

TANUNDA HILL VINEYARD PROJECT

ARSN 095 309 363

Report on the Project at
30 June 2008

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 2008. The following persons held office as directors at any time during or since the end of the year unless otherwise stated.

Neil R. MacKenzie	Age 53
BA(Hons), FCA	
Position	Non-executive Chairman.
Experience	Neil is a qualified Chartered Accountant with an honours degree in Business Studies. He joined Orlando Wyndham Group in 1991 as Finance Director before moving to Simeon Wines as Managing Director in 1994. He continued to build Simeon Wines to being the third largest publicly listed wine company until its merger with McGuigan Wines in 2002 and continues in undertaking a series of consulting assignments in the wine industry.
Special Responsibilities	Chairman
Ronald M. Collins	Age 63
BCom (Acct), BA	
Position	Executive director - marketing and company secretary
Experience	Ron Collins has considerable experience in the Australian finance and investment market including a number of years with Hill Samuel Australia Ltd. (now Macquarie Bank Ltd.) and 20 years running his own financial consulting business.
Special Responsibilities	Project development, sales and marketing.
Philip J. Slee	Age 61
Position	Executive director - administration
Experience	Philip Slee is a Chartered Accountant, specialising in the wine industry. He was previously Company Secretary of Brian McGuigan Wines Limited and Financial Controller and Company Secretary of Wyndham Estate Wines Limited, both publicly listed companies.
Special Responsibilities	Finance and administration.

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 much improved crop from the vineyard saw the project move into profitability this year despite the large amount of money spent in securing sufficient irrigation water over and above that normally budgeted. Having secured the additional irrigation water which ensured that the fruit supplied to wineries was of good quality we were able to achieve good prices for all fruit. The 2008 harvest generated 1,836 tonnes (2007: 1,177 tonnes). The fruit was sold to the purchasers as per the various grape purchase agreements for a value of \$3,196,000 (2007: \$1,645,000). The crop receipts will cover the forthcoming year's maintenance fees, water purchases and other costs allowing a small distribution to be paid later this year. This good news is partially offset by the apparent failure of one winery in early September which exposes the project to a possible bad debt of \$30,000. This has been provided for in these accounts.

TANUNDA HILL VINEYARD PROJECT

RESPONSIBLE ENTITY'S DIRECTORS' REPORT

Review of Operations

Advanced Viticulture and Management Pty Limited, 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 smaller 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 2008. A small distribution will be made in 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 2008 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 780 growers interests in the Project at the end of the financial year.

Fees Paid to the Responsible Entity

During the financial year \$2,549,899 (2007: \$2,430,675) was paid to Blaxland Vineyards Limited as fees to manage the Project. The total cost of the Project for the financial period to 30 June 2008 was met from these funds as set out in the Prospectus.

TANUNDA HILL VINEYARD PROJECT

RESPONSIBLE ENTITY'S DIRECTORS' REPORT

Auditors Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out at page 5.

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. The Project does not provide any indemnification out of the Project's assets.

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 the resolution of the Board of Directors of the Responsible Entity.

Ronald M. Collins
Director

Philip J. Slee
Director

Dated: 16 September 2008

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 2008, there have been:

1. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

Nexia Court & Co.
Chartered Accountants

Robert Mayberry
Partner

Sydney

Dated:

TANUNDA HILL VINEYARD PROJECT

DIRECTORS' DECLARATION

In the opinion of the directors of Blaxland Vineyards Limited, the responsible entity of Tanunda Hill Vineyard Project:

1. the financial statements and notes, set out on pages 7 to 18, are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the Project's financial position as at 30 June 2008 and of its performance, for the financial year ended on that date;
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).
3. there are reasonable grounds to believe that the Project will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors of Blaxland Vineyards Limited:

Director
Ronald M. Collins

Director
Philip J. Slee

Dated: 16 September 2008

TANUNDA HILL VINEYARD PROJECT

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 \$	2007 \$
Revenue	3	3,242,316	1,648,869
Expenses	4	(2,628,081)	(2,479,843)
Profit/(Loss) before income tax		<u>614,235</u>	<u>(830,974)</u>
Income tax expense	2	<u>-</u>	<u>-</u>
Profit/(Loss) for the year		<u>614,235</u>	<u>(830,974)</u>

The accompanying notes form part of these financial statements.

