Public Holdings (Australia) Limited

A.B.N. 65 000 332 918

And Controlled Entities

48th Annual Report

For the Year Ended 31 December 2007

Public Holdings (Australia) Limited and Controlled Entities

A.B.N 65 000 332 918

Company Particulars

Directors:

Yuan Yi LAO (Chairman) (executive)
Wai-Kin YEUNG (Deputy Chairman) (executive)
Shu-Lin (Steve) XIN (non-executive)
Oreste Anthony BIZIAK (non-executive)
Ying Fang (Marian) MEI (appointed 3 July 2007) (executive)
Ying (Lucy) LU (appointed 28 August 2007) (executive)
Yi-Ming (Jim) HU (resigned 19 December 2007) (executive)

Company Secretary:

David McBain
Level 1, 123 Whitehorse Road, Balwyn, Victoria, 3103

Auditors:

Hall Chadwick
Level 12, 459 Collins Street, Melbourne, Victoria, 3000

External Accountants and Business Advisors:

William Buck (Vic) Pty Ltd
Mr David Chu
Level 2, 215 Spring Street, Melbourne, Victoria, 3000
Email: david.chu@williambuckvic.com.au

Share Registry:

Link Market Services Limited
Level 4, 333 Collins Street, Melbourne, Victoria, 3000
Telephone: (03) 9615 9800
Fax: (03) 9615 9900
Free call: 1800 331 721

Stock Exchange:

Listed on the Australian Securities Exchange(ASX).

Registered Office:

Level 1, 123 Whitehorse Road, Balwyn, Victoria, 3103
Telephone: (03) 9817 0700
Fax: (03) 9817 0799
Email: dmcbain@mcbainmccartin.com.au

Principal Place of Business:

Level 2, 215 Spring Street, Melbourne, Victoria, 3000
Telephone: (03) 8663 6000
Fax: (03) 8663 6333
Email: david.chu@williambuckvic.com.au

Directors' Report

The Directors hereby present their report of Public Holdings (Australia) Limited (Company) and of the consolidated entity being the Company and its controlled entities (Consolidated Entity) for the year ended 31 December 2007.

Directors

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

Yuan Yi LAO
Shu-Lin (Steve) XIN
Wai-Kin YEUNG
Ying (Lucy) LU (appointed 28 August 2007)
Oreste Anthony BIZIAK
Ying Fang (Marian) MEI (appointed 3 July 2007)
Yi-Ming (Jim) HU (resigned 19 December 2007)

Company Secretary

David McBain has been the Company's secretary since September 2006. He has over 30 years of professional experience in the provision of company secretarial, audit and taxation services. David is a fellow of the Institute of Chartered Accountants in Australia (FCA) and the Australian Institute of Company Directors (FAICD). David is also a member of Chartered Secretaries Australia (ACIS).

Principal Activities

The principal activities of the entities in the Consolidated Entity are as follows:

Public Holdings (Australia) Limited
- Investment of funds in the medium and short-term money markets and listed securities.
- Export of Australian and other international wines to China.

PHA Trading Pty Ltd
- Investment of funds in the medium and short-term money markets.

PHA Investments Pty Ltd
- No business activity carried on for the year ended 31 December 2007.

PHA Shanghai Classic Wine & Food Co. Ltd (PHA CS)
- Import and distribution of Australian and other international wines in China.

There were no other significant changes in the nature of the activities of the Consolidated Entity.

Operating Results

The consolidated net profit for the year ended 31 December 2007 was $256,161. This amount was arrived at after providing $1,521 for income tax expense.

It is important to note that the Consolidated Entity had $488,524 unrealised capital gains as at 31 December 2007 on investments in publicly listed shares which were recognised in the financial asset reserve account in the balance sheet.

The contributions made by entities in the Consolidated Entity to the consolidated net profit is listed in Note 16 in the notes to the financial statements that should be read as forming part of this report.

Dividends

A dividend has not been recommended in respect of the year ended 31 December 2007.

Directors’ Report (Continued)

Review of Operations

The Company continued to invest in interest-bearing deposits and listed securities during 2007. The Company also sold part of its listed share portfolio during 2007 and realised a profit on sale of investment of $1,716,397.

PHA CS has continued with the purchase of wines from Australia, and other countries around the world, and the distribution of these wines in China. PHA CS restructured its management team in the fourth quarter of 2007 and carried out a review of its operations. Adequate provisions have been made for doubtful debts and obsolete stock.

The Directors of the Company will continue to look at other opportunities that will complement its current operations.

Financial Position

The net assets of the Consolidated Entity have decreased from $4,623,115 at 31 December 2006 to $3,831,863 at 31 December 2007.

Significant Changes in State of Affairs

Other than those raised in the “Review of Operations” section of the Report, there has not been any matter or circumstances that has arisen that significantly changed the Consolidated Entity's state of affairs.

After Balance Date Events

There has not been any matter or circumstance that has arisen since the end of the year ended 31 December 2007, that has significantly affected, or may significantly affect, the operations of the Consolidated Entity in financial years subsequent to this financial year, other than those raised in the “Review of Operations” section of the Report.

Future Developments, Prospects and Business Strategies

Likely developments in the operations of the Company and expected results from these operations in future financial years have not been included in the Report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Environmental Issues

The Company’s operations are not regulated by any significant environmental regulation under a law of an Australian State or Territory, or of the Commonwealth of Australia.

Information on Directors

Yuan Yi LAO

Mr. Lao obtained a bachelor degree from Shanghai Fudan University and a Masters of Public Administration from Harvard University. Mr. Lao is Chairman of First Shanghai Investments Limited (First Shanghai), the ultimate holding company of the Company.

Directors' Report (Continued)

Wai Kin YEUNG

Mr. Yeung joined First Shanghai as its financial controller in 1993. He was then promoted to the position of Chief Financial Officer in 1997. Mr. Yeung also serves First Shanghai as its company secretary. He has over 20 years experience in the fields of accountancy and management. He obtained his Professional Diploma in Accountancy from the Hong Kong Polytechnic in 1983 and a Bachelor of Laws from Peking University. Mr. Yeung is a professional member of the Association of Chartered Certified Accountants (U.K), the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong.

Shu-Lin (Steve) XIN

Steve is the Vice-President of the Principal Investment Division of the First Shanghai consolidated entity (First Shanghai Group). Prior to joining the First Shanghai Group, he was the senior financial analyst and partner of a U.S. securities company and a registered financial planner of Merrill Lynch, Denver, Colorado. He obtained a Bachelor of Arts from the Lanzhou University, Lanzhou, China and a Masters of Business Administration from the University of Denver, Colorado, United States.

Oreste Anthony BIZIAK

Oreste has been employed in various positions in a number of Australian Government Departments between 1966 and 2001. In November 2001, he resigned from the Department of Immigration, and Multicultural and Indigenous Affairs and established a consultancy company in Canberra with interests in Hong Kong and China. He obtained a Bachelor of Applied Science from the University of Canberra. In July 2002, Oreste was appointed director, secretary and public officer of Florens Container Services (Australia) Pty Limited, a subsidiary of COSCO Pacific which is listed on the Hong Kong Stock Exchange.

Ying Fang (Marian) MEI (appointed 3 July 2007)

Marian joined First Shanghai Group in 2001 as financial controller of its Shanghai office. In October 2004 she immigrated to Australia with her family. Marian has worked in the field of accountancy and management for over 10 years. She obtained her bachelor degree from Central University of Finance and Economics (Beijing China) in 1993 and later on obtained a Masters of Business Administration from Shanghai Jiaotong University, Shanghai, China in 2001. She is a professional member of the Association of Chartered Certified Accountants (U.K), the Chinese Institute of Certified Public Accountants and an associate member of Australian CPA.

