area is approximately 850-900mm per annum according to long term averages

There are three concrete culverts that have been installed on the property to enable equipment crossing the main creeks and these appeared in good condition at the time of inspection.

#### Fencing

Whilst we did not peruse the entire property boundary, fencing noted during inspection appeared to range from pine post and six barbed wire stock-proof fencing, through to gum post fencing to which had been affixed cyclone wire and two top barbs. The latter fencing was noted on some of the boundaries and was considered to be in fair but stock-proof condition.

We note that the lessee presently utilises some of the non-plantable land for livestock (cattle) grazing and also uses a temporary electric barrier wire when allowing cattle into headland areas around the vineyard.

#### Access

Primary access to the main structural improvements is off Schubert's Road which extends in a north-westerly direction off the main Lobethal-Mount Torrens Road approximately two kilometres from the township of Lobethal.

Schubert's Road is a bitumen sealed dual lane minor carriageway with metal shoulders. The Lobethal-Mount Torrens Road is also a bitumen sealed dual lane carriageway with metal shoulders that enjoys moderate levels of traffic use.

#### Utilities

Services connected to the property include single and three phase electricity, telephone, mains water and septic tank facilities. Water to the vineyard is sourced via groundwater supply and this is discussed later in the report.





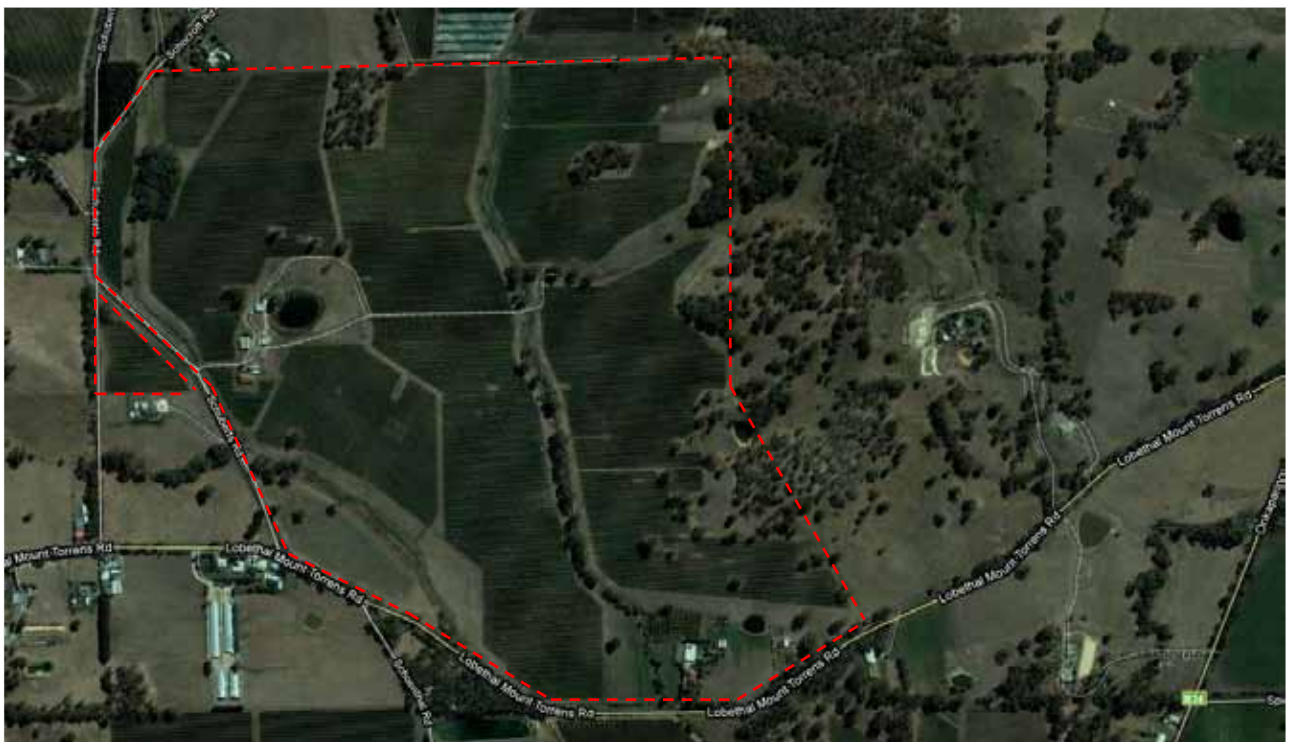
*Schubert Road and Mount Torrens Road intersection*



*Entrance to the property*

## 4.2 SITE IDENTIFICATION

The site has been identified by reference to the Title Plans and aerial imagery, with the approximate boundaries of the property shown on the map below.



Source : 2010 © Google Maps

We have physically identified the boundaries of the property and whilst there does not appear to be any encroachments, we are not qualified surveyors and no warranty can be given without the provision of an identification survey.

## 5 PLANNING CONTROLS

### 5.1 ZONING

Local Government Area	Adelaide Hills Council
Consolidated	26 August 2010
Zoning	Watershed (Primary Production) "Onkaparinga Valley Policy Area"
Objectives	<p><b>Watershed (Primary Production)</b></p> <p><u>Objective 1:</u> The maintenance and enhancement of the natural resources of the south Mount Lofty Ranges.</p> <p><u>Objective 2:</u> The enhancement of the Mount Lofty Ranges Watershed as a source of high quality water.</p> <p><u>Objective 3:</u> The long-term sustainability of rural production in the south Mount Lofty Ranges.</p> <p><u>Objective 4:</u> The preservation and restoration of remnant native vegetation in the south Mount Lofty Ranges.</p> <p><u>Objective 5:</u> The enhancement of the amenity and landscape of the south Mount Lofty Ranges for the enjoyment of residents and visitors.</p> <p><u>Objective 6:</u> The development of a sustainable tourism industry with accommodation, attractions and facilities which relate to and interpret the natural and cultural resources of the south Mount Lofty Ranges, and increase the opportunities for visitors to stay overnight.</p> <p><b>Onkaparinga Valley Policy Area</b></p> <p><u>Objective 1:</u> The retention of the existing rural character by ensuring the continuation of farming and horticultural activities and excluding rural living or other uses which would require division of land into smaller holdings.</p>
Heritage Listing	Our research indicates that the subject property is not heritage listed.
Native Title	Our research indicates that the subject property is not heritage listed.

### 5.2 PLANNING APPROVAL

We have not sighted any planning permits or building permits in relation to the construction of the improvements, we assume that appropriate permission has been granted by the relevant statutory authority in relation to the existing improvements on site.

Furthermore, use of the land as a commercial vineyard is a permissible use within the zone and accordingly, we consider the existing use of the property to be in accordance with the abovementioned zoning guidelines.

A copy of the zoning guidelines is contained with **Appendix D**.

## 6 ENVIRONMENTAL ISSUES

### 6.1 SITE CONTAMINATION

A visual site inspection in consideration of the past land uses has not revealed any obvious pollution or contamination.

The property has been used viticulture for many years. During these activities, chemicals in the form of fertilisers and sprays would have been applied to the land and fuel and oils stored on the land. These activities could have given rise to low level contamination similar to that found in the district and reflected in the prices paid generally for land in the area.

We are not aware of the fully details with regard to usage of the site prior to the current use, however, we have no cause to believe that the site has been contaminated. However we advise that we are not experts in the detection or quantification of any environmental problems, and accordingly have not carried out a detailed environmental investigation. Furthermore we have not been provided with an environmental audit report of this site.

Therefore, this valuation is made on the assumption that there are no actual or potential contamination issues affecting:

- i) the value or marketability of the property;
- ii) the site.

Verification that the property is free from contamination and has not been affected by pollutants of any kind should be obtained from a suitably qualified environmental professional. Should subsequent investigation say that the site is contaminated, this valuation will require revision.

### 6.2 BUILDING MATERIALS

Our site inspection did not reveal any obvious signs of asbestos products however, we cannot certify the site free of contamination. The improvements were constructed circa 1960's and as such we are of the opinion that it is possible that asbestos products were used in the construction.

We recommend that if the parties whom wish to rely on this report have any concerns in relation to potential asbestos contamination, they should request the owner to commission a survey and to prepare an Asbestos register.

Should such a survey detect installed asbestos products, we recommend that the details of that survey be provided to us in order that we may consider any potential implications to our assessment and effect amendment to our report, should that be necessary.



## 7 STATUTORY ASSESSMENT

The Valuer General conducted a general valuation within the Adelaide Hills Council as at 1 January 2010, and determined values as they relate to the subject property for the 2010/11 financial year as follows:

Valuation No.	Site Value	Capital Value
5678424053	\$1,125,000	\$3,475,000

These valuation amounts are used for rating and taxation assessments only and are quoted for information purposes only.

## 8 PROPERTY OVERVIEW

Schubert Vineyard was developed by Australian Vintage Ltd in 2001, with the latest plantings established in 2005. The commercial size vineyard has been established to a high standard and is currently leased to Australian Vintage Ltd, with their lease set to expire in July 2011. The tenant does however have three five year options as per the lease agreement, although negotiations between the relevant parties regarding the first option have not commenced at the time of preparing the report.

The vineyard is 74.2 hectares in area with the majority of varieties planted in 2001 aside from the Pinot Gris which was planted in 2005. Sauvignon Blanc (63%) comprises the bulk of the plantings, with Chardonnay (21%), Riesling (7%), Traminer (6%) and Pinot Gris (3%) making up the balance. The varieties are well suited to the cool climatic conditions with the lessee maintaining the vineyard to a high standard according to a vineyard report prepared by Schofield Robinson Horticultural Services in February 2010 and supplied by Challenger Wine Trust.



*Cane pruned Sauvignon Blanc*



*Pinot Gris (Block 16)*

## 9 IMPROVEMENTS

### 9.1 GENERAL COMMENTS

The property contains a reasonable level of building improvements. They are relatively clustered to the property's western boundary and are variously described and depicted hereunder:

#### Main Residence



A sandstone and brick constructed bungalow built on concrete footings with an imitation tile galvanised iron roof.

An internal inspection of the dwelling was not carried out by the valuer, however we understand from discussions with the manager that it comprises three bedroom accommodation, lounge, kitchen, family room, office, laundry, bathroom (bath, shower and vanity) and separate toilet. Floors within the dwelling are mainly timber with ceramic tiles to wet areas and the eastern portion of the property appeared to be constructed on a concrete slab being a later extension.

Management have advised that the kitchen has recently been upgraded and parts of the dwelling have been painted. We understand that some salt damp issues were treated when the kitchen was upgraded.

Externally, the dwelling appeared to be in dated but fair order, and was well presented at the time of inspection.

Our check measurements disclosed an equivalent building area for the dwelling inclusive of verandahs to be 264 square metres or thereabouts.

#### Garage



Adjacent to the dwelling is a garage of brick construction with a corrugated galvanised iron roof and concrete base, having a total building area of approximately 104 square metres or thereabouts.

#### Workshop



A large workshop of masonry construction with a concrete base and steel framed corrugated galvanised iron clad roof with some translucent sheeting.

The workshop is disposed as two interconnected sections; the latter having an excavated floor area for vehicle unloading and loading purposes.

The workshop is equipped with suspended fluorescent lighting and has sliding door access at two points. Based upon our onsite measurements we have estimated the total building area to be 335 square metres.

## Office



Of double clay brick construction being a former dairy; the milk room of which has been converted to two room office accommodation.

Extending off the eastern side of the milk room is an open ended storage area of brick construction being the former milking area. This section is surrounded by concrete round cattle yards.

Extending off the western end of the office is a pergola/verandah of timber framed shade cloth roof construction.

The office and dairy have concrete flooring and corrugated galvanised iron roofing, and the various areas are disposed as office (approximately 42 square metres), milking area (approximately 50 square metres) and verandahs (of approximately 34 square metres or thereabouts).



## Chemical Store



A small structure of double brick construction with a concrete base and corrugated galvanised iron roof off which extends a covered canopy area also constructed on a concrete base.

Former building associated with the dairy operations currently utilised as lock-up chemical storage with covered loading area. The respective building areas have been determined as lock-up chemical storage (approximately 23 square metres) and canopy area (of 27 square metres or thereabouts).

## Storage / Hay Shed



An older style shed with reasonably high clearance being of steel and timber framed flat floor corrugated galvanised iron clad construction with an earthen floor and portion being open ended. The shed has been constructed over two levels with an upper level bay (open ended) comprising approximately one third of the building area with the lower level comprising the balance of the shed.

We have calculated the shed to have a total building area of 290 square metres or thereabouts. This shed has two rainwater tanks connected.

Other minor improvements are generally confined to gravelled roadways and a pump shed adjacent the dam.

Overall, the structural improvements are considered to be in neat and tidy order and of functional value to the vineyard operations.

## 9.2 SUNDRY IMPROVEMENTS

Other minor improvements are generally confined to gravel roadways, a pump shed adjacent the dam overhead spray cart filling points/wash down areas and rain water tanks.



*Causeway across winter creek*



*Overhead filling point*

## 9.3 BUILDING CONDITION AND UTILITY

We are not aware of any notices currently issued against the property and expert opinion has not been sought in respect to the building structure or the plant and equipment, however our limited enquiries have not revealed any major defects. The improvements are considered to be in reasonable condition for their age other than where noted.

We have assumed that the property complies with the appropriate statutory, building and fire safety regulations.

We have also assumed that there is no timber infestation, asbestos or other defect other than where noted and have made no investigations for them nor have we undertaken a structural survey or tested the building services.

## 10 TENANCY DETAILS

### 10.1 TENANCY INFORMATION

The table below is a brief summary of the memorandum of lease. We also have been provided a memorandum of extension of lease. It is our understanding the lessee received rent relief across multiple Challenger Wine Trust assets through the form of rental rebates. The rent relief has since concluded.

Leased Premises	The whole of the land described in Certificates of Title Register Books Volume 5292 Folio 992, Volume 5292 Folio 993 and Volume 5434 Folio 78.
Lease Status	Both the memorandum of lease and memorandum of extension of lease are stamped and executed.
Lessee	Australian Vintage Limited (formerly named McGuigan Simeon Wine Limited)
Term	10 years
Expiry	3 July 2011
Option	Three rights of renewal of five years each.
Initial Rental	We have not been provided the initial rental although according to the lease the initial rent was (Government Bond Rate + 4.5%) x the acquisition price of the subject property. An additional amount based on the abovementioned formula was also payable.
Current Rental	\$708,774.18 from 3 July 2010 payable in quarterly instalments. Rent shall be payable monthly under the current lease should the lessee renew.
Review Basis	<p>Challenger Wine Trust have advised that in the event the lessee reviews under their first option agreement the review will likely occur under a market based scenario rather than the method stated in the lease.</p> <p>The current lease agreement reviews the rent annually to CPI capped at 4%. Rent determined under an option renew has a ratchet clause in place that prohibits the determined rent from being lower than the annual rent payable immediate prior thereto. Under the lease agreement the new annual rental.</p>
Outgoings	Lessee to pay all outgoings as the lease is triple net.
Permitted Use	The growing and harvesting of grapes as a commercial concern.
GST	Lessee to reimburse Lessor.
Special Conditions	<p>Pursuant to the option agreement outlined in the lease Australian Vintage Limited have first right to purchase the subject property.</p> <p>Should the Lessee wish to renovate, extend, or make other capital or structural improvement then Upgrade Consideration Rent (UCR) will be payable on the moneys paid by the lessor for the upgrade. UCR is payable on the first day that the Upgrade Consideration payment is made. The amount payable is calculated to be (Government Bond Rate + 4.5%) of the Upgrade Consideration Amount and is payable monthly. The UCR is reviewed annually to CPI and payments will cease when the next market review occurs.</p>

Discussions with representatives of Challenger Wine Trust have revealed the tenant is not in arrears with any rental payments.



## 10.2 PENDING RENTAL REVIEWS

We note that the next rental review is due on the 3 July 2011.

## 10.3 LEASE EXPIRY PROFILE AND WEIGHTED LEASE DURATION

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Average Lease Duration	0.50 years
Weighted Lease Duration by Area	0.50 years
Weighted Lease Duration by Income	0.50 years

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Challenger Wine Trust has advised that tenant is up to date with their rental payments.

## 10.4 GOODS AND SERVICES TAX (GST)

We note that the property would be considered a Going Concern under the Australian Taxation Office Ruling GSTR 2002/5, and as such would not attract GST on the sale price. In this regard we further advise that this valuation is a GST exclusive market valuation, on the basis that the property would be sold as a Going Concern.

This valuation is based on the assumption that any GST levied or imposed on or in respect of any supply made under or in accordance with both the current and future leases, that the amounts payable for that supply will be increased by the amount of GST so levied or imposed. If this assumption is found to be incorrect, or if the party on whose instruction this valuation is provided wishes our valuation to be based on a different assumption, then this valuation should be referred back to the Valuer for comment and in appropriate cases, amendment.

Even where a lease appears to address the issue of GST, the Valuer expresses no view as to whether the provisions of the lease entitle the lessor to pass on the GST to the lessee, as to do so would require the Valuer to express a legal expert opinion. The Valuer recommends that before relying on the valuation the parties should undertake a legal audit of all contracts affecting the property including lease documentation and to check the results against the assumptions made within the valuation report.

# 11 PASTURES AND PLANTINGS

## 11.1 VINEYARD

We have been supplied vineyard plantings by Challenger Wine Trust which are summarised as follows:

### Schubert Vineyard

Variety	Plantings Age	Area (ha)
Chardonnay	2001	15.78
Sauvignon Blanc	2001	46.60
Riesling	2001	5.25
Pinot Gris	2005	2.21
Traminer	2001	4.33
<b>Total</b>		<b>74.17</b>

The total area of the plantings equates to approximately **74.17 hectares**. The above planting details have been obtained from documentation provided by the registered proprietor. We have also taken random check measurements of the planting grid and are satisfied that the areas as described in the above table appear reasonable. However, it should be noted that we have not undertaken an individual vine count, nor measured the row lengths to establish precise areas. Should any variances in the planting areas be identified, then this report should be referred back to the valuer for comment.

Trellising comprises pine strainers and anchored end post assemblies and tall pine intermediate posts to which have been affixed principally a single cordon and drip wire together with two sets of foliage wires. Some of the Sauvignon Blanc was re-configured with a second catch wire so the vines can be cane pruned. Vines are all configured to a vertical shoot position a part from the cane pruned Sauvignon Blanc. Check measurements of the planting grid indicate to be a generally uniform planting grid of 3.0 metre row spacings by 1.5 metre vine spacings. This should equate to a planting density in the order of 2,222 vines per hectare with intermediate posts set at four vines per panel.



*Traminer – Block 3*



*Anchored end post*

There are a number of large gum trees and densely wooded areas adjacent to the subject property and these could harbour birds. At present, we understand that bird scarers are deployed to minimise crop loss and some block out netting is erected on the Pinot Gris.

Discussions with the manager disclosed that moisture monitoring is carried out throughout the vineyard with the use of the Diviner 2000 Moisture Monitoring System.

The vineyard overall appears to be in good heart, with the western parts of Block 12 and 13 affected by a frost event one week prior to the inspection date. Challenger Wine Trust has advised that installation of a 'micro-jet' sprinkler system is currently being investigated as a part of lease negotiations.



*Vineyard overview*



*Sauvignon Blanc – Block 8*

## 11.2 OTHER LAND

The balance of the unplanted land comprises, roadways, headland, timbered areas, building sites and tributaries and seasonally waterlogged areas.



## 12 WATER AND IRRIGATION

### 12.1 WATER AUTHORISATION

The subject property lies within the Eastern Mount Lofty Ranges Catchment area that was previously located outside of a proclaimed wells area and no restrictions were in place with regards to irrigation from dams and bores. In more recent times, the Mount Lofty Ranges and surrounding catchments have been placed under moratorium as part of the process wherein the region will become a prescribed water resource. Upon formal prescription of the region, the area based entitlements stated below will be converted to a volumetric allocation and a new transferable water licence will be issued to the registered proprietor of the land.

The subject property has been issued with a Water Authorisation permitting irrigation on the subject land, with the details of the Authorisation as follows:

Water Source	Annual Allocation (Megalitres)	Index No.	Description / Comments
Three Bores and a 12.3ML dam and watercourse diversion	To date unallocated (Authorised to irrigate 77.2.0 ha of vines).	107721 (authorisation no. not provided)	The Water Authorisation allows water to be taken from CT 5292/992, CT 5434/78 and CT 5292/993.

**Note:** We have not been supplied a current copy of the water authorisation. We recommend Challenger Wine Trust ensures the appropriate approvals are sought by the Department of Water Land and Biodiversity Conservation (DWLBC) prior to the installation of frost protection sprinklers. This method of protection puts added stress on the irrigation resource.

Verbal discussions with the DWLBC have revealed that any volumetric allocation will be subject to the resource capacity, so if the Eastern Mount Lofty is under stress, Schubert Vineyard's allocation (along with all irrigators in the sub-catchment) may be reduced accordingly.

A copy of the supporting documentation is attached at **Appendix E**.

### 12.2 IRRIGATION INFRASTRUCTURE

Water supplied to the vineyards is sourced from two bores (one is not operational) situated on the subject property which supply a storage dam with an advised capacity of approximately 12.3 megalitres. Water is aerated in the dam to reduce iron content prior to being pumped via a Poliplax 150 millimetre main-line to a series of sub-mains which in turn feed an in-line drip delivery system fitted to the various vineyard blocks.

According to details provided by the property owner, the in-line drippers are spaced at 750 millimetres and supply water at 1.5 litres per hour.

Pumping infrastructure on the main dam comprises a Southern Cross centrifugal pump coupled to a Western Electric 37 kilowatt electric motor with an inlet and foot valve situated within the dam. Filtration equipment comprises two Netafim sand filters, each coupled to a set of two-a-side disc filters. A Kenrahn programmable control unit is fitted to the pumping and filtration equipment.

Fertigation is carried out by direct injection using a mobile unit.

As previously advised, moisture monitoring is carried out using a mobile capacitance probe (Diviner 2000). We understand from discussions with the manager that the whole vineyard can be irrigated in seven shifts. In terms of drainage, there appears to be two creek lines feeding through the subject property with the lower levels of gullies likely to be subject to periodic waterlogging. At the time of inspection, we noted several areas that contained fairly deep ruts indicating that equipment may have encountered some difficulties previously.



*12.3ML Holding dam*



*Bore*



*Pumping and filtration infrastructure*



*Water meter*

## 13 PRODUCTION

Fruit from the subject property is used within the Australian Vintage's premium wine labels, with a large proportion of Nepenthe Wines Sauvignon Blanc requirements sourced from the property. Any surplus fruit is sold to other wineries.

Historical production figures supplied by Challenger Wine Trust are summarised in the table below:

Variety	2007 yield	2008 yield	2009 yield	2010 yield
Chardonnay	162	68	177	140
Pinot Gris	0	11	18	15
Riesling	68	70	52	32
Sauvignon Blanc	487	580	504	514
Traminer	68	70	44	62
<b>Total</b>	<b>785.00</b>	<b>799.00</b>	<b>795.00</b>	<b>763.00</b>
<b>Hectares Bearing</b>	<b>71.96</b>	<b>74.17</b>	<b>74.17</b>	<b>74.17</b>
<b>Yield /Ha</b>	<b>10.9</b>	<b>10.8</b>	<b>10.7</b>	<b>10.3</b>

As can be seen from the table the production history of the subject property is very consistent.

