



# **Coonawarra Premium Vineyards Project**

**ARSN 087 876 186**

## **Financial Statements**

**For the Year Ended 30 June 2010**

# Coonawarra Premium Vineyards Project

ARSN 087 876 186

For the Year Ended 30 June 2010

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<b>Corporate Information</b>	
Responsible Entity (RE)	Coonawarra Premium Vineyards Limited ABN 58 086 944 265 AFS Licence No. 226243
Directors of the RE	Paul Miller (Chairman and Compliance Officer) Rex Watson (Group Managing Director) Andrew Parkinson (Chief Executive Officer & Company Secretary)
Company secretaries of the RE	Andrew Parkinson Conrad Guerra (Chief Financial Officer)
Registered office and principal place of business	235 Glen Osmond Road, Frewville, South Australia 5063
Postal address	PO Box167, Fullarton South Australia 5063
Phone:	+61 8 8338 3400
Fax:	+61 8 8338 3244
Email:	enquiries@coonawarravineyard.com.au
Grower Registry	Coonawarra Premium Vineyards Ltd, Adelaide
Custodian	Australian Executor Trustees (SA) Limited, Adelaide
Auditors	Grant Thornton South Australian Partnership Chartered Accountants Level 1, 67 Greenhill Road Wayville SA 5034
Banker	Commonwealth Bank of Australia, Adelaide

# Coonawarra Premium Vineyards Project

ARSN 087 876 186

## Directors' Report

30 June 2010

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 Responsible Entity for the financial year ended 30 June 2010.

### 1. Director Information

#### Information on Directors

Mr Paul H. Miller Chairman (Non Executive)

Qualifications B Ag Sci.

Experience Over 20 years experience as a research scientist, a consulting horticulturalist and since 1997 in commercial viticulture. A director since 2001. he was appointed as non-executive chairman on 7 February 2006.

Interest in Grower Units Nil

Special Responsibilities Compliance Officer

Mr Rex L. Watson Managing Director (Executive)

Experience Rex is the founding group managing director of Coonawarra Premium Vineyards Limited (CPVL) and the driving force behind the Coonawarra Australia Property Trust (ASX: CNR), which between them own, manage or control almost 1,000 acres of vineyards located in the Coonawarra region of South Australia. His understanding of the wine industry and its networks is extensive. Rex has built a number of businesses including an industrial service company specifically operating in the wine industry and a vineyard management services company. In addition he has developed the Watson Wine Group, his family owned company, from a grape producer to a significant wine enterprise that now sells wines to more than seven international markets.

Interest in Grower Units 261

Mr Andrew G. Parkinson Director (Executive)

Qualifications B Comm. LLB

Experience Andrew is a director of CPVL, the responsible entity and trustee of CNR Mr. Parkinson has extensive senior management experience with a background in stock broking, banking and chartered accountancy. He has been involved in viticulture and the wine industry since 1999 when he became the inaugural chairman of CPVL. Andrew took on a full time role with CPVL in January 2003 when he was appointed its Chief Executive Officer. He was again appointed a director of CPVL in February 2006.

Interest in Grower Units Nil

Special Responsibilities Responsible Officer for CPVL's AFS licence

# Coonawarra Premium Vineyards Project

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## Directors' Report

30 June 2010

### 1. Director Information continued Meetings of Directors

During the financial year, 12 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Compliance Committee Meetings	
	Eligible to attend	Number attended	Eligible to attend	Number attended
Paul Miller	12	12	12	12
Rex Watson	12	11	-	-
Andrew Parkinson	12	11	12	11
Prof. Michael Burgess	-	-	12	10

### 2. Company Secretary

The following persons held the position of company secretary at the end of the financial year:

Mr Andrew Parkinson whose particulars are shown above and

Mr Conrad Guerra, B Ec, Chartered Accountant. Mr Guerra has over thirty years of professional accounting experience and is Chief Financial Officer of the RE.

### 3. Principal Activities and Significant Changes in Nature of 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 2013, ownership of improvements to the land vests in the Trust.