Ying (Lucy) LU (appointed 28 August 2007)

Lucy is the Executive Director responsible for the Company's subsidiary, PHA-CS. She previously worked as assistant to the chief economist and Vice-President of China Venture-tech Investment Co. Lucy joined First Shanghai Group in 1996 as the chief representative of its Beijing Office. During 2002, she immigrated to Australia and joined the Company as project manager. Lucy obtained her bachelor degree from Central Conservatory of Music, China and achieved her Masters of Business Administration from the University of Technology, Sydney, Australia.

	Shares Directly or Indirectly Held as at the Date of this Report	
	Beneficially Owned Shares held in the Company via First Shanghai	Beneficially Owned Options held in the Company via First Shanghai
Yuan Yi LAO	165,581,636	11,944,000
Wai-Kin YEUNG	2,982,304	19,842,000
Shu-Lin (Steve) XIN	-	8,032,000

Directors' Report (Continued)

At the date of this Report the total number of issued shares in First Shanghai is 1,392,213,012

First Shanghai Investments Ltd holds all of the issued share capital of Atlas Securities Pty Ltd.
Atlas Securities Pty Ltd holds 73.93% of the issued share capital of the Company.

Except as disclosed above, there were no shares in the Company that were beneficially owned by the directors of the Company.

Other Matters

The results of the operations of the Company and of the Consolidated Entity were, in the opinion of the directors of First Shanghai, not substantially affected by any item, transaction or event of a material and unusual nature during the financial year ended 31 December 2007.

Remuneration Report

The Company's board of directors (Board) is relatively small and acts as a Remuneration Committee and is responsible for determining and reviewing compensation arrangements for the directors and senior executives. The Board's remuneration policy is to ensure that the remuneration package properly reflects the duties and responsibilities of employees and officers, with the overall objective of ensuring maximum stakeholder benefit from the retention and motivation of experienced executives.

To assist in achieving the above objectives, the Board links the nature and amount of executive officers' emoluments to the Company's financial and operating performance.

Remuneration Structure

In accordance with best practice corporate governance principles, the structure of non-executive director and executives' remuneration is separate and distinct.

Non-executive director remuneration
The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain non-executive directors of the highest calibre, whilst incurring a cost which is acceptable to the Company's shareholders.

The amount of aggregate remuneration is sought to be approved by the Company's shareholders as required by the ASX Listing Rules and reviewed annually. The Board considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

The Board's policy for determining the nature and amount of remuneration for board members of the Consolidated Entity takes into account factors such as length of service and experience, and the fact that directors will receive a base salary and superannuation.

A director receiving a salary receives a guaranteed superannuation contribution required by the government, which is currently 9%, plus amounts salary sacrificed.

Performance based remuneration

The Company does not provide performance based remuneration for any director or key management personnel in 2007.

Directors' Report (Continued)

Company performance, shareholder wealth and directors' and executives' remuneration

Details of Company performance and shareholder wealth are contained in other sections of this financial report. Directors and executives' remuneration are set out in the following section.

The share price of the Company at year end was $0.305 (2006 $0.210)

Details of Remuneration for Year Ended 31 December 2007

The remuneration for each director and executive of the Consolidated Entity receiving the highest remuneration during the year was as follows:

Director	Salary	Superannuation	Total
Yi-Ming (Jim) Hu (resigned 19 December 2007)	$25,940	$21,748	$47,688
Ying Fang (Marian) MEI (appointed 3 July 2007)	$31,712	$2,855	$34,567
Ying (Lucy) LU (appointed 28 August 2007)	$19,800	$37,752	$57,552

Non-executive Director	Director's fee	Total
Mr Oreste Anthony Biziak	$35,000	$35,000

Options issued as part of remuneration for the year ended 31 December 2007

No options have been issued as part of remuneration for the year ended 31 December 2007.

Employment Contracts of Directors

The employment conditions of Jim Hu (resigned 19 December 2007), the executive director and specified executives are formalised in contracts of employment. Jim was a full-time employee of the Company.

Directors' Meetings

The following table sets out the number of meetings of the Company's directors held during the year ended 31 December 2007 and the number of meetings attended by each director.

	Directors' meetings		Audit Committee meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Yuan Yi LAO	13	12	-	-
Wai Kin YEUNG	13	13	-	-
Shu-Lin (Steve) XIN	13	10	-	-
Oreste Anthony BIZIAK	13	13	1	1
Ying Fang (Marian) MEI	6	6	-	-
Ying (Lucy) LU	5	5	-	-
Yi-Ming (Jim) HU	11	10	1	1

Directors' Report (Continued)

Indemnifying Officers or Auditor

The Company has not provided any indemnification of or insurance for the present or former officers and auditors of the Company, or entities in the Consolidated Entities.

Options

There were no options granted over unissued shares or interests during or since the financial year ended 31 December 2007 by the Company or controlled entities to directors.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-audit Services

There are no non-audit services provided to the Company by the audit firm.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 31 December 2007 has been received and can be found on page 8.

The Report is made in accordance with a resolution of the Board.

Yuan Yi LAO ....
Director
Dated this 28th day of March 2008

Hall Chadwick
Chartered Accountants & Business Advisers

Melbourne

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459 Collins Street
Melbourne 3000
Victoria Australia

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Partners
John H Davis
Digby L Looker
Graeme A Marriott
Robert L Yeo
Kevin P Adams
Stan Traianedes

Other firms in:
Sydney
Adelaide
Perth
Brisbane
Gold Coast
Darwin

National Association
Hall Chadwick

International Association
AGN International

Associations of
Independent Firms

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Public Holdings (Australia) Limited and Controlled Entities

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2007 there have been:

a. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

b. no contraventions of any applicable code of professional conduct in relation to the audit.

HALL CHADWICK
Chartered Accountants

Melbourne
28 March 2008

Kevin P. Adams
Partner

Consolidated Income Statement
For the Year Ended 31 December 2007

	Note	Economic Entity 31 Dec 2007 $	Economic Entity 31 Dec 2006 $	Parent Entity 31 Dec 2007 $	Parent Entity 31 Dec 2006 $
Revenues	**2(a)**	2,957,734	1,583,550	1,823,366	777,705
Cost of sales		(577,203)	(783,094)	-	(650,459)
Write down of inventories to net realisable value	**2(b)**	(497,272)	-	-	-
Employee benefits expense		(379,733)	(345,821)	(174,806)	(209,941)
Depreciation and amortisation expense		(19,762)	(22,729)	(999)	(1,951)
Impairment of investment	**2(b)**	-	-	(822,697)	-
Impairment of subsidiary loan	**2(b)**	-	-	(1,213,732)	-
Wine selling expenses		(555,956)	(541,671)	-	-
Professional fees		(201,716)	(202,738)	(198,895)	(200,069)
Net foreign currency exchange loss		(73,138)	(65,631)	(35,651)	(32,418)
Bad and doubtful debts		(173,128)	(4,692)	-	-
Rental expense		(100,299)	(98,681)	953	(11,117)
Administration and other expenses		(121,845)	(282,407)	(113,254)	(211,289)
Profit/ (loss) before income tax		257,682	(763,914)	(735,715)	(539,539)
Income tax expense	**3**	(1,521)	(1,847)	-	-
Net profit/ (loss) for the year		256,161	(765,761)	(735,715)	(539,539)
Basic earnings per share (cents per share)	**23**	1.71	(5.11)		