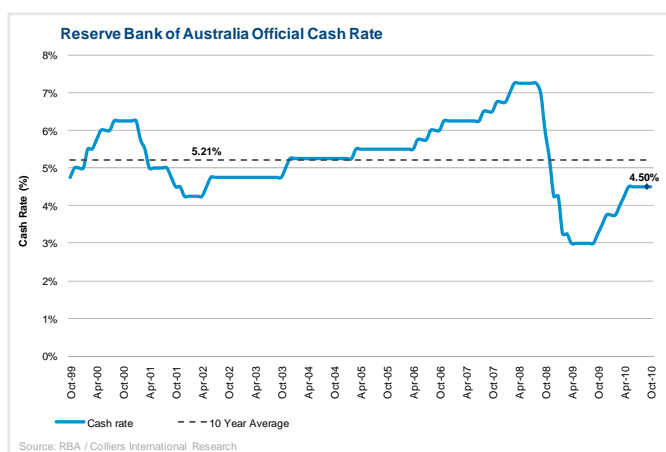
On average, yields from varieties planted in 2001 have been between 10 and 13 tonnes per hectare, which is inline with target yields for similar vineyards in the GI. The Pinot Gris plantings have yielded lower tonnages than the other blocks as 2010 was only the third vintage. Yields are expected to improve in future seasons as the variety matures.

## 14 MARKET COMMENTARY

### 14.1 ECONOMIC OVERVIEW

#### Cash Rate Holds Steady

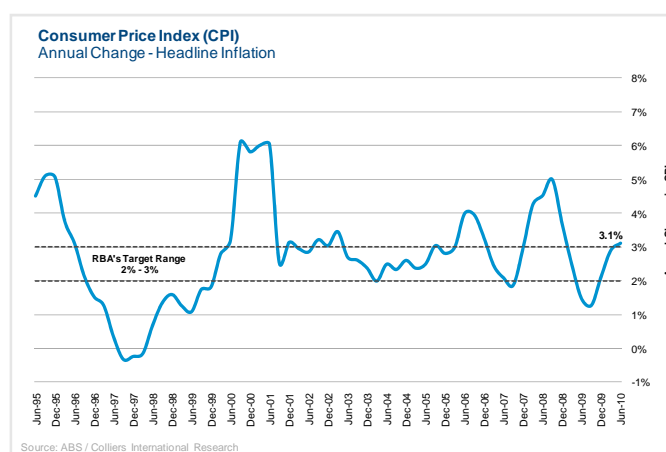
In a surprise move, the Reserve Bank of Australia (RBA) decided to keep the official cash rate steady at 4.50%, during their monthly board meeting in October 2010. The majority of economists had expected an increase of 25 basis points due to the current strength of the Australian economy combined with the fact that inflation is currently at the top of the RBA's target range of 2% to 3%. The RBA's decision was based on the view that world economic growth has slowed and there was still a degree of uncertainty across the global financial markets. It also seems that the RBA's previous concerns



about the impact to the domestic economy from sovereign debt risks in Europe and the fragile nature of US economic recovery has again influenced it's the decision on domestic official interest rates. It seems that only a major slowdown in domestic inflation can prevent a rise in rates when the board next meets in November, with the RBA finishing its October statement saying "it is likely that higher interest rates will be required, at some point, to ensure that inflation remains consistent with the medium-term target".

#### Inflation above RBA Target

Recent data released by the Australian Bureau of Statistics (ABS) showed the national Consumer Price Index (CPI) recorded a growth of 0.6% in the June 2010 quarter. This equates to an annual headline inflation growth rate of 3.1% from March 2009 to March 2010, increasing above the RBA's target range of 2-3%. Underlying inflation increased by 0.5% over the March 2010 quarter, equating to growth of 2.7% over the year. The most significant price rises during the March 2010 quarter were for tobacco (+15.4%), hospital and medical services (+3.8%), automotive fuel (+2.1%), rents (+1.1%) and house purchase (+0.6%). While the most significant offsetting price falls were for domestic holiday travel and accommodation (-6.0%), fruit (-4.8%), audio, visual and computing equipment (-6.3%) and vegetables (-3.0%). The latest forecasts from Westpac Bank suggest that inflation will increase 1.2% during the September 2010 quarter, to 3.3%.

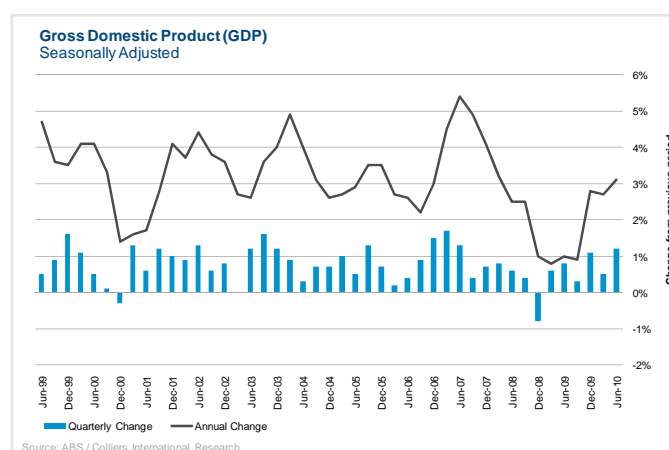


## Australian Dollar Comes Close to Parity

The Australian dollar has continued to go from strength to strength, reaching 99.18 US cents on the 8th of October, its highest point since the currency was floated in 1983. After slipping to 95.5 US cents immediately after the RBA's October decision to keep the official cash rate on hold, the dollar then jumped to its record level two days later with the release of strong employment growth figures. The strength of the Australian dollar's has come from the ongoing growth in commodity prices and trade which has stabilised the Australian economy while uncertainly still remains over the strength of the United States economy as the American Federal Reserve begins to release further stimulus measures.

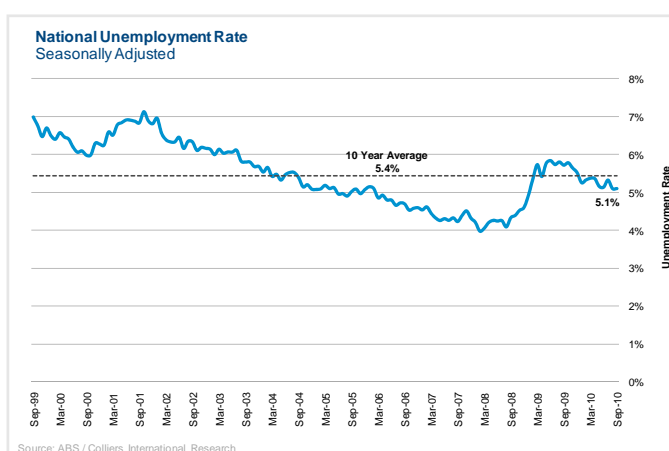
## GDP Growth Accelerates

Australian National Accounts data for the June Quarter 2010, show that GDP continued to accelerate, growing by a stronger than expected 1.2% on a seasonally adjusted basis. This result has reinforced Australia's position as one of the best performing economies in the developed world. Notably, private consumption provided the largest contribution to growth during the quarter. This is a timely shift away from the recent phase of reliance on public expenditure to stimulate economic growth. While this is an enviable result by world standards, Australia's future economic growth will continue be influenced by conditions in the US, Europe and mostly Asia. Australia remains well positioned to accommodate coal and ore demand from the rapidly urbanising China and from India. Access Economics forecasts GDP growth of 3.5% for 2011.



## Unemployment Rate Heads Towards 5%

In further evidence that the national economy is performing strongly, the latest Labour Force data shows that, in seasonally adjusted terms, national employment rose by 49,500 persons in September 2010, well above market expectations. Despite this increase in employment the unemployment rate remained steady at 5.1% as the participation rate rose by 0.2% to 65.6%. A key result within the the release was the increase of 55,800 full time jobs during the month. This indicates the high levels of employer confidence in the economy.

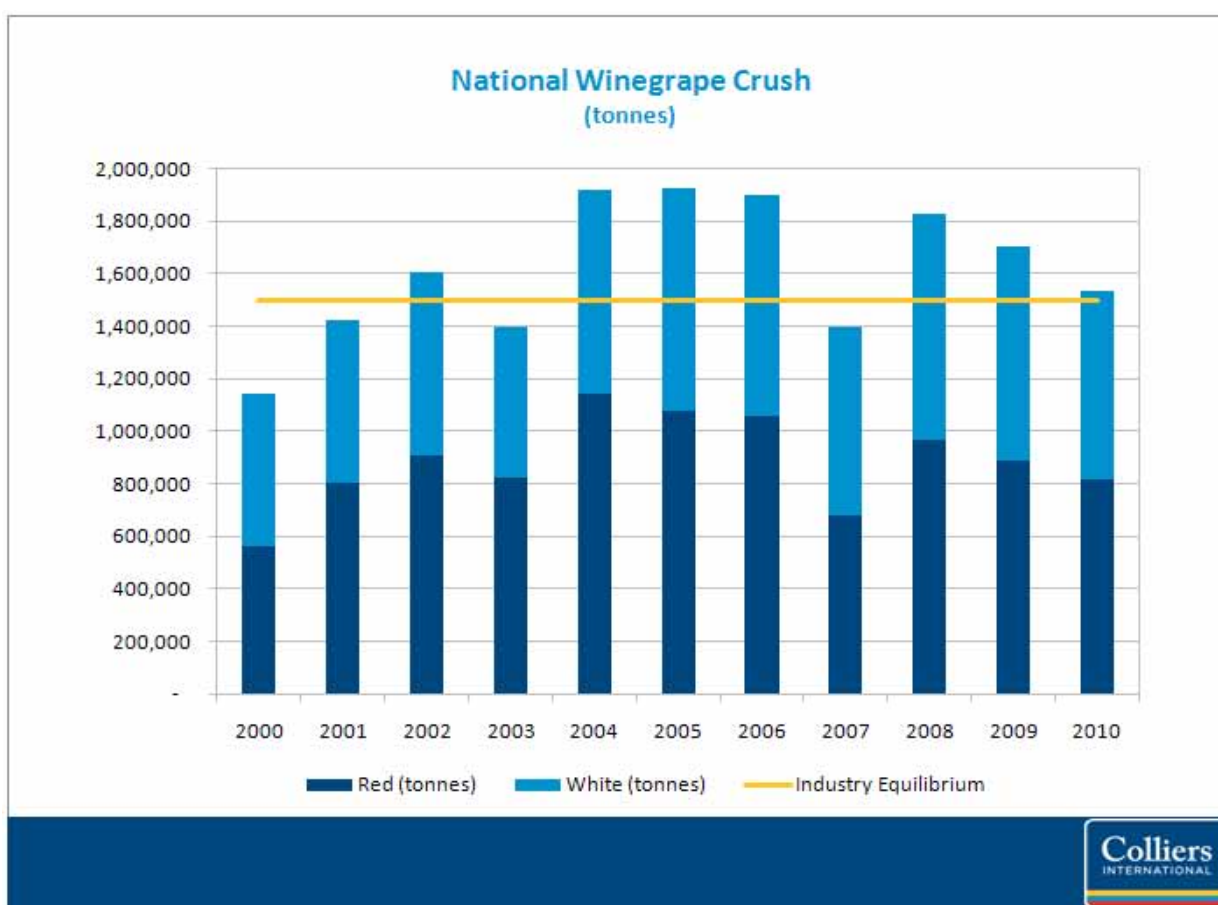




## 14.2 AUSTRALIAN WINE INDUSTRY OVERVIEW

The Australian wine industry is currently experiencing some challenging times with the following factors contributing to varying levels of optimism across the industry:

- The wine industry has experienced a level of insecurity in both demand and supply over the preceding 24 months.
- Figures released by The Winemakers Federation of Australia show the 2010 wine grape crush yielded approximately 1.53 million tonnes, which is below the five-year average of 1.68 million tonnes, bringing it to a level closer to current demand. The Winemakers Federation of Australia's estimate of red intake is 817,000 tonnes or 53% of the total crush and the white intake is estimated to be 715,500 tonnes or 47% of total crush. The 2010 crush was shorter than industry experts anticipated. History tends to suggest that when annual grape crushes have been around the 2010 level (close to equilibrium) buying competition from wineries can occur throughout harvest. Unfortunately for grape growers this was not the case for 2010. This lack of buying activity may be due to low financial returns being experienced in the industry. In the event a similar scenario occurs for the 2011 vintage we may see this increased profitability in the industry flow through to property transactions.
- According to publications released by Australian Bureau of Agricultural and Resource Economics (ABARE), Australia has approximately 162,000 hectares of grape vines in production. For the year ending 30 June 2010 approximately 7,000 hectares were removed from mainly inland warm climate regions and 13,000 hectares not harvested. We expect to see additional vines removed in the short to medium term as a result of poor economic prospects in the industry.



Source: Winemakers Federation of Australia, Australian Wine and Brandy Corporation, Colliers International Research

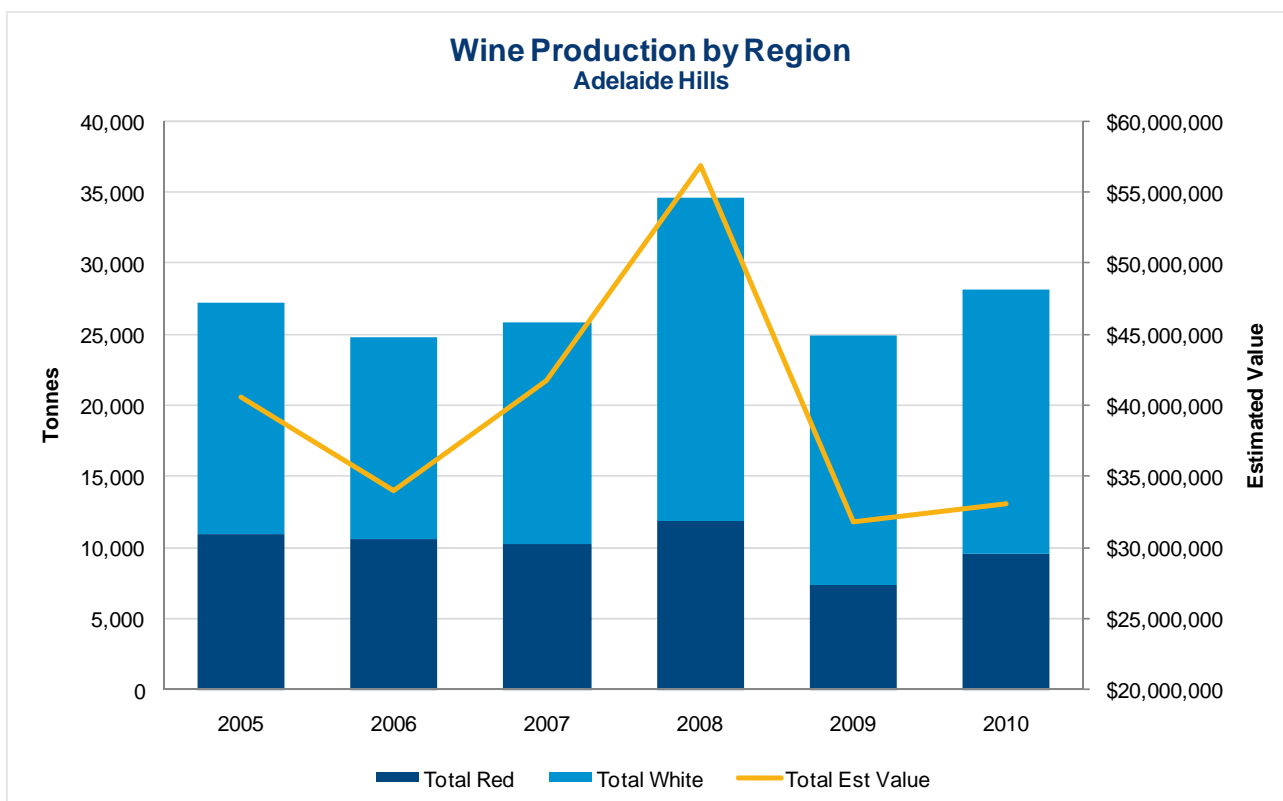
- There has been a limited amount of voluntary market activity occur throughout the major Australian wine growing regions in the past twelve to eighteen months. Large wine companies including Australia Vintage Limited, Constellation Wines Australia (CWAU), Fosters Wine Estates (FWE) and Lion Nathan to name a few have or are in the process of divesting a number of assets and reviewing their business structures. The reviews have placed a substantial volume of assets on the market which are largely a result of balance sheet driven decisions. This flood of assets to the market has resulted in buyers being awash with choice. Our research has revealed that in some instances transactions have occurred at rates indicative of vacant land values for their respective locations given the lack of returns able to be generated from these assets.
- In May 2010 Fosters the largest vineyard owner (circa 9,000ha), announced plans to pursue a demerger of their Beer and Wine business (Treasury Wine Estates), creating separately listed businesses. No decision on timing or structure of the demerger has been announced. In September 2010 Foster's announced it had received an unsolicited expression of interest from an international private equity firm to acquire the wine assets of Treasury Wine Estates for a cash consideration of between \$2.3 billion and \$2.7 billion for 100% of the assets. The proposal was rejected. As at 30 June 2010, Treasury Wine Estates had sold 22 of the 36 vineyards identified for sale, with total sale proceeds of \$59.5 million which is well below the purported book value of circa \$200 million for all the assets offered for sale.
- In addition to the above large wine companies, many small to medium wine companies both prominent and secondary locations have offered assets for sale with mixed results. We also are aware of some industry participants who have received pressure to maintain financing covenants at suitable levels. Broad estimates have revealed that over the past two years in excess of \$750 million worth of wine industry assets has been offered for sale nationally of varying sizes, locations and price points. A figure which is well above normal market conditions prior to the GFC.
- The recent uncertain times that are being experienced globally are contributing to a decrease in profits and the value of exports as well as excess supply and growth in global competition. Our currency (AUD) is currently trading at around parity with the US dollar (Nov'10) up from a low of \$US0.61 (October 08). The very high Australian dollar has contributed to eroding export profits and the price competitiveness of Australian wine exports on the overseas market. According to The Australian Wine and Brandy Corporation in the year ending June 2010, the volume of Australian wine exported increased 3.3% to 775 million litres, primarily made up of bulk wine. The total value was AUD\$2.17 billion in the year ended June 2010. Factors that contributed to the volume growth were stock clearing through opportunistic bulk wine exports priced at below \$1AUD per litre and an increase in branded bulk wine packaging offshore, particularly in the UK and US.
- Australia is still the fourth largest exporter of wine in the world and the sixth largest producer accounting for about 5% of world production.
- Tightened trading conditions in the domestic retail market as a consequence of retail consolidation (Coles and Woolworths further expand their retail liquor and hotel markets). Producers have had margins squeezed in order to gain shelf space and reduced margins at the retail end have flowed through to affect grape prices at winery intake level. This is a phenomenon that is impacting on wine companies in most developed markets. Its impacts are not confined to the wine industry with other agricultural and horticultural producers also suffering.
- Further to the tightening trading conditions, supermarkets are now launching their own low cost price products without the need of capital infrastructure. This is largely a result of the oversupply and depressed fruit prices as well as the consortiums existing retail and supply chain networks.

- The water supply situation appears to somewhat have abated as a result increased rainfall across the Murray Darling Basin and other major wine growing regions. Water allocations in many irrigation areas are already significantly higher than the whole of the 2009/10 irrigation season and will continue to rise throughout the 2010/11 irrigation season if inflows continue to be positive.
- In addition to the previous issues discussions with many growers have revealed that 2010 grape prices are down by as much as 50% in some regions with the average being in the order of 30%. As a consequence of these price reductions the Wine Grape Growers Australia are warning that there may be a mass exodus from the industry because of a lack of profitability within the sector.

### 14.3 LOCAL VINEYARD MARKET OVERVIEW

The Adelaide Hills is a premium cool climate wine region located in the Mount Lofty Ranges east of Adelaide and stretching in a narrow band some 70km in length. There are currently around 60 Adelaide Hills labels, of which 29 wine companies have cellar door facilities in the region. A handful of small scale wineries operate within the Adelaide Hills following strict environmental guidelines and are owned/operated by a combination of large wine companies and family/estate operations.

According to information collated by the Phylloxera and Grape Industry Board of SA the 2010 harvest was 28,161 tonnes in the hills, approximately 3,500 tonnes larger than the 2009 harvest as shown in the graph below.



Source : Phylloxera and Grape Industry Board of SA and Colliers International Research

As can be seen from the graph above, the total estimated value from wine grapes within the GI is very low in 2010 when compared to similar tonnages in 2005 to 2007, prior to the GFC and insecurity within the industry.



Over the last three months the general sentiment in the market has been one of contraction and emerging signs of stabilisation. The hills currently have between seven and 10 commercial size assets currently being marketed for sale. The primary motivation for vendors choosing to sell appears to be low or negative returns, with majority of the vendors' privates or syndicates.

Our research has revealed that profitable, premium vineyards with secure income streams have still attracted relatively solid enquiry from both investors and small wine companies as evidenced by the Jones Road sale in *Section 14.5 – Sales Evidence*.

Having said this, properties that have insecure income streams, require capital expenditure or have water security issues have tended to transact at values that some market analysts would perceive to be opportunistic or more aligned with vacant land values, as evidenced by the Lobethal-Gumeracha Road, Gumeracha transaction. Other contributing factors that appear to be at play in the market place include the following:

- Lack of grape supply agreements being offered by wineries as a result of the oversupply. Although, we have seen transactions over the past 18 months of wine companies paying market rates or higher for vineyards they have a sound knowledge of (eg. buying out a grape grower).
- Poor seasonal conditions experienced throughout the 2008/09 growing season have reduced the viability of some vineyards. There has been little evidence by way of distressed assets coming on to the market in the Adelaide Hills Geographic Indication (GI) when compared to other GI's. We are aware of two assets being marketed under distressed circumstances, with one of those a Great Southern's.
- Buyers are awash with purchasing options from all regions. In the current climate they are undertaking more thorough due diligence and presenting offers to vendors more a less on their terms.

Going forward the relatively high water security of the hills should also help underpin values of agricultural property such as the subject, especially if drought like continue to pose a threat to agriculture in the remainder of the state.

Our research has also revealed that wine companies are looking to shift where they source their fruit, on a 'horses for courses' basis. For example we consider cool climate varieties like Pinot, Chardonnay and Sauvignon Blanc to be sought after than lesser proven varieties in the region like Merlot and Grenache. This alignment by wine companies across all regions may have a negative impact of 'fruit salad' type vineyards with unfavourable varieties.

## 14.4 SALES EVIDENCE

In assessing the market value of the subject property, we have considered sales evidence from the Adelaide Hills, which is outlined below.

### Lobethal-Gumeracha Road, Gumeracha



The vineyard is located approximately five kilometres north of Lobethal, which in turn is located approximately 42 kilometres east of the CBD via the freeway.

The property can be described as gently sloping, dissected by the Lobethal-Gumeracha Road running in a north-south direction. Allotment piece 91 is on the western side and piece 92 on the eastern side of the road.

Building improvements include a galvanised iron clad storage shed and small pump shed.

The vineyard generally presents in good condition commensurate with its age, although the Merlot was underperforming according to our investigations.

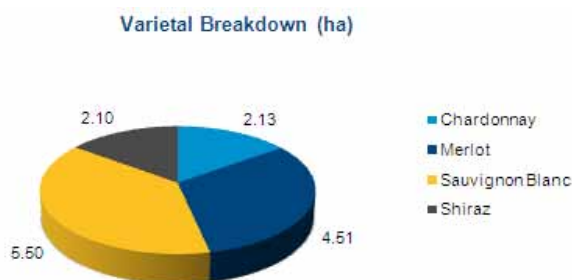
#### Sale Particulars

Sale Date	Aug 2010	Water Details	Bore and two dams 6.9ML and 10.5ML which totals 17.4ML in total.
Sale Amount	\$650,000		
Vendor	Eastern Parade P/L	Irrigation Method	Drip
Purchaser	Bonoposto P/L	Geographic Indication	Adelaide Hills
Property Area (ha)	21.95	Grape Supply Agreements	The property sold uncontracted
Vineyard Area (ha)	14.24	Vineyard Trellising	Vineyard trellising mainly comprises treated pine anchored end and intermediate posts to which have been affixed a single cordon wire, VSP and low-set drip wire.
Other Land (ha)	7.71		
		Vineyard Age	1998-2007

#### Analysis

Capital Value (\$/ha)	\$29,613
<b>Summation Approach:</b>	
Rate per Hectare Vines	\$37,000
Rate per Hectare Other Land	\$15,000
Structural Improvements	\$10,000
Price Ratio	3.93

#### Varietal Composition



#### Comments

Our research has revealed the Merlot plantings were in poor condition and may possibly be mothballed in the future. Our analysis disclosed rates generally ranging from \$20,000/ha for the Merlot plantings (effectively land + trellis+ water) through to \$45,000/ha with variations largely attributable to age, area and variety.

