

# TANUNDA HILL VINEYARD PROJECT

ARSN 095 309 363

Report for the half-year  
ended 31 December 2004

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 .....	8
Statement of Cash Flows .....	9-10
Notes to and Forming Part of the Financial Statements .....	11-15
Auditors Report.....	16
Directory .....	17

# **TANUNDA HILL VINEYARD PROJECT**

## **REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

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### **Chairman's Report**

7<sup>th</sup> March 2005

The vineyard continues to improve with a good quality crop of over 1,000 tonnes anticipated, compared with last year's crop of 575 tonnes. When the vineyard reaches full production we should be able to achieve annual crops of around 3,000 tonnes. However, the pressure is still on grape prices with all contracted buyers lowering their basic prices yet again on all varieties.

Last vintage, as a result of poor prices and a real lack of interest in our fruit from Barossa Valley Estates, their contract was terminated on satisfactory terms, in return for a substantial increase on the funds received on the fruit sold to them from the vineyard. We have grafted the unwanted Cabernet Sauvignon to Viogner and contracted the fruit to Yalumba.

The property continues to look better and better as the Advanced Viticulture and Management team get on top of issues such as weeds, internal roads and the slow growth of the merlot vines. The aggressive convolvulus weed is slowly but surely being reduced, all weather roads have been put in place throughout the vineyard and the struggling merlot vines are starting to strengthen and bear a small crop.

At Blaxland, we would like to think that no grower will be asked to add further funds to support the vineyard activities for the coming year. Hopefully, this will be achieved. Our fees are based on your profitability and last year we took no management fee except that required for administration and compliance. This year with the vineyard only just breaking even, we will again not receive a management fee. This method of fee calculation is fair and ensures our dedication to getting the best result for you.

**Neil MacKenzie**  
**Chairman**  
**Blaxland Vineyards Limited**

# **TANUNDA HILL VINEYARD PROJECT**

## **REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

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Blaxland Vineyards Limited, (the Responsible Entity) submits the Financial Statements of the Project for the half year ended 31 December 2004. The following persons held office as directors during the period to the date of this report.

Neil MacKenzie - Chairman  
Ron Collins  
Philip Slee  
Robert Gibson

### **Review of Operations**

The fully planted vineyard consists of a wide range of varieties, fully contracted to Orlando Wyndham, Yalumba, Peter Lehmann and McGuigan Simeon Wines. During the year 40 acres of Cabernet were either grafted to Viogner or replanted with Shiraz. The vineyard has developed well and will deliver a crop of over 1000 tonnes.

### **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 distributions made of \$629,970 to the 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 2004 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 2004**

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### **Future Developments**

There are no likely developments that will affect the future of the vineyard.

### **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 2004 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 \$858,922 (2003:\$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 2004 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 2004**

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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: 7<sup>th</sup> March 2005

**TANUNDA HILL VINEYARD PROJECT**  
**DIRECTORS' DECLARATION**

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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 2004 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 7<sup>th</sup> March 2005

**TANUNDA HILL VINEYARD PROJECT**

**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

	Note	31 Dec 2004 \$	31 Dec 2003 \$
Revenues from ordinary activities	2	877,834	-
Expenses from ordinary activities	3	(1,208,757)	-
<b>Profit/(Loss) from ordinary activities before income tax expense</b>		(330,923)	-
Income tax expense relating to ordinary activities	1	-	-
<b>Profit/(Loss) from ordinary activities after income tax expense</b>		(330,923)	-
Equity introduced		1,996,000	-
Distribution to growers		(629,970)	-
<b>Increase /(Decrease) in Growers Equity</b>		1,035,107	-

The accompanying notes form part of these financial statements.

# TANUNDA HILL VINEYARD PROJECT

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2004

	Note	31 Dec 2004 \$	30 June 2004 \$
<b>CURRENT ASSETS</b>			
Cash assets		133,885	94,055
Receivables	5	440	277,053
Inventories	6	700,000	-
Other	7	764,714	1,643,615
<b>TOTAL CURRENT ASSETS</b>		<u>1,599,039</u>	<u>2,014,723</u>
<b>TOTAL ASSETS</b>		1,599,039	2,014,723
<b>CURRENT LIABILITIES</b>			
Payables	8	-	1,450,791
<b>TOTAL CURRENT LIABILITIES</b>		<u>-</u>	<u>1,450,791</u>
<b>TOTAL LIABILITIES</b>		<u>-</u>	<u>1,450,791</u>
<b>NET ASSETS</b>		<u>1,599,039</u>	<u>563,932</u>
<b>GROWERS FUNDS</b>			
Growers Equity	4	<u>1,599,039</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 HALF YEAR ENDED 31 DECEMBER 2004

	Note	31 Dec 2004 \$	31 Dec 2003 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers		470,965	-
Payment to suppliers		(1,996,103)	-
Interest received		4,467	
<b>Net cash (outflow) from operating activities</b>		(1,520,671)	-
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Repayment of loan by related party		195,000	-
<b>Net cash inflow from investing activities</b>		195,000	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Contributions from growers		1,996,000	-
Distributions to growers		(629,970)	-
<b>Net cash inflow from investing activities</b>		1,365,501	-
Net Increase/(Decrease) in cash held		39,830	-
Cash at Beginning of Financial Year		94,055	-
<b>Cash at end of period</b>		133,885	-

