

**ST MAGNUS
VINEYARD PROJECT**
ARSN 091 132 786

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

**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 2004. The following persons held office as directors 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 vineyard, now in its second full year of operations delivered a very disappointing crop. It appears that the frost events and varietal replantings over the past couple of years have had a more detrimental impact on the vineyard than first estimated. The total harvest of 563.37 tonnes (2003: 43.87 tonnes) was well down on prospectus estimates of 847 tonnes. The indicative price for the total crop is \$660,163 giving an average price of \$1,172 per tonne (2003: \$1,583). Market prices have dropped considerably throughout the industry however the final crop value is still subject to discounted weighted district average prices which will be available in September. As a result of the poor crop, growers have been asked to make a further contribution of \$2,395 per interest to cover the maintenance costs of the vineyard to June 2005.

Review of Operations

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

The frost mitigation system was utilised a number of times during the year with the vineyard experiencing below zero temperatures six times after budburst. The system successfully reduced damage from the frost events.

The vineyard has been planted to Sauvignon Blanc, Chardonnay, Cabernet Sauvignon, Merlot, Pinot Gris, together with small plantings of Semillon, Riesling, Cabernet Franc, Sangiovese and Malbec. Most of the grapes from the project were purchased by Nepenthe Wines Pty Limited under contract.

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

Distributions

No distributions were paid to growers during the period and no recommendation is made as to distributions. All funds received on behalf of growers have been held to cover the loan repayment for the frost protection and the ongoing vineyard maintenance costs.

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 2004 that have significantly affected or may significantly affect:

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

Likely Developments

The Directors believe, on reasonable grounds that to include in this report particular information regarding likely developments in the project's operations and the expected results of those operations in financial years after the financial year would be likely to result in unreasonable prejudice to the project. Accordingly this information has not been included in this report.

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.

Fees Paid to the Responsible Entity

During the financial period \$797,295 (2003: \$809,732) was paid to Blaxland Vineyards Limited as fees to operate, manage and develop the project. The total cost

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RESPONSIBLE ENTITY'S REPORT

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.

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: 24 September 2004

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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 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:

Director

Ronald M. Collins

Director

Philip J. Slee

Dated: 24 September 2004

ST MAGNUS VINEYARD PROJECT

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004 \$	2003 \$
Revenues from ordinary activities	2	660,141	645,927
Expenses from ordinary activities	3	(797,295)	(809,732)
Profit/(Loss) from ordinary activities before income tax expense		<u>(137,154)</u>	<u>(163,805)</u>
Income tax expense relating to ordinary activities	1	<u>-</u>	<u>-</u>
Profit/(Loss) from ordinary activities after income tax expense		(137,154)	(163,805)
Distribution to growers		-	-
Increase /(Decrease) in Growers Equity		<u>(137,154)</u>	<u>(163,805)</u>

The accompanying notes form part of these financial statements.

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004

	Note	2004 \$	2003 \$
CURRENT ASSETS			
Cash assets		5,353	8,346
Receivables	5	660,163	66,082
Other	6	-	576,457
TOTAL CURRENT ASSETS		<u>665,516</u>	<u>650,885</u>
TOTAL ASSETS		<u>665,516</u>	<u>650,885</u>
CURRENT LIABILITIES			
Payables	7	156,743	4,958
TOTAL CURRENT LIABILITIES		<u>156,743</u>	<u>4,958</u>
TOTAL LIABILITIES		<u>156,743</u>	<u>4,958</u>
NET ASSETS		<u>508,773</u>	<u>645,927</u>
GROWERS FUNDS			
Growers Equity	4	<u>508,773</u>	<u>645,927</u>

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

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STATEMENT OF CASH FLOWS AS AT 30 JUNE 2004

	2004	2003
Note	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	642,517	3,388
Receipts from related entities	43,470	4,958
Payment to investors	-	-
Payment to suppliers	(688,980)	(809,732)
Net cash (used in) operating activities	(2,993)	(801,386)
CASH FLOW FROM FINANCING ACTIVITIES		
Contributions from Growers	-	809,732
Net cash provided by operating activities	-	809,732
Net Increase/(Decrease) in cash held	(2,993)	8,346
Cash at Beginning of Financial Year	8,346	-
Cash at end of year	5,353	8,346
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	5,353	8,346
Reconciliation of cash flows from operations with profit from ordinary activities after income tax		
Profit/(Loss) from ordinary activities after income tax	(137,154)	(163,805)
(Increase)/decrease in current receivables	(17,624)	(642,539)
Increase/(Decrease) in current payables	151,785	4,958
(Profit)distributed to Growers	-	-
Cash flows from operations	(2,993)	(801,386)

The accompanying notes form part of these financial statements

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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 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.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(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.

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
	\$	\$
2. REVENUE		
Operating activities		
- grape sales	660,141	69,470
- recovery from insurance claim	-	576,457
3. PROFIT FROM ORDINARY ACTIVITIES		
Profit from ordinary activities before income tax has been determined after:		
a. Expenses		
Vineyard Maintenance fees	797,160	809,732
4. GROWERS EQUITY		
Opening Balance	645,927	-
Equity Introduced	-	809,732
Net Profit available to Growers	(137,154)	(163,805)
Distribution to Growers	-	-
Closing Balance	508,773	645,927

The value of Growers equity introduced represents vineyard maintenance fees paid by Growers to 30 June 2003.

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NOTES TO AND FORMING PART OF THE FINANCIAL
STATEMENTS

	2004	2003
	\$	\$
5. RECEIVABLES		
Current		
Nepenthe Wines Pty Limited	660,162	59,321
Kingston Wines Pty Limited	-	6,761
	660,162	66,082
6. OTHER CURRENT ASSETS		
Insurance claim	-	576,457
	-	576,457
7. PAYABLES		
Trade Creditors	108,315	
Loan from Blaxland Vineyards	48,428	4,958
	156,743	4,958

8. RELATED PARTY TRANSACTIONS

Fees retained by the Responsible Entity after payment of vineyard maintenance costs during the year were \$42,631 (2003: \$129,228). The Responsible Entity or its associate holds 2 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		Floating Interest Rate	
	Effective Interest Rate			
	2004	2003	2004	2003
	%	%	\$	\$
Financial Assets				
Cash	-	-	5,354	8,346
			5,354	8,346

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

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

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 St Magnus Vineyard Project (ARSN 091 132 736) 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 RESPONSIBLE ENTITY OF
ST MAGNUS 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 St Magnus 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 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 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: September 2004

R E 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 Roland MacKenzie
Ronald Malcolm Collins
Philip James Slee
Robert John Gibson

Custodian

Blaxland Vineyards Limited
493 High Street
Maitland NSW 2320

Independent Accountants and Auditors of the Project

Widins
Level 17,
15 Castlereagh Street
Sydney NSW 2000