

Coonawarra Premium Vineyards Project No.2

ARSN 096 298 074

2004 Annual Reports



Responsible Entity:

Coonawarra Premium Vineyards Limited
AFS Licence No. 226243 ABN 56 086 944 265
Level 1, 7 Greenhill Road, Wayville SA 5034
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Coonawarra Premium Vineyards Project No.2

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
Fax:	+61 8 8299 9355
Email:	enquiries@coonawarravineyard.com.au
Grower Registry	Coonawarra Premium Vineyards Ltd, Adelaide
Custodian	Tower Trust (SA) Limited, Adelaide
Auditors	Deloitte Touche Tohmatsu, Adelaide
Taxation advisor	Deloitte Touche Tohmatsu, Adelaide

Coonawarra Premium Vineyards Project No.2

2004 Annual Project Report

Project Overview

It is with pleasure that we present the Annual Project Report for the year ended 30 June 2004. Vintage 2004 has been a particularly hard year for the wine industry. Although favourable weather conditions were experienced during the flowering period, rain periods and cool weather during harvest have caused slight problems with grape quality. In general, grape purchasers have been moving away from long term contracts, and the perceived oversupply of red grape varieties has markedly reduced their price. Many articles have been printed in the press relating to both of these issues.

The 2004 harvest is the first crop of premium wine grapes for Stage 1 of Project 2. A small harvest of Shiraz grapes was produced from the Stage 2 vines.

The total crop harvested during 2004 was 193.07 tonnes, with 137.07 tonnes relating to Stage 1 and 56.00 tonnes relating to Stage 2. The 18.90 tonnes of Sauvignon Blanc from Stage 1 was sold to the Manager at \$1,500 per tonne resulting in income from customers of \$28,290 before recoverable harvesting costs. The remaining 174.17 tonnes of grapes were made into bulk wine. Net proceeds from the sale of this bulk wine will be passed on to growers in due course.

Coonawarra Region Overview

According to the Phylloxera & Grape Industry Board of South Australia, the Coonawarra region's average prices were down on 2003 prices on all varieties the project has planted. Red varieties were reduced the most, by an average of 40% from 2003 prices. Despite this decrease in average prices, Coonawarra remains a premium quality region still producing premium quality grapes.

2004 Harvest Summary

Grape Variety	Stage 1		Stage 2	
	2004 Actual Tonnes	Litres of Bulk Wine	2004 Actual Tonnes	Litres of Bulk Wine
Cabernet Sauvignon	27.17	20,378	N/A	N/A
Chardonnay	11.40	8,495	N/A	N/A
Merlot	49.30	38,206	N/A	N/A
Shiraz	30.30	23,688	56.00	44,000
Sauvignon Blanc	18.90	N/A*	N/A	N/A
Total	137.07	90,767**	56.00	44,000***
Per Unit	0.25	165.03**	0.30	236.60***

* Sold for \$28,290 at \$1,500 per tonne to the Manager.

** After processing approximately 82,600 litres will be available for sale as bulk wine.

*** After processing approximately 39,600 litres will be available for sale as bulk wine.

PROJECT SUMMARY

Size of Vineyard:	94 Hectares (including headlands and roads)
Planted Area of Vineyard:	54.8 Hectares - Stage 1 18.8 Hectares - Stage 2
Total 2004 Grape Harvest (Tonnes):	137.07 (Stage 1) 56.00 (Stage 2)
Total 2004 Project Grape Revenue:	\$28,290 (Stage 1 – sale of Sauvignon Blanc)
Total 2004 Project Bulk Wine Produced:	90,767 (Stage 1)** 44,000 (Stage 2)***
Interim Grape Processing Costs:	\$25,960 (Stage 1) \$14,479 (Stage 2)
Recoverable Harvest Costs:	2003 Balance of Costs: \$26,400 2004 Interim Costs: \$68,290 Total: \$94,690
Total Units:	550 Units - Stage 1 186 Units - Stage 2
Total Number of Growers:	130 Growers

Coonawarra Premium Vineyards Project No.2

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, and the timely lodgment thereof;
- (b) the establishment of the long-term goals of the Project and strategic plans to achieve those goals;
- (c) the review and adoption of annual budgets for the financial performance of the Project and monitoring the results on a regular basis; and
- (d) ensuring that the Project 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 Project's expense (providing a copy of such advice is provided to the Project 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 RE'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 Project:

- 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 Project and reports to the Board to ensure that the compliance responsibilities of the Project 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 Project and ensures that Growers are informed of all information necessary to assess the performance of directors.

Risk Management and Other Board Committees

The Board is responsible for the RE's system of internal controls. The Board monitors the operational and financial aspects of the Project'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 Project.

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

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

Occupational Health and Safety

The RE recognises its duty to ensure the occupational health, safety and welfare (OHS&W) at work of its contractors and visitors when on the Project's property. The Project has no employees. The Project'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 Project action plans.

Coonawarra Premium Vineyards Project No.2

Directors' Report

The directors of Coonawarra Premium Vineyards Limited ABN 58 086 944 265, as Responsible Entity (RE) for the Coonawarra Premium Vineyards Project No.2 ARSN 096 298 074 (Project), present their report on the Project for the 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 year are:

<i>Name</i>	<i>Particulars</i>
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 – 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 Project is a registered managed investment scheme domiciled in Australia.

The Project's principal activity in the course of the year was to grow wine grapes on behalf of investors in the Project (Growers) on land made available to licensees under a 13 year licence agreement by CPV Land Holdings Ltd ABN 96 094 489 639 (Company). Upon the expiry of the licences in 2015, ownership of improvements to the land vests in the Company. The Project 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
	\$	\$
Management fees	806,984	1,044,294
Grant of use (licence) fees	125,977	121,440
Application fees	-	315,902
Grape processing recharged	40,439	-
Interest income	10,905	136,872
Expenses	984,305	1,618,508
Net profit	-	-

The Project vineyards continued to mature and produced a small crop in 2004, the second year of production for stage 1 and the first year of production for the shiraz vines on stage 2. The grapes from the Project are not contracted to wineries.

