

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

**Report on the Project at
30 June 2006**

**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 2006. 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 R. MacKenzie (Chairman)
Ronald M. Collins
Philip J. Slee
Robert J. Gibson (resigned 6 June 2006)

Financial Highlights

This year is the fifth full year of operations of this 266.4 hectare vineyard. This year's harvest was much bigger than the previous year's and indicates that the vineyard is going into a biennial cycle which we will attempt to break through more specific pruning. In total 4,832 tonnes (2005:3,014 tonnes) were harvested from the 266 hectares planted representing a 60% increase in production from the vineyard. However, prices continue to drop. An interim distribution of \$15,000 per unit was made in July 2006. Baume bonuses and 2006 actual market prices will be finalised by the end of September at which point it is anticipated a final distribution of around \$8,000 per unit will be made.

Review of Operations

The Project continued as the management of a vineyard of 266 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 2006 no grapes were held back.

The upgrade of the vineyard's irrigation system continues to work well with all three bores operating. They delivered 1,224 ML to the vineyard or 4.6ML per hectare. Water to the vineyard should be sufficient in any dry year.

Next years crop will be considerably less than this year's as MSWL have pruned the vineyard back hard. An independent report on the vineyard has been prepared by Davidson Consultants and will be available to Growers.

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.

Australian Equivalents to International Financial Reporting Standards (IFRS)

This report has been prepared under Australian equivalents to IFRS. There are no differences between the Australian equivalents to IFRS and previous GAAP, which applied to 30 June 2005.

OLD MUNDULLA VINEYARD PROJECT

RESPONSIBLE ENTITY'S REPORT

Distribution

Distributions were paid to growers during the year as follows:

Final distribution for 2005 paid October 2005	\$208,959
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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 2006 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 7.3 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. There were 90 growers interests in the Project at the end of the financial year.

Fees Paid to the Responsible Entity

During the financial period \$2,247,702 (2005: \$2,041,531) 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 2006 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.

Ronald M. Collins
Director

Philip J. Slee
Director

Dated: September 2006

PRITCHARD ADAMS

CHARTERED ACCOUNTANTS

OLD MUNDULLA VINEYARD PROJECT

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF THE RESPONSIBLE ENTITY**

I declare that to the best of my knowledge and belief, during the year ended 30 June 2006, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Pritchard Adams
Chartered Accountants



Robert Mayberry
Partner

25 September 2006

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PARTNERS: REX F X HOEBEN, RUSSELL J REID, MARK P PURTILL, RICHARD A HUGHES, ROBERT E MAYBERRY.
CONSULTANT: PAUL A JOHNSTONE.

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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 2006 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: September 2006

OLD MUNDULLA VINEYARD PROJECT

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
Revenues from ordinary activities	2	4,609,961	3,150,007
Expenses from ordinary activities	3	2,360,462	2,094,125
Profit from ordinary activities before income tax expense		<u>2,249,499</u>	<u>1,055,882</u>
Income tax expense relating to ordinary activities	1	<u>-</u>	<u>-</u>
Profit from ordinary activities after income tax expense		2,249,499	1,055,882
Distribution to growers		(208,959)	(826,629)
Increase in Growers Equity		<u>2,040,540</u>	<u>229,253</u>

The accompanying notes form part of these financial statements.

OLD MUNDULLA VINEYARD PROJECT

BALANCE SHEET AS AT 30 JUNE 2006

	Note	2006 \$	2005 \$
CURRENT ASSETS			
Cash assets		360,521	330,513
Receivables	5	2,973,445	982,112
Other	6	<u>1,279,806</u>	<u>1,186,162</u>
TOTAL CURRENT ASSETS		<u>4,613,772</u>	<u>2,498,787</u>
TOTAL ASSETS		<u>4,613,772</u>	<u>2,498,787</u>
CURRENT LIABILITIES			
Payables	7	<u>75,561</u>	<u>1,116</u>
TOTAL CURRENT LIABILITIES		<u>75,561</u>	<u>1,116</u>
TOTAL LIABILITIES		<u>75,561</u>	<u>1,116</u>
NET ASSETS		<u>4,538,211</u>	<u>2,497,671</u>
GROWERS FUNDS			
Growers Equity	4	<u>4,538,211</u>	<u>2,497,671</u>

The balance sheet should be read in conjunction with the accompanying notes.

OLD MUNDULLA VINEYARD PROJECT

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
Note	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	2,601,042	4,813,808
Payment to suppliers	(2,379,661)	(3,279,173)
Interest received	17,586	14,296
Net cash provided by (used in) operating activities	238,967	1,548,931
 CASH FLOW FROM FINANCING ACTIVITIES		
Payment to investors	(208,959)	(1,942,135)
Net cash provided by (used in) financing activities	(208,959)	(1,942,135)
Net Increase/(Decrease) in cash held	30,008	(393,204)
Cash at Beginning of Financial Year	330,513	723,717
Cash at end of year	360,521	330,513

NOTES TO THE CASH FLOW STATEMENT

Reconciliation of Cash

Cash at the end of the financial years as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

Cash at bank	360,521	330,513
Reconciliation of cash flows from operations with profit from ordinary activities after income tax		
Profit from ordinary activities after income tax	2,249,499	1,055,881
(Increase)/decrease in current receivables	(1,991,333)	1,678,096
(Increase)/decrease in current prepayments	(93,644)	(1,186,162)
Increase/(Decrease) in current payables	74,445	1,116
Cash flows from operating activities	238,967	1,548,931

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.