The property sold through an auction campaign to a private who sold a vineyard in the hills prior to the GFC and were looking to re-enter the market.

## Allotment 91 Jones Road, Balhannah



The property is located in an area that is considered to be 'dress circle' Adelaide Hills approximately two kilometres from the township of Balhannah and five kilometres from Hahndorf. The location is considered to be ideal for a cellar door sales outlet, as adjoining landholders include Nepenthe and Shaw and Smith wineries.

The vineyard has been established to a very high standard and topographically comprises rolling hills with north-south orientated rows. Building improvements on the property include a substantial 'colorbond' clad machinery/storage shed that has been lined. The property offers a number of suitable house sites.

Our research has revealed that approximately 2.34 hectares of Shiraz vines were pulled in November 2010 by the purchaser. We believe the vines were in good heart however the variety wasn't suited to the purchaser's in this location.

### Sale Particulars

Sale Date	Nov 2010	Water Details	Irrigation is sourced from a catchment feed dam. A water authorisation transferred with the property.
Sale Amount	\$1,850,000		
Vendor	Private	Irrigation Method	Drip
Purchaser	Shaw and Smith Pty Ltd	Geographic Indication	Adelaide Hills
Property Area (ha)	19.39	Grape Supply Agreements	The property sold with no grape supply agreements in place. The purchaser had an intimate knowledge of the property and historically had purchased fruit from the vendors.
Vineyard Area (ha)	8.81		
Trellised Land Area (ha)	2.27		
Roadways, Headlands and other land (ha)	8.31	Vineyard Trellising	Vineyard trellising on the property generally comprises treated pine ends and intermediate posts. The vineyard is configured onto a single cordon wire with foliage wires fitted.
		Vineyard Age	2005

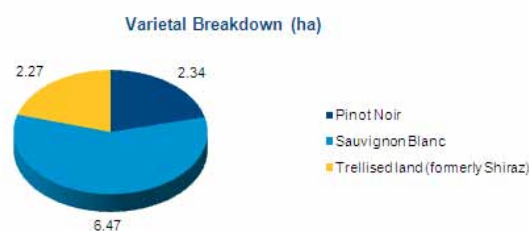
### Analysis

Capital Value (\$/ha)	\$95,410
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### Summation Approach:

Rate per Hectare Vines	\$130,000
Rate per Hectare Trellised Land	\$70,000
Rate per Hectare Roadways and Headlands	\$60,000
Structural Improvements	\$65,000
Price Ratio	5.96

### Varietal Composition



### Comments

The purchaser of the property is a neighbouring landholder who appears to have paid a premium for the property given the state of the wine industry and our knowledge of other sales in the region. Our research has revealed the purchaser has re-aligned title boundaries to absorb the vineyard and required land into their existing holdings. The spare Certificate of Title comprising approximately one hectare of land has recently advertised for sale with a local real estate agent. We are of the opinion this house site could sell for \$400-\$450k. This benefit could only be realised by a neighbouring landholder as zoning doesn't permit the creation of additional allotments in the area.

Overall the sale is considered to be at the very upper end of market parameters in the current climate. The property was being marketed for sale with a local agent with the vendor eventually dealing direct with the purchaser.

### Scary Gully Vineyard - Deviation Road, Forest Range SA



Scary Gully Vineyard is contained in two certificates of title and is located approximately 20 kilometres east of Adelaide. The site is moderate to steeply undulating, with the plantings established from 1994 onwards on undulating slopes around 550 metres in altitude. The whole of the vineyard is harvested by hand and historically has produced yields in the range of 7.5 to 10 tonnes per hectare.

Water for irrigation is provided by underground bore and some catchment into the two main dams on the property.

Building improvements on the property consists of two substantial steel framed sheds of good quality and two lower order sheds and internal crushed metal roadways.

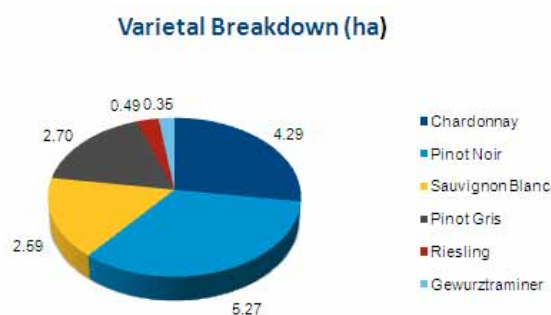
#### Sale Particulars

Sale Date	March 2010	Water Details	Bore and dams
Sale Amount (WIWO)	\$1,200,000	Irrigation Method	Drip
Vendor	Private	Geographic Indication	Adelaide Hills
Purchaser	Private	Grape Supply Agreements	The property sold uncontracted although historically has provided fruit to Deviation Road Wine Co (related entity of the vendor), Petaluma, and most recently Wine Grapes Australia.
Property Area (ha)	32.86		
Vineyard Area (ha)	15.69		
Other Land (ha)	17.17	Vineyard Trellising	Vineyard trellising mainly comprises treated pine anchored end and intermediate posts to which have been affixed a single cordon wire, VSP and low-set drip wire.
		Vineyard Age	1994-2007

#### Analysis

Capital Value (\$/ha)	\$34,213
<b>Summation Approach:</b>	
Rate per Hectare Vines	\$52,000
Plant and Equipment	\$75,750
Rate per Hectare Other Land	\$15,000
Structural Improvements	\$50,000
Price Ratio	5.16

#### Varietal Composition



#### Comments

Our analysis disclosed rates generally ranging from \$40,000/ha through to \$60,000/ha with variations largely attributable to age, area and variety. We note the subject property has a good history of producing high quality fruit. Our research has revealed the property's steep terrain has restricted machinery access to parts of the vineyard over the years which have pushed up running costs when compared to industry averages for the region. The property also has several potential house sites and offers flexibility with two Certificates of Title. Discussions with the selling agent have disclosed that approximately \$75,750 worth of plant and equipment was included in the purchase price with the property contracted in late 2009.

## Partalunga Vineyard – Mount Pleasant-Keyneton Road, Mount Pleasant



Partalunga Vineyard is located between the townships of Mount Pleasant and Springton and has road frontages to Mount Pleasant –Springton Road, Marley Road, McBeans Range Road. The property is contained in 11 Certificates of Title which provides flexibility for the sale of rural living (5-10 hectares) allotments. The vineyard has been established to a high standard and has produced yields in the range of 8.2 (683 tonnes) to 2.2 (188 tonnes) per hectare over the past five vintages. Yield inconsistencies have largely been a result of water security.

The subject property includes substantial building improvements, such as a modern residence, chemical shed, workshop, machinery shed, shearing shed, hay shed, 'Atco' style offices. Other improvements include squatters tanks, yards, concrete washdown bay, decommissioned gantry and landscaping surrounding the residence.

### Sale Particulars

Sale Date	October 2009	Water Details	Catchment fed dams (145mL and 60mL) governed by a Water Authorisation (DWLBC). Total storage equates to 205mL or 2.45mL per planted hectare. Historically the property has also relied upon neighbouring water with this considered to be an informal agreement.
Sale Amount	\$2,400,000		
Vendor	B Seppelt and Sons Ltd		
Purchaser	Threes A Crowd Pty Ltd		
Property Area (ha)	223.55	Irrigation Method	Drip
Vineyard Area (ha)	83.67	Geographic Indication	Adelaide Hills
Planted Area (ha)	84.00	Grape Supply Agreements	A GSA back to FWE for 5 years at 350 tonnes for all varieties apart from Meunier, Riesling and Merlot. Grades range from D to A grade quality.
Other Land (ha)	55.88	Vineyard Trellising	Vineyard trellising mainly comprises treated pine ends and intermediate posts to which have been affixed a single cordon wire and low-set drip wire. In addition some blocks have a top catch wire fitted as well.
		Vineyard Age	1982-1994

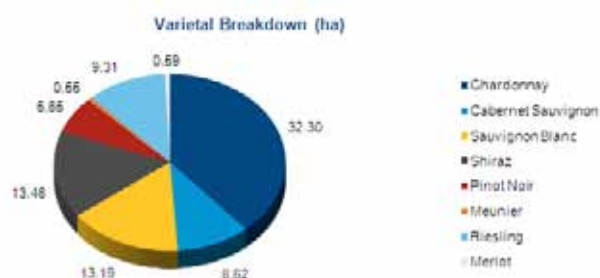
### Analysis

Capital Value (\$/ha) \$10,736

#### Summation Approach:

Rate per Hectare Vines	\$15,500
Rate per Hectare Plantable	\$7,500
Rate per Hectare Other Land	\$3,750
Structural Improvements	\$270,000
Price Ratio	4.38

### Varietal Composition



### Comments

Our analysis disclosed rates generally ranging from \$7,500/ha through to \$25,000/ha with variations largely attributable to age, area, variety and contract status. We note the subject property has a good history of producing high quality fruit although has been plagued with water security issues which has produced inconsistent yields. 11 Certificates of Title provide the purchaser with flexibility moving forward, with limited additional value attributable from the acquiring multiple titles in this instance.

## Lenswood Vineyard, Croft Road, Lenswood SA



Lenswood Vineyard has dual road frontage to Croft and Joyce Roads and is located approximately 3 kilometres from the centre of the Lenswood township, which is approximately 29 kilometres east of the CBD.

Topographically, the property is moderately to steeply sloping and appears to be well suited to viticulture with an abundance of water available from both surface catchment dams and bores.

The property is largely devoid of structural improvements apart from complimentary shedding improvements situated towards the road boundary. Despite this there are several sites that may be suitable for the development of a house subject to the relevant consents.

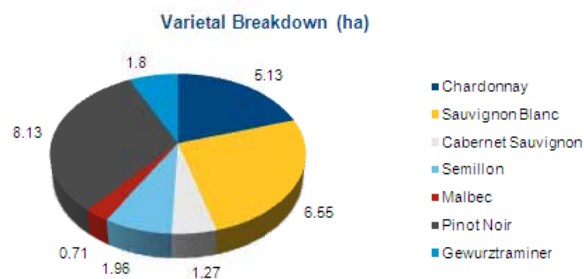
### Sale Particulars

Sale Date	August 2009	Water Details	Bores and dam.
Sale Amount	\$1,900,000	Irrigation Method	Drip
Vendor	Private	Geographic Indication	Adelaide Hills
Purchaser	Private	Grape Supply Agreements	Historically, the property has provided fruit to Henschke Wines amongst others.
Property Area (ha)	43.00		
Vineyard Area (ha)	25.50	Vineyard Trellising	Vineyard trellising mainly comprises treated pine end and intermediate posts to which have been affixed a combination of single and double cordon wires and drip wire. Additionally portion of the vineyard has steel intermediate grape stakes spaced between pine posts.
Grazing Land (ha)	13.45		
Scrub Area (ha)	4.00		
		Vineyard Age	1984-2002

### Analysis

Capital Value (\$/ha)	\$44,186
<b>Summation Approach:</b>	
Rate per Hectare Vines	\$66,000
Rate per Hectare Plantable land	\$12,500
Rate per Hectare Other Land	\$5,000
Structural Improvements	\$30,000
Price Ratio	5.16

### Varietal Composition



### Comments

Overall the property appeared to be well maintained and our analysis disclosed rates generally ranging from \$50,000/ha through to \$75,000/ha with variations largely attributable to age, area and variety. We understand historically, fruit from the property has been used in the Knappstein Wines label and more recently Henschke Wines label amongst others. The property was purchased off market by representatives of Henschke Wines, with the company owning other property within the Lenswood area. The sale is considered to be representative of quality vineyards within the Adelaide Hills Region. We note that the property previously transacted in April 2004 for \$1,850,000.



## Sales Conclusion

In addition to the above sales evidence we are aware of the sale of 'Prominent Hill Vineyard' located at Windsor Avenue, Hahndorf. The property sold in December 2009 to a Chinese buyer for \$3.5 million dollars which is considered to be well above market parameters. It is our understanding the vendor (The Lane Wine Co.) will lease the vineyard back for a period of 10 years, with these terms confidential. Our research has revealed that an additional \$500,000 maybe payable by the purchaser upon the subject property gaining development approval to construct resort accommodation. This would bring the total purchase price to \$4,000,000. The 28.0 hectare vineyard is planted to Shiraz, Chardonnay and Pinot Gris and building improvements included a pump shed. Analysis of the sale (at \$3.5 million) using the summation approach shows the vineyard made around \$120,500 per planted hectare. We however consider this sale to be a one off transaction which would be very hard to replicate even in strong market conditions, with a highly motivated buyer.

After examination of the sales evidence, we have primarily considered the following to be the most comparable and further comment as follows:

- Lobethal-Gumeracha Road, Gumeracha – The property is located in a slightly inferior location and sold with some under performing varieties. The property is considered to be inferior.
- Allotment 91 Jones Road, Balhannah – The property is located in a superior location with the purchaser having an intimate knowledge of the property. Acquired by an adjoining landholder who has paid a premium for the property.
- Scary Gully Vineyard – The property is located in a comparable location with the vineyard considered to be slightly inferior due its terrain and varietal mix.
- Partalunga Vineyard – The only recent large commercial vineyard to have sold in recent times. Considered to be inferior location with water security issues and inferior varietal mix. A small portion of the vineyard was contracted to the vendor which showed higher rates than the uncontracted vines.
- Lenswood Vineyard – Comparable location with the vineyard comparable. The purchaser had an intimate knowledge of the property and paid towards the upper end of market ranges for the area.

Analysed sales of vineyards within the Adelaide Hills, have disclosed rates of \$15,500 to \$130,000 per hectare, with variances as a result of date of transaction, location, topography, varietals, age of plantings, status of contract/management agreement, water security, condition and overall investor appeal.

Rates towards the upper end of the range typically are planted to desirable mature cool climate varieties, can be located on multiple titles, produce high quality fruit, located in close proximity to services, offer sound investment fundamentals and are well presented.

Balancing the strengths and weaknesses of the subject holding, including varieties, location, size, water security, age and condition of plantings we have adopted rates in the range of \$50,000 per hectare to \$65,000 per hectare on a vacant possession basis. The adopted rates equate to an average of \$59,871 per hectare across the whole of the vineyard. This is supported by the sales evidence outlined in the previous section and considered to be reflective of the property's profitability, condition size and investor appeal.

In terms of the other land on the subject property, we have drawn our conclusion from both our general knowledge of land values in the area as well as the other land rates in the sales evidence disclosed above. Analysed rates fall in the range of \$3,750 to \$60,000 per hectare. Based on the utility of the subject's other land, topography and size we have adopted a rate of \$15,000 per hectare.

## 15 VALUATION METHODOLOGY

### 15.1 VACANT POSSESSION VALUE

In order to determine the likely market rent for the subject vineyard we need to calculate its probable market value on a vacant possession basis. In determining the value of the subject land in this instance, we have deemed it appropriate to utilise a combination of the Direct Comparison and Summation methods of valuation. We have drawn our estimates of market value of the vineyards based on the market evidence described in this report, to which we have then added what we consider to be appropriate values for the structural improvements and the balance of the land, to determine an overall market value for the subject property. We regard this method as being consistent with that likely to be engaged by purchasers in the market place. While we have relied on market transactions, due the difficult market conditions and shortage of clear market evidence, we have also had to place reliance on valuation opinion to a greater than preferable extent in determining what we regard to be reasonable market values for the subject asset.

As a check method we have prepared a 10 year discounted cash flow assessment on the vineyard. This analysis reflects the income generating ability expected from the within vineyards discounted at a rate derived from industry research and discussions, together with our valuation opinion. The historical internal rate of return that one of the large wine companies that we are aware of, require from a vineyard is 16.0%. We are also aware of internal rates in the range of 12.0% to 14.0% being applied by some wine companies in the Adelaide Hills and McLaren Vale areas, where higher land prices, smaller vineyard parcels, mixed land uses and competition from other buyer groups are becoming a factor. In this instance, we have adopted a discount rate of 12.0% for the subject vineyard. In addition we have assumed that the fruit will be sold at district averages based on historical production records.

In terms of cash flow inputs, we have indexed grape prices and operating expenses by an average 2.75% over the life of the cashflow. Our starting grape prices are in line with the advise prices being proposed for the 2011 vintage and have been held constant for two years due poor profitability within the industry and increased in 2013. Vineyard production costs have been applied at \$7,500 per hectare being around the average for the vineyards of this size in the GI. Our assessed sale price (or terminal value) is the determined market value of the asset indexed at an average 2.75% growth for the ten year period. Given that the value is determined off a very low base we regard this as a reasonable approach.

By identifying the net income streams over the 10 year period and utilising our estimate of current market value of the vineyard and complementary improvements as a starting point, we have determined that in this instance, the vineyard should be capable of generating a return of in the range of 12.49% based on the assessed market value. Taking the above factors into account, we are of the opinion that the market value as determined by comparable sales analysis for the vineyard in this instance is appropriate, and has been adopted accordingly.



Below are the summary valuation calculations for Schubert Vineyard. Detailed calculation schedules are set out within the appendices at the rear of this report.

Vineyard Plantings 74.17 ha. x \$59,871/ha	\$ 4,440,650
Roadways, headlands and other land 33.84ha x \$15,000/ha	\$ 507,600
Structural Improvements	\$ 289,520
Total	\$ 5,237,770
<b>Total (Rounded)</b>	<b>\$ 5,250,000</b>

## 15.2 ENCUMBERED VALUE

In determining the current market value of the property on an encumbered basis we have had regard to the subject property's Weighted Average Lease Expiry (WALE) of 0.50 years from the date of valuation. Given this time period encompasses only two quarterly payments we therefore have not assumed any new leases or options would be entered into at the end of the existing lease. We are of the opinion buyers in the market place would have regard to the following pertinent points:

- The passing rent of \$708,774.18 equates to approximately 13.50% of the unencumbered value which is above market rates. We are of the opinion that market rent in the current climate falls in the range of 9-10% of unencumbered value or \$472,500 to \$525,000 per annum.
- As at the date of inspection the lessor and lessee have not commenced negotiations around leasing the property beyond the 3 July 2011 expiry date.

Having regard to the above we are of the opinion that buyers in the current climate would assess the encumbered value of the property based on the secured income. We therefore have assessed the Net Present Value of the subject property based on the remaining income streams.

In determining an appropriate discount rate we have had regard to internal rates of return from other classes of property investment. We summarise returns from various property asset classes as follows:

CBD Office	9.00% to 10.00%
Industrial	9.00% to 10.50%
Retail	9.00% to 10.00%

This compares with owner occupied agricultural operations, with returns summarised as follows:

Piggeries	12.00% to 14.00%
Broilers	12.00% to 15.00%
Dairies	14.00% to 16.00%

We consider that the risk associated with the cashflow of a horticultural or viticultural investment property of this nature is more akin to the specialised agricultural assets as listed above. We have therefore adopted a discount rate of 7.00% for the subject property which is considered to have regard to the relatively short period of time the rental stream runs for (six months). We are of the opinion that for a longer lease period (say five years) a discount rate in the order of 10-12% would be more appropriate in the current market.

A summary of our calculations is shown in the table below:

<b>NPV of Schubert's Vineyard Remaining Rental stream to 3 July 2011</b>							
Month Number	1	2	3	4	5	6	7
Month	1/01/2011	1/02/2011	1/03/2011	1/04/2011	1/05/2011	1/06/2011	1/07/2011
Annual Discount Rate	7.00%						
Monthly Discount Rate	0.57%						
Annual Rental Payment	\$708,774						
Rental payments	\$177,194	\$0	\$0	\$177,194	\$0	\$0	\$0
End Value							\$5,250,000
Total Cashflow payments	\$177,194	\$0	\$0	\$177,194	\$0	\$0	\$5,250,000
Start Value	\$5,250,000						
NPV=	\$5,396,270						
Acquisition costs	0.00%	\$0					
Value	\$5,396,270						
<b>Market Value Rounded</b>	<b>\$5,400,000</b>						
Improved Rate (\$/ha)	\$49,995						
Disposal Costs	0.00%						

We therefore have adopted an Encumbered Market Value of **\$5,400,000**. We are of the opinion that buyers would also have had regard to becoming owner occupiers of the subject property in some capacity and therefore consider the encumbered value and unencumbered values to be similar.

## 16 ADDITIONAL REQUESTS

### 16.1 REASONABLE SELLING PERIOD

It is our opinion the reasonable selling period for the property in the order of six to eight months. Despite this we are unable to predict future market conditions and as such, you should not assume this assessment of selling period would remain unchanged should market conditions alter.

### 16.2 PROBABLE PURCHASER GROUPS

In our opinion, the most likely purchaser of the subject property would be from the following groups:

- Institutional or syndicate(s) of investors seeking an income producing investment, or
- Existing wine industry players seeking a facility within the region. We are aware of large Riverina Wine companies that are looking to buy Adelaide Hills assets given the secure water supply the region offers.

### 16.3 VALUATION CERTIFICATE

As requested we have supplied a valuation certificate compliant with the Hong Kong Stock Exchange's Regulatory Requirements. This certificate may be included in the Major Transaction Circular to be dispatched to the shareholders of CKLS on or before 31 December 2010.

A copy of the Certificate is attached at **Appendix G**.

## 17 VALUATION

We assign the following value to the subject property as at **31 December 2010** and subject to the existing leases, comments, terms, conditions and assumptions contained within and annexed to our report, in fee simple and assuming the property is free of encumbrances, restrictions or other impediments of an onerous nature which would affect value:

**Market Value on an Unencumbered/Vacant Possession Basis:**

**\$5,250,000 – GST Exclusive**

**(FIVE MILLION TWO HUNDRED AND FIFTY THOUSAND DOLLARS)**

**Market Value on an Encumbered/Leased Basis:**

**\$5,400,000 – GST Exclusive**

**(FIVE MILLION FOUR HUNDRED THOUSAND DOLLARS)**

Finally, and in accordance with our normal practice, we confirm that this report is confidential to **Regenal Investments Pty Limited for major transaction purposes**. No responsibility is accepted to any third party and neither the whole of the report or any part or reference thereto may be published in any document, statement or circular nor in any communication with third parties without our prior written approval of the form and context in which it will appear.

**Colliers International Consultancy and Valuation Pty Limited**



**Nicholas Cranna, AAPI**  
**Certified Practising Valuer**  
**B Bus (Prop) Val**

**14 December 2010** (Date of Signing Report)



**Alex Thamm, AAPI**  
**Certified Practising Valuer**  
**B Bus (Prop) Val**

**14 December 2010** (Date of Signing Report)

# APPENDIX A

CICV Standard Terms of Business



IT IS AGREED AS FOLLOWS:

## 1. DEFINITIONS

'Confidential information' means information that:

- (a) Is by its nature confidential;
- (b) Is designated by Us as confidential;
- (c) You know or ought to know is confidential;
- (d) and includes, without limitation:
  - (i) Information comprised in or relating to any of Our intellectual property in the Services or any reports or certificates provided as part of the Services; and
  - (ii) The Quotation annexed hereto.

'Currency Date' means, in relation to any valuation or consultancy report, the date as at which our professional opinion is stated to be current.

'Fee' means the amount agreed to be paid for the Services as set out in the Quotation.

'Parties' means You or Us as the context dictates.

'Quotation' means the written quote provided by Us in relation to the Services.

'Services' means the valuation or consultancy services provided pursuant to these Terms and Conditions and the Quotation, and includes any documents, reports or certificates provided by Us in connection with the services.

