

COONAWARRA WINE-GRAPE PROJECT
ARSN 087 548 169

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2010

COONAWARRA WINE-GRAPE PROJECT
ARSN 087 548 169

DIRECTORS' REPORT

The directors of the Responsible Entity, Huntley Management Limited (ACN 089 240 513) present their report together with the annual report of the Coonawarra Wine-Grape Project ('the Project'), for the financial year ended 30 June 2010 and the auditor's report thereon.

1. Directors

The name of each person who has been a director of Huntley Management Limited during the financial year to the date of this report, unless otherwise stated, are:

John H Knox
Stephen L Law
Francis G Swain
David G Millhouse (resigned 20 May 2010)

2. Principal Activities

The Project operated a wine grape project in South Australia in accordance with the Constitution. There was no significant change in the nature of those activities during the year, however, the Responsible Entity has formed the view that the purpose of the Project cannot be accomplished, has advised Project Participants of this view and has convened a meeting of Participants to consider a resolution to wind up the Project (see 8. Events Subsequent to Balance Date below).

The Project did not have any employees during the year.

3. Review of Operations

- The Project is a registered managed investment scheme domiciled in Australia, registered and regulated in accordance with Chapter 5C of the *Corporations Act 2001* and the Project's Constitution. Huntley Management Limited is the responsible entity for the Project. Huntley Custodians Limited A.C.N. 082 237 241 is the custodian of Project property.
- The Project commenced on 30 June 2001 and will terminate on 30 June 2021, unless terminated earlier in accordance with the Constitution (see 8. Events Subsequent to Balance Date below).
- Huntley Management Limited replaced Advanced Horticultural Management Limited as responsible entity on 30 May 2007 in accordance with a resolution of Project Participants at a meeting held 28 May 2007.
- As at 30 June 2010 there were 213 participation units in the Project. There were no participation units issued and there were nil participation units forfeited in the Project during the year. No options over participation units have been issued at any time up to the date of this report.
- There has been significant dispute between Huntley Management Limited, as replacement Responsible Entity, and Koonara Management Pty Ltd ('Koonara') regarding the performance by Koonara of the Management Services. The Sub-Contract of Management Services agreement ('Subcontract') between the former Responsible Entity, Advanced Horticultural Management Limited ('AHM'), and Koonara did not novate to Huntley Management Limited as the new responsible entity because the fees payable to Koonara under the Subcontract to AHM were not fees to which AHM was entitled to be indemnified out of scheme property and therefore the Subcontract falls within the exception to novation under section 601FS(2)(d) of the *Corporations Act 2001*. Huntley Management Limited sought to have a replacement Sub-Contract of Management Services agreement executed, however, agreement was unable to be reached with Koonara who maintained that the existing Sub-Contract of Management Services agreement with the former Responsible Entity remained binding on the replacement Responsible Entity. Koonara has therefore been performing the Management Services without a formal agreement with Huntley Management Limited.
- Under the Subcontract Koonara is required to attend to the establishment, management and maintenance of the vineyard in accordance with good viticultural practice; attend to the harvest of grapes and arrangement of sales; and, do all things necessary or incidental to the Project carrying out a viable business of growing, marketing and selling of wine grapes, bulk wine or bottled wine.

DIRECTORS' REPORT (CONTINUED)

3. Review of Operations (continued)

- The issues between Huntley Management Limited and Koonara Pty Ltd include:
 - Failure to consult before carrying out the 2010 vintage harvest and production of the same into wine when the costs were to the knowledge of Koonara in excess of the market price for the produce from the performance of those services.
 - Failure to bank Project sale proceeds to the custodian bank account;
 - Failure to provide timely accounting for vintage production, sales, expenses and stock;
 - Concerns regarding the veracity of information provided regarding Project activities and assets;
 - Concerns regarding whether Koonara have done 'all things necessary or incidental to the Project carrying out a viable business';
- It was not practically feasible to engage another contractor to replace Koonara because it was holding the wine of the Growers and therefore, in the absence of a written contract, Huntley Management Limited has been forced to operate on an implied contract basis.
- There has also been a significant dispute with a related entity to Koonara, Coonawarra Property Holdings Limited ('CPHL'). CPHL has not registered the underlease over the vineyard in favour of the custodian for the Project. The underlease was prepared in registrable form and provided to the lawyers for CPHL for registration many years ago, prior to Huntley's appointment as responsible entity, but has not yet been registered by CPHL.
- The Responsible Entity held a meeting of Growers on 4 May 2009 to consider an extraordinary resolution to wind up the Project as Huntley Management Limited had been unable to obtain from Koonara the necessary information for financial statements for the years ended 30 June 2007 and 30 June 2008 to be prepared with documentation for unqualified audits to be completed. The minutes of the meeting reflect that Mr Burke Reschke attended and addressed the meeting and undertook to provide the requisite information to Huntley Management Limited. Mr Reschke disputes the accuracy of the minutes.