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet
As at 31 December 2007

	Note	Economic Entity 31 Dec 2007 $	Economic Entity 31 Dec 2006 $	Parent Entity 31 Dec 2007 $	Parent Entity 31 Dec 2006 $
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	**4**	1,899,910	635,891	1,335,036	297,333
Trade and other receivables	**5**	561,084	567,647	263,943	94,293
Inventories	**6**	216,084	1,071,307	-	-
TOTAL CURRENT ASSETS		2,677,078	2,274,845	1,598,979	391,626
NON-CURRENT ASSETS					
Trade and other receivables	**7**	1,634	-	761,655	1,873,031
Financial assets	**8**	2,101,883	3,720,843	2,346,697	4,781,839
Plant and equipment	**9**	32,306	51,956	1,636	2,635
Intangible assets	**10**	2,772	4,809	-	-
TOTAL NON-CURRENT ASSETS		2,138,595	3,777,608	3,109,988	6,657,505
TOTAL ASSETS		4,815,673	6,052,453	4,708,967	7,049,131
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	**11**	489,036	561,817	173,188	353,867
Current tax liabilities	**12**	-	1,398	-	-
TOTAL CURRENT LIABILITIES		489,036	563,215	173,188	353,867
NON-CURRENT LIABILITIES					
Non-interest bearing liabilities	**13**	494,774	866,123	3,746,269	4,119,284
TOTAL NON-CURRENT LIABILITIES		494,774	866,123	3,746,269	4,119,284
TOTAL LIABILITIES		983,810	1,429,338	3,919,457	4,473,151
NET ASSETS		3,831,863	4,623,115	789,510	2,575,980
EQUITY					
Issued capital	**14**	1,872,375	1,872,375	1,872,375	1,872,375
Reserves	**15**	492,528	1,539,941	481,324	1,532,079
Retained earnings		1,466,960	1,210,799	(1,564,189)	(828,474)
TOTAL EQUITY		3,831,863	4,623,115	789,510	2,575,980

The accompanying notes form part of these financial statements.

Public Holdings (Australia) Limited and Controlled Entities
A.B.N 65 000 332 918

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2007

	Note	Share Capital $	Reserves $	Retained Earnings $	Total $
Economic Entity					
Balance at 1 January 2006		1,872,375	846,292	1,613,055	4,331,722
Net loss attributable to the members of parent entity		-	-	(765,761)	(765,761)
Adjustments on consolidation		-	-	2,790	2,790
Transfer from reserves		-	(360,715)	360,715	-
Asset revaluation increment	**15**	-	1,060,216	-	1,060,216
Adjustment from translation of foreign controlled entities	**15**	-	(5,852)	-	(5,852)
Balance at 31 December 2006		1,872,375	1,539,941	1,210,799	4,623,115
Net profit attributable to the members of the parent entity		-	-	256,161	256,161
Revalued assets realised	**15**	-	(1,197,998)	-	(1,197,998)
Asset revaluation increment	**15**	-	140,729	-	140,729
Adjustment from translation of foreign controlled entities		-	9,856	-	9,856
Balance at 31 December 2007		1,872,375	492,528	1,466,960	3,831,863
Parent Entity					
Balance at 1 January 2006		1,872,375	782,122	(585,477)	2,069,020
Net loss attributable to the members of parent entity		-	-	(539,539)	(539,539)
Transfers from reserves		-	(296,542)	296,542	-
Asset revaluation increment	**15**	-	1,046,499	-	1,046,499
Balance at 31 December 2006		1,872,375	1,532,079	(828,474)	2,575,980
Net loss attributable to the members of parent entity		-	-	(735,715)	(735,715)
Revalued assets realised	**15**	-	(1,197,998)	-	(1,197,998)
Asset revaluation increment	**15**	-	147,243	-	147,243
Balance at 31 December 2007		1,872,375	481,324	(1,564,189)	789,510

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement
For the Year Ended 31 December 2007

	Note	Economic Entity		Parent Entity	
		31 Dec 2007 $	31 Dec 2006 $	31 Dec 2007 $	31 Dec 2006 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		(1,886,638)	(1,762,660)	(732,081)	(453,560)
Receipts from customers		1,275,851	1,392,949	22,766	-
Dividends received		85,057	70,229	84,372	69,471
Interest received		31,090	17,113	24,418	11,515
Net cash used in operating activities	**20**	(494,640)	(282,369)	(600,525)	(372,574)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of plant and equipment		-	(15,564)	-	(3,005)
Sale of investments		2,157,658	-	2,157,658	-
Net cash provided by (used in) investing activities		2,157,658	(15,564)	2,157,658	(3,005)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings to related parties		(538,430)	(40,620)	(669,430)	(31,025)
Borrowings from related parties		150,000	433,432	150,000	300,000
Other cash paid relating to financing activities		(10,074)	(42,935)	-	-
Net cash provided by (used in) financing activities		(398,504)	349,877	(519,430)	268,975
Net increase (decrease) in cash held		1,264,514	51,944	1,037,703	(106,604)
Cash and cash equivalents at 1 January		635,891	591,305	297,333	403,937
Effect of exchange rates on cash holdings in foreign currencies		(495)	(7,358)	-	-
Cash and cash equivalents at 31 December	**4**	1,899,910	635,891	1,335,036	297,333

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
For the Year Ended 31 December 2007

1. Statement of Significant Accounting Policies

Corporate Information

Public Holdings (Australia) Limited is a listed public company, incorporated and domiciled in Australia.

The financial report covers the economic entity of Public Holdings (Australia) Limited and controlled entities, and Public Holdings (Australia) Limited as an individual parent entity.

The financial report of Public Holdings (Australia) Limited and controlled entities and Public Holdings (Australia) Limited as an individual entity complies with all International Financial Reporting Standards in their entirety.

Basis of Preparation

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

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

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

a) Critical accounting estimates and judgments

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make estimates, judgments and assumptions based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group. Actual results may differ from these estimates.

1. Statement of Significant Accounting Policies (Continued)

b) Principles of Consolidation

A controlled entity is any entity Public Holdings (Australia) Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 16 to the financial statements. All controlled entities have a December financial year-end.

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

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

c) Income Tax

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

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

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

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

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

1. Statement of Significant Accounting Policies (Continued)

d) Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

e) Inventories

Inventories are measured at the lower of cost and net realisable value.

f) Plant and Equipment

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

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

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

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

Class of Fixed Asset	Depreciation Rate
Office Equipment	15-40%

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

g) Financial Instruments

Recognition

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

1. Statement of Significant Accounting Policies (Continued)

g) Financial Instruments (Continued)

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity, until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the income statement.

Financial liabilities

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

Fair value

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

Impairment

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

h) Impairment of Assets

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the economic entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1. Statement of Significant Accounting Policies (Continued)

i) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

j) Trade and Other Payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

k) Employee Benefits

Provision for annual leave and long service leave has not been made as the economic entity has no obligation to pay at balance date.

1. Statement of Significant Accounting Policies (Continued)

l) Cash and Cash Equivalents

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

m) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

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

From 1 January 2007, the parent entity only recognises commission charged on wine sales as revenue. This policy replaces the previous treatment where the total wine sales (inclusive of mark-up) and cost of wine sold were recognised in the books of the parent entity.

n) Goods and Services Tax (GST)

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

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

The financial report was authorised for issue on 28 March 2008 by the board of directors.