TANUNDA HILL VINEYARD PROJECT

BALANCE SHEET AS AT 30 JUNE 2008

	Note	2008 \$	2007 \$
CURRENT ASSETS			
Cash and cash equivalents		1,565,825	858,404
Trade and other receivables	5	<u>1,849,123</u>	<u>956,303</u>
TOTAL CURRENT ASSETS		<u>3,414,948</u>	<u>1,814,707</u>
TOTAL ASSETS		<u>3,414,948</u>	<u>1,814,707</u>
CURRENT LIABILITIES			
Trade and other payables	6	<u>261,174</u>	<u>165,041</u>
TOTAL CURRENT LIABILITIES		<u>261,174</u>	<u>165,041</u>
TOTAL LIABILITIES		<u>261,174</u>	<u>165,041</u>
NET ASSETS		<u>3,153,774</u>	<u>1,649,666</u>
GROWERS' EQUITY		<u>3,153,774</u>	<u>1,649,666</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 2008

2007			
	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
Balance at 30 June 2007		<u>1,649,666</u>	<u>1,649,666</u>
2008			
	Note	Growers' Equity \$	Total \$
Balance at 1 July 2007		1,649,666	1,649,666
Profit attributable to growers		614,235	614,235
Equity introduced		889,873	889,873
Balance at 30 June 2008		<u>3,153,774</u>	<u>3,153,774</u>

The accompanying notes form part of these financial statements.

TANUNDA HILL VINEYARD PROJECT

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
Note	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	2,306,772	1,799,692
Payment to suppliers	(2,501,948)	(2,365,302)
Interest received	12,724	8,424
Net cash from operating activities	(182,452)	(557,186)
 CASH FLOW FROM FINANCING ACTIVITIES		
Contributions from Growers (net)	889,873	579,491
Net cash from financing activities	889,873	579,491
Net Increase in cash and cash equivalents	707,421	22,305
Cash and cash equivalents at beginning of financial year	858,404	836,099
Cash and cash equivalents at end of year	1,565,825	858,404
 NOTES TO THE STATEMENT OF CASH FLOWS		
Reconciliation of cash and cash equivalents		
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	1,565,825	858,404
 Reconciliation of cash from operating activities		
Profit/(Loss) for the year	614,235	(830,974)
Change in trade and other receivables	(892,820)	159,246
Change in current payables	96,133	114,542
Net cash from operating activities	(182,452)	(557,186)

The accompanying notes form part of these financial statements

TANUNDA HILL VINEYARD PROJECT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Tanunda Hill Vineyard Project (the 'Project') is a registered managed investment scheme under the Corporations Act 2001. The financial report of the Project is for the year ended 30 June 2008.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The financial report of the Project complies with International Financial Reporting Standards ('IFRSs') and interpretations adopted by the International Accounting Standards Board ('IASB').

The financial statements were approved by the Board of Directors of the Responsible Entity on 16 September 2008.

(b) Basis of accounting

These financial statements have been prepared in accordance with the historical cost convention, except for financial instruments at fair value through profit or loss, which are measured at fair value.

(c) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Project's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(e) 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 recognised by the project on an accruals basis. Once income is generated, all expenses are recorded in the project accounts as they are incurred.

(f) Income tax

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

(g) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (contd)

(h) **Trade and other creditors**

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

(i) **Financial risk management**

Overview

The Project has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Project's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Project, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the project's activities. The Project, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Project if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Project's receivables from customers.

