

Coonawarra Australia Property Trust

ARSN 104 335 159 ABN 37 529 164 940

2004 Annual Report



Responsible Entity:

Coonawarra Premium Vineyards Limited
AFS Licence No. 226243 ABN 56 086 944 265
Level 1, 7 Greenhill Road, Wayville SA 5034
Phone (08) 8299 9455 Fax (08) 8299 9355

Coonawarra Australia Property Trust

Annual Report for the year ended 30 June 2004

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Corporate Information

Responsible Entity (RE):	Coonawarra Premium Vineyards Limited ABN 58 086 944 265 AFS Licence No. 226243
Directors of the RE	Richard Beck (Chairman) Paul Miller (Compliance Officer) Rex Watson (Group Managing Director)
Company secretary of the RE	Andrew Parkinson
Registered office and principal place of business	Level 1, 7 Greenhill Road, Wayville, South Australia 5034
Postal address	PO Box 6243 Halifax Street, Adelaide South Australia 5000
Phone:	+61 8 8299 9455
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Email:	enquiries@coonawarravineyard.com.au
Trust ASX Code:	CNR
Trust Registry	Computershare Investor Services Pty Ltd Level 5, 115 Grenfell St, Adelaide SA 5000 Ph: +61 8 8236
Custodian	Tower Trust (SA) Limited, Adelaide
Auditors	Deloitte Touche Tohmatsu, Adelaide
Taxation advisor	Deloitte Touche Tohmatsu, Adelaide
Bankers	Commonwealth Bank of Australia, Adelaide

Coonawarra Australia Property Trust

Notice of Annual General Meeting

The Annual General Meeting of Unitholders of Coonawarra Australia Property Trust will be held at the Adelaide South Park Hotel, 1 South Terrace, Adelaide, South Australia on Tuesday 30 November 2004 at 11:30am.

A formal notice of the meeting and a proxy form are enclosed with this Annual Report.

Chairman's Report

Dear Unitholder

As reported to the Australian Stock Exchange on 22 September 2004, the estimated distribution for the September 2004 quarter is 2.0 cents per unit. This represents an annualised running yield of 11.4% on the most recent unit price of \$0.70 per unit.

The property assets of the Trust have been recorded in the financial accounts at valuation of \$16,800,000 as at 30 June 2004.

At 24 August 2004 there were 17,500,000 ordinary units on issue, of which the 20 largest unitholders held 4,489,304 units or 25.65% of the units on issue. The Trust currently has 695 unitholders.

The Trust's investment in the Coonawarra vineyard property provides unitholders with a stable income stream, which is derived from rental income and is not subject to the agricultural risks and fluctuations inherent in grape production.

The Trust is positioned as a provider of capital to the wine industry as the demand for capital from major participants continues to grow.

The Trust continues with its corporate objectives and strategy to acquire further vineyards and wine infrastructure assets in premium wine-producing regions of Australia so as to improve returns to unitholders. Coonawarra Premium Vineyards Limited, which is the responsible entity (RE) for the Trust, continues to seek out investment opportunities to deliver the Trust's growth strategy. The RE has reviewed a number of opportunities over the last 12 months and continues to do so. The present state of the wine industry has produced an increased number of potential transactions, which the RE is carefully examining.

The Trust is well-placed to grow its assets and profitability and enjoy the benefits of the challenging wine industry. The RE remains confident that the Trust's growth strategy can be delivered.

Yours Sincerely



RICHARD BECK
Chairman
Coonawarra Premium Vineyards Limited
22 September 2004

Coonawarra Australia Property Trust

Corporate Governance Statement

The Board of Directors of the Responsible Entity (RE)

As at the date of this report the Board of the RE comprised three directors: two non-executive directors and one executive (the Group Managing Director). The Chairman of the Board is a non-executive director. The Chief Executive Officer (CEO) is not a director, but in his capacity as Company Secretary he attends all board meetings. There are no set terms for directors to hold office. The Board meets on a monthly basis and its primary functions include:

- (a) the approval of the annual and half-year financial statements, including ASX reports, and the timely lodgment thereof;
- (b) the establishment of the long-term goals of the Trust and strategic plans to achieve those goals;
- (c) the review and adoption of annual budgets for the financial performance of the Trust and monitoring the results on a regular basis; and
- (d) ensuring that the Trust has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities.

Independent Professional Advice

With the prior approval of the Company Secretary, each director has the right to seek independent and other professional advice at the Trust's expense (providing a copy of such advice is provided to the Trust concerning any aspect of the company's operations and undertakings in order to fulfil his duties and responsibilities as director).

Audit and Compliance Committee

As at the date of this report the Trust's Audit and Compliance Committee consists of the following members, all of whom are independent of the management of the RE and do not participate in management of the RE or the Trust:

- Professor Michael Burgess (Independent Chairman of the Committee)
- Mr Richard Beck (Independent Chairman of the RE)
- Mr Paul Miller (Independent Compliance Director of the RE)

The Audit and Compliance Committee provides a forum for the effective communication between the Board and external auditors. The primary function of the Audit and Compliance Committee is to review:

- (a) the annual and half-year financial statements before they are approved by the Board;
- (b) the effectiveness of management information systems and systems of internal control; and
- (c) the efficiency and effectiveness of the external audit function.

The Audit and Compliance Committee generally invites the Company Secretary of the RE, the General Manager Finance & Administration and the external auditors to attend the Audit and Compliance Committee meetings.

The Audit and Compliance Committee also monitors the compliance activities of the Trust and reports to the Board to ensure that the compliance responsibilities of the Trust are being satisfied and that appropriate controls and reporting practices are in place to ensure that compliance obligations are satisfied and maintained at the highest level. This includes compliance with ASX reporting requirements and all other public disclosure requirements of a disclosing entity.

The Audit and Compliance Committee oversees the performance of management and the board in achieving the compliance and business objectives of the Trust and ensures that Unitholders are informed of all information necessary to assess the performance of directors.

Risk Management and Other Board Committees

The Board is responsible for the Trust's system of internal controls. The Board monitors the operational and financial aspects of the Trust's activities and, through the Audit and Compliance Committee, the Board considers the recommendations and advice of the external auditors on the operational and financial risks that face the Trust.

The Board ensures that recommendations made by the external auditors are investigated and, where considered necessary, appropriate action is taken to ensure that the Trust has an appropriate internal control environment in place to manage the key risks identified.

The size of the Trust does not justify the establishment of separate nomination or remuneration committees. These functions are carried out by the board as a whole, seeking external advice where appropriate.

Environmental Review

The Trust has a strong commitment to playing its part in reducing the damaging impact of human activity on the environment.

Occupational Health and Safety

The Trust recognises its duty to ensure the occupational health, safety and welfare (OHS&W) at work of its contractors and visitors when on the Trust's property. The Trust has no employees. The Trust's management plan involves several key elements:

- A preventative approach is adopted through adequate hazard management and regular review of action plans.
- Appropriate standards of work methods are maintained by consultation between contractors and managers.
- Contractors are provided with information necessary to understand the risks associated with their work and their responsibility to safe work practices.
- All legislative requirements are met and incorporate continuous improvement via Trust action plans.