Notes to the Financial Statements
For the Year Ended 31 December 2007

	Note	Economic Entity 31 Dec 2007 $	Economic Entity 31 Dec 2006 $	Parent Entity 31 Dec 2007 $	Parent Entity 31 Dec 2006 $
2 Profit (Loss) for the Year					
(a) Revenue					
Operating activities:					
Interest received					
- other persons and corporations		34,825	18,098	24,612	11,532
Profit on sale of investments		1,716,397	-	1,716,397	-
Dividends received					
- other corporations		73,682	83,935	72,997	83,178
Wine sales	1(m)	1,122,792	1,434,912	-	682,995
Commissions and other income	1(m)	10,038	46,605	9,360	-
Total Revenue		2,957,734	1,583,550	1,823,366	777,705

(b) Significant Revenue and Expenses

The following significant revenue and expense items are relevant in explaining the financial performance of the group.

- Write down of inventory to net realisable value by PHA Shanghai Classic Wine & Food Company Ltd. (PHA SC) $497,272.

- Impairment of investment by Public Holdings (Australia) Ltd (PHA) in PHA SC arising from diminution in value of PHA SC from losses incurred $822,697.

- Impairment of loan by PHA in PHA SC arising from diminution in value of PHA SC from losses incurred $1,213,732.

- Profit on sale of listed investments by PHA $1,716,397.

Notes to the Financial Statements

For the Year Ended 31 December 2007

	Economic Entity		Parent Entity	
	31 Dec 2007 $	31 Dec 2006 $	31 Dec 2007 $	31 Dec 2006 $
3 Income Tax Expense				
The prima facie tax on profit / (loss) is reconciled to the income tax as follows:				
Prima facie income tax on profit /(loss) at 30%:	77,304	(229,174)	(220,715)	(161,862)
Tax effect of:				
Non-deductible items	3,807	9,332	4,202	9,293
Write down to recoverable amount	-	-	610,929	-
Adjustment of prior years FITB	-	449	-	-
Franking credit rebate	-	(31,327)	-	(31,003)
Rebateable dividends	8,870	9,398	8,782	9,301
Loss from foreign subsidiary not subject to income tax	314,674	68,835	-	-
Recoupment of prior year losses	(403,198)	-	(403,198)	-
Tax losses not brought to account	64	174,334	-	174,271
Income tax attributable to economic entity	1,521	1,847	-	-

A deferred tax asset has not been recognised in respect of the carry forward of unused tax losses.

The benefit for tax losses will only be obtained if:

- the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; and
- the company continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the losses.

4 Cash and Cash Equivalents

	Economic Entity 31 Dec 2007 $	Economic Entity 31 Dec 2006 $	Parent Entity 31 Dec 2007 $	Parent Entity 31 Dec 2006 $
Cash at bank	1,749,436	420,325	1,282,809	173,343
Short-term deposits	150,474	215,566	52,227	123,990
	1,899,910	635,891	1,335,036	297,333

Notes to the Financial Statements
For the Year Ended 31 December 2007

	Economic Entity		Parent Entity	
	31 Dec 2007 $	31 Dec 2006 $	31 Dec 2007 $	31 Dec 2006 $
5 Trade and Other Receivables - Current				
Amounts receivable from:				
- controlling entities	20,704	5,714	20,704	5,714
Trade and sundry debtors	533,994	522,497	243,239	88,579
Prepaid/deferred expenses	6,386	39,436	-	-
	561,084	567,647	263,943	94,293
6 Inventories - Current				
Finished goods:				
At net realisable value	216,084	-	-	-
At cost	-	1,071,307	-	-
	216,084	1,071,307	-	-
7 Trade and Other Receivables - Non-Current				
Amounts receivable from:				
- wholly-owned subsidiaries	-	-	1,975,387	1,873,031
Less provision for impairment	-	-	(1,213,732)	-
	-	-	761,655	1,873,031
Prepaid/deferred expenses	1,634	-	-	-
	1,634	-	761,655	1,873,031
8 Financial Assets - Non-Current				
Available-for-sale financial assets	2,101,883	3,720,843	2,346,697	4,781,839
	2,101,883	3,720,843	2,346,697	4,781,839
Available-for-sale financial assets comprise:				
Listed investments, at fair value				
- Shares in listed corporations	2,101,883	3,720,843	2,092,880	3,705,325
Unlisted investments, at cost				
- Shares in controlled entities	-	-	1,076,514	1,076,514
Less provision for impairment	-	-	(822,697)	-
	-	-	253,817	1,076,514
Total available-for-sale financial assets	2,101,883	3,720,843	2,346,697	4,781,839

Available-for-sale financial assets comprise investments in the ordinary share capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

The fair value of unlisted available-for-sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. As a result, all unlisted investments are reflected at cost less any provision for impairment.

Notes to the Financial Statements
For the Year Ended 31 December 2007

	Economic Entity		Parent Entity	
	31 Dec 2007 $	31 Dec 2006 $	31 Dec 2007 $	31 Dec 2006 $
9 Plant and Equipment				
Office equipment - at cost	129,334	134,277	15,464	15,464
Accumulated depreciation	(97,028)	(82,321)	(13,828)	(12,829)
Total plant and equipment	32,306	51,956	1,636	2,635
Movements in Carrying Amounts:				
Balance at the beginning of year	51,956	58,649	2,635	1,854
Additions	-	9,927	-	2,732
Foreign exchange movement on translation of foreign subsidiary	(43)	3,798	-	-
Disposals	(1,872)	(251)	-	-
Depreciation expense	(17,735)	(20,167)	(999)	(1,951)
Carrying amount at the end of year	32,306	51,956	1,636	2,635
10 Intangible Assets				
Software				
At cost	8,082	8,082	-	-
Accumulated amortisation	(5,310)	(3,273)	-	-
Total intangible assets	2,772	4,809	-	-
Movements in Carrying Amounts:				
Balance at the beginning of year	4,809	6,982	-	-
Foreign exchange movement on translation of foreign subsidiary	(10)	(554)	-	-
Amortisation expense	(2,027)	(1,619)	-	-
Carrying amount at the end of year	2,772	4,809	-	-

Notes to the Financial Statements
For the Year Ended 31 December 2007

	Economic Entity		Parent Entity	
	31 Dec 2007 $	31 Dec 2006 $	31 Dec 2007 $	31 Dec 2006 $
11 Trade and Other Payables - Current				
Unsecured liabilities				
Trade and other creditors and accruals	489,036	561,817	173,188	353,867
12 Current Tax Liabilities				
Provision for income tax	-	1,398	-	-
13 Non-Interest Bearing Liabilities				
Unsecured - no fixed term liabilities				
Amounts payable to:				
- wholly-owned subsidiaries	-	-	3,251,495	3,253,161
- controlling entities	494,774	866,123	494,774	866,123
	494,774	866,123	3,746,269	4,119,284
14 Issued Capital				
14,979,000 (2006: 14,979,000) fully paid ordinary shares	1,872,375	1,872,375	1,872,375	1,872,375

There has been no movement in share capital during the year.

(a) Ordinary shares participate in dividends and the proceeds on winding up of the entity in proportion to the number of shares held.

(b) At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Notes to the Financial Statements
For the Year Ended 31 December 2007

	Economic Entity 31 Dec 2007 $	Economic Entity 31 Dec 2006 $	Parent Entity 31 Dec 2007 $	Parent Entity 31 Dec 2006 $
15 Reserves				
Financial assets reserve	488,524	1,545,793	481,324	1,532,079
Foreign currency translation reserve	4,004	(5,852)	-	-
	492,528	1,539,941	481,324	1,532,079

(a) Financial assets reserve

	Economic Entity 31 Dec 2007 $	Economic Entity 31 Dec 2006 $	Parent Entity 31 Dec 2007 $	Parent Entity 31 Dec 2006 $
Movement during the year:				
Opening balance	1,545,793	685,129	1,532,079	685,579
Transfer to opening retained earnings	-	(199,552)	-	(199,999)
Asset revaluation increment	140,729	1,060,216	147,243	1,046,499
Revalued assets realised	(1,197,998)	-	(1,197,998)	-
Closing balance	488,524	1,545,793	481,324	1,532,079

The financial assets reserve records revaluations of financial assets.

