

**OLD MUNDULLA  
VINEYARD PROJECT  
ARSN 099 233 191**

**Report on the Project at  
30 June 2003**

**Managed by  
Blaxland Vineyards Limited  
ACN 067 514 792**

# OLD MUNDULLA VINEYARD PROJECT

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# OLD MUNDULLA VINEYARD PROJECT

## RESPONSIBLE ENTITY'S REPORT

Blaxland Vineyards Limited (the Responsible Entity) submits the Financial Statements of the project for the year ended 30 June 2003. The following persons held office as directors of the Responsible Entity at the date of this report, and at any time during or since the end of the financial year.

Mr Ronald Collins  
Mr Philip Slee  
Mr Robert Gibson

### Financial Highlights

The year ended 30 June 2003 was the second year of full operations for the Old Mundulla Vineyard. The harvest was disappointing, resulting in the 256 hectares planted producing a total of 2,189 tonnes (2002: 2,029 tonnes). Except for 50 tonnes of cabernet sauvignon taken to a winery to be dealt with by Blaxland, the total vintage was sold to McGuigan Simeon Wines Limited at indicative market value which will be finalised by the time the final payment is made in September. At 30 June growers had received \$1,743,459 (2002: \$2,164,867) for two thirds of the value of the crop. The price paid reflects a reduction in perceived market price from \$1,600 per tonne in 2002 to \$1289 per tonne in 2003. Beaume bonuses and 2003 actual market prices are currently being finalised and an indicative average price for the year would appear to be approximately \$1,460 per tonne.

### Review of Operations

The project continued the development and management of a vineyard of 256 hectares on a site at Mundulla in South Australia. At the date of this report, the entire vineyard has been developed and planted.

The vineyard has been planted to Shiraz, Cabernet Sauvignon, Merlot, Petit Verdot, Mataro, Cabernet Franc and Malbec. Under new arrangements with McGuigan Simeon Wines, all of the produce from the vineyard will be sold to that company less any amounts held back by Blaxland to be made into Investors wines.

The 2003 harvest was only slightly larger than the previous years and did not reflect the expected increase in tonnage. This lack of additional crop was felt throughout the industry with tonnage down significantly across Australia. Although drought conditions continue across Australia, Bordertown has had significant winter rains and it is planned that the crop in 2004 will be in excess of 2500 tonnes.

### Principal Activity

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

No significant change in the nature of these activities occurred during the year.

### Distribution

Distributions were paid to growers during the period as follows:

Final distribution for 2002 paid July 2002	\$ 1,244,649
Interim distribution for 2003 paid September 2002	\$ 196,356
Final distribution for 2003 paid June 2003	\$ 705,923
	<u>\$ 2,146,929</u>

### **Significant Changes in the State of the Affairs**

There was no significant change in the state of the project's affairs during the year.

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

There are no matters or circumstances that have arisen since 30 June 2003 that have significantly affected or may significantly affect:

- the operations of the project;
- the results of those operations; or
- the state of affairs of the project in subsequent financial years.

### **Likely Developments**

There are no likely developments in the current year which would have an impact on the way the vineyard is run by Blaxland.

### **Environmental Regulation**

The project's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory of Australia.

### **Options**

No options over unissued interests in the project were granted during or since the end of the year and there were no options outstanding at the date of this report.

### **Interests Issued**

No grower interests were issued during the year. There were 7.25 interests held by the responsible entity or its associates at the end of the financial year. There were no withdrawals from the scheme during the year.

### **Fees Paid to the Responsible Entity**

During the financial period, \$255,559 (2002: \$78,000) was paid to Blaxland Vineyards Limited as fees to operate, manage and develop the project. The total cost of the project for the financial period to 30 June 2003 was met from these funds as set out in the Prospectus.

### **Indemnification of Officers and Auditors**

The Responsible Entity under its Articles of Association agrees to indemnify every director and officer of the Responsible Entity against liability incurred as a director or officer to the extent permitted by the Corporations Law.

The Responsible Entity also agreed to indemnify every director, secretary, auditor and other officer of the responsible entity against any liability incurred in defending any legal proceedings.

No person has applied for leave of Court to bring proceedings on behalf of the Responsible Entity or intervene in any proceedings to which the responsible entity is a party for the purpose of taking responsibility on behalf of the Responsible Entity for all or any part of those proceedings.

The Responsible Entity was not a party to any such proceedings during the year.

Signed in accordance with the resolution of the Board of Directors of the Responsible Entity.

