



# **Coonawarra Premium Vineyards Project**

ARSN 087 876 186

## **2007 Annual Report**

**Responsible Entity:**

Coonawarra Premium Vineyards Limited, AFS Licence No. 226243 ABN 56 086 944 265  
235 Glen Osmond Road, Frewville SA 5063 Phone (08) 8338 3400 Fax (08) 8338 3244

# Coonawarra Premium Vineyards Project

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## Annual Report for the year ended 30 June 2007

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### Corporate Information

Responsible Entity (RE):	Coonawarra Premium Vineyards Limited ABN 58 086 944 265 AFS Licence No. 226243
Directors of the RE	Paul Miller (Chairman & Compliance Officer) Rex Watson (Group Managing Director) Andrew Parkinson (Chief Executive Officer & Company Secretary)
Company secretaries of the RE	Andrew Parkinson Charlie Latham (Chief Financial Officer)
Registered office and principal place of business	235 Glen Osmond Road, Frewville, South Australia 5063
Postal address	PO Box 6243 Halifax Street, Adelaide South Australia 5000
Phone:	+61 8 8338 3400
Fax:	+61 8 8338 3244
Email:	<a href="mailto:enquiries@coonawarravineyard.com.au">enquiries@coonawarravineyard.com.au</a>
Grower Registry	Coonawarra Premium Vineyards Ltd, Adelaide
Custodian	Australian Executor Trustees (SA) Limited, Adelaide
Auditors	Grant Thornton South Australian Partnership
Taxation advisor	Deloitte Touche Tohmatsu, Adelaide

# Coonawarra Premium Vineyards Project

## Directors' Report

The directors of Coonawarra Premium Vineyards Limited ABN 58 086 944 265 (CPVL), as Responsible Entity (RE) for the Coonawarra Premium Vineyards Project ARSN 087 876 186 (Project), present their report on the Project for the year ended 30 June 2007. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### Directors

The names and particulars of the directors of the RE during or since the end of the year are:

<b>Name</b>	<b>Particulars</b>
Mr Paul Miller	B Ag Sci. Aged 50. Non-executive Chairman and Compliance Officer. Has over 20 years experience as a research scientist, a consulting horticulturalist, and since 1997 in commercial viticulture. A director of the RE since 1999, he was appointed as non-executive chairman on 7 February 2006. Joint Responsible Officer for CPVL's AFS licence.
Mr Rex Watson	Group Managing Director. Aged 52. Founder in 1991 and Managing Director of a company providing diversified services to the Australian and New Zealand Wine Industry until acquisition by Brambles Limited in 1998. More recently, the driving force behind the development of extensive vineyards in the Coonawarra region and an expanding wine business. Director of the RE since 1999.
Mr Andrew Parkinson	B Comm. LLB, Aged 53, Chief Executive Officer with over 25 years experience at senior management levels in stockbroking, banking and chartered accounting firms. Inaugural Chairman of the RE and actively involved in the viticulture and wine industry since 1999. He commenced the full time role of Chief Executive Officer with the RE in January 2003 and oversaw the listing of the Trust in 2003. Appointed a director on 7 February 2006.

The above named directors held office during and since the end of the year.

### Company Secretaries

The names and particulars of the secretaries of the RE during or since the end of the year are:

<b>Name</b>	<b>Particulars</b>
Mr Andrew Parkinson	As above
Mr Charlie Latham	BSc(hons), CA, ACA, MAICD aged 53. Chartered Accountant with over 30 years professional accounting experience. Joined the RE in October 2003 and appointed secretary 10 December 2004. Over thirteen years experience as company secretary and CFO of a number of ASX-listed investment and manufacturing companies. Joint Responsible Officer for CPVL's AFS licence.

### Principal Activities

The Project is a registered Managed Investment Scheme domiciled in Australia.

The Project's principal activity in the course of the year was to grow wine grapes on behalf of investors in the Project (Growers) on land made available to licensees under a 13 year licence agreement by Coonawarra Australia Property Trust ABN 37 529 164 940 (Trust). Upon the expiry of the licences in 2012, ownership of improvements to the land vests in the Trust. The Project has no employees.

During the year one further licensee representing 3 lots (2006: 3 representing 13 lots) defaulted on their licence fee payments and their grants of use were terminated by the RE of the Project. Such termination does not relieve the grower from liability for any breach or non-performance of the grower's obligations arising under the Project's constitution. The licensees remain responsible for any arrears and the RE of the Project will continue with actions to recover the outstanding amounts. 342 lots (2006: 339 lots) out of the 2,800 lots that comprise the Trust's vineyards are affected by these terminations.

During the year there were no significant changes in the nature of the Project's activities.