The audit of the financial statements for the year ended 30 June 2007 was completed on 8 April 2009, however, the auditor disclaimed an opinion as the auditor was unable to undertake the audit in accordance with Auditing Standards due to the accounting records available not being adequate. The 2007 financial statements had been prepared on the basis of financial information provided by Koonara's staff, contractors, advisors and Mr Burke Reschke.

In May 2010 Koonara provided financial information in respect of the Project activities for the 2008, 2009 and 2010 years. Koonara also provided revised information in relation to the 2007 financial year and have refuted previous information provided in respect of the 2007 financial year. Since the provision of the information in May 2010 Huntley Management Limited have negotiated with Koonara in regard to charges and stock values. The attached financial statements are based on this financial information. The Directors are of the opinion that due to the information provided for the preparation of the financial statements that a disclaimer of opinion will also be issued for the 2008, 2009 and 2010 financial years.

COONAWARRA WINE-GRAPE PROJECT
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DIRECTORS' REPORT (CONTINUED)

3. Review of Operations (continued)

The following has been based on information provided by Koonara:

- Details regarding the 2010 vintage:

Prospectus 1	2010 Tonnes	2010 Litres	2009 Tonnes	2009 Litres
Cabernet Sauvignon	39.71	28,274	14.53	11,904
Merlot	192.09	136,768	51.20	Sold as Grapes
Total	231.80	165,042	65.73	11,904

Prospectus 2	2010 Tonnes	2010 Litres	2009 Tonnes	2009 Litres
Cabernet Sauvignon	60.45	43,040	29.18	22,492
Merlot	129.84	92,446	63.49	48,411
Shiraz	40.39	28,758	19.79	15,292
Petit Verdot	33.02	23,510	15.53	11,729
Total	263.70	187,754	127.99	97,924

- The value of stock on hand at 30 June 2010 per unit for Prospectus 1 Participants was:

Year Ended	30 June 2010	30 June 2009
Cost	\$8,788	\$2,574
Market selling value	\$3,433	\$1,664

- The value of stock on hand at 30 June 2010 per unit for Prospectus 2 Participants was:

Year Ended	30 June 2010	30 June 2009
Cost	\$12,375	\$8,293
Market selling value	\$7,240	\$5,394

- Koonara offered to purchase the stock of bulk wine, for \$915,287 and bottled wine, for \$288,099, held at 30 June 2010 for a total consideration of \$1,203,386. Koonara's offer has been used as the basis for the market selling valuations above as Koonara maintained that their offer reflected the full market price.

4. Results and Operations

The results of operations of the Project are disclosed in the Statement of Comprehensive Income. The net profit attributable to Participants for the year ended 30 June, 2010 was \$103,562 (2009: loss \$90,350).

5. Distributions

No distributions were paid or provided for during the financial year (2009: nil). The responsible entity reduced the reserve for future liabilities by \$254,785 (2009: reduced the reserve: \$90,350), in accordance with Clause 18.8 of the Project Constitution.

DIRECTORS' REPORT (CONTINUED)

6. Material Uncertainty in Financial Information

The financial statements have been prepared on the basis of financial information provided by Koonara which has been incorporated into Project fee invoicing. A number of issues have arisen in relation to the financial information and attempts to resolve these matters with Koonara directly and through their advisors have been unsuccessful. These matters are as follows:

- Koonara has failed to bank proceeds on sale of grapes and wine into the Project custodian's bank account.
- Due to Koonara making material variations to financial information previously provided to Huntley Management Limited, the Responsible Entity consequently doubts the veracity of financial information provided by Koonara.
- Stock information has been reconciled but the accuracy of these reconciliations depends upon the vintage production, yield, sales and stock information provided by Koonara.

The Responsible Entity has withheld payment of some fees from Koonara until matters relating to the financial management of the Project have been addressed including the provision of a verified accounting of the sales made of Project stock and the proceeds of those sales retained by Koonara.

7. Significant Changes in the State of Affairs

There were no significant changes to the state of the affairs of the Project during the year, other than those changes identified in the financial statement for the year ended 30 June 2010 and in 6. Material Uncertainty in Financial Information, above. Please see 8. Events Subsequent to Balance Date, below.

8. Events Subsequent to Balance Date

The Australian wine industry is currently experiencing very difficult times due to issues relating to excess supply, the strength of the Australian dollar, increased international competition and weakening demand in international markets due to economic conditions. These issues are expected to remain with the industry for some time.