194 tonnes of grapes were harvested from stages 1 & 2 of the Project. 19 tonnes of this harvest were sold to Coonawarra Vineyard Management Services Pty Ltd at \$1,500 per tonne. The balance of the crop could not be sold as grapes. The remaining grapes were processed into bulk wine at Great Stone Winery in the Coonawarra district and the resulting bulk wine will be placed with an agent to be sold on the bulk wine market.

Changes In State Of Affairs

During the financial year there was no significant change in the state of affairs of the Project other than that referred to in 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 Project, the results of those operations, or the state of affairs of the Project in future financial years.

Coonawarra Premium Vineyards Project No.2

Directors' Report (continued)

Future Developments

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

Distribution Payments

Distributions of grape proceeds and/or bulk wine sales are paid annually in November following the end of each trading year. Unpaid management fees, grant of use fees or any other recoverable costs are withheld from grape distributions in accordance with the Project's constitution.

Indemnification of Officers and Auditors

During the financial year, the RE 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 RE 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 board 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

Registered Schemes Information

The value of the Project'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.

	<u>Managed Units</u>	<u>Unmanaged Units</u>	<u>Total Units</u>
Total Units at Beginning of Year	736	-	736
Units Issued During Financial Year	-	-	-
Total Units At End of Financial Year	736	-	736
Units held by Responsible Entity or associates	199	-	199

Total fees paid or payable to the RE (or associates) in respect of the year ended 30 June 2004 totalled \$984,305 (2003: \$1,618,508) representing payments made by growers in accordance with the Prospectus dated 9 April 2001 and the Project's constitution.

Directors' Interests

The following table sets out each director's relevant interest in the Grower Units of the Project and the shares in CPV Land Holdings Ltd or a related body corporate as at the date of this report.

<u>Name of Director</u>	<u>No of units held in the Project</u>	<u>No of shares held in CPV Land Holdings Ltd</u>
R P Beck	150	15,000
P H Miller	-	-
R L Watson *	49	36,900

* Units and shares held by Coonawarra Vineyard Management Services Pty Ltd (19 & 1,900), Leed Capital Pty Ltd (30 & 3,000) and Watson Wine Group Pty Ltd (0 & 32,000).

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



R L Watson
Director

Adelaide, 10 September 2004

Coonawarra Premium Vineyards Project No.2

Statement of Financial Performance for the year ended 30 June 2004

	2004	2003
Operating revenue	\$	\$
Management fees	806,984	1,044,294
Grant of use fees	125,977	121,440
Application fees	-	315,902
Grape processing fees	40,439	-
Interest revenue: growers	10,022	132,361
Interest revenue: other	883	4,511
Revenue from ordinary activities	984,305	1,618,508
Management fee expenses	(806,984)	(1,048,805)
Grant of use fee expenses	(125,977)	(121,440)
Grape processing expenses	(40,439)	-
Borrowing costs: responsible entity	(10,905)	(132,361)
Application fee expenses	-	(315,902)
Profit from ordinary activities before related income tax expense	-	-
Income tax expense relating to ordinary activities	-	-
Profit from ordinary activities after related income tax expense	-	-
Net profit	-	-
Total changes in equity other than those resulting from transactions with owners as owners	-	-

Notes to the financial statements are included on pages 10 to 16.

Coonawarra Premium Vineyards Project No.2

Statement of Financial Position as at 30 June 2004

	Notes	2004 \$	2003 \$
Current assets			
Cash assets		100	173,862
Receivables	4	132,906	119,734
TOTAL CURRENT ASSETS		<u>133,006</u>	<u>293,596</u>
TOTAL ASSETS		<u>133,006</u>	<u>293,596</u>
Current liabilities			
Payables	5	133,006	293,596
TOTAL CURRENT LIABILITIES		<u>133,006</u>	<u>293,596</u>
TOTAL LIABILITIES		<u>133,006</u>	<u>293,596</u>
NET ASSETS		<u>-</u>	<u>-</u>
EQUITY	6	<u>-</u>	<u>-</u>
TOTAL EQUITY		<u>-</u>	<u>-</u>

Notes to the financial statements are included on pages 10 to 16.

Coonawarra Premium Vineyards Project No.2

Statement of Cash Flows for the year ended 30 June 2004

	Notes	2004 \$	2003 \$
Cash flows from operating activities			
Receipts from customers		960,228	2,746,553
Payments to suppliers		(1,133,990)	(2,908,740)
Interest received		10,905	136,872
Interest and other costs of finance paid		(10,905)	-
Net cash used in operating activities	7	(173,762)	(25,315)
Cash flows from investing activities			
		-	-
Net cash provided by investing activities		-	-
Cash flows from financing activities			
		-	-
Net cash provided by financing activities		-	-
NET DECREASE IN CASH HELD		(173,762)	(25,315)
Cash at the beginning of the year		173,862	199,177
CASH AT THE END OF THE YEAR		100	173,862
Reconciliation of cash			
Cash at bank		100	173,862

Notes to the financial statements are included on pages 10 to 16.

Coonawarra Premium Vineyards Project No.2

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 Project's constitution, applicable Accounting Standards, Urgent Issues 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) Goods and Services Tax

The Project is not registered for GST purposes as it is not an entity and cannot be registered. Income and expenses are stated gross of GST, as are cashflow transactions, receivables and payables of the Scheme.

(b) Income Tax

No provision for income tax is taken into account when preparing the Project's financial statements, as the Project has no tax liability in respect of its earnings. Individual members (Growers) in the Project will account for the income of the Project in their individual taxation returns at their applicable tax rate.

