

# TANUNDA HILL VINEYARD PROJECT

ARSN 095 309 363

Report on the Project at  
30 June 2007

Managed by  
Blaxland Vineyards Limited  
ABN 61 067 514 792

# TANUNDA HILL VINEYARD PROJECT

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## TANUNDA HILL VINEYARD PROJECT

### RESPONSIBLE ENTITY'S DIRECTORS' REPORT

Blaxland Vineyards Limited, (the Responsible Entity) submits the Financial Statements of the Project for the year ended 30 June 2007. The following persons held office as directors at any time during or since the end of the year unless otherwise stated.

Neil R. MacKenzie (Chairman)  
Ronald M. Collins  
Philip J. Slee

In addition Ronald M. Collins held the position of company secretary of the Trustee (Responsible Entity) at the end of the financial year.

#### **Financial Highlights**

A disappointing fourth crop was severely set back by drought conditions and instead of gaining tonnage the vineyard lost 33% of its previous years crop. This poor result was typical of the Barossa where losses of up to 80% on 2006 were not uncommon. We had good supplies of irrigation water which ensured that the fruit supplied to wineries was of good quality and as a result we achieved better prices per tonne. The 2007 harvest generated 1,177 tonnes (2006: 1,750 tonnes). The fruit was sold to the purchasers as per the various grape purchase agreements for a value of \$1,645,000 (2006: \$1,893,000). The crop receipts did not cover the forthcoming year's maintenance fees, with a shortfall of up to \$900,000 anticipated. Growers will be asked to contribute further funds to make up the shortfall of approximately \$900 per unit (before GST).

#### **Review of Operations**

Advanced Viticulture and Management, a company associated with two Directors of Blaxland Vineyards, continued the role of maintaining the vineyard at Tanunda Hill. They have concentrated on bringing the vineyard up to full production and on eradicating weed infestations in the second year plantings.

All of the grapes on this vineyard are either under long term contract or short term purchase arrangements.

The vineyard is planted to Shiraz, Cabernet Sauvignon, and Merlot, together with small plantings of Petit Verdot, Tempranillo, Viognier and Sauvignon Blanc.

#### **Principal Activities**

The principal activity of the Project is to grow and market grapes. No significant change in the nature of these activities occurred during the year.

#### **Distributions**

No distributions were made in 2007. No recommendation is made as to distributions for the current year.

#### **Significant Changes in the State of the Affairs**

There was no significant change in the state of the Project's affairs during the year.

#### **Matters Subsequent to the End of the Financial Period**

There are no matters or circumstances that have arisen since 30 June 2007 that have significantly affected or may significantly affect:

- the operations of the Project;
- the results of those operations; or
- the state of affairs of the Project in subsequent financial years.

## TANUNDA HILL VINEYARD PROJECT

### RESPONSIBLE ENTITY'S DIRECTORS' REPORT

#### **Likely Developments**

There are no likely developments in the current year which would have an impact on the way the vineyard is run by Blaxland.

#### **Environmental Regulation**

The Project's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory of Australia.

#### **Options**

No options over unissued interests in the Project were granted during or since the end of the year and there were no options outstanding at the date of this report.

#### **Interests Issued**

No growers' interests were issued during the year. There were 15 interests held by the responsible entity or its associates at the end of the financial year. There were no withdrawals from the scheme during the year. There were 790 growers interests in the Project at the end of the financial year.

#### **Fees Paid to the Responsible Entity**

During the financial year \$2,430,675 (2006: \$1,891,687) was paid to Blaxland Vineyards Limited as fees to manage and develop the Project. The total cost of the Project for the financial period to 30 June 2007 was met from these funds as set out in the Prospectus.

#### **Indemnification of Officers and Auditors**

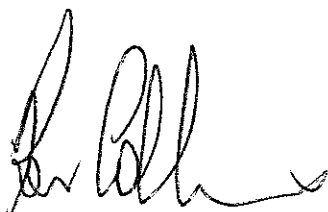
The Responsible Entity under its Articles of Association agrees to indemnify every director and officer of the Responsible Entity against liability incurred as a director or officer to the extent permitted by the Corporations Law.

The Responsible Entity also agreed to indemnify every director, secretary, auditor and other officer of the Responsible Entity against any liability incurred in defending any legal proceedings.

