

TANUNDA HILL
VINEYARD PROJECT
ARSN 095 309 363

Report on the Project at
30 June 2005

Managed by
Blaxland Vineyards Limited
ABN 61 067 514 792

TANUNDA HILL VINEYARD PROJECT

CONTENTS

RESPONSIBLE ENTITY'S DIRECTORS' REPORT	2-4
AUDITOR'S INDEPENDENCE DECLARATION	5
DIRECTORS' DECLARATION	6
STATEMENT OF FINANCIAL PERFORMANCE.....	7
STATEMENT OF FINANCIAL POSITION	8
STATEMENT OF CASH FLOWS	9
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS	10-13
INDEPENDENT AUDIT REPORT	14
DIRECTORY	15

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 2005. 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
Robert J. Gibson

Financial Highlights

The vineyard harvested its second crop during the year. The total harvest at 1,378 tonnes (2004: 575.76 tonnes) was below the Prospectus estimate of 1755 tonnes due to the small crop in the second stage plantings. The fruit was sold to the purchasers as per the various grape purchase agreements for an indicative value of \$1,638,000 (2004: \$586,602). The final crop total will be determined when weighted district average prices, applicable to some of the purchase agreements, are finalised in September. The crop receipts did not fully cover the forthcoming year's maintenance fees, with a shortfall of \$300,000 anticipated. Growers may be asked to contribute further funds to make up the shortfall. Alternatively the shortfall will be funded from 2006 crop proceeds.

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. During the year Blaxland removed 6 hectares of Cabernet and replanted Shiraz, and grafted a further 6 hectares to Viognier.

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 develop a vineyard and grow and market grapes.
No significant change in the nature of these activities occurred during the year.

Distributions

No distributions were made in 2005. No recommendation is made as to distributions for the current period.

TANUNDA HILL VINEYARD PROJECT

RESPONSIBLE ENTITY'S DIRECTORS' REPORT

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 2005 that have significantly affected or may significantly affect:

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

Likely Developments

At the time of writing this report, the whole vineyard had been developed and planted. We do not envisage acquiring further properties.

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 period \$2,416,826 (2004: \$2,964,414) 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 2005 was met from these funds as set out in the Prospectus.

TANUNDA HILL VINEYARD PROJECT

RESPONSIBLE ENTITY'S DIRECTORS' REPORT

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: 23 September 2005

TANUNDA HILL VINEYARD PROJECT
AUDITOR'S INDEPENDENCE DECLARATION

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 2005 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: 23 September 2005

TANUNDA HILL VINEYARD PROJECT
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$	2004 \$
Revenues from ordinary activities	2	1,820,782	586,602
Expenses from ordinary activities	3	2,417,052	(2,964,414)
Profit/(Loss) from ordinary activities before income tax expense		<u>(596,270)</u>	<u>(2,377,812)</u>
Income tax expense relating to ordinary activities	1	<u>-</u>	<u>-</u>
Profit/(Loss) from ordinary activities after income tax expense		(596,270)	(2,377,812)
Distribution to growers		-	-
Total changes in equity other than those resulting from transactions with owners as owners		<u>(596,270)</u>	<u>(2,377,812)</u>

The accompanying notes form part of these financial statements.

TANUNDA HILL VINEYARD PROJECT

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

	Note	2005 \$	2004 \$
CURRENT ASSETS			
Cash assets		952,903	94,055
Receivables	5	824,247	277,053
Other	6	-	1,643,614
TOTAL CURRENT ASSETS		<u>1,777,150</u>	<u>2,014,723</u>
TOTAL ASSETS		<u>1,777,150</u>	<u>2,014,723</u>
CURRENT LIABILITIES			
Payables	7	-	1,450,791
TOTAL CURRENT LIABILITIES		<u>-</u>	<u>1,450,791</u>
TOTAL LIABILITIES		<u>-</u>	<u>1,450,791</u>
NET ASSETS		<u>1,777,150</u>	<u>563,932</u>
GROWERS' FUNDS			
Growers' Equity	4	<u>1,777,150</u>	<u>563,932</u>

The statement of financial position should be read in conjunction with the accompanying notes.