On the basis of the financial information supplied by Koonara and the current conditions of the Australian wine industry, Huntley Management Limited formed the view that the purpose of the Project could not be accomplished and that the Project was not and would not become financially viable. Huntley Management Limited issued a notice on 14 October 2010 to Growers and ASIC pursuant to section 601NC(2) of the *Corporations Act 2001* advising that the Project would be wound up unless a meeting of Growers was called to consider the proposed winding up of the Project. Huntley Management Limited received notices from various Growers seeking to call a meeting of Growers. Whilst the notices received were not in the required form Huntley Management Limited considered that, in the interests of good governance, a meeting of Growers be called. A Notice of Meeting of Growers to be held 13 December 2010 was issued on 17 November 2010. The principal purpose of the meeting was to consider resolutions for the winding up of the Project or the replacement of the Responsible Entity. The meeting voted against the resolution to wind up the Project and the meeting was adjourned to a date to be confirmed. Huntley Management Limited reiterated at the meeting its view that the Project is not viable and should be wound up.

Koonara offered to purchase the stock of bulk wine, for \$915,287 and bottled wine, for \$288,099, at 30 June 2010 for a total consideration of \$1,203,386, being the full market price, however, this sale has not been finalised.

No other matters or circumstances have 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 subsequent financial years.

9. Future Developments

The Project's future is to be determined at a meeting of Participants. The Responsible Entity has advised Participants that it has formed the view that the purpose of the Project cannot be accomplished and that the Project will not be financially viable. Please see 8. Events Subsequent to Balance Date above.

DIRECTORS' REPORT (CONTINUED)

10. Environmental Regulation

The Project's compliance with regulations under either Commonwealth or State legislation is managed through the retention of specialist consultants and contractors. There have been no known breaches of any environmental requirements applicable to the Project.

11. Officers or Auditor Indemnification

During or since the end of the financial year the Responsible Entity has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Responsible Entity has paid premiums;

- to insure directors and officers against legal defence costs resulting from a claim alleging a wrongful act arising from their conduct whilst acting in good faith on behalf of the Responsible Entity ; and,
- To indemnify directors and officers to the extent permitted by the *Corporations Act 2001* against losses, which are legally insurable, resulting from alleged wrongful acts whilst acting in good faith on behalf of the Responsible Entity.

The above coverage is provided as part of an insurance package, the premiums payable in respect of that insurance package are not to be disclosed.

The Responsible Entity has not, during or since the end of the financial year, indemnified or agreed to indemnify an auditor of the Responsible Entity or of any related body corporate against a liability incurred as auditor.

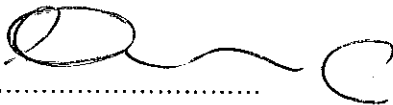
No insurance premiums are paid for out of the assets of the Project in regard to insurance cover provided to either the officers of Huntley Management Limited or the auditor of the Project. So long as the officers of Huntley Management Limited act in accordance with the Project Constitution and the Law, the officers remain indemnified out of the assets of the Project against losses incurred while acting on behalf of the Project.

The auditor and the former auditor of the Project are in no way indemnified out of the assets of the Project.

12. Auditor Independence

The Project auditor, David J. Weekes of DJ Weekes & Co Pty Ltd, has provided his declaration of independence a copy of which is attached at page 7 of the financial report.

Signed in accordance with a resolution of the directors of the Responsible Entity.



.....
Huntley Management Limited
Sydney: 3 March 2011

Coonawarra Wine-Grape Project
ARSN: 087 548 169
Lead Auditor's Independence Declaration
Under Section 307C of The Corporations Act 2001

To the Directors of Huntley Management Limited As Responsible Entity for Coonawarra Wine-Grape Project.

I declare that, to the best of my knowledge and belief, in relation to the audit of the financial year ended 30 June 2010 there have been:

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



David J. Weekes

Registered Auditor No. 4159

DJ Weekes & Co Pty Ltd
Chartered Accountants
211 George Street, Bathurst

Dated this 3rd day of March, 2011

Liability is Limited by a scheme approved under Professional Standards Legislation.

COONAWARRA WINE-GRAPE PROJECT
ARSN 087 548 169

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$	2009 \$
Income			
Sale of produce			
- Wine grapes		-	107,431
- Bottled wine		305,990	231,123
- Bulk wine		142,964	-
		<hr/> 448,954	<hr/> 338,554
Expenses			
Project expenses		703,739	428,904
Loss before income tax expense	2	<hr/> (254,785)	<hr/> (90,350)
Income tax expense	1(g)	<hr/> -	<hr/> -
Loss Attributable to Participants		<hr/> (254,785)	<hr/> (90,350)
Finance Costs Attributable to Participants	1(j)		
Reserve for future liabilities	5	254,785	90,350
Net Profit (Loss)		<hr/> -	<hr/> -
Other Comprehensive Income		<hr/> -	<hr/> -
Total Comprehensive Income for the Year		<hr/> -	<hr/> -

The accompanying notes form part of these financial statements

COONAWARRA WINE-GRAPE PROJECT
ARSN 087 548 169

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Notes	2010 \$	2009 \$
Trade Receivables	3	-	372,310
Total Assets		-	372,310
Trade payables	4	-	117,525
Total Liabilities excluding Liabilities to Participants		-	117,525
Net Assets Attributable to Participants		-	254,785
Liabilities Attributable to Participants	4	-	254,785
Net Assets	1(j)	-	-