(c) Grapevines and Grapes

The grapevines are legally part of the land and therefore are the property of the land holder, being CPV Land Holdings Ltd. Proceeds from sales of grapes is income of the Growers and, as reported in Note 10, does not form part of the Project for the purpose of these financial statements.

(d) Revenue Recognition

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

(e) Cash

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

(f) Receivables

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

(g) Accounts Payable

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

2. SEGMENT INFORMATION

The Project operates solely in South-Eastern Australia and solely within the primary production wine-grape growing industry.

	2004	2003
3. REMUNERATION OF AUDITORS	\$	\$
Auditing the financial reports	8,000	7,800
Other services	-	-
	<hr/>	<hr/>
	8,000	7,800
4. CURRENT RECEIVABLES		
Trade debtors: growers	123,281	119,734
Trade debtors: growers related to the RE	9,625	-
	<hr/>	<hr/>
	132,906	119,734

Coonawarra Premium Vineyards Project No.2

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

	2004	2003
5. CURRENT PAYABLES	\$	\$
Trade payables: RE	112,152	222,796
Trade payables: CPV Land Holdings Ltd	20,854	70,800
	<u>133,006</u>	<u>293,596</u>

6. EQUITY

Stapled Securities

Subscription to the Project is closed with a total number of 736 units issued.

The Project's interests are stapled to Shares in CPV Land Holdings Ltd (Company). Under the terms of the Project's constitution, each investor was required to pay \$10,179 to acquire a single Stapled Interest, comprising 100 shares and one Grower Interest. An Investor could acquire any multiple of Stapled Interests, providing that the Grower's interest and the Shares are always acquired together. Each Grower's interest must be held at all times by a Shareholder, or an associate of a Shareholder, in the Company.

The Shares have no value in the Coonawarra Premium Vineyards Project No.2 financial statements, and consequently are not disclosed in the Statement of Financial Position.

	2004	2003
7. NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES	\$	\$
Profit from ordinary activities after tax	-	-
<u>Changes in net assets and liabilities:</u>		
Current receivables	(13,172)	1,264,917
Current payables	(160,590)	(1,290,232)
Net cash used in operating activities	<u>(173,762)</u>	<u>(25,315)</u>

The Project does not have any financing facilities.

8. CONTINGENT ASSETS AND LIABILITIES

The Project 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.

9. 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 Project, the results of those operations, or the state of affairs of the Project in future financial years.

Coonawarra Premium Vineyards Project No.2

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

10. PROJECT INFORMATION

The Project represents the combined contributions of the Growers and the transfer of those contributions to the Responsible Entity. The Responsible Entity manages the Project on behalf of the Growers, and also acts as agent for managed unit Growers on their behalf to sell their grapes.

Proceeds from sales of grapes are income of the Growers, and do not form part of the Project. Accordingly, proceeds from sales held by the Custodian (Tower Trust (SA) Limited) at reporting date, and any amounts receivable at reporting date from wineries in respect of grape sales, are not included in the financial report of the Project.

Under the terms of a 13-year license agreement, the members of the Coonawarra Premium Vineyards Project No.2 are entitled to establish and grow wine grapes on the land held by the Company. Upon expiry of the licence in 2015, ownership of improvements to the land vests in the Company.

Grape sale details for the Growers for the financial year are:

	2004	2003
	\$	\$
Sales of grapes for the year (1)	28,290	-
Net value of grapes picked and made into bulk wine (2)	121,000	-
Balance of Gross Proceeds Account held by Custodian at end of year	-	-
Trade Receivables – Customers	9,430	-
Proceeds payable to Growers (1)	-	-

(1) The sale value of the grapes has been absorbed by harvesting costs for the Project as a whole. Not all harvesting costs have yet been recovered.

(2) 194 tonnes of grapes were harvested from stages 1 & 2 of the Project. 19 tonnes of this harvest were sold to Coonawarra Vineyard Management Services Pty Ltd at \$1,500 per tonne. The balance of the crop could not be sold as grapes. The remaining grapes were processed into bulk wine at Great Stone Winery in the Coonawarra district and the resulting bulk wine will be placed with an agent to be sold on the bulk wine market.

Coonawarra Premium Vineyards Project No.2

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

11. 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 Company.

The Project does not have any significant credit risk exposure to any single counter party or any group of counter parties having similar characteristics.

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

(c) Interest rate risk exposures

	Fixed interest rate	Floating interest rate	Non-interest bearing	Total
2004				
Financial assets	\$	\$	\$	\$
Cash assets	-	100	-	100
Receivables	108,550	-	24,356	132,906
	108,550	100	24,356	133,006
Weighted average interest rate	10.70%	4.00%		
Financial liabilities				
Trade payables	108,550	-	24,456	133,006
	108,550	-	24,456	133,006
Weighted average interest rate	10.70%			
2003				
Financial assets	\$	\$	\$	\$
Cash assets	-	173,862	-	173,862
Receivables	-	-	119,734	119,734
	-	173,862	119,734	293,596
Weighted average interest rate		3.25%		
Financial liabilities				
Trade payables	-	-	293,596	293,596
	-	-	293,596	293,596

Coonawarra Premium Vineyards Project No.2

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

12. 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 Project. The following information is provided pursuant to those disclosure requirements.

(a) Responsible Entity, Custodian and Manager

The responsible entity of Coonawarra Premium Vineyards Project is Coonawarra Premium Vineyards Limited (ACN 086 944 265), which is a wholly owned subsidiary of Coonawarra Vineyard Management Services Pty Ltd whose ultimate parent entity is Watson Wine Group Pty Ltd ACN 093 886 509 (formerly CVMS Holdings Pty Ltd). Accordingly, transactions with entities related to the Watson Wine Group are disclosed below.

Coonawarra Premium Vineyards Limited also acts as the Manager of the Project and Tower Trust (SA) Ltd is the Custodian.