TANUNDA HILL VINEYARD PROJECT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$	2004 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		1,263,594	309,549
Payment to suppliers		(1,989,685)	(3,391,782)
Interest received		10,434	-
Net cash (used in) operating activities		(715,657)	(2,847,689)
CASH FLOW FROM INVESTING ACTIVITIES			
Receipts from related entities		-	234,544
Payments to related entities		(234,983)	-
Net cash (outflow) from investing activities		(234,983)	2,941,744
CASH FLOW FROM FINANCING ACTIVITIES			
Contributions from Growers		1,809,488	2,941,744
Net cash by financing activities		1,809,488	2,941,744
Net Increase/(Decrease) in cash held		858,848	94,055
Cash at Beginning of Financial Year		94,055	-
Cash at end of year		952,903	94,055

NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

Cash at the end of the financial years as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash at bank	952,903	94,055
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Reconciliation of cash flows from operations with profit from ordinary activities after income tax

Profit/(Loss) from ordinary activities after income tax	(596,270)	(2,377,812)
(Increase)/decrease in current receivables	(546,754)	(1,920,667)
(Increase)/decrease in other current assets	1,643,614	-
Increase/(Decrease) in current payables	(1,216,247)	1,450,790
Cash flows from operations	(715,657)	(2,847,689)

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 statement of cash flows, 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.

TANUNDA HILL VINEYARD PROJECT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(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 statement of financial position are shown inclusive of GST.

(g) Adoption of Australian Equivalents to International Financial Reporting Standards

The Australian equivalents of IFRS have now become effective with financial statements to become compliant in the year ending 30 June 2006. The directors are of the opinion that no significant differences in the entity's accounting policies will arise from the adoption of the IFRS than if the financial statements were prepared using the current Australian Generally Accepted Accounting Principles which continued to apply until 30 June 2005.

	2005	2004
	\$	\$
2. REVENUE		
Operating activities		
- grape sales	1,810,348	586,602
- interest	10,434	-
Total Revenue	1,820,782	586,602

The final grape price to be received from one of the Project's grape purchasers has not yet been settled and this may impact on the final grape sale value. Any impact will be adjusted in the 2006 financial year.

3. PROFIT FROM ORDINARY ACTIVITIES

Profit from ordinary activities before income tax has been determined after:

a. Expenses

Vineyard Maintenance fees	2,394,044	2,964,375
Crop insurance	22,782	22,631
Other	226	39
	2,417,052	2,964,414

TANUNDA HILL VINEYARD PROJECT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2005	2004
	\$	\$
4. GROWERS EQUITY		
Opening Balance	563,932	-
Equity Introduced	1,809,488	2,941,744
Net Profit/(Loss) available to Growers	(596,270)	(2,377,812)
Closing Balance	<u>1,777,150</u>	<u>563,932</u>
5. RECEIVABLES		
Current		
Trade Debtors	823,807	277,053
Loan to Blaxland Vineyards Limited	440	-
	<u>824,247</u>	<u>277,053</u>
6. OTHER CURRENT ASSETS		
Prepayments	-	1,643,614
	<u>-</u>	<u>1,643,614</u>
7. PAYABLES		
Trade Creditors	-	1,216,247
Loan from Blaxland Vineyards	-	234,544
	<u>-</u>	<u>1,450,791</u>

8. RELATED PARTY TRANSACTIONS

Fees retained by the Responsible Entity after payment of vineyard maintenance costs during the year were \$163,065. The Responsible Entity or its associates hold 15 grower interests in the project.

9. SEGMENT REPORTING

The Project operates in the viticultural industry of Australia.

TANUNDA HILL VINEYARD PROJECT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

10. 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	
	2005	2004	2005	2004
	%	%	\$	\$
Financial Assets				
Cash	4.1%	-	952,903	94,055
			_____	_____

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at 30 June 2005 to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to and forming part of the financial statements.

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 statement of financial position and in the notes to and forming part of the financial statements

11. THE PROJECT

The Tanunda Hill Vineyard Project (ARSN 095 309 363) is a Managed Investment Scheme for which the Responsible Entity is Blaxland Vineyards Limited.

12. THE RESPONSIBLE ENTITY

The Responsible Entity is Blaxland Vineyards Limited (ABN 61 067 514 792) of 493 High Street, Maitland, NSW, 2320.

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

Scope

We have audited the financial statements, being the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and Notes to and forming part of the Financial Statements of Tanunda Hill Vineyard Project for the year ended 30 June 2005. The directors of the Responsible Entity are responsible for the financial statements. We have conducted an independent audit of these financial statements in order to express an opinion on them to the Responsible Entity.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial statements are free of material misstatement. Our procedures include examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements 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 statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the project's financial position, the results of its operations and cash flows.

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

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 project's financial position as at 30 June 2005 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.

PRITCAHRD ADAMS
Chartered Accountants
Sydney: September 2005

R E Mayberry
Partner

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
Robert J. Gibson

Custodian

Blaxland Vineyards Limited
493 High Street
Maitland NSW 2320

Independent Accountants and Auditors of the Project

Pritchard Adams
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10 Barrack Street
Sydney NSW 2000