

TANUNDA HILL VINEYARD PROJECT

ARSN 095 309 363

Report for the half-year
ended 31 December 2003

Managed by
Blaxland Vineyards Limited
ABN 61 067 514 792

TANUNDA HILL VINEYARD PROJECT

CONTENTS

| | |
|---|------|
| Chairman’s Report | 2 |
| Report for the Half Year | 3-5 |
| Directors’ Declaration..... | 6 |
| Statement of Financial Performance | 7 |
| Statement of Financial Position | 7 |
| Statement of Cash Flows | 7 |
| Notes to and Forming Part of the Financial Statements | 8-10 |
| Auditors Report..... | 11 |
| Directory | 12 |

TANUNDA HILL VINEYARD PROJECT

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

Chairman's Report

11 March 2004

The new management team on THV 1 have worked well with Blaxland over the last 12 months to continue to build the vineyard to meet the grape expectations of buyers, particularly from 2005 and onwards.

The chemical handling and wash down facilities have now been completed and other works, including fencing, electrical installations and modern septic systems have been installed.

The 2001 planting of THV has gone according to plan in the last 6 months and the contracted grape buyers have been pleased with progress. In the 2002 planting our new vineyard manager inherited a vineyard that had more weed problems than was expected. This has been a battle over the last 6 months but it now appears that management has got on top of the problem.

We have upgraded pumps in the pump shed and we believe the vineyard is now well set up for the future. However, cabernet sauvignon grapes will be marked down in price across the total wine industry this year and Tanunda Hill will be no exception. We are working to minimise the problem.

This years crop will be around 570 tonnes after being severely affected by extremely hot conditions earlier this month. We would have expected the crop to have been closer to 870 tonnes. Grape prices are under pressure and the average price will be considerably below the prospectus estimate of \$1,885 per tonne. This problem was highlighted by Barossa Valley Estates, a company 50% owned by Hardy Wines (now owned by the US liquor company, Constellation) who at the last minute, one week before harvest, decided that they had no need for the product in their own portfolio and told all Barossa growers that they could only pay \$300 per tonne for Cabernet Sauvignon this year. The fruit will be converted to white wine.

Our next field day will be held in October 2004 and we look forward to seeing you there. Details will be available soon.

R.M. Collins
Chairman
Blaxland Vineyards Limited

TANUNDA HILL VINEYARD PROJECT

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

Blaxland Vineyards Limited, (the Responsible Entity) submits the Financial Statements of the Project for the half year ended 31 December 2003. The following persons held office as directors during the period to the date of this report.

Mr Ron Collins
Mr Philip Slee
Mr Robert Gibson

Review of Operations

The fully planted vineyard now consists of the following varieties for the below listed grape purchasers:

| <u>Purchaser</u> | <u>Variety</u> |
|-----------------------------------|--|
| Orlando Wyndham Wines Limited | Shiraz & Cabernet |
| Barossa Valley Estate Pty Limited | Shiraz & Cabernet |
| Peter Lehmann Wines Limited | Merlot & Tempranillo |
| Simeon Wines Limited | Shiraz, Petit Verdot & Chardonnay |
| McGuigan Simeon Wines Limited | Shiraz, Merlot, Petit Verdot & Chardonnay |
| Blaxland Vineyards Limited | Shiraz, Cabernet, Petit Verdot, Tempranillo, Vigonier |

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 period.

Distributions Paid

During the period under review, there were no distributions made to growers.

Significant Changes in the State of the Affairs

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

Matters Subsequent to the End of the Financial Period

There are no matters or circumstances that have arisen since 31 December 2003 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

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

Future Developments

There are no likely developments that will affect the future of the vineyard. However on 1 July 2003, Advanced Viticulture and Management Pty Limited (AVM) took over the direct viticultural management of the vineyard. AVM is a subsidiary of Blaxland Vineyards Limited.

Environmental Regulations

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

During the period no further interests were issued in the project. There were no withdrawals from the project. At the 31 December 2003 there were 780 growers' interests in the project. There were 15 units held by the responsible entity or its associates at the end of the period.