The accompanying notes form part of these financial statements

COONAWARRA WINE-GRAPE PROJECT
ARSN 087 548 169

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$	2009 \$
Total Equity at the Beginning of the Financial Year		-	-
Net Profit		-	-
Total Equity at the end of the Financial Year		-	-

The accompanying notes form part of these financial statements

COONAWARRA WINE-GRAPE PROJECT
ARSN 087 548 169

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$	2009 \$
Cash Flow from Operating Activities			
Receipts from Customers		-	-
Payments to Suppliers		-	-
Net Cash Used In Operating Activities	6	-	-
Cash Flow From Investing Activities		-	-
Cash Flow From Financing Activities		-	-
Net Increase In Cash And Cash Equivalents		-	-
Cash and Cash Equivalents At Beginning Of Year		-	-
Cash And Cash Equivalents At End Of Year		-	-

The accompanying notes form part of these financial statements

COONAWARRA WINE-GRAPE PROJECT
ARSN 087 548 169

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Note 1 Summary of Significant Accounting Policies.

The significant accounting policies that have been adopted in the preparation of these financial statements are:

(a) Corporate Information

These financial statements for the year ended 30 June 2010 cover the Coonawarra Wine Grape Project as an individual entity and were authorised for issue in accordance with a resolution of directors of the Responsible Entity on 3 March 2011.

The following is a summary of the material accounting policies adopted in the preparation of the financial statements. The policies have been consistently applied, unless otherwise stated.

(b) Statement of Compliance & Basis of Preparation

These financial statements are general purpose financial statements which have been prepared in accordance with the Project's Constitution, the *Corporations Act 2001*, Accounting Standards and interpretations and comply with the requirements of the law. Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of the Project comply with International Financial Reporting Standards (IFRS).

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or current valuations of assets, unless otherwise stated. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of AIFRS management is required to make judgements, 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 judgements. 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 revisions affects both current and future periods.

Judgements made by management in the application of AIFRS 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. The accounting policies set out below have been consistently applied to all years presented.

(c) Entity Structure

The Project is a Managed Investment Scheme for the purposes of the *Corporations Act 2001* and is regulated by the Project's Constitution and the *Corporations Act 2001*. The Project is not a separate legal entity. The financial statements represent transactions in respect of the Project Bank Account.

COONAWARRA WINE-GRAPE PROJECT
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Note 1 Summary of Significant Accounting Policies (Continued)

(d) Scope of Transactions

The Responsible Entity is required to establish a Project Bank Account under the Constitution into which all income generated from the Project will be deposited and from which the Responsible Entity will undertake distributions in accordance with the Constitution. The scope of transactions recognised in the Project financial accounts only includes transactions in the Project Bank Account established under the Constitution. The Project Fees are paid from the Participant's own assets and are therefore excluded from these accounts except for Winery Expenses and Harvest Fees which have been deducted from the Gross Income.

(e) Revenue and Expenses

As the income from the Project has not been banked into the Project custodian account, and the expenses of the Project have been offset against this income by the Project manager, no physical cash has been received for the year ended 30 June 2010.

(f) Expenses of Responsible Entity

The Responsible Entity is entitled under the Constitution to be reimbursed for certain expenses incurred in administering the Project. The basis on which the expenses are reimbursed is defined in the Constitution. No amounts were reimbursed during the year ended 30 June, 2010. Any amounts to be reimbursed are included in the Income Statement and are calculated in accordance with the Constitution.

(g) Taxation

Under current legislation the Project is not subject to income tax. The Project was issued with Australian Taxation Office Product Rulings PR2001/93 and PR2000/10.

(h) Cash and Cash Equivalents

For the purposes of the Statement of Financial Position, cash and cash equivalents includes cash at bank and short term deposits with a maturity date of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised inclusive of the amount of GST. Receivables and payables in the Statement of Financial Position are shown inclusive of GST. The recoverability of GST depends upon the Participants individual tax position.

(j) Financial Instruments

Under AASB 132 'Financial Instruments: Disclosures and Presentation', contractual obligations are regarded as liabilities. As the Project has a finite life at which time Participant's interests will be terminated, all Participant's funds will be recognised as liabilities of the Project, rather than as equity. The result of this is that net assets of the Project will be zero. Distributions paid or payable will be classified as interest expense in the Statement of Comprehensive Income.

COONAWARRA WINE-GRAPE PROJECT
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Note 1 Summary of Significant Accounting Policies (Continued)

(k) Adoption of new and revised accounting standards

In the current year, the Project has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes. The Project has adopted the following Standards as listed below which only impacted on the Project's financial Statements with respect to disclosure:

- **AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101'**

It required the presentation of a statement of comprehensive income and made changes to the statement of changes in equity but did not affect any of the amounts recognised in the financial statements. If the Project makes a prior period adjustment or re-classifies items in the financial statement, it will need to disclose a third balance sheet (statement of financial position), this one being at the beginning of the comparative period

- **AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'**

Application of these Standards did not affect any of the amounts recognised in the financial statements, but has changed the disclosures required to be made in relation to the financial statements.

