

TANUNDA HILL VINEYARD PROJECT

ARSN 095 309 363

Report for the half-year
ended 31 December 2006

Managed by
Blaxland Vineyards Limited
ABN 61 067 514 792

TANUNDA HILL VINEYARD PROJECT

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TANUNDA HILL VINEYARD PROJECT

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

Blaxland Vineyards Limited, (the Responsible Entity) submits the Financial Statements of the Project for the half year ended 31 December 2006. The following persons held office as directors during the period to the date of this report.

Neil R. MacKenzie - Chairman
Ronald M. Collins
Philip J. Slee

Review of Operations

The fully planted vineyard consists of a wide range of varieties, fully contracted to Orlando Wines, Yalumba, Peter Lehmann and McGuigan Simeon Wines. The vineyard has suffered from drought conditions during the past twelve months, along with other vineyards in the Barossa and other areas. We are completely dependant on the Murray River, where severe restrictions this year have forced us to buy additional water rights and we are faced with a year where irrigation restrictions will continue.

Despite all this our viticultural team is working hard to make the most of a very difficult vintage, where cropping levels are well below previous years. At the time of writing this report we believe that the harvest will be 30% below last year's tonnage, in a district that is experiencing up to 80% loss on last years crop .

On the positive side, the whole crop is presold and prices have risen by approximately 20%.

Principal Activities

The principal activity of the Project is to manage a vineyard and market the grapes.

No significant change in the nature of these activities occurred during the period.

Distributions Paid

No distributions were made for the period.

Significant Changes in the State of the Affairs

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

TANUNDA HILL VINEYARD PROJECT

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

Matters Subsequent to the End of the Financial Period

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

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 2006 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 \$862,099 (2005:\$819,804) was paid to Blaxland Vineyards Limited as fees to maintain the vineyard and manage the Project. Of this amount, \$785,951 was paid for viticultural management. The total cost of the Project to 31 December 2006 was met from these funds.

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.

TANUNDA HILL VINEYARD PROJECT

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

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

Ronald M. Collins
Director

Philip J. Slee
Director

Dated: 7 March 2007

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 134: Interim Financial Reporting and the Corporations Regulations;
- give a true and fair view of the Project's financial position as at 31 December 2006 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 March 2007

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 31 December 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

8 MARCH, 2007

TANUNDA HILL VINEYARD PROJECT

INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Note	31 Dec 2006 \$	31 Dec 2005 \$
Revenues from continuing operations	2	736,315	915,827
Expenses from continuing operations	3	(1,239,914)	(970,697)
		<hr/>	<hr/>
(Loss) before income tax		(503,599)	(54,870)
Income tax expense	1	-	-
		<hr/>	<hr/>
(Loss) for the half year		<u>(503,599)</u>	<u>(54,870)</u>

The accompanying notes form part of these financial statements.

TANUNDA HILL VINEYARD PROJECT

BALANCE SHEET AS AT 31 DECEMBER 2006

	Note	31 Dec 2006 \$	30 June 2006 \$
CURRENT ASSETS			
Cash assets		1,951	836,099
Receivables	4	139,034	1,115,549
Inventories	5	750,000	-
Other	6	555,460	-
TOTAL CURRENT ASSETS		<u>1,446,445</u>	<u>1,951,648</u>
TOTAL ASSETS		<u>1,446,445</u>	<u>1,951,648</u>
CURRENT LIABILITIES			
Payables	7	-	50,500
TOTAL CURRENT LIABILITIES		<u>-</u>	<u>50,500</u>
TOTAL LIABILITIES		<u>-</u>	<u>50,500</u>
NET ASSETS		<u>1,446,445</u>	<u>1,901,148</u>
GROWERS EQUITY		<u>1,446,445</u>	<u>1,901,148</u>

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

TANUNDA HILL VINEYARD PROJECT

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

2005			
	Note	Growers' Equity \$	Total \$
Balance at 1 July 2005		1,777,150	1,777,150
(Loss) attributable to growers		(54,870)	(54,870)
Equity introduced		251,029	251,029
Balance at 31 December 2005		<u>1,973,309</u>	<u>1,973,309</u>
2006			
	Note	Growers' Equity \$	Total \$
Balance at 1 July 2006		1,901,148	1,901,148
(Loss) attributable to growers		(503,599)	(503,599)
Equity introduced		48,896	48,896
Balance at 31 December 2006		<u>1,446,445</u>	<u>1,446,445</u>

The accompanying notes form part of these financial statements.

TANUNDA HILL VINEYARD PROJECT

CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Note	31 Dec 2006 \$	31 Dec 2005 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		959,390	621,060
Payment to suppliers		(1,845,874)	(1,793,402)
Interest received		3,440	2,896
Net cash (outflow) from operating activities		<u>(883,044)</u>	<u>(1,169,446)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Repayment of loan by related party		-	440
Net cash inflow from investing activities		<u>-</u>	<u>440</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Contributions from growers (net)		48,896	251,029
Net cash inflow from investing activities		<u>48,896</u>	<u>251,029</u>
Net (decrease) in cash and cash equivalents		(834,148)	(917,977)
Cash and cash equivalents at beginning of the half year		836,099	952,903
Cash and cash equivalents end of half-year		<u>1,951</u>	<u>34,926</u>

The accompanying notes form part of these financial statements

TANUNDA HILL VINEYARD PROJECT

CASH FLOW STATEMENT

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	31 Dec 2006	31 Dec 2005
Note	\$	\$
NOTES TO THE CASH FLOW STATEMENT		
Reconciliation of Cash		
Cash at the end of the financial period as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:		
Cash at bank	1,951	34,926
Reconciliation of profit after income tax to net cash inflow from operating activities		
(Loss) for the half year	(503,599)	(54,870)
Decrease in current receivables	976,515	848,687
(Increase) in current inventories	(750,000)	(1,000,000)
(Increase)/Decrease in current prepayments	(555,460)	(970,573)
Increase/(Decrease) in current payables	(50,500)	7,310
Net cash (outflow) from operating activities	(883,044)	(1,169,446)

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 accounts are General Purpose Accounts and have been prepared in accordance with the Accounting Standard AASB134: Interim Financial Reporting, 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 2006.

(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 cash flow statement, 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 balance sheet are shown inclusive of GST.

(h) Agriculture

Accounting Standard AASB 141, Agriculture, has been applied during the half year to bring to account as income the increment in net market value of the grape crop in the financial period, and bring to account as an asset the value of the Project's grapes on the vines at reporting date.

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

(h) Agriculture (contd)

- 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 has commenced at the beginning of February.

	31 Dec 2006	31 Dec 2005
	\$	\$
2. REVENUE		
Operating activities		
- Increment in net market value of grapes	750,000	1,000,000
- Overaccrual of prior period revenues	(17,125)	(87,069)
- Interest	3,440	2,896
Total Revenue	736,315	915,827
3. LOSS FROM ORDINARY ACTIVITIES		
Loss from ordinary activities before income tax has been determined after:		
a. Expenses		
Vineyard Maintenance fees	785,951	746,230
Project management fees	76,148	73,574
Water infrastructure	141,512	-
Water supply	175,262	106,786
Land Rental	36,465	19,254
Crop Insurance	24,448	24,729
Other	128	124
	1,239,914	970,697
Significant items		
a. Revenues		
Overaccrual of prior period revenues	(17,125)	(87,069)

TANUNDA HILL VINEYARD PROJECT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	31 Dec 2006	30 Jun 2006
	\$	\$
4. RECEIVABLES		
Current		
Trade debtors	<u>139,034</u>	<u>1,115,549</u>
5. INVENTORIES		
Value of grape crop	<u>750,000</u>	<u>-</u>
6. OTHER CURRENT ASSETS		
Prepayments	<u>555,460</u>	<u>-</u>
7. PAYABLES		
Sundry creditors	<u>-</u>	<u>50,500</u>

8. RELATED PARTY TRANSACTIONS

Fees retained by the Responsible Entity after payment of vineyard maintenance costs during the period were \$76,148 (2005: \$73,574). The Responsible Entity or its associate holds 15 growers interests in the project.

9. SEGMENT REPORTING

The Project operates in the viticultural industry of Australia.

10. 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.

11. THE RESPONSIBLE ENTITY

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

TANUNDA HILL VINEYARD PROJECT

INDEPENDENT REVIEW REPORT TO THE RESPONSIBLE ENTITY 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 2006. The directors of the Responsible Entity are responsible for the financial statements. We have performed the review of the financial statements in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial statements are not presented fairly in accordance with Corporations Act 2001, to enable the disclosing entity to lodge the financial statements with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the Responsible Entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, we do not express an audit opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's declaration set out on page 6 of the financial report has not changed as at the date of providing our review opinion.

Statement

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the financial statements of Tanunda Hill Vineyard Project for the half year ended 31 December 2006 is not in accordance with:

- a. the Corporations Act 2001, including giving a true and fair view of the Trust's financial position as at 31 December 2006 and its performance for the half-year then ended; and Accounting Standard AASB 134: Interim Financial Reporting.
- b. other mandatory professional reporting requirements in Australia.



Pritchard Adams
Level 9, 10 Barrack Street
Sydney NSW 2000



Robert Mayberry
Partner
Date: 8 MARCH, 2007

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

LEVEL 9, 10 BARRACK STREET, SYDNEY NSW 2000, AUSTRALIA.
GPO BOX 5456, SYDNEY NSW 2001. TEL: +61 2 8297 8777. FAX: +61 2 8297 8700.
EMAIL: info@pritchardadams.com WEBSITE: www.pritchardadams.com
ABN 60 574 353 917

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,
10 Barrack 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