### Distribution Payments

Distributions of net grape proceeds and/or bulk wine sales are paid annually in November following the end of each trading year and completion of the harvest pricing. Unpaid management fees, grant of use fees or any other recoverable costs are withheld from grape proceeds distributions in accordance with the Project's constitution.

# Coonawarra Premium Vineyards Project

## Directors' Report (continued)

### Review of Operations

A summary of the revenue and results for the year is set out below. Details are disclosed in the attached financial statements and notes.

	2007	2006
	\$	\$
Management fees	1,796,794	1,744,059
Grant of use (licence) fees	1,874,239	1,824,126
Grape harvest, processing & storage fees	160,780	543,062
Legal costs recovered & other income	38,137	94,206
Interest revenue	73,302	37,673
Expenses	(3,943,252)	(4,243,126)
Profit for the year	-	-

The Project vineyards continue to mature and produced a full crop in 2007, their sixth year of production. The Project vineyard comprises 12 separately identified blocks. All grapes from blocks 8 to 12 of the Project are contracted to wineries for the life of the Project at district weighted average prices (DWAP). Blocks 1 to 6 were contracted to Nugan Group Pty Ltd (Nugan) at DWAP, but in 2004 Nugan unilaterally repudiated its grape supply contract and refused to take its grapes.

Block 8 was contracted to Grant Burge Wines Pty Ltd. Grant Burge Wines defaulted on its contract in 2006. Prior to the 2007 harvest the contract was assigned to director-related entity Watson Wine Group Pty Ltd (WWG). Blocks 1 and 8 are now contracted by WWG at terms equivalent to those that would have applied to Nugan under the original contract, including DWAP. Block 7 was contracted to Beelgara Wines. Beelgara Wines refused to take its grapes from block 7 in 2007 and thus defaulted on its contract.

All uncontracted grapes in the 2007 vintage (being blocks 2 to 7) were sold. All these grapes were offered for sale by tender. Those that were not sold in the tender were purchased by WWG at DWAP. WWG also bought some 2004 vintage and 2005 vintage Project bulk wine for bottling and sale.

All sales to WWG are negotiated for the Project by the independent members of the RE's compliance committee, with WWG executives (including Rex Watson and Andrew Parkinson) taking no part in the RE's decision making process in order to avoid any conflict of interest.

### Changes in State Of Affairs

There were no significant changes in the state of affairs of the Project other than that referred to in the financial statements or notes thereto.

### Subsequent Events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has 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 future financial years.

### Future Developments

Disclosure of information regarding likely developments in the operations of the Project in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Project. Accordingly, this information has not been disclosed in this report.

### Indemnification of Officers and Auditors

During the financial year, the RE paid a premium in respect of a contract insuring the directors of the RE (as named above), the RE secretaries, and all executive officers of the RE against a liability incurred as a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The RE has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the RE against a liability incurred as an officer or auditor.

# Coonawarra Premium Vineyards Project

## Directors' Report (continued)

### Directors' Meetings

The following table sets out the number of directors' meetings (including meetings of board committees) held during the financial year whilst each board or committee member was in office and the number of meetings attended by each. The total numbers of meetings of each body held during the financial year are shown at the bottom of each table.

<u>Meetings of:</u>	<u>Board</u>		<u>Audit Committee</u>		<u>Compliance Committee</u>	
<u>Name</u>	<u>Meetings eligible to attend</u>	<u>Attended</u>	<u>Meetings eligible to attend</u>	<u>Attended</u>	<u>Meetings eligible to attend</u>	<u>Attended</u>
Paul Miller	17	17	3	3	12	12
Rex Watson	17	14	-	-	-	-
Andrew Parkinson	17	16	3	3	12	11
Prof. Michael Burgess	-	-	3	1	12	10
Total meetings held	17		3		12	

### Registered Schemes Information

The carrying value of the Project's assets at the end of the financial year is disclosed in the Balance Sheet "Total Assets" and the basis of measurement is included in Note 1 to the Financial Statements.

	<u>Managed Units</u>	<u>Unmanaged Units</u>	<u>Total Project Units</u>	<u>Terminated lots ##</u>
Total Units at Beginning of Year	2,222	239	2,461	339
Units Issued During Financial Year	-	-	-	-
Units terminated	(3)	-	(3)	3
Total Units At End of Financial Year	2,219	239	2,458	342
Units held by Responsible Entity or associates	7	239	246	

## Terminated lots are no longer part of the Project.

Total fees and expenses paid or payable to the Responsible Entity (or associates) in respect of the year ended 30 June 2007 totalled \$3,943,252 (2006: \$4, 243,126), representing payments made by Growers in accordance with the Prospectus dated 17 June 1999 and the Project's constitution.