The Project has not early adopted the following Standards as listed below which are not expected to have a material impact upon the Project's financial statements:

- **AASB 9 'Financial Instruments' and its associated amending standards specify new recognition and measurement requirements for financial assets within the scope of AASB 139. Broadly the amendments require financial assets to be measured at fair value through profit and loss unless the criteria for amortised cost measurement are met or the Project qualifies and elects to recognise gains and losses on equity securities that are not held for trading directly in other comprehensive income. The directors have not yet had an opportunity to consider how AASB 9 impacts on the Project's financial assets.**
- **AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project' specify amendments resulting from the IASB's annual improvement project to various Australian accounting standards and interpretations. As permitted, the Project has early adopted the amendments to AASB 8 and AASB 101.**

(l) Going Concern

The Responsible Entity has formed the view that the purpose of the Project cannot be accomplished, has advised Project Participants of this view and convened a meeting of Participants to consider a resolution to wind up the Project (see Note 13. Events Subsequent to Balance Date below). Significant uncertainty therefore exists as to the Project's ability to continue as a going concern. Due to the limitation on the scope of transactions, then the Project not continuing as a going concern will not impact upon the financial statements.

(m) Functional Currency

The presentation and functional currency of the Project is Australian dollars.

COONAWARRA WINE-GRAPE PROJECT
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Note 2 Profit/ (Loss) Analysis by Prospectus

	2010	2009
	\$	\$
Prospectus 1		
Revenue		
Sale of wine grapes	-	107,431
Sale of bottled wine	142,964	147,291
Sale of bulk wine	-	-
Total revenue	142,964	254,722
Expenses		
Winery expenses	515,274	67,636
Harvest fee	-	5,916
Total expenses	515,274	73,552
Profit (Loss) attributable to Prospectus 1 Participants	(372,310)	181,170
Profit (Loss) per Prospectus 1 unit	(4,183)	2,036
Prospectus 2		
Revenue		
Sale of bottled wine	305,990	83,832
Sale of bulk wine	-	-
Total revenue	305,990	83,832
Expenses		
Winery expenses	188,465	355,352
Total expenses	188,465	355,352
Profit (loss) attributable to Prospectus 2 Participants	117,525	(271,520)
Profit (Loss) per Prospectus 2 unit	947	(2,190)
 Total Profit (Loss) attributable to Participants	 (254,785)	 (90,350)

Please note that Winery expenses & Harvest fees are only included in the Project financial statements to the extent that they can be recovered from Project Gross income. The balance of Winery expenses and Harvest fees not recovered from Gross Income are invoiced to Participants and are payable from Participant's own assets.

Note 3 Trade Receivable

Unsettled sales		
- Prospectus 1	-	372,310
- Prospectus 2	-	-
	-	372,310

The above trade receivable for unsettled sales is for proceeds owing from Koonara Management Pty Limited. Trade receivables and trade payables owing from/to Koonara Management Pty Limited have been offset.

COONAWARRA WINE-GRAPE PROJECT
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Note 4 Trade Payables

	2010	2009
	\$	\$
- Prospectus 1	-	-
- Prospectus 2	-	117,525
	-	117,525

The above trade payables for winery expenses are owed to Koonara Management Pty Limited. Trade receivables and trade payables owing from/to Koonara Management Pty Limited have been offset.

Note 5 Liabilities Attributable to Participants

Reserve for Future Liabilities

- Prospectus 1	-	372,310
- Prospectus 2	-	(117,525)
	-	254,785

Total Liabilities Attributable to Participants

	-	254,785
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Note 6 Cash Flow Information

(i) Reconciliation Of Cash Flow From Operations With Net Profit

Net Profit	-	-
Non Cash Flows in Net Profit	-	-
(Decrease)/Increase in Assets and Liabilities	-	-
	-	-
Cash Flow From Operations	-	-

(ii) Non Cash Operating Activities

The Sub-Contract of Management Services agreement requires Koonara Management Pty Limited (Koonara) to have all proceeds from the sale of Project grapes and wine paid into the custodian's Project Bank Account. Koonara did not have the sale proceeds directed into the Project Bank Account during either the 2009 or the 2010 financial year.

COONAWARRA WINE-GRAPE PROJECT
ARSN 087 548 169

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Note 7 Additional Project Information

Coonawarra Wine Grape Project is a Managed Investment Scheme regulated in accordance with Chapter 5C of the *Corporations Act 2001* and the Project's Constitution.

The Project commenced on 30 June 2001 and is due to terminate on 30 June 2021, unless terminated earlier in accordance with the Project's Constitution (see Note 13. Events Subsequent to Balance Date).