**Ron M. Collins**  
**Director**  
Dated: 26 September 2003

**Philip J. Slee**  
**Director**

# **OLD MUNDULLA VINEYARD PROJECT**

## **DIRECTORS' DECLARATION**

The directors of the Responsible Entity declare that:

1. The financial statements and notes of the Old Mundulla Vineyard Project are in accordance with the Corporations Act 2001:
  - (a) comply with Australian Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2003 and performance for the year ended on that date of the project.
2. In the directors' opinion there are reasonable grounds to believe that the project will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

**Ronald M. Collins**  
**Director**

**Philip J. Slee**  
**Director**

Dated: 26 September 2003

## OLD MUNDULLA VINEYARD PROJECT

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2003

	Note	2003 \$	2002 \$
Revenues from ordinary activities	2	2,746,388	3,247,301
Expenses from ordinary activities	3	(1,878,763)	(1,510,386)
<b>Profit from ordinary activities before income tax expense</b>		<u>867,625</u>	<u>1,736,915</u>
Income tax expense relating to ordinary activities	1	<u>-</u>	<u>-</u>
<b>Profit from ordinary activities after income tax expense</b>		867,625	1,736,915
Distribution to growers		(2,146,929)	-
<b>Increase /(Decrease) in Growers Equity</b>		<u>(1,279,304)</u>	<u>1,736,915</u>

The accompanying notes form part of these financial statements.

# OLD MUNDULLA VINEYARD PROJECT

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2003

	Note	2003 \$	2002 \$
<b>CURRENT ASSETS</b>			
Cash assets		231,499	1,384,621
Receivables	5	995,463	1,154,082
Other	6	829,631	822,300
<b>TOTAL CURRENT ASSETS</b>		<u>2,056,593</u>	<u>3,361,003</u>
<b>TOTAL ASSETS</b>		<u>2,056,593</u>	<u>3,361,003</u>
<b>CURRENT LIABILITIES</b>			
Payables	7	16,296	41,402
<b>TOTAL CURRENT LIABILITIES</b>		<u>16,296</u>	<u>41,402</u>
<b>TOTAL LIABILITIES</b>		<u>16,296</u>	<u>41,402</u>
<b>NET ASSEST</b>		<u>2,040,297</u>	<u>3,319,601</u>
<b>GROWERS FUNDS</b>			
Growers Equity	4	<u>2,040,297</u>	<u>3,319,601</u>

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

## OLD MUNDULLA VINEYARD PROJECT

### STATEMENT OF CASH FLOWS AS AT 30 JUNE 2003

	2003 \$	2002 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Receipts from customers	2,905,008	2,164,867
Receipts from related entities	-	652
Payment to investors	(2,172,621)	-
Payment to suppliers	(1,885,509)	(822,300)
<b>Net cash provided by (used in) operating activities</b>	<u>(1,153,122)</u>	<u>1,343,219</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from investors	-	41,402
<b>Net cash provided by (used in) investing activities</b>	<u>-</u>	<u>41,402</u>
Net Increase/(Decrease) in cash held	(1,153,122)	1,384,621
Cash at Beginning of Financial Year	1,384,621	-
<b>Cash at end of year</b>	<u>231,499</u>	<u>1,384,621</u>

#### NOTES TO THE STATEMENT OF CASH FLOWS

##### Reconciliation of Cash

Cash at the end of the financial years as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash at bank	<u>231,499</u>	<u>1,384,621</u>
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##### Reconciliation of cash flows from operations with profit from ordinary activities after income tax

Profit from ordinary activities after income tax	867,625	1,736,915
(Increase)/decrease in current receivables	158,619	(1,081,782)
(Increase)/decrease in current prepayments	(7331)	688,086
Increase/(Decrease) in current payables	586	
(Profit) distributed to Growers	<u>(2,172,621)</u>	<u>-</u>
<b>Cash flows from operations</b>	<u>1,153,122</u>	<u>1,312,321</u>

The accompanying notes form part of these financial statements

# OLD MUNDULLA VINEYARD PROJECT

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) **Basis of accounting**

These financial statements have been prepared on an accruals basis and in accordance with the historical cost convention, except for certain assets which are at current valuation. Cost in relation to assets represents the cash amount paid or the fair value of the asset given in exchange.

(b) **Income recognition**

Income and expenditure belong to the individual growers.

Income is recognised by the project when the goods are provided. Expenditure is not recognised by the project until the project starts generating income. Once income is generated, all expenses are recorded in the project accounts as they are incurred.

(c) **Income tax**

The Project is not a taxable entity under the Income Tax Assessment Act 1936 and 1997.