### Directors' Unitholdings

The following table sets out each director's relevant interest in the Grower Units of the Project or a related body corporate as at the date of this report.

<u>Name of Director</u>	<u>No of units held</u>
Paul Miller	-
Rex Watson *	246
Andrew Parkinson	-

\* Grower Units held by Coonawarra Vineyard Management Services Pty Ltd

### Auditor's independence declaration

The auditor's independence declaration is included on page 6 of the financial report.

This report is made in accordance with a resolution of the directors of the RE pursuant to s298(2) of the Corporations Act 2001.



Director

Adelaide, 27 September 2007

# Coonawarra Premium Vineyards Project

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## Auditor's Independence Declaration

to the directors of Coonawarra Premium Vineyards Limited

as responsible entity for Coonawarra Premium Vineyards Project

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# Coonawarra Premium Vineyards Project

## Income Statement for the year ended 30 June 2007

	Notes	2007	2006
		\$	\$
<b>Revenue</b>			
Management fees		1,796,794	1,744,059
Grant of use fees		1,874,239	1,824,126
Grape harvesting, processing & storage fees		160,780	543,062
Interest revenue: growers		73,216	37,587
Interest revenue: other		86	86
<b>Total revenue</b>		<b>3,905,115</b>	<b>4,148,920</b>
<b>Other income</b>			
Legal fees recovered		11,359	90,694
Other income		26,778	3,512
<b>Total other income</b>		<b>38,137</b>	<b>94,206</b>
<b>Total</b>		<b>3,943,252</b>	<b>4,243,126</b>
Management fee expenses	15	(1,797,217)	(1,744,059)
Grant of use fee expenses	15	(1,874,239)	(1,824,126)
Grape harvesting, processing & storage expenses		(160,780)	(543,062)
Legal expenses		(11,359)	(90,694)
Finance costs	15	(73,302)	(37,673)
Other expenses		(26,355)	(3,512)
<b>Total expenses</b>		<b>(3,943,252)</b>	<b>(4,243,126)</b>
Profit before income tax expense		-	-
Income tax expense		-	-
<b>Profit for the year</b>		<b>-</b>	<b>-</b>

Notes to the financial statements are included on pages 10 to 16.

## Statement of Changes in Equity for the year ended 30 June 2007

	2007	2006
	\$	\$
<b>Total equity at the beginning of the year</b>	-	-
Net income recognised directly in equity	-	-
Profit for the year	-	-
<b>Total recognised income and expense for the year</b>	<b>-</b>	<b>-</b>
<b>Total equity at the end of the year</b>	<b>-</b>	<b>-</b>

Notes to the financial statements are included on pages 10 to 16.

# Coonawarra Premium Vineyards Project

## Balance Sheet as at 30 June 2007

	Notes	2007 \$	2006 \$
<b>Current assets</b>			
Cash and cash equivalents		-	-
Trade receivables	3	2,063,847	1,551,992
Other receivables - prepayments	4	1,818,364	1,799,002
<b>TOTAL CURRENT ASSETS</b>		<b>3,882,211</b>	<b>3,350,994</b>
<b>TOTAL ASSETS</b>		<b>3,882,211</b>	<b>3,350,994</b>
<b>Current liabilities</b>			
Trade payables	5	1,935,923	1,465,934
Borrowings	6	127,924	86,058
Other - unearned revenue	7	1,818,364	1,799,002
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,882,211</b>	<b>3,350,994</b>
<b>TOTAL LIABILITIES</b>		<b>3,882,211</b>	<b>3,350,994</b>
<b>NET ASSETS</b>		<b>-</b>	<b>-</b>
<b>EQUITY</b>		<b>-</b>	<b>-</b>
<b>TOTAL EQUITY</b>		<b>-</b>	<b>-</b>

Notes to the financial statements are included on pages 10 to 16.

# Coonawarra Premium Vineyards Project

## Cash Flow Statement for the year ended 30 June 2007

	Notes	2007	2006
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from Growers		3,358,095	3,803,461
Payments to suppliers		(3,358,095)	(3,828,419)
Interest paid to RE		(73,302)	(37,673)
Interest received from Growers		73,302	37,673
<b>Net cash used in operating activities</b>	8	-	(24,958)
<b>Cash flows from investing activities</b>		-	-
<b>Net cash provided by investing activities</b>		-	-
<b>Cash flows from financing activities</b>		-	-
<b>Net cash provided by financing activities</b>		-	-
<b>NET DECREASE IN CASH HELD</b>		-	(24,958)
Cash and cash equivalents at the beginning of the year		-	24,958
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		-	-
<b>Reconciliation of cash and cash equivalents</b>			
Cash at bank		-	-

Notes to the financial statements are included on pages 10 to 16.

