

**ST MAGNUS
VINEYARD PROJECT**

ARSN 091 132 786

Report for the half-year
ended 31 December 2006

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 2006

Blaxland Vineyards Limited, (the Responsible Entity) submits the Financial Statements of the Project for the half year ended 31 December 2006. 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

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 and Cabernet Franc. During the last six months the Sangiovese was replaced with new plantings of Pinot Gris.

In June the manager undertook to enlarge the frost protection system so that the majority of the vineyard is protected. This has already proved its worth with more than a dozen frost events since its completion. The resulting crop is much larger than could otherwise have been expected.

Harvest commenced in March and we are optimistic of a much better result than previously recorded, as the drought has put the crop very much in demand with prices rising accordingly. However, this has been a difficult growing season and the national crop is expected to be down by over 40%. We believe that we have managed to at least keep the crop to last years levels, but will not know until harvest is completed.

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 period.

ST MAGNUS VINEYARD PROJECT

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

Matters Subsequent to the End of the Financial Period

There are no matters or circumstances that have arisen since 31 December 2006 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.

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 2006 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 \$437,609 (2005 \$462,095) was paid to Blaxland Vineyards Limited as fees to maintain the vineyard and manage the Project. Of this amount, \$412,477 was paid for viticultural management. The total cost of the Project to 31 December 2006 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.

ST MAGNUS VINEYARD PROJECT

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

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: 7 March 2007

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 134: Interim Financial Reporting and the Corporations Regulations;
- give a true and fair view of the projects financial position as at 31 December 2006 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: 7 March 2007

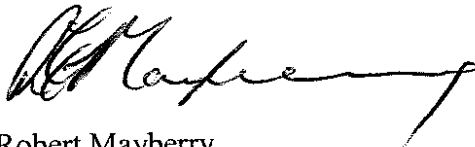
**ST MAGNUS VINEYARD PROJECT
AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF THE RESPONSIBLE ENTITY**

I declare that to the best of my knowledge and belief, during the half-year ended 31 December 2006, there have been:

- i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- ii no contraventions of any applicable code of professional conduct in relation to the audit.



Pritchard Adams
Chartered Accountants



Robert Mayberry
Partner

8 MARCH, 2007.

ST MAGNUS VINEYARD PROJECT

INCOME STATEMENT

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Note	31 Dec 2006 \$	31 Dec 2005 \$
Revenues from continuing operations	2	419,706	452,886
Expenses from continuing operations	3	(534,310)	(536,793)
		<hr/>	<hr/>
Profit/(Loss) before income tax		(114,604)	(83,907)
Income tax expense	1	<hr/> -	<hr/> -
Profit/(Loss) for the half year		<hr/> (114,604)	<hr/> (83,907)

The accompanying notes form part of these financial statements.

ST MAGNUS VINEYARD PROJECT

BALANCE SHEET AS AT 31 DECEMBER 2006

	Note	31 Dec 2006 \$	30 Jun 2006 \$
CURRENT ASSETS			
Cash assets		4,300	424,698
Receivables	4	28,513	324,472
Inventories	5	450,000	-
Other	6	522,491	-
TOTAL CURRENT ASSETS		<u>1,005,304</u>	<u>749,170</u>
TOTAL ASSETS		<u>1,005,304</u>	<u>749,170</u>
CURRENT LIABILITIES			
Payables	7	<u>88,782</u>	<u>-</u>
TOTAL CURRENT LIABILITIES		<u>88,782</u>	<u>-</u>
TOTAL LIABILITIES		<u>88,782</u>	<u>-</u>
NET ASSETS		<u>916,522</u>	<u>749,170</u>
GROWERS' EQUITY		<u>916,522</u>	<u>749,170</u>

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

ST MAGNUS VINEYARD PROJECT

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

2005			
	Note	Growers' Equity \$	Total \$
Balance at 1 July 2005		1,053,157	1,053,157
Loss attributable to growers		(83,907)	(83,907)
Equity introduced		4,256	4,256
Balance at 31 December 2005		<u>973,506</u>	<u>973,506</u>
2006			
	Note	Growers' Equity \$	Total \$
Balance at 1 July 2006		749,170	749,170
Loss attributable to growers		(114,604)	(114,604)
Equity introduced		281,956	281,956
Balance at 31 December 2006		<u>916,522</u>	<u>916,522</u>

The accompanying notes form part of these financial statements.

