

TANUNDA HILL
VINEYARD PROJECT
STAGE 2
ARSN 104 063 238

Report for the half-year
ended 31 December 2009

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

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Blaxland Vineyards Limited, (the Responsible Entity) submits the Financial Statements of the Project for the half-year ended 31 December 2009.

Directors

The following persons held office as directors of the Responsible Entity at the date of this report, and at all times during and since the end of the half-year, unless otherwise stated.

Neil R. MacKenzie - Chairman
Ronald M. Collins
Philip J. Slee
Matthew J. Alexander
Luke A. Rolley

Review of Operations

In January 2010 Blaxland concluded a deal with Orlando Wines, allowing Orlando to contract out of the Merlot and Chardonnay grapes on the vineyard for \$350/tonne per annum for the balance of the contract. The grapes have either been resold or made into wine for sale as bulk wine. Orlando continues to buy the Grenache and Shiraz from the vineyard. The contract buyout totalled \$601,650 and will ensure the viability of the vineyard in 2011. A crop of approximately 900 tonnes is being harvested and should generate income of \$800,000 in addition to the buyout sum.

Water restrictions have significantly improved from last year with the amount of irrigation water increasing to 60% of allocation.

Principal Activities

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

Distributions Paid

No distribution was 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 year.

Matters Subsequent to the End of the Financial Period

There are no matters or circumstances that have arisen since 31 December 2009 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 developments or changes to the current position and arrangements for running 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.

TANUNDA HILL VINEYARD PROJECT STAGE 2

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Interests Issued

During the period no further interests were issued in the Project. There were no withdrawals from the Project. At 31 December 2009 there were 230 growers' interests in the Project of which 57 units were held by Blaxland Vineyards Limited and 18 units were held by Advanced Viticulture and Management Pty Limited.

Fees Paid to the Responsible Entity

During the period under review \$411,035 (2008:\$ 414,557) was paid to Blaxland Vineyards Limited as fees to manage the Project. Of this amount, \$343,195 (2008: \$343,195) was paid for viticultural management. The total cost of the Project to 31 December 2009 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.

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 period.

Auditor's Independence Declaration

The auditor's independence declaration is set out on page 6 and forms part of the directors' report for the financial period ended 31 December 2009.

Non-Audit Services

During the period, Nexia Court & Co, the project's auditor, has performed certain other services in addition to their statutory audit duties.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 as the non-audit services

TANUNDA HILL VINEYARD PROJECT STAGE 2

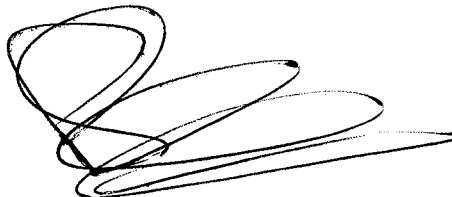
**DIRECTORS' REPORT FOR THE HALF-YEAR
ENDED 31 DECEMBER 2009**

provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing the risks and rewards. Fees paid to the auditor of the Project were paid by the Responsible Entity.

Signed in accordance with a resolution of the Board of Directors of the Responsible Entity:



Neil R. MacKenzie
Director



Philip J. Slee
Director

Dated: 11 March 2010

TANUNDA HILL VINEYARD PROJECT STAGE 2

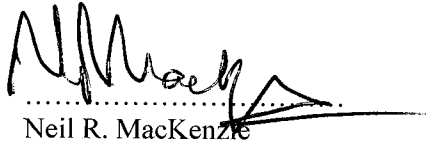
DIRECTORS' DECLARATION

In the opinion of the directors of Blaxland Vineyards Limited, the responsible entity of Tanunda Hill Vineyard Project Stage 2:

1. The financial statements and notes, as set out on pages 7 to 14, are in accordance with the Corporations Act 2001, including :
 - a) complying with Accounting Standard AASB134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b) giving a true and fair view of the Project's financial position as at 31 December 2009 and its performance for the half-year ended on that date.
2. There are reasonable grounds to believe that the Project will be able to pay its debts as and when they become due and payable.

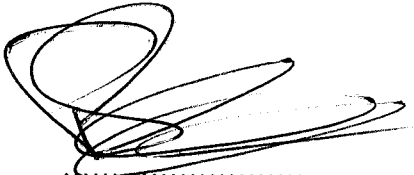
Signed in accordance with a resolution of the directors of Blaxland Vineyards Limited:

Director



.....
Neil R. MacKenzie

Director



.....
Philip J. Slee

Dated: 11 March 2010

NEXIA COURT & CO



CHARTERED
ACCOUNTANTS

ABN 71 502 156 733

Auditor independence declaration under Section 307C of the Corporations Act 2001

To the directors of the responsible entity of Tanunda Hill Vineyard Project Stage 2:

I declare that, to the best of my knowledge and belief, in relation to the review for the six month period ended 31 December 2009 there have been:

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

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Nexia Court & Co
Chartered Accountants

Sydney

Dated: 15 MARCH, 2010

Robert Mayberry
Partner

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
Russell Reid

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AND CONSULTING FIRMS.