# Coonawarra Premium Vineyards Project

## Notes to the Financial Statements for the year ended 30 June 2007

### 1. SUMMARY OF ACCOUNTING POLICIES

#### Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the financial statements and notes of the Project comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 27 September 2007.

#### Basis of preparation of financial report

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of A-IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

#### Significant Accounting Policies

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2007 and the comparative information presented in these financial statements.

#### **Goods and Services Tax**

The Project is not registered for GST purposes as it is not an entity and cannot be registered. Income and expenses are stated gross of GST, as are cashflow transactions, receivables and payables of the Scheme.

#### **Income Tax**

No provision for income tax is taken into account when preparing the Project's financial statements, as the Project has no tax liability in respect of its earnings. Individual members (Growers) in the Project will account for the income of the Project in their individual taxation returns at their applicable tax rate.

#### **Biological Assets - Grapevines and Grapes**

The grapevines are legally part of the land and therefore are the property of the land holder, being Coonawarra Australia Property Trust. Proceeds from sales of grapes and bulk wine are income of the Growers and does not form part of the Project for the purpose of these financial statements.

#### **Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue from grant of use fees is recognised on a straight line accruals basis over the term of the licence. Management fee revenue and grape harvesting, processing and storage revenues are recognised on an accruals basis. Interest revenue is recognised on a time proportion basis that takes into account the effective yield on the financial asset.

#### **Cash and cash equivalents**

Cash includes cash on hand, in banks and investments in money market instruments.

# Coonawarra Premium Vineyards Project

## Notes to the Financial Statements (continued) for the year ended 30 June 2007

### 1. Summary of Accounting Policies (continued)

#### **Financial assets**

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The only financial assets held by the company are loans and receivables.

#### Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

#### **Impairment of assets**

At each reporting date, the RE reviews the carrying amounts of the Project's tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, management estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increment.

#### **Borrowings**

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

#### **Terminated Units**

During the 2004, 2005 and 2006 financial years, a number of growers in the Project had their grants of use of the vineyard lots terminated due to persistent unremedied breaches of the management conditions of the Project: (basically default in payment of fees). One further licensee (representing 3 lots) was terminated during the current financial year.

These terminated lots are no longer part of the Project and are excluded from revenue and expenses of the Project in these financial statements. Receivables owed by terminated former Growers are owed direct to the Trust and are not included in these financial statements.

During the year one further licensee representing 3 lots (2006: 3 representing 13 lots) defaulted on their licence fee payments and their grants of use were terminated by the RE of the Project. Such termination does not relieve the grower from liability for any breach or non-performance of the grower's obligations arising under the Project's constitution. The licensees remain responsible for any arrears and the RE of the Project will continue with recovery actions to recover the outstanding amounts. 342 lots (2006: 339 lots) out of the 2,800 original lots that comprise the Trust's vineyards are affected by these terminations.

#### **New Accounting Standards and Interpretations**

Certain new accounting standards and Interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The RE's assessment is that there will be no impact from these new standards and interpretations.

# Coonawarra Premium Vineyards Project

## Notes to the Financial Statements (continued) for the year ended 30 June 2007

2. REMUNERATION OF AUDITORS	Notes	2007	2006
(i) Current Auditor - Grant Thornton South Australian Partnership		\$	\$
Auditing the financial report		5,000	-
Reviewing the half-year financial report		3,000	-
Auditing the compliance plan		2,500	-
Taxation services		-	-
		10,500	-
<b>(ii) Previous Auditor - Deloitte Touche Tomatsu</b>			
Auditing the financial report		-	11,000
Reviewing the half-year financial report		-	4,500
Auditing the compliance plan		-	2,500
Taxation services		3,900	500
		3,900	18,500
Auditors' remuneration is borne by the RE.			
<b>3. CURRENT - TRADE RECEIVABLES</b>			
Trade receivables - growers		1,927,017	1,415,162
Trade receivables - related party growers	15	136,830	136,830
		2,063,847	1,551,992
<b>4. CURRENT - OTHER</b>			
Prepaid expenses		1,818,364	1,799,002
<b>5. CURRENT - TRADE PAYABLES</b>			
Trade payables: RE (non-interest bearing)	15	1,935,923	1,465,934
<b>6. CURRENT - BORROWINGS</b>			
Trade payables: RE (interest bearing)	15	127,924	86,058
<b>7. CURRENT - OTHER PAYABLES</b>			
Unearned revenue		1,818,364	1,799,002
<b>8. NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES</b>			
<b>Profit for the year</b>		-	-
<u>Changes in net assets and liabilities:</u>			
Current receivables		(511,855)	(401,992)
Prepayments		(19,362)	(49,155)
Current trade payables & borrowings		511,856	377,034
Unearned revenue		19,361	49,155
<b>Net cash used in operating activities</b>		-	(24,958)

# Coonawarra Premium Vineyards Project

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## Notes to the Financial Statements (continued) for the year ended 30 June 2007

### 9. EQUITY

#### Stapled Securities

The Project is fully subscribed. A total number of 2,800 investor interests were issued.