Coonawarra Australia Property Trust

Directors' Report

The directors of Coonawarra Premium Vineyards Limited ABN 58 086 944 265, as Responsible Entity (RE) and Trustee for the Coonawarra Australia Property Trust ABN 37 529 164 940 (Trust), present their report on the Trust for the financial year ended 30 June 2004. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names and particulars of the directors of the RE during or since the end of the financial year are:

Name	Particulars
Mr Richard P. Beck	FVLE, FAID, FAIM Non-executive Chairman with extensive experience on many public company boards and has established a highly successful funds management business.
Mr Rex L. Watson	Executive Director. Founder in 1991 and Managing Director of a company providing diversified services to the Australian and New Zealand Wine Industry until acquisition by Brambles Limited in 1998. More recently, the driving force behind the development of approximately 1,000 acres of vineyard in Australia's premium wine grape growing region – the Coonawarra.
Mr Paul H. Miller	B Ag Sci. Executive Director and Compliance Officer. Has over 20 years experience as a research scientist, a consulting horticulturalist, and since 1997 in commercial viticulture.

Principal Activities

The Trust is a registered managed investment scheme domiciled in Australia and listed on the Australian Stock Exchange (ASX).

The Trust's principal activity in the course of the year was to make land available to licensees under a 13 year licence agreement to grow wine grapes. The Trust's vineyards are licensed to growers who are members of the Coonawarra Premium Vineyards Project. Rental income from the licensees was increased to a commercial rate from 9 May 2003 (the date the Trust listed on ASX), causing a substantial increase in the Trust's profitability in the current financial year. Upon the expiry of the licences in 2012, ownership of improvements to the land vests in the Trust. The Trust has no employees.

During the year there were no significant changes in the nature of those activities

Review of Operations

A summary of the revenue and results for the year is set out below.

	2004	2003
	\$	\$
Grant of use (licence) fees	1,755,546	569,800
Net increments in the value of grapevines	515,620	705,895
Operating expenses	616,336	248,379
Net profit	1,777,317	1,031,218

Total distributions for the year increased to 8.2 cents per unit (2003: 2.2 cents) as the higher profit is being passed on to unitholders.

An independent valuation of the vineyard as at 30 June 2004, dated August 2004, placed a total value on the land, improvements and grapevines at \$16.8 million. The Trust has adopted this valuation, which was done on the basis of the value of the rental stream receivable from the growers, whose obligations to pay the rent do not expire until the end of 2012, plus a residual value after that date. This approach is consistent with the methodology used in the prior year. The major negative factor in the current valuation was a fall in the assumed terminal value of the vineyard in 8 years time after the rental stream ceases, in order to reflect the present consolidation phase of the wine industry with widely reported surpluses of grapes and wine at the present time. This has seen a significant reduction in grape prices (particularly red varieties) which has led to a softening in vineyard values in most regions of Australia. The value of the rental stream to the Trust is now greater than the perceived value of the vineyard as an unencumbered property.

This decline in the theoretical vineyard value is attributed to the over-supply of red wine grapes in Australia in the current year depressing vineyard valuations across the country. It is anticipated that this over-supply will result in even fewer new grapevine plantings in the near future, particularly of red wine varieties. Many analysts believe that the market will return to some sort of balance within the next 3 to 5 year time frame, although some caution is likely to remain in the market.

The net market value of grapevines increased during the financial year by \$515,620 as the vines continued to mature. A \$1,161,397 decrease in the value of the land was taken to asset revaluation reserve.

Distributions have been made to unitholders in accordance with the Trust's present policy, with interim distributions on 18 November 2003 of 2.2c per unit, 24 February 2004 (2.0 cents), 19 May 2004 (2.0 cents) and a final distribution to 30 June 2004 of 2.0 cents per unit, which was announced on 30 June and paid on 20th August 2004. The earnings per unit was 10.16 cents for the year ended 30 June 2004 (2003: 5.89 cents), with the net tangible assets per unit being 95.2 cents at that date (2003: 99.8 cents).

Coonawarra Australia Property Trust

Directors' Report (continued)

Review of Operations (continued)

22 licensees defaulted on their licence fee payments and their grants of use were terminated by the RE of the Project during the year. Such termination does not relieve the grower from liability for any breach or non-performance of the grower's obligations arising under the Project's constitution. The licensees remain responsible for any arrears and the RE of the Project will continue with recovery actions to recover the outstanding amounts. 143 lots out of the 2,800 lots that comprise the Trust's vineyards are affected by these terminations. The arrears have been provided against as an allowance for doubtful debts as at 30 June 2004 as the timing of recovery of the arrears is uncertain. It is expected that the Manager of the Project will procure a lease agreement with the Trust to take over the agricultural risk associated with these terminated units so that the Trust retains a full rental income stream over the whole vineyard until 2012.

The Trust is continuing to pursue its investment strategy to create a specialist wine industry trust that invests in premium vineyards and other wine infrastructure investments to generate mainly fixed income returns for investors.

Changes In State Of Affairs

During the financial year there was no significant change in the state of affairs of the Trust other than that referred to in this directors' report, the financial statements or notes thereto.

Subsequent Events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Trust, the results of those operations, or the state of affairs of the Trust in future financial years.

Future Developments

Disclosure of information regarding likely developments in the operations of the Trust in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Trust. Accordingly, this information has not been disclosed in this report.

Distribution Payments

Distributions are paid following the end of each trading quarter and the distribution payments for the financial year were paid on the following dates below:

<u>Quarter</u>	<u>Record Date</u>	<u>Payment Date</u>
September 2003	30 September 2003	18 November 2003
December 2003	31 December 2003	24 February 2004
March 2004	31 March 2004	19 May 2004
June 2004	30 June 2004	20 August 2004

Indemnification of Officers and Auditors

During the financial year, the Trust paid a premium in respect of a contract insuring the directors of the RE (as named above), the RE secretary, and all executive officers of the RE against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The RE has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Trust against a liability incurred as such an officer or auditor.

Directors' Meetings

The following table sets out the number of directors' meetings (including meetings of board committees) held during the financial year whilst each board or committee member was in office and the number of meetings attended by each. During the financial year, 12 Directors' meetings and 5 Audit and Compliance Committee meetings were held.

<u>Board of Directors</u>			<u>Audit & Compliance Committee</u>		
<u>Name</u>	<u>Meetings held</u>	<u>Attended</u>	<u>Name</u>	<u>Meetings held</u>	<u>Attended</u>
Richard Beck	12	11	Richard Beck	5	5
Paul Miller	12	12	Paul Miller	5	5
Rex Watson	12	11	Prof. M Burgess	5	4

Directors' Unitholdings

The following table sets out each director's relevant interest in the units of the Trust or a related body corporate as at the date of this report.

<u>Name of Director</u>	<u>No of units held</u>
R P Beck	-
P H Miller	-
R L Watson *	2,334,250

* these units are held by an associate of the RE

Coonawarra Australia Property Trust

Directors' Report (continued)

Directors' and Executives' Remuneration

The board reviews the remuneration packages of all directors and executive officers. Remuneration packages are reviewed with due regard to performance and other relevant factors.

The Australian Securities and Investments Commission (ASIC) has issued Class Order 04/0967 which relieves registered schemes that are disclosing entities to reveal remuneration paid directly or indirectly to directors and executives of their responsible entities in their financial reports.

The Class Order covers financial years and half-years ending 30 June 2004 up to, but not including, 30 September 2004. The Order was made in response to a request by the Australian Accounting Standards Board (AASB) for relief from any relevant disclosure requirement of AASB 1046 "Director and Executive Disclosures by Disclosing Entities".

Pursuant to this Class Order, such information has not been provided in this report or the financial statements. The following information is provided pursuant to the previous disclosure requirements.

Remuneration packages contain the following key elements:

- a) Salary/fees; and
- b) Benefits – Superannuation and other non-monetary benefits.