Note 8 Segment Reporting

The Project engages in the production and sale of wine grapes, bulk wine and bottled wine in South Australia in accordance with the Project Constitution.

Note 9 Related Party Disclosures

Huntley Management Limited was appointed Responsible Entity for the Project on 30 May 2007 in accordance with a resolution of Project Participant's at a meeting held 28 May 2007. Huntley Management Limited's registered office is:

Suite 301, Level 3
37 Bligh Street
SYDNEY NSW 2000

Huntley Management Limited holds Australian Financial Services Licence No. 229754 which authorises it to operate the Project.

Huntley Custodians Limited is the Custodian for the Project. Huntley Management Limited and Huntley Custodians Limited are both wholly owned subsidiaries of Huntley Consultancy Pty Ltd.

No Participations in the Project are held by Huntley Management Limited, Huntley Custodians Limited, their directors or their associates.

The Project has no investments in Huntley Management Limited, Huntley Custodians Limited or their associates.

Custodian Remuneration

The custodian, Huntley Custodians Limited, received or was entitled to receive \$10,727 (2009: \$10,486) (GST incl) to act as Custodian for the Project. These fees were not paid from the Project's property. Huntley Custodians Limited acted as custodian for the Project for the full current financial year and comparative financial year.

COONAWARRA WINE-GRAPE PROJECT
ARSN 087 548 169

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Note 9 Related Party Disclosures (Continued)

Responsible Entity Remuneration

In accordance with Project Constitution the Responsible Entity received or was entitled to receive the following fees (GST inclusive) in respect of the Project:

	Period	Date Invoiced	No Units	2010 \$	2009 \$
Annual Management Fees - payable annually in advance *	1/7/09-30/06/10	December 2010	213	-	427,657
Lease Rent Contribution Fee - payable annually in advance *	01/07/09-30/06/10	December 2010	213	-	99,210
Harvest Fee	01/07/08-30/06/09	December 2010	213	-	5,916
Winery Expenses	01/07/09-30/06/10	December 2010	213	1,548,779	-
Winery Expenses	01/07/08-30/06/09	December 2010	213	-	422,988
Total Fees (GST Inclusive)				1,548,779	955,771

* These fees are not included in the attached financial statements as they are not deductible from the Gross Income of the Project.

The above fees are in accordance with the Project Constitution and Joint Venture Agreements.

Advanced Horticultural Management Limited (AHM) acted as responsible entity for the period 1 July 2006 to 30 May 2007. Under the Sub-Contract of Management Services agreement between the former responsible entity and Koonara Management Pty Limited (Koonara), Koonara is required to attend to the establishment, management and maintenance of the vineyard in accordance with good viticultural practice; attend to the harvest of grapes and arrangement of sales; and, do all things necessary or incidental to the Project carrying out a viable business of growing, marketing and selling of wine grapes, bulk wine or bottled wine. In consideration for the provision of these services, Koonara is entitled to receive the Annual Management Fees, Harvest Fee & Winery Expenses as detailed above and the responsible entity receives a fee of \$60,000 p.a. (indexed) plus \$30 per unit p.a, net of expenses reimbursed. The responsible entity fee payable for the period 1 July 2009 to 30 June 2010 based on this formula, net of expenses reimbursed, was \$89,461 (2009: \$87,354) (GST inclusive). See Note 15. Issues relating to Sub-Contract of Management Services and Project Land Underlease.

In accordance with the Underlease for the land on which the Project is operated, the Lease Rent Contribution Fees detailed above are payable to Coonawarra Property Holdings Limited as rent for the land. See Note 15. Issues relating to Sub-Contract of Management Services and Project Land Underlease.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Note 10 Key Management Personnel Disclosures

(a) Details of Key Management Personnel

The directors and specified executives of Huntley Management Limited are considered to be the Key Management Personnel ('KMP'). The names of persons who were Directors and specified executives of Huntley Management Limited at any time during the financial year were as follows:

Directors of Responsible Entity - Huntley Management Limited for the year ended 30 June 2010

John H Knox

Francis G Swain

Stephen L Law

David G Millhouse (resigned 20 May 2010)

Specified Executives - Huntley Management Limited

Mr William J Foxall, an employee of Huntley Management Limited, the Responsible Entity.

(b) Principles of Allocation of Remuneration of KMP

The amount of remuneration disclosed is based on an allocation of the KMP's activities to Huntley Management Limited and then upon an allocation of their activities to the Project.

(c) Remuneration of KMP

Remuneration of the KMP is paid directly by Huntley Management Limited. The KMP do not receive any remuneration directly from the Project and there are no agreements in place between the KMP and the Project. The remuneration of KMP disclosed below has been allocated based on each KMP's cost of remuneration applicable to the Project. The principles used to allocate these costs (for disclosure purposes only) are discussed above.

The Chairman of the Responsible Entity is responsible for determining and reviewing compensation arrangements for the Directors and Executive of the Responsible Entity.