This is the first financial report prepared under Australian equivalents to IFRS. The accounting policies applied are consistent with those applied in the June 2005 annual report even though that report was presented under previous Australian Generally Accepted Accounting Principles (GAAP).

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.

OLD MUNDULLA VINEYARD PROJECT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(f) Australian Equivalents to International Financial Reporting Standards (IFRS)

This report has been prepared under Australian equivalents to IFRS. There are no differences between the Australian equivalents to IFRS and previous GAAP, which applied to 30 June 2005.

	2006 \$	2005 \$
2. REVENUE		
Operating activities		
- grape sales	4,592,375	3,135,711
- interest received	17,586	14,296
	4,609,961	3,150,007
 3. PROFIT FROM ORDINARY ACTIVITIES		
Profit from ordinary activities before income tax has been determined after:		
a. Expenses		
Vineyard Maintenance fees	2,247,702	2,041,531
Crop Insurance	50,404	52,286
Property levies	62,038	-
Other	318	308
	2,360,462	2,094,125
 4. GROWERS' EQUITY		
Opening Balance	2,497,671	2,268,418
Net Profit available to Growers	2,249,499	1,055,882
Distribution to Growers	(208,959)	(826,629)
Closing Balance	4,538,211	2,497,671
 5. RECEIVABLES		
Current		
Trade debtors	2,973,445	982,112
	2,973,445	982,112
 6. OTHER ASSETS		
Current		
Prepaid Vineyard Fees	1,279,806	1,186,162
	1,279,806	1,186,162

OLD MUNDULLA VINEYARD PROJECT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2006	2005
	\$	\$
7. PAYABLES		
Current		
Loan from Blaxland Vineyards Limited	-	1,116
Other	75,561	-
	<u>75,561</u>	<u>1,116</u>

8. RELATED PARTY TRANSACTIONS

(a) Key Management Personnel

Key management personnel in office during the financial year:

Name	Position
Ron Collins	Director
Philip Slee	Director

No compensation was paid to key management personnel during the year.

(b) Transactions with Related Entities

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

(i) Old Mundulla Vineyard Project is a “Managed Investment Scheme” for which the “Responsible Entity” is Blaxland Vineyards Limited (ABN: 61 067 514 792) of 493 High Street, Maitland, NSW.2320.

Fees retained by Blaxland Vineyards Limited after payment of vineyard maintenance costs during the year were \$268,644 (2005: \$305,317). 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:

OLD MUNDULLA VINEYARD PROJECT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Weighted Average Effective Interest Rate		Floating Interest Rate	
	2006 %	2005 %	2006 \$	2005 \$
Financial Assets				
Cash	4.23%	4.1%	360,521	330,513

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at 30 June 2006 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. PROJECT DETAILS

The Old Mundulla Vineyard Project (ARSN 099 233 191) located at Cuppa Cup Road Mundulla SA 5270 is a Managed Investment Scheme for the which the Responsible Entity is Blaxland Vineyards Limited (ABN 61 067 514 792) who's registered address and who's address for administration purposes is 493 High Street Maitland NSW 2320.

PRITCHARD ADAMS

CHARTERED ACCOUNTANTS

**INDEPENDENT AUDIT REPORT
TO THE RESPONSIBLE ENTITY OF
OLD MUNDULLA VINEYARD PROJECT**

Scope

We have audited the financial statements, being the Income Statement, Balance Sheet, Cash Flow Statement and Notes to and forming part of the Financial Statements of Old Mundulla Vineyard Project for the year ended 30 June 2006. 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 in Australia 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.

Independence

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration set out on page 18 of the financial report, has not changed at the date of providing our audit opinion.

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 trust's financial position as at 30 June 2006 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.



PRITCHARD ADAMS
Chartered Accountants
Sydney: 25 September 2006



R E Mayberry
Partner

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PARTNERS: REX F X HOEBEN, RUSSELL J REID, MARK P PURTILL, RICHARD A HUGHES, ROBERT E MAYBERRY.
CONSULTANT: PAUL A JOHNSTONE.

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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

Neil R. MacKenzie
Ronald M. Collins
Philip J. Slee

Independent Accountants and Auditors of the Project

Pritchard Adams
Level 9,
10 Barrack Street
Sydney NSW 2000

Project Location

Cuppa Cup Road
MUNDULLA SA 5270

Project Administration

Blaxland Vineyards Limited
PO Box 737
MAITLAND NSW 2320