During the year ended 30 June 2010 no growers (2009: 1 grower representing 3 lots) defaulted on licence fee payments or had grant of use were terminated by the RE of the Project. Such terminations do not relieve the grower from liability for any breach or non-performance of the grower's obligations arising under the Project's constitution. The growers remain responsible for any arrears and the RE of the Project will continue with actions to recover the outstanding amounts. 422 lots (2009: 422 lots) out of the 2,800 lots that comprise the Trust's vineyards are affected by these terminations.

The Project has no employees.

There have been no significant changes in the nature of Coonawarra Premium Vineyards Project's principal activities during the financial year.

# Coonawarra Premium Vineyards Project

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Directors' Report

30 June 2010

## 4. 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.

## 5. 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.

	2010	2009
	\$	\$
Management fees	1,853,337	1,848,816
Grant of use fees	2,011,027	1,951,823
Grape harvesting, processing & storage fees	222,730	197,706
Legal costs and other income	5,059	1,744
Interest revenue	55,565	18,089
Expenses	(4,147,718)	(4,018,178)
Profit for the year	-	-

The Project vineyards continue to mature and produced a full crop in 2010 their ninth 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 2010 vintage (being blocks 2 to 7) were offered for sale by tender. CPVL received a reasonable response to the tender, with Casella, Fosters, Vintage Traders, and WWG being successful with their bids and all grapes except petit verdot were sold. The petit verdot was rain damaged and most of the crop could not be sold.

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. WWG also bought some project bulk wine for bottling and sale.

## 6. Significant Changes in State of Affairs

No significant changes in the Responsible Entity's state of affairs occurred during the financial year.

# Coonawarra Premium Vineyards Project

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## Directors' Report

30 June 2010

### 7. After balance day events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Responsible Entity, the results of those operations or the state of affairs of the Responsible Entity in future financial years.

### 8. Future Developments, Prospects and Business Strategies

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

### 9. Auditors Independence Declaration

The auditors independence declaration for the year ended 30 June 2010 has been received and can be found on page 7 of the financial report.

### 10. Registered Scheme Information

	Managed Units \$	Unmanaged Units \$	Total Project Units \$	Terminated Units ## \$
Total Units at beginning of year	2,139	239	2,378	422
Units Issued during year	-	-	-	-
<b>Total Units at end of year</b>	<b>2,139</b>	<b>239</b>	<b>2,378</b>	<b>422</b>
Units held by RE or associates	22	239	261	-

## 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 2010 totalled \$4,147,718 (2009: \$4,018,178), representing payments made by Growers in accordance with the Prospectus dated 17 June 1999 and the Project's constitution.

### 11. Directors' Unitholdings

<u>Name of Director</u>	<u>No. of units held</u>
Paul Miller	-
Rex Watson *	261
Andrew Parkinson	-

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

# Coonawarra Premium Vineyards Project

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Directors' Report

30 June 2010

## 12. Remuneration Report

### Remuneration Details for the Year Ended 30 June 2010

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 Trust and the related Managed Investment Scheme Coonawarra Premium Vineyards Project and other relevant factors. All director and senior executive compensation is paid by the RE or its related parties.

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 whatsoever.

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

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the key management personnel of Coonawarra Premium Vineyards Limited.

**Table of Benefits and Payments for the Year Ended 30 June 2010**

		Salary, fees and leave	Non- monetary	Pension and superannuation	Total
		\$	\$	\$	\$
<b>Key Management Personnel</b>					
Rex watson	2010	20,429	2,030	2,038	24,497
	2009	20,728	3,808	2,084	26,620
Paul Miller	2010	7,156	-	644	7,800
	2009	8,257	-	743	9,000
Andrew Parkinson	2010	-	-	-	-
	2009	-	-	-	-
Conrad Guerra	2010	5,000	153	1,001	6,154
	2009	2,578	153	526	3,257
Charlie Latham	2010	-	-	-	-
	2009	1,075	205	260	1,540
<b>Total Key Management Personnel</b>					
	2010	32,585	2,183	3,683	38,451
	2009	32,638	4,166	3,613	40,417

### Indemnifying Officers or Auditors

During or since the end of the financial year the Responsible Entity paid a premium in respect of a contract insuring the directors of the RE (as named above), the Company Secretaries, and all executive officers of the RE against a liability incurred as such 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

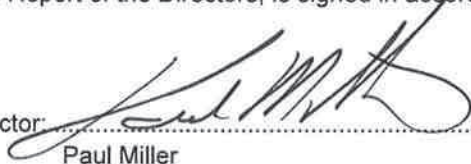
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Directors' Report

30 June 2010

This Report of the Directors, is signed in accordance with a resolution of the Board of Directors.