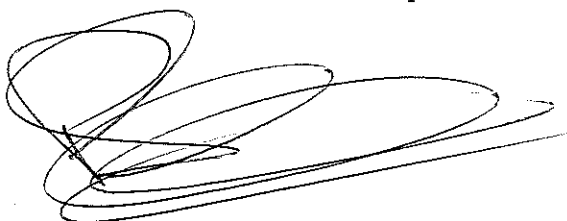
No person has applied for leave of Court to bring proceedings on behalf of the Responsible Entity or intervene in any proceedings to which the Responsible Entity is a party for the purpose of taking responsibility on behalf of the Responsible Entity for all or any part of those proceedings.

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

Signed in accordance with a resolution of the Board of Directors of the Responsible Entity.



**Ronald M. Collins**  
Director



**Philip J. Slee**  
Director

Dated: 18 September 2007

# NEXIA COURT & CO



CHARTERED  
ACCOUNTANTS

ABN 71 502 156 733

**TANUNDA HILL VINEYARD PROJECT**

**AUDITOR'S INDEPENDENCE DECLARATION**  
**UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**  
**TO THE DIRECTORS OF THE RESPONSIBLE ENTITY**

Level 29, Australia Square  
264 George Street,  
Sydney NSW 2000  
PO Box H195,  
Australia Square NSW 1215  
T 61 2 9251 4600  
F 61 2 9251 7138  
info@nexiacourt.com.au  
www.nexiacourt.com.au

I declare that to the best of my knowledge and belief, during the year ended 30 June 2007, there have been:

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

**Nexia Court & Co**  
Chartered Accountants

A handwritten signature in black ink, appearing to read "Robert Mayberry".

Robert Mayberry  
Partner

**Sydney**

**Dated:** 28 September 2007

**Partners**

Stephen J Rogers  
Ian D Stone  
Paul W Lenton  
Neil R Hillman  
Stephen W Davis  
David M Gallery  
Robert A McGuinness  
Kirsten Taylor-Martin  
Andrew S Hoffmann  
Graeme J Watman  
David R Cust  
Craig J Wilford  
Sean P Urquhart  
Robert Mayberry

NEXIA COURT & CO. IS A MEMBER OF  
NEXIA INTERNATIONAL - A WORLDWIDE  
NETWORK OF INDEPENDENT ACCOUNTING  
AND CONSULTING FIRMS.



LIABILITY LIMITED BY A  
SCHEME APPROVED UNDER  
PROFESSIONAL STANDARDS  
LEGISLATION.


# TANUNDA HILL VINEYARD PROJECT


## DIRECTORS' DECLARATION

The directors of the Responsible Entity declare that:

1. The financial statements and notes of the Tanunda Hill Vineyard Project are in accordance with the Corporations Act 2001:
  - (a) comply with Australian Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2007 and performance for the year ended on that date of the Project.
2. In the directors' opinion there are reasonable grounds to believe that the Project 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 and is signed for and on behalf of the directors by:

**Director**   
.....  
Ronald M. Collins

**Director**   
.....  
Philip J. Slee

Dated: 18 September 2007

**TANUNDA HILL VINEYARD PROJECT**

**INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 \$	2006 \$
Revenues from continuing operations	2	1,648,869	1,814,361
Expenses from continuing operations	3	2,479,843	1,941,391
<b>(Loss) before income tax</b>		<u>(830,974)</u>	<u>(127,030)</u>
Income tax expense	1	<u>-</u>	<u>-</u>
<b>(Loss) for the year</b>		<u>(830,974)</u>	<u>(127,030)</u>

The accompanying notes form part of these financial statements.

**TANUNDA HILL VINEYARD PROJECT**

**BALANCE SHEET  
AS AT 30 JUNE 2007**

	Note	2007 \$	2006 \$
<b>CURRENT ASSETS</b>			
Cash assets		858,404	836,099
Receivables	4	<u>956,303</u>	<u>1,115,549</u>
<b>TOTAL CURRENT ASSETS</b>		<u>1,814,707</u>	<u>1,951,648</u>
<b>TOTAL ASSETS</b>		<u>1,814,707</u>	<u>1,951,648</u>
<b>CURRENT LIABILITIES</b>			
Payables	5	<u>165,041</u>	<u>50,500</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>165,041</u>	<u>50,500</u>
<b>TOTAL LIABILITIES</b>		<u>165,041</u>	<u>50,500</u>
<b>NET ASSETS</b>		<u>1,649,666</u>	<u>1,901,148</u>
<b>GROWERS' EQUITY</b>		<u>1,649,666</u>	<u>1,901,148</u>

The accompanying notes form part of these financial statements.