**ST MAGNUS VINEYARD PROJECT
CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	Note	31 Dec 2006 \$	31 Dec 2005 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		264,850	478,583
Payment to suppliers		(968,019)	(1,073,328)
Interest received		815	2,886
Net cash (outflow) from operating activities		<u>(702,354)</u>	<u>(591,859)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Contributions from growers		1,044,982	4,256
Distribution to growers		(763,026)	
Increase in borrowings		-	-
Net cash inflow from financing activities		<u>281,956</u>	<u>4,256</u>
Net (Decrease)/Increase in cash held		(420,398)	(587,603)
Cash at beginning of financial period		<u>424,698</u>	<u>590,138</u>
Cash at end of financial period		<u>4,300</u>	<u>2,535</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>4,300</u>	<u>2,535</u>
Reconciliation of profit after income tax to net cash inflow from operating activities			
Profit for the half year		(114,604)	(83,907)
Decrease in current receivables		295,959	430,301
(Increase) in current inventories		(450,000)	(450,000)
(Increase) in current prepayments		(522,491)	(488,253)
Increase in current payables		88,782	-
Net cash (outflow) from operating activities		<u>(702,354)</u>	<u>(591,859)</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 AASB134: Interim Financial Reporting, 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.

It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2006.

(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 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

ST MAGNUS VINEYARD PROJECT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (contd)

- (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 commenced at the beginning of March.

ST MAGNUS VINEYARD PROJECT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	31 Dec 2006	31 Dec 2005
	<u>\$</u>	<u>\$</u>
2. REVENUE		
Operating activities		
- Increment in net market value of grapes	450,000	450,000
- Overaccrual of prior period revenues	(31,109)	-
- Interest	815	2,886
Total Revenue	<u>419,706</u>	<u>452,886</u>
3. PROFIT FROM ORDINARY ACTIVITIES		
Profit from ordinary activities before income tax has been determined after:		
Expenses		
Vineyard Maintenance fees	412,477	426,926
Project management fees	25,132	35,169
Land Rental	16,504	38,466
Water supply	11,695	-
Frost protection	57,475	19,786
Crop Insurance	10,903	16,187
Other	124	259
	<u>534,310</u>	<u>536,793</u>
Significant items		
a. Revenues		
Overaccrual of prior period revenues	<u>(31,109)</u>	<u>-</u>
4. RECEIVABLES		
Current		
Trade debtors	<u>28,513</u>	<u>324,472</u>
5. INVENTORIES		
Value of grape crop	<u>450,000</u>	<u>-</u>
6. OTHER CURRENT ASSETS		
Prepayments	<u>522,491</u>	<u>-</u>
7. PAYABLES		
Trade creditors	4,511	-
Other creditors	84,271	-
	<u>88,782</u>	<u>-</u>

ST MAGNUS VINEYARD PROJECT

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

8. RELATED PARTY TRANSACTIONS

Fees retained by the Responsible Entity after payment of vineyard maintenance costs during the period were \$25,132 (2005:\$35,169). 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. THE PROJECT

The St Magnus Vineyard Project (ARSN 091 132 786) located at Adelaide Mannum Road Birdwood SA 5234 is a Managed Investment Scheme for the which the Responsible Entity is Blaxland Vineyards Limited (ABN 61 067 514 792) who's registered address and who's address for administration purposes is 493 High Street Maitland NSW 2320.

ST MAGNUS VINEYARD PROJECT

INDEPENDENT REVIEW REPORT TO THE RESPONSIBLE ENTITY OF ST MAGNUS VINEYARD PROJECT

Scope

We have reviewed the financial statements, being the Income Statement, Balance Sheet, Cash Flow Statement and notes to and forming part of the financial statements, included as part of the financial report of St Magnus Vineyard Project for the half year ended 31 December 2006. The directors of the Responsible Entity are responsible for the financial report. We have performed the review of the financial statements in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial statements are not presented fairly in accordance with Accounting Standard AASB 134: Interim Financial Reporting and other mandatory professional reporting requirements in Australia, to enable the responsible entity to lodge the financial statements with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the Responsible Entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, we do not express an audit opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's declaration set out on page 6 of the financial report has not changed as at the date of providing our review opinion.

Statement

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of St Magnus Vineyard Project is not in accordance with:

- a. the Corporations Act 2001, including giving a true and fair view of the Project's financial position as at 31 December 2006 and its performance for the half-year then ended; and Accounting Standard AASB 134: Interim Financial Reporting.
- b. other mandatory professional reporting requirements in Australia.



Pritchard Adams

Sydney,



Robert Mayberry

Partner

Date: **8 MARCH, 2007.**

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 R MacKenzie
Ronald M Collins
Philip J Slee

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

Project Location

Adelaide Mannum Road
BIRDWOOD SA 5234

Project Administration

Blaxland Vineyards Limited
PO Box 737
MAITLAND NSW 2320