Director: .....

A handwritten signature in black ink, appearing to read 'Paul Miller', is written over a horizontal dotted line. The signature is fluid and cursive.

Paul Miller

Dated 23 September 2009

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67 Greenhill Rd  
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**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF COONAWARRA PREMIUM VINEYARDS PROJECT**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Coonawarra Premium Vineyards Project for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

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

GRANT THORNTON  
South Australian Partnership  
Chartered Accountants



S.J. Gray  
Partner

Adelaide, 23 September 2010

# Coonawarra Premium Vineyards Project

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## Statement of Comprehensive Income

For the Year Ended 30 June 2010

	2010	2009
	\$	\$
Management fees	1,853,337	1,848,816
Grant of use fees	2,011,027	1,951,823
Grape harvesting, processing and storage fees	222,730	197,706
Interest revenue	55,565	18,089
<b>Other Income</b>		
Legal fees recovered	5,059	1,728
Other income	-	16
<b>Expenses</b>		
Administration Expenses	(1,853,337)	(1,848,816)
Grant of use fee expenses	(2,011,027)	(1,951,823)
Grape harvesting, processing and storage expenses	(222,730)	(197,706)
Legal expenses	(5,059)	(1,728)
Finance costs	(55,565)	(18,089)
Other expenses	-	(16)
<b>Profit before income tax</b>	-	-
Income tax expense	-	-
<b>Profit for the period</b>	-	-
<b>Other comprehensive income for the period, net of tax</b>	-	-
<b>Total comprehensive income for the period</b>	-	-

The accompanying notes form part of these financial statements

# Coonawarra Premium Vineyards Project

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## Statement of Financial Position

As At 30 June 2010

	Note	2010 \$	2009 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Trade and other receivables	2	1,730,493	1,351,944
Other assets	3	1,907,090	1,853,337
<b>Total current assets</b>		<b>3,637,583</b>	<b>3,205,281</b>
<b>Non-current assets</b>			
<b>TOTAL ASSETS</b>		<b>3,637,583</b>	<b>3,205,281</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	4	1,730,493	1,351,944
Other Liabilities	5	1,907,090	1,853,337
<b>Total current liabilities</b>		<b>3,637,583</b>	<b>3,205,281</b>
<b>Non-current liabilities</b>			
<b>TOTAL LIABILITIES</b>		<b>3,637,583</b>	<b>3,205,281</b>
<b>NET ASSETS</b>		<b>-</b>	<b>-</b>
<b>EQUITY</b>			
<b>TOTAL EQUITY</b>		<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements

# Coonawarra Premium Vineyards Project

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## Statement of Changes in Equity

For the Year Ended 30 June 2010

	<b>Issued capital</b>	<b>Retained Earnings</b>
	<b>\$</b>	<b>\$</b>
<b>2010</b>		
Opening Balance	-	-
Profit for the year	-	-
<b>Balance at 30 June 2010</b>	-	-
<b>2009</b>		
Opening Balance	-	-
Profit for the year	-	-
<b>Balance at 30 June 2009</b>	-	-

The accompanying notes form part of these financial statements

# Coonawarra Premium Vineyards Project

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## Statement of Cash Flows

For the Year Ended 30 June 2010

	Note	2010 \$	2009 \$
<b>Cash from operating activities:</b>			
Receipts from customers		3,767,857	4,076,587
Payments to suppliers		(3,767,857)	(4,076,587)
Interest received		53,753	18,089
Interest paid		(53,753)	(18,089)
<b>Net cash provided by (used in) operating activities</b>		<u>-</u>	<u>-</u>
<b>Cash flows from investing activities:</b>			
<b>Net cash provided by (used in) investing activities</b>		<u>-</u>	<u>-</u>
<b>Cash flows from financing activities:</b>			
<b>Net cash provided by (used in) financing activities</b>		<u>-</u>	<u>-</u>
<b>Net increase (decreases) in cash held</b>		-	-
Cash at beginning of financial year		-	-
<b>Cash at end of financial year</b>		<u>-</u>	<u>-</u>

The accompanying notes form part of these financial statements

# Coonawarra Premium Vineyards Project

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Notes to the Financial Statements

For the Year Ended 30 June 2010

## 1 Summary of Significant Accounting Policies

### (a) General information

This financial report includes the financial statements and notes of Coonawarra Premium Vineyards Project.