(b) Foreign currency translation reserve

	Economic Entity 31 Dec 2007 $	Economic Entity 31 Dec 2006 $	Parent Entity 31 Dec 2007 $	Parent Entity 31 Dec 2006 $
Movement during the year:				
Opening balance	(5,852)	48,606	-	-
Adjustment of reserve created on consolidation in previous year	-	(48,606)	-	-
Adjustment arising from the translation of foreign controlled entity financial statements	9,856	(5,852)	-	-
Closing balance	4,004	(5,852)	-	-

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

(c) Capital profits reserve

	Economic Entity 31 Dec 2007 $	Economic Entity 31 Dec 2006 $	Parent Entity 31 Dec 2007 $	Parent Entity 31 Dec 2006 $
Movement during the year:				
Opening balance	-	76,066	-	61,972
Transfer to retained earnings	-	(76,066)	-	(61,972)
Closing balance	-	-	-	-

(d) Asset revaluation reserve

	Economic Entity 31 Dec 2007 $	Economic Entity 31 Dec 2006 $	Parent Entity 31 Dec 2007 $	Parent Entity 31 Dec 2006 $
Movement during the year:				
Opening balance	-	34,571	-	34,571
Transfer to retained earnings	-	(34,571)	-	(34,571)
Closing balance	-	-	-	-

Notes to the Financial Statements
For the Year Ended 31 December 2007

	Economic Entity 31 Dec 2007 $	Economic Entity 31 Dec 2006 $	Parent Entity 31 Dec 2007 $	Parent Entity 31 Dec 2006 $

15 Reserves (Continued)

(e) Surplus on consolidation

	Economic Entity 31 Dec 2007 $	Economic Entity 31 Dec 2006 $	Parent Entity 31 Dec 2007 $	Parent Entity 31 Dec 2006 $
Movement during the year:				
Opening balance	-	1,920	-	-
Transfer to retained earnings	-	(1,920)	-	-
Closing balance	-	-	-	-

16 Controlled Entities

	Country of incor-poration	Class of share	Carrying amount of investment $	% Owned	Contribution to consolidated result (after tax) 31 Dec 2007 $	Contribution to consolidated result (after tax) 31 Dec 2006 $
PHA Trading Pty Ltd	Aust.	Ord.	150,817	100	4,571	3,954
PHA Investments Pty Ltd	Aust.	Ord.	103,000	100	(212)	(726)
PHA Shanghai Classic Wine and Food Co Ltd.	China	Ord.	822,697	100	(1,042,318)	(229,450)
Less provision for impairment			(822,697)			
			253,817		(1,037,959)	(226,222)
Public Holdings (Australia) Limited					1,294,120	(539,539)
					256,161	(765,761)

The amount of investment and percentage holding in the controlled entities has remained unchanged during the financial year.

17 Dividend

The Directors have recommended no payment of dividends in respect of the year ended 31 December 2007.

	Economic Entity 31 Dec 2007 $	Economic Entity 31 Dec 2006 $	Parent Entity 31 Dec 2007 $	Parent Entity 31 Dec 2006 $
Balance of franking account at year end	1,116,731	1,088,533	494,435	467,927

There are no adjustments required to the franking account at 31 December 2007.

Notes to the Financial Statements
For the Year Ended 31 December 2007

18 Related Party Transactions

Parent Entity

Atlas Securities Pty Ltd owns 73.93% of Public Holdings (Australia) Limited. P.I. Investments Australia Pty Ltd. owns 100% of Atlas Securities Pty Ltd. PHA Investments Pty Ltd, PHA Trading Pty Ltd and PHA Shanghai Classic Wine and Food Co Ltd are controlled entities of Public Holdings (Australia) Limited. Transactions between the parties consist of interest-free unsecured loans to and from the parties. The aggregate amount of these transactions were as follows:

	Economic Entity		Parent Entity	
	31 Dec 2007 $	31 Dec 2006 $	31 Dec 2007 $	31 Dec 2006 $
Amounts due from:				
- PHA Shanghai Classic Wine and Food Co. Ltd for:				
Purchase of wine and commissions from Public Holdings (Australia) Limited	-	-	761,655	1,873,031
- P.I. Investments Australia Pty Ltd for:				
Payments of income tax expense and other services on behalf of P.I. Investments Australia Pty Ltd	20,704	5,714	20,704	5,714
	20,704	5,714	782,359	1,878,745
Amounts due to:				
- PHA Investments Pty Ltd for:				
Interest free and unsecured loans made to parent entity	-	-	559,436	559,648
- PHA Trading Pty Ltd for:				
Interest free and unsecured loans made to parent entity	-	-	2,692,059	2,693,513
- Atlas Securities Pty Ltd for:				
Interest free and unsecured loans made	300,000	300,000	300,000	300,000
Payments for purchases of wine and other services on behalf of Public Holdings (Australia) Limited	194,774	566,123	194,774	566,123
	494,774	866,123	3,746,269	4,119,284

Notes to the Financial Statements
For the Year Ended 31 December 2007

18 Related Party Transactions (Continued)

	Economic Entity 31 Dec 2007 $	Economic Entity 31 Dec 2006 $	Parent Entity 31 Dec 2007 $	Parent Entity 31 Dec 2006 $
Transactions with:				
PHA Shanghai Classic Wine and Food Co. Ltd for:				
Sale of Wine to and/or Commission from PHA Shanghai Classic Wine and Food Co. Ltd	-	-	6,594	682,995

Ultimate Parent Entity

The ultimate parent entity of Public Holdings (Australia) Limited is First Shanghai Investments Limited, a company incorporated in Hong Kong, China. Management fees paid/payable to First Shanghai Investments Limited's subsidiary, First Shanghai Management Services Limited, amounted to $100,000 in 2007 (2006: $100,000). Other amounts owed to First Shanghai Management Services Limited amounted to $50,000 in 2007 (2006: $56,119).

Key Management Personnel Compensation

	Economic Entity 31 Dec 2007 $	Economic Entity 31 Dec 2006 $	Parent Entity 31 Dec 2007 $	Parent Entity 31 Dec 2006 $
Amounts paid to Mr Hu for:				
Salaries	25,940	45,000	25,940	45,000
Superannuation	21,748	36,750	21,748	36,750
	47,688	81,750	47,688	81,750
Amounts paid to Ms Mei for:				
Salaries	31,712	6,880	31,712	6,880
Superannuation	2,855	620	2,855	620
	34,567	7,500	34,567	7,500
Amounts paid to Ms Lu for:				
Salaries	19,800	26,400	19,800	26,400
Superannuation	37,752	2,376	37,752	2,376
	57,552	28,776	57,552	28,776
Amounts incurred to Mr Biziak as director's fees (Superannuation)	35,000	35,000	35,000	35,000
	174,807	153,026	174,807	153,026

Notes to the Financial Statements
For the Year Ended 31 December 2007

	Economic Entity		Parent Entity	
	31 Dec 2007 $	31 Dec 2006 $	31 Dec 2007 $	31 Dec 2006 $
19 Remuneration of Auditors				
Amounts received or due and receivable by the auditors:				
- Auditing the financial statements	25,000	22,000	25,000	22,000
- Other audit related services	12,625	18,250	12,625	18,250
Remuneration of other auditors for subsidiaries	5,500	2,669	-	-
	43,125	42,919	37,625	40,250