The following table discloses the remuneration of the directors of the RE:

Name	Cash salary & fees	Non-monetary benefits	Super-annuation	Total
	\$	\$	\$	\$
Rex Watson	114,347	14,753	11,516	140,615
Paul Miller	33,027	-	2,973	36,000
Richard Beck	-	-	36,324	36,324
Total	147,374	14,753	50,812	212,940

The following table discloses the remuneration of the 4 highest remunerated executives of the RE:

Name	Cash salary & fees	Non-monetary benefits	Super-annuation	Total
	\$	\$	\$	\$
Rex Watson	114,347	14,753	11,516	140,615
Andrew Parkinson	93,458	7,372	8,411	109,241
Anthony Fox	69,582		13,393	82,975
Charlie Latham	63,513		4,967	68,480
Total	340,899	22,125	38,287	401,311

Registered Schemes Information

The Trust had 17,500,000 units on issue at the beginning and at the end of the financial year. In respect of the financial year ended 30 June 2004, a final distribution of 2.0 cents per unit was paid on 20 August 2004 to the holders of fully paid ordinary units.

Share Options

No options were granted over unissued units in the Trust during or since the financial year; or were granted to the RE. No unissued units in the Trust were under option as at the date on which this report is made.

No units were issued in the Trust during or since the end of the financial year as a result of the exercise of an option over unissued units the Trust. The value of the Trust's assets at the end of the financial year is disclosed in the Statement of Financial Position "Total Assets" and the basis of valuation is included in Note 1 to the Financial Statements.

The fees paid to the Responsible Entity and its' associates out of Trust property during the financial year are disclosed in Note 22 to the financial statements.

This report is made in accordance with a resolution of the directors pursuant to the Corporations Act 2001.



R L Watson
Director

Adelaide, 27 August 2004

Coonawarra Australia Property Trust

Statement of Financial Performance for the year ended 30 June 2004

		2004	2003
	Notes	\$	\$
Operating revenue:			
Grant of use (licence) fees		1,755,546	569,800
Interest revenue	4	5,079	3,902
Net market value of grapes picked during the financial year		117,408	-
Non-operating revenue from ordinary activities:			
Net market value increment - grape vines	11	515,620	705,895
Revenue from ordinary activities		<u>2,393,653</u>	<u>1,279,597</u>
Management expenses		(206,754)	(51,688)
Corporate expenses		(102,031)	(166,440)
Marketing expenses		(1,229)	(7,968)
Occupancy expenses		(28,317)	(21,929)
Finance expense - allowance for doubtful debts		(144,193)	-
Other expenses		(23,165)	-
Borrowing costs	4	(110,647)	(354)
Profit from ordinary activities before related income tax expense		<u>1,777,317</u>	<u>1,031,218</u>
Income tax expense relating to ordinary activities		-	-
Profit from ordinary activities after related income tax expense		<u>1,777,317</u>	<u>1,031,218</u>
Net profit		<u>1,777,317</u>	<u>1,031,218</u>
Increase / (decrease) in asset revaluation reserve arising on revaluation of non-current assets		(1,161,397)	5,508,341
Total revenue, expense and valuation adjustments attributable to members recognised directly in equity		<u>(1,161,397)</u>	<u>5,508,341</u>
Total changes in equity other than those resulting from transactions with owners as owners		615,920	6,539,559
Distributions of net profit from ordinary activities			
Net profit		1,777,317	1,031,218
Net increments transferred to retained profits		(515,620)	(705,895)
Transfer from retained profits		173,303	360,746
Net amount available for distribution		<u>1,435,000</u>	<u>686,069</u>
Distributions paid and payable	5	(1,435,000)	(393,400)
Undistributed profit transferred to retained profits		-	292,669
		cents	cents
Basic earnings per unit	3	<u>10.16</u>	<u>5.89</u>
Diluted earnings per unit	3	<u>10.16</u>	<u>5.89</u>

Notes to the financial statements are included on pages 11 to 23.

Coonawarra Australia Property Trust

Statement of Financial Position as at 30 June 2004

	Notes	2004 \$	2003 \$
Current assets			
Cash assets		102,014	227
Receivables	6	290,163	371,460
Inventories	7	70,620	-
Other	8	99,039	-
TOTAL CURRENT ASSETS		561,836	371,687
Non-current assets			
Property, plant & equipment	9 & 10	7,109,199	8,243,776
Self-generating and regenerating assets	11	9,690,801	9,175,181
TOTAL NON-CURRENT ASSETS		16,800,000	17,418,957
TOTAL ASSETS		17,361,836	17,790,644
Current liabilities			
Payables	12	400,467	318,469
Interest-bearing liabilities	13	308,274	-
TOTAL CURRENT LIABILITIES		708,741	318,469
TOTAL LIABILITIES		708,741	318,469
NET ASSETS		16,653,095	17,472,175
EQUITY			
Issued units	14	1,831,200	1,831,200
Settled sum	14	10	10
Asset revaluation reserve	15	4,346,944	5,508,341
Retained profits	16	10,474,941	10,132,624
TOTAL EQUITY		16,653,095	17,472,175

Notes to the financial statements are included on pages 11 to 23.

Coonawarra Australia Property Trust

Statement of Cash Flows for the year ended 30 June 2004

	Notes	2004 \$	2003 \$
Cash flows from operating activities			
Receipts from customers		1,954,251	273,485
Payments to suppliers		(714,166)	(190,264)
Interest received		5,079	3,902
Interest and other costs of finance paid		(110,647)	(354)
Net cash provided by operating activities	18	1,134,517	86,769
Cash flows from investing activities			
Payments for property, plant & equipment		(46,129)	(5,114)
Net cash used in investing activities		(46,129)	(5,114)
Cash flows from financing activities			
Distributions paid	5	(1,294,875)	(183,400)
Net cash used in financing activities		(1,294,875)	(183,400)
NET DECREASE IN CASH HELD		(206,487)	(101,745)
Cash at the beginning of the year		227	101,972
NET CASH AT THE END OF THE YEAR		(206,260)	227
Reconciliation of cash			
Cash at bank		102,014	227
Bank overdraft		(308,274)	-
Net cash at the end of the year		(206,260)	227

Notes to the financial statements are included on pages 11 to 23.

Coonawarra Australia Property Trust

Notes to the Financial Statements for the year ended 30 June 2004

1. SUMMARY OF ACCOUNTING POLICIES

Financial Reporting Framework

The financial report is a general purpose financial report. It has been prepared in accordance with the Trust's constitution, applicable Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Depreciation

Depreciation is provided on all property including freehold buildings but excluding land. Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life. The following estimated useful lives are used in the calculation of depreciation:

• Improvements - unsealed roads	12 years
• Improvements - brick buildings	50 years
• Improvements - steel buildings	25 years
• Other Improvements	10 years

(b) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (a) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (b) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flow.

(c) Income Tax

No provision for income tax is taken into account when preparing the Trust's financial statements. Each member will account for the income of the Trust in their individual taxation returns at their applicable tax rate.

(d) Grapevines

Coonawarra Premium Vineyards has continued to apply Accounting Standard AASB 1037 "Self – Generating and Regenerating Assets" (SGARAs) which first applied to financial years ending on 30 June 2001. The standard requires grapevines to be valued at net market value. Changes in net market value are recognised as revenue or expenses in the period in which the changes occur. The directors of the Trust use a combination of establishment costs and the discounted net present values of expected future cash flows and external valuations to determine the value of the vineyards. The net market value of grapevines has been determined as the difference between the vineyard values and the values of the land and other vineyard improvements thereon. In determining the net market valuations certain assumptions have been made about the yields and market prices of grapes in current and future vintages, the costs of running the vineyards and the quality of grapes grown. The net market value of grapes harvested is recognised as revenue in the period of harvest. Costs incurred in maintaining vines are recognised as expenses as incurred. To the extent that the vines are situated on land licensed to a third party, the Trust will not receive revenue or incur expenses in relation to the vines.