(b) 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)

(c) Equity holdings

The numbers of units in the Project 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 RE</u>			
Rex Watson (#)	19	30	49
Paul Miller	-	-	-
Richard Beck	150	-	150

Units held by Coonawarra Vineyard Management Services Pty Ltd (19) and Leed Capital Pty Ltd (30).

Coonawarra Premium Vineyards Project No.2

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

13. RELATED PARTY AND EXECUTIVE DISCLOSURES (continued)

(d) 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 Coonawarra Australia Property 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 RE, directly or indirectly, by the RE or by any related party	212,940	247,649
The number of directors of the RE, 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	-	1
\$120,000 to \$129,999	-	1
\$140,000 to \$149,999	1	-
The number of executives of the RE, 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	-
\$120,000 to \$129,999	-	1
\$140,000 to \$149,999	1	-

(e) Transactions with other related parties

Other related parties includes: associates; directors of related parties and their director-related entities; entities subject to common control; and other related parties.

Aggregate amounts receivable from or payable to other related parties are disclosed in notes 4 and 5 to the financial statements. These amounts were paid on normal terms and conditions. Amounts receivable include \$9,625 owed by entities related to a director of the RE, Richard Beck.

During the financial year management fees (\$806,984), grape processing fees (\$40,439) and interest (\$10,905) were paid to the RE. The amounts were paid on normal terms and conditions in accordance with the Scheme's constitution.

During the financial year grant of use fees (\$125,977) were paid to the Company, an other-related entity. The grant of use fees were paid on normal terms and conditions in accordance with the Scheme's constitution.

Proceeds from sales of grapes is income of the investors and, as reported in Note 10, does not form part of the Project.

Coonawarra Premium Vineyards Project No.2

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

14. 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 Project 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 Project'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 Project, 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 Project, and expect to complete an impact study and commence a plan to prepare the Project 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 Project, 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 136 "Impairment of Assets"

First-time adoption of A-IFRS

On first-time adoption of A-IFRS, the Project 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 Project 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.

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

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 RE 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 RE 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 RE provides an allowance for doubtful debts using an estimate based on specific analysis of receivables. Under A-IFRS, the RE 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.

15. ADDITIONAL INFORMATION

The Project is a registered Managed Investment Scheme operating in Australia. 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 Premium Vineyards Project No.2

Directors' Declaration

The financial statements and notes thereto of the Coonawarra Premium Vineyards Project No.2 (Project) 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 7 to 16:

- 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 Project'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 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 Project 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.



R L Watson
Director

Adelaide, 10 September 2004

Deloitte Touche Tohmatsu
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**INDEPENDENT AUDIT REPORT TO THE MEMBERS
OF COONAWARRA PREMIUM VINEYARDS PROJECT NO. 2**

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 Premium Vineyards Project No. 2, for the financial year ended 30 June 2004 as set out on pages 7 to 17.

The directors of the disclosing 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 disclosing entity. 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 disclosing entity'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 Premium Vineyards Project No. 2 is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the disclosing entity'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



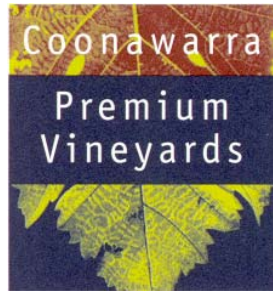
Stephen Harvey
Partner
Chartered Accountants

Adelaide, 13 September 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).

CPV Land Holdings Ltd

ABN 96 094 489 639



Annual Report for the year ended 30 June 2004

CPV Land Holdings Ltd

Annual Report for the year ended 30 June 2004

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Corporate Information

Directors	Richard Beck (Chairman) Paul Miller (Compliance Officer) Rex Watson (Group Managing Director)
Company secretary	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
Fax:	+61 8 8299 9355
Email:	enquiries@coonawarravineyard.com.au
Share Registry	Coonawarra Premium Vineyards Ltd, Adelaide
Custodian	Tower Trust (SA) Limited, Adelaide
Auditors	Deloitte Touche Tohmatsu, Adelaide
Taxation advisor	Deloitte Touche Tohmatsu, Adelaide
Bankers	Commonwealth Bank of Australia, Adelaide

CPV Land Holdings Ltd

Corporate Governance Statement

The Board of Directors

As at the date of this report the Board 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 and the timely lodgment thereof;
- (b) the establishment of the long-term goals of the Company and strategic plans to achieve those goals;
- (c) the review and adoption of annual budgets for the financial performance of the Company and monitoring the results on a regular basis; and
- (d) ensuring that the Company 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 Company's expense (providing a copy of such advice is provided to the Company 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 Company's Audit and Compliance Committee consists of the following members, all of whom are independent of the management of the Company and do not participate in management of the Company:

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

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 Company, 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 Company and reports to the Board to ensure that the compliance responsibilities of the Company 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 Company 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 Company's system of internal controls. The Board monitors the operational and financial aspects of the Company'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 Company.

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

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

Occupational Health and Safety

The Company recognises its duty to ensure the occupational health, safety and welfare (OHS&W) at work of its contractors and visitors when on the Company's property. The Company has no employees. The Company'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 Company action plans.

CPV Land Holdings Ltd

Directors' Report

The directors of CPV Land Holdings Ltd ABN 96 094 489 639 present their report on the Company for the 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 Company during or since the end of the 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 – 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 Company'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 as members of the Coonawarra Premium Vineyards Project No.2. Upon the expiry of the licences in 2015, ownership of improvements to the land vests in the Company. The Company has no employees.

During the year the Company commenced development of 8.2 hectares of land that was surplus to the Project. The land is contiguous with the Project land. Infrastructure has been installed and shiraz vines planted. There are no grant of use licences issued for this land and the Company will retain the benefit of the crops when this new vineyard comes into production. There were no other significant changes in the nature of those activities during the financial year.

