

ST MAGNUS
VINEYARD PROJECT

ARSN 091 132 786

Report for the half-year
ended 31 December 2003

Managed by
Blaxland Vineyards Limited
ABN 61 067 514 792

ST MAGNUS VINEYARD PROJECT

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ST MAGNUS VINEYARD PROJECT

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

Chairman's Report

11 March 2004

We have spent considerable time with St Magnus over the last 6 months, firstly with the frost irrigation system and then the removal of some merlot and cabernet vines and the replanting with both the white varieties of chardonnay and sauvignon blanc. Around 10% of the entire vineyard has been replanted.

The frost irrigation system has proved its value on a number of occasions this year. We have had great difficulties getting it installed including environmental issues with the neighbors in relation to running the pumps at night. We are still discussing the installation costs with the contractor who spent more than 10% over the allowed price for the project.

The vineyard is estimated to have a crop of around 600 tonnes this year, which hopefully will generate income of \$900,000 to \$1,000,000. The outcome will be critical to investors as it is the difference between breaking even for the year or running at a loss (when bringing to account one third of the cost of the frost protection system) which would require investors to inject approximately \$1,000 per Grower unit.

The critical issue for us now is the setting of grape prices. These have been under immense pressure as wineries across Australia grapple with an 76 cent US dollar and a surplus of some varieties.

The vineyard continues to progress towards a well balanced cool climate vineyard but the Adelaide Hills wines, like all vineyard areas in Australia, has suffered the vagaries of currency movements and there will be grape price reductions even in this premium grape growing area.

R.M. Collins

Chairman

Blaxland Vineyards Limited

ST MAGNUS VINEYARD PROJECT

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

Blaxland Vineyards Limited, (the Responsible Entity) submits the Financial Statements of the Project for the half year ended 31 December 2003. The following persons held office as directors during the period to the date of this report.

Mr Ron Collins
Mr Philip Slee
Mr Robert John Gibson

Review of Operations

During the half year under review the 97 hectare vineyard at Birdwood in the Adelaide Hills continued to be maintained on behalf of growers.

The vineyard has been planted to Sauvignon Blanc, Chardonnay, Cabernet Sauvignon, Merlot, Pinot Gris, together with small plantings of Semillon, Riesling, Cabernet Franc and Malbec. 100% of the grapes from the project will be purchased by Nepenthe Wines Pty Limited under contract.

Principal Activities

The principal activities of the Project are the development and management of a 97 hectare vineyard in the Adelaide Hills called St Magnus Vineyard.

Distributions Paid

During the period under review, there were no distributions made to growers.

Significant Changes in the State of the Affairs

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

Matters Subsequent to the End of the Financial Period

There are no matters or circumstances that have arisen since 31 December 2003 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.

ST MAGNUS VINEYARD PROJECT

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

Future Developments

There are no likely developments that will affect the future of the vineyard.

Environmental Regulations

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.

Interests Issued

During the period no further interests were issued in the project. There were no withdrawals from the project. At the 31 December 2003 there were 242 growers' interests in the project. There were two interests held by the Responsible Entity or its associates at the end of the financial year.

Fees Paid to the Responsible Entity

During the period under review \$363,340 was paid to Blaxland Vineyards Limited as fees to maintain the vineyard and manage the project. The total cost of the Project to 31 December 2003 was met from these funds as set out in the Prospectus for the Project dated 20 March 2000.

Value of Project Property

The project owns no assets. The Responsible Entity holds on trust for the growers individually, their respective interests in the trellis irrigation system and vines.

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.

ST MAGNUS VINEYARD PROJECT

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

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: 11 March 2004

ST MAGNUS VINEYARD PROJECT

DIRECTORS' DECLARATION

We, Ronald Collins and Philip Slee being two of the directors of the Blaxland Vineyards Limited, the manager of St Magnus Vineyard Project, declare that the financial statements and notes:

- comply with accounting standards AASB 1029: Interim Financial Reporting and the Corporations Regulations;
- give a true and fair view of the projects financial position as at 31 December 2003 and its performance for the half year ended on that date;
- in our opinion, there are reasonable grounds to believe that the Project will be able to pay its debts as and when they fall due.

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: 11 March 2004

ST MAGNUS VINEYARD PROJECT

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF YEAR ENDED
31 DECEMBER 2003

	Note	31 Dec 2003 \$	31 Dec 2002 \$
Revenues from ordinary activities	2	396,575	-
Expenses from ordinary activities	3	(417,276)	-
Profit/(Loss) from ordinary activities before income tax expense		<u>(20,701)</u>	
Income tax expense relating to ordinary activities	1	<u>-</u>	<u>-</u>
Profit/(Loss) from ordinary activities after income tax expense		(20,701)	-
Distribution to growers		-	-
Increase /(Decrease) in Growers Equity		<u>(20,701)</u>	<u>-</u>

The accompanying notes form part of these financial statements.