(e) Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have been discounted to their present value.

(f) Revenue Recognition

Revenue is recognised when the Trust gains control of the revenue or the right to receive the revenue.

Coonawarra Australia Property Trust

Notes to the Financial Statements for the year ended 30 June 2004

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(g) Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

(h) Inventories

Inventories consist of bulk wine and are carried at cost, being the market value of the grapes picked during the financial year, plus processing costs.

(i) Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

(j) Accounts Payable

Trade payables and other accounts payable are recognised when the Trust becomes obliged to make future payments resulting from the purchase of goods and services.

(k) Interest-Bearing Liabilities

The bank overdraft is carried at the amount outstanding from time to time. Interest is accrued over the period it becomes due and is recorded as part of other payables.

(l) Acquisition of Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

(m) Revaluation of non-current assets

Non-current assets are valued annually by the RE, based on a report received annually from an independent valuer.

(n) Distributions

In accordance with the Trust constitution, the Trust is to distribute its distributable income to Unitholders by way of cash or reinvestment into the Trust. For the current financial year and up to the date of this report all distributions are payable in cash.

Distributions to Unitholders comprise the distributable income of the Trust. The distributions are payable in August, November, February and May each year.

A provision is recognised for distributions when they have been declared, determined or publicly recommended by the directors.

2. SEGMENT INFORMATION

The Trust operates solely in South-Eastern Australia and solely within the primary production land owning (wine-grape growing) industry.

Coonawarra Australia Property Trust

Notes to the Financial Statements for the year ended 30 June 2004

3. EARNINGS PER UNIT

The number of units on issue was increased by a reconstruction in May 2003 as part of the listing of the Trust on ASX, whereby each existing unit was converted into 6,250 units. That resulted in 17,500,000 units being on issue. To provide a meaningful comparison, earnings per unit in the corresponding year is based on the post-reconstruction number of units on issue, being 17,500,000.

	2004	2003
	cents	cents
Basic earnings per unit	10.16	5.89
Diluted earnings per unit	10.16	5.89
	number	number
Weighted average number of ordinary units used in the calculation of basic earnings per unit	17,500,000	17,500,000
Earnings used in the calculation of basic earnings per unit:	\$	\$
Net profit	1,777,317	1,031,218
	number	number
Weighted average number of ordinary units used in the calculation of diluted earnings per unit	17,500,000	17,500,000
Earnings used in the calculation of diluted earnings per unit:	\$	\$
Net profit	1,777,317	1,031,218

4. PROFIT FROM ORDINARY ACTIVITIES

The profit from ordinary activities includes the following items of revenue and expense:

	2004	2003
	\$	\$
Interest revenue: director-related entities	3,718	-
Interest revenue: other entities	1,361	3,902
	5,079	3,902
Interest expense: director-related entities	4,697	-
Interest expense & other borrowing costs: other entities	105,950	354
Depreciation - improvements	19,309	12,177
Increase in allowance for doubtful debts	144,193	-

Coonawarra Australia Property Trust

Notes to the Financial Statements for the year ended 30 June 2004

5. DISTRIBUTIONS PAID AND PAYABLE

Distributions paid and payable are as follows.

<u>Distribution relating to:</u>	<u>Date paid</u>	2004 \$	2003 \$
Half-year ended 31 December 2002	Paid 14 October 2002	-	183,400
Half-year ended 30 June 2003	Paid 25 Aug 2003	-	210,000
Quarter ended 30 September 2003	Paid 18 Nov 2003	385,000	-
Quarter ended 31 December 2003	Paid 24 Feb 2004	350,000	-
Quarter ended 31 March 2004	Paid 19 May 2004	350,000	-
Quarter ended 30 June 2004	Paid 20 August 2004	350,000	-
		<hr/>	<hr/>
		1,435,000	393,400

6. CURRENT RECEIVABLES

Trade debtors - other	402,271	293,465
Less allowance for doubtful debts	(144,193)	-
	<hr/>	<hr/>
	258,078	293,465
Trade debtors - director-related entity	31,904	77,900
Other debtors	181	95
	<hr/>	<hr/>
	290,163	371,460

7. CURRENT INVENTORIES

Bulk wine at cost	<hr/>	<hr/>
	70,620	-

8. OTHER CURRENT ASSETS

Prepayments	<hr/>	<hr/>
	99,039	-

Coonawarra Australia Property Trust

Notes to the Financial Statements for the year ended 30 June 2004

9. PROPERTY PLANT & EQUIPMENT	Freehold land (at fair value)	Improvements (at fair value)	Total
	\$	\$	\$
Gross carrying amount			
Balance at 30 June 2003	8,068,371	204,361	8,272,732
Reclassifications	(147,000)	147,000	-
Revaluations to market value	(1,161,397)	-	(1,161,397)
Additions	-	46,129	46,129
Balance at 30 June 2004	6,759,974	397,490	7,157,464
Depreciation			
Balance at 30 June 2003	-	(28,956)	(28,956)
Reclassifications	-	-	-
Depreciation expense	-	(19,309)	(19,309)
Balance at 30 June 2004	-	(48,265)	(48,265)
Net book value			
At 30 June 2003	8,068,371	175,405	8,243,776
At 30 June 2004	6,759,974	349,225	7,109,199
		2004	2003
Net book value reconciliation		\$	\$
At beginning of year		8,243,776	2,742,498
Revaluations to market value		(1,161,397)	5,508,341
Additions		46,129	5,114
Depreciation expense		(19,309)	(12,177)
At end of year		7,109,199	8,243,776

Coonawarra Australia Property Trust has 227 hectares of grapevines planted in the premium grape growing area of the Coonawarra, South Australia. Under the terms of a 13-year license agreement, the members of the Coonawarra Premium Vineyards Project are entitled to establish and grow wine grapes on the land held by the Coonawarra Australia Property Trust. Upon expiry of the licence, ownership of improvements to the land vests in the Trust.

The overall property is a vineyard comprised of:

- Land
- Water Licences
- Vines
- Trellising
- Irrigation Equipment
- Other Buildings and Improvements

The development of the property was carried out in 1999 as part of a Managed Investment Scheme (the Scheme) under the then Corporations Law. The structure of the Scheme resulted in the Trust being the legal and beneficial owner of the land. The development of the land into a vineyard was funded by the grower participants in the Scheme (the Growers) as part of a prospectus issued in June 1999. The Growers beneficially own the grapevines but they are legally part of the land and therefore owned by the Trust. A lease agreement between the Growers and the Trust provides income to the Trust for a Grant of Use rental for the property.

The constitution provides for the following in relation to:

Land - the land is held for the benefit of the Unitholders. The value of the land includes the value of the water licences.

Irrigation Equipment - the irrigation equipment and other improvements are owned by the Growers until expiry or termination of the Grant to Use between the Growers and the Trust. On termination or expiry the Grower is not entitled to remove from the Land or claim any compensation or reimbursement for such items. The Lease and Underlease also contemplates that irrigation equipment will revert to the landowner at the end of the lease.

Trellising - the trellising is presently owned by the Growers and on termination or expiry of the Grant of Use between the Growers and the Trust the Growers may remove the trellising provided no damage is caused in the removal. Given that the trellising is effectively integral with the vines and irrigation system it is considered that it is highly unlikely that the trellising can be removed without damage being caused to the irrigation system or the vines and in any event the costs of removal would far outweigh any benefits.