Review Of Operations

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

	2004	2003
	\$	\$
Grant of use (licence) fees	114,525	110,400
Net (decrement)/increment in value of grapevines	(1,294,790)	1,648,088
Proceeds from sale of land	-	945,553
Interest income	32,751	27,135
Cost of land sold	(98,829)	(808,039)
Other expenses	(290,066)	(130,780)
Net profit / (loss) before tax	(1,536,409)	1,792,357

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 \$4 million on an unencumbered freehold basis. The directors have adopted this valuation, less an adjustment to allow for the Growers' rental payments being below commercial market value. 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 market value of mature vineyards reflecting 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.

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 decreased during the financial year by \$1,294,790 despite the vines continuing to mature. A \$674,232 decrease in the value of the land was taken to asset revaluation reserve.

The Company is examining options to pursue an investment strategy to create a specialist wine industry company that invests in premium vineyards and other wine infrastructure investments to generate returns for investors.

CPV Land Holdings Ltd

Directors' Report (continued)

Registered Scheme Information

The Company's shares are stapled to Grower Shares in the Coonawarra Premium Vineyards Project No. 2 ARSN 096 298 074. The Responsible Entity is Coonawarra Premium Vineyards Ltd ABN 58 086 944 265 AFS licence number 226243.

	<u>Units</u>
Total Units at Beginning of Year	736
Units Issued During Financial Year	-
Total Units At End of Financial Year	736
Units held by Responsible Entity or associates	169

Changes In State Of Affairs

During the financial year there was no significant change in the state of affairs of the Company other than that referred to in 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 Company, the results of those operations, or the state of affairs of the Company in future financial years.

Future Developments

The Company is examining options to pursue an investment strategy to create a specialist wine industry company that invests in premium vineyards and other wine infrastructure investments to generate returns for investors. Disclosure of other information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

Dividends

No dividends have been declared or paid since the beginning of the financial year up to the date of this report: The directors do not recommend the payment of any dividend in respect of the current financial year.

Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the Company secretary, and all executive officers of the Company 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 Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company 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 board 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' Shareholdings

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

<u>Name of Director</u>	<u>No of shares held</u>
R P Beck	15,000
P H Miller	-
R L Watson	33,900

CPV Land Holdings Ltd

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.

Remuneration packages contain the following key elements:

- a) Salary/fees; and
- b) Benefits – Superannuation and business travel.

In addition to the directors executives employed by the Company and its related entities with authority for the strategic direction and management of the Company (specified executives) during the financial year. Their details are disclosed below

In addition to the directors, there are only three executives employed by the Company and its related entities with authority for the strategic direction and management of the Company (specified executives) during the financial year. Their details are disclosed below

<u>Name:</u>	<u>Position</u>	<u>Employer</u>
Andrew Parkinson	Chief Executive Officer & Company Secretary	Essential Project Administration Pty Ltd **
Anthony Fox	Vineyard Manager	Coonawarra Vineyard Management Services Pty Ltd
Charlie Latham	General Manager Finance & Administration <i>(from 13 October 2003)</i>	Essential Project Administration Pty Ltd **

** Essential Project Administration Pty Ltd is a wholly-owned controlled entity of Coonawarra Vineyard Management Services Pty Ltd, a director-related entity of Rex Watson. Coonawarra Vineyard Management Services Pty Ltd is the manager of the Company's vineyards.

The following table discloses the remuneration of the directors and specified executives of the Company for the year ended 30 June 2004:

2004 Name	Primary			Post-employment		Equity	Total
	Cash salary & fees	Cash bonus	Non-monetary benefits	Super-annuation	Retirement benefits		
	\$	\$	\$	\$	\$	\$	\$
<u>Specified directors</u>							
Rex Watson	114,347	-	14,753	11,516	-	-	140,616
Paul Miller	33,027	-	-	2,973	-	-	36,000
Richard Beck	-	-	-	36,324	-	-	36,324
Total	147,374	-	14,753	50,813	-	-	212,940
<u>Specified executives</u>							
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	226,553	-	7,372	26,771	-	-	260,696

Share Options

No options were granted over unissued shares in the Company during or since the financial year or were granted to the Responsible Entity. No unissued shares in the Company were under option as at the date on which this Report is made. No shares were issued in the Company during or since the end of the Financial Year as a result of the exercise of an option over unissued shares the Company.

The value of the Company'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 Company 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, 10 September 2004

CPV Land Holdings Ltd

Statement of Financial Performance for the year ended 30 June 2004

		2004	2003
	Notes	\$	\$
Operating revenue			
Grant of use (licence) fees		114,525	110,400
Proceeds from sale of land		-	945,553
Net market value increment - grapevines		-	1,648,088
Interest revenue - director-related entities		32,745	11,511
Interest revenue - other		6	15,624
Other operating revenue		-	765
Revenue from ordinary activities		147,276	2,731,941
Cost of land sold		-	(708,166)
Development costs of land sold		(98,829)	(99,873)
Net market value decrement - grape vines		(1,294,790)	-
Vineyard management expenses		(226,608)	(10,225)
Corporate expenses		(25,200)	(4,459)
Finance expense - allowance for doubtful debts		10,872	(18,322)
Borrowing costs - related parties		(2,861)	-
Borrowing costs - other		(46,269)	(98,539)
Profit / (loss) from ordinary activities before related income tax expense	3	(1,536,409)	1,792,357
Income tax benefit / (expense) relating to ordinary activities	5	32,092	(47,410)
Profit / (loss) from ordinary activities after related income tax expense		(1,504,317)	1,744,947
Net profit / (loss)		(1,504,317)	1,744,947
Increase / (decrease) in asset revaluation reserve arising on revaluation of non-current assets		(674,232)	1,554,178
Total revenue, expense and valuation adjustments attributable to members recognised directly in equity		(674,232)	1,554,178
Total changes in equity other than those resulting from transactions with owners as owners		(2,178,550)	3,299,125
		cents	cents
Basic earnings per security	4	(1,424.54)	1,652.41
Diluted earnings per security	4	(1,424.54)	1,652.41

Notes to the financial statements are included on pages 10 to 22.