'We', 'Us', 'Our' means Colliers International Consultancy and Valuation Pty Limited (ABN 88 076 848 112).

'You', 'Your' means the entity engaging Us to perform the Services as set out in the Quotation.

## 2. PERFORMANCE OF SERVICES

2.1. We will provide the Services in accordance with:

- (a) The Terms and Conditions contained herein; and
- (b) The required provisions of the current Australian Property Institute Professional Practice standard.

## 3. CONDITION OF THE PROPERTY

3.1. In undertaking the Services We will have regard to the apparent state of repair, condition and environmental factors in relation to the property based upon a visual inspection, but We will not (and are not qualified to) carry out a structural, geotechnical or environmental survey. We will not inspect those parts of the property that are unexposed or inaccessible.

3.2. We will assume that there is no timber infestation, asbestos or any other defect (unless advised otherwise) and that the property is compliant with all relevant environmental laws. It is Your responsibility to provide reports to Us that are relevant to these issues.

3.3. We will not undertake a detailed inspection of any plant and equipment or obtain advice on its condition or suitability.

3.4. We recommend that You engage appropriately qualified persons to undertake investigations excluded from the Services.

3.5. No responsibility will be accepted either to You or to any third party for loss or damage that may result directly or indirectly from the condition of the property.

## 4. ENVIRONMENT AND PLANNING

4.1. We will obtain only verbal town planning information. It is Your responsibility to check the accuracy of this information by obtaining a certificate under the appropriate legislation.

4.2. State or Federal Laws may require environmental audits to be undertaken before there is a change of land use. You will provide such audits to Us where they are required. We will not advise You whether such audits are required or obtain such audits. If You do not provide Us with such audits We will perform the Services on the assumption that such audits are not required.

## 5. BUILDING AREAS AND LETTABLE AREAS

5.1. Where a survey is provided to Us for consideration, We will assume that information contained in the survey is accurate and has been prepared in accordance with the Property Council of Australia (PCA) Method of Measurement.

5.2. If You do not provide Us with a survey, We will estimate building and/or lettable areas based only upon available secondary information (including but not limited to building plans, Deposited Plans, and our own check measurements). Such estimates do not provide the same degree of accuracy or certainty as would be provided by a survey prepared by an appropriately qualified professional in accordance with the Property Council of Australia (PCA) Method of Measurement.

5.3. Where such a survey is subsequently produced which differs from the areas estimated then You will refer the valuation or consultancy advice back to Us for comment or, where appropriate, amendment.

## 6. OTHER ASSUMPTIONS

6.1. Unless otherwise notified by You, We will assume:

- (a) there are no easements, mortgages, leases, encumbrances, covenants, caveats, rights of way or encroachments except those shown on the Title; and
- (b) all licences and permits can be renewed and We will not make any enquiries in this regard.

6.2. Where third party expert or specialist information or reports are provided to Us or obtained by Us in connection with the Services (including but not limited to surveys, quantity surveyors reports, environmental audits, structural/dilapidation reports), We will rely upon the apparent expertise of such experts/specialists. We will not verify the accuracy of such information or reports.

## 7. VALUATION FOR FIRST MORTGAGE SECURITY

7.1. Where the Services are provided for mortgage purposes, You agree that You will not use the valuation or consultancy report where the property is used as security other than by first registered mortgage.

7.2. We reserve the right, at Our absolute discretion, to determine whether or not to assign Our valuation to any third party. Without limiting the extent of Our discretion, We may decline a request for assignment where:

- (a) the proposed assignee is not a major recognised lending institution (such as a major bank);
- (b) the assignment is sought in excess of 3 months after the date of valuation;
- (c) We consider that there has been a change in conditions which may have a material impact on the value of the property;
- (d) the proposed assignee seeks to use the valuation for an inappropriate purpose (including in a manner inconsistent with Your agreement at clause 7.1); or
- (e) Our Fee has not been paid in full.

7.3. Where We decline to provide an assignment on either of the bases at 7.2(b) or (c), We may be prepared to provide an updated valuation on terms to be agreed at that time.

7.4. In the event that You request us to assign Our valuation and We agree to do so, You authorise Us to provide to the assignee a copy of these Terms and Conditions, the Quotation and any other document, including instructions provided by You, relevant to the scope of Our Services.

## 8. ESTIMATED SELLING PRICE

8.1. Where You instruct Us to provide an Estimated Selling Price, You agree that the Services:

- (a) are limited to the provision of an opinion based upon Our knowledge of the market and informal enquiries.
- (b) We are not required to carry out a full inspection of the property; any inspection of comparable properties; a search on Title(s) or other enquiries as to encumbrances, restrictions or impediments on Title(s); or other investigations which would be required for a formal valuation.
- (c) provide an indicative figure only which is not suitable for use for any purpose other than as general information or guide as to sale expectations. It is not suitable to be relied upon for the purpose of entry into any transaction.

8.2. No responsibility will be accepted either to You or to any third party for loss or damage that may result from the issue of such an Estimated Selling Price.





**9. CURRENCY OF VALUATION**

- 9.1. Due to possible changes in market forces and circumstances in relation to the subject property the Services can only be regarded as relevant as at the Currency Date.
- 9.2. Where You rely upon Our valuation or consultancy report after the Currency Date, You accept the risks associated with market movement between the Currency Date and the date of such reliance.
- 9.3. Without limiting the generality of 9.2, You should not rely upon Our valuation or consultancy report:
  - (a) after the expiry of 3 months from the Currency Date;
  - (b) where circumstances have occurred during that period which may have a material effect on the value of the property or the assumptions or methodology used in the valuation or consultancy report.

**10. MARKET PROJECTIONS**

- 10.1. Any market projections incorporated within our Services including, but not limited to, income, expenditure, associated growth rates, interest rates, incentives, yields and costs are projections only, and may prove to be inaccurate. Accordingly, such market projections should be interpreted as an indicative assessment of potentialities only, as opposed to certainties.
- 10.2. Where Our Services include market projections such projections require the dependence upon a host of variables that are highly sensitive to varying conditions. Accordingly, variation in any of these conditions may significantly affect these market projections.
- 10.3. Where market projections form part of Our Services, We draw your attention to the fact that there will be a number of variables within acceptable market parameters that could be pertinent to Our Services and the projections adopted are representative of only one of these acceptable parameters.

**11. YOUR OBLIGATIONS**

- 11.1. You warrant that the instructions and subsequent information supplied by You contain a full and frank disclosure of all information that is relevant to Our provision of the Services.
- 11.2. You warrant that all third party expert or specialist reports provided to Us by You for the purpose of Us providing the Services are provided with the authority of the authors of those reports.
- 11.3. You authorise and licence us to incorporate Your intellectual property within our report(s).
- 11.4. You will not release any part of Our valuation or consultancy report or its substance to any third party without Our written consent. Such consent will be provided at Our absolute discretion and on such conditions as We may require including that a copy of these Terms and Conditions be provided to such third party. This clause shall not apply to persons noted as recipients in Your prior instruction to Us or in the Quotation provided that You shall provide any such recipient with a copy of these Terms and Conditions.
- 11.5. If You release any part of the valuation or consultancy advice or its substance with our written consent, You agree: a) to inform the other person of the terms of our consent; and b) to compensate Us if You do not do so. We have no responsibility to any other person even if that person suffers damage as a result of any other person receiving this valuation or consultancy advice.
- 11.6. You must pay our Fees within 14 days of the date of a correctly rendered invoice. Fees that remain unpaid for a period of 30 days or more will attract an administration charge of 2% of the total of the invoice calculated per month or part thereof.
- 11.7. We reserve the right to reconsider or amend the valuation or consultancy advice, or the Fee set out in our Quotation to You if:
  - (a) Certificates, surveys, leases, side agreements or related documentation that were not provided to Us prior to the provision of the Services are subsequently provided, and contain matters that may affect the value of the advice; or
  - (b) Where subsequent site inspections made in relation to any of the matters raised in clause 3 materially affect or may alter the value of the property the subject of the Services.

**12. CONFIDENTIALITY**

- 12.1. You must not disclose or make any of the Confidential Information available to another person without Our written consent.
- 12.2. If consent to disclose the Confidential Information is provided by Us, You agree to abide by any additional terms and conditions that We may apply to that disclosure.

**13. PRIVACY**

- 13.1. We may obtain personal information about You in the course of performing Our Services. We respect Your privacy. The Privacy Amendment (Private Sector) Act, 2001 requires Us to advise You that we will only obtain information that is necessary to assist us in the course of performing Our Services. If it is necessary for Us to engage third parties, we will inform these parties that they are not to disclose any personal information about You to any person or organisation other than Us.
- 1.1. A copy of Our Privacy Policy can be obtained by contacting Our Chief Privacy Officer.

**14. SUBCONTRACTING**

- 14.1. We may subcontract or otherwise arrange for another person to perform any part of the Services or to discharge any of Our obligations under any part of these Terms and Conditions, with Your consent.

**15. LIABILITY**

- 15.1. You agree to release Us and hold Us harmless from all liability to You for or in respect of any loss, damage, costs and expenses of whatsoever kind which we have or may have or, but for the operation of this Clause, might have had arising from or in any way connected with the Services or the use of the Services or any part of them. This release shall be complete and unconditional except in the case of gross negligence or wilful misconduct by Us in the provision of the Services.
- 15.2. You agree that You will fully indemnify Us for and in respect of all loss, liability, costs and expenses of whatsoever kind which We may suffer or incur arising from or in any way connected with any breach by You of Clause 11 or Clause 12. This indemnity shall include but not be limited to loss, liability, costs and expenses which we may suffer or incur in respect of any claims, actions, proceedings, disputes or allegations made against Us or to which we are a party.

**16. ENTIRE AGREEMENT**

- 16.1. No further agreement, amendment or modification of these Terms and Conditions shall be valid or binding unless made in writing and executed on behalf of the Parties by their duly authorised officers.
- 16.2. If there is an inconsistency between these Terms and Conditions and the Quotation, any letter of instruction from You, or other specific request or information, the other specific request or information shall prevail to the extent of the inconsistency.

# APPENDIX B

Letter of Instruction



## **Regenal Investments Pty Limited**

(Incorporated in Australia with limited liability)

Registered Office: c/o Thomsons Lawyers, Level 25, 264 George Street, Sydney, NSW 2000

Angus Barrington-Case  
Manager – Rural & Agribusiness  
Colliers International Consultancy and Valuation Pty Ltd  
Level 10, Statewide House  
99 Gawler Place  
Adelaide SA 5000

(by email: [angus.barrington-case@colliers.com](mailto:angus.barrington-case@colliers.com))

2<sup>nd</sup> December 2010

Dear Mr Barrington-Case

### **VALUATION APPOINTMENT**

CK Life Sciences Int'l, (Holdings) Inc. ("CKLS"), a company listed on the Hong Kong Stock Exchange, via its wholly owned subsidiary CK Life Sciences Int'l, Inc., has offered to acquire 72.26% of the outstanding units in Challenger Wine Trust ("CWT") under a Scheme of Arrangements subject to certain conditions. This Scheme will go to CWT unitholder vote on 28 January 2011.

Regenal Investment Pty Limited ("Regenal") (ACN 147 113 531), as nominee of CKLS and proposed unitholder of CWT Units under the Scheme of Arrangements, requests that you undertake an independent valuation of the following properties:

- Cocoparra & Woods Vineyards, Riverina, NSW
- Whitton Vineyard, Riverina, NSW
- Summers Vineyard, Eden Valley, SA
- Corryton Park, Eden Valley, SA
- Pooles Rock Winery, Hunter Valley, NSW
- Hermitage Rd Winery, Hunter Valley, NSW
- Stephendale Vineyard, Riverina, NSW
- Balranald Vineyard, Riverina, NSW
- Chapel Vineyard, Coonawarra, SA
- Schuberts Vineyard, Adelaide Hills, SA
- Waikerie Vineyard, Riverland, SA
- Richmond Grove Vineyard, Padthaway, SA
- Lawsons Vineyard, Padthaway, SA

The valuation report is to be included in the Major Transaction Circular to be despatched to the shareholders of CKLS on or before 31 December 2010, as more fully described in the attached announcement (Appendix A). The Major Transaction Circular is part of the Hong Kong Stock Exchange's regulatory requirements, and its contents and formats are prescribed by the Listing Rules of the Hong Kong Stock Exchange.

The Scope of the valuation report should comply with the Hong Kong Stock Exchange Checklist (Appendix B) and Chapter 5 of the Main Board Listing Rules of the Hong Kong Stock Exchange (Appendix C). A sample of a valuation report for another transaction is enclosed herewith for your reference (Appendix D).

Access to information and the properties can be arranged through Ms Melissa Watson of Challenger Wine Trust.

The total valuation fees per your quotes dated 30 November and 1 December 2010 will not exceed the specified amounts below:

- Cocoparra & Woods Vineyards, Riverina, NSW
- Whitton Vineyard, Riverina, NSW
- Summers Vineyard, Eden Valley, SA
- Corryton Park, Eden Valley, SA
- Pooles Rock Winery, Hunter Valley, NSW
- Hermitage Rd Winery, Hunter Valley, NSW
- Stephendale Vineyard, Riverina, NSW
- Balranald Vineyard, Riverina, NSW
- Chapel Vineyard, Coonawarra, SA
- Schuberts Vineyard, Adelaide Hills, SA
- Waikerie Vineyard, Riverland, SA
- Richmond Grove Vineyard, Padthaway, SA
- Lawsons Vineyard, Padthaway, SA

Draft reports are to be provided by **Wednesday 15 December 2010**, and final reports are to be provided by **Friday 17 December 2010**.

Your acceptance of these instructions infers that you (1) are independent of CKLS; and (2) have appropriate professional qualifications and experience of valuing properties in Australia and are authorised to do so by the rules of the relevant professional institution of which you are a member.

Please do not hesitate to contact the undersigned should any aspect require clarification.

Yours sincerely,  
For and on behalf of  
Regenal Investments Pty Limited



---

Director

Accepted By:  
For and on behalf of  
Colliers International Consultancy and  
Valuation Pty Ltd



---

Authorized Signatory

# APPENDIX C

Certificates of Title





# Title Register Search

## LANDS TITLES OFFICE, ADELAIDE

For a Certificate of Title issued pursuant to the Real Property Act 1886

REGISTER SEARCH OF CERTIFICATE OF TITLE \* VOLUME 5292 FOLIO 992 \*

COST : \$18.70 (GST exempt )	PARENT TITLE : CT 1976/39
REGION : EMAIL	AUTHORITY : CONVERTED TITLE
AGENT : COLL BOX NO : 193	DATE OF ISSUE : 13/09/1995
SEARCHED ON : 03/11/2010 AT : 10:12:04	EDITION : 6
CLIENT REF NC/VALS-VADEL3611	

### REGISTERED PROPRIETOR IN FEE SIMPLE

TOWER TRUST (SA) LTD. OF 44 PIRIE STREET ADELAIDE SA 5000

### DESCRIPTION OF LAND

ALLOTMENT COMPRISING PIECES 44 AND 45 FILED PLAN 156211  
IN THE AREA NAMED LOBETHAL  
HUNDRED OF ONKAPARINGA

### EASEMENTS

NIL

### SCHEDULE OF ENDORSEMENTS

9193308A MORTGAGE TO NATIONAL AUSTRALIA BANK LTD.

9193308B LEASE TO BRIAN MCGUIGAN WINES LTD. COMMENCING ON 3.7.2001 AND  
EXPIRING ON 2.7.2011

11478703 EXTENSION OF LEASE 9193308B EXPIRING ON 3.7.2011

### NOTATIONS

DOCUMENTS AFFECTING THIS TITLE

NIL

REGISTRAR-GENERAL'S NOTES

NIL

END OF TEXT.



LANDS TITLES OFFICE ADELAIDE SOUTH AUSTRALIA

DIAGRAM FOR CERTIFICATE OF TITLE VOLUME 5292 FOLIO 992

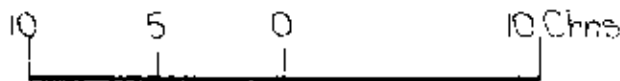
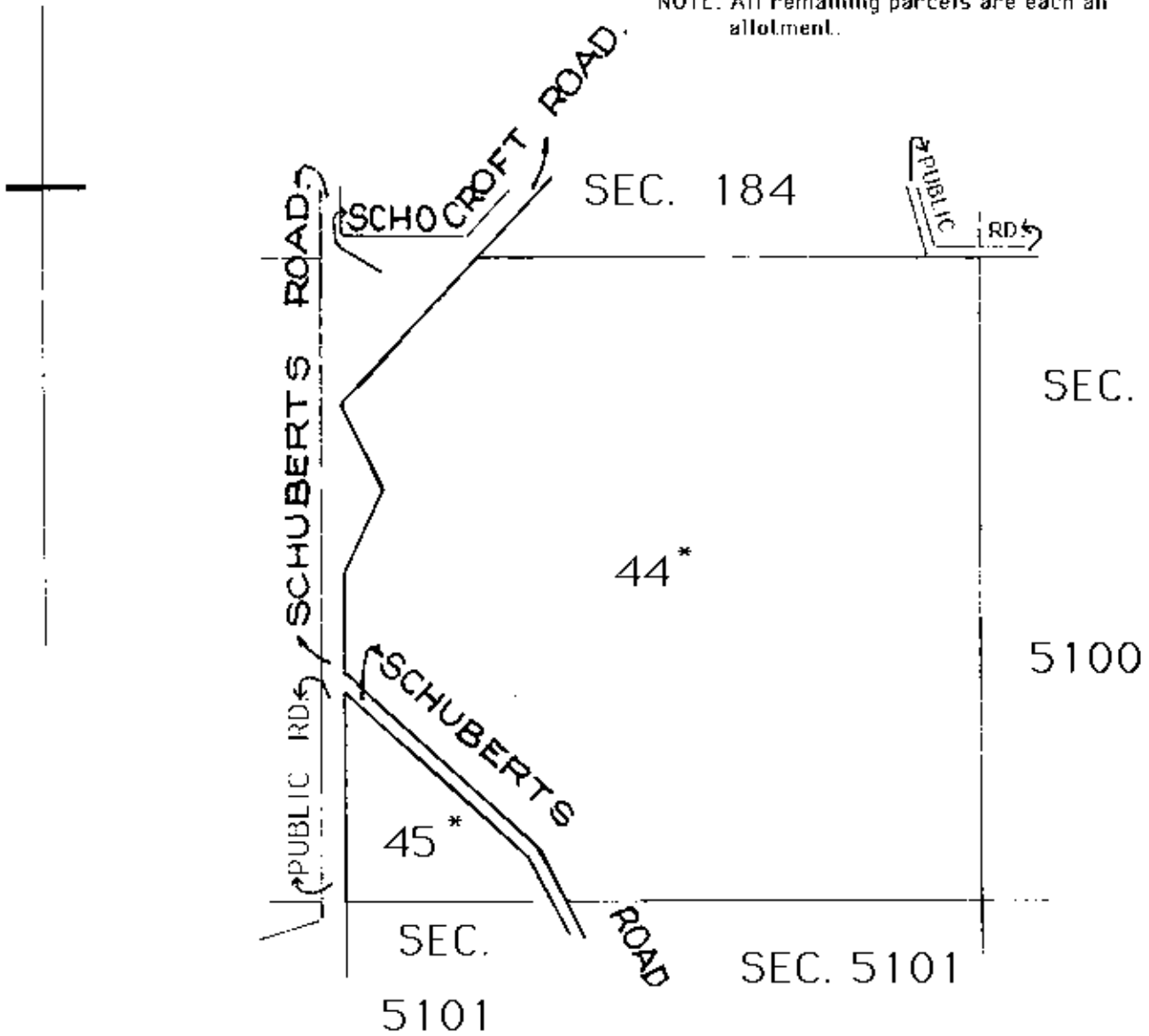
SEARCH DATE : 03/11/2010 TIME: 10:12:04

This plan is scanned for Certificate of Title 1976/39

SCHEDULE OF PIECES COMPRISED IN ONE ALLOTMENT

PIECES COMPRISED IN ONE ALLOTMENT	TOTAL AREA
44&45	80 <sup>A</sup> 1 <sup>R</sup> 22 <sup>P</sup> Approx

\*Asterisk denotes PIECE identifier only.  
NOTE: All remaining parcels are each an allotment.



FOR METRIC CONVERSION	
1 LINK	= 0.201168 metres
1 CHAIN	= 100 LINKS
1 ACRE	= 0.404686 hectares
1 ROOD	= 1011.7 m <sup>2</sup>
1 PERCH	= 25.29 m <sup>2</sup>

Note : Subject to all lawfully existing plans of division



# Title Register Search

## LANDS TITLES OFFICE, ADELAIDE

For a Certificate of Title issued pursuant to the Real Property Act 1886

REGISTER SEARCH OF CERTIFICATE OF TITLE \* VOLUME 5292 FOLIO 993 \*

COST : \$18.70 (GST exempt )	PARENT TITLE : CT 1578/127
REGION : EMAIL	AUTHORITY : CONVERTED TITLE
AGENT : COLL BOX NO : 193	DATE OF ISSUE : 13/09/1995
SEARCHED ON : 03/11/2010 AT : 10:12:26	EDITION : 6
CLIENT REF NC/VALS-VADEL3611	

### REGISTERED PROPRIETOR IN FEE SIMPLE

TOWER TRUST (SA) LTD. OF 44 PIRIE STREET ADELAIDE SA 5000

### DESCRIPTION OF LAND

ALLOTMENT 17 FILED PLAN 155932  
IN THE AREAS NAMED LOBETHAL AND MOUNT TORRENS  
HUNDRED OF ONKAPARINGA

### EASEMENTS

SUBJECT TO THE EASEMENT OVER THE LAND MARKED A (TT 7987774)  
SUBJECT TO A RIGHT OF WAY OVER THE LAND MARKED B (TT 7987774)

### SCHEDULE OF ENDORSEMENTS

9193308A MORTGAGE TO NATIONAL AUSTRALIA BANK LTD.  
9193308B LEASE TO BRIAN MCGUIGAN WINES LTD. COMMENCING ON 3.7.2001 AND  
EXPIRING ON 2.7.2011  
11478703 EXTENSION OF LEASE 9193308B EXPIRING ON 3.7.2011

### NOTATIONS

DOCUMENTS AFFECTING THIS TITLE  
NIL

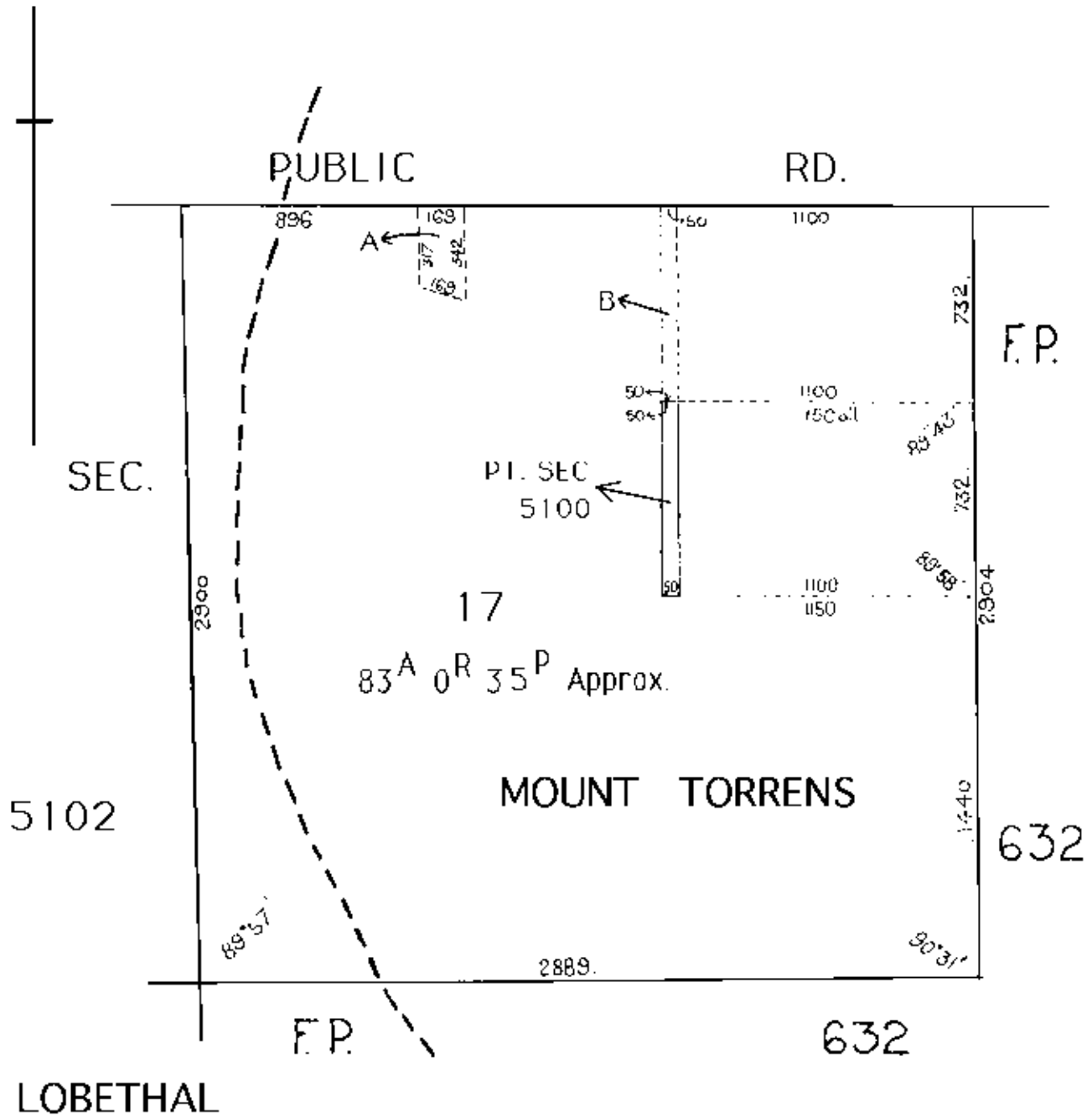
### REGISTRAR-GENERAL'S NOTES

AMENDMENT TO DIAGRAM VIDE 158/1997

END OF TEXT.