Fees Paid to the Responsible Entity

During the period under review \$1,335,633 was paid to Blaxland Vineyards Limited as fees to maintain the vineyard and manage the project. The total cost of the Project to 31 December 2003 was met from these funds as set out in the Prospectus for the Project dated 2 February 2001.

Value of Project Property

The project owns no assets. The Responsible Entity holds on trust for the growers individually, their respective interests in the trellis irrigation system and vines.

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.

TANUNDA HILL VINEYARD PROJECT

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

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: 11 March 2004

TANUNDA HILL VINEYARD PROJECT

DIRECTORS' DECLARATION

We, Ronald Collins and Philip Slee being two of the directors of Blaxland Vineyards Limited, the Responsible Entity of Tanunda Hill Vineyard Project, declare that the financial statements and notes:

- comply with accounting standards AASB 1029: Interim Financial Reporting and the Corporations Regulations;
- give a true and fair view of the projects financial position as at 31 December 2003 and its performance for the half year ended on that date;
- in our opinion, there are reasonable grounds to believe that the Project will be able to pay its debts as and when they fall due.

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:

.....
Ronald M. Collins
Director

.....
Philip J. Slee
Director

Dated 11 March 2004

TANUNDA HILL VINEYARD PROJECT
STATEMENT OF FINANCIAL PERFORMANCE FOR THE HALF
YEAR ENDED
31 DECEMBER 2003

No revenue or expenses were either derived or incurred during the financial period.

The profit and loss account should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2003

No accumulated funds existed as at 31 December 2003.

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

STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2003

No cash flows occurred during the financial period.

The statement of cash flows should be read in conjunction with the accompanying notes.

TANUNDA HILL VINEYARD PROJECT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounts are General Purpose Accounts and have been prepared in accordance with the Accounting Standard AASB1029: Interim Financial Reporting, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 and the requirements of the Project Constitution.

The accounting policies have been consistently applied and are consistent with those of the previous financial year and corresponding half-year unless otherwise stated. It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2003.

For the purpose of preparing this half-year financial report, the half-year has been treated as a discrete reporting period.

(a) Basis of accounting

These financial statements have been prepared in accordance with the historical cost convention, except for certain assets which are at current valuation. 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 belongs 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, 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) Non-current investments

Non-current investments are brought to account at cost or at directors' valuation. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. Where the cost exceeds the recoverable amount, the investment has been written down to this recoverable amount. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts except where stated.

(f) Trade and other creditors

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

(g) 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.

2. OPERATING PROFIT

During the half year ended 31 December 2003, the growers contributed amounts shown below towards the expenses of operating the vineyard. These amounts have been expensed by the growers and are not considered assets or expenditure of the project. No income was received during the period.

| | |
|------------------------|--------------------|
| Maintenance | 976,950 |
| Research & Development | 9,395 |
| Water Infrastructure | 104,715 |
| Water Supply | 93,015 |
| Administration | 71,785 |
| Roads & Buildings | 48,750 |
| Land Rental | 31,023 |
| Total | <u>\$1,335,633</u> |

TANUNDA HILL VINEYARD PROJECT

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

3. 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.

4. 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 TRUSTEES OF TANUNDA HILL VINEYARD PROJECT

Scope

We have reviewed the financial statements, being the Profit and Loss Account, Balance Sheet, Statement of Cash Flows and notes to and forming part of the financial statements of Tanunda Hill Vineyard Project for the half year ended 31 December 2003. The directors of the trustee company 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 trustees, so as to enable the disclosing entity to lodge the financial report with the Australian Securities and Investment Commission.

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 Standard AASB 1029 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 statements present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of Tanunda Hill Vineyard Project as at 31 December 2003 and the results of its operations and cash flows for the half year ended.

WIDINS
Chartered Accountants

R E Mayberry
Partner

Sydney:

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

Ronald Malcolm Collins
Philip James Slee
Robert John Gibson

Custodian

Blaxland Vineyards Limited
493 High Street
Maitland NSW 2320

Independent Accountants and Auditors of the Project

Widins
Level 17
15 Castlereagh Street
Sydney, NSW, 2000