**TANUNDA HILL VINEYARD PROJECT**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	Growers' Equity \$	Total \$
<b>2006</b>			
Balance at 1 July 2005		1,777,150	1,777,150
(Loss) attributable to growers		(127,030)	(127,030)
Equity introduced		251,029	251,029
<b>Balance at 30 June 2006</b>		<b>1,901,148</b>	<b>1,901,148</b>
<b>2007</b>			
	Note	Growers' Equity \$	Total \$
Balance at 1 July 2006		1,901,148	1,901,148
(Loss) attributable to growers		(830,974)	(830,974)
Equity introduced		579,492	579,492
<b>Balance at 30 June 2007</b>		<b>1,649,666</b>	<b>1,649,666</b>

The accompanying notes form part of these financial statements.

**TANUNDA HILL VINEYARD PROJECT**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
Note	\$	\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Receipts from customers	1,799,692	1,515,766
Payment to suppliers	(2,365,302)	(1,890,891)
Interest received	8,424	6,853
<b>Net cash (outflow) from operating activities</b>	<b>(557,186)</b>	<b>(368,272)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Receipts from /(Payments of) loans	-	440
<b>Net cash (outflow) from investing activities</b>	<b>-</b>	<b>440</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Contributions from Growers	579,491	251,028
<b>Net cash inflow from financing activities</b>	<b>579,491</b>	<b>251,028</b>
Net Increase/(Decrease) in cash held	22,305	(116,804)
Cash at Beginning of Financial Year	836,099	952,903
<b>Cash at end of year</b>	<b>858,404</b>	<b>836,099</b>

**NOTES TO THE STATEMENT OF CASH FLOWS**

**Reconciliation of Cash**

Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

Cash at bank	858,404	836,099
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**Reconciliation of profit after income tax to net cash inflow from operating activities**

(Loss) for the year	(830,974)	(127,030)
(Increase)/decrease in current receivables	159,246	(291,742)
Increase/(Decrease) in current payables	114,542	50,500
<b>Net cash (outflow) from operating activities</b>	<b>(557,186)</b>	<b>(368,272)</b>

The accompanying notes form part of these financial statements

## TANUNDA HILL VINEYARD PROJECT

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Accounting Standards have been consistently applied unless otherwise stated. The following specific policies have been applied consistently unless otherwise stated:

##### (a) Basis of accounting

These financial statements have been prepared on an accruals basis and in accordance with the historical cost convention, and do not take into account the changing values of money, or except where stated, current valuations of non-current assets. Cost in relation to assets represents the cash amount paid or the fair value of the asset given in exchange.

##### (b) Income and expenditure recognition

Income and expenditure belong to the individual growers.

Income is recognised by the project when the goods are provided. Expenditure is not recognised by the project until the project starts generating income. Once income is generated, all expenses are recorded in the project accounts as they are incurred.

##### (c) Income Tax

The Project is not a taxable entity under the Income Tax Assessment Act 1936.

##### (d) Cash

For the purposes of the cash flow statement, cash includes cash on hand and in banks and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

##### (e) Trade and other creditors

These amounts represent liabilities for services provided to the economic entity prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

##### (f) 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 Taxation 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.

**TANUNDA HILL VINEYARD PROJECT**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

	2007	2006
	\$	\$
<b>2. REVENUE</b>		
<b>Operating activities</b>		
- grape sales	1,640,445	1,807,508
- interest	8,424	6,853
<b>Total Revenue</b>	1,648,869	1,814,361
<b>3. PROFIT FROM ORDINARY ACTIVITIES</b>		
<b>Loss from ordinary activities before income tax has been determined after:</b>		
<b>a. Expenses</b>		
Vineyard Maintenance fees	2,430,675	1,891,688
Crop insurance	48,896	49,458
Other	272	245
	2,479,843	1,941,391
<b>Significant items</b>		
<b>a. Revenues</b>		
Overaccrual of prior period revenue	-	(85,810)
<b>4. RECEIVABLES</b>		
<b>Current</b>		
Trade Debtors	956,303	1,115,579
	956,303	1,115,579
<b>5. PAYABLES</b>		
Sundry Creditors	165,041	50,500
	165,041	50,500

## TANUNDA HILL VINEYARD PROJECT

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### 6. RELATED PARTY TRANSACTIONS

(a) Key Management Personnel

Key management personnel in office during the financial year:

**Name Position**

Ron Collins Director

Philip Slee Director

No compensation was paid to key management personnel during the year.