### (b) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

### (c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

### (d) Income taxes

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

### (e) 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.

### (f) Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

# Coonawarra Premium Vineyards Project

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Notes to the Financial Statements

For the Year Ended 30 June 2010

## 1 Summary of Significant Accounting Policies continued

### (f) Revenue continued

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

All revenue is stated gross of the amount of goods and services tax (GST).

### (g) Goods and Services Tax (GST)

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

### (h) Financial Instruments

#### Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the Responsible Entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that the Responsible Entity commits itself to either purchase or sale of the asset (ie trade date accounting is adopted).

#### Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

#### Loans and receivables

The only financial assets held by the company are loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

### (i) Impairment of assets

At each reporting date, the Responsible Entity reviews the carrying values of the Project's tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

# Coonawarra Premium Vineyards Project

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## Notes to the Financial Statements

For the Year Ended 30 June 2010

### 1 Summary of Significant Accounting Policies continued

#### (j) Terminated units

During the 2004 to 2009 financial years, a number of growers in the Project had their grants of use of the vineyard lots terminated due to persistent un-remedied breaches of the management conditions of the Project: (basically default in payment of fees). No licensee was terminated during the current financial year (2009: 1 Licensee representing 3 lots).

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 Coonawarra Australia Property Trust and are not included in these financial statements.

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. 422 lots (2009: 422 lots) out of the 2,800 original lots that comprise the Trust's vineyards are affected by these terminations.

#### (k) Adoption of New and Revised Accounting Standards

During the current year the Responsible Entity adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Coonawarra Premium Vineyards Project.

##### **AASB 101: Presentation of Financial Statements**

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Responsible Entity's financial statements.

##### *Disclosure impact*

**Terminology changes** - The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

**Reporting changes in equity** - The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

# Coonawarra Premium Vineyards Project

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## Notes to the Financial Statements

For the Year Ended 30 June 2010

### 1 Summary of Significant Accounting Policies continued

Statement of comprehensive income - The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Project's financial statements now contain a statement of comprehensive income.

Other comprehensive income - The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

#### (l) New Accounting Standards for Application in Future Periods

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods and which the Responsible Entity has not adopted early. The Responsible Entity does not expect these requirements to have any material effect on the Project's financial statements.

### 2 Current Trade and other receivables

	2010	2009
Note	\$	\$
Trade receivables	1,730,493	1,351,944
	<u>1,730,493</u>	<u>1,351,944</u>

At 30 June trade receivables of \$1,730,493 (2009 \$1,351,944) were past due but not impaired. These relate to licence fees outstanding from growers of the Coonawarra Premium Vineyards Project. Management and Licence fee's outstanding at the 30 November 2009, will be withheld to the amount of the net distribution payment in November, this provides additional support regarding the collection of these receivables.

# Coonawarra Premium Vineyards Project

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Notes to the Financial Statements

For the Year Ended 30 June 2010

## 2 Current Trade and other receivables continued

	Gross amount	Past due and impaired	< 30	31-60	61-90	> 90	Within initial trade terms
	\$	\$	\$	\$	\$	\$	\$
<b>2010</b>							
Grower receivables	1,730,493	-	-	3,986	3,566	322,215	1,400,726
Related party grower receivables	-	-	-	-	-	-	-
<b>Total</b>	<b>1,730,493</b>	<b>-</b>	<b>-</b>	<b>3,986</b>	<b>3,566</b>	<b>322,215</b>	<b>1,400,726</b>
<b>2009</b>							
Grower receivables	1,250,312	-	-	-	45,611	49,236	1,155,465
Related party grower receivables	101,632	-	-	-	-	38,278	63,354
<b>Total</b>	<b>1,351,944</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,611</b>	<b>87,514</b>	<b>1,218,819</b>

## 3 Other Current Assets

	2010	2009
	\$	\$
Prepayments	1,907,090	1,853,337
<b>Total</b>	<b>1,907,090</b>	<b>1,853,337</b>