Coonawarra Australia Property Trust

Notes to the Financial Statements for the year ended 30 June 2004

10. REVALUATION OF ASSETS

The directors of the RE have determined that the valuation of the property for the purpose of this financial report is \$16,800,000 (2003 \$17,420,000) on the basis of the value of the rental income stream plus a residual sale value at the end of the Project in 2012. This basis is consistent with the prior year.

Land and grapevines are recorded at market value. The carrying amount of improvements to non-current assets has been recorded at cost less depreciation, which is compared to market value at the end of the financial year and depreciation is adjusted to ensure the carrying value equates to market value.

The RE's valuation separated the assets between Self Generating and Regenerating Assets (SGARA) and non-SGARA for the purposes of the Accounting Standard AASB 1037. Grapevines are SGARAs.

To assist the directors of the RE in making their determination a formal valuation of the Trust property conducted in July and August 2004 has been provided by an independent valuer Colin Pickett, Certified Practising Valuer, Associate Australian Property Institute, Colin Gaetjens & Co Valuers, that states the current market value of the property to the Trust is \$16,800,000 (including the benefits and obligations attaching to the lease with the Growers). The valuation states the current market value of the property on an unencumbered freehold basis to be \$15,350,000 (2003: \$18,750,000), ignoring the benefits and obligations of the lease with the Growers.

The independent valuation was determined by the valuer using the following key assumptions:

- Data derived from comparable market transactions adjusted for attributes of the subject vineyard;
- Discounted cash flow analysis of likely future income;
- A discount rate of 12.5% has been used; and
- It was noted that the rental value would be in the order of 10% p.a. of capital value.
- For the unencumbered freehold basis valuation, the blocks with on-going grape supply contracts are taken to have a value of \$75,000 per hectare and the blocks subject to the Nugan contract, which Nugan has repudiated, are taken to have a value of \$55,000 per hectare.

11. SELF-GENERATING AND REGENERATING ASSETS

	2004	2003
Net market value of vines	\$	\$
At beginning of year	9,175,181	8,469,286
Revaluations to net market value	515,620	705,895
At end of year	<u>9,690,801</u>	<u>9,175,181</u>

(a) Impact on Statement of Financial Performance

The profit before tax included in the Statement of Financial Performance resulting from the movement in market value of SGARA assets is

515,620	705,895
---------	---------

(b) Physical quantity of vines

Number of vines owned	434,332	434,332
Hectares owned (including improvements)	245	245

(c) Nature of asset

Coonawarra Australia Property Trust owns a vineyard in the Coonawarra district of South Australia.

(d) Significant assumptions

Significant assumptions made in determining the net market value of the vines are:

- (i) 100% of the vines are currently mature and will be productive for periods up to 100 years per vine;
- (ii) the expected price of the vines is constant in real terms, based on average prices throughout the current year;
- (iii) the costs expected to arise throughout the life of the vines are constant in real terms, based on average costs throughout the year;
- (iv) inflation will continue at the current rate.

Cash flows are gross of income tax and are expressed in real terms.

Coonawarra Australia Property Trust

Notes to the Financial Statements for the year ended 30 June 2004

	2004	2003
Notes	\$	\$
12. CURRENT PAYABLES		
Trade payables: director-related entity	-	56,857
Trade payables: other entities	28,914	30,598
GST payable	21,428	21,014
Unitholder distributions payable	350,125	210,000
	<u>400,467</u>	<u>318,469</u>

13. CURRENT INTEREST-BEARING LIABILITIES

Secured

Bank overdraft	308,274	-
Secured by a fixed and floating charge over the Trust's vineyard assets. See note 21.		

14. CONTRIBUTED EQUITY

17,500,000 Trust units fully paid	1,831,200	1,831,200
Settled sum	10	10
	<u>1,831,210</u>	<u>1,831,210</u>

The Trust's units were previously stapled to Grower Units in the Coonawarra Premium Vineyards Project (Project). The Unitholders and Growers approved a restructure of the Project and Trust at an extraordinary meeting on 12th December 2002. The restructure was completed in May 2003, when each unit was split into 6,250 units and the total units issued became 17,500,000 without any new issues being made. Accordingly, there were no units issued during the current or corresponding financial year.

Rights of Unitholders

All issued units are fully paid, carry one vote per unit and carry the right to receive distributions.

15. RESERVES

Asset revaluation reserve

At beginning of year	5,508,341	-
Revaluation of land and improvements to market value	(1,161,397)	5,508,341
At end of year	<u>4,346,944</u>	<u>5,508,341</u>

The asset revaluation reserve arises on the revaluation of non-current assets. Where a revalued asset is subsequently revalued downwards, that portion of the asset revaluation reserve which relates to the original revaluation is deducted from the reserve.

16. RETAINED PROFITS

Movements during the year

At beginning of year	10,132,624	9,494,806
Net increments in market value of SGARAs transferred from statement of financial performance	515,620	705,895
Transfers to statement of financial performance	(173,303)	(360,746)
Undistributed profits transferred from statement of financial performance	-	292,669
At end of year	<u>10,474,941</u>	<u>10,132,624</u>

Coonawarra Australia Property Trust

Notes to the Financial Statements for the year ended 30 June 2004

	2004	2003
17. REMUNERATION OF AUDITORS	\$	\$
Auditing the financial reports	8,000	7,800
Other services	500	-
	<u>8,500</u>	<u>7,800</u>

18. RECONCILIATION OF CASH PROVIDED BY OPERATING ACTIVITIES WITH OPERATING PROFIT

Operating profit after income tax	1,777,317	1,031,218
Depreciation expense	19,309	12,177
Increase in market value of SGARAs - grapevines	(515,620)	(705,895)
Increase in allowance for doubtful debts	144,193	-
<u>Changes in net assets and liabilities:</u>		
Current receivables	(62,896)	(215,660)
Current inventories	(70,620)	-
Other current assets	(99,039)	(137,636)
Current payables	(58,127)	102,565
Net cash from operating activities	<u>1,134,517</u>	<u>86,769</u>

Finance facilities

Secured 5-year bank overdraft facility, reviewed annually and payable at call *

Amount used	308,274	-
Amount unused	1,191,726	-
	<u>1,500,000</u>	<u>-</u>

Secured 5-year bank loan facility, available for making approved acquisitions *

Amount used	-	-
Amount unused	15,000,000	-
	<u>15,000,000</u>	<u>-</u>

* The Trust has a working capital facility of \$1,500,000 and a capital acquisition facility of \$15,000,000, both from Commonwealth Bank of Australia. These facilities are for 5 years to 2008, subject to annual review, and are secured by a fixed and floating charge over the Trust's property assets.

19. CONTINGENT ASSETS AND LIABILITIES

The Trust had no contingent assets or liabilities as at the last reporting date of 30 June 2004. No contingent assets or liabilities have arisen since that date.

20. SUBSEQUENT EVENTS

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected or may significantly affect, the operations of the Trust, the results of those operations, or the state of affairs of the Trust in future financial years.

Coonawarra Australia Property Trust

Notes to the Financial Statements for the year ended 30 June 2004

21. FINANCIAL INSTRUMENTS

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

(b) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Trust.

The Trust does not have any significant credit risk exposure to any single counter party or any group of counter parties having similar characteristics, other than Growers in the Coonawarra Premium Vineyards Project. Growers who default on payment of their Grant of Use fees are liable to have that Grant of Use terminated. In the event of termination, the relevant vineyard lots revert to the Trust. Any arrears of Grant of Use fees are collected from Growers by withholding grape proceeds in the first instance, then by recovery action against the Grower.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Trust's maximum exposure to credit risk.