SEARCH DATE : 03/11/2010 TIME: 10:12:26

This plan is scanned for Certificate of Title 15/8/12/  
See title text for easement details.



FOR METRIC CONVERSION	
1 LINK	= 0.201168 metres
1 CHAIN	= 100 LINKS
1 ACRE	= 0.404686 hectares
1 ROOD	= 1011.7 m <sup>2</sup>
1 PERCH	= 25.29 m <sup>2</sup>

Note : Subject to all lawfully existing plans of division



# Title Register Search

## LANDS TITLES OFFICE, ADELAIDE

For a Certificate of Title issued pursuant to the Real Property Act 1886

REGISTER SEARCH OF CERTIFICATE OF TITLE \* VOLUME 5434 FOLIO 78 \*

COST : \$18.70 (GST exempt )	PARENT TITLE : CT 4333/830
REGION : EMAIL	AUTHORITY : CONVERTED TITLE
AGENT : COLL BOX NO : 193	DATE OF ISSUE : 11/07/1997
SEARCHED ON : 03/11/2010 AT : 10:12:49	EDITION : 5
CLIENT REF NC/VALS-VADEL3611	

### REGISTERED PROPRIETOR IN FEE SIMPLE

TOWER TRUST (SA) LTD. OF 44 PIRIE STREET ADELAIDE SA 5000

### DESCRIPTION OF LAND

ALLOTMENT 4 DEPOSITED PLAN 24394  
IN THE AREAS NAMED LOBETHAL AND MOUNT TORRENS  
HUNDRED OF ONKAPARINGA

### EASEMENTS

NIL

### SCHEDULE OF ENDORSEMENTS

9193308A MORTGAGE TO NATIONAL AUSTRALIA BANK LTD.

9193308B LEASE TO BRIAN MCGUIGAN WINES LTD. COMMENCING ON 3.7.2001 AND  
EXPIRING ON 2.7.2011

11478703 EXTENSION OF LEASE 9193308B EXPIRING ON 3.7.2011

### NOTATIONS

DOCUMENTS AFFECTING THIS TITLE

NIL

### REGISTRAR-GENERAL'S NOTES

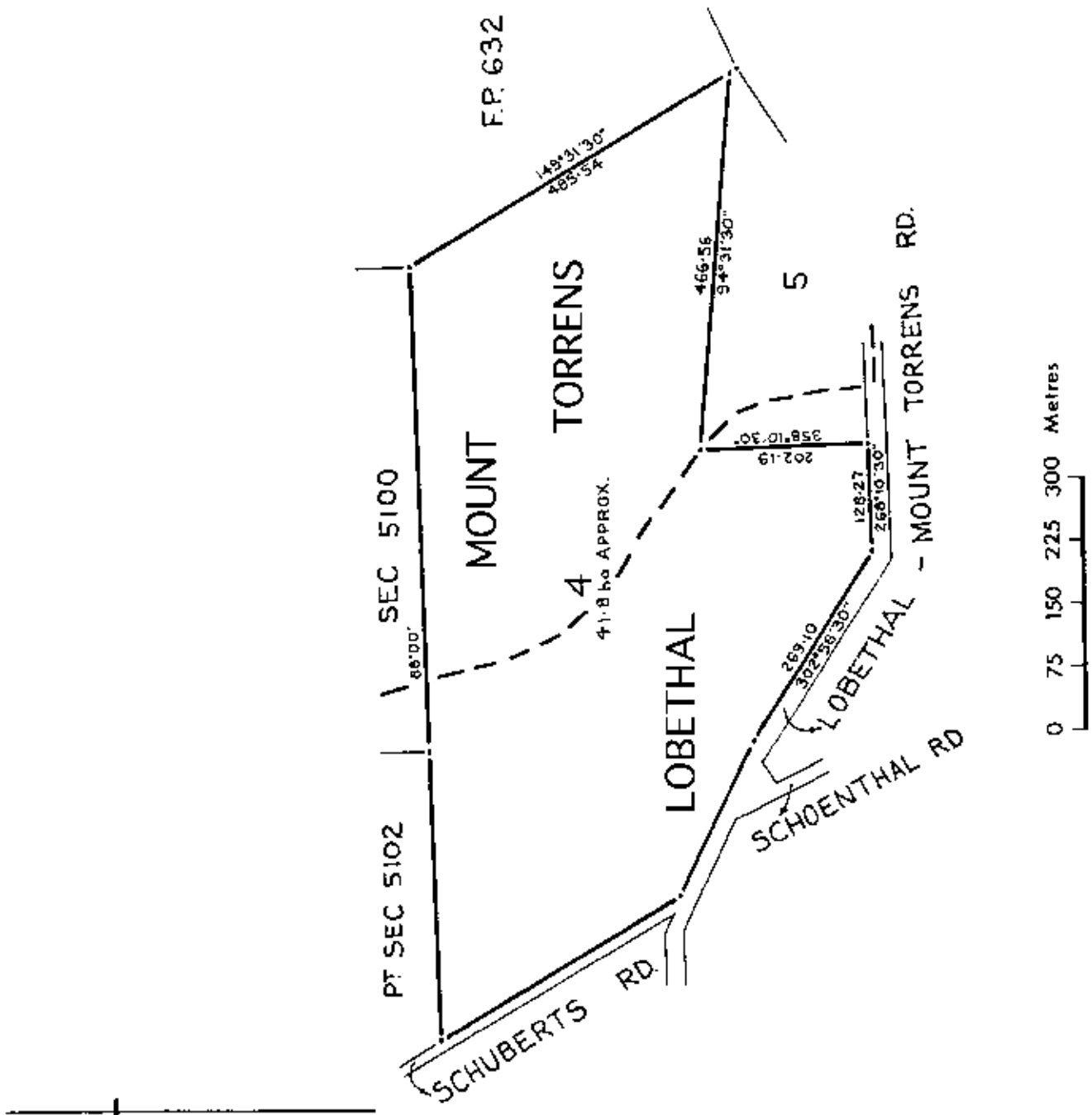
AMENDMENT TO DIAGRAM VIDE 158/1997

END OF TEXT.

LANDS TITLES OFFICE ADELAIDE SOUTH AUSTRALIA

DIAGRAM FOR CERTIFICATE OF TITLE VOLUME 5434 FOLIO 78

SEARCH DATE : 03/11/2010 TIME: 10:12:49

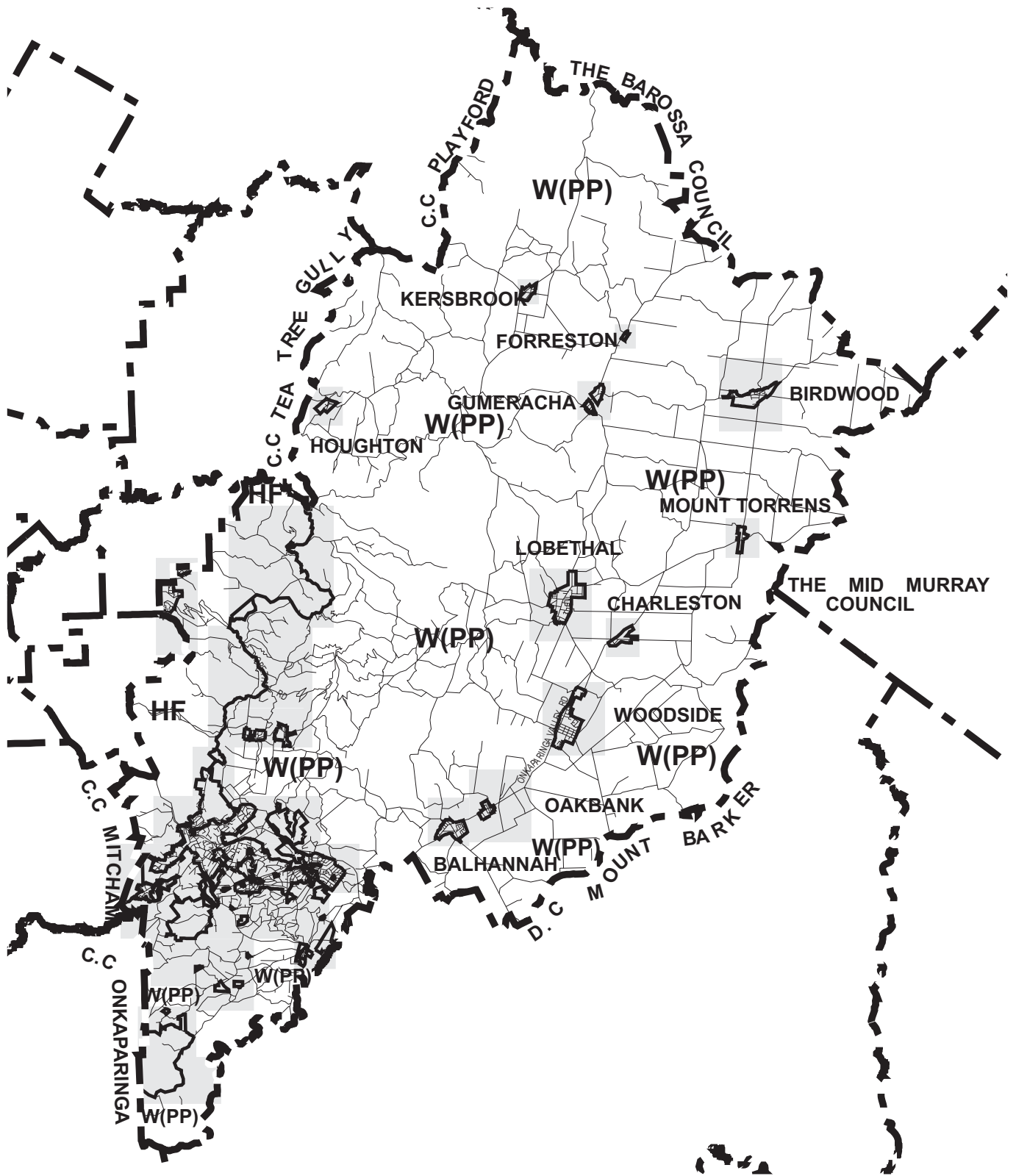


# APPENDIX D

Town Planning Guidelines







**NOTE: For Policy Index See MAP AdHi/41**  
 HF Hills Face  
 W(PP) Watershed (Primary Production) zone

— Zone Boundary  
 - - - Development Plan Boundary



# ADELAIDE HILLS COUNCIL ZONES MAP AdHi/3

WATERLOO RD

ST. JOHN'S

MAP AdHi/44 ADJOINS

WATERLOO RD

WATERLOO RD

WATERLOO RD

WATERLOO RD

WATERLOO RD

10

10

5101

5104

5105

10

61

511

MAP AdHi/46 ADJOINS

11

WATERLOO RD

10

WATERLOO RD

WATERLOO RD

WATERLOO RD

MAP AdHi/55 ADJOINS

10

WATERLOO RD

WATERLOO RD

WATERLOO RD

WATERLOO RD

MAP AdHi/42 ADJOINS

MAP AdHi/50 ADJOINS

17

NOTE: For Zones See MAP AdHi/3

10 Onkaparinga Valley  
17 Onkaparinga Springs

Scale 1:25000

0 1500metres

# ADELAIDE HILLS COUNCIL POLICY AREAS MAP AdHi/45

———— Policy Area Boundary  
- - - - - Development Plan Boundary

## WATERSHED (PRIMARY PRODUCTION) ZONE

### Introduction

The objectives and principle of development control that follow apply to the Watershed (Primary Production) Zone as shown on [Maps AdHi/3 to 10, 12 and 14 to 40](#). In this section, policies are expressed firstly in relation to the whole of the Watershed (Primary Production) Zone and then for parts of the zone referred to and defined as policy areas on [Maps AdHi/42 to 90](#). All the policies expressed for the Watershed (Primary Production) Zone and for the policy areas are additional to those expressed for the whole of the council area.

### OBJECTIVES

- Objective 1:** The maintenance and enhancement of the natural resources of the south Mount Lofty Ranges.
- Objective 2:** The enhancement of the Mount Lofty Ranges Watershed as a source of high quality water.
- Objective 3:** The long-term sustainability of rural production in the south Mount Lofty Ranges.
- Objective 4:** The preservation and restoration of remnant native vegetation in the south Mount Lofty Ranges.
- Objective 5:** The enhancement of the amenity and landscape of the south Mount Lofty Ranges for the enjoyment of residents and visitors.
- Objective 6:** The development of a sustainable tourism industry with accommodation, attractions and facilities which relate to and interpret the natural and cultural resources of the south Mount Lofty Ranges, and increase the opportunities for visitors to stay overnight.

### PRINCIPLES OF DEVELOPMENT CONTROL

#### Form of Development

- 1 Buildings, should be located in unobtrusive locations and, in particular, should:
  - (a) be located well below the ridge line;
  - (b) be located within valleys or behind spurs;
  - (c) be located not to be visible against the skyline when viewed from public roads and especially from the Mount Lofty Ranges Scenic Road;
  - (d) be set well back from public roads, particularly when the allotment is on the high side of the road;
  - (e) be sited on an excavated rather than a filled site to reduce the vertical profile of the building;
  - (f) where possible be screened by existing native vegetation when viewed from public roads and especially from the Mount Lofty Ranges Scenic Road; and
  - (g) maximize the retention of existing native vegetation and the protection and retention of watercourses in their natural state.
- 2 Buildings should be unobtrusive and not detract from the desired natural character of the Zone and, in particular:
  - (a) the profile of buildings should be low and the roof lines should complement the natural form of the land;

- (b) the mass of buildings should be minimized by variations in wall and roof lines and by floor plans which complement the contours of the land; and
  - (c) large eaves, verandahs and pergolas should be incorporated into designs to create shadowed areas which reduce the bulky appearance of buildings.
- 3 Buildings:**
- (a) should have a year-round water supply and a safe and efficient effluent disposal system which will not pollute watercourses or underground water resources or be a risk to health; and
  - (b) should have a safe, clean, tidy and unobtrusive area for the storage and disposal of refuse so that the desired natural character of the Zone is not adversely affected.
- 4 Buildings and structures should not be located within 25 metres of a watercourse and buildings and structures including chain mesh and solid fences should not be located on land subject to flooding as shown on [Figures AdHiFPA/1 to 19](#) or within other areas subject to flooding or inundation by a 1 in 100 year average return interval flood event.**
- 5 Fences located on land subject to flooding as shown on [Figures AdHiFPA/1 to 19](#) should be designed to allow for the free flow of water in the event of a flood.**
- 6 Additions to dwellings located on land subject to flooding as shown on [Figures AdHiFPA/1 to 19](#) or within other areas subject to flooding or inundation by a 1 in 100 year average return interval flood event, should be in the form of upper level additions and should not increase the total floor area at ground level of the dwelling.**
- 7 Additions to buildings should:**
- (a) be located on the side of the dwelling which minimizes the obtrusiveness of the completed building; and
  - (b) comply with the previously mentioned principles of development control relating to the location and design of buildings.
- 8 The number of outbuildings should be limited, and where appropriate they should be grouped together, located in unobtrusive locations and comply with the previously mentioned principles of development control relating to the location and design of buildings.**
- 9 Driveways and access tracks should follow the contours of the land to reduce their visual impact and erosion from water run-off and be surfaced with dark materials. The excavation/filling of land should be kept to a minimum to preserve the natural form of the land and the native vegetation.**
- 10 Native trees, shrubs and ground covers should be established to screen development, including scree slopes created as a result of the excavation and/or filling of land, in such a way that the bushfire hazard is not increased. Screening mounds may also be appropriate.**
- 11 Buildings should not impair the character of rural areas by reason of their scale or siting. If necessary buildings should be screened by trees or shrubs.**
- 12 Shops or offices should not be established unless they are incidental or ancillary to the agricultural use of land.**
- 13 Industries should not be established unless:**
- (a) the industry is associated with the processing of local primary products;
  - (b) the industry is a support or service industry to primary producers; and
  - (c) it is inappropriate to locate the industry in an industrial area.

- 14 Development should not detract from the natural and rural landscape character of the region.
- 15 The rural character, comprising natural features and man-made activities, should be preserved by careful siting, design and landscaping of new building development and/or intensive land uses.
- 16 Development should ensure that primary production activity is not prejudiced.
- 17 Land which is particularly suitable for primary production should be used or remain available for such purposes.

#### **Land Division**

- 18 Land Division should only occur where a suitable site for a detached dwelling is available which complies with the criteria detailed in [Table AdHi/5](#).
- 19 Land division in rural areas should not occur where the proposed or potential use is liable to:
  - (a) result in the pollution of water resources; or
  - (b) cause the loss of productive primary production land.
- 20 Land division may be undertaken where no additional allotment or allotments are created and the purpose of the plan of division is to:
  - (a) provide for a minor readjustment of allotment boundaries to correct an anomaly in the placement of those boundaries with respect to the location of existing buildings; and
  - (b) provide for a minor readjustment of allotment boundaries to improve the management of the land for the purpose of primary production and/or the conservation of its natural features.
- 21 Land division may be undertaken provided that the development of the resulting allotments would not result in a loss of primary production land or in a greater risk of pollution of surface or underground waters than would occur through development of the existing allotments.
- 22 Re-arrangement of allotment boundaries should produce allotments of a size consistent with that in the locality.

#### **Residential Development**

- 23 Dwellings should be located to maximize the retention of existing vegetation by either:
  - (a) Being located on an existing cleared site of sufficient size to ensure the safety of the proposed detached dwelling from fire hazard without the need for further clearance;
  - (b) Being built within the limitations of the exemptions provided for in the Native Vegetation Regulations, and addressing the safety of the proposed detached dwelling without the need for further clearance; or
  - (c) Sited and constructed in such a way which provides appropriate bushfire prevention measures without the need for further clearance of native vegetation on the allotment or sited in such a way that provides for the removal of native vegetation within the limits of the exemptions provided by the Native Vegetation Regulations without the need for further clearance
- 24 The erection of a shed, garage or outbuilding should only be undertaken where:
  - (a) it is an ancillary use to an existing dwelling or business; or
  - (b) it is erected for a period not exceeding 12 months:

- (i) to enable the erection of a dwelling on the same allotment to proceed;
  - (ii) is used for storage of building materials or tools only; and
  - (iii) is removed at the expiration of that period if construction of the dwelling has not been substantially completed.
- 25** No caravan or motor-powered van should be located on any vacant allotment and used for human habitation unless:
- (a) it is an ancillary use to an existing dwelling or business;
  - (b) the land forms part of an existing caravan park; or
  - (c) the construction of a dwelling has been approved on the same allotment and the caravan or motor-powered van is sited for a period not exceeding six months to enable the erection of the dwelling to proceed. The caravan or motor-powered van is to be removed at the expiration of that period if construction of the dwelling has not been substantially completed.
- 26** No caravan or motor-powered van should be located on any vacant allotment and used for human habitation unless it is connected to an approved effluent disposal system.

### **Conservation**

- 27** Linkages between significant regional recreational and conservation features should be established or enhanced.
- 28** The nature, features and general character of areas and items, other than building development and vegetation, should be conserved which are of special:
- (a) historical (including archaeological) significance or heritage value;
  - (b) scientific interest; or
  - (c) scenic value or natural beauty.
- 29** Buildings should not be located within areas of native vegetation.
- 30** Buildings near native vegetation should be sited only where there is an existing cleared area of sufficient size to ensure the safety of the proposed structures from fire hazard without the need for further clearance.
- 31** No change of land use should occur in or near areas of native vegetation which are likely to adversely impact on the vegetation.
- 32** The provision of services, including power, water, effluent and waste disposal, access roads and tracks should be effected over areas already cleared of native vegetation or, if this is not possible, cause the minimum interference or disturbance to native vegetation.
- 33** Proposals to divide land or re-arrange allotment boundaries should not increase the number of allotments adjoining allotments on which there is native vegetation.
- 34** Land should not be divided, or allotment boundaries re-arranged in a way which increases the number of allotments or part allotments over areas of native vegetation.
- 35** No development or change in land use should occur where its proximity to a swamp or wetland, whether permanently or periodically inundated, has the potential to damage or interfere with the hydrology or water regime of the swamp or wetland.
- 36** Development should take place in a manner which will not interfere with the utilisation, conservation or quality of water resources and protects the natural systems that contribute to natural improvements in water quality.



**Appearance of Land and Buildings**

- 37 Trees, other vegetation and earth mounding should be retained or provided as part of the development where the environment will be visually improved by such a provision.
- 38 Buildings and structures which are necessary for efficient farm management should, as far as possible, be located to form part of existing homestead clusters.
- 39 Buildings should not impair the character of rural areas by reason of their scale or siting. If necessary buildings should be screened by trees or shrubs.

**Rural Development**

- 40 Within the Zone:
- (a) no new piggeries or feedlots should be established;
  - (b) existing piggeries or feedlots should be phased out;
  - (c) no new intensive uses such as poultry sheds and stables should be established; and
  - (d) existing intensive uses should only remain provided they are not enlarged and approved waste disposal facilities are installed and maintained.
- 41 Primary production should be carried out with regard to water conservation, the preservation of bushland remnants and landscape beauty.
- 42 Rural areas should be retained for primary production purposes and other uses compatible with maintaining rural productivity.
- 43 Development should ensure the sustainable use of land for primary production by the use of sound land management practices.
- 44 Development which would remove productive land from primary production or diminish its overall productivity for primary production, should not be undertaken unless the land is required for essential public purposes.
- 45 No more than two dogs should be kept on any land for racing, breeding or boarding purposes.
- 46 Horse keeping and dairy activities should be located at least 100 metres from watercourses, townships and residential development, and provision should be made for the disposal of associated wastes that does not pollute the water catchment areas or create a health risk.
- 47 The keeping of animals and other agricultural activities should not be undertaken without appropriate regard for the carrying capacity of the land, soil conservation and the prevention of water pollution.