LIABILITY LIMITED BY A
SCHEME APPROVED UNDER
PROFESSIONAL STANDARDS
LEGISLATION.

TANUNDA HILL VINEYARD PROJECT STAGE 2
STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Note	31 Dec 2009 \$	31 Dec 2008 \$
Continuing operations			
Revenue	2	530,756	443,328
Expenses	3	(607,879)	(621,389)
		(77,123)	(178,061)
(Loss) before income tax expense			
Income tax expense	1	-	-
		(77,123)	(178,061)
(Loss) after income tax for the half year attributable to members of the project			
Other Comprehensive Income		-	-
Income tax relating to other comprehensive income		-	-
Net other comprehensive income for the half year after income tax		-	-
Total comprehensive (loss) for the half year attributable to members of the project		(77,123)	(178,061)

The accompanying notes form part of these financial statements.

TANUNDA HILL VINEYARD PROJECT STAGE 2

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009**

	Note	31 Dec 2009 \$	30 June 2009 \$
CURRENT ASSETS			
Cash and cash equivalents		550,955	570,391
Trade and other receivables	4	35,869	422,575
Inventories	5	507,275	34,353
Other assets	6	7,096	-
TOTAL CURRENT ASSETS		<u>1,101,195</u>	<u>1,027,319</u>
TOTAL ASSETS		<u>1,101,195</u>	<u>1,027,319</u>
CURRENT LIABILITIES			
Trade and other payables	7	<u>20,876</u>	<u>5,168</u>
TOTAL CURRENT LIABILITIES		<u>20,876</u>	<u>5,168</u>
TOTAL LIABILITIES		<u>20,876</u>	<u>5,168</u>
NET ASSETS		<u>1,080,319</u>	<u>1,022,151</u>
GROWERS' EQUITY		<u>1,080,319</u>	<u>1,022,151</u>

The statement of financial position should be read in conjunction with the accompanying notes.

TANUNDA HILL VINEYARD PROJECT STAGE 2
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

2008	Growers' Equity \$	Total \$
Balance at 1 July 2008	1,269,308	1,269,308
Total comprehensive income attributable to growers	(178,061)	(178,061)
Equity introduced	259,356	259,356
Distributions made	(329,017)	(329,017)
Balance at 31 December 2008	1,021,586	1,021,586
2009		
	Growers' Equity \$	Total \$
Balance at 1 July 2009	1,022,151	1,022,151
Total comprehensive income attributable to growers	(77,123)	(77,123)
Equity introduced	135,291	135,291
Balance at 31 December 2009	1,080,319	1,080,319

The accompanying notes form part of these financial statements.

TANUNDA HILL VINEYARD PROJECT STAGE 2
CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	31 Dec 2009 \$	31 Dec 2008 \$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	443,018	703,696
Payment to suppliers	(599,267)	(1,198,015)
Interest received	1,522	1,214
Net cash from operating activities	(154,727)	(493,105)
CASH FLOW FROM FINANCING ACTIVITIES		
Distributions made to growers	-	(329,017)
Contributions from Growers	135,291	259,356
Net cash from financing activities	135,291	(69,661)
Net Decrease in cash and cash equivalents	(19,436)	(562,766)
Cash and cash equivalents at beginning of financial period	570,391	568,837
Cash and cash equivalents at end of financial period	550,955	6,071
NOTES TO THE STATEMENT OF CASH FLOWS		
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	550,955	6,071
Reconciliation of cash from operating activities		
(Loss) for the half year	(77,123)	(178,061)
Decrease in current receivables	386,706	701,918
Increase in inventories	(472,922)	(420,000)
Increase in current prepayments	(7,096)	(600,872)
Increase in current payables	15,708	3,910
Net cash from operating activities	(154,727)	(493,105)

The accompanying notes form part of these financial statements

TANUNDA HILL VINEYARD PROJECT STAGE 2

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

1. SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Tanunda Hill Vineyard Project Stage 2 (the 'Project') is a registered managed investment scheme under the Corporations Act 2001. The half-year financial report for the Project is for the six months ended 31 December 2009.

B. STATEMENT OF COMPLIANCE

The general purpose half-year financial report has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB134: Interim Financial Reporting and the requirements of the Project Constitution. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: Interim Financial Reporting. The half year report does not include notes of the type normally included in an annual financial report, so it is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2009 and any public announcements made by the Project during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

The financial statements were approved by the Board of Directors on 11 March 2010.

C. BASIS OF PREPARATION

The basis of preparation and accounting policies have been consistently applied by the Project and are consistent with those of the previous financial year and corresponding half-year, except for the impact of the standards and Interpretation listed below. These accounting policies are consistent with Australian Accounting Standards and International Financial Reporting Standards.