Each Project interest comprised one Grower Unit stapled to one Unit in the Coonawarra Premium Vineyards Unit Trust (Trust). Under the terms of the Project's constitution, each investor was required to pay \$8,500 to acquire a single Stapled Interest. An Investor could acquire any multiple of Stapled Interests, providing that the Grower's Interest and the Unitholder's Interest were always acquired together. Each Grower Interest was to be held at all times by a Unitholder, or an associate of the Unitholder, in the Coonawarra Premium Vineyards Unit Trust.

At an extraordinary general meeting held on 12th December 2002, the Growers and Unitholders approved a restructure of the Project and Trust. The restructure, which was completed in 2003, required the Trust Units and Grower Interests to be unstapled and the Trust to be registered as a separate Managed Investment Scheme. This provided the Trust with the mechanism to change its name to Coonawarra Australia Property Trust and list the Trust Units on ASX.

Of the 2,800 Grower Units, 342 (2006: 339) have since been terminated due to unremedied breaches of the management conditions of the Project. This does not affect the Units in the Trust, as the Grower Units and Trust Units are now unstapled.

The Trust Units have no value in the Coonawarra Premium Vineyards Project financial statements, and consequently are not disclosed in the Balance Sheet.

The Project does not have any financing facilities.

### 10. CONTINGENT ASSETS AND LIABILITIES

The Project had no contingent assets or liabilities as at the reporting date (2006: Nil).

### 11. SUBSEQUENT EVENTS

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has 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 future financial years.

### 12. Segment Information

The Project operates solely in Australia and solely within the primary production (wine-grape growing) industry.

# Coonawarra Premium Vineyards Project

## Notes to the Financial Statements (continued) for the year ended 30 June 2007

### 13. FINANCIAL INSTRUMENTS

#### (a) Financial risk management objectives

The Project's RE provides treasury services to the Project, co-ordinates access to domestic and international financial markets, and manages the financial risks relating to the operations of the Project. The Project does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Project's policies approved by the board of directors of the RE, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the Compliance Committee on a continuous basis. The Project's activities expose it primarily to the financial risks of changes in interest rates. The Project does not enter into derivative financial instruments to manage its exposure to interest rate risk.

#### (b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

#### (c) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Project. The Project does not have any significant credit risk exposure to any single counter party or any group of counter parties having similar characteristics. Growers who default on payment of their Grant of Use fees are liable to have that Grant of Use terminated. In the event of termination, the relevant vineyard lots revert to the Trust. Any arrears of Grant of Use fees are collected from Growers by withholding grape proceeds in the first instance, then by recovery action against the Grower or terminated Grower.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Project's maximum exposure to credit risk.

#### (d) Interest rate risk exposures

	Fixed interest rate	Floating interest rate	Non-interest bearing	Total
	\$	\$	\$	\$
<b>2007</b>				
<b>Financial assets</b>				
Cash assets	-	-	-	-
Receivables	127,924	-	1,935,923	2,063,847
	127,924	-	1,935,923	2,063,847
Weighted average interest rate	10.70%	n/a	n/a	
<b>Financial liabilities</b>				
Trade payables	127,924	-	1,935,923	2,063,847
	127,924	-	1,935,923	2,063,847
Weighted average interest rate	10.70%	n/a	n/a	
<b>2006</b>				
<b>Financial assets</b>				
Cash assets	-	-	-	-
Receivables	86,058	-	1,465,934	1,551,992
	86,058	-	1,465,934	1,551,992
Weighted average interest rate	10.70%	n/a	n/a	
<b>Financial liabilities</b>				
Trade payables	86,058	-	1,465,934	1,551,992
	86,058	-	1,465,934	1,551,992
Weighted average interest rate	10.70%	n/a	n/a	

# Coonawarra Premium Vineyards Project

## Notes to the Financial Statements (continued) for the year ended 30 June 2007

### 14. KEY MANAGEMENT PERSONNEL DISCLOSURES & RELATED PARTY TRANSACTIONS

#### (a) Directors

The following persons were directors of the RE, Coonawarra Premium Vineyards Limited, during the financial year:

Paul Miller (Chairman, Compliance Officer, non-executive)  
Rex Watson (Group Managing Director, executive)  
Andrew Parkinson (Chief Executive Officer, Company Secretary)

#### (b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the RE and the Project, directly or indirectly, during the financial year:

Charlie Latham (Company Secretary, Chief Financial Officer) (employed by related party Essential Project Administration Pty Ltd)

All the above persons were also key management personnel during the year ended 30 June 2006.