CPV Land Holdings Ltd

Statement of Financial Position as at 30 June 2004

	Notes	2004 \$	2003 \$
Current assets			
Cash assets		101,934	10,147
Receivables	7	49,257	1,355,677
Other	8	112,787	-
TOTAL CURRENT ASSETS		263,978	1,365,824
Non-current assets			
Property, plant & equipment	9	2,192,020	2,660,752
Self-generating and regenerating assets	11	1,273,118	2,567,908
TOTAL NON-CURRENT ASSETS		3,465,138	5,228,660
TOTAL ASSETS		3,729,116	6,594,484
Current liabilities			
Payables	12	5,839	17,383
Tax liabilities	13	13,043	45,135
TOTAL CURRENT LIABILITIES		18,882	62,518
Non-current liabilities			
Interest-bearing liabilities	14	487,949	1,131,132
TOTAL NON-CURRENT LIABILITIES		487,949	1,131,132
TOTAL LIABILITIES		506,831	1,193,650
NET ASSETS		3,222,285	5,400,834
EQUITY			
Contributed equity	15	1,191,794	1,191,794
Asset revaluation reserve	16	694,558	1,554,178
Retained profits	17	1,335,933	2,654,862
TOTAL EQUITY		3,222,285	5,400,834

Notes to the financial statements are included on pages 10 to 22.

CPV Land Holdings Ltd

Statement of Cash Flows for the year ended 30 June 2004

	Notes	2004 \$	2003 \$
Cash flows from operating activities			
Receipts from customers		1,048,850	269,283
Payments to suppliers		(460,097)	(345,518)
Interest received		32,751	27,135
Interest and other costs of finance paid		(49,130)	(98,539)
Net cash provided by / (used in) operating activities	18	572,374	(147,639)
Cash flows from investing activities			
Payments for property, plant & equipment		(228,083)	-
Advances made to related parties in prior periods, now repaid		390,679	-
Net cash provided by investing activities		162,596	-
Cash flows from financing activities			
Proceeds of equity issues		-	198,054
Repayment of borrowings		(643,183)	(80,000)
Net cash provided by / (used in) financing activities		(643,183)	118,054
NET INCREASE / (DECREASE) IN CASH HELD		91,787	(29,585)
Cash at the beginning of the year		10,147	39,732
CASH AT THE END OF THE YEAR		101,934	10,147

Notes to the financial statements are included on pages 10 to 22.

CPV Land Holdings Ltd

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 Company's constitution, applicable Accounting Standards, Urgent Issues 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 20 years
- Improvements - other 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

Tax-effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting results after adjustment for permanent differences. The tax-effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in the deferred tax assets and deferred tax liabilities, as applicable.

(d) Grapevines

The Company 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 Company 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 Company 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 Company gains control of the revenue or the right to receive the revenue.

CPV Land Holdings Ltd

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) Receivables

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

(i) Accounts Payable

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

(j) Interest-Bearing Liabilities

The bank loan 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.

(k) 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.

(l) Revaluation of non-current assets

Freehold land and buildings are valued annually by the directors, based on a report received annually from an independent valuer.

2. SEGMENT INFORMATION

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

3. PROFIT / (LOSS) FROM ORDINARY ACTIVITIES

The profit / (loss) from ordinary activities includes the following items of revenue and expense:

	2004	2003
	\$	\$
Depreciation	22,583	-
	cents	cents
Basic earnings per share	(1,424.54)	1,652.41
Diluted earnings per share	(1,424.54)	1,652.41
	number	number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	105,600	105,600
Earnings used in the calculation of basic earnings per share:	\$	\$
Net profit / (loss)	(1,504,317)	1,744,947
	number	number
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	105,600	105,600
Earnings used in the calculation of diluted earnings per share:	\$	\$
Net profit/(loss)	(1,504,317)	1,744,947

CPV Land Holdings Ltd

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

5. INCOME TAX	2004	2003
Income tax (benefit) / expense	\$	\$
The prima facie tax on operating profit / (loss) differs from the income tax (benefit) / expense provided in the financial statements. The difference is reconciled as follows:		
Profit / (loss) from ordinary activities before related income tax expense	(1,536,409)	1,792,357
Income tax (benefit) / expense on operating profit / (loss) @ 30% (2003: 30%)	(460,923)	537,707
Tax effect of permanent differences:		
(Increments) / decrements in net market value of grapevines	388,437	(494,426)
Income tax adjusted for permanent differences	(72,486)	43,281
Future tax benefits not brought to account	40,394	4,129
Income tax expense / (benefit) attributable to operating profit/(loss)	(32,092)	47,410
Franking account balance	41,913	41,913

Due to the changes in Australian income tax legislation, from 1 July 2002 franking accounts are maintained on a "tax paid" rather than an "after tax distributable profits" basis. The comparative franking account balance as at 30 June 2002 was restated on the "tax paid basis" so as to be comparable with the disclosure as at 30 June 2003.

Deferred tax assets have only been brought to account where the benefits of recovery have been realised. \$38,114 of future tax benefits not brought to account relates to tax losses carried forward: the remainder (\$2,280) relates to timing differences.

