

ST MAGNUS VINEYARD PROJECT

ARSN 091 132 786

Report on the Project at
30 June 2007

Managed by
Blaxland Vineyards Limited
ABN 61 067 514 792

ST MAGNUS VINEYARD PROJECT

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ST MAGNUS 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 2007. The following persons held office as directors at any time during or since the end of the financial year unless otherwise stated.

Neil R. MacKenzie (Chairman)
Ronald M. Collins
Philip J. Slec

In addition Ronald M. Collins held the position of company secretary of the Trustee (Responsible Entity) at the end of the financial year.

Financial Highlights

The Project produced a similar tonnage to the previous year totalling 646 tonnes (2006: 645 tonnes), but with rising grape prices this resulted in a crop value of approximately \$909,000 (2006: \$761,000). This year the drought impacted all areas in south eastern Australia and that held growth back. The frost protection system worked well and a number of potentially damaging frosts were averted. With ongoing annual management cost of approximately \$1million, this vineyard is about to break even and 2008 should show a positive result.

Review of Operations

Blaxland Vineyards Limited continued to run the property as Responsible Entity.

During the year the vineyard manager, Advanced Viticulture & Management Pty Limited, a company associated with two of the Directors of Blaxland Vineyards Limited, continued to maintain the vineyard.

The vineyard has been planted to Sauvignon Blanc, Chardonnay, Merlot, Pinot Gris, together with small plantings of Semillon, Riesling and Cabernet Franc. The previous plantings of Sangiovese and Cabernet Sauvignon have been replanted with Pinot Gris, Sauvignon Blanc and Chardonnay. The grapes from the Project were purchased by a number of companies including Mc Williams, Orlando, Yalumba Wines and Endeavour Wines.

Principal Activity

The principal activity of the Project is to grow and market grapes.

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

Distributions

No recommendation is made as to distributions for the year. Net income totalling \$870,563 (2006: \$765,085) received on behalf of growers have been held to cover the ongoing vineyard maintenance costs and project management costs for 2008. Growers will not be asked to contribute to the deficit of income over operating costs. This will be carried forward to next year.

Significant Changes in the State of the Affairs

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

After Balance Date Events

There are no matters or circumstances that have arisen since 30 June 2007 that have significantly affected or may significantly affect:

- the operations of the Project;

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RESPONSIBLE ENTITY'S REPORT

After Balance Date Events – continued

- 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 two 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 242 growers interests in the Project at the end of the financial year.

Fees Paid to the Responsible Entity

During the financial period \$1,044,626 (2006: \$1,040,693) was paid to Blaxland Vineyards Limited as charges to operate, manage and develop the Project. The total cost of the Project for the financial period to 30 June 2007 was met from these funds as set out in the Prospectus.

Indemnification of Officers and Auditors

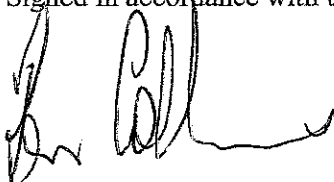
The Responsible Entity under its Articles of Association agrees to indemnify every director and officer of the Responsible Entity against liability incurred as a director or officer to the extent permitted by the Corporations Law.

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.

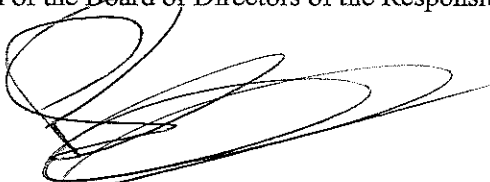
Signed in accordance with the resolution of the Board of Directors of the Responsible Entity.



Ronald M. Collins

Director

Dated: 18 September 2007



Philip J. Slee

Director

NEXIA COURT & CO



CHARTERED
ACCOUNTANTS

ABN 71 502 156 733

ST MAGNUS 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 2007, 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.

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Nexia Court & Co
Chartered Accountants

A handwritten signature in black ink, appearing to read "R Mayberry".