## 4 Trade and other payables

### (a) Current payables

	2010	2009
	\$	\$
Unsecured liabilities		
Amount payable to:		
- Responsible Entity	1,730,493	1,351,944
<b>Total</b>	<b>1,730,493</b>	<b>1,351,944</b>

## 5 Other Current Liabilities

	2010	2009
	\$	\$
Unearned Revenue	1,907,090	1,853,337
<b>Total</b>	<b>1,907,090</b>	<b>1,853,337</b>

# Coonawarra Premium Vineyards Project

ARSN 087 876 186

## Notes to the Financial Statements

For the Year Ended 30 June 2010

### 6 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 Unit holder's Interest were always acquired together. Each Grower Interest was to be held at all times by a Unit holder, or an associate of the Unit holder, in the Coonawarra Premium Vineyards Unit Trust.

At an extraordinary general meeting held on 12th December 2002, the Growers and Unit holders 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, 422 (2009: 422) have since been terminated due to un-remedied 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 Statement of Financial Position.

The Project does not have any financing facilities.

### 7 Auditors' Remuneration

	2010	2009
	\$	\$
Remuneration of the auditor of the Responsible Entity for:		
- Auditing or Reviewing the financial report	5,000	5,000
- Auditing the Compliance Plan of the Project	2,500	2,500

### 8 Contingent Liabilities and Contingent Assets

The project has no contingent assets or liabilities.

# Coonawarra Premium Vineyards Project

ARSN 087 876 186

## Notes to the Financial Statements

For the Year Ended 30 June 2010

### 9 Financial instruments

The Responsible Entity's financial instruments consist mainly of accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	2010	2009
	\$	\$
<b>Financial Assets</b>		
- Loans and receivables	1,730,493	1,351,944
	<u>1,730,493</u>	<u>1,351,944</u>
<b>Financial Liabilities</b>		
Financial liabilities at amortised cost		
- Trade and other payables	1,730,493	1,351,944
	<u>1,730,493</u>	<u>1,351,944</u>

#### Financial Risk Management Policies

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.

#### Specific Financial Risk Exposures and Management

The main risks the Responsible Entity is exposed to through its financial instruments are liquidity risk and credit risk.

##### (a) Liquidity risk

Liquidity risk arises from the possibility that the Responsible Entity might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Responsible Entity manages risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financial activities
- obtaining funding from a variety of sources
- maintaining a reputable credit risk profile
- managing credit risk related to financial assets

# Coonawarra Premium Vineyards Project

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Notes to the Financial Statements

For the Year Ended 30 June 2010

## 9 Financial instruments continued

### (a) Liquidity risk continued

- comparing the maturity profile of financial liabilities with the realisation profile of financial assets

### (b) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contract obligations that could lead to a financial loss to the Responsible Entity. 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.

## 10 Related party transactions

### 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.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

### Transaction with related parties:

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

During the financial year the Project paid management fees of \$1,853,337 (2009:\$1,848,816 ) and interest of \$18,039 (2008: 36,387) 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 \$2,011,027 (2009: \$1,951,823 ) were paid to Coonawarra Australia Property Trust, a related party. The licence fees were paid in accordance with the Scheme's constitution.

# Coonawarra Premium Vineyards Project

ARSN 087 876 186

## Notes to the Financial Statements

For the Year Ended 30 June 2010

### 10 Related party transactions continued

During the financial year the Project paid harvest costs of \$210,202 (2009: \$183,059) to Coonawarra Vineyard Management Services Pty Ltd. The amounts were paid on normal commercial terms and conditions in reimbursement of actual costs incurred.

During the financial year the Project paid wine storage and care costs of \$13,027 (2009: \$14,647) to Watson Wine Group Pty Ltd. The amounts were paid on normal commercial terms and conditions in reimbursement of actual costs incurred.

### 11 Key Management Personnel

Refer to the Remuneration Report contained in the Directors Report for details of the remuneration paid or payable to each member of Coonawarra Premium Vineyards Project's key management personnel for the year ended 30 June 2010.