(c) Interest rate risk exposures

	Weighted average interest rate	Floating interest rate	Non-interest bearing	Total
		\$	\$	\$
2004				
Financial assets				
Cash assets	4.00%	102,014	-	102,014
Receivables		-	434,356	434,356
		<u>102,014</u>	<u>434,356</u>	<u>536,370</u>
Financial liabilities				
Bank overdraft	7.50%	308,274	-	308,274
Trade payables		-	50,342	50,342
Unitholder distributions payable		-	350,125	350,125
		<u>308,274</u>	<u>400,467</u>	<u>708,741</u>
2003				
Financial assets				
Cash assets	4.00%	227	-	227
Receivables		-	293,560	293,560
		<u>227</u>	<u>293,560</u>	<u>293,787</u>
Financial liabilities				
Bank overdraft		-	-	-
Trade payables		-	108,469	108,469
Unitholder distributions payable		-	210,000	210,000
		<u>-</u>	<u>318,469</u>	<u>318,469</u>

Coonawarra Australia Property Trust

Notes to the Financial Statements for the year ended 30 June 2004

22. RELATED PARTY AND EXECUTIVE DISCLOSURES

The director and executive information has not been prepared in accordance with the new AASB 1046 "Directors and Executives Disclosures by Disclosing Entities" That standard replaces the disclosures in relation to directors and executives as specified by section 4 of AASB 1017 "Related Party Disclosures" and section 6 of AASB 1034 "Financial Report Presentation and Disclosures".

However, the Australian Securities and Investments Commission (ASIC) has issued Class Order 04/0967 which relieves registered schemes that are disclosing entities to reveal remuneration paid directly or indirectly to directors and executives of their responsible entities in their financial reports.

The Class Order covers financial years and half-years ending 30 June 2004 up to, but not including, 30 September 2004. The Order was made in response to a request by the Australian Accounting Standards Board (AASB) for relief from any relevant disclosure requirement of AASB 1046 "Director and Executive Disclosures by Disclosing Entities".

Pursuant to this Class Order, such information has not been provided in these financial statements.

The disclosures specified in AASB 1017 in relation to related parties continue to apply to the Trust. The following information is provided pursuant to those disclosure requirements.

(a) Names

The following persons were directors of the RE, Coonawarra Premium Vineyards Limited, during the financial year:

Richard Beck (Chairman)
Paul Miller (Compliance Officer)
Rex Watson (Group Managing Director)

(b) Equity holdings

The numbers of units in the Trust held during the financial year by each director of the RE, including their personally-related entities, are set out below. All issued units are fully paid.

	Balance at start of year	Acquired during the year	Balance at end of year
	<u>number</u>	<u>number</u>	<u>number</u>
<u>Directors of the Trustee</u>			
Rex Watson (#)	2,178,375	155,875	2,334,250
Paul Miller	-	-	-
Richard Beck	-	-	-

units all held by Coonawarra Vineyard Management Services Pty Ltd

Coonawarra Australia Property Trust

Notes to the Financial Statements for the year ended 30 June 2004

22. RELATED PARTY AND EXECUTIVE DISCLOSURES (continued)

(c) Remuneration of directors and executives

The board of directors of the RE reviews the remuneration packages of directors and senior executives of the RE on an annual basis and makes recommendations to the board. Remuneration packages are reviewed and determined with due regard to current market rates and are benchmarked against comparable industry salaries, adjusted by a performance factor to reflect changes in the performance of the Trust and the related Managed Investment Schemes Coonawarra Premium Vineyards Project and Coonawarra Premium Vineyards Project No.2.

	2004	2003
	\$	\$
The aggregate of income paid or payable or otherwise made available in respect of the financial year, to all directors of the Trustee, directly or indirectly, by the Trustee or by any related party	212,940	204,930

The number of directors of the Trustee, whose aggregate income paid or payable, or otherwise made available falls within each successive band of income is:

\$30,000 to \$39,999	2	1
\$80,000 to \$89,999	-	2
\$140,000 to \$149,999	1	-

The number of executives of the Trustee, including directors, whose aggregate income paid or payable, or otherwise made available is in excess of \$100,000 and falls within each successive band of income is:

\$100,000 to \$109,999	1	-
\$140,000 to \$149,999	1	-

(d) Transactions with other related parties

Aggregate amounts receivable from or payable to other related parties are disclosed in notes 6 and 12 to the financial statements.

Details of interest revenue from other related parties are disclosed in note 4 to the financial statements. This interest is receivable from the RE.

Details of interest expense paid to other related parties are disclosed in note 4 to the financial statements. This interest was paid to the RE \$4,052 and to director-related entity Coonawarra Vineyard Management Services Pty Ltd. \$645

During the financial year the Trust paid fees to the RE for management, administration and property management totalling \$206,754 (2003 \$51,688).

Coonawarra Australia Property Trust

Notes to the Financial Statements for the year ended 30 June 2004

23. IMPACTS OF ADOPTING THE AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (A-IFRS)

Management of the transition to A-IFRS

In accordance with the Financial Reporting Council's strategic directive, the Trust will be required to prepare financial statements that comply with Australian Equivalents to International Financial Reporting Standards (A-IFRS) for annual reporting periods beginning on or after 1 January 2005. Accordingly the Trust's first half-year report prepared under A-IFRS will be for the half-year reporting period ending 31 December 2005, and its first annual financial report prepared under A-IFRS will be for the year ending 30 June 2006.

At the date of this report, the directors of the Responsible Entity have not yet finalized a high-level assessment of the impact of A-IFRS on the Trust, and consequently have not yet determined how they are going to manage the transition to A-IFRS. However, the directors are monitoring the developments in A-IFRS and the potential impact it will have on the Trust, and expect to complete an impact study and commence a plan to prepare the Trust to be A-IFRS compliant shortly.

While no decision has yet been made as to the policy alternatives to be applied or the extent to which it will affect the Trust, the directors have identified the following (among others whose effects are set out below) as being the key accounting policy differences expected to arise on transitioning to A-IFRS:

AASB 116 "Property Plant & Equipment"

AASB 136 "Impairment of Assets"

AASB 139 "Financial Instruments"

AASB 141 "Agriculture"

First-time adoption of A-IFRS

On first-time adoption of A-IFRS, the Trust will be required to restate its comparative balance sheet such that the comparative balances presented comply with the requirements specified in the A-IFRS. That is, the balances that will be presented in the financial report for the year ending 30 June 2005 may not be the balances that will be presented as comparative numbers in the financial report for the following year, as a result of the requirement to retrospectively apply the A-IFRS. In addition, certain assets and liabilities may not qualify for recognition under A-IFRS, and will need to be de-recognised. As most adjustments on first-time adoption are to be made against opening retained earnings, the amount of retained earnings at 30 June 2004 presented in the 2005 financial report and the 2006 financial report available to be paid out as distributions may differ significantly.

Various voluntary and mandatory exemptions are available to the Trust on first-time adoption, which will not be available on an ongoing basis. The exemptions provide relief from retrospectively accounting for certain balances, instruments and transactions in accordance with A-IFRS, and permits the identification of a 'deemed cost' for property, plant and equipment.

The impact on the Trust of the changes in accounting policies on first-time adoption of A-IFRS will be affected by the choices made. The Trust is evaluating the effect of the options available on first-time adoption in order to determine the best possible outcome for the Trust.