The project has adopted all of the new and revised standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to the operations and are effective for the current reporting period:

AASB 8: Operating Segments
AASB101: Presentation of Financial Statements

The adoption of these new and revised Standards has resulted in no major changes to the project's accounting policies.

The following specific policies have been applied consistently unless otherwise stated:

(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.

TANUNDA HILL VINEYARD PROJECT STAGE 2

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

1. SIGNIFICANT ACCOUNTING POLICIES (contd)

(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 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.

(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 payables**

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 STAGE 2

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

1. SIGNIFICANT ACCOUNTING POLICIES (contd)

Significant assumptions made in determining net market value;

- (i) 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;
- (ii) only the current crop is valued;
- (iii) vintage commenced at the beginning of February.

This policy is adopted to reflect the seasonality of the industry.

	<u>31 Dec 2009</u>	<u>31 Dec 2008</u>
	\$	\$
2. REVENUE		
- Increment in net market value of grapes	507,275	420,000
- Sale of grapes	35,870	-
- Under/(over) accrual of prior period revenues	(13,911)	22,114
- Interest	1,522	1,214
TOTAL REVENUE	<u>530,756</u>	<u>443,328</u>
3. EXPENSES		
Vineyard Maintenance fees	333,166	343,195
Project management fees	77,869	71,362
Water infrastructure	36,105	16,790
Water supply	91,667	112,930
Land Rental	27,501	49,462
Impairment loss on trade receivables	-	20,336
Cost of goods sold	34,353	-
Crop Insurance	7,096	7,134
Other	122	180
	<u>607,879</u>	<u>621,389</u>
	31 Dec 2009	30 Jun 2009
	\$	\$
4. TRADE AND OTHER RECEIVABLES		
Current		
Trade receivables	116,205	502,911
Impairment loss on trade receivables	(80,336)	(80,336)
	<u>35,869</u>	<u>422,575</u>
5. INVENTORIES		
Current		
Value of grape crop	<u>507,275</u>	<u>34,353</u>

TANUNDA HILL VINEYARD PROJECT STAGE 2

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	31 Dec 2009	30 Jun 2009
	\$	\$
6. OTHER ASSETS		
Current		
Prepayments	7,096	-
7. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	20,876	5,168

8. RELATED PARTY TRANSACTIONS

Fees retained by the Responsible Entity after payment of vineyard maintenance costs during the period were \$77,869 (2008:\$71,362). The Responsible Entity or its associate holds 57 growers interests in the project.

9. DISTRIBUTIONS

No distribution was made to growers.

10. SEGMENT REPORTING

The adoption of the revised standard AASB 8: Operating Segments has not impacted upon the project's segment disclosures, as under both the old and the revised standards the project's only operating segment is in the viticultural industry of Australia.

11. 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 which the Responsible Entity is Blaxland Vineyards Limited (ABN 61 067 514 792). The registered address and address for administration purposes is 26 Greenock Road Nuriootpa SA 5355.

INDEPENDENT REVIEW REPORT

To the Responsible Entity of Tanunda Hill Vineyard Project Stage 2

We have reviewed the accompanying interim financial report of Tanunda Hill Vineyard Project Stage 2, which comprises the interim Statement of Financial Position as at 31 December 2009, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the half-year ended on that date, a description of accounting policies, other selected explanatory notes and the Directors' Declaration of the responsible entity.

Directors' Responsibility for the Financial Report

The directors of the responsible entity are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the interim 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the interim financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As auditor of Tanunda Hill Vineyard Project Stage 2, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Robert Mayberry
Russell Reid

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INDEPENDENT REVIEW REPORT (Continued)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Tanunda Hill Vineyard Project Stage 2 is not in accordance with the Corporations Act 2001, including:

- a. giving a true and fair view of the project's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- b. complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Nexia Court & Co

Nexia Court & Co
Chartered Accountants

Sydney

Dated: *15 MARCH, 2010*

Robert Mayberry

Robert Mayberry
Partner

TANUNDA HILL VINEYARD PROJECT STAGE 2

DIRECTORY

Responsible Entity

Blaxland Vineyards Limited

Registered Office:
26 Greenock Road
Nuriootpa SA 5355
Phone: (08) 8562 2815

Directors of the Responsible Entity

Neil R. MacKenzie
Ronald M. Collins
Philip J. Slee
Matthew J. Alexander
Luke A. Rolley

Custodian

Blaxland Vineyards Limited
26 Greenock Road
Nuriootpa SA 5355

Independent Accountants and Auditors of the Project

Nexia Court & Co Chartered Accountants
Australia Square
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Sydney NSW 2000

Project Location

Les Dunkley Road
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NURIOOTPA SA 5355

Project Administration

Blaxland Vineyards Limited
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