20 Cash Flow Information

Reconciliation of cash flow from operations with profit/ (loss) after income tax

	31 Dec 2007 $	31 Dec 2006 $	31 Dec 2007 $	31 Dec 2006 $
Profit / (loss) after income tax	256,161	(765,761)	(735,715)	(539,539)
Non-cash flows in profit / (loss) from ordinary activities				
Depreciation & amortisation	19,762	22,729	999	1,951
Impairment loss	-	-	2,036,429	-
Net profit on disposal of investments	(1,716,397)	-	(1,716,397)	-
Effect of exchange rate changes	35,380	30,263	35,380	30,263
Loss on disposal of plant & equipment	1,872	251	-	-
Write down of inventories	497,272	-	-	-
Bad and doubtful debts	173,128	-	-	-
Changes in assets and liabilities:				
Decrease /(increase) in trade and other receivables	180,302	(181,926)	(40,824)	(738,862)
Decrease / (increase) in inventories	277,615	(288,318)	-	-
Increase/(decrease) in trade and other payables	(219,735)	900,393	(180,397)	873,613
Net cash used in operating activities	(494,640)	(282,369)	(600,525)	(372,574)

21 Contingent Liabilities

The consolidated entity has no material contingent liabilities.

22 Segment Reporting

Accounting Policy

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, plant and equipment, net of allowances and accumulated depreciation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by the two segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of accounts payable, accrued expenses, provisions and borrowings.

Business and Geographical Segments

Business Segments

The economic entity has the following two business segments:

- The investment of funds in the medium and short-term money markets and listed securities.

- Distribute Australian and other wines from around the world in China.

Geographical Segments

The economic entity's business segments are located in Australia with the investment division and China with the wine distribution.

Primary reporting – Business segments

	Wine Distribution		**Investment**		**Economic Entity**	
	31 Dec 2007 $	**31 Dec 2006 $**	**31 Dec 2007 $**	**31 Dec 2006 $**	**31 Dec 2007 $**	**31 Dec 2006 $**
Revenue						
External sales	1,134,580	1,483,085	1,823,154	100,465	2,957,734	1,583,550
Total revenue					2,957,734	1,583,550
Result						
Segment result	(1,039,497)	(408,780)	1,660,056	95,153	620,559	(313,627)
Unallocated expenses					(362,877)	(450,287)
Profit (Loss) before income tax					257,682	(763,914)
Income tax expense					(1,521)	(1,847)
Net profit (loss) after income tax					256,161	(765,761)

22 Segment Reporting (Continued)

Primary reporting – Business segments (Continued)

	Wine Distribution		Investment		Economic Entity	
	31 Dec 2007 $	31 Dec 2006 $	31 Dec 2007 $	31 Dec 2006 $	31 Dec 2007 $	31 Dec 2006 $
Assets						
Segment assets	1,013,055	1,800,034	3,781,914	4,168,073	4,794,969	5,968,107
Unallocated assets	-	-	-	-	20,704	84,346
Total Assets					**4,815,673**	**6,052,453**
Liabilities						
Segment liabilities	315,848	105,291	173,188	29,812	489,036	135,103
Unallocated liabilities	-	-	-	-	494,774	1,294,235
Total Liabilities					**983,810**	**1,429,338**

Secondary reporting - Geographical segments

	Segment Revenues from External Customers		Carrying Amount of Segment Assets		Acquisition of Non-Current Segment Assets	
	31 Dec 2007 $	31 Dec 2006 $	31 Dec 2007 $	31 Dec 2006 $	31 Dec 2007 $	31 Dec 2006 $
Australia	1,823,154	100,465	3,802,618	4,210,598	-	2,732
China	1,134,580	1,483,085	1,013,055	1,841,855	-	7,195
	2,957,734	1,583,550	4,815,673	6,052,453	-	9,927

	Economic Entity 31 Dec 2007	Economic Entity 31 Dec 2006
23 Earnings per Share		
Basic earnings per share (cents per share)	1.710	(5.112)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	14,979,000	14,979,000

There are no potential ordinary and dilutive shares as at 31 December 2007. Therefore diluted earnings per share is not applicable.

24 Financial Instruments

The economic entity's financial instruments consist mainly of deposits with banks, accounts receivable and payable, available-for-sale financial assets and loans to and from subsidiaries.

(a) Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

(b) Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Economic entity

31 Dec 2007	Note	Floating interest rate $	Fixed interest maturing in 6 mths or less $	Non-interest bearing $	Total $
Financial assets:					
Cash and cash equivalents	**4**	1,749,436	150,474	-	1,899,910
Trade and other receivables	**5 & 7**	-	-	562,718	562,718
Available-for-sale financial assets	**8**	-	-	2,101,883	2,101,883
		1,749,436	150,474	2,664,601	4,564,511
Weighted average effective interest rate		1.46%	6.21%		
Financial liabilities:					
Trade and other payables	**11**	-	-	489,036	489,036
Non-interesting bearing liabilities	**13**	-	-	494,774	494,774
		-	-	983,810	983,810

24 Financial Instruments (continued)

(b) Interest Rate Risk (continued)

Economic Entity

	Note	Floating interest rate $	Fixed interest maturing in 6 mths or less $	Non-interest bearing $	Total $
31 Dec 2006					
Financial assets:					
Cash and cash equivalents	**4**	420,325	215,566	-	635,891
Trade and other receivables	**5 & 7**	-	-	567,647	567,647
Available-for-sale financial assets	**8**	-	-	3,720,843	3,720,843
		420,325	215,566	4,288,490	4,924,381
Weighted average effective interest rate		2.22%	5.42%		
Financial liabilities:					
Trade and other payables	**11**	-	-	561,817	561,817
Non-interesting bearing liabilities	**13**	-	-	866,123	866,123
		-	-	1,427,940	1,427,940

(c) Net Fair Values

The net fair values of listed equity investments have been valued at quoted market bid price at balance date.

Financial assets and liabilities

The net fair values of cash and cash equivalents, non-interest bearing financial assets and liabilities approximate their carrying values as shown at note 24 (b).

(d) Risk Management Policies and Objectives

The Company's financial instruments consist mainly of deposits with banks, available-for-sale financial assets, accounts receivables and payables, loans to and from subsidiaries. From time to time, the Company may face the following risks:

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in raising funds to meet its expenditure commitments and future requirements.

The Company manages the liquidity risk by making periodical liquidity analysis for all financial liabilities and monitoring forecast cash flows in order to ensure that adequate funds are available when its financial liabilities fall due.

24 Financial Instruments (continued)

(d) Risk Management Policies and Objectives (continued)

Credit risk

Credit risk is the risk that the Company's financial assets may be past due or impaired, which may trigger actions such as renegotiation, enforcement of covenants or legal proceedings, etc.

The Company implements relevant financial policies to ensure its financial assets fully utilised for its operation and makes periodical impairment test for each asset. Once such risk looms up, the Company makes necessary provisions and discloses the maximum exposure to credit risk in the balance sheet and notes to financial statements.

Market risk

The Company is exposed to fluctuations in foreign currencies from the sales and purchase of goods and services in currencies other than the Company's measurement currency. In addition, the Company is also exposed to price risk due to the competitive wine market the Company's subsidiary is operating in.

The maximum exposure to market risk concerning the listed shares investment at the reporting date is the carrying amount of these listed shares investment. This arises from the listed shares held by the Company and classified on the balance sheet as available-for-sale financial assets. All these investments are shares of reputable Australian listed companies.