ST MAGNUS VINEYARD PROJECT
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2003

	Note	31 Dec 2003 \$	30 Jun 2003 \$
CURRENT ASSETS			
Cash assets		58,415	8,346
Receivables	5	-	642,539
Inventories	6	396,575	-
Other	7	233,711	-
TOTAL CURRENT ASSETS		<u>688,701</u>	<u>650,885</u>
TOTAL ASSETS		<u>688,701</u>	<u>650,885</u>
CURRENT LIABILITIES			
Payables	8	<u>63,475</u>	<u>4,958</u>
TOTAL CURRENT LIABILITIES		<u>63,475</u>	<u>4,958</u>
TOTAL LIABILITIES		<u>63,475</u>	<u>4,958</u>
NET ASSETS		<u>625,226</u>	<u>645,927</u>
GROWERS FUNDS			
Growers Equity	4	<u>625,226</u>	<u>645,927</u>

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

ST MAGNUS VINEYARD PROJECT

STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2003

	Note	31 Dec 2003 \$	31 Dec 2002 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		642,517	-
Payment to suppliers		(592,448)	-
Net cash from operating activities		50,069	-
Net Increase/(Decrease) in cash held		50,069	-
Cash at Beginning of Financial Year		8,346	-
Cash at end of year		58,415	-
 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		58,415	-
 Reconciliation of cash flows from operations with profit from ordinary activities after income tax			
Profit/(Loss) from ordinary activities after income tax		(20,701)	-
(Increase) in current receivables		642,539	-
(Increase) in current inventories		396,575	-
(Increase) in current prepayments		(233,711)	-
Increase in current payables		58,517	-
Cash flows from operations		50,069	-

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 accounts are General Purpose Accounts and have been prepared in accordance with the Accounting Standard AASB1029: Interim Financial Reporting and Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, and the requirements of the Project Constitution.

The accounting policies have been consistently applied and are consistent with those of the previous financial year and corresponding half-year unless otherwise stated.

For the purpose of preparing this half-year financial report, the half-year has been treated as a discrete reporting period. It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2003.

(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 belongs 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, includes cash on hand and in banks and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

ST MAGNUS VINEYARD PROJECT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(e) Non-current investments

Non-current investments are brought to account at cost or at directors' valuation. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. Where the cost exceeds the recoverable amount, the investment has been written down to this recoverable amount. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts except where stated.

(f) 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.

(g) Self generating and regenerating assets

Accounting Standard AASB 1037, Self Generating and Regenerating Assets, has been adopted for this half year. The effect of this Standard is to bring to account as income the increment in net market value of the grape crop in the financial period, and to bring to account as an asset the value of the Project's grapes on the vines at reporting date. This is the first year that the Project has come within the requirement of AASB1037.

There is no active and liquid market for partly mature grapes. Mature value has been determined by the Directors of the Responsible Entity based upon the estimated net market value of the crop at vintage, reduced by the proportion of time between bud-burst and the end of the financial period as a percentage of the time between bud-burst and vintage.

Significant assumptions made in determining net market value;

- (a) the lowest expected value of the crop at vintage has been used to be conservative and minimise the amount of any reversal should the crop be damaged in any way prior to vintage;
- (b) only the current crop is valued;
- (c) vintage is expected to take place at the end of March, beginning of April.

ST MAGNUS VINEYARD PROJECT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	31 Dec 2003 \$	31 Dec 2002 \$
2. REVENUE		
Operating activities		
- Increment in net market value of grapes	396,575	-
Total Revenue	396,575	-
3. PROFIT FROM ORDINARY ACTIVITIES		
Profit from ordinary activities before income tax has been determined after:		
a. Expenses		
Vineyard Maintenance fees	363,341	-
Land Rental	16,638	-
Crop Insurance	37,201	-
Other	96	-
	417,276	-
	31 Dec 2003 \$	30 Jun 2003 \$
4. GROWERS EQUITY		
Opening Balance	645,927	-
Equity Introduced	-	809,732
Net Profit available to Growers	(20,701)	(163,805)
Distribution to Growers	-	-
Closing Balance	625,226	645,927
5. RECEIVABLES		
Current		
Trade Debtors	-	66,082
Insurance Claim	-	576,457
	-	642,539
6. INVENTORIES		
Value of grape crop	396,575	-
7. OTHER CURRENT ASSETS		
Prepayments	233,711	-

ST MAGNUS VINEYARD PROJECT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

8. PAYABLES

Accrued creditors	58,517	-
Loan from Blaxland Vineyards	4,958	4,958
	63,475	4,958

9. RELATED PARTY TRANSACTIONS

Fees retained by the Responsible Entity after payment of vineyard maintenance costs during the period were \$21,316. The Responsible Entity or its associate holds 2 lots in the project.

10. SEGMENT REPORTING

The Project operates in the viticultural industry of Australia.

11. 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	
	2003	2002	31 Dec 2003	30 Jun 2003
	%	%	\$	\$
Financial Assets				
Cash	-	-	58,415	8,346

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at 31 December 2003 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.

ST MAGNUS VINEYARD PROJECT

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

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

12. 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.

INDEPENDENT AUDIT REPORT TO THE TRUSTEES OF ST MAGNUS VINEYARD PROJECT

Scope

We have audited the financial statements, being the Profit and Loss Account, Balance Sheet, Statement of Cash Flows and notes to and forming part of the financial statements of St Magnus Vineyard Project for the half year ended 31 December 2003. The directors of the trustee company 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 trustees, so as to enable the disclosing entity to lodge the financial report with the Australian Securities and Investment Commission.

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 Standard AASB 1029 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 statements present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of St Magnus Vineyard Project as at 31 December 2003 and the results of its operations and cash flows for the half year ended.

WIDINS
Chartered Accountants

R E Mayberry
Partner

Sydney:

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

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

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Sydney, NSW, 2000