

TANUNDA HILL
VINEYARD PROJECT
ARSN 095 309 363

Report on the Project at
30 June 2006

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 2006. 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 (resigned 6 June 2006)

Financial Highlights

The vineyard harvested its third crop during the year, as it progresses towards full production of approximately 2300 tonnes. The 2006 harvest generated 1,750 tonnes (2004: 1,378 tonnes), an increase of 27%. The fruit was sold to the purchasers as per the various grape purchase agreements for an indicative value of \$1,893,000 (2005: \$1,638,000). 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 up to \$200,000 anticipated. Growers may be asked to contribute further funds to make up the shortfall. Alternatively the shortfall will be funded from 2007 crop proceeds or from funds provided to Tanunda Hill Vineyard Limited by a bank.

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 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 2006. No recommendation is made as to distributions for the current period.

TANUNDA HILL VINEYARD PROJECT

RESPONSIBLE ENTITY'S DIRECTORS' REPORT

Australian Equivalents to International Financial Reporting Standards (IFRS)

This report has been prepared under Australian equivalents to IFRS. There are no differences between the Australian equivalents to IFRS and previous GAAP, which applied to 30 June 2005.

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 2006 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.

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 \$1,941,146 (2005: \$2,416,826) 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 2006 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: September 2006

PRITCHARD ADAMS

CHARTERED ACCOUNTANTS

TANUNDA HILL VINEYARD PROJECT

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

I declare that to the best of my knowledge and belief, during the year ended 30 June 2006, 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.

Pritchard Adams
Chartered Accountants



Robert Mayberry
Partner

25 September 2006

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PARTNERS: REX F X HOEBEN, RUSSELL J REID, MARK P PURTILL, RICHARD A HUGHES, ROBERT E MAYBERRY.
CONSULTANT: PAUL A JOHNSTONE.

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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 2006 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: September 2006

TANUNDA HILL VINEYARD PROJECT

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
Revenues from ordinary activities	2	1,814,361	1,820,782
Expenses from ordinary activities	3	1,941,391	2,417,052
Profit/(Loss) from ordinary activities before income tax expense		<u>(127,030)</u>	<u>(596,270)</u>
Income tax expense relating to ordinary activities	1	<u>-</u>	<u>-</u>
Profit/(Loss) from ordinary activities after income tax expense		(127,030)	(596,270)
Distribution to growers		-	-
Total changes in equity other than those resulting from transactions with owners as owners		<u>(127,030)</u>	<u>(596,270)</u>

The accompanying notes form part of these financial statements.

TANUNDA HILL VINEYARD PROJECT

BALANCE SHEET AS AT 30 JUNE 2006

	Note	2006 \$	2005 \$
CURRENT ASSETS			
Cash assets		836,099	952,903
Receivables	5	<u>1,115,549</u>	<u>824,247</u>
TOTAL CURRENT ASSETS		<u>1,951,648</u>	<u>1,777,150</u>
TOTAL ASSETS		<u>1,951,648</u>	<u>1,777,150</u>
CURRENT LIABILITIES			
Payables	6	<u>50,500</u>	<u>-</u>
TOTAL CURRENT LIABILITIES		<u>50,500</u>	<u>-</u>
TOTAL LIABILITIES		<u>50,500</u>	<u>-</u>
NET ASSETS		<u>1,901,148</u>	<u>1,777,150</u>
GROWERS' FUNDS			
Growers' Equity	4	<u>1,901,148</u>	<u>1,777,150</u>

The balance sheet should be read in conjunction with the accompanying notes.

TANUNDA HILL VINEYARD PROJECT

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
Note	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	1,515,766	1,263,594
Payment to suppliers	(1,890,891)	(1,989,685)
Interest received	6,853	10,434
Net cash (used in) operating activities	(368,272)	(715,657)
CASH FLOW FROM INVESTING ACTIVITIES		
Receipts from /(Payments of) loans	440	(234,983)
Net cash (outflow) from investing activities	440	(234,983)
CASH FLOW FROM FINANCING ACTIVITIES		
Contributions from Growers	251,028	1,809,488
Net cash by financing activities	251,028	1,809,488
Net Increase/(Decrease) in cash held	(116,804)	858,848
Cash at Beginning of Financial Year	952,903	94,055
Cash at end of year	836,099	952,903
NOTES TO THE STATEMENT OF CASH FLOWS		
Reconciliation of Cash		
Cash at the end of the financial years as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:		
Cash at bank	836,099	952,903
Reconciliation of cash flows from operations with profit from ordinary activities after income tax		
Profit/(Loss) from ordinary activities after income tax	(127,030)	(596,270)
(Increase)/decrease in current receivables	(291,742)	(546,754)
(Increase)/decrease in other current assets	-	1,643,614
Increase/(Decrease) in current payables	50,500	(1,216,247)
Cash flows from operations	(368,272)	(715,657)

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.