Trade and other receivables

The Project's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Project's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Approximately 48 percent (2007: 51 percent) of the Project's revenue is attributable to sales transactions with a single customer.

The Board of Directors have established a credit policy under which each new customer is analysed individually for creditworthiness before the Project's standard payment and delivery terms and conditions are offered. The Project's review includes historical performance, when available, and where considered necessary, credit insurance is sought. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Finance Director; these limits are reviewed annually. Customers that fail to meet the project's creditworthiness review may transact with the Project only if proper insurances are in place.

TANUNDA HILL VINEYARD PROJECT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (contd)

Financial Risk Management (contd)

More than 85 percent (2007: 85 percent) of the Project's customers have been transacting with the Project for over four years, and no losses have been incurred. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. The Project's trade and other receivables relate mainly to the Project's wholesale customers.

Goods are sold subject to standard industry grape sale agreements, where one third of the annual crop sold to a customer is paid one month after harvest, a further one third is paid on the 30 June following harvest and the final payment is made on 30 September following harvest.

The Project may establish an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures. At the time of preparing these accounts the annual crop has been paid as to two thirds of the amount owing and an allowance will only be established if any customer is in arrears on the standard payment plan.

Guarantees

No guarantees have been or will be provided by the Project.

Liquidity risk

Liquidity risk is the risk that the Project will not be able to meet its financial obligations as they fall due. The Project's approach managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Project.

Typically the Project ensures that it has sufficient cash on demand to meet expected operational expenses for the year ahead, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk

Market risk is the risk that changes in market prices will affect the Project's income.

The Project manages market risks by arranging prices annually in advance or through longer term fixed price contracts. In some cases longer term contracts (over 5 years) are written at weighted district average price which allows for changes in the market.

TANUNDA HILL VINEYARD PROJECT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (contd)

Financial Risk Management (contd)

Currency risk

The Project is not directly exposed to currency risk. However as the wine industry is an export industry, its customers are affected by currency changes and this can influence pricing of the Project's products.

Interest rate risk

If and when the project has borrowings, it adopts a policy of ensuring that its exposure to changes in interest rates is minimised by changing to fixed rate borrowings when interest rates are volatile.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence. The Board of Directors monitors the return on capital, which the project defines as net operating income divided by total growers' equity. The Board of Directors also monitors the level of distributions to growers.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Project's approach to capital management during the year.

The Project is not subject to externally imposed capital requirements.

	2008 \$	2007 \$
3. REVENUE		
- Grape sales	3,170,481	1,640,445
- Under accrual of prior period revenues	59,111	-
- Interest received	12,724	8,424
TOTAL REVENUE	3,242,316	1,648,869
4. EXPENSES		
Vineyard maintenance fees	2,549,898	2,430,675
Crop insurance	45,835	48,896
Impairment loss	30,000	-
Other	2,348	272
	2,628,081	2,479,843

TANUNDA HILL VINEYARD PROJECT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

5. TRADE AND OTHER RECEIVABLES

Current

Trade receivables	1,879,123	956,303
Impairment loss on trade receivables	(30,000)	-
	<u>1,849,123</u>	<u>956,303</u>

6. TRADE AND OTHER PAYABLES

Sundry creditors	261,174	165,041
	<u>261,174</u>	<u>165,041</u>

7. RELATED PARTY TRANSACTIONS

- (a) Key Management Personnel
Key management personnel in office during the financial year:

Name	Position
Ron Collins	Director of the Responsible Entity
Philip Slee	Director of the Responsible Entity

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 \$157,014 (2007: \$152,295). 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 \$1,637,064 (2007:\$1,571,903) for viticultural services.

8. SEGMENT REPORTING

The Project operates in the viticultural industry of Australia.