**Agricultural Industries (small-scale and not including wineries)**

- 48 Agricultural industries (small-scale) should:
- (a) include at least one of the following activities normally associated with the processing of primary produce:
    - (i) washing;
    - (ii) grading;
    - (iii) processing (including bottling);
    - (iv) packing or storage; and
- may include an ancillary area for sale and/or promotion of produce (including display areas);

- (b) have a total combined area for any one or any combination of these activities (including ancillary sales area) not exceeding 250 square metres per allotment with a maximum building area of 150 square metres, including a maximum area of 50 square metres for ancillary sale and display of goods manufactured in the industry;
- (c) process primary produce from within the Mount Lofty Ranges Region;
- (d) only occur on an allotment where a habitable dwelling exists.

#### **Mineral Water Extraction and Processing Plants**

**49** Mineral water extraction and processing plants should:

- (a) include at least one of the following activities normally associated with the extraction and processing of mineral water:
  - (i) extraction;
  - (ii) bottling;
  - (iii) packaging;
  - (iv) storage;
  - (v) distribution; and

may include ancillary activities of administration and sale and/or promotion of mineral water product;
- (b) have a total combined area for any one or any combination of these activities (including ancillary sale and/or promotion areas) not exceeding 450 square metres per allotment with a maximum building area of 250 square metres, including a maximum area of 50 square metres for ancillary sale and/or promotion of mineral water product;

#### **Wineries and Ancillary Activities outside of the Watershed**

**50** Wineries should:

- (a) include at least one of the following activities normally associated with the making of wine:
  - (i) crushing;
  - (ii) fermenting;
  - (iii) bottling;
  - (iv) maturation/cellaring of wine; and

may include ancillary activities of administration, sale and/or promotion of wine product and dining;
- (b) be located within the boundary of a single allotment, which adjoins or is on the same allotment as a vineyard;
- (c) process primary produce primarily sourced from within the Mount Lofty Ranges Region;
- (d) only include dining facilities as an ancillary use to the winery;
- (e) where of 500 tonnes or greater crush capacity per annum be located not closer than 300 metres to a dwelling or tourist accommodation that is not in the ownership of the winery applicant.

**Wineries and Accessory and Subordinate Activities in the Watershed**

- 51** Wineries should be located on an allotment with a vineyard or adjacent to an allotment with a vineyard.
- 52** Wineries should only be established in Watershed Area 1, as shown on [Figures AdHi\(WA1\)/1 to AdHi\(WA1\)/16](#), where:
- (a) the processing of grapes or grape product is less than the equivalent of a 250 tonne crush per annum; or
  - (b) the method of wastewater disposal is by means of a mains sewerage or common effluent scheme.
- 53** Wineries processing grapes or grape product exceeding the equivalent of a 500 tonne crush per annum should:
- (a) not store winery waste water in holding tanks; and
  - (b) locate winery waste water treatment equipment, effluent dams, buildings containing wine-making activities or buildings containing bottling activities no closer than 300 metres to:
    - (i) tourist accommodation (except where it is sited on the same allotment as the winery);
    - (ii) residential development (except where it is sited on the same allotment as the winery);
    - (iii) a zone that includes any of the following wording in its title:
      - (A) residential;
      - (B) country living;
      - (C) country township;
      - (D) public purpose;
      - (E) tourist accommodation;
      - (F) heritage.
- 54** Winery development should be of a scale that does not result in:
- (a) detrimental impacts upon rural landscapes, infrastructure and services; or
  - (b) the processing of grapes or grape product exceeding the equivalent of a 2500 tonne crush per annum on an allotment.
- 55** Winery development (including any accessory and subordinate uses) should be located within the boundary of a single allotment and there should be no more than one winery on an allotment.
- 56** Winery development should provide that all structures involving wine-making, wine storage, packaging and bottling are housed within enclosed buildings.
- 57** Wineries should be sited as follows:
- (a) a minimum of 300 metres from a:
    - (i) watercourse, where a watercourse is identified as a blue line on a current series 1:50 000 Government standard topographic map or where there is observed a clearly defined bed and banks and where water flows at any time;

- (ii) dam (but not including an effluent dam), bore or well  
other than where an associated spill retention basin(s) is constructed, in which circumstances the setback can be reduced to 50 metres;
  - (b) not within areas subject to inundation by a 100-year period flood event or sited on land fill which would interfere with the flow of such flood waters;
  - (c) on land with a slope less than 20 percent (1 in 5).
- 58** Wineries incorporating a spill retention basin(s), for the purposes of reducing the setback to a watercourse, dam, bore or well, should site and design the basins(s):
- (a) on the same allotment as the winery;
  - (b) in close proximity to the wine-making, wine storage and waste water treatment facilities;
  - (c) to minimise the risk of spills entering a downhill:
    - (i) watercourse, where a watercourse is identified as a blue line on a current series 1:50 000 Government standard topographic map or where there is observed a clearly defined bed and banks and where water flows at any time;
    - (ii) dam (but not including an effluent dam), bore or well
  - (d) to capture at least 120 percent of the aggregate volume of juice, wine, brine and untreated waste water of the associated winery, which can be contained or produced at any one time during the peak of vintage;
  - (e) to be impervious; and
  - (f) to minimise the interception of any natural or artificial stormwater flow.
- 59** Wineries involving the on-site treatment and disposal of waste water should:
- (a) connect to a system capable of treating the winery waste water to a biological oxygen demand (BOD) of less than 100 mg/litre before it is stored in the open for more than 48 hours;
  - (b) dispose the treated winery waste water to a suitable irrigation field; and
  - (c) mound the irrigation field in a manner that would direct excess effluent runoff to a spill retention basin(s) and minimise the potential for treated waste water to enter:
    - (i) an adjacent allotment;
    - (ii) public land;
    - (iii) a watercourse, where a watercourse is identified as a blue line on a current series 1:50 000 Government standard topographic map or where there is observed a clearly defined bed and banks and where water flows at any time;
    - (iv) a dam (but not including an effluent dam), bore or well.
- 60** Winery waste water holding tanks should:
- (a) have a total storage capacity of more than four days total flow during the peak of vintage; and
  - (b) be contained within an impervious, bunded area having a total liquid holding capacity of more than 120 percent of the total holding tank capacity.

### **Agricultural Industries (small-scale), Wineries, Mineral Water Extraction and Processing Plants**

**61** Agricultural industries, mineral water extraction and processing plants and wineries should:

- (a) incorporate all-weather on-site parking ( including for commercial vehicles) with safe and convenient access for staff and visitors;
- (b) utilise existing buildings and, in particular, buildings of heritage value, as an alternative to constructing new buildings (other than wineries in the Watershed);
- (c) locate any effluent system or effluent drainage field within the allotment of the development;
- (d) incorporate effluent management systems which ensure protection of surface and ground water and reduce the need for on-site storage systems and should accord with the following:
  - (i) effluent management systems and any malodours not impacting on the local environment, surface or ground water, and nearby soil and crop conditions;
  - (ii) storm water run-off from areas at wineries which are contaminated with grape or grape products be drained to winery effluent management systems during vintage periods;
  - (iii) storm water from roofs and clean hard paved surfaces at a winery diverted away from winery effluent management systems and disposed of in an environmentally sound manner or used for productive purposes;
  - (iv) storm water management incorporating techniques which avoid erosion and maintain water quality, through development of on-site detention, retention basins or other appropriate means;
- (e) be set-back at least 50 metres (other than wineries in the Watershed) from any bore, well or watercourse, where a water course is identified as a blue line on a current series 1:50 000 Government standard topographic map, or where there is observed a clearly defined bed and banks and where water flows at any time and includes a;
  - (i) dam or reservoir that collects water flowing in a watercourse;
  - (ii) lake through which water flows;
  - (iii) channel into which water has been diverted;
  - (iv) known underground seepage condition;
- (f) be located within the boundary of a single allotment including any ancillary uses and there should be not more than one industry located on an allotment;
- (g) process primary produce that is grown within the Mount Lofty Ranges Region as shown on [Figure 1](#) Mount Lofty Ranges Region and sell goods manufactured and produced by the industry;
- (h) enhance the rural/agricultural character and/or heritage features and tourist activities of the Mount Lofty Ranges Region;
- (i) include signage, which is designed and located to complement the features of the surrounding area, enhance visitors' experience of the Mount Lofty Ranges Region and facilitate access to the site and which:
  - (i) does not exceed 2 square metres in area per sign;
  - (ii) is limited to 1 sign per establishment (for agricultural and home based industries);
  - (iii) is not internally illuminated.

- 62** Agricultural industries, mineral water extraction and processing plants and wineries should not:
- (a) necessitate significant upgrading of public infrastructure including roads and other utilities, unless upgrading would be required through normal maintenance or was imminent due to growth in demand in the locality;
  - (b) generate traffic beyond the capacity of roads necessary to service the development;
  - (c) result in traffic volumes that would be likely to adversely alter the character and amenity of the locality;
  - (d) generate significant additional traffic noise or other nuisance which would detract from residents' or other land holders' enjoyment of the locality;
  - (e) generate noise of greater than 40 decibels during the hours of 10 pm to 7am and 47 decibels between 7 am to 10 pm respectively as measured at the nearest neighbouring dwelling or boundary of a vacant allotment; and
  - (f) be located on land with a slope greater than 20 percent (1 in 5).
- 63** Agricultural industries, wineries (but not including those located in the Watershed) and mineral water extraction and processing plants should not be located:
- (a) on land that is classified as being poorly drained or very poorly drained;
  - (b) within 800 metres of a high water level of a public water supply reservoir; or
  - (c) closer than 300 metres to a dwelling or tourist accommodation that is not in the ownership of the applicant.
- 64** Agricultural industries (not including wineries) and mineral water extraction and processing plants should not be located within a 900 millimetres or greater rainfall per year area in the Watershed, with the exception of mineral water extraction and processing plants where bottling and packaging of mineral water in non-refillable containers for sale and distribution is to be undertaken.

**Watershed Areas - Cellar Door Sales Outlets, Restaurants and Shops where the tasting of wine and retail sale of wine are the predominant activities and where the sale of wine is limited to that which is uniquely the licensee's own product**

- 65** Restaurants should only be established in Watershed Area 1, as shown on [Figures AdHi\(WA1\)/1 to AdHi\(WA1\)/16](#), where connected to a mains sewerage or common effluent scheme.
- 66** Restaurants should:
- (a) be established on the same allotment as, and be visually associated with a winery or shop where the tasting of wine and retail sale of wine are the predominant activities and where the sale of wine is limited to that which is uniquely the licensee's own product;
  - (b) not result in more than 75 seats for customer dining purposes on the allotment; and
  - (c) not result in a gross leasable area of greater than 25 square metres for the display and sale of any non-beverage or non-food items on the allotment.
- 67** Cellar door sales outlets should:
- (a) be established on the same allotment as a winery;
  - (b) primarily sell and offer the tasting of wine that is produced within the Mount Lofty Ranges Region, as shown on Mount Lofty Ranges Region [Figure 1](#);
  - (c) not result in a gross leasable area of greater than 25 square metres for the display and sale of any non-beverage or non-food items on the allotment; and

- (d) not result in a gross leasable area of greater than 250 square metres for wine tasting and retail sales (and this includes any retail sale of non-beverage or non-food items).
- 68** Shops where the tasting of wine and retail sale of wine are the predominant activities and where the sale of wine is limited to that which is uniquely the licensee's own product should:
- (a) be established on the same allotment as a vineyard, where the vineyard should be at least 0.5 hectares;
  - (b) primarily sell and offer the tasting of wine that is produced within the Mount Lofty Ranges Region, as shown on Mount Lofty Ranges Region [Figure 1](#);
  - (c) not result in a gross leasable area of greater than 25 square metres for the display and sale of any non-beverage or non-food items on the allotment; and
  - (d) not result in a gross leasable area of greater than 250 square metres for wine tasting and retail sales (and this includes any retail sale of non-beverage or non-food items).
- 69** Restaurants, cellar door sales outlets and shops where the tasting of wine and retail sale of wine are the predominant activities and where the sale of wine is limited to that which is uniquely the licensee's own product should:
- (a) not be sited:
    - (i) within areas subject to inundation by a 100-year period flood event or sited on land fill which would interfere with the flow of such flood waters;
    - (ii) on land with a slope more than 20 percent (1 in 5);
  - (b) be setback a minimum of 25 metres from any bore, well or watercourse, where a watercourse is identified as a blue line on a current series 1:50 000 Government standard topographic map or where there is observed a clearly defined bed and banks where water flows at any time and includes all:
    - (i) dams or reservoirs that collect water flowing in a watercourse;
    - (ii) lakes through which water flows;
    - (iii) channels into which water has been diverted; and
    - (iv) any known underground seepage condition;
  - (c) be setback a minimum of 50 metres from a road other than where occupying a local or state heritage listed building;
  - (d) not result in ribbon development along roads; and
  - (e) maintain a clear delineation between urban and rural development.

### Non-complying Development

- 70** All kinds of development are **non-complying** in the Watershed (Primary Production) Zone except for the following:

#### Advertisements

- (a) within a 60 km/h or 80 km/h speed restriction; or
- (b) where the advertisement has an advertisement area of two square metres or less, and providing the message contained thereon relates entirely to a lawful use of land. The advertisement is erected on the same site as that use, and the advertisement will not result in more than two advertisements on the site



Additions and alterations to an existing building, and extensions to an existing use or activity on the land, which is being lawfully undertaken, where the total floor area or site area of the extension does not exceed 25 percent of the total floor area or site area of that building or use as at 25 May 2006

Agricultural industry (not including wineries) where:

- (a) at least one of the following activities associated with the processing of primary produce takes place.
  - (i) washing;
  - (ii) grading;
  - (iii) processing (including bottling);
  - (iv) packing or storage; and may include an ancillary area for sale of produce (including display areas); and
- (b) the total combined area for any one or any combination of these activities (including ancillary activities) does not exceed 250 square metres per allotment with a maximum building area of no greater than 150 square metres, including a maximum area of 50 square metres for sale and display of goods manufactured in the industry; and
- (c) the industry, including any ancillary uses, is located within the boundary of a single allotment; and
- (d) there is no more than one industry located on an allotment; and
- (e) the industry is not located in areas subject to inundation by a 100 year return period flood event or sited on land fill which would interfere with the flow of such flood waters; and
- (f) the industry is connected to an approved effluent disposal scheme or has an on site waste water treatment and disposal method which complies with the requirements of the South Australian Environment Protection Authority, and
- (g) the industry effluent system and any disposal area are located within the allotment of the development; and
- (h) the industry is not located:
  - (i) within a 900 millimetres or greater rainfall per year area;
  - (ii) on land with a slope greater than 20 percent (1 in 5);
  - (iii) on land that is classified as being poorly drained or very poorly drained;
  - (iv) within 50 metres of any bore, well or watercourse, where a water course is identified as a blue line on a current series 1:50 000 Government standard topographic map, or where there is observed a clearly defined bed and banks and where water flows at any time;
  - (v) within 800 metres of the high water level of a public water supply reservoir; and
- (i) the industry does not have a septic tank and sub-surface soakage field or disposal area or any other waste water treatment facility located on land subject to inundation by a 10 year return period flood event.

Alterations or additions to an existing dwelling where;

- (a) the extension does not exceed 50 percent of the floor area of an existing dwelling; or

- (b) the extension does exceed 50 percent of the floor area of an existing dwelling, and which comply with the criteria in [Table AdHi/5](#)

Aviary

Bird Netting involving permanent support structures

Cabin within a Caravan Park in the Caravan and Tourist Park Policy Area

Camping ground in association with and ancillary to tourist accommodation in the Caravan and Tourist Park Policy Area

Caravan Park including alterations and additions to existing facilities in the Caravan and Tourist Park Policy Area

Caravan permanently fixed to land in the Caravan and Tourist Park Policy Area 40

Carport

Cellar door sales outlet, where:

- (a) the tasting of wine and retail sale of wine are the predominant activities;
- (b) it does not result in a gross leasable area of greater than 250 square metres for wine tasting and retail sales on the allotment (and this includes any retail sale of non-beverage or non-food items);
- (c) the method of waste water disposal does not involve the storage of wastewater in holding tanks;
- (d) the development is setback at least 25 metres from a bore, well or watercourse identified as a blue line on a current series 1:50 000 Government standard topographic map or where there is observed a clearly defined bed and banks in which water may flow at any time; and
- (e) no part of the development is undertaken in areas subject to inundation by 1 in 100-year average flood or sited on land fill that would interfere with the flow of such flood waters.

Commercial Forestry

Commercial Forestry Building

Community Centre

Community Facility

Dairy

Dam associated with and ancillary to farming, horticulture, horse keeping or commercial forestry

Deck attached to a dwelling

Dwelling comprising a manager's residence in association with and ancillary to tourist accommodation within the Caravan and Tourist Park Policy Area

Dwelling where the dwelling is to be erected on an existing allotment and where a habitable dwelling or tourist accommodation for up to ten guests does not already exist on the allotment, unless the dwelling is to replace an existing dwelling, and where:

- (a) no valid planning authorisation to erect a dwelling on that allotment exists; and
- (b) no other application for planning authorisation is being made or has been made and is not yet determined for a dwelling on that allotment; and
- (c) where the detached dwelling and allotment complies with the criteria in [Table AdHi/5](#)

Domestic Outbuilding

Excavation and/or filling of land (excluding the forming of a levee or mound) subject to flooding as shown on [Figures AdHiFPA/1 to 19](#) or within other areas subject to flooding or inundation by a 1 in 100 year average return interval flood event

Farming

Farm Buildings

Fence

Fire Station

Forming of a levee or mound provided it is not located on land designated as subject to flooding on [Figures AdHiFPA/1 to 19](#)

Frost Fan

Garage

Horse keeping and associated and ancillary buildings and structures including stables, shelters and exercise yards where:

- (a) associated and ancillary buildings and structures are not located in areas subject to inundation by a 1:100 ARI flood event; and
- (b) not located on land where any part of the land has a slope exceeding 12 degrees; and
- (c) the average rainfall does not exceed 1000 millimetres annually; and
- (d) associated and ancillary buildings, structures and intensive exercise areas are not located within 25 metres of any watercourse

Horticulture

Horticultural Building

Land Division where no additional allotments are created, either partly or wholly, within the Watershed (Primary Production) Zone, and where the development of the proposed allotments does not result in a greater risk of pollution of surface or underground waters than would the development of the existing allotments, and provided a suitable site for a detached dwelling is available such that the site and the dwelling would comply with the criteria in [Table AdHi/5](#)

Land Division where no additional allotments are created, either partly or wholly, within the Caravan and Tourist Park Policy Area, and where a lease or license agreement is made, granted or accepted under the Residential Parks Act 2007

Mineral water extraction and processing plant where:

- (a) at least one of the following activities associated with the extraction and processing of mineral water takes place;
  - (i) extraction;
  - (ii) bottling;
  - (iii) packaging;
  - (iv) storage,
  - (v) distribution; and may include ancillary activities of administration and sale or promotion of mineral water product; and
- (b) the total combined area for any one or any combination of these activities (including ancillary activities) does not exceed 450 square metres per allotment with a maximum building area of no greater than 250 square metres, including a maximum area of 50 square metres for sale and display of goods manufactured in the industry; and
- (c) the industry, including any ancillary uses, is located within the boundary of a single allotment; and
- (d) there is no more than one industry located on an allotment; and
- (e) the industry is not located in areas subject to inundation by a 100 year return period flood event or sited on land fill which would interfere with the flow of such flood waters; and
- (f) the industry is connected to an approved sewage effluent disposal scheme or has an on site waste water treatment and disposal method which complies with the requirements of the South Australian Environment Protection Authority; and

- (g) the industry effluent system and any effluent drainage field are located within the allotment of the development; and
- (h) the building for bottling/packaging of mineral water for sale and distribution in refillable containers is not located:
  - (i) within a 900 millimetres or greater rainfall per year area;
  - (ii) on land with a slope greater than 20 percent (1 in 5);
  - (iii) on land that is classified as being poorly drained or very poorly drained;
  - (iv) within 50 metres of any bore, well or watercourse, where a water course is identified as a blue line on a current series 1: 50 000 Government standard topographic map, or where there is observed a clearly defined bed and banks and where water flows at any time;
  - (v) within 800 metres of the high water level of a public water supply reservoir; and
- (i) the industry does not have a septic tank or any other waste water treatment facility located on land subject to inundation by a 10 year return period flood event.

Organic waste processing facility where:

- (a) a leachate barrier is provided between the operational areas and the underlying soil and groundwater of an organic waste processing operation proposed to be located on a site that is wholly or partly within a water protection area; and
- (b) the proposed organic waste processing operation is located on a site with ground slopes no greater than 6 percent; and
- (c) the proposed organic waste processing operation is located a minimum distance of 100 metres from any dam, river, creek, natural watercourse, channel or bore and not within the area of a 1 in 100 year flood event; and
- (d) the proposed organic waste processing operation is located on land with a depth to subsurface seasonal, tidal or permanent groundwater of 2 metres or greater; and
- (e) the land to be used for the organic waste processing operation is at least a distance of 500 metres from the nearest dwelling, shop, office, public institution or other building designed primarily for human occupation; or
- (f) the proposed organic waste processing operation employs an in-vessel or fully enclosed composting system where a lesser distance to the nearest dwelling, shop, office, public institution or other building designed primarily for human occupation may be appropriate.

Outbuilding  
Recreation Area

Restaurant located in Watershed Area 1, as shown on [Figures AdHi\(WA1\)/1 to AdHi\(WA1\)/16](#), where:

- (a) it is located on the same allotment as a winery or a shop where the tasting of wine and retail sale of wine are the predominant activities and where the sale of wine is limited to that which is uniquely the licensee's own product;
- (b) the method of waste water disposal is by means of a mains sewerage or common effluent scheme;
- (c) it does not result in more than 75 seats for customer dining purposes on the allotment;

- (d) the development is setback at least 25 metres from a bore, well or watercourse identified as a blue line on a current series 1:50 000 Government standard topographic map or where there is observed a clearly defined bed and banks in which water may flow at any time; and
- (e) no part of the development is undertaken in areas subject to inundation by a 1 in 100-year average flood or sited on land fill that would interfere with the flow of such flood waters.

Restaurant located outside of Watershed Area 1, as shown on [Figures AdHi\(WA1\)/1 to AdHi\(WA1\)/16](#), where:

- (a) it is located on the same allotment as a winery or a shop where the tasting of wine and retail sale of wine are the predominant activities and where the sale of wine is limited to that which is uniquely the licensee's own product;
- (b) the method of waste water disposal does not involve the storage of waste water in holding tanks;
- (c) it does not result in more than 75 seats for customer dining purposes on the allotment;
- (d) the development is setback at least 25 metres from a bore, well or watercourse identified as a blue line on a current series 1:50 000 Government standard topographic map or where there is observed a clearly defined bed and banks in which water may flow at any time; and
- (e) no part of the development is under taken in areas subject to inundation by a 1 in 100-year average flood or sited on land fill that would interfere with the flow of such flood waters.

Retaining Wall

Shop where:

- (a) the tasting of wine and retail sale of wine are the predominant activities;
- (b) the sale and tasting of wine is limited to that which is uniquely the licensee's own product;
- (c) it is established on the same allotment as a vineyard, where the vineyard is at least 0.5 hectares;
- (d) it does not result in a gross leasable area of greater than 250 square metres for wine tasting and retail sales on the allotment (and this includes any retail sale of non-beverage or non-food items);
- (e) the method of waste water disposal does not involve the storage of wastewater in holding tanks;
- (f) the development is setback at least 25 metres from a bore, well or watercourse identified as a blue line on a current series 1:50 000 Government standard topographic map or where there is observed a clearly defined bed and banks in which water may flow at any time; and
- (g) no part of the development is undertaken in areas subject to inundation by 1 in 100-year average flood or sited on land fill that would interfere with the flow of such flood waters.