(d) **Cash**

For the purpose of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

(e) **Trade and other creditors**

These amounts represent liabilities for services provided to the economic entity prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

	<u>2003</u> \$	<u>2002</u> \$
<b>2. REVENUE</b>		
<b>Operating activities</b>		
- grape sales	2,746,388	3,247,301
<b>Total Revenue</b>	<u>2,746,388</u>	<u>3,247,301</u>

## OLD MUNDULLA VINEYARD PROJECT

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

	<u>2003</u>	<u>2002</u>
	\$	\$
<b>3. PROFIT FROM ORDINARY ACTIVITIES</b>		
<b>Profit from ordinary activities before income tax has been determined after:</b>		
<b>a. Expenses</b>		
Cost of sales		
Vineyard Maintenance fees	1,827,859	1,510,386
Crop Insurance	50,904	-
	<u>1,878,763</u>	<u>1,510,386</u>
<b>4. GROWERS EQUITY</b>		
Opening Balance	3,319,601	1,510,386
Net Profit available to Growers	867,625	1,736,915
Distribution to Growers	(2,146,929)	-
Equity Introduced	-	72,300
Closing Balance	<u>2,040,297</u>	<u>3,319,601</u>
<b>5. RECEIVABLES</b>		
<b>Current</b>		
Brian McGuigan Wines Limited	995,463	1,082,434
Blaxland Vineyards Limited	-	71,748
	<u>995,463</u>	<u>1,154,082</u>
<b>6. OTHER ASSETS</b>		
<b>Current</b>		
Prepaid Vineyard Fees	<u>829,631</u>	<u>822,300</u>
<b>7. PAYABLES</b>		
<b>Current</b>		
Management Fees Received	-	41,402
Loan from Blaxland Vineyards Limited	586	-
Grower Distribution	15,710	-
	<u>16,296</u>	<u>41,402</u>

#### **8. RELATED PARTY TRANSACTIONS**

Fees retained by the Responsible Entity after payment of vineyard maintenance costs during the year were \$ 255,559 (2002: \$78,000). The Responsible Entity or its associate holds 7.25 lots in the project.

#### **9. SEGMENT REPORTING**

The Project operates in the viticultural industry of Australia.

## 10. FINANCIAL INSTRUMENTS

### Interest Rate Risk

The Project's exposure to interest rate risk, which is the risk that a financial instrument value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on those financial assets and financial liabilities, is as follows

	Weighted Average Effective Interest Rate		Floating Interest Rate	
	2003	2002	2003	2002
	%	%	\$	\$
<b>Financial Assets</b>				
Cash	-	-	231,499	1,384,621
			<hr/>	<hr/>

### Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at 30 June 2003 to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to and forming part of the financial statements.

The Project does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Project.

### Net Fair Values

The net fair value of assets and liabilities approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the Project intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to and forming part of the financial statements.

## 11. THE PROJECT

The Old Mundulla Vineyard Project (ARSN 099 233 191) is a Managed Investment Scheme for which the Responsible Entity is Blaxland Vineyards Limited.

## 12. THE RESPONSIBLE ENTITY

The Responsible Entity is Blaxland Vineyards Limited (ABN 61 067 514 792) of 493 High Street, Maitland, NSW, 2320.

**INDEPENDENT AUDIT REPORT  
TO THE TRUSTEE OF  
OLD MUNDULLA VINEYARD PROJECT**

**Scope**

We have audited the financial statements, being the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and Notes to and forming part of the Financial Statements of the Old Mundulla Vineyard Project for the year ended 30 June 2003. The directors of the Responsible Entity are responsible for the financial statements. We have conducted an independent audit of these financial statements in order to express an opinion on them to the Responsible Entity.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial statements are free of material misstatement. Our procedures include examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the project's financial position, the results of its operations and cash flows.

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

**Audit Opinion**

In our opinion, the financial report of Old Mundulla Vineyard Project is in accordance with:

- a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the project's financial position as at 30 June 2003 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) Other mandatory professional reporting requirements in Australia

**WIDINS**  
**Chartered Accountants**  
Sydney:

**R E Mayberry**  
**Partner**

# OLD MUNDULLA VINEYARD PROJECT

## DIRECTORY

### **Responsible Entity and Custodian**

Blaxland Vineyards Limited

Registered Office  
493 High Street  
Maitland, NSW, 2320  
Phone (02) 4934 7622

### **Directors of the Responsible Entity**

Ronald Malcolm Collins  
Philip James Slee  
Robert John Gibson

### **Independent Accountants and Auditors of the Project**

Widins  
Level 17,  
15 Castlereagh Street  
Sydney NSW 2000