The Company makes sensitive analysis for each component of market risk and proactively takes actions to reduce the possible loss incurred from market risks.

25 Company Details

The registered office of the Company is:

Level 1
123 Whitehorse Road
Balwyn, Victoria, 3103

The principal place of business of the Company is:

Level 2
215 Spring Street
Melbourne Vic 3000

26 Events after balance sheet date

There have been no material matters arising since year end which have not been adequately disclosed in the financial report.

Notes to the Financial Statements
For the Year Ended 31 December 2007

27 New Accounting Standards

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on financial statements
AASB 8 Operating Segments	Supersedes AASB 114 Segment Reporting	Beginning 1 Jan 2009	Impact expected to be not significant
AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 1038]	An accompanying amending standard, also introduced consequential amendments into other Standards.	Beginning 1 Jan 2009	Impact expected to be not significant
AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101	Editorial amendments to Australian Accounting Standards to align with IFRS terminology	Beginning 1 Jan 2009	Impact expected to be not significant

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements and notes set out on pages 9 to 34 are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 31 December 2007 and of the performance for the year ended on that date of the Company and economic entity.

2. The Directors have been given the declaration required by S295A of the Corporations Act 2001.

3. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Yuan Yi LAO
Director

Date this 28th day of March 2008

Hall Chadwick
Chartered Accountants & Business Advisers

Melbourne
Level 12
459 Collins Street
Melbourne 3000
Victoria Australia

DX 505 Melbourne

Telephone: (03) 8625 5200
Facsimile:(03) 8625 2222
Email: hcmelinfo@hallchadwick.com.au

Partners
John H Davis
Digby L Looker
Graeme A Marriott
Robert L Yeo
Kevin P Adams
Stan Traianedes

Other firms in:
Sydney
Adelaide
Perth
Brisbane
Gold Coast
Darwin

Independent Auditor's Report to the Members of Public Holdings (Australia) Limited

Report on the Financial Report

We have audited the accompanying financial report of Public Holdings (Australia) Limited (the company) and Public Holdings (Australia) Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures under the heading 'Remuneration Report', in the directors' report and not in the financial report.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

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

National Association
Hall Chadwick

International Association
AGN International

Associations of
Independent Firms

Independent Auditor's Report to the Members of
Public Holdings (Australia) Limited

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Audit Opinion

In our opinion:

(a) the financial report of Public Holdings (Australia) Limited and Public Holdings (Australia) Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2007 and of their performance for the year ended on that date; and

   (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1; and

(c) the remuneration disclosures that are contained in the directors' report comply with Accounting Standard AASB 124.

Hall Chadwick

HALL CHADWICK
Chartered Accountants

Melbourne
28 March 2008

Kevin P. Adams
Partner

Shareholder Information

The shareholder information set out below was applicable as at 22 February 2008.

(a) Distribution of Equity Securities

(i) The number of ordinary shareholders in different categories are as follows:

1 -	1,000	1,191
1,001 -	5,000	168
5,001 -	10,000	12
10,001 -	100,000	16
100,001 -	and over	8
Number of holders		1,395

(ii) Holders of less than a marketable parcel 1,310

(b) Substantial Shareholders

Extract of Register of Substantial shareholders:

Name	Shares held
1. Atlas Securities Pty. Limited.	11,074,580
2. ANZ Nominees Ltd	702,476

(c) Voting rights

On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Shareholder Information (Continued)

	Twenty Largest Fully Paid Shareholders	**Number of Shares**	**Percentage of shares**
1	Atlas Securities Pty. Ltd.	11,074,580	73.93%
2	ANZ Nominees Ltd.	702,476	4.69%
3	Sheba International Limited	655,512	4.38%
4	Mrs. Milly Elkington	512,232	3.42%
5	Glenfare Investments Pty Ltd	350,000	2.34%
6	Winpar Holdings Limited	284,576	1.90%
7	Pink Pumpkin Pty. Ltd.	204,280	1.36%
8	Dr. Gordon Bradley Elkington	101,000	0.67%
9	Andrew David Warne-Smith	48,764	0.33%
10	R. Love Investments Pty. Ltd.	35,868	0.24%
11	Michael Pairidis	35,000	0.23%
12	Anne Marie Leaver	32,752	0.22%
13	GFS Securities Pty Ltd	32,449	0.22%
14	Maurice Patrick Ryan	31,500	0.21%
15	Robesine Pty. Ltd.	20,604	0.14%
16	Lewis Tonkin Oxnam & Betty Ann Oxnam	20,452	0.14%
17	Alfred Edward Fulton Rofe	20,296	0.14%
18	Graham Alan Leaver	19,759	0.13%
19	Yambla Bay Pty Ltd	16,964	0.11%
20	Bip Bop Pty Ltd	15,788	0.11%
		14,214,852	94.91%

Register of securities are held at:

Link Market Services Limited
Level 4, 333 Collins Street, Melbourne, Victoria, 3000
Telephone: (03) 9615 9800
Fax: (03) 9615 9900
Free call: 1800 331 721

CORPORATE GOVERNANCE STATEMENT

The Directors of Public Holdings (Australia) Limited support the core principles developed by the ASX Corporate Governance Council as a basis for enhancing the credibility and transpancy of capital markets. The ASX Corporate Governance Council released in August 2007 the revised Corporate Governance Principles and Recommendations. The effective date for the Revised Principles is a listed entity's first financial year commencing on or after 1 January 2008. The disclosures in this Annual Report reflect the first edition of the Principles and Recommendations and do not reflect early transition to the revised Principles and Recommendations.

PRINCIPLE 1:
Lay solid foundations for management and oversight

The Board of Directors is responsible for the overall Corporate Governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The primary responsibilities of the Board include - responsibility for:
- oversight of the Company, including its control and accountability systems,
- appointing and removing the chief executive officer, the Company Secretary and other senior executives,
- input into and final approval of management's development of corporate strategy and performance objectives,
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance,
- monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available,
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures, and
- approving and monitoring financial and other reporting.

The Company’s remuneration policy is set out in the Directors’ Report. Given the small size of the operations of the Company, the senior management are executive directors of the Company and their positions are monitored against their performance on an informal basis by the Board.

Directors consider that the Company's procedures comply with Principle 1 of the Principles of Good Corporate Governance.

PRINCIPLE 2:
Structure the Board to add value

2.1 A majority of the Board should be independent directors.

The names of the Directors of the Company in office at the date of this Statement are set out in the Directors' Report. Directors are appointed based on their experience and on independence of their decision-making and judgement.

In considering the status of directors as independent directors the Company has regard to the following:
An independent director is a non-executive director (that is: is not a member of management) and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with: a substantial shareholder of the Company,
- within the last three years has not been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment,
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided,
- is not a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer,
- has no material contractual relationship with the Company or another group member other than as a director of the Company,
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company, and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best Interests of the Company.

The Company does not comply with this principle as there are only two non-executive directors in the board and only one of them is considered independent. Due to the small size of the Company, the directors consider the present arrangements adequate as the accounting and company secretarial matters are handled by independent professionals and a majority of the directors have worked with the Company for a number of years, or are involved in the management of the Company.

2.2 The chairperson should be an independent director.

The Chairman, Mr Lao has held the position of Chairman for many years and the Directors do not propose to change this arrangement due to the small size of the Company. The Company does not comply with Principle 2.2.

2.3 The roles of Chairperson and Chief Executive officer should not be exercised by the same individual.

Mr Lao is the Chairperson and the Chief Executive Officer due to the small size of the Company.

The Company does not comply with Principle 2.3 of the Principles of Good Corporate Governance.