The accompanying notes form part of these financial statements

**TANUNDA HILL VINEYARD PROJECT**

**STATEMENT OF CASH FLOWS**

**FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

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	<b>31 Dec</b>	<b>31 Dec</b>
	<b>2004</b>	<b>2003</b>
Note	\$	\$
<b>NOTES TO THE STATEMENT OF CASH FLOWS</b>		
<b>Reconciliation of Cash</b>		
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	133,885	-
<b>Reconciliation of cash flows from operations with profit from ordinary activities after income tax</b>		
Profit/(Loss) from ordinary activities after income tax	(330,923)	-
Decrease in current receivables	277,054	-
(Increase) in current inventories	(700,000)	-
Decrease in current prepayments	878,900	-
Increase in current payables	(1,645,702)	-
<b>Net cash outflow from operating activities</b>	<b>(1,520,671)</b>	<b>-</b>

The accompanying notes form part of these financial statements

**TANUNDA HILL VINEYARD PROJECT**

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

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**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 2004.

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**

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**(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.

**(g) Self generating and regenerating assets**

Accounting Standard AASB 1037, Self Generating and Regenerating Assets, has been adopted for this half year. The effect of this Standard is to bring to account as income the increment in net market value of the grape crop in the financial period, and to bring to account as an asset the value of the Project's grapes on the vines at reporting date. This is the first year that the Project has come within the requirement of AASB1037.

There is no active and liquid market for partly mature grapes. Mature value has been determined by the Directors of the Responsible Entity based upon the estimated net market value of the crop at vintage, reduced by the proportion of time between bud-burst and the end of the financial period as a percentage of the time between bud-burst and vintage.

**TANUNDA HILL VINEYARD PROJECT**

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

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**Contd (g) Self generating and regenerating assets**

- Significant assumptions made in determining net market value;
- (a) the lowest expected value of the crop at vintage has been used to be conservative and minimise the amount of any reversal should the crop be damaged in any way prior to vintage;
  - (b) only the current crop is valued;
  - (c) vintage is expected to take place at the end of March, beginning of April.

	<b>31 Dec 2004 \$</b>	<b>31 Dec 2003 \$</b>
<b>2. REVENUE</b>		
<b>Operating activities</b>		
- Increment in net market value of grapes	700,000	-
- Grape sales	173,367	-
- Interest	4,467	-
<b>Total Revenue</b>	<b>877,834</b>	<b>-</b>
<b>3. PROFIT FROM ORDINARY ACTIVITIES</b>		
<b>Profit from ordinary activities before income tax has been determined after:</b>		
<b>a. Expenses</b>		
Vineyard Maintenance fees	777,149	-
Project management fees	81,773	-
Water infrastructure	143,497	-
Water supply	159,693	-
Land Rental	35,151	-
Crop Insurance	11,391	-
Other	103	-
	<b>1,208,757</b>	<b>-</b>

**TANUNDA HILL VINEYARD PROJECT**

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

	<b>31 Dec 2004 \$</b>	<b>30 Jun 2004 \$</b>
<b>4. GROWERS EQUITY</b>		
Opening Balance	563,932	-
Equity Introduced	1,996,000	2,964,375
Net Profit/(loss) available to Growers	(330,923)	(2,377,812)
Distribution to Growers	(629,970)	-
Closing Balance	<u>1,599,039</u>	<u>563,932</u>
<b>5. RECEIVABLES</b>		
<b>Current</b>		
Trade debtors	-	277,053
Loan to Blaxland Vineyards	440	-
	<u>440</u>	<u>277,053</u>
<b>6. INVENTORIES</b>		
Value of grape crop	<u>700,000</u>	<u>-</u>
<b>7. OTHER CURRENT ASSETS</b>		
Prepayments	<u>764,714</u>	<u>1,643,615</u>
<b>8. PAYABLES</b>		
Trade creditors	-	1,216,247
Loan from Blaxland Vineyards Limited	-	234,544
	<u>-</u>	<u>1,450,791</u>

**9. RELATED PARTY TRANSACTIONS**

Fees retained by the Responsible Entity after payment of vineyard maintenance costs during the period were \$81,774. The Responsible Entity or its associate holds 15 growers interests in the project.

**10. SEGMENT REPORTING**

The Project operates in the viticultural industry of Australia.

# TANUNDA HILL VINEYARD PROJECT

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 11. 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	
	2004 %	2003 %	31 Dec 2004 \$	30 Jun 2004 \$
<b>Financial Assets</b>				
Cash	2.7%	-	133,885	94,055

#### Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at 31 December 2004 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

### 12. 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.

### 13. 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.

**PRITCHARD ADAMS  
Chartered Accountants**

**R E Mayberry  
Partner**

Sydney:

# TANUNDA HILL VINEYARD PROJECT

## DIRECTORY

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### **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  
Neil MacKenzie

### **Custodian**

Blaxland Vineyards Limited  
493 High Street  
Maitland NSW 2320

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

Pritchard Adams  
Level 9  
10 Barrack Street  
Sydney, NSW, 2000