

**ST MAGNUS  
VINEYARD PROJECT**

ARSN 091 132 786

Report for the half-year  
ended 31 December 2005

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 2005**

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### **Chairman's Report**

6 March 2006

As you are aware there has been considerable press surrounding the economic woes of the wine industry and the players in it. The brunt of the grape/wine glut is being borne by Growers and this year sees prices for some varieties slide into barely break even levels. Thankfully the vineyard's major grape variety is Sauvignon Blanc which is holding up well this year and prices should be similar to last year. However, up market Chardonnay has taken a hit with marketers saying that consumers are moving to Sauvignon Blanc, Viognier and Pinot Gris/Grigio.

We have been fortunate in having the major wine company, McWilliams, take much of our chardonnay this year, albeit at lower prices and also take quantities of Sauvignon Blanc. Yalumba have also increased their take from the vineyard this vintage.

The new plantings of Sauvignon Blanc and Pinot Gris will soon be fruitful and prices for these varieties are holding up well.

Thus, whilst the vineyard will only just hold its own over the current year and possibly again in 2007, the long term outlook is more positive with a better balanced vineyard and a moratorium on Adelaide Hills developments.

Sincerely,

**Neil MacKenzie**  
**Chairman**  
**Blaxland Vineyards Limited**

# **ST MAGNUS VINEYARD PROJECT**

## **REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

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Blaxland Vineyards Limited, (the Responsible Entity) submits the Financial Statements of the Project for the half year ended 31 December 2005. The following persons held office as directors during the period to the date of this report.

Neil R. MacKenzie - Chairman  
Ronald M. Collins  
Philip J. Slee  
Robert J. 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, Merlot, Pinot Gris, together with small plantings of Semillon, Riesling, Sangiovese 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 2005 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 2005**

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### **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 2005 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 \$35,169 (2004 \$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 2005 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.

### **Adoption of Australian Equivalents to International Financial Reporting Standards (IFRS)**

This interim report has been prepared under Australian equivalents to IFRS. There are no differences between the Australian equivalents to IFRS and previous GAAP, which applied to 30 June 2005.

### **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 2005**

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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: 6 March 2006

# ST MAGNUS VINEYARD PROJECT

## DIRECTORS' DECLARATION

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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 134: Interim Financial Reporting and the Corporations Regulations;
- give a true and fair view of the projects financial position as at 31 December 2005 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: 6 March 2006

**ST MAGNUS VINEYARD PROJECT**  
**AUDITORS INDEPENDENCE DECLARATION**  
**LEAVE BLANK**

**ST MAGNUS VINEYARD PROJECT**

**INCOME STATEMENT**

**FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

	Note	31 Dec 2005 \$	31 Dec 2004 \$
Revenues from ordinary activities	2	452,886	450,497
Expenses from ordinary activities	3	(536,793)	(484,759)
<b>Profit/(Loss) from ordinary activities before income tax expense</b>		(83,907)	(34,262)
Income tax expense relating to ordinary activities	1	-	-
<b>Profit/(Loss) from ordinary activities after income tax expense</b>		(83,907)	(34,262)
Distribution to growers		-	-
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		(83,907)	(34,262)

The accompanying notes form part of these financial statements.

# ST MAGNUS VINEYARD PROJECT

## BALANCE SHEET AS AT 31 DECEMBER 2005

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	Note	31 Dec 2005 \$	30 Jun 2005 \$
<b>CURRENT ASSETS</b>			
Cash assets		2,535	590,138
Receivables	5	-	430,301
Inventories	6	450,000	-
Other	7	536,535	48,282
<b>TOTAL CURRENT ASSETS</b>		<u>989,070</u>	<u>1,068,721</u>
<b>TOTAL ASSETS</b>		<u>989,070</u>	<u>1,068,721</u>
<b>CURRENT LIABILITIES</b>			
Payables	8	<u>15,564</u>	<u>15,564</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>15,564</u>	<u>15,564</u>
<b>TOTAL LIABILITIES</b>		<u>15,564</u>	<u>15,564</u>
<b>NET ASSETS</b>		<u>973,506</u>	<u>1,053,157</u>
<b>GROWERS FUNDS</b>	4	<u>973,506</u>	<u>1,053,157</u>

The balance sheet should be read in conjunction with the accompanying notes.

