

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

**Report on the Project at
30 June 2004**

**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 2004. 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 unless otherwise stated.

Neil Roland MacKenzie (Appointed 8 June 2004)

Ronald Malcolm Collins

Philip James Slee

Robert John Gibson

Financial Highlights

The third full year of operations saw Old Mundulla Vineyard yield an excellent crop. In total 3,708 tonnes (2003: 2,029 tonnes) were harvested from the 256 hectares planted representing an 82% increase in production from the vineyard. Against that prices have dropped from \$1,412 per tonne in 2003 to \$1,033 representing a 26% decrease. Growers received \$2,529,009 (2003: \$1,743,459) for two-thirds of the total crop value in July 2004. Baume bonuses and 2004 actual market prices will be finalised by the end of September at which point it is anticipated a further distribution will be made.

Review of Operations

The project continued as the management of a vineyard of 256 hectares on a site at Mundulla in South Australia.

The vineyard has been planted to Shiraz, Cabernet Sauvignon, Merlot, Petit Verdot, Mataro, Cabernet Franc and Malbec. Under the current 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. In 2004 no grapes were held back.

Exploration work carried out during the year identified the availability of additional underground water sources at Old Mundulla, which allowed for an upgrade of the vineyard's irrigation system with the commissioning of two new bores. This meant that the vineyard received significantly more water and was sufficiently irrigated during the normally drier months of December to March and resulted in a crop which produced an average of 6.2 tonne to the acre.

Next years crop should continue to be in excess of 5.5 tonnes per acre but may drop a little on this years exceptional weight.

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.

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RESPONSIBLE ENTITY'S REPORT

Distribution

Distributions were paid to growers during the period as follows:

Interim distribution for 2004 paid September 2003	\$ 244,849
Interim distribution for 2004 paid November 2003	\$ 90,595
Final distribution for 2004 paid June 2004	\$ 1,289,031
	<u>\$ 1,624,475</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, except to note that there has been a considerable improvement in the water supply available to the irrigation system.

Matters Subsequent to the End of the Financial Period

There are no matters or circumstances that have arisen since 30 June 2004 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 \$2,091,627 (2003: \$1,878,764) was paid to Blaxland Vineyards Limited as fees to operate and manage the project. The total cost of the project for the financial period to 30 June 2004 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.

OLD MUNDULLA VINEYARD PROJECT

RESPONSIBLE ENTITY'S REPORT

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

Philip J. Slee
Director

Dated: 24 September 2004

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 2004 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: 24 September 2004

OLD MUNDULLA VINEYARD PROJECT

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004 \$	2003 \$
Revenues from ordinary activities	2	3,944,223	2,746,388
Expenses from ordinary activities	3	2,091,627	(1,878,763)
Profit from ordinary activities before income tax expense		<u>1,852,596</u>	<u>867,625</u>
Income tax expense relating to ordinary activities	1	<u>-</u>	<u>-</u>
Profit from ordinary activities after income tax expense		1,852,596	867,625
Distribution to growers		(1,624,475)	(2,146,929)
Increase /(Decrease) in Growers Equity		<u>228,121</u>	<u>(1,279,304)</u>

The accompanying notes form part of these financial statements.

OLD MUNDULLA VINEYARD PROJECT

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004

	Note	2004 \$	2003 \$
CURRENT ASSETS			
Cash assets		723,717	231,499
Receivables	5	2,634,737	995,463
Other	6	25,472	829,631
TOTAL CURRENT ASSETS		<u>3,383,925</u>	<u>2,056,593</u>
TOTAL ASSETS		<u>3,383,925</u>	<u>2,056,593</u>
CURRENT LIABILITIES			
Payables	7	1,115,507	16,296
TOTAL CURRENT LIABILITIES		<u>1,115,507</u>	<u>16,296</u>
TOTAL LIABILITIES		<u>1,115,507</u>	<u>16,296</u>
NET ASSETS		<u>2,268,418</u>	<u>2,040,297</u>
GROWERS FUNDS			
Growers Equity	4	<u>2,268,418</u>	<u>2,040,297</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 2004

	2004	2003
Note	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	2,299,788	2,905,008
Payment to related entities	(20,897)	-
Payment to investors	(524,678)	(2,172,621)
Payment to suppliers	(1,261,995)	(1,885,509)
Net cash provided by (used in) operating activities	492,218	(1,153,122)
Net Increase/(Decrease) in cash held	492,218	(1,153,122)
Cash at Beginning of Financial Year	231,499	1,384,621
Cash at end of year	723,717	231,499

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	723,717	231,499
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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	1,852,596	867,625
(Increase)/decrease in current receivables	(1664,745)	158,619
(Increase)/decrease in current prepayments	829,631	(7331)
Increase/(Decrease) in current payables	(586)	586
(Profit) distributed to Growers	(524,678)	(2,172,621)
Cash flows from operations	492,218	(1,153,122)

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.

(f) **Adoption of Australian Equivalents to International Financial Reporting Standards**

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

OLD MUNDULLA VINEYARD PROJECT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The economic entity's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. An IFRS committee has been established to oversee and manage the economic entity's transition to IFRS. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised.

The directors are of the opinion that there are no key differences in the economic entity's accounting policies which will arise from the adoption of the IFRS.

	2004	2003
	<u>\$</u>	<u>\$</u>
2. REVENUE		
Operating activities		
- grape sales	3,944,223	2,746,388
	<u>3,944,223</u>	<u>2,746,388</u>
3. PROFIT FROM ORDINARY ACTIVITIES		
Profit from ordinary activities before income tax has been determined after:		
a. Expenses		
Vineyard Maintenance fees	2,037,649	1,827,859
Crop Insurance	53,978	50,904
	<u>2,091,627</u>	<u>1,878,763</u>
4. GROWERS' EQUITY		
Opening Balance	2,040,297	3,319,601
Net Profit available to Growers	1,852,596	867,625
Distribution to Growers	(1,624,475)	(2,146,929)
Closing Balance	<u>2,268,418</u>	<u>2,040,297</u>
5. RECEIVABLES		
Current		
McGuigan Simeon Wines Limited	2,634,737	995,463
	<u>2,634,737</u>	<u>995,463</u>
6. OTHER ASSETS		
Current		
Sundry Debtors	5,161	-
Loan to Blaxland Vineyards Limited	20,311	-
Prepaid Vineyard Fees	-	829,631
	<u>25,472</u>	<u>829,631</u>

OLD MUNDULLA VINEYARD PROJECT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

7. PAYABLES

Current

Loan from Blaxland Vineyards Limited	-	586	
Grower Distribution	1,115,507	15,710	
	1,115,507	16,296	

8. RELATED PARTY TRANSACTIONS

Fees retained by the Responsible Entity after payment of vineyard maintenance costs during the year were \$246,345 (2003: \$ 255,559). 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	
	2004	2003	2004	2003
	%	%	\$	\$
Financial Assets				
Cash	-	-	723,717	231,499
			723,717	231,499

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at 30 June 2004 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.

OLD MUNDULLA VINEYARD PROJECT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 2004. 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 2004 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
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Phone (02) 4934 7622

Directors of the Responsible Entity

Neil Roland MacKenzie
Ronald Malcolm Collins
Philip James Slee
Robert John Gibson

Independent Accountants and Auditors of the Project

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