### 12 Cash Flow Information

#### (a) Reconciliation of Cash Flow from Operations with Profit after Income Tax

	2010	2009
	\$	\$
Changes in assets and liabilities		
(Increase)/decrease in trade and term receivables	(378,549)	76,498
(Increase)/decrease in prepayments	(53,753)	4,521
(Increase)/decrease in trade payables and accruals	378,549	(76,498)
Increase/(decrease) in unearned revenue	53,753	(4,521)
	<u>-</u>	<u>-</u>

### 13 Events after the end of the reporting period

There has not been any other 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.

### 14 Segment information

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

### 15 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](mailto:enquiries@coonawarravineyard.com.au)

# Coonawarra Premium Vineyards Project

ARSN 087 876 186

## Directors' Declaration

The financial statements and notes thereto of the Coonawarra Premium Vineyards Project for the year ended 30 June 2009 have been prepared by Coonawarra Premium Vineyards Limited (Responsible Entity) in accordance with the Corporations Act 2001.

The directors of the Responsible Entity declare that:

1. The financial statements and notes, as set out on pages 8 to 20, are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Accounting Standards and International Financial Reporting Standards as disclosed in Note 1(b)
  - (b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the Project.
2. The Chief Executive Officer and Chief Financial Officer have each declared that:
  - (a) the financial records of the Project for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
3. 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.

Director .....  
Paul Miller

Dated 23 September 2010

Level 1,  
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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COONAWARRA PREMIUM VINEYARDS LIMITED**

We have audited the accompanying financial report of Coonawarra Premium Vineyards Project (the "Scheme"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial report and the directors' declaration.

### **Directors' responsibility for the financial report**

The directors of the Coonawarra Premium Vineyards Limited (the "Responsible Entity") are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that are 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. The directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF COONAWARRA PREMIUM VINEYARDS LIMITED Cont**

**Auditor's responsibility Cont**

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

**Auditor's opinion**

In our opinion:

- a the financial report of Coonawarra Premium Vineyards Project is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

GRANT THORNTON  
South Australian Partnership  
Chartered Accountants



S.J. Gray  
Partner

Adelaide, 23 September 2010

# Coonawarra Premium Vineyards Project

ARSN 087 876 186

## Additional Project Information (Unaudited)

<b>Project Summary</b>	
Size of Vineyard (including roads & buildings)	243 Hectares / 600 Acres
Planted Area of Vineyard:	227 Hectares / 560 Acres
Total 2010 Grape Harvest (Tonnes):	1,571 tonnes (Managed Growers Pool) 296 tonnes (Terminated Lots)
Total 2010 Project Grape Revenue:	\$958,958 (Managed Growers Pool) \$211,539 (Terminated Lots)
Bonus / Penalty Component of Grape Revenue	\$63,229
Total Project Bulk Wine Produced:	Nil
Managed Grower Units	2,139
Unmanaged Units	239
Terminated lots	422
Total Vineyard	2,800

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 422 units terminated mainly due to death, insolvency or bankruptcy of Growers. 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. Terminated units do not form part of the managed growers pool for 2010.

All of the 1,571 tonnes of grapes harvested during 2010 were sold. As in prior vintages Casella and Watson Wine Group purchased all grapes from their contracted blocks at District Weighted Average Prices (DWAP). Watson Wine Group stands in the place of Grant Burge Wines who defaulted on their grape contract in 2006.

The grapes from blocks 2 to 6 that were initially contracted to Nugan, and block 7 (originally contracted to Beelgara Estate) were put out to tender for 2010. CPVL received a reasonable response to the tender. The tender prices were quite varied. Some were below commercially acceptable rates and these were not accepted. For commercial confidentiality reasons the tender prices have not been published in these accounts. All grapes sold to WWG were at DWAP.

The total crop harvested for the Managed Grower Pool during 2010 was 1,571 tonnes: resulting in estimated income from wineries of \$958,958.

### Coonawarra Grape Prices

At the time of preparing these notes, the Phylloxera & Grape Industry Board of South Australia 2010 pricing survey has been released. The income in this report is based on 2010 District Weighted Average Prices and successful tender bid prices.