#### (c) Key management personnel compensation policy

The board of directors of the RE reviews the remuneration packages of all directors and senior executives of the RE on an annual basis and makes recommendations to the board. Remuneration packages are reviewed and determined with due regard to current market, comparable industry salaries, performance of the Project and the related Managed Investment Scheme Coonawarra Australia Property Trust and other relevant factors. All director and senior executive compensation is paid by the RE, and passed onto the Project through a management fee.

None of the key management personnel of the RE is employed under a contract or entitled to any performance-related bonus or remuneration of any kind.

None of the key management personnel of the RE is entitled to be granted any options over shares in the RE or unissued units in the Trust or the Project.

#### (d) Key management personnel compensation

The aggregate compensation of the key management personnel attributable to the Project is set out below.

	2007	2006
	\$	\$
Short-term employee benefits	47,615	66,922
Post - employment benefits (superannuation)	6,727	15,405
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<u>54,342</u>	<u>82,327</u>

# Coonawarra Premium Vineyards Project

## Notes to the Financial Statements (continued) for the year ended 30 June 2007

### 14. KEY MANAGEMENT PERSONNEL DISCLOSURES & RELATED PARTY TRANSACTIONS (continued)

#### (e) Equity holdings

The numbers of units in the Project held during the financial year by each key management person of the RE including their personally-related entities, are set out below. All issued units are fully paid.

	Balance at start of year	Acquired during the year	Balance at end of year
	<u>number</u>	<u>number</u>	<u>number</u>
Rex Watson (#)	246	-	246
Paul Miller	-	-	-
Andrew Parkinson	-	-	-
Charlie Latham	-	-	-
	<u>246</u>	<u>-</u>	<u>246</u>

# Units all held by Coonawarra Vineyard Management Services Pty Ltd.

### 15. RELATED PARTY DISCLOSURES

#### (a) Responsible Entity, Custodian and Manager

The Responsible Entity of Coonawarra Premium Vineyards Project is Coonawarra Premium Vineyards Limited (ACN 086 944 265), which is a wholly owned subsidiary of Coonawarra Vineyard Management Services Pty Ltd whose ultimate parent entity is Watson Wine Group Pty Ltd ACN 093 886 509. Accordingly, transactions with entities related to the Watson Wine Group are disclosed below.

Coonawarra Premium Vineyards Limited also acts as the Manager of the Project and Australian Executor Trustees (SA) Ltd is the Custodian.

#### (b) Transactions with other related parties

Other related parties includes: associates; directors of related parties, entities subject to common control; and other related parties.

Aggregate amounts receivable from or payable to other related parties are disclosed in notes 3, 5 and 6 to the financial statements. These amounts and transactions were paid on normal commercial terms and conditions.

Interest revenue of \$73,216 (2006: \$37,587) from other related parties is disclosed in the income statement.

During the financial year, management fees of \$1,797,217 (including GST) (2006: \$1,744,059) and interest expense of \$73,302 (2006: \$37,673) were paid to the RE. The amounts were paid on normal commercial terms and conditions in accordance with the Scheme's constitution.

During the financial year grant of use (licence) fees of \$1,874,239 (2006: \$1,824,126) were paid to Coonawarra Australia Property Trust, a related party. The licence fees were paid in accordance with the Scheme's constitution.

Proceeds from sales of grapes and bulk wine are income of the investors and do not form part of the Project (as reported in Note 1).

### 16. ADDITIONAL INFORMATION

The Project is a registered Managed Investment Scheme operating in Australia. Other than the directors of the RE, there are no employees of the Scheme.

The registered office and principal place of business is located at:

235 Glen Osmond Road, Frewville, South Australia 5063

Phone: +61 8 8338 3400

Fax: +61 8 8338 3244

email: enquiries@coonawarravineyard.com.au

# Coonawarra Premium Vineyards Project

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## Directors' Declaration

The financial statements and notes thereto of the Coonawarra Premium Vineyards Project for the year ended 30 June 2007 have been prepared by Coonawarra Premium Vineyards Limited (Responsible Entity) in accordance with the Corporations Act 2001.

The directors of the RE declare that:

- a) 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; and
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Project.

Signed in accordance with a resolution of the directors of the RE made pursuant to s.295(5) of the Corporations Act 2001



Director

Adelaide, 27 September 2007

# Coonawarra Premium Vineyards Project

## Additional Project Information (Unaudited)

### 2007 Annual Project Report

#### Project Overview

The Coonawarra Premium Vineyards Project originally consisted of 2,800 units, of which 239 were unmanaged units. Since the beginning of the Project there have been 342 units terminated due to default on payments. The vineyard lots associated with those units are now the responsibility of the Coonawarra Australia Property Trust (Trust) and are no longer part of the Project.