Robert Mayberry
Partner

Sydney
Dated: 28 September 2007

Partners

Stephen J Rogers
Ian D Stone
Paul W Lenton
Neil R Hillman
Stephen W Davis
David M Gallery
Robert A McGuinness
Kirsten Taylor-Martin
Andrew S Hoffmann
Graeme J Watman
David R Cust
Craig J Wilford
Sean P Urquhart
Robert Mayberry

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ST MAGNUS VINEYARD PROJECT

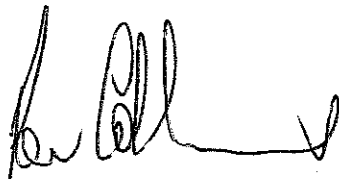
DIRECTORS' DECLARATION

The directors of the Responsible Entity declare that:

1. The financial statements and notes of the St Magnus Vineyard Project are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2007 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.

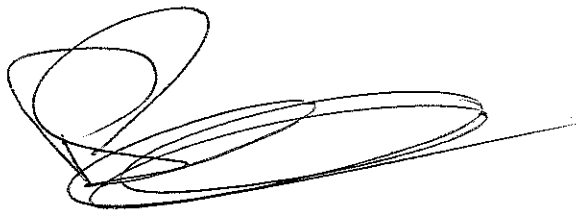
This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Director



.....
Ronald M. Collins

Director



.....
Philip J. Slee

Dated: 18 September 2007

ST MAGNUS VINEYARD PROJECT
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
Revenues from continuing operations	2	870,563	765,085
Expenses from continuing operations	3	(1,067,000)	(1,073,329)
Profit/(Loss) before income tax		<u>(196,437)</u>	<u>(308,244)</u>
Income tax expense	1	<u>-</u>	<u>-</u>
Profit/(Loss) for the year		<u>(196,437)</u>	<u>(308,244)</u>

ST MAGNUS VINEYARD PROJECT

**BALANCE SHEET
AS AT 30 JUNE 2007**

	Note	2007 \$	2006 \$
CURRENT ASSETS			
Cash assets		362,339	424,698
Receivables	4	472,653	324,472
TOTAL CURRENT ASSETS		<u>834,992</u>	<u>749,170</u>
TOTAL ASSETS		<u>834,992</u>	<u>749,170</u>
NET ASSETS		<u>834,992</u>	<u>749,170</u>
GROWERS' EQUITY		<u>834,992</u>	<u>749,170</u>

The accompanying notes form part of these financial statements.

ST MAGNUS VINEYARD PROJECT

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007**

2006			
	Note	Growers' Equity \$	Total \$
Balance at 1 July 2005		1,053,157	1,053,157
Loss attributable to growers		(308,244)	(308,244)
Equity introduced		4,257	4,257
Balance at 30 June 2006		<u>749,170</u>	<u>749,170</u>
2007			
	Note	Growers' Equity \$	Total \$
Balance at 1 July 2006		749,170	749,170
Loss attributable to growers		(196,437)	(196,437)
Equity introduced		282,259	282,259
Balance at 30 June 2007		<u>834,992</u>	<u>834,992</u>

The accompanying notes form part of these financial statements.

ST MAGNUS VINEYARD PROJECT
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		719,642	915,045
Payment to suppliers		(1,067,000)	(1,079,747)
Interest received		2,740	4,151
Net cash (outflow) from operating activities		<u>(344,618)</u>	<u>(160,551)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Payments of loans		-	(9,146)
Net cash (outflow) from investing activities		<u>-</u>	<u>(9,146)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Contributions from growers		282,259	4,257
Net cash from financing activities		<u>282,259</u>	<u>4,257</u>
Net Increase/(Decrease) in cash held		(62,359)	(165,440)
Cash at Beginning of Financial Year		424,698	590,138
Cash at end of year		<u>362,339</u>	<u>424,698</u>
NOTES TO THE CASH FLOW STATEMENT			
Reconciliation of Cash			
Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:			
Cash at bank		<u>362,339</u>	<u>424,698</u>
Reconciliation of profit after tax to net cash inflow from operating activities			
Profit/(Loss) for the year		(196,437)	(308,244)
(Increase)/decrease in current receivables		(148,181)	154,111
Increase/(Decrease) in current payables		-	(6,418)
Cash flows from operations		<u>(344,618)</u>	<u>(160,551)</u>

The accompanying notes form part of these financial statements

ST MAGNUS 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 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 and expenditure 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.