(b) Transactions with Related Entities

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

- (i) Tanunda Hill Vineyard Project is a "Managed Investment Scheme" for which the "Responsible Entity" is Blaxland Vineyards Limited (ABN: 61 067 514 792) of 493 High Street, Maitland, NSW.2320.

Fees retained by Blaxland Vineyards Limited after payment of vineyard maintenance costs during the year were \$152,295 (2006: \$147,147). The Responsible Entity or its associates hold 15 grower interests in the project.

- (ii) Advanced Viticultural & Management Pty Limited, a company controlled by Mr Slee and Mr Collins, received fees of \$1,571,903 (2006:\$1,492,460) for viticultural services.

#### 7. SEGMENT REPORTING

The Project operates in the viticultural industry of Australia.

#### 8. FINANCIAL INSTRUMENTS

##### Interest Rate Risk

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

	Weighted Average Effective Interest Rate		Floating Interest Rate	
	2007	2006	2007	2006
	%	%	\$	\$
<b>Financial Assets</b>				
Cash	3.6%	3.1%	858,404	836,099

The maximum exposure to credit risk, excluding the value of any collateral or other security, at 30 June 2007 to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to and forming part of the financial statements.

## TANUNDA HILL VINEYARD PROJECT

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### 8. FINANCIAL INSTRUMENTS (cont.)

The Project does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Project.

#### Net Fair Values

The net fair value of assets and liabilities approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the Project intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to and forming part of the financial statements.

#### 9. THE PROJECT

The Tanunda Hill Vineyard Project (ARSN 095 309 363) located at Les Dunkley Road Sheoak Log Nuriootpa SA 5355 is a Managed Investment Scheme for the which the Responsible Entity is Blaxland Vineyards Limited (ABN 61 067 514 792) who's registered address and who's address for administration purposes is 493 High Street Maitland NSW 2320.

**INDEPENDENT AUDIT REPORT  
TO THE RESPONSIBLE ENTITY OF  
TANUNDA HILL VINEYARD PROJECT**

**Scope**

We have audited financial report of Tanunda Hill Vineyard Project for the financial year ended 30 June 2007 as set out on pages 6 to 13.

The Responsible Entity's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Responsible Entity.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the property trust's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

**Independence**

In conducting our audit, we followed the applicable independence requirements of Australian professional and ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration as set out in the financial report has not changed as at the date of providing our audit opinion.

**Audit Opinion**

In our opinion, the financial report of Tanunda Hill Vineyard Project is in accordance with:

- a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the trust's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) Other mandatory professional reporting requirements in Australia.



**Nexia Court & Co**  
Chartered Accountants  
Sydney:  
Dated: 28 September 2007



**Robert Mayberry**  
Partner

**Partners**

Stephen J Rogers  
Ian D Stone  
Paul W Lenton  
Neil R Hillman  
Stephen W Davis  
David M Gallery  
Robert A McGuinness  
Kirsten Taylor-Martin  
Andrew S Hoffmann  
Graeme J Watman  
David R Cust  
Craig J Wilford  
Sean P Urquhart  
Robert Mayberry

# TANUNDA HILL VINEYARD PROJECT

## DIRECTORY

### **Responsible Entity**

Blaxland Vineyards Limited

Registered Office:  
493 High Street  
Maitland, NSW, 2320  
Phone: (02) 4934 7622

### **Directors of the Responsible Entity**

Neil R. MacKenzie  
Ronald M. Collins  
Philip J. Slee

### **Custodian**

Blaxland Vineyards Limited  
493 High Street  
Maitland NSW 2320

### **Independent Accountants and Auditors of the Project**

Nexia Court & Co Chartered Accountants  
Australia Square  
Level 29, 264 George Street  
Sydney NSW 2000

### **Project Location**

Les Dunkley Road  
SHEAOAK LOG  
NURIOOTPA SA 5355

### **Project Administration**

Blaxland Vineyards Limited  
PO Box 737  
MAITLAND NSW 2320