	Salary & Fees	Non Monetary Benefits	Superannuation	Total
Specified Directors				
J H Knox	10,676	479	-	11,155
S L Law	1,800	-	-	1,800
F G Swain	600	-	-	600
D G Millhouse	-	-	-	-
Specified Executive				
W J Foxall	4,163	174	360	4,697
Total	17,239	653	360	18,252

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Note 11 Value of Project Assets

The scope of these financial statements is limited to transactions in the Project Bank Account established in accordance with the Constitution. Participants are also entitled to a share in the stock of bulk and bottled wine produced by the Project. The following has been based on information provided by Koonara Management Pty Limited ('Koonara') (see Note 12 below). Koonara provides management services to the Project under the Sub-Contract of Management Services agreement with the former responsible entity.

The value of stock on hand at 30 June 2010 per unit for Prospectus 1 Participants was:

Year Ended	30 June 2010	30 June 2009
Cost	\$8,788	\$2,574
Market selling value	\$3,433	\$1,664

The value of stock on hand at 30 June 2010 per unit for Prospectus 2 Participants was:

Year Ended	30 June 2010	30 June 2009
Cost	\$12,375	\$8,293
Market selling value	\$7,240	\$5,394

Koonara offered to purchase the stock of bulk wine, for \$915,287 and bottled wine, for \$288,099, at 30 June 2010 for a total consideration of \$1,203,386. Koonara's offer has been used as the basis for the market selling valuations above as Koonara maintained that their offer reflected the full market price.

Note 12 Material Uncertainty in Financial Information

The financial statements have been prepared on the basis of financial information provided by Koonara which has been incorporated into Project fee invoicing. A number of issues have arisen in relation to the financial information and attempts to resolve these matters with Koonara directly and through their advisors have been unsuccessful. These matters are as follows:

- Koonara has failed to bank proceeds on sale of grapes and wine into the Project custodian's bank account.
- Due to Koonara making material variations to financial information previously provided to Huntley Management Limited, the Responsible Entity consequently doubts the veracity of financial information provided by Koonara .
- Stock information has been reconciled but the accuracy of these reconciliations depends upon the vintage production, yield, sales and stock information provided by Koonara.

The Responsible Entity has withheld payment of some fees from Koonara until matters relating to the financial management of the Project have been addressed including the provision of verified accounting records of the sales made of Project stock and the proceeds of those sales retained by Koonara.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Note 13 Events Subsequent To Balance Date

The Australian wine industry is currently experiencing very difficult times due to issues relating to excess supply, the strength of the Australian dollar, increased international competition and weakening demand in international markets due to economic conditions. These issues are expected to remain with the industry for some time.

On the basis of the financial information supplied by Koonara and the current conditions of the Australian wine industry, Huntley Management Limited formed the view that the purpose of the Project could not be accomplished and that the Project was not and would not become financially viable. Huntley Management Limited issued a notice on 14 October 2010 to Growers and ASIC pursuant to section 601NC(2) of the *Corporations Act 2001* advising that the Project would be wound up unless a meeting of Growers was called to consider the proposed winding up of the Project. Huntley Management Limited received notices from various Growers seeking to call a meeting of Growers. Whilst the notices received were not in the required form Huntley Management Limited considered that, in the interests of good governance, a meeting of Growers be called. A Notice of Meeting of Growers to be held 13 December 2010 was issued on 17 November 2010. The principal purpose of the meeting was to consider resolutions for the winding up of the Project or the replacement of the Responsible Entity. The meeting voted against the resolution to wind up the Project and the meeting was adjourned to a date to be confirmed. Huntley Management Limited reiterated at the meeting its view that the Project is not viable and should be wound up.

Koonara offered to purchase the stock of bulk wine, for \$915,287 and bottled wine, for \$288,099, at 30 June 2010 for a total consideration of \$1,203,386, being the full market price, however, this sale has not been finalised.

No other matters or circumstances have arisen since the end of the financial year that significantly affected or may significantly affect the operations of the Project, the results of those operations, or the state of affairs of the Project in subsequent financial years.

Note 14 Commitments for Expenditure and Contingent Assets and Liabilities

The Project had no expenditure commitments at 30 June 2010. There were no known contingencies at 30 June 2010. Participant's have commitments for expenditure in accordance with their Project Joint Venture Agreement.

Note 15 Issues relating to Sub-Contract of Management Services and Project Land Underlease

- There has been significant dispute between Huntley Management Limited, as replacement Responsible Entity, and Koonara Management Pty Ltd ('Koonara') regarding the performance by Koonara of the Management Services. The Sub-Contract of Management Services agreement ('Subcontract') between the former Responsible Entity, Advanced Horticultural Management Limited ('AHM'), and Koonara did not novate to Huntley Management Limited as the new responsible entity because the fees payable to Koonara under the Subcontract to AHM were not fees to which AHM was entitled to be indemnified out of scheme property and therefore the Subcontract falls within the exception to novation under section 601FS(2)(d) of the *Corporations Act 2001*. Huntley Management Limited sought to have a replacement Sub-Contract of Management Services agreement executed, however, agreement was unable to be reached with Koonara who maintained that the existing Sub-Contract of Management Services agreement with the former Responsible Entity remained binding on the replacement Responsible Entity. Koonara has therefore been performing the Management Services without a formal agreement with Huntley Management Limited.