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

- assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- conditions for deductibility imposed by the law are complied with; and
- no changes in tax legislation adversely affect the realisation of the benefit from the deductions

6. REMUNERATION OF AUDITORS	2004	2003
	\$	\$
Auditing the financial reports	9,500	8,500
Other services	3,225	-
	<u>12,725</u>	<u>8,500</u>

7. CURRENT RECEIVABLES	2004	2003
Trade debtors - other	11,228	945,553
Less allowance for doubtful debts	(7,450)	-
	<u>3,778</u>	<u>945,553</u>
Trade debtors - director-related entities	24,011	12,225
Other debtors - director-related entities	-	390,679
Other debtors - GST recoverable	21,468	7,220
	<u>49,257</u>	<u>1,355,677</u>

8. OTHER CURRENT ASSETS	2004	2003
Prepayments	112,787	-
Unpaid equity	-	18,322
Less allowance for doubtful debts	-	(18,322)
	<u>112,787</u>	<u>-</u>

CPV Land Holdings Ltd

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

9. PROPERTY PLANT AND EQUIPMENT	Freehold land (at fair value)	Improvements (at fair value)	Total
	\$	\$	\$
2004			
Gross carrying amount			
Balance at 30 June 2003	2,660,752	-	2,660,752
Reclassifications	(200,000)	200,000	-
Revaluations to market value	(674,232)	-	(674,232)
Additions	-	228,083	228,083
Balance at 30 June 2004	<u>1,786,520</u>	<u>428,083</u>	<u>2,214,603</u>
Depreciation			
Balance at 30 June 2003	-	-	-
Depreciation expense	-	(22,583)	(22,583)
Balance at 30 June 2004	<u>-</u>	<u>(22,583)</u>	<u>(22,583)</u>
Net book value 30 June 2004	<u>1,786,520</u>	<u>405,500</u>	<u>2,192,020</u>
2003			
Gross carrying amount			
Balance at 30 June 2002	1,814,740	-	1,814,740
Revaluations to market value	1,554,178	-	1,554,178
Disposals	(708,166)	-	(708,166)
Balance at 30 June 2003	<u>2,660,752</u>	<u>-</u>	<u>2,660,752</u>
Depreciation			
Balance at 30 June 2002	-	-	-
Depreciation expense	-	-	-
Balance at 30 June 2003	<u>-</u>	<u>-</u>	<u>-</u>
Net book value 30 June 2003	<u>2,660,752</u>	<u>-</u>	<u>2,660,752</u>

The Company has 82 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 No.2 are entitled to establish and grow wine grapes on 74 hectares of the land held by the Company. Upon expiry of the licence, ownership of improvements to the land vests in the Company. The balance of 8 hectares has been developed by the Company for its own account.

The overall property is a vineyard comprised of:

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

The development of the Project property was carried out as part of a Managed Investment Scheme (the Scheme) under the Corporations Act 2001. The structure of the Scheme resulted in the Company 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 April 2001. The Growers beneficially own the grapevines but they are legally part of the land and therefore owned by the Company. A lease agreement between the Growers and the Company provides income to the Company for a Grant of Use rental for the Project property.

The constitution provides for the following in relation to the Project property:

Land - the land is held for the benefit of the Shareholders. 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 Company. 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 Company 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.

CPV Land Holdings Ltd

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

10. REVALUATION OF ASSETS

The directors of the Company have determined that the valuation of the property for the purpose of this financial report is \$3,465,000 (2003 \$5,229,000) on an unencumbered freehold basis. 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 if required to ensure the carrying value equates to market value.

The Company'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 and are dealt with in Note 11 below.

To assist the directors in making their determination a formal valuation of the Company's property as at 30 June 2004, dated 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 is \$4,000,000 (2003 \$6,000,000) on an unencumbered freehold basis. This approach is consistent with the methodology used in the prior year. The valuation adopted by the directors is less than the unencumbered value to allow for the Growers' rental payments being below commercial market value.

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 present rental paid by the Growers is below market value, which would be in the order of 10% p.a. of capital value.

11. SELF-GENERATING AND REGENERATING ASSETS

Net market value of vines

	\$	\$
At beginning of year	2,567,908	919,820
Revaluations to net market value	(1,294,790)	1,648,088
At end of year	1,273,118	2,567,908

(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

(1,294,790)	1,648,088
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(b) Physical quantity of vines

Number of vines owned	147,440	137,532
Hectares owned (including improvements)	86	86

(c) Nature of asset

CPV Land Holdings Ltd 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) 50% of the vines are currently mature and the remainder will mature over the next 1 to 3 years. The vines 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.

The value of SGARAs is also calculated from the independent valuation of property referred to in note 10 above. The major negative factor in the current valuation was a fall in the market value of mature vineyards reflecting 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.

CPV Land Holdings Ltd

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

	2004	2003
	\$	\$
12. CURRENT PAYABLES		
Trade payables: director-related entity	5,839	17,383

13. CURRENT TAX LIABILITIES

Income tax payable	13,043	45,135
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14. NON-CURRENT INTEREST-BEARING LIABILITIES

Secured

Bank loan (a)	487,949	1,131,132
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(a) The bank loan is secured by a mortgage over the company's two freehold land titles, the current market value of which exceeds the value of the mortgage.

15. CONTRIBUTED EQUITY

	2004	2003	2004	2003
Share capital - fully paid ordinary shares	number	number	\$	\$
Held by director-related entities	48,900	48,900	422,375	422,375
Other investors	56,700	56,700	769,419	769,419
	<u>105,600</u>	<u>105,600</u>	<u>1,191,794</u>	<u>1,191,794</u>

Fully paid Shares carry one vote per Share and carry the right to dividends.

The Company's shares are stapled to Grower Units in the Coonawarra Premium Vineyards Project No. 2 ARSN 096 298 074. Each share in the Company (in parcels of 100 shares) must be held at all times by a Grower, or an associate of a Grower, in the Coonawarra Premium Vineyards Project No. 2.

16. RESERVES

Asset revaluation reserve

At beginning of year	1,554,178	-
Revaluation of land and improvements to market value	(674,232)	1,554,178
Transfer to retained profits upon sale of revalued land	(185,388)	-
At end of year	<u>694,558</u>	<u>1,554,178</u>

The asset revaluation reserve arises on the revaluation of non-current assets. Where a revalued asset is sold, that portion of the asset revaluation reserve which relates to the asset that is realised is transferred to retained profits.

