

**ST MAGNUS
VINEYARD PROJECT**

ARSN 091 132 786

Report for the half-year
ended 31 December 2004

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 2004

Chairman's Report

7th March 2005

There have been considerable changes on your vineyard over the last six months and we believe all the changes have been positive for the medium to long term benefit of all investors. The major changes have been

- A change in management
- Further redevelopment from red to white varieties
- A broadening of the grape buyer base to include Peter Lehmann Wines and Yalumba Wines

A change in Management

We have moved from Nepenthe to Advanced Viticulture and Management (AVM). Nepenthe were not only the managers from the beginning but contracted to buy 75% of the grapes. We have parted on amicable terms.

The new management is partly owned by 2 of Blaxland's directors and this company manages a large vineyard for Blaxland in the Barossa as well as manages significant other vineyards. AVM has retained the Nepenthe on site manager and this has been an excellent decision to keep continuity of management plans.

Already significant money has gone into vineyard improvements, including soil amelioration, bringing the staff facilities up to OHS standards, and looking at ways with the neighbours and government agencies to reduce saline water flows both onto and off the vineyard during winter and spring.

Variety mix changes

We had previously reported changes from red to white varieties and this work was carried out in spring. At about the same time we (and all our neighbours) experienced a severe frost which affected non frost protected irrigation sections of the vineyard including 8 ha of Cabernet Sauvignon.

A decision was made to spend serious money to graft the Cabernet over to Sauvignon Blanc (65% approx.) and the balance to Pinot Gris and we have already had buying interest to take these grapes. A small crop will come from this area in 2006 and a full crop in 2007.

As a consequence we now have a vineyard that is over 80% planted to white wine varieties and fortunately we have had Mildara Blass take the Merlot and Cabernet Franc so we are extremely pleased with this result.

New grape buyers

In the last 6 months we have attracted both Peter Lehmann Wines and Yalumba Wines to the vineyard and they are taking both red and white varieties. This has been an excellent result as both of these companies are significant players in the Australian wine industry and we now have a vineyard that has the above two as well as Mildara Blass and Nepenthe as the major buyers of the fruit.

The vineyard has progressed well this vintage and we hope to have the vineyard in a break even position this year. When the new planting and new grafted blocks come into full production in a few years we will have a first class vineyard planted with varieties in demand and grape buyers who will meet their obligations.

Whilst we have experienced some criticism from Growers over the last 8 months we believe that the decisions we have made will be to the long term best interests of all Growers.

Sincerely,

Neil MacKenzie
Chairman
Blaxland Vineyards Limited

ST MAGNUS VINEYARD PROJECT

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

Blaxland Vineyards Limited, (the Responsible Entity) submits the Financial Statements of the Project for the half year ended 31 December 2004. The following persons held office as directors during the period to the date of this report.

Neil MacKenzie - Chairman
Ronald Malcolm Collins
Philip Slee
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 and Cabernet Franc.

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 2004 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.

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REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

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 2004 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 \$23,455 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 2004 was met from these funds.

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 2004

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: 7th March 2005

ST MAGNUS VINEYARD PROJECT

DIRECTORS' DECLARATION

We, Ronald Collins and Philip Slee being two of the directors of 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 2004 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: 7th March 2005

ST MAGNUS VINEYARD PROJECT

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

	Note	31 Dec 2004 \$	31 Dec 2003 \$
Revenues from ordinary activities	2	450,497	396,575
Expenses from ordinary activities	3	(484,759)	(417,276)
Profit/(Loss) from ordinary activities before income tax expense		(34,262)	(20,701)
Income tax expense relating to ordinary activities	1	-	-
Profit/(Loss) from ordinary activities after income tax expense		(34,262)	(20,701)
Equity introduced		923,839	-
Distribution to growers		(660,162)	-
Increase /(Decrease) in Growers Equity		229,415	(20,701)

The accompanying notes form part of these financial statements.