# Coonawarra Premium Vineyards Project

ARSN 087 876 186

## Additional Project Information (Unaudited)

### District Weighted Average Prices

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>%</u> <u>Change</u> <u>2003-</u> <u>2010</u>	<u>%</u> <u>Change</u> <u>2009-</u> <u>2010</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>		
Chardonnay	1,447	1,228	1,190	850	820	963	813	569	(61%)	(30%)
Sauvignon Blanc	1,350	1,447	1,338	1,396	1,396	1,354	1,127	748	(45%)	(34%)
Petit Verdot	1,500	1,280	1,181	1,042	1,042	1,024	1,024	712	(53%)	(30%)
Merlot	1,824	950	907	652	992	942	652	543	(70%)	(17%)
Shiraz	1,858	890	824	771	1,169	1,356	988	890	(52%)	(10%)
Cabernet Sauvignon	1,891	1,146	1,036	911	1,475	1,446	1,239	1,060	(44%)	(14%)

### 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 line with that settlement further proceeds of \$102.62 per unit are scheduled for payment by 30 September 2010.

	<u>Tonnes per</u> <u>Prospectus*</u>	<u>Tonnes</u> <u>harvested</u>	<u>Tonnes</u> <u>sold</u>	<u>Price per</u> <u>Prospectus</u>	<u>Actual</u> <u>price</u>	<u>Proceeds</u> <u>per</u> <u>Prospectus</u>	<u>Actual</u> <u>gross</u> <u>proceeds</u>
	<u>T</u>	<u>T</u>	<u>T</u>	<u>\$/T</u>	<u>\$/T</u>	<u>\$</u>	<u>\$</u>
Chardonnay	88.2	75.8	75.8	1,720	555	151,766	42,058
Sauvignon Blanc	65.9	56.3	56.3	1,348	633	88,805	35,645
Petit Verdot	151.0	52.2	52.2	1,982	281	299,296	14,679
Merlot	378.0	363.9	363.9	2,251	461	850,975	167,877
Shiraz	549.1	356.5	356.5	1,970	638	1,081,436	227,266
Cabernet Sauvignon	932.2	666.2	666.2	2,651	708	2,470,773	471,433
	2,164.4	1,570.9	1,570.9	2,284	610	4,943,051	958,958

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 Petit Verdot crop was reduced this year as a result of late rains which damaged the crop just before harvest. Petit Verdot is a late ripening variety in the cooler Coonawarra climate.

The actual prices differ from 2010 DWAP because grapes from blocks 2 to 6 that were initially contracted to Nugan were put out to tender for 2010 as were grapes from block 7 (originally contracted to Beelgara Estate). 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 license 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.

# Coonawarra Premium Vineyards Project

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## Additional Project Information (Unaudited)

### 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 financial year are (managed grower pool):

	2010	2009
	\$	\$
Sale of grapes for the year	958,958	941,862
Sale of bulk wine for the year	22,000	375,961
Gross proceeds for the year	<u>980,958</u>	<u>1,317,823</u>

### Notes re proceeds

A total of \$1,071,622 had been invoiced to wineries to the reporting date for sales of grapes, based on 2009 grape prices or tender prices whichever was applicable, of which two thirds was payable by 30 June 2010. If applicable the invoices were adjusted to 2010 DWAP in September 2010 with Baume bonuses applied. Collection plans have been arranged to ensure timely collection of all outstanding proceeds.

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

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

### Inventories

Bulk wine inventory on hand at 30 June 2010	Litres	\$
08 Shiraz	19,243	27,902
08 Petit Verdot	13,468	19,529
	<u>32,711</u>	<u>47,431</u>

Values shown are an estimate of the current market value of bulk wine based on prices achieved for other sales.

### Grape Distributions

The distribution of the 2009 harvest took place in November 2009, the table below shows an estimate of the distribution to be made in November 2010. This estimate is subject to actual collection of the proceeds before the distribution date and any grape bonus/penalty, adjustments and recoverable costs.

Estimated 2010 Distribution Summary	2010	2010	2009	2009
	\$	Per Unit	\$	Per Unit
Grape proceeds (inc Nugan)	1,243,958	581.56	1,231,680	575.82
Wine proceeds (ex GST)	224,667	105.03	166,713	77.94
Less recoverable costs (inc GST)	(231,753)	(108.35)	(192,563)	(90.02)
Net Distribution	<u>1,236,872</u>	<u>578.25</u>	<u>1,205,830</u>	<u>563.74</u>