**ST MAGNUS VINEYARD PROJECT  
CASH FLOW STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

	Note	31 Dec 2005 \$	31 Dec 2004 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers		478,583	551,648
Payment to suppliers		(1,073,328)	(923,942)
Interest received		2,886	497
<b>Net cash (outflow) from operating activities</b>		<u>(591,859)</u>	<u>(371,797)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Contributions from growers		4,256	366,038
Increase in borrowings		-	32,725
<b>Net cash inflow from financing activities</b>		<u>4,256</u>	<u>398,763</u>
Net (Decrease)/Increase in cash held		(587,603)	26,966
Cash at beginning of financial period		590,138	5,354
<b>Cash at end of financial period</b>		<u>2,535</u>	<u>32,320</u>

**NOTES TO THE CASH FLOW STATEMENT**

**Reconciliation of Cash**

Cash at the end of the financial period as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

Cash at bank	<u>2,535</u>	<u>32,320</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	(83,907)	(34,262)
Decrease in current receivables	430,301	551,648
(Increase) in current inventories	(450,000)	(450,000)
(Increase) in current prepayments	(488,253)	(336,780)
(Decrease) in current payables	-	(102,403)
<b>Net cash (outflow) from operating activities</b>	<u>(591,859)</u>	<u>(371,797)</u>

The accompanying notes form part of these financial statements

**ST MAGNUS VINEYARD PROJECT**

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

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounts are General Purpose Accounts and have been prepared in accordance with the Accounting Standard AASB134: 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.

This is the first financial report prepared under Australian equivalents to IFRS. The accounting policies applied are consistent with those applied in the June 2005 annual report even though that report was presented under previous Australian GAAP.

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 2005.

**(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.

**ST MAGNUS VINEYARD PROJECT**

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

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (contd)**

- (d) **Cash**  
For the purposes of the cash flow statement, 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) **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) **Agriculture**  
Accounting Standard AASB 141, Agriculture has been applied during the half year 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**

	<b>31 Dec 2005 \$</b>	<b>31 Dec 2004 \$</b>
<b>2. REVENUE</b>		
<b>Operating activities</b>		
- Increment in net market value of grapes	450,000	450,000
- Interest	2,886	497
<b>Total Revenue</b>	<u>452,886</u>	<u>450,497</u>
<b>3. PROFIT FROM ORDINARY ACTIVITIES</b>		
<b>Profit from ordinary activities before income tax has been determined after:</b>		
<b>Expenses</b>		
Vineyard Maintenance fees	426,926	374,813
Project management fees	35,169	23,455
Land Rental	38,466	16,637
Frost protection	19,786	52,030
Crop Insurance	16,187	17,721
Other	259	103
	<u>536,793</u>	<u>484,759</u>
	<b>31 Dec 2005 \$</b>	<b>30 Jun 2005 \$</b>
<b>4. GROWERS FUNDS</b>		
Opening Balance	1,053,157	508,773
Funds Introduced	4,256	397,232
Net Profit/(loss) available to Growers	(83,907)	147,152
Closing Balance	<u>973,506</u>	<u>1,053,157</u>
<b>5. RECEIVABLES</b>		
<b>Current</b>		
Trade debtors	-	430,301
	<u>-</u>	<u>430,301</u>
<b>6. INVENTORIES</b>		
Value of grape crop	<u>450,000</u>	<u>-</u>
<b>7. OTHER CURRENT ASSETS</b>		
Prepayments	536,535	48,282

**ST MAGNUS VINEYARD PROJECT**

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

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	<b>31 Dec 2005</b>	<b>30 Jun 2005</b>
	\$	\$
<b>8. PAYABLES</b>		
Other creditors	-	6,418
Loan from Blaxland Vineyards	15,564	9,146
	15,564	15,564

**9. RELATED PARTY TRANSACTIONS**

Fees retained by the Responsible Entity after payment of vineyard maintenance costs during the period were \$35,169. 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. 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 REVIEW 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 2005. 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 2005 and the results of its operations and cash flows for the half year ended.

**Pritchard Adams  
Chartered Accountants**

**R E Mayberry  
Partner**

Sydney, xx March 2006

# ST MAGNUS VINEYARD PROJECT

## DIRECTORY

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### **Responsible Entity**

Blaxland Vineyards Limited

Registered Office:

493 High Street

Maitland, NSW, 2320

Phone: (02) 4934 7622

### **Directors of the Responsible Entity**

Ronald M. Collins

Philip J. Slee

Robert J. Gibson

Neil R. 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