Vintage 2007 was a difficult season due to extreme weather conditions of frost and drought: however, effective management of the frost control system ensured the Project had significantly less damage than many of its neighbours and maintained reasonable quality grapes.

All grapes harvested during the 2007 vintage were sold, resulting in nil production of bulk wine. As in prior vintages Casella purchased all grapes from its contracted blocks at District Weighted Average Prices (DWAP). After Grant Burge Wines Pty Ltd defaulted on its contract in 2006 the contract was assigned to Watson Wine Group (WWG). The effect of the assignment is that WWG will stand in the place of Grant Burge Wines and purchase the grapes for 2007 to 2012 at DWAP. Beelgara Estate defaulted on its contract in 2007 by refusing to take the 2007 grapes. WWG also purchased the grapes from these blocks at DWAP.

The grapes from blocks 2 to 6 that were initially contracted to Nugan Estate were put out to tender for 2007. CPVL received a sound response to the tender, with Fox Creek Wines, Cassegrain Wines and Harbord Wines being successful with their bids. For commercial confidentiality reasons the tender prices have not been disclosed. The tender prices were all higher than the 2006 DWAP, reflecting the market's opinion that prices were anticipated to be higher in 2007 than 2006. Any remaining grapes were sold to WWG at DWAP.

In addition to the sale of the entire 2007 crop, the main contributing factor to the higher income for the Project this year is the increase of District Weighted Average Prices (DWAP), particularly for red grapes. There was a 52% increase in the Merlot and Shiraz DWAP from 2006, and a 62% increase in the Cabernet Sauvignon DWAP from 2006.

The total crop harvested for the Managed Grower Pool during 2007 was 1,456 tonnes: resulting in income from wineries of \$1,897,699. The total crop harvested for the unmanaged units during 2007 was 166 Tonnes, resulting in income from wineries of \$231,733. The slight variation between the yields and values between the managed units, unmanaged units and terminated lots is caused by the actual mix of varieties of the vines and non uniform yields between blocks.

#### Coonawarra Grape Prices

According to the Phylloxera & Grape Industry Board of South Australia pricing survey, the Coonawarra region's DWAP were significantly higher than the previous year's prices on all varieties the Project has planted except Chardonnay, which decreased by 4% and Petit Verdot which remained steady at \$1,042.

The table below depicts the movement in grape prices over the last five years, with the percentage movement between 2003 and 2007, and the movement from 2006 to 2007, shown on the right. Despite the increase over the past 12 months, grape prices have not yet recovered to the 2003 prices. Coonawarra Premium Vineyards Project remains a premium quality vineyard still producing premium quality grapes.

District Weighted Average Price in \$ per tonne

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>% change</u> <u>2003-2007</u>	<u>% change</u> <u>2006-2007</u>
Chardonnay	1,449	1,447	1,190	850	820	(43%)	(4%)
Sauvignon Blanc	1,350	1,288	1,338	1,396	1,520	13%	9%
Petit Verdot	1,529	1,280	1,181	1,042	1,042	(32%)	0%
Merlot	1,824	952	907	652	992	(46%)	52%
Shiraz	1,858	890	824	771	1,169	(37%)	52%
Cabernet Sauvignon	1,891	1,146	1,036	911	1,475	(22%)	62%

#### Nugan Update

Blocks 1 to 6 of the Project were originally contracted to Nugan Estate at DWAP until 2012, but Nugan defaulted on its contract with respect to years 2003 and beyond. Litigation ensued as CPVL sought to collect the final payment due for the 2003 crop and compensation for Nugan failing to take the grapes in 2004 and later years. The litigation was settled in July 2006. In addition to the settlement proceeds included in the November 2006 CPV distribution (\$210.65 per unit); further proceeds of \$318.68 per unit were received on schedule before 30 September 2007. Further smaller sums are due to be received each September until the end of the Project.