(d) **Cash**

For the purposes of the cash flow statement, 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.

	2007	2006
	\$	\$
2. REVENUE		
Operating activities		
- grape sales	885,264	760,934
- Overaccrual of prior period revenues	(17,441)	
- interest received	2,740	4,151
TOTAL REVENUE	<u>870,563</u>	<u>765,085</u>

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2007	2006
	\$	\$
3. PROFIT FROM ORDINARY ACTIVITIES		
Profit from ordinary activities before income tax has been determined after:		
Expenses		
Vineyard Maintenance charges	929,676	1,001,121
Crop insurance	22,109	32,375
Loan charges - frost system	114,950	39,572
Other	265	261
	1,067,000	1,073,329
Significant items		
a. Revenues		
Overaccrual of prior period revenues	(17,440)	-
4. RECEIVABLES		
Current		
Trade debtors	472,653	324,472
	472,653	324,472
5. 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)	St Magnus 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.	

ST MAGNUS VINEYARD PROJECT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

6. RELATED PARTY TRANSACTIONS (cont.)

Charges retained by Blaxland Vineyards Limited after payment of vineyard maintenance costs during the year were \$50,263 (\$2006: \$70,337). The Responsible Entity or its associate holds 2 lots in the Project.

- (ii) Advanced Viticultural & Management Pty Limited, a company associated with Mr Slee and Mr Collins, received fees of \$824,954 (2006:\$853,852) for viticultural services.

7. SEGMENT REPORTING

The Project operates in the viticultural industry of Australia.

8. 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		Floating Interest Rate	
	Effective Interest Rate			
	2007	2006	2007	2006
	%	%	\$	\$
Financial Assets				
Cash	3.3%	3.1%	362,339	424,698

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at 30 June 2007 to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the balance sheet 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 balance sheet and in the notes to and forming part of the financial statements.

9. THE PROJECT

The St Magnus Vineyard Project (ARSN 091 132 786) located at Adelaide Mannum Road Birdwood SA 5234 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.

INDEPENDENT AUDIT REPORT TO THE RESPONSIBLE ENTITY OF ST MAGNUS VINEYARD PROJECT

Scope

We have audited financial report of St Magnus Vineyard Project for the financial year ended 30 June 2007 as set out on pages 6 to 12.

The Responsible Entity's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the Responsible Entity.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, 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 report is 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 and performance as represented by the results of their operations and their cash flows.

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

Independence

In conducting our audit, we followed the applicable independence requirements of Australian professional and ethical pronouncements and the Corporations Act 2001.

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

Audit Opinion

In our opinion, the financial report of St Magnus 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 2007 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.

Partners

Stephen J Rogers
Ian D Stone
Paul W Lenton
Neil R Hillman
Stephen W Davis
David M Gallery
Robert A McGuinness
Kirsten Taylor-Martin
Andrew S Hoffmann
Graeme J Watman
David R Cust
Craig J Wilford
Sean P Urquhart
Robert Mayberry



Nexia Court & Co.
Chartered Accountants
Sydney

Dated: 28 September 2007



Robert Mayberry
Partner

ST MAGNUS VINEYARD PROJECT

DIRECTORY

Responsible Entity

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

Custodian

Blaxland Vineyards Limited
493 High Street
Maitland NSW 2320

Independent Accountants and Auditors of the Project

Nexia Court & Co Chartered Accountants
Australia Square
Level 29, 264 George Street
Sydney NSW 2000

Project Location

Adelaide Mannum Road
BIRDWOOD SA 5234

Project Administration

Blaxland Vineyards Limited
PO Box 737
MAITLAND NSW 2320