

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

**Report on the Project at
30 June 2005**

**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 2005. 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. Slee
Robert J. Gibson

Financial Highlights

The project performed much better this year with better prices being achieved for the fruit resulting in a crop value of \$993,630 (2004 \$650,000). The frost events of the past few years continued and a claim of \$48,281 was paid by our insurers. The frost mitigation system worked well, with the temperature on the vineyard falling below zero several times after budburst.

No repayments will be made to reduce the loan to the NAB for the frost protection system until 2006. However, we believe that vineyard management should be achieved without the necessity for substantial further funds from investors.

Review of Operations

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

During the year the vineyard manager, Nepenthe Vineyards, resigned and the vineyard is now being managed by Advanced Viticulture & Management Pty Limited, a company associated with two of the Directors of Blaxland Vineyards Limited

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. The grapes from the project were purchased by a number of companies including Berringer Blass(Fosters), Peter Lehmann Wines, Yalumba Wines, Nepenthe Wines and McGuigan Simeon Wines.

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 recommendation is made as to distributions for the year. Crop receipts totalling \$1,054,665 received on behalf of growers have been held to cover the ongoing vineyard maintenance costs and project management costs for 2006.

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 2005 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. 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 \$917,281 (2004: \$797,160) was paid to Blaxland Vineyards Limited as fees to operate, manage and develop the project. The total cost

ST MAGNUS VINEYARD PROJECT

RESPONSIBLE ENTITY'S REPORT

of the project for the financial period to 30 June 2005 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: 23 September 2005

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AUDITOR'S INDEPENDENCE DECLARATION

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 2005 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: 23 September 2005

ST MAGNUS VINEYARD PROJECT

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$	2004 \$
Revenues from ordinary activities	2	1,064,665	660,141
Expenses from ordinary activities	3	(917,513)	(797,295)
Profit/(Loss) from ordinary activities before income tax expense		147,152	(137,154)
Income tax expense relating to ordinary activities	1	-	-
Profit/(Loss) from ordinary activities after income tax expense		147,152	(137,154)
Distribution to growers		-	-
Total changes in equity other than those resulting from transactions with owners as owners		147,152	(137,154)

The accompanying notes form part of these financial statements.

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

	Note	2005 \$	2004 \$
CURRENT ASSETS			
Cash assets		590,138	5,353
Receivables	5	430,301	660,163
Other	6	48,282	-
TOTAL CURRENT ASSETS		<u>1,068,721</u>	<u>665,516</u>
TOTAL ASSETS		<u>1,068,721</u>	<u>665,516</u>
CURRENT LIABILITIES			
Payables	7	15,564	156,743
TOTAL CURRENT LIABILITIES		<u>15,564</u>	<u>156,743</u>
TOTAL LIABILITIES		<u>15,564</u>	<u>156,743</u>
NET ASSETS		<u>1,053,157</u>	<u>508,773</u>
GROWERS FUNDS			
Growers Equity	4	<u>1,053,157</u>	<u>508,773</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 2005

	2005	2004
Note	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	1,243,166	642,517
Payment to suppliers	(1,019,410)	(688,980)
Interest received	3,079	-
Net cash provided by (used in) operating activities	226,835	(2,993)
CASH FLOW FROM INVESTING ACTIVITIES		
Receipts from related entities	-	43,470
Payments of loans to related entities	(39,282)	-
Net cash provided by (used in) by investing activities	(39,282)	43,470
CASH FLOW FROM FINANCING ACTIVITIES		
Contributions from growers	397,232	-
Net cash provided by (used in) by financing activities	397,532	-
Net Increase/(Decrease) in cash held	584,785	(2,993)
Cash at Beginning of Financial Year	5,353	8,346
Cash at end of year	590,138	5,353

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	590,138	5,353
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Reconciliation of cash flows from operations with profit from ordinary activities after income tax

Profit/(Loss) from ordinary activities after income tax	147,152	(137,154)
(Increase)/decrease in current receivables	181,580	(17,624)
Increase/(Decrease) in current payables	(101,897)	151,785
Cash flows from operations	226,835	(2,993)

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 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

The Australian equivalents of IFRS have now become effective with financial statements to become compliant in the year ending 30 June 2006. The directors are of the opinion that no significant differences in the entity's accounting policies will arise from the adoption of the IFRS than if the financial statements were prepared using the current Australian Generally Accepted Accounting Principles which continued to apply until 30 June 2005.

	2005	2004
	\$	\$
2. REVENUE		
Operating activities		
- grape sales	1,013,304	660,141
- recovery from insurance claim	48,282	-
- interest received	3,079	
	1,064,665	660,141
3. PROFIT FROM ORDINARY ACTIVITIES		
Profit from ordinary activities before income tax has been determined after:		
a. Expenses		
Vineyard Maintenance fees	829,809	759,959
Crop insurance	35,442	37,201
Loan charges - frost system	52,030	-
Other	232	135
	917,513	797,295
4. GROWERS EQUITY		
Opening Balance	508,773	645,927
Equity Introduced	397,232	-
Net Profit available to Growers	147,152	(137,154)
Closing Balance	1,053,157	508,773

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NOTES TO AND FORMING PART OF THE FINANCIAL
STATEMENTS

	2005	2004
	\$	\$
5. RECEIVABLES		
Current		
Trade debtors	430,301	660,162
	430,301	660,162
6. OTHER CURRENT ASSETS		
Insurance claim	48,282	-
	48,282	-
7. PAYABLES		
Trade Creditors	-	108,315
Loan from Blaxland Vineyards Limited	9,146	48,248
Other	6,418	-
	15,564	156,743

8. RELATED PARTY TRANSACTIONS

Fees retained by the Responsible Entity after payment of vineyard maintenance costs during the year were \$46,909 (2004: \$42,631). 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			
	2005	2004	2005	2004
	%	%	\$	\$
Financial Assets				
Cash	4.1%	-	590,138	5,354

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at 30 June 2005 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 2005. 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 2005 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: XX September 2005

R E Mayberry
Partner

ST MAGNUS VINEYARD PROJECT

DIRECTORY

Responsible Entity

Blaxland Vineyards Limited

Registered Office:
493 High Street
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Phone: (02) 4934 7622

Directors of the Responsible Entity

Neil R MacKenzie
Ronald M Collins
Philip J Slee
Robert J Gibson

Custodian

Blaxland Vineyards Limited
493 High Street
Maitland NSW 2320

Independent Accountants and Auditors of the Project

Pritchard Adams
Level 9
10 Barrack Street
Sydney NSW 2000