Swimming Pool associated with a dwelling and intended primarily for use by occupants of that dwelling

Telecommunications Facilities below 30 metres in height

Tennis Court Fence where the tennis court is associated with a dwelling

Tennis Court Light poles and lighting where the tennis court is associated with a dwelling

Tourist Accommodation and ancillary uses:

- (a) within part of or as an extension to a dwelling or lawful tourist accommodation existing as at 14 September 1990, and where up to eight guests are accommodated in hosted accommodation; or
- (b) wholly within a dwelling or lawful tourist accommodation existing as at 14 September 1990, and where up to ten guests are accommodated in non-hosted accommodation; or
- (c) wholly within or within part of or as an extension to a State or Local Heritage Place identified in [Tables AdHi/1 to 2](#), and where no more than 30 guests are accommodated on a single allotment and where no other habitable building erected after 21 September 2000 exists;

and which in all cases complies with the criteria in [Table AdHi/5](#)

Tourist Park in the Caravan and Tourist Park Policy Area

Verandah

Water Tank

Winery located in Watershed Area 1, as shown on [Figures AdHi\(WA1\)/1 to AdHi\(WA1\)/16](#), where:

- (a) it includes at least one of the following activities associated with the making of wine:

- (i) grape crushing;
- (ii) juice fermentation;
- (iii) wine maturation

and may include one or more of the following as accessory and subordinate activities:

- (iv) administration;
- (v) bottling;
- (vi) packaging;
- (vii) storage of wine;
- (viii) waste water treatment, storage and disposal (where the processing of grapes or grape product does not exceed the equivalent of a 250 tonne crush per annum);

- (b) at least one of the following applies:

- (i) the processing of grapes or grape product does not exceed the equivalent of a 250 tonne crush per annum; or
- (ii) the proposed method of waste water disposal is by means of a mains sewerage or common effluent disposal scheme;

- (c) the development is setback at least 50 metres from a bore, well or watercourse identified as a blue line on a current series 1:50 000 Government standard topographic map or where there is observed a clearly defined bed and banks in which water may flow at any time;

- (d) no part of the development is undertaken in areas subject to inundation by 1 in 100-year average flood or sited on land fill which would interfere with the flow of such flood waters; and

- (e) all structures involving wine-making, wine storage, packaging and bottling are housed within enclosed buildings.

Winery located outside of Watershed Area 1, as shown on [Figures AdHi\(WA1\)/1 to AdHi\(WA1\)/16](#), where:

- (a) it includes at least one of the following activities associated with the making of wine:
- (i) grape crushing;
  - (ii) juice fermentation;
  - (iii) wine maturation
- and may include one or more of the following as accessory and subordinate activities:
- (iv) administration;
  - (v) bottling;
  - (vi) packaging;
  - (vii) storage of wine;
  - (viii) waste water treatment, storage and disposal;
- (b) the processing of grapes or grape products exceeds the equivalent of a 500 tonne crush per annum, the method of waste water disposal does not involve the storage of waste water in holding tanks;
- (c) the development is setback at least 50 metres from a bore, well or watercourse identified as a blue line on a current series 1:50 000 Government standard topographic map or where there is observed a clearly defined bed and banks in which water may flow at any time;
- (d) no part of the development is undertaken in areas subject to inundation by 1 in 100-year average flood or sited on land fill which would interfere with the flow of such flood waters; and
- (e) all structures involving wine-making, wine storage, packaging and bottling are housed within enclosed buildings.

### Public Notification

- 71** The following kinds of development (including any combination of any of the following or more than one of a particular kind) are assigned as **Category 1**, other than where the development is classified as non-complying:

#### Advertisements

Any alteration or addition to a local heritage place

Aviary with a floor area of 30m<sup>2</sup> or less

Combined fence and retaining wall where the total height does not exceed 2 metres measured from the lower of the two adjoining finished ground levels

Commercial forestry building with a floor area of 300m<sup>2</sup> or less

Dam with a wall height not exceeding 2 metres in height above natural ground level

Deck attached to a dwelling with a maximum height not exceeding 1 metre above natural ground level

Excavation and/or filling of land not incidental to building work but which constitutes development where the maximum depth of excavation or height of fill is 1.5 metres

Fence constructed of post & wire or mesh and not exceeding 2.5m in height above natural ground level

Horse Keeping Building with a floor area of 100m<sup>2</sup> or less

Horticultural building with a floor area of 300m<sup>2</sup>, or less, and a maximum wall height of 6.0 metres and a maximum total height of 8.0 metres above natural ground level

Partial demolition of a local heritage place



Recreation Area  
 Retaining Wall not exceeding 1.5 metres in height above natural ground level  
 Water Tank

- 72** The following kinds of development (including any combination of any of the following or more than one of a particular kind) are assigned as **Category 2**, other than where the development is classified as non-complying:

Agricultural Industry  
 Bird Netting associated with horticulture  
 Cellar Door Sales Outlet  
 Combined fence and retaining wall where the total height exceeds 2 metres measured from the lower of the two adjoining finished ground levels  
 Community Centre  
 Community Facility  
 Dairy  
 Deck attached to a dwelling (where not assigned as Category 1)

Dwelling where:

- (a) it is to be established adjacent to an allotment that contains a lawfully existing winery processing grape or grape product exceeding the equivalent of a 500 tonne crush per annum; or
- (b) it is to be established within 300 m of any winery wastewater treatment equipment, effluent dam, building containing wine-making activities, and buildings containing bottling activities associated with a lawfully established winery processing grape or grape product exceeding the equivalent of a 500 tonne crush per annum

Excavation and/or filling of land not incidental to building work but which constitutes development (where not assigned as Category 1)

Fire Station  
 Horticultural Building (where is not assigned as Category 1)  
 Horticulture, other than olive growing  
 Mineral Water Extraction and/or Processing Plant where bottling plants only use non refillable containers  
 Restaurant  
 Retaining Wall (where not assigned as Category 1)

Shop where:

- (a) the tasting of wine and retail sale of wine are the predominant activities;
- (b) the sale and tasting of wine is limited to that which is uniquely the licensee's own product;
- (c) it is established on the same allotment as a vineyard, where the vineyard is at least 0.5 hectares.

Tennis Court Fence where the tennis court is associated with a dwelling  
 Tennis Court Light Poles and lighting where the tennis court is associated with a dwelling  
 Tourist Accommodation

Winery processing grapes or grape product less than the equivalent of a 500 tonne crush per annum

Winery where:

- (a) the processing of grapes or grape product exceeds the equivalent of a 500 tonne crush per annum; and
- (b) winery waste water treatment equipment, effluent dams, buildings containing wine-making activities and buildings containing bottling activities are located more than 300 metres from:

- 19 Development should not cause unreasonable overshadowing on adjoining allotments, or glare, reflections, or create any other undesirable micro-climate effect.
- 20 Buildings associated with horse keeping should blend in with the natural environment and not detrimentally affect the amenity of the locality in which they are situated.

## Onkaparinga Valley Policy Area

### Introduction

The objective and principles of development control that follow apply to the Onkaparinga Valley Policy Area of the Watershed (Primary Production) Zone on [Maps AdHi/42, 44 to 46, 50, 53 to 58, 61 and 77](#). They are additional to those expressed for the whole of the council area.

### OBJECTIVE

- Objective 1:** The retention of the existing rural character by ensuring the continuation of farming and horticultural activities and excluding rural living or other uses which would require division of land into smaller holdings.

### PRINCIPLES OF DEVELOPMENT CONTROL

- 1 Buildings should not be erected on the western side of Onkaparinga Valley Road between the Charleston Township and the Onkaparinga River.
- 2 No development or further clearance of native bush should occur on the slopes of Mt. Charles.

## Onkaparinga Slopes Policy Area

### Introduction

The objective and principles of development control that follow apply to the Onkaparinga Slopes Policy Area of the Watershed (Primary Production) Zone on [Maps AdHi/42, 44, 49, 52, 53, 55, 58, 61, 64, 69 and 75 to 77](#). They are additional to those expressed for the whole of the council area.

### OBJECTIVE

- Objective 1:** The retention of low density rural development by the exclusion of rural living areas or uses which would require division of land into smaller holdings.

### PRINCIPLES OF DEVELOPMENT CONTROL

- 1 Commercial forestry should not be undertaken, except for the planting, maintenance and growing of trees for commercial production on small areas of land as a subsidiary function to orcharding or general farming.
- 2 Boarding or breeding kennels for dog keeping should not be established.

## Lobethal Rural Surrounds Policy Area

### Introduction

The objectives and principles of development control that follow, apply to the Lobethal Rural Surrounds Policy Area of the Watershed (Primary Production) Zone on [Map AdHi/55](#). They are additional to those expressed for the whole of the council area.

# APPENDIX E

Water Authority Letter and Supporting Documentation





Ref: Index 107721

Australian Executor Trustees (SA) Ltd.  
Level 1, 212 Pirie Street  
ADELAIDE SA 5000

Level 1 Grenfell Centre  
25 Grenfell Street  
Adelaide  
South Australia 5000

GPO Box 2834 Adelaide  
South Australia 5001  
Australia

Contact Matthew Polkinghorne  
Telephone (08) 8204 8585  
Facsimile (08) 8204 8555  
www.dwlbc.sa.gov.au

Attention: Harry Coumi

RE: "Schuberts Vineyard"

Dear Mr Coumi,

I refer to the Land and Water Use Survey ('the Survey') that was undertaken by Field Officer Sam Schoofs on 22 June 2005 on the following properties.

**Allotment pieces 44 & 45 in Filed Plan 156211, Part Section 5102 in the Hundred of Onkaparinga (CT 5292/992)**  
**Allotment 4 in Deposited Plan 24394, Part Section 5097 in the Hundred of Onkaparinga (CT 5434/78)**  
**Allotment 17 in Filed Plan 155932 in the Hundred of Onkaparinga (CT 5292/993)**

It is proposed that the written authorisation be issued to you authorising the irrigation listed below:

To take water from the following sources:

**Well # 6628-18191**  
**Well # 6628-17885**  
**Well # 6628-20963**  
**12.3 ML Dam**  
**Watercourse Diversion – Easting 254886 Northing 6071305**

For the irrigation of:

**75.0 hectares of Vines**

Should you have any concerns regarding the issue of your authorisation on this basis, please contact the Department in writing within 28 days of the date of this letter. Please note that if no notification is received, your authorisation will be issued as described above.

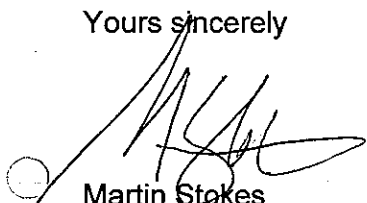
In relation to the additional 2.2 hectares of vines that you have recently planted, I confirm that authorisation from this Department is required for the irrigation of this area. If you wish to gain approval for the irrigation of an additional area of vines, a Prospective User Submission is required. Please find enclosed guidelines for making a prospective user submission.

I note that the current Notice of Prohibition places a two-year moratorium on new water resource development in the Western Mount Lofty Ranges while additional information on the water resources is collected and appropriate longer-term management measures are considered.

Should longer-term management measures be introduced, such as prescription and water licensing, you would then have the opportunity to apply for a water license in respect of any additional water use proposed.

If you have any enquiries please contact Matthew Polkinghorne, Water Licensing Officer on telephone 8204 8585.

Yours sincerely



Martin Stokes

**MANAGER LICENSING MOUNT LOFTY RANGES  
DELEGATE OF THE MINISTER FOR ENVIRONMENT AND CONSERVATION**

Date: 16/8/05



## Resource Allocation Division

Ref: Index 107721

Australian Executor Trustees Ltd  
"Schuberts Vineyard"  
Level 1, 212 Pirie Street  
ADELAIDE SA 5000

Attention: Harry Coumi

Level 1 Grenfell Centre  
25 Grenfell Street  
Adelaide  
South Australia 5000

GPO Box 2834 Adelaide  
South Australia 5001  
Australia

Contact Robby Towill  
Telephone (08) 8204 8581  
Facsimile (08) 8204 8555  
[www.dnr.sa.gov.au](http://www.dnr.sa.gov.au)

Dear Mr Coumi,

I refer to your prospective user submission under the Western Mount Lofty Ranges Notice of Prohibition assessed on 9 November 2005.

The Western Mount Lofty Ranges Prospective Users Assessment Panel ('the Panel') has now considered your request in accordance with the guidelines for consideration of submissions set out in the *Procedures for the Assessment of Submissions by Prospective Users Under the Notice of Prohibition in the Western Mount Lofty Ranges Area* ('Procedures for Assessment'). A copy of the Procedures for Assessment is enclosed for your information.

It has been assessed that you have demonstrated a significant financial commitment towards the use of water for the additional 2.2 hectares of vineyard.

Consequently, favourable consideration can be given to the use of underground water from three wells to irrigate a further 2.2 hectares of irrigated vines. An authorisation for this use will be issued to you in the near future.

Should you have any enquiries please contact Robby Towill on telephone 8204 8581.

Yours sincerely

Martin Stokes  
**MANAGER LICENSING MOUNT LOFTY RANGES  
DELEGATE OF THE MINISTER FOR ENVIRONMENT AND CONSERVATION**

Date: 17/3/06

## Procedures for the Assessment of Submissions by Prospective Users Under the Notice(s) of Prohibition in the Eastern Mount Lofty Ranges Area

### 1.0 Introduction

On 16 October 2003 the Minister for Environment and Conservation declared two Notices of Prohibition, one on the taking of water from wells and the other on the taking of surface water and water from watercourses in the Eastern Mount Lofty Ranges (EMLR) catchments. The Notices of Prohibition place a temporary (two year) moratorium on new water resource development in the area while additional information on the resources is collected and appropriate longer term management measures are considered.

The Notices came into effect on 31 October 2003 and will remain in place until 31 October 2005.

Under the Notices of Prohibition (**Attachment 1**) persons will be authorised to continue to take water if, during the period from 1 July 2000 to 15 October 2003, they took:

- surface water by any dam (except a dam smaller than 2 megalitres in volume which the use was solely for stock and domestic purposes); and
- water from any watercourse or well for any purpose (except stock and domestic use).

For persons who need water for new or increased development (Prospective Users), authorisation will only be granted under specific circumstances. These circumstances are detailed below:

*An authorisation may be granted to a person ("a Prospective User") who did not take any surface water or water from a watercourse or well in the prohibited area but who needs water for a development, project or undertaking to which they were legally committed or in respect of which they had, in the Minister's<sup>1</sup> opinion, committed significant financial or other resources during the period 1 July 2000 to 15 October 2003.*

*However authorisation may not be granted to a Prospective User, or may only be granted subject to conditions relating to the manner of taking water where, in the Minister's opinion:*

- *the taking of underground water, surface water or water from watercourses will detrimentally affect the ability of other persons to take water from any watercourse, well or dam for domestic purposes or for watering of stock (other than stock being intensively farmed); or*
- *the taking of surface water or water from watercourses or wells will detrimentally affect the capacity of surface water or any watercourse or well to meet the current or future demand, including the demands of ecosystems dependent on that water resource.*

<sup>1</sup>. Minister administering the Water Resources Act 1997, currently the Minister for Environment and Conservation



## 2.0 Submissions for Authorisations by Prospective Users

Prospective users seeking an authorisation under the Notices of Prohibition are required to make a written submission to the Department of Water Land and Biodiversity Conservation (DWLBC) providing documented evidence in relation to the criteria outlined in the Notices.

An information sheet entitled '*Guidelines for Submissions by Prospective Users*' has been prepared to assist people in preparing their submissions.

## 3.0 Process for assessing submissions

There are four main considerations involved in the assessment of submissions received seeking approval for new or additional water in accordance with the conditions of the Notices, namely an assessment of:

- *whether a proponent was legally committed;*
- *whether significant financial or other resources have been committed;*
- *the potential detrimental affect on the capacity of the resource to meet current or future demand, including the needs of other stock and domestic users with specific reference to the Catchment Plan for the River Murray in South Australia (‘the Catchment Plan’); and*
- *the potential detrimental affect on water dependent ecosystems with specific reference to the Catchment Plan for the River Murray in South Australia (‘the Catchment Plan’).*

A three stage process has been developed to ensure a rigorous and transparent process in assessing submissions:

### 3.1 Preliminary Assessment

The EMLR licencing team will conduct a preliminary assessment for all submissions. This team consists of three DWLBC staff members namely the Licencing Manager, a Field Officer and a Water Licensing Officer. The assessment will be undertaken in accordance with the assessment guidelines and principles outlined in this document.

#### 3.1.1 Prioritisation of assessments

Where multiple submissions are received simultaneously, and prioritisation is required, the Technical Assessment Team will prioritise preliminary assessments based on the potential impacts of any delays in providing a response to the applicant.

As a general guideline, the following criteria would apply;

1. if there is risk of immediate detrimental impact associated with any delays (eg there are crops in the ground and there is a risk of crop death) → 1st priority
2. if there is no immediate risk, but there are specific legal or financial implications associated with any delays → 2nd priority
3. if the development is planned for the coming season, but there are no immediate issues as per 1 or 2 above → 3<sup>rd</sup> priority
4. if the development is planned for future years → lowest priority.

It is important to note that an *existing development approval* for part or all of a water use development is not in its own right considered to be a high priority – the assessment still needs to be considered within the priority rankings described above.

### **3.1.2 Assessment of the potential impacts on other stock and domestic users, the capacity of the resource to meet current and future demand and on water dependent ecosystems.**

Specialist advice relating to hydrological and hydrogeological impacts will be provided from the Knowledge and Information Division of DWLBC. Specialist advice relating to ecological impacts will be provided from Dr Kerri Muller from the River Murray Catchment Water Management Board (RMCWMB).

The EMLR Licensing Team will have access to regional information/maps identifying "stressed areas" or "areas of high extraction concentrations", where a referral to Knowledge and Information will be mandatory.

Similarly, the EMLR Licensing Team will have access to all available regional information/maps relating to 'priority areas of environmental significance', where a referral to Dr Muller will be mandatory.

Outside of these areas, the application will be forwarded for specialist advice where the EMLR Licensing Team identifies any immediate, localised issues that they believe may need to be considered as part of the assessment of individual applications.

In these instances, where specialist assessment indicate a likelihood of detrimental impacts, any advice and/or recommendations will need to be backed by supporting technical information to justify any subsequent refusal, amendment or conditional approval.

### **3.1.3 Additional information**

Where insufficient evidence is provided for assessment, the proponent will be contacted in writing to request additional information. The Minister may require the proponent to provide an independent assessment demonstrating that the proposed development will not have any detrimental effects on other users or water dependent ecosystems. A decision on when this would be appropriate will need to be made by the Licensing Manager for the EMLR, as the Minister's delegate.

## **3.2 Final Assessment: *EMLR Assessment Panel***

A summary report outlining the details of the submission in relation to the 'Prospective Use Assessment Guidelines' will be prepared for presentation to the *EMLR Assessment Panel* for advice on whether or not an authorisation should be granted.

### **3.2.1 Role of the panel**

The role of the panel members will be to:

- review summary reports of each application prepared by a Technical Assessment Team;
- attend regular meetings to discuss applications;
- provide direction and recommendations to the Minister or his delegate about the eligibility of applicants for authorisation; and
- ensure that the assessment process is transparent, equitable and accountable.

The panel's direction and recommendations shall be based on an assessment of:

- *whether a proponent was legally committed;*
- *whether significant financial or other resources have been committed;*
- *the potential detrimental affect on the capacity of the resource to meet current or future demand, including the needs of other stock and domestic users; and*
- *the potential detrimental affect on water dependent ecosystems.*

Guidance for the panel in its decision-making will be provided through defined terms of reference (below) and by the process, assessment guidelines and decision-making principles outlined in this document.

It is anticipated that the panel would meet on a fortnightly basis during the period December 2003 and June 2004 dependent on the number of submissions on prospective use received. The panel will be supported by an executive officer provided by DWLBC.

### **3.2.2 Terms of Reference**

1. *To assess in accordance with the conditions of the Notices of Prohibition, the following:*

- a) the eligibility of applicants to be considered as prospective users;*
- b) whether an applicant was legally committed or committed significant financial or other resources, during the period 1 July 2000 to 15 October 2003, to a project, development or undertaking which requires water;*
- c) whether due to potential detrimental social or environmental impacts an authorisation should not be granted or should be granted subject to conditions relating to the manner of taking water; and*
- d) the reasonable requirements for water of the applicants.*

2. *To provide direction and recommendations to the Minister or his delegate on the outcomes of each assessment process for each applicant*

3. *To provide transparency and probity to the assessment process through independent advice*

4. *To provide guidance to ensure the process is applied consistently for all applications.*

### **3.2.3 Membership**

The five member panel will be chaired by the Director Resource Allocation, Department of Water, Land and Biodiversity Conservation (DWLBC). Other members will include the River Murray Catchment Water Management Board's General Manager, a Board member and two independent members.

Members collectively will have skills and knowledge in:

- *agriculture and farming enterprises;*
- *business management and/or financial management relevant to rural business enterprises;*
- *irrigation processes, equipment and management; and*
- *resource management.*

### **3.3 Issue of Authorisations: Minister's Delegate**

Acting on the direction/recommendation of the EMLR Assessment Panel, the Licensing Manager for the region will sign under delegation of the Minister a written authorisation which clearly identifies the amount of water which, in the opinion of the Minister, is reasonably necessary to undertake the development, project or undertaking to which that person is deemed to be committed.

The authorisation will be issued subject to any conditions relating to the manner of taking water as recommended by the Assessment Panel.

The authorisations will be issued progressively, as soon practical following a recommendation of the Assessment Panel.

## **4.0 Prospective Use Assessment Guidelines**

### **4.1 Introduction**

The following criteria provide guidance on how to assess whether a person was 'legally committed' or had 'committed significant financial or other resources' for 'a development, project or undertaking' which requires water', during the period 1 July 2000 to 15 October 2003.

A person will be authorised to take the amount of water that is reasonably necessary to undertake the development, project or undertaking to which that person was committed where:

- evidence of being 'legally committed' or having 'committed significant financial or other resources' can be demonstrated; and ;
- it is determined that there is no detrimental effect on other stock and domestic users or ecosystems.

The Panel acknowledges and adopts the 30% rule as stated in Principle 13.2.1 of the Catchment Plan as a guiding principle. Consequently, person shall not receive an authorisation that permits the taking of water as a result of the construction or enlargement of a dam that would exceed the capacity that would have been allowed under the Catchment Plan.

### **4.2 Legally committed**

A person is considered legally committed, if by not proceeding with their development, project or undertaking, they would then suffer legal consequences. Evidence of being legally committed, may include:

- issuing of a prospectus or other documents seeking investment from other persons;
- a contract for sale of produce or provision of services; and/or
- business loan contingent on a water using activity for repayment.

### **4.3 Committed significant financial or other resources**

The following criteria will be considered in assessing whether a person has committed significant financial or other resources.

### **4.3.1 Purchase of land**

The signing of an agreement to purchase land after 1 July 2000 and prior to 15 October 2003, where there is written evidence of an intention to establish water-using activities on that land, may be accepted as evidence of a commitment to establish or expand water use. This will only be accepted as evidence if the purchase of land was in conjunction with:

- a) the specific intention to develop water use within the restricted period as demonstrated by details in the sales contract or bank documents, or by financial plans, soil/water testing, evidence of pre-existing infrastructure and/or other relevant plans; and/or
- b) other evidence of having committed significant financial or other resources to the project, development or undertaking for which water is needed.

### **4.3.2 Other evidence**

#### *Financial*

Evidence of having committed significant financial resources to a project, development or undertaking, which requires water, may be demonstrated through the following:

- bank loans (for purchase of land or equipment);
- expenditure statements;
- equipment orders;
- land preparation including levelling and seeding;
- contracts for purchase or sale of land, equipment and/or crops;
- drilling of wells or construction of farm dams; and/or
- installation of irrigation infrastructure.

Applicants may also submit other evidence of having committed significant financial resources for consideration such as evidence of a documented comprehensive plan or proposal, which existed prior to 15 October 2003. This may include documents such as a property management plan or a business/financial plan.

## **4.4 Status of existing approvals**

### **4.4.1 Development Approvals**

An existing development approval is not sufficient evidence of having committed significant financial or other resources. This will only be accepted as evidence if presented in conjunction with other supporting evidence such as:

- a) the purchase of land;
- b) evidence of being legally committed; and/or
- c) other evidence of having committed significant financial or other resources to the project, development or undertaking for which water is needed.

### **4.4.2 Well Construction Permits**

If well construction permits and dam construction permits were applied for or granted before 15 October 2003, this may be regarded as evidence for prior commitment. The number of bores or dams and their capability to irrigate the requested area will be assessed.

This will only be accepted as evidence if presented in conjunction with other supporting evidence such as:

- a) the purchase of land;
- b) evidence of being legally committed; and/or
- c) other evidence of having committed significant financial or other resources to the project, development or undertaking for which water is needed.

#### **4.5 Assessment of detrimental impacts on ability of the resource to meet current or future demands or to provide for stock and domestic users.**

An authorisation may not be granted or granted subject to conditions related to the manner of taking of water, where the best available information demonstrates that the taking of water for a new or additional use will:

- detrimentally affect the ability of other persons to take water for domestic purposes or stock; or
- detrimentally affect the capacity of the resource to supply current or future demands.

Conditions to prevent impacts may include minimum distances from existing wells, construction of off-stream dams in preference to on-stream dams and/or size limitations on dams.

In these instances, where specialist assessment indicate a likelihood of detrimental impacts, any advice and/or recommendations will need to be backed by supporting technical information to justify any subsequent refusal, amendment or conditional approval.

#### **4.6 Assessment of detrimental impacts on water dependent ecosystems**

An authorisation may not be granted or granted subject to conditions related to the manner of taking of water, where the best available information demonstrates that the taking of water for a new or additional use will detrimentally affect water dependent ecosystems.

In assessing impacts, priority will be given to:

- rare or endangered species and ecosystems,
- ecological assets as identified by the RMCWMB or recognised on state, national or international registers; and
- sites or species identified under the EPBC Act.

Conditions to prevent impacts may include specifying buffer zones around ecosystems, construction of off-stream dams in preference to on-stream dams, size limitations on dams or restrictions on pumping from permanent water bodies.

In these instances, where specialist assessment indicate a likelihood of detrimental impacts, any advice and/or recommendations will need to be backed by supporting technical information to justify any subsequent refusal, amendment or conditional approval.

## **5.0 Guiding Principles for Decision Making**

The role of the panel is to advise on whether a proponent meets the criteria outlined in the Notices of Prohibition and therefore should be authorised to take new or additional water. In providing this advice the following principles shall guide the panel:

- The role of the panel is to assess the level of legal commitment and/or significance of resources committed not to determine the soundness of a business/development plan or decision.
- All decisions shall be made in a transparent and accountable manner and accurate records will be kept.
- Members will apply an impartial mind and deal with each submission fairly and in a reasonable manner.
- Conflicts of interest will be declared and members will withdraw from decision making where a conflict of interest arises.
- Each submission should be assessed on its merits, recognising that development that requires new or additional water use will occur at a range of scales from large-scale business investments to stock and domestic use.
- Due regard will be given for the person(s) affected by the decision.
- Panel members will maintain the confidentiality of information entrusted to them by the applicants.
- The significance of resources committed will be considered in proportion to the overall cost of the project, development or undertaking.
- In making a determination, members of the panel should weigh the interests of the individual against the broader interests of the community and the environment.



# APPENDIX F

Valuation Calculations



# Schubert's Vineyard - Cnr Schuberts & Lobethal Mount Torrens Road, Lobethal



## DIRECT COMPARISON - VACANT POSSESSION VALUE

**Title Reference (Volume / Folio)** 5292 / 992, 5292 / 993, 5434 / 78  
**Registered Proprietor:** Tower Trust (SA) Ltd  
**Legal Description**  
**Water Licences** Water Authorisation

**Date of Valuation** 31/12/2010

**Title Area (ha)** 108.01

Variety	Planting Age	Area (ha)	Rate (\$/ha)	\$ total
Chardonnay	2001	15.78	\$50,000	\$789,000
Sauvignon Blanc	2001	46.60	\$65,000	\$3,029,000
Riesling	2001	5.25	\$50,000	\$262,500
Pinot Gris	2005	2.21	\$65,000	\$143,650
Traminer	2001	4.33	\$50,000	\$216,500
		74.17		\$4,440,650
		<i>Average</i>	<i>\$59,871</i>	

**Other land (roadways, headlands, curtilage and timbered areas)** 33.84 \$15,000 \$507,600

Structural Improvements	Area (m <sup>2</sup> )	Rate (\$/m <sup>2</sup> )	\$ total
Residence	264	\$750	\$198,000
Garage	104	\$80	\$8,320
Workshop	335	\$120	\$40,200
Office and associated improvements	126	\$150	\$18,900
Chemical store	23	\$200	\$4,600
storage/hay shed	290	\$50	\$14,500
Sundry improvements		say	\$5,000
			\$289,520

**Total Area** 108.01 \$5,237,770

**Market Value (rounded)** **\$5,250,000**

## Schubert's Vineyard - Cnr Schubert-Mt Torrens Rd, Lobethal VACANT POSSESSION VALUE



Valuation date 31-Dec-10  
 Valuer's note The following calculations and cash flow analysis have been prepared using data provided by the property owner and other industry sources including the Phylloxera and Grape Industry Board, wine producers and local real estate agents. The discounted cash flow is not a valuation but is useful in corroborating our opinion as to market value. It demonstrates that the adopted market valuation is capable of being supported by the predicted financial performance of the vineyard.

**TABLE 1: Estimated Yields/ha**

Variety	Planting Age	Area (ha)	2011	2012	2013	2014	2015 thereafter
Chardonnay	2001	15.78	10.50	10.50	10.50	10.50	10.50
Sauvignon Blanc	2001	46.60	10.50	10.50	10.50	10.50	10.50
Riesling	2001	5.25	10.50	10.50	10.50	10.50	10.50
Pinot Gris	2005	2.21	10.50	10.50	10.50	10.50	10.50
Traminer	2001	4.33	10.50	10.50	10.50	10.50	10.50
Total		74.17					

**TABLE 2: Yield Estimates - Total**

Variety	Planting Age	Area (ha)	2011	2012	2013	2014	2015 thereafter
Chardonnay	2001	15.78	165.69	165.69	165.69	165.69	165.69
Sauvignon Blanc	2001	46.60	489.30	489.30	489.30	489.30	489.30
Riesling	2001	5.25	55.13	55.13	55.13	55.13	55.13
Pinot Gris	2005	2.21	23.21	23.21	23.21	23.21	23.21
Traminer	2001	4.33	45.47	45.47	45.47	45.47	45.47
Total		74.17	778.79	778.79	778.79	778.79	778.79

**TABLE 3: Price Projections 10 years**

Expected growth rate-earnings 2.75%  
 Expected growth rate-expenses 2.75%  
 Discount rate 12.00%

Variety	Planting Age	Area (ha)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Chardonnay	2001	15.78	\$950	\$950	\$1,200	\$1,500	\$1,541	\$1,584	\$1,627	\$1,672	\$1,718	\$1,765	\$1,814
Sauvignon Blanc	2001	46.60	\$1,250	\$1,250	\$1,500	\$1,750	\$1,798	\$1,848	\$1,898	\$1,951	\$2,004	\$2,059	\$2,116
Riesling	2001	5.25	\$850	\$850	\$1,200	\$1,100	\$1,130	\$1,161	\$1,193	\$1,226	\$1,260	\$1,294	\$1,330
Pinot Gris	2005	2.21	\$1,500	\$1,500	\$1,750	\$2,000	\$2,055	\$2,112	\$2,170	\$2,229	\$2,291	\$2,354	\$2,418
Traminer	2001	4.33	\$850	\$850	\$1,200	\$1,100	\$1,130	\$1,161	\$1,193	\$1,226	\$1,260	\$1,294	\$1,330
Total		74.17											

**Table 4: Discounted Cash Flow**

Variety	Planting Age	Area (ha)	31/12/2010	1 31/12/2011	2 30/12/2012	3 30/12/2013	4 30/12/2014	5 30/12/2015	6 29/12/2016	7 29/12/2017	8 29/12/2018	9 29/12/2019	10 28/12/2020
Chardonnay	2001	15.78		\$157,406	\$198,828	\$248,535	\$255,370	\$262,392	\$262,392	\$269,608	\$277,022	\$284,641	\$292,468
Sauvignon Blanc	2001	46.60		\$611,625	\$733,950	\$856,275	\$879,823	\$904,018	\$904,018	\$928,878	\$954,422	\$980,669	\$1,007,637
Riesling	2001	5.25		\$46,856	\$66,150	\$60,638	\$62,305	\$64,018	\$64,018	\$65,779	\$67,588	\$69,447	\$71,356
Pinot Gris	2005	2.21		\$34,808	\$40,609	\$46,410	\$47,686	\$48,998	\$48,998	\$50,345	\$51,730	\$53,152	\$54,614
Traminer	2001	4.33		\$38,645	\$54,558	\$50,012	\$51,387	\$52,800	\$52,800	\$54,252	\$55,744	\$57,277	\$58,852
Total		74.17		\$889,340	\$1,094,095	\$1,261,869	\$1,296,570	\$1,332,226	\$1,332,226	\$1,368,862	\$1,406,506	\$1,445,185	\$1,484,928
Less vineyard value			-\$5,250,000										
Less operating expenses		\$7,500 per ha		-\$556,275	-\$571,573	-\$587,291	-\$603,441	-\$620,036	-\$637,087	-\$654,607	-\$672,609	-\$691,105	-\$710,111
Plus sale end period													\$6,886,168
Acquisition Costs		5.00%	-\$262,500										
Less sale costs		3.00%											-\$206,585
Net income before tax			-\$5,512,500	\$333,065	\$522,522	\$674,578	\$693,129	\$712,190	\$695,139	\$714,255	\$733,898	\$754,080	\$7,454,400
NPV=			\$5,682,421										\$774,817
IRR=			12.49%										
Running yield (net revenue)				6.17%	9.43%	11.84%	11.84%	11.84%	11.25%	11.25%	11.25%	11.25%	11.25%
Earnings Multiplier (gross revenue)				6.07	5.07	4.51	4.51	4.51	4.64	4.64	4.64	4.64	4.64
Value escalation at CPI for life of DCF			\$5,250,000	\$5,394,375	\$5,542,720	\$5,695,145	\$5,851,762	\$6,012,685	\$6,178,034	\$6,347,930	\$6,522,498	\$6,701,867	\$6,886,168

#### CASH FLOW NOTES & ASSUMPTIONS

##### Table 1

-based on production records provided by owner together with valuation opinion accounting for age of vines and market for fruit  
-while yield averages may vary, in our experience light yielding years usually are accompanied by stronger prices per tonne.

##### Table 2

-reflects yield per ha multiplied by total ha planted for each age/ variety

##### Table 3

-estimate of prices based on owner details and discussions with wine industry sources and forecast future supply and demand obtained from the Phylloxera Board of SA and other sources.  
-takes into account the fluctuating nature of prices by using an average which we consider to be reasonable over the 10 year term of the cash flow.  
-the price is escalated at a nominal rate after the 2012 vintage to account for some inflationary impact on prices and projected improved industry conditions over the cash flow period (refer comments below)

-For the purpose of the cashflow we have assumed no capital expenditure over the period of the cashflow. The vineyard value (purchase price) assumes that the vineyard is fully set up with no further capex.  
-cost escalation is calculated at 2.75% over the cash flow period being a figure we regard as reasonably indicative as at date of valuation, of likely annual CPI movement over the period  
-price escalation similarly of 2.75% allowed to account for some increase over time in grape prices. Realistically prices may fluctuate widely pursuant to market conditions.  
-discount rate of 12.5% represents a required rate of return in excess of that known to be adopted by some key industry operators.  
-Our experience is that IRR's range from 10% to 15% dependent on location and competing uses. Furthermore, many vineyard purchasers produce their own wine and determine vineyard values based  
-Many vineyards have been struggled to be break-even over the past two vintages as a result of low grape prices being offered by wineries  
However we regard it as a reasonable check on our market based value determination having regard to the grape supply agreements and market conditions.

# APPENDIX G

Valuation Certificate





Ref: VADEL3633

14 December 2010

The Directors  
Regenal Investments Pty Limited  
c/- Thomsons Lawyers  
Level 25, 264 George Street  
SYDNEY NSW 2000

Dear Sirs

**Subject Property: Schubert's Vineyard, Schubert Road & Lobethal-Mount Torrens Road, Lobethal, SA, Australia**

In accordance with the instructions from Regenal Investments Pty Limited ("the Company") to value the property interests of CK Life Sciences Int'L (Holdings) Inc (CKLS), the "Target Company" in Australia, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the market value of such property interests as at 31 December 2010 (referred to as the "date of valuation").

It is our understanding that this valuation is for major transaction purposes.

This valuation extract, which is an extract from our full valuation report, explains the basis and methodology of valuation, and clarifies our assumptions made, title investigation of properties and the limiting conditions. It has been prepared specifically for use by the Company and CKLS in meeting the disclosure requirements of CKLS to/with the Hong Kong Stock Exchange. However full particulars in relation to the valuation process are set forth in our full valuation report and this valuation extract should be read in conjunction with that document.

### **Basis of Valuation**

The subject property in our opinion is likely to be regarded as a leased investment. Consequently, in adopting this definition of value we are of the opinion that it is consistent with the definition of Market Value defined by International Valuation Standards Committee (IVSC) and endorsed by the Australian Property Institute (API).

"Market Value" is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."



This valuation extract is provided by Colliers International Consultancy & Valuation Pty Limited (CICV) and not by any other company in the Colliers International Group. The valuation extract has been prepared for **major transaction purposes** and should not be relied upon for any other purpose or by any person other than **Regenal Investments Pty Limited**. CICV accepts no responsibility for any statements in this report other than for the stated purpose. This valuation extract is issued on the basis that no liability attaches to the companies in the Colliers International Group other than CICV in relation to any statements contained in the valuation extract.

### Date of Issue

In accordance with your written instructions dated 2 December 2010, our inspection of the subject property as at 3 November 2010 and the requested date of valuation as at 31 December 2010, we confirm that this valuation extract has been provided as at 31 December 2010 (Date of Valuation).

We have assumed that there will be no change to the property or the market between the date of issue and the date of valuation. Should we become aware of any relevant market information that may impact on the value of the property, up to and including 31 December 2010, we at our own discretion reserve the right to review and possibly amend the valuation analysis contained herein.

### Qualification and Warning

CICV has been engaged by Regenal Investments Pty Limited to provide a valuation of Schubert's Vineyard, Schubert Road & Lobethal-Mount Torrens Road, Lobethal, SA.

Regenal Investments Pty Limited and CKLS wish to include the valuation extract in the Major Transaction Circular of CKLS (the Circular) to the Hong Kong Stock Exchange and have requested CICV to consent to the inclusion of this valuation extract. CICV consents to the inclusion of this valuation extract in the Circular and to being named in the Circular, subject to the condition that Regenal Investment Pty Limited include this Qualification and Warning:-

- i. This valuation extract has been prepared for Regenal Investment Pty Limited only and for the specific purposes outlined within the Instruction section of this report and cannot be relied upon by third parties.
- ii. This valuation extract is a summary of the valuations of the aforementioned properties as at 31 December 2010 and has not been prepared for the purpose of assessing the property as an investment opportunity.
- iii. CICV makes no representation or recommendation to a Recipient in relation to the valuation of the property or the investment opportunity contained in this valuation extract.
- iv. Recipients must seek their own advice in relation to the investment opportunity contained in the valuation extract.

- v. The events of early 2008 including the initial sub-prime fallout in the United States and subsequent Global Financial Crisis (GFC) created uncertain times for both the equities and property markets in Australia which impacted to varying degrees upon a variety of market participants. The initial impact was focussed on the Listed Property Trust sector operating assets within the major commercial, industrial, retail and infrastructure sectors. While a degree of uncertainty still remains within these markets, the magnitude is notably less than that evident throughout 2008 and the majority of 2009. Improving levels of general market activity over recent times appears to have resulted in growing investor confidence, albeit shallower than that experienced prior to the GFC.

The rural property market has typically lagged the experiences of the other major markets and traditionally has not displayed their volatility. However there have been some very substantial collapses within the managed investment scheme sector in particular that have dampened investor confidence. The very rapid tightening of credit availability that resulted from the GFC remains an issue within the Australian rural property market with LVR requirements causing a general pull back in many regional markets.

CICV has prepared this valuation extract on the basis of, and limited to, the financial and other information (including market information and third party information) referred to in the valuation extract and contained in the full valuation report. We have assumed that the third party information is accurate, reliable and complete and confirm that we have not tested the information in that respect.

### Liability Disclaimer

In the case of advice provided in this valuation extract and our full valuation report which is of a projected nature, we must emphasise that specific assumptions have been made by us which appear realistic based upon current market perceptions. It follows that any one of our associated assumptions set out in the text of this valuation extract may be proved incorrect during the course of time and no responsibility can be accepted by us in this event.

This valuation extract has been prepared subject to the conditions referred to in our Qualification & Warning.

CICV has prepared this valuation extract which appears in the Circular. CICV were involved only in the preparation of this valuation extract and the valuation referred to herein, and specifically disclaim any liability to any person in the event of any omission from, or false or misleading statement included in the Circular, other than in respect of the valuation and this valuation extract. We confirm that this valuation extract may be published in the Circular.



The valuation is current as at the date of the valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period as a result of general market movements or factors specific to the particular property. We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of three months from the date of the valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

CICV confirms that it does not have a pecuniary interest that would conflict with its valuation of the property.

## Property Description

<b>Address</b>	<b>Schubert's Vineyard, Schubert Road &amp; Lobethal-Mount Torrens Road, Lobethal, SA</b>
<b>Brief Description</b>	<p>The subject property comprises an irrigated mature vineyard located in the Adelaide Hills GI, approximately two kilometres north east of the township of Lobethal.</p> <p>The property is leased to Australian Vintage Ltd for 10+5+5+5 years, with the current term due to expire on the 3rd of July 2011.</p> <p>The vineyard is 74.2 hectares in area with the majority of varieties planted in 2001 aside from the Pinot Gris which was planted in 2005.</p> <p>The property sources irrigation water from two operational bores and contains a reasonable level of building improvements. They are relatively clustered to the property's western boundary.</p>
<b>Zoning</b>	Watershed (Primary Production) within the Adelaide Hills Council
<b>Lessee</b>	Australian Vintage Ltd
<b>Term</b>	10 years
<b>Rent</b>	\$708,774.18 per annum
<b>Lease Expiry Date</b>	3 July 2011
<b>Rent Review</b>	The current lease agreement reviews the rent annually to CPI capped at 4%.
<b>Option</b>	Three rights of renewal of five years each
<b>Property Classification</b>	Investment

## Certificate of Title

Title Details			
Search Date	3 November 2010		
Local Government Area	Adelaide Hills Council		
Area	Lobethal		
Hundred	Onkaparinga		
Legal Description	Volume / Folio	Registered Proprietor	Area
Allotment comprising Pieces 44 and 45 within Filed Plan 156211	5292 / 992	Tower Trust (SA) Ltd	32.53
Allotment 17 within Filed Plan 155932	5292 / 993	Tower Trust (SA) Ltd	33.68
Allotment 4 within Deposited Plan 24394	5434 / 78	Tower Trust (SA) Ltd	41.80

The total area of the combined site is therefore **108.01 hectares** or thereabouts (rounded).

### Site Contamination

A visual site inspection in consideration of the past land uses has not revealed any obvious pollution or contamination.

The property has been used for viticultural purposes for many years. During these activities, chemicals in the form of fertilisers and sprays would have been applied to the land and fuel and oils stored on the land. These activities could have given rise to low level contamination similar to that found in the district and reflected in the prices paid generally for land in the area.

We are not aware of the fully details with regard to usage of the site prior to the current use, however, we have no cause to believe that the site has been contaminated.

We advise that we are not experts in the detection or quantification of any environmental problems, and accordingly have not carried out a detailed environmental investigation.

Therefore, this valuation is made on the assumption that there are no actual or potential contamination issues affecting:

- i) the value or marketability of the property;
- ii) the site.

Verification that the property is free from contamination and has not been affected by pollutants of any kind should be obtained from a suitably qualified environmental professional. Should subsequent investigation say that the site is contaminated, this valuation will require revision.

At the time of inspection there were no signs of visible site contamination. We are unaware of any past or proposed use of the land that could create potential liabilities under the environmental use protection legislation.

We have not been provided with an environmental audit report of this site.

### Building Materials

We have not sighted any form of Asbestos Register in relation to the subject property.

Our site inspection did not reveal any obvious signs of asbestos products, however we cannot certify the site free of contamination.

We recommend that if the parties whom wish to rely on this report have any concerns in relation to potential asbestos contamination, they should request the owner to commission a survey and to prepare an Asbestos register.

### Building Condition and Utility

We are not aware of any notices currently issued against the property and we have made no enquiries in this regard. Expert opinion has not been sought in respect to the building structure or the plant and equipment, however our limited enquiries have not revealed any major defects. The improvements are considered to be in reasonable condition for their age.

We have assumed that the property complies with the appropriate statutory, building and fire safety regulations.

We have also assumed that there is no timber infestation, asbestos or other defect and have made no investigations for them nor have we undertaken a structural survey or tested the building services.

### Valuation

We assign the following value to the subject property as at 31 December 2010 and subject to the existing leases, comments, terms, conditions and assumptions contained within and annexed to our report, in fee simple and assuming the property is free of encumbrances, restrictions or other impediments of an onerous nature which would affect value:

**Market Value on an Encumbered/Leased Basis:**  
**\$5,400,000 – GST Exclusive**  
**(FIVE MILLION FOUR HUNDRED THOUSAND DOLLARS)**

**Colliers international Consultancy and Valuation Pty Limited**

A handwritten signature in blue ink, appearing to read "N. Cranna".

**Nicholas Cranna, AAPI**  
**Certified Practising Valuer**  
**B Bus (Prop) Val**  
**14 December 2010 (Date of Signing Report)**

A handwritten signature in blue ink, appearing to read "A. Thamm".

**Alex Thamm, AAPI**  
**Certified Practising Valuer**  
**B Bus (Prop) Val**  
**14 December 2010 (Date of Signing Report)**

## Summary of Valuation

Property	Market value in existing state as at 31 December 2010
Schubert's Vineyard, Schubert Road & Lobethal-Mount Torrens Road, Lobethal, SA, Australia	\$5,400,000

## Valuation Extract

Property	Description	Particulars of Occupancy	Market Value in existing state as at 31 December 2010
<p>Schubert's Vineyard, Schubert Road &amp; Lobethal-Mount Torrens Road, Lobethal, SA, Australia</p>	<p>The subject property comprises an irrigated mature vineyard located in the Adelaide Hills GI, approximately two kilometres north east of the township of Lobethal.</p> <p>The property is leased to Australian Vintage Ltd for 10+5+5+5 years, with the current term due to expire on the 3rd of July 2011.</p> <p>The vineyard is 74.2 hectares in area with the majority of varieties planted in 2001 aside from the Pinot Gris which was planted in 2005.</p> <p>The property sources irrigation water from two operational bores and contains a reasonable level of building improvements. They are relatively clustered to the property's western boundary.</p>	<p>The property is currently tenanted with the current term of 10 years.</p> <p>The tenant has three rights of renewal of five years each.</p>	<p>\$5,400,000</p>



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