#### PROJECT SUMMARY

Size of Vineyard (including roads & buildings)  
243 Hectares / 600 Acres

Planted Area of Vineyard:  
226.8 Hectares / 560 Acres

Total 2007 Grape Harvest (Tonnes):  
1,456 (Managed Growers Pool)  
166 (unmanaged units)

Total 2007 Project Grape Revenue:  
\$1,897,699 (Managed Growers Pool)  
\$231,733 (unmanaged units)

Bonus / Penalty Component of Grape Revenue:  
\$25,528 (Managed Growers Pool)

Total Project Bulk Wine Produced:  
Litres nil (Managed Growers Pool)  
Litres nil (unmanaged units)

Total Units:  
2,219 (Managed Growers)  
239 (unmanaged units)  
342 (terminated lots)  
2,800 (Total Vineyard)

Total Number of Managed Growers:  
607 Managed Growers

# Coonawarra Premium Vineyards Project

## Additional Project Information (Unaudited)

### 2007 Annual Project Report (continued)

#### 2007 Harvest Summary

	<u>Tonnes per Prospectus*</u>	<u>Tonnes harvested</u>	<u>Tonnes sold</u>	<u>Price per Prospectus</u>	<u>Actual price</u>	<u>Proceeds per Prospectus</u>	<u>Actual gross proceeds</u>	<u>Bulk Wine Produced</u>
	T	T	T	\$/T	\$/T	\$	\$	Ltr
Chardonnay	89.6	51.8	51.8	1,670	820	149,594	42,476	-
Sauvignon Blanc	80.4	69.8	69.8	1,309	1,539	105,236	107,387	-
Petit Verdot	141.6	127.9	127.9	1,924	1,174	272,428	150,155	-
Merlot	322.3	286.4	286.4	2,185	1,062	704,305	304,239	-
Shiraz	568.9	411.3	411.3	1,912	1,152	1,087,913	473,642	-
Cabernet Sauvignon	993.9	508.7	508.7	2,573	1,611	2,557,594	819,800	-
	2,196.6	1,455.9	1,455.9	2,220	1,303	4,877,071	1,897,699	-

\*The tonnes harvested and sold and sale proceeds shown above include only the lots in the managed grower pool. The "tonnes per prospectus" have also been adjusted to reflect only the managed grower pool lots. The tonnes harvested in 2007 were reduced to some extent by frost damage in some of the most exposed areas of the vineyards, particularly on the western edges of the property where the conditions were extremely harsh.

The actual prices differ from 2007 DWAP slightly because grapes from blocks 2 to 6 that were initially contracted to Nugan were put out to tender for 2007. Tender prices achieved differed to varying degrees from the eventual DWAP.

#### Project Terms

The Project represents the combined contributions of the Growers and the transfer of those contributions to the Responsible Entity. The Responsible Entity manages the Project on behalf of the Growers, and also acts as agent for managed unit Growers on their behalf to sell their grapes. Under the terms of a 13-year licence agreement, the members of the Project are entitled to establish and grow wine grapes on the land held by the Coonawarra Australia Property Trust. Upon expiry of the licence in 2012, ownership of improvements to the land vests in the Trust.

#### Proceeds

Proceeds from sales of grapes are income of the Growers and do not form part of the Project. Accordingly, proceeds from sales that are held by the Custodian (Australian Executor Trustees (SA) Limited) at reporting date, and amounts receivable at reporting date from wineries in respect of grape sales and wine sales, are not included in the financial report of the Project.

Grape and bulk wine sales for the managed grower pool were:

	2007	2006
	\$	\$
Sale of grapes for the year (1)	1,897,699	790,644
Sale of bulk wine for the year (2)	136,712	69,282
Gross Proceeds for the year (3)	2,034,412	859,926

#### Notes re proceeds:

(1) A total of \$1,408,838 had been invoiced to wineries to the reporting date for sales of grapes, based on 2006 grape prices or tender prices whichever was applicable, of which two thirds was payable by 30 June. \$582,548 was actually received by 30 June 2007. If applicable the invoices were adjusted to 2007 DWAP in September 2007 with Baume bonuses applied. As the adjustment to DWAP was substantial for most red grape varieties a significant proportion of total proceeds was not invoiced until September. Collection plans have been arranged to ensure timely collection of all outstanding proceeds.

(2) All wine sales are made through WWG. Proceeds for all wine on-sold by WWG to third parties are passed back to the Growers in full. All sales to WWG for its own use are negotiated by the independent directors of the RE, with WWG and/or Rex Watson taking no part in the decision making process in order to avoid any conflict of interest

(3) Harvesting, processing, storage, transport and any other applicable recoverable costs will be deducted from the gross proceeds prior to the distribution.

#### Inventories

		vintage	Litres	\$
Bulk wine inventories on hand at 30 June 2007 (managed grower pool).	Merlot	2005	8,958	9,996
	Shiraz	2005	1,203	1,319
Values shown are an estimate based on the market value of wines at the time of vintage and prices achieved for other sales.	Cabernet Sauvignon	2006	236,713	224,516
	Shiraz	2006	162,214	144,742
			409,088	380,573

All 2004 Bulk wine was sold by March 2007 and almost all the 2005 wine has now been sold. Buyers are continually being approached to purchase the remaining bulk wine on hand. Demand is increasing and prices are trending higher since June 2007.

# Coonawarra Premium Vineyards Project

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