2.4 The Board should establish a nomination committee.

The Company does not have a formal nomination committee due to the scale and nature of the Company's activities. The whole Board meet to consider additional appointments to the Board.

Directors consider that the Company complies with the intentions of Principle 2.4 of the Principles of Good Corporate Governance.

2.5 The Company should disclose the process for evaluating the performance of the Board and individual Directors.

All directors participate fully and actively in Board decision-making at the earliest opportunities.
The Board does not have a formal process for inductions and performance due to the size and scale of operations.

To the extent possible, the directors consider that the Company complies with the intentions of Principle 2.5 of the Principles of Good Corporate Governance.

2.6 Provide the information indicated in Guide to reporting on Principle 2.

The skills, experience and expertise relevant to the position of director in office at the date of the Annual Report are disclosed in the Directors' Report included in the Annual Report.

The majority of the directors are considered by the Board to constitute non-independent directors.
Each Director has the right to seek independent professional advice at the Company's expense. However, prior approval of the Chair is required. Approval will not be unreasonably withheld.

Director's term of office is three years as noted in the Constitution. At the completion of such terms, the respective directors may stand for re-election.

The Company does not have a nomination committee for the reasons outlined in 2.4 above.
Any departures from best practice recommendations 2.1, 2.2, 2.3, 2.4 or 2.5 are included in those sections

The Board will review its composition from time to time to ensure that the Board has the appropriate mix of expertise and experience. Where a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience.

Directors consider that the Company complies with Principle 2.6 of the Principles of Good Corporate Governance.

PRINCIPLE 3:
Promote ethical and responsible decision-making

3.1 Establish a code of conduct to guide the directors, the chief executive officer and any other key executives as to:

3.1.1 the practices necessary to maintain confidence in the Company's integrity.
3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Board's policy for the Directors and management is to conduct themselves with the highest ethical standards. All Directors and employees will be expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.
The Company has adopted a specific Code of conduct which has been provided to all Board members.
Directors consider that the Company complies with Principle 3.1 of the Principles of Good Corporate Governance.

3.2 Disclose the policy concerning trading in Company securities by directors, officers and employees.

The policy is as follows:
Directors and senior executives (officers) must not buy or sell shares or securities in the Company if they possess information which, if disclosed publicly, might have a material effect on the price or value of the Company's shares. Directors through the Company Secretary must notify the ASX of any change in their holding within 3 business days of the transaction taking place..

All directors are required to seek the chairman's approval prior to trading in the Company's securities.

No transaction should take place if the directors (or officers) are aware of any information which, if disclosed publicly, might have a material effect on the price or value of the Company's shares.

Directors consider that the Company complies with Principle 3.2 of the Principles of Good Corporate Governance.

3.3 Provide the information indicated in Guide to reporting on Principle 3.

Directors consider that the Company complies with Principal 3.3 of the 'Principles of Good Corporate Governance to the extent applicable to the Company.

PRINCIPLE 4:
Safeguard integrity in financial reporting

4.1 The Board should establish an audit committee.

An audit committee is convened each year to consider the annual financial report and the auditors are requested to attend this meeting. Audit related issues are also considered by the Board as a whole at regular Board meetings.

Directors consider that the Company does comply with Principle 4 2 of the Principles of Good Corporate Governance.

4.2 Structure the audit committee so that it consists of:

- only non-executive directors,
- a majority of independent directors,
- an independent chairperson, who is not chairperson of the Board, and
- at least three members.

Directors consider that Principle 4.2 of the Principles of Good Corporate Governance is not applicable due to the small size of the Company. However, the directors will make sure that the independent director and representatives of the external accountant are present at each audit committee meeting.

4.3 The audit committee should have a formal charter.

Directors consider that Principle 4.3 of the Principles of Good Corporate Governance is not applicable due to the small size of the Company.

4.4 Provide the information indicated in Guide to reporting on Principle 4.

Directors consider that the Company complies with Principal 4.4 of the 'Principles of Good Corporate Governance to the extent applicable to the Company.

PRINCIPLE 5:
Make timely and balanced disclosure

5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

All directors are required to have a general understanding of the matters that are to be, or not to be disclosed in accordance with the ASX Listing Rules. These policies are set out in the following:

All matters concerning compliance with the Listing rules are to be reported to the Chairman or Deputy Chairman.

The Chairman and Deputy Chairman have primary responsibility for ensuring that the Company complies with its disclosure obligations and is primarily responsible for deciding what information will be disclosed.

The Deputy Chairman and the Company Secretary are responsible for promoting an understanding of compliance and monitoring compliance.

Directors, the Company Secretary and the external accountant are required to maintain confidentiality of corporate information to avoid premature disclosure.

The Deputy Chairman is responsible for media contact and comment, external communications such as analyst briefings and responses to shareholder questions.

Directors consider that the Company complies with Principle 5.1 of the Principles of Good Corporate Governance.

5.2 Provide the information indicated in Guide to reporting on Principle 5.

This information is provided in this statement.

Directors consider that the Company complies with Principle 5.2 of the Principles of Good Corporate Governance.

PRINCIPLE 6:
Respect the rights of shareholders

6.1 Design and disclose a communication strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

Information is communicated to shareholders as follows:
- notices of all meetings of shareholders;
- all documents that are released publicly are made available for review on the Company ASX site.

Directors consider that the Company complies with Principle 6.1 of the Principles of Good Corporate Governance.

6.2 Provide the information indicated in Guide to reporting on Principle 6.

This information is provided in this statement.
Directors consider that the Company complies with Principle 6.2 of the Principles of Good Corporate Governance.

PRINCIPLE 7:
Recognise and manage risk

7.1 The Board or appropriate Board committee should establish policies on risk oversight and management.

The Board monitors and if necessary, receives advice on areas of operational and financial risk and considers strategies for appropriate risk management arrangements.

Specific areas of risk, which may be considered at Board meetings as applicable, include performance of activities, human resources, the environment and continuous disclosure obligations.

7.2 The Board should require the chief executive officer to state to the Board in writing that:

7.2.1: best practice recommendation 7 .1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

7.2.2: the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.
Matters of risk management and compliance are currently being addressed by the Board of the Company.

To the extent applicable, the directors consider that the Company complies with the intentions of Principle 7.2 of the Principles of Good Corporate Governance.

7.3 Require the Chief Executive Officer (CEO) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

A Chief Financial Officer (CFO) has not been appointed due to the small size of the Company.
The CEO provides the Board with this statement in relation to financial reports.
Directors consider that the Company complies with Principle 7.3 of the Principles of Good Corporate Governance.

7.4 Provide the information indicated in Guide to reporting on Principle 7.

This information is provided in this statement.
To the extent applicable, the directors consider that the Company complies with Principle 7.4 of the Principles of Good Corporate Governance.

PRINCIPLE 8:
Remunerate fairly and responsibly

8.1 The Board should establish a remuneration committee.

At this stage, the Company does not have a formal remuneration committee in place and the full Board is involved in approving the remuneration of directors. The Company's size and nature of operations does not warrant such a committee.

Directors consider that the Company does not comply with Principle 8.1 of the Principles of Good Corporate Governance although this non-compliance is not material.

8.2 Clearly distinguish the structure of non-executive directors' remuneration from that of executives.

The remuneration of each director is set out in the Directors' Report included in the Annual Report.

Directors consider that the Company complies with Principal 8.2 of the Principles of Good Corporate Governance.

8.3 Provide the information indicated in Guide to reporting on Principle 8.

This information is provided where applicable in this statement.

Directors consider that the Company complies with Principle 8.3 of the Principles of Good Corporate Governance.