17. RETAINED PROFITS

Movements during the year

At beginning of year	2,654,862	909,915
Net profit/(loss) for the year	(1,504,317)	1,744,947
Transfers from asset revaluation reserve on sale of land	185,388	-
At end of year	<u>1,335,933</u>	<u>2,654,862</u>

CPV Land Holdings Ltd

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

	2004	2003
	\$	\$
18. NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES		
Operating profit after income tax	(1,504,317)	1,744,947
Depreciation	22,583	-
Profit on sale of land	-	(237,387)
(Increase) / decrease in market value of grapevines	1,294,790	(1,648,088)
<u>Changes in net assets and liabilities:</u>		
Income tax payable	(32,092)	45,135
Allowance for doubtful debts	(10,872)	18,322
Current receivables	908,291	(80,356)
Other current assets	(94,465)	-
Current payables	(11,544)	9,788
Net cash provided by (used in) operating activities	572,374	(147,639)

Financing facilities

Secured 3-year bank loan facility, reviewed annually and payable at call *

Amount used	487,949	-
Amount unused	400,000	-
	<u>887,949</u>	<u>-</u>

* The Company has a loan facility of \$889,949 from Commonwealth Bank of Australia to develop an 8.2 hectare vineyard on land owned by the Company adjacent to the Coonawarra Premium Vineyards Project No.2 vineyards. This facility is for 3 years to 31 October 2006, subject to annual review, and is secured by a fixed and floating charge over the Company's assets and a guarantee from director-related entity Coonawarra Vineyard Management Services Pty Ltd, which is related to Rex Watson.

19. CONTINGENT ASSETS AND LIABILITIES

The Company had no contingent assets or liabilities as at 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 Company, the results of those operations, or the state of affairs of the Company in future financial years.

CPV Land Holdings Ltd

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 Company.

The Company 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 No.2. Growers who default on payment of their management fees, Grant of Use fees or other recoverable costs are liable to have their Grant of Use terminated. In the event of termination, the relevant vineyard lots revert to the Company. 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 Company'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%	101,934	-	101,934
Receivables		-	35,239	35,239
		<u>101,934</u>	<u>35,239</u>	<u>137,173</u>
Financial liabilities				
Bank loan	8.90%	487,949	-	487,949
Trade payables		-	5,839	5,839
Tax payable		-	13,043	13,043
		<u>487,949</u>	<u>18,882</u>	<u>506,831</u>
2003				
Financial assets				
Cash assets	3.10%	10,147	-	10,147
Receivables		-	1,336,232	1,336,232
		<u>10,147</u>	<u>1,336,232</u>	<u>1,346,379</u>
Financial liabilities				
Bank loan	8.30%	1,131,132	-	1,131,132
Trade payables		-	17,383	17,383
Tax payable		-	45,135	45,135
		<u>1,131,132</u>	<u>62,518</u>	<u>1,193,650</u>

CPV Land Holdings Ltd

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

22. RELATED PARTY AND SPECIFIED EXECUTIVE DISCLOSURES

The director and executive information has been prepared in accordance with the new AASB 1046 "Directors and Executives Disclosures by disclosing Entities" This 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".

The disclosures specified in AASB 1017 in relation to all other related parties continue to apply to the Company.

(a) Names

The following persons were directors of the Company, CPV Land Holdings Ltd, during the financial year:

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

In addition to the directors, there are only three executives employed by the Company and its related entities with the authority for the strategic direction and management of the Company (specified executives) during the financial year. Their details are disclosed below

<u>Name:</u>	<u>Position</u>	<u>Employer</u>
Andrew Parkinson	Chief Executive Officer & Company Secretary	Essential Project Administration Pty Ltd **
Anthony Fox	Vineyard Manager	Coonawarra Vineyard Management Services Pty Ltd
Charlie Latham	General Manager Finance & Administration (from 13 October 2003)	Essential Project Administration Pty Ltd **

** Essential Project Administration Pty Ltd is a wholly-owned controlled entity of Coonawarra Vineyard Management Services Pty Ltd, a director-related entity of Rex Watson. The Responsible Entity of the Coonawarra Premium Vineyards Project No.2, Coonawarra Premium Vineyards Limited, is also a wholly-owned controlled entity of Coonawarra Vineyard Management Services Pty Ltd. Coonawarra Vineyard Management Services Pty Ltd is the manager of the Company's vineyards.

All of the above people were also specified executives during the year ended 30 June 2003, except for Charlie Latham who commenced employment with the group on 13 October 2003.

(b) Equity holdings

The numbers of shares in the Company held during the financial year by each director of the Company and each of the five specified executives of the Company, including their personally-related entities, are set out below. All issued shares 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 Company</u>			
Rex Watson (#)	33,900	3,000	36,900
Paul Miller	-	-	-
Richard Beck	15,000	-	15,000
<u>Specified executives</u>			
Andrew Parkinson	-	-	-
Anthony Fox	-	-	-
Charlie Latham	-	-	-
	<u>48,900</u>	<u>3,000</u>	<u>51,900</u>

1,900 shares held by Coonawarra Vineyard Management Services Pty Ltd, 32,000 shares held by that entity's parent company Watson Wine Group Pty Ltd and 3,000 shares acquired during the year held by Leed Capital Pty Ltd.

CPV Land Holdings Ltd

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

22. RELATED PARTY AND SPECIFIED EXECUTIVE DISCLOSURES (continued)

(c) Remuneration of directors and executives

The board reviews the remuneration packages of all specified directors and specified executives 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 Company and the related Managed Investment Schemes Coonawarra Premium Vineyards Project and Coonawarra Premