

TANUNDA HILL  
VINEYARD PROJECT  
STAGE 2  
ARSN 104 063 238

Report on the Project at  
30 June 2007

Managed by  
Blaxland Vineyards Limited  
ABN 61 067 514 792

**TANUNDA HILL VINEYARD PROJECT STAGE 2**

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## **TANUNDA HILL VINEYARD PROJECT STAGE 2**

### **RESPONSIBLE ENTITY'S DIRECTORS' REPORT**

Blaxland Vineyards Limited, (the Responsible Entity) submits the Financial Statements of the Project for the year ending 30 June 2007. The following persons held office as directors of the Responsible Entity at any time during or since the end of the financial year unless otherwise stated:

Neil R. MacKenzie (Chairman)  
Ronald M. Collins  
Philip J. Slee

In addition Ronald M. Collins held the position of company secretary of the Trustee (Responsible Entity) at the end of the financial year.

#### **Review of Operations**

The Project is fully subscribed with 230 units issued over a vineyard area of 115 hectares. The vineyard was fully planted during the spring of 2003 to Shiraz, Merlot, Grenache and a small amount of Chardonnay.

The vineyard delivered its second crop of 718 tonnes this year (2006:550 tonnes). This increase was achieved despite the drought conditions and favourable pricing arrangements netted a total income from the crop of \$646,000 (2006:\$270,000). In 2008 we anticipate a crop of over 800 tonnes all of which will be sold to Orlando Wines under their 5 year contract.

#### **Principal Activities**

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

#### **Distributions**

No distributions were paid to growers during the period and no recommendation is made as to distributions.

#### **Matters Subsequent to the End of the Financial Period**

There are no matters or circumstances that have arisen since 30 June 2007 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.

## TANUNDA HILL VINEYARD PROJECT STAGE 2

### RESPONSIBLE ENTITY'S DIRECTORS' REPORT

#### Interests Issued

No growers' interests were issued during the year. The Responsible Entity and its associates hold 57 units in the Project. There were a total of 230 growers units in the Project at the end of the financial year.

#### Fees Paid to the Responsible Entity

During the financial year \$1,078,182 (2006: \$1,252,581) was paid to Blaxland Vineyards Limited as fees to manage and develop the Project. The total cost of the Project for the financial year ended 30 June 2007 was met from these funds as set out in the Product Disclosure Statement.

#### 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: 18 September 2007

# NEXIA COURT & CO



CHARTERED  
ACCOUNTANTS

ABN 71 502 156 733

**TANUNDA HILL VINEYARD PROJECT STAGE 2**

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

Level 29, Australia Square  
264 George Street,  
Sydney NSW 2000  
PO Box H195,  
Australia Square NSW 1215  
T 61 2 9251 4600  
F 61 2 9251 7138  
info@nexiacourt.com.au  
www.nexiacourt.com.au

I declare that to the best of my knowledge and belief, during the year ended 30 June 2007, 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.

**Nexia Court & Co**  
Chartered Accountants

A handwritten signature in black ink, appearing to read "Robert Mayberry".

Robert Mayberry  
Partner

**Sydney**

**Dated: 28 September 2007**

**Partners**

Stephen J Rogers  
Ian D Stone  
Paul W Lenton  
Neil R Hillman  
Stephen W Davis  
David M Gallery  
Robert A McGuinness  
Kirsten Taylor-Martin  
Andrew S Hoffmann  
Graeme J Watman  
David R Cust  
Craig J Wilford  
Sean P Urquhart  
Robert Mayberry

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NETWORK OF INDEPENDENT ACCOUNTING  
AND CONSULTING FIRMS.



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SCHEME APPROVED UNDER  
PROFESSIONAL STANDARDS  
LEGISLATION.

## TANUNDA HILL VINEYARD PROJECT STAGE 2

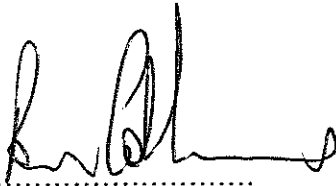
### DIRECTORS' DECLARATION

The directors of the company declare that:


1. The financial statements and notes of the Tanunda Hill Vineyard Project Stage 2 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 2007 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: /8 September 2007

**TANUNDA HILL VINEYARD PROJECT STAGE 2**

**INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 \$	2006 \$
Revenues from continuing operations	2	652,349	263,467
Expenses from continuing operations	3	1,165,673	1,275,583
<b>(Loss) before income tax expense</b>		<u>(513,324)</u>	<u>(1,012,116)</u>
Income tax expense	1	<u>-</u>	<u>-</u>
<b>Loss for the year</b>		<u><u>(513,324)</u></u>	<u><u>(1,012,116)</u></u>

The accompanying notes form part of these financial statements.

**TANUNDA HILL VINEYARD PROJECT STAGE 2**

**BALANCE SHEET  
AS AT 30 JUNE 2007**

	Note	2007 \$	2006 \$
<b>CURRENT ASSETS</b>			
Cash assets		171,639	62,113
Receivables	4	425,178	201,293
<b>TOTAL CURRENT ASSETS</b>		<u>596,817</u>	<u>263,406</u>
<b>TOTAL ASSETS</b>		<u>596,817</u>	<u>263,406</u>
<b>CURRENT LIABILITIES</b>			
Payables	5	75,248	22,941
<b>TOTAL CURRENT LIABILITIES</b>		<u>75,248</u>	<u>22,941</u>
<b>TOTAL LIABILITIES</b>		<u>75,248</u>	<u>22,941</u>
<b>NET ASSETS</b>		<u>521,569</u>	<u>240,465</u>
<b>GROWERS' EQUITY</b>		<u>521,569</u>	<u>240,465</u>

The accompanying notes form part of these financial statements.

**TANUNDA HILL VINEYARD PROJECT STAGE 2**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2007**

<b>2006</b>	Note	Growers' Equity \$	Total \$
Balance at 1 July 2005		-	-
(Loss) attributable to growers		(1,012,116)	(1,012,116)
Equity introduced		1,252,581	1,252,581
<b>Balance at 30 June 2006</b>		<b>240,465</b>	<b>240,465</b>
<b>2007</b>			
	Note	Growers' Equity \$	Total \$
Balance at 1 July 2006		240,465	240,465
(Loss) attributable to growers		(513,324)	(513,324)
Equity introduced		794,428	794,428
<b>Balance at 30 June 2007</b>		<b>521,569</b>	<b>521,569</b>

The accompanying notes form part of these financial statements.

**TANUNDA HILL VINEYARD PROJECT STAGE 2**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 \$	2006 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers		427,118	62,145
Payment to suppliers		(1,113,366)	(1,252,642)
Interest received		1,346	29
<b>Net cash (outflow) from operating activities</b>		(684,902)	(1,190,468)
 <b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Contributions from Growers		794,428	1,252,581
<b>Net cash (outflow) from financing activities</b>		794,428	1,252,581
Net Increase/(Decrease) in cash held		109,526	62,113
Cash at Beginning of Financial Year		62,113	-
<b>Cash at end of year</b>		171,639	62,113
 <b>NOTES TO THE STATEMENT OF CASH FLOWS</b>			
<b>Reconciliation of Cash</b>			
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		171,639	62,113
 <b>Reconciliation of profit after tax to net cash (outflow) from operating activities</b>			
(Loss) for the year		(513,324)	(1,012,116)
(Increase)/decrease in current receivables		(223,885)	(201,293)
Increase/(Decrease) in current payables		52,307	22,941
<b>Net cash (outflow) from operating activities</b>		(684,902)	(1,190,468)

The accompanying notes form part of these financial statements

## TANUNDA HILL VINEYARD PROJECT STAGE 2

### 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.

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 are 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 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.

(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 balance sheet are shown inclusive of GST.

#### 2. REVENUE

**Operating activities**

- grape sales

- interest

**Total Revenue**

2007

\$

2006

\$

651,003

263,438

1,346

29

652,349

263,467

## TANUNDA HILL VINEYARD PROJECT STAGE 2

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

3. <b>PROFIT FROM ORDINARY ACTIVITIES</b>	2007	2006
<b>Profit from ordinary activities before income tax has been determined after:</b>	<b>\$</b>	<b>\$</b>
<b>a. Expenses</b>		
Vineyard Maintenance fees	1,148,202	1,252,581
Crop insurance	17,205	22,941
Other	266	61
	1,165,673	1,275,583
<b>4. RECEIVABLES</b>		
<b>Current</b>		
Trade Debtors	418,178	201,293
Sundry Debtors	7,000	-
	425,178	201,293
<b>5. PAYABLES</b>		
Sundry Creditors	75,248	22,941

#### 6. 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 Stage 2 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 \$88,299 (2006: \$80,646). The Responsible Entity or its associates hold 57 grower interests in the project.

- (ii) Advanced Viticultural & Management Pty Limited, a company controlled by Mr Slee and Mr Collins, received fees of \$735,259 (2006: \$795,212) for viticultural services to enable the vineyard to operate. Advanced Viticulture and Management Pty Limited hold 18 grower interests in the project.

## TANUNDA HILL VINEYARD PROJECT STAGE 2

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

#### 7. SEGMENT REPORTING

The Project operates in the viticultural industry of Australia.

#### 8. 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	
	2007	2006	2007	2006
	%	%	\$	\$
<b>Financial Assets</b>				
Cash	2.1%	0.1%	171,639	62,113

##### Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at 30 June 2007 to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the balance sheet 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 balance sheet and in the notes to and forming part of the financial statements.

#### 9. THE PROJECT

The Tanunda Hill Vineyard Project Stage 2 (ARSN 104 063 238) 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) 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 STAGE 2**

### Scope

We have audited financial report of Tanunda Hill Vineyard Project Stage 2 for the financial year ended 30 June 2007 as set out on pages 6 to 12.

The Responsible Entity's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Responsible Entity.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, 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 report is 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 property trust's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### Independence

In conducting our audit, we followed the applicable independence requirements of Australian professional and 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 independence declaration as set out in the financial report has not changed as at the date of providing our audit opinion.

### Audit Opinion

In our opinion, the financial report of Tanunda Hill Vineyard Project Stage 2 is in accordance with:

- a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the trust's financial position as at 30 June 2007 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.

### Partners

Stephen J Rogers  
Ian D Stone  
Paul W Lenton  
Neil R Hillman  
Stephen W Davis  
David M Gallery  
Robert A McGuinness  
Kirsten Taylor-Martin  
Andrew S Hoffmann  
Graeme J Watman  
David R Cust  
Craig J Wilford  
Sean P Urquhart  
Robert Mayberry



**Nexia Court & Co**  
Chartered Accountants  
Sydney:

Dated: 28 September 2007



**Robert Mayberry**  
Partner

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## TANUNDA HILL VINEYARD PROJECT STAGE 2

### 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