ST MAGNUS VINEYARD PROJECT
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004

	Note	31 Dec 2004 \$	30 Jun 2004 \$
CURRENT ASSETS			
Cash assets		32,320	5,353
Receivables	5	108,515	660,163
Inventories	6	450,000	-
Other	7	336,780	-
TOTAL CURRENT ASSETS		<u>927,615</u>	<u>665,516</u>
TOTAL ASSETS		<u>927,615</u>	<u>665,516</u>
CURRENT LIABILITIES			
Payables	8	<u>189,427</u>	<u>156,743</u>
TOTAL CURRENT LIABILITIES		<u>189,427</u>	<u>156,743</u>
TOTAL LIABILITIES		<u>189,427</u>	<u>156,743</u>
NET ASSETS		<u>738,188</u>	<u>508,773</u>
GROWERS FUNDS			
Growers Equity	4	<u>738,188</u>	<u>508,773</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 2004

	Note	31 Dec 2004 \$	31 Dec 2003 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		551,648	642,517
Payment to suppliers		(923,942)	(592,448)
Interest received		497	-
Net cash (outflow) from operating activities		<u>(371,797)</u>	<u>50,069</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Contributions from growers		923,839	-
Distributions to growers		(557,801)	-
Increase in borrowings		32,725	-
Net cash inflow from financing activities		<u>398,763</u>	<u>-</u>
Net Increase in cash held		26,966	50,069
Cash at Beginning of Financial Year		5,354	8,346
Cash at end of year		<u>32,320</u>	<u>58,415</u>

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	<u>32,320</u>	<u>58,415</u>
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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	(34,262)	(20,701)
Decrease in current receivables	551,648	642,539
(Increase) in current inventories	(450,000)	(396,575)
(Increase) in current prepayments	(336,780)	(233,711)
(Decrease)/Increase in current payables	(102,403)	58,517
Net cash (outflow) from operating activities	<u>(371,797)</u>	<u>50,069</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 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 2004.

(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 period 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.

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 2004 \$	31 Dec 2003 \$
2. REVENUE		
Operating activities		
- Increment in net market value of grapes	450,000	396,575
- Interest	497	-
Total Revenue	<u>450,497</u>	<u>396,575</u>
3. PROFIT FROM ORDINARY ACTIVITIES		
Profit from ordinary activities before income tax has been determined after:		
a. Expenses		
Vineyard Maintenance fees	374,813	342,025
Project management fees	23,455	21,316
Land Rental	16,637	16,638
Frost protection	52,030	-
Crop Insurance	17,721	37,201
Other	103	96
	<u>484,759</u>	<u>417,276</u>
	31 Dec 2004 \$	30 Jun 2004 \$
4. GROWERS EQUITY		
Opening Balance	508,773	645,927
Equity Introduced	923,839	-
Net Profit/(loss) available to Growers	(34,262)	(137,154)
Distribution to Growers	(660,162)	-
Closing Balance	<u>738,188</u>	<u>508,773</u>
5. RECEIVABLES		
Current		
Nepenthe Wines Pty Limited	108,515	660,162
	<u>108,515</u>	<u>660,162</u>
6. INVENTORIES		
Value of grape crop	<u>450,000</u>	<u>-</u>
7. OTHER CURRENT ASSETS		
Prepayments	336,780	-

ST MAGNUS VINEYARD PROJECT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	31 Dec 2004	30 Jun 2004
	\$	\$
8. PAYABLES		
Trade creditors	-	108,315
Other creditors	108,274	-
Loan from Blaxland Vineyards	81,153	48,428
	189,427	156,743

9. RELATED PARTY TRANSACTIONS

Fees retained by the Responsible Entity after payment of vineyard maintenance costs during the period were \$23,455. 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	
	2004	2003	31 Dec 2004	30 Jun 2004
	%	%	\$	\$
Financial Assets				
Cash	3.1	-	32,320	5,353
			_____	_____

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at 31 December 2004 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.

13. 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 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 2004. 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 2004 and the results of its operations and cash flows for the half year ended.

**Pritchard Adams
Chartered Accountants**

**R E Mayberry
Partner**

Sydney, March 2005

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

Neil MacKenzie

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