This is the first financial report prepared under Australian equivalents to IFRS. The accounting policies applied are consistent with those applied in the June 2005 annual report even though that report was presented under previous Australian Generally Accepted Accounting Principles (GAAP).

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.

TANUNDA HILL VINEYARD PROJECT
NOTES TO AND FORMING PART OF THE FINANCIAL
STATEMENTS

(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 statement of financial position are shown inclusive of GST.

(g) Australian Equivalents to International Financial Reporting Standards

This report has been prepared under Australian equivalents to IFRS. There are no differences between the Australian equivalents to IFRS and previous GAAP, which applied to 30 June 2005.

	2006	2005
	\$	\$
2. REVENUE		
Operating activities		
- grape sales	1,807,508	1,810,348
- interest	6,853	10,434
Total Revenue	1,814,361	1,820,782
3. PROFIT FROM ORDINARY ACTIVITIES		
Profit from ordinary activities before income tax has been determined after:		
a. Expenses		
Vineyard Maintenance fees	1,891,688	2,394,044
Crop insurance	49,458	22,782
Other	245	226
	1,941,391	2,417,052
Significant items		
a. Revenues		
Overaccrual of prior period revenue	(85,810)	-

TANUNDA HILL VINEYARD PROJECT
NOTES TO AND FORMING PART OF THE FINANCIAL
STATEMENTS

	<u>2006</u>	<u>2005</u>
	\$	\$
4. GROWERS EQUITY		
Opening Balance	1,777,150	563,932
Equity Introduced	251,028	1,809,488
Net Profit/(Loss) available to Growers	(127,030)	(596,270)
Closing Balance	<u>1,901,148</u>	<u>1,777,150</u>
5. RECEIVABLES		
Current		
Trade Debtors	1,115,579	823,807
Loan to Blaxland Vineyards Limited	-	440
	<u>1,115,579</u>	<u>824,247</u>
6. PAYABLES		
Sundry Creditors	50,500	-
	<u>50,500</u>	<u>-</u>

7. 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 \$147,147 (\$2005: \$163,065). The Responsible Entity or its associates hold 15 grower interests in the project.

TANUNDA HILL VINEYARD PROJECT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

7. RELATED PARTY TRANSACTIONS (cont.)

- (ii) Advanced Viticultural & Management Pty Limited, a company controlled by Mr Slee and Mr Collins, received fees of \$1,492,410 (2005:\$1,555,271) for viticultural services.

8. SEGMENT REPORTING

The Project operates in the viticultural industry of Australia.

9. 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	
	2006	2005	2006	2005
	%	%	\$	\$
Financial Assets				
Cash	3.1%	4.1%	836,099	952,903
			_____	_____

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at 30 June 2006 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

TANUNDA HILL VINEYARD PROJECT
NOTES TO AND FORMING PART OF THE FINANCIAL
STATEMENTS

10. THE PROJECT

The Tanunda Hill Vineyard Project (ARSN 095 309 363) located at Les Dunkley Road Sheaoak 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 the financial statements, being the Income Statement, Balance Sheet, Cash Flow Statement and Notes to and forming part of the Financial Statements of Tanunda Hill Vineyard Project for the year ended 30 June 2006. 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 in Australia 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.

Independence

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration set out on page 5 of the financial report, has not changed 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 project's financial position as at 30 June 2006 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.



PRITCHARD ADAMS
Chartered Accountants
Sydney: 25 September 2006



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

Custodian

Blaxland Vineyards Limited
493 High Street
Maitland NSW 2320

Independent Accountants and Auditors of the Project

Pritchard Adams
Level 9,
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Project Location

Les Dunkley Road
SHEAOAK LOG
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Project Administration

Blaxland Vineyards Limited
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