Property, plant and equipment

On transition to A-IFRS, the Trust has several options in the determination of the cost of each tangible asset, and can also elect to use the cost or fair value basis for the measurement of each class of property, plant and equipment after transition. At the date of this report, the Trust has not decided which options and measurement basis will be adopted and the likely impacts therefore cannot be determined.

The Trust measures its land and buildings at fair value. Under current Australian GAAP, revaluation increments and decrements within a class of assets must be set-off; however, A-IFRS requires revaluations to be tracked on an individual asset-by-asset basis. This change in accounting policy may result in the recognition of impairment losses in the profit and loss even though the class of assets has increased in value.

Impairment of assets

Non-current assets are written down to recoverable amount when the asset's carrying amount exceeds recoverable amount. Historically, although not mandated, the Trust has discounted cash flows in determining the recoverable amount of its non-current assets.

Under A-IFRS, both current and non-current assets, including property, plant and equipment previously excluded as they were measured on the fair value basis, are tested for impairment. In addition, A-IFRS has a more prescriptive impairment test, and requires discounted cash flows to be used where value in use is used to assess recoverable amount. Consequently, on adoption of A-IFRS, a further impairment of certain assets may need to be recognised, thereby decreasing opening retained earnings and the carrying amount of assets – the Trust has not yet determined the impact, if any, of any further impairment which may be required. It is not practicable to determine the impact of the change in accounting policy for future financial reports, as any impairment or reversal thereof will be affected by future conditions.

Coonawarra Australia Property Trust

Notes to the Financial Statements for the year ended 30 June 2004

23. IMPACTS OF ADOPTING THE AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (A-IFRS) (continued)

Financial assets and financial liabilities

Under current Australian GAAP, financial assets and financial liabilities are recognised at cost, at fair value, or at net market value. On adoption of A-IFRS, the Trust will be required to classify these financial instruments into various specified categories. The classification of the instrument will affect the instrument's subsequent measurement – at amortised cost using the effective interest rate method, fair value with movements recognised through equity or fair value recognised through the profit and loss. The Trust is evaluating the different options available, but has not made any determination at reporting date of the accounting to be adopted, and consequently, the impact of the change on the financial statements cannot yet be quantified.

Impairment of financial assets

The Trust provides an allowance for doubtful debts using an estimate based on specific analysis of receivables. Under A-IFRS, the Trust will provide for doubtful debts on the basis that a financial asset or group of financial assets is impaired only if there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset – that is, an incurred but not yet reported model rather than an expected loss model must be applied. Consequently, on adoption of A-IFRS, and on an ongoing basis, general provisions may no longer be appropriate, which may cause the carrying amount of various financial assets to increase.

Biological assets

The Trust recognises biological assets in the balance sheet as 'self-generating and regenerating assets' (SGARAs), measured on a net market value basis. There is no active and liquid market for the SGARAs at present, and accordingly the Trust has used the cost of the SGARAs as the best indicator of its net market value. Under A-IFRS, biological assets may be measured at cost less depreciation and impairment where the fair value less estimated point-of-sale costs cannot be reliably determined; however, this option is not available on first-time adoption of A-IFRS for those SGARAs already measured at net market value.

Depreciation

Under current Australian GAAP, certain items of the Trust's property, plant and equipment are depreciated to the extent of its depreciable amount, determined as the difference between carrying amount and residual value. The residual amount used in the determination of recoverable amount is estimated at the date of acquisition and is not subsequently increased for changes in prices, except where the asset had been revalued. Under A-IFRS, the residual amount is reviewed at each balance date and revised to the current net amount expected from the disposal of the asset if it were already at the age and condition expected at the end of its useful life. Accordingly, changes to the residual value may introduce additional volatility in the profit or loss.

Investment properties

The Trust has a bank facility with which to acquire investment properties and other related assets. Should such an acquisition be made the following policy may become relevant

The Trust accounts for its vineyard property on the fair value basis. Under A-IFRS, should the Trust acquire investment properties it will be able to continue to value its investment properties at fair value; however, all revaluation movements will be recognised through profit or loss rather than through the asset revaluation reserve. Accordingly, on initial adoption of A-IFRS, opening retained earnings would be adjusted to reverse any amounts in the asset revaluation reserve relating to movements in the fair value of the investment properties, and it will be necessary for the profit and loss to reflect both a revaluation increment as income and revaluation decrement as an expense in future financial years.

The Trust will have the option of changing its accounting policy to value investment properties at cost (less accumulated depreciation) going forward, but has not yet determined whether it will elect to adopt this alternative accounting policy.

24. ADDITIONAL INFORMATION

Coonawarra Australia Property Trust is a registered Managed Investment Scheme operating in Australia and listed as a public Unit Trust on the Australian Stock Exchange. Other than the directors of the RE, there are no employees of the Scheme.

The registered office and principal place of business is located at:

Level 1, 7 Greenhill Road, Wayville, South Australia 5034

Phone: +61 8 8299 9455

Coonawarra Australia Property Trust

Directors' Declaration

The financial statements and notes thereto of the Coonawarra Australia Property Trust (Trust) for the year ended 30 June 2004 have been prepared by Coonawarra Premium Vineyards Limited (Responsible Entity) in accordance with the Corporations Act 2001.

The directors of the Responsible Entity declare that the financial statements and notes set out on pages 8 to 23:

- a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- b) give a true and fair view of the Trust's financial position as at 30 June 2004 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

In the directors' opinion:

- a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- b) there are reasonable grounds to believe that the Trust 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 directors pursuant to the Corporations Act 2001.



R L Watson
Director

Adelaide, 27 August 2004

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**INDEPENDENT AUDIT REPORT TO THE MEMBERS
OF COONAWARRA AUSTRALIA PROPERTY TRUST**

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Coonawarra Australia Property Trust ("the registered scheme"), for the financial year ended 30 June 2004 as set out on pages 8 to 24.

The directors of Coonawarra Premium Vinyards Limited ("the responsible entity") are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the registered scheme. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the registered scheme's financial position, and performance as represented by the results of its operations and its cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Independence

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

Audit Opinion

In our opinion, the financial report of Coonawarra Australia Property Trust is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the registered scheme's financial position as at 30 June 2004 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Stephen Harvey
Partner
Chartered Accountants

Adelaide, 27 August 2004

The liability of Deloitte Touche Tohmatsu, is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).

Coonawarra Australia Property Trust

Additional ASX Information at 24 August 2004

Units

As at 24 August 2004, there were 17,500,000 fully paid units held by 695 Unitholders. All units carry full voting rights. Of these ordinary units the twenty largest holders held 4,489,304 units, equal to 25.65 percent of all issued units.

Distribution of Holders of Equity Securities

	<u>Units</u>
1 to 1000	5
1,001 to 5,000	26
5,001 to 10,000	175
10,001 to 100,000	483
100,001 and over	6
	<u>695</u>

Holdings of less than a marketable parcel 3

Substantial Unitholdings

<u>Name</u>	<u>Units</u>
Coonawarra Vineyard Management Services Pty Ltd	2,334,250
G T Universal Pty Ltd	393,750

Voting Rights

At a meeting of Members, every ordinary Unitholder who is present in person or by proxy, attorney or as duly authorised representative, on a show of hands has one vote and on a poll will have one vote for each share held.