COONAWARRA WINE-GRAPE PROJECT
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Note 15 Issues relating to Sub-Contract of Management Services and Project Land Underlease (Continued)

- Under the Subcontract Koonara is required to attend to the establishment, management and maintenance of the vineyard in accordance with good viticultural practice; attend to the harvest of grapes and arrangement of sales; and, do all things necessary or incidental to the Project carrying out a viable business of growing, marketing and selling of wine grapes, bulk wine or bottled wine.
- The issues between Huntley Management Limited and Koonara Pty Ltd include:
 - Failure to consult before carrying out the 2010 vintage harvest and production of the same into wine when the costs were to the knowledge of Koonara in excess of the market price for the produce from the performance of those services.
 - Failure to bank Project sale proceeds to the custodian bank account;
 - Failure to provide timely accounting for vintage production, sales, expenses and stock;
 - Concerns regarding the veracity of information provided regarding Project activities and assets;
 - Concerns regarding whether Koonara have done 'all things necessary or incidental to the Project carrying out a viable business';
- It was not practically feasible to engage another contractor to replace Koonara because it was holding the wine of the Growers and therefore, in the absence of a written contract, Huntley Management Limited has been forced to operate on an implied contract basis.
- There has also been a significant dispute with a related entity to Koonara, Coonawarra Property Holdings Limited ('CPHL'). CPHL has not registered the underlease over the vineyard in favour of the custodian for the Project. The underlease was prepared in registrable form and provided to the lawyers for CPHL for registration many years ago, prior to Huntley's appointment as responsible entity, but has not yet been registered by CPHL.

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DIRECTORS' DECLARATION

The Directors of Huntley Management Limited, the Responsible Entity of the Coonawarra Wine-Grape Project declare that:

- 1 in the directors' opinion the attached financial statement of the Project and notes thereto are in accordance with the *Corporations Act 2001*, including:
 - a. giving a true and fair view of the Project's financial position as at 30 June 2010 and of its performance, for the year ended on that date; and
 - b. compliance with Accounting Standards;
- 2 in the directors' opinion there are reasonable grounds to believe that the Project will be able to pay its debts as and when they become due and payable; and
- 3 in the directors' opinion the financial statements are in accordance with the provisions of the Project's Constitution.

Signed in accordance with a resolution of the directors of the Responsible Entity.

A handwritten signature in black ink, consisting of a large, stylized 'H' followed by a wavy line and a small 'e'.

Huntley Management Limited
Sydney: 3 March 2011

DJ Weekes & Co

Pty Limited ABN: 67 107 735 731 CHARTERED ACCOUNTANTS
BUSINESS & TAXATION SPECIALISTS
Liability limited by a scheme approved under
Professional Standards Legislation

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INDEPENDENT AUDITOR'S REPORT

To the Members of Coonawarra Wine Project, ARSN: 087 548 169.

Report on the Financial Report

We were engaged to audit the accompanying financial report of Coonawarra Wine Project, which comprises the balance sheet as at 30 June 2010, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of 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 is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, 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 are required to conduct our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we 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. 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.

Because of the matter discussed in the Basis for Disclaimer of Opinion paragraph below, we were not able to complete an audit in accordance with Australian Auditing Standards.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Coonawarra Wine Project on 3rd March, 2011, would be in the same terms if provided to the directors as at the date of this auditor's report.

Basis for Disclaimer of Opinion

We refer to Item 3, Item 6 and Item 8 in the Directors Report and Note 12, Note 13 and Note 15 of the Notes to the Financial Statements and advise that the accounting records available are not adequate to permit the application of necessary audit procedures. Accordingly, we advise that we have been unable to obtain sufficient appropriate audit evidence required to form an opinion on the financial report.

Disclaimer of Auditor's Opinion

In our opinion, because of the existence of the limitation on the scope of our work, as described in the preceding paragraph, and the effects of any such adjustments, if any, as might have been determined to be necessary had the limitation not existed, we are unable and do not express an opinion the financial report of Coonawarra Wine-Grape Project is in accordance with the *Corporations Act 2001*, including:

- (a) the financial report of Coonawarra Wine Project is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company'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 complies with International Financial Reporting Standards as disclosed in Note 1.



DJ Weekes MBus FCA
Registered Auditor No: 4159

DJ WEEKES & CO. PTY LTD
Chartered Accountants

Bathurst, New South Wales.

Dated this 4th Day of March, 2011.