TANUNDA HILL VINEYARD PROJECT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

9. FINANCIAL INSTRUMENTS

Credit risk

Exposure to credit risk

The carrying amount of the Project's financial assets represents the maximum credit exposure. The Project's maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2008	2007
	\$	\$
Cash and cash equivalents	1,565,825	858,404
Trade and other receivables	1,849,123	956,303
	3,414,948	1,814,707

The Project's maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Carrying amount	
	2008	2007
	\$	\$
Wholesale customers	1,879,123	956,303
Retail customers	-	-
End-user customers	-	-
	1,879,123	956,303

The Project's most significant customer, an Australian wholesaler, accounts for \$1,088,549 of the trade receivables carrying amount at 30 June 2008 (2007: \$621,804).

Impairment losses

None of the Project's receivables are past due (2007: nil). The aging of the Project's trade receivables at the reporting date was:

	Gross 2008	Impairment 2008	Gross 2007	Impairment 2007
	\$	\$	\$	\$
Not past due	1,879,123	30,000	956,303	-
Past due 0-30 days	-	-	-	-
Past due 31-120 days	-	-	-	-
More than one year	-	-	-	-
	1,879,123	30,000	956,303	-

TANUNDA HILL VINEYARD PROJECT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

9. FINANCIAL INSTRUMENTS (contd)

Credit risk (contd)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Carrying amount	
	2008	2007
	\$	\$
Balance at 1 July	-	-
Impairment loss recognised	30,000	-
	<hr/>	<hr/>
Balance at 30 June	<u>30,000</u>	<u>-</u>

The impairment loss at 30 June 2008 of \$30,000 relates to a customer that was placed under voluntary administration on 2 September 2008.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

30 June 2008

	Carrying Amount	Contract- ual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	261,174	(261,174)	(261,174)	-	-	-	-

30 June 2007

	Carrying Amount	Contract- ual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	165,041	(165,041)	(165,041)	-	-	-	-

TANUNDA HILL VINEYARD PROJECT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

9. FINANCIAL INSTRUMENTS (contd)

Fair Values

The fair values of financial assets and liabilities, together with carrying amounts shown in the balance sheet, are as follows:

	2008 Carrying Amount \$	2008 Net Fair Value \$	2007 Carrying Amount \$	2007 Net Fair Value \$
Financial Assets				
Cash and cash equivalents	1,565,825	1,565,825	858,404	858,404
Trade and other receivables	1,849,123	1,849,123	956,303	956,303
Financial Liabilities				
Trade and other payables	261,174	261,174	165,041	165,041

Estimation of fair values

The methods used in determining the fair values of financial instruments are discussed in note 1.

Currency risk

Exposure to currency risk

There is no exposure to foreign currency risk at balance date

Interest rate risk

Profile

At reporting date the interest rate profile of the Project's interest-bearing financial instruments was:

	Carrying amount	
	2008 \$	2007 \$
Variable rate instruments		
Financial assets	1,585,825	858,404
	1,585,825	858,404

Fair value sensitivity analysis or fixed rate instruments

The Project does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

10. 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). The registered address and the address for administration purposes is 493 High Street Maitland NSW 2320.

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

Report on the financial report

We have audited the accompanying financial report of Tanunda Hill Vineyard Project (the 'Project') which comprises the balance sheet as at 30 June 2008, 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, other explanatory notes numbered 2 to 10 and the directors' declaration.

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 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with Australian equivalents to International Financial Reporting Standards ensures that the financial report of the group and the company, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditors' 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditors' judgement, 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.

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

**INDEPENDENT AUDITORS' REPORT
TO THE RESPONSIBLE ENTITY OF
TANUNDA HILL VINEYARD PROJECT
(CONTINUED)**

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors provided to the directors of the Responsible Entity on 12 September 2008, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditors' opinion on the financial report

In our opinion:

- (a) the financial report of Tanunda Hill Vineyard Project is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Project's financial position as at 30 June 2008 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report of the Project also complies with International Financial Reporting Standards as disclosed in note 2(a).

Nexia Court & Co
Chartered Accountants

Robert Mayberry
Partner

Sydney

Dated:

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