Top Twenty Unitholders

<u>Rank</u>	<u>Name</u>	<u>Units</u>	<u>% held</u>
1	Coonawarra Vineyard Management Services	2,334,250	13.34%
2	G T Universal Pty Ltd <The Takla Family A/c>	393,750	2.25%
3	Fenwick Financial Management Solutions Pty Ltd	212,500	1.21%
4	Mr Denis Weily	150,000	0.86%
5	Mrs Tenley Brudenell-Woods	125,000	0.71%
6	Ms Fiona Elizabeth Bulmer	125,000	0.71%
7	Mrs Cassandra Tiffany Murphy	100,000	0.57%
8	Dagres Pty Ltd <Dagres Discretionary A/c>	98,550	0.56%
9	Mr Nicholas Orfanos + Mrs Kathleen Elizabeth Orfanos	98,000	0.56%
10	Mrs Carmel Elizabeth Whiting	84,500	0.48%
11	Marco Nominees Pty Ltd <No 1 A/c>	82,250	0.47%
12	Villaforde Pty Ltd <B & D Super Fund A/c>	80,000	0.46%
13	Mr Milton Yannis	79,748	0.46%
14	Golden Venture Pty Ltd <Tirman Super Fund A/c>	75,756	0.43%
15	Mr Stuart Boland	75,000	0.43%
16	Mr Ian Carney	75,000	0.43%
17	Mr Perry Childs	75,000	0.43%
18	Mr John Ford	75,000	0.43%
19	Mr Saxon John Hill	75,000	0.43%
20	Mr Damian Michael Hope	75,000	0.43%
	Total of top 20 unitholders	<u>4,489,304</u>	<u>25.65%</u>

Distributions

Income is distributed quarterly, approximately six weeks after the end of each quarter - in August, November, February and May. Unitholders may elect to have their distribution paid directly into a nominated bank account or receive a cheque.

Electronic Funds Transfer (EFT) allows Ordinary Unitholders to have their cash distributions paid into a nominated bank, building society or credit union account on the day the distribution is payable. Applications forms for direct credit of distributions can be obtained from Computershare Investor Services or Coonawarra Premium Vineyards Limited. Contact details are listed in the Corporate Directory at the beginning of this report. If unitholders have recently changed their address, altered or changed their bank account to which distributions are directed or wish to advise a tax file number to ensure tax is not withheld from distributions, they should advise the Unit Registry in writing of the details prior to the record date for each quarter.

Coonawarra Australia Property Trust

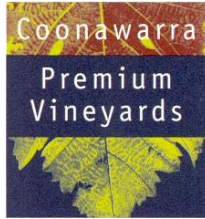
Trading and Pricing Information

Units in the Trust trade in the same manner as shares in a listed public company. Trading takes place between 10:00am and 4:00pm EST each business day. All major Australian newspapers publish trading prices for securities listed on the ASX on the day following each trading day.

Annual Taxation Statement

An annual taxation statement for the taxation year ending 30 June 2004 is being issued. This statement advises taxable income for the period 1 July 2003 to 30 June 2004 assessable on the distributions paid in November 2003, February, May and August 2004.





COONAWARRA AUSTRALIA PROPERTY TRUST
ARSN 104 335 159

NOTICE OF MEETING

Notice is hereby given by Coonawarra Premium Vineyards Limited ABN 58 086 944 265 (CPVL), responsible entity of the Coonawarra Australia Property Trust ARSN 104 335 159 (Trust), that the annual general meeting of the Trust will be held at Adelaide South Park, 1 South Terrace, Adelaide, South Australia, on Tuesday 30 November 2004 commencing at 11:30am.

BUSINESS

1. Receive and consider the annual report; and
2. Any other business which may legitimately be raised at the meeting.

Andrew Parkinson
Company Secretary
Coonawarra Premium Vineyards Limited

20 October 2004

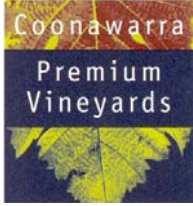
A member entitled to attend and vote is entitled to appoint not more than two proxies.

When more than one proxy is appointed each proxy must be appointed to represent a specified portion of the members voting rights.

A proxy need not be a member of the Trust.

Forms of proxy must be lodged at the registered office at least 48 hours before the meeting.

A form of proxy accompanies this notice of meeting.



COONAWARRA AUSTRALIA PROPERTY TRUST
(ARSN 104 335 159)

FORM OF PROXY – TRUST UNITS

I/We

Of

Being a Unitholder of Coonawarra Australia Property Trust (Trust) hereby appoint(s)

(Name in Block Letters)

(Address in Block Letters)

or failing him/her, the Chair of the Meeting, as my/our proxy to attend, vote and otherwise act on my/our behalf at the annual general meeting of the Trust to be held on **Tuesday, 30 November 2004** at Adelaide South Park, 1 South Terrace, Adelaide, South Australia commencing at 11:30am and at any adjournment of that meeting.

If I/we have appointed two proxies, this proxy shall represent ____% of my/our voting rights or _____ (number) of my/our Trust Units.

As there are no resolutions to be put to the meeting, no direction is required concerning how your votes are to be cast.

Signature(s) of member(s) _____
(Refer to note 7 overleaf)

Dated

PRIVACY

The Trust advises that Chapter 2C of the Corporations Act 2001 requires information about securityholders (including name, address and details of the securities held) to be included in the public register of the entity in which the securities are held. This information must continue to be included in the public register if the securityholder ceases to be a securityholder. These statutory obligations are not altered by the Privacy Amendment (Private Sector) Act 2000. Information is collected to administer the security holdings and if some of the information is not collected it might not be possible to administer the security holding. The Trust's privacy policy is available on its website (www.coonawarravineyard.com.au)

SEE OVERLEAF FOR NOTES ON PROXIES

NOTES ON PROXIES

- 1 A member who is entitled to attend and cast a vote at a meeting of members of the Trust may appoint a person as the member's proxy to attend and vote for the member at the meeting.
- 2 The appointment may specify the proportion or number of votes that the proxy may exercise.
- 3 If the member is entitled to cast 2 or more votes at the meeting, the member may appoint 2 proxies. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes.
- 4 Any fractions of votes resulting from the application of notes 2 or 3 above will be disregarded.
- 5 A proxy need not be a member of the Trust.
- 6 A proxy appointed to attend and vote for a member has the same rights as the member to speak at the meeting, to vote (but only to the extent allowed by the appointment) and to join in a demand for a poll.
- 7 The appointment of a proxy must be signed by the member or his attorney duly authorized in writing. If the appointor is a corporation, the appointment must be signed by its duly authorized attorney, or in accordance with the corporation's constitution and the Corporations Act 2001.
- 8 A corporate shareholder wishing to appoint a natural person to act as its representative at the meeting can do so in accordance with the Corporations Act 2001. The representative must bring evidence of his or her appointment as a representative to the meeting.
- 9 To be valid, the instrument appointing a proxy, and the power of attorney or other authority (if any) under which it is signed or executed (or a copy certified by a notary), must be lodged at the registered office of the Trust, (being Level 1, 7 Greenhill Road, Wayville, South Australia), not less than 48 hours before the time appointed for the meeting or any adjournment thereof. The lodgment referred to in this paragraph can also be achieved by faxing the document(s) to the attention of the "Group Secretary" on (+61) 8 8299 9355 or mailing to PO Box 6243, Halifax St, Adelaide, South Australia 5000.
- 10 If this proxy form is signed by the member(s) but otherwise left blank, it shall be deemed to be a valid appointment of the Chair of the meeting as the member's proxy.
- 11 A proxy other than the Chair need not vote on a poll or a show of hands, but if the proxy does vote he/she must vote the way the appointment specifies. A proxy who is the Chair must vote on a poll.
- 12 If a member desires to direct the proxy how to vote on a particular resolution, the member should place an "X" in the appropriate box, otherwise the proxy may vote or abstain as he or she deems fit.
- 13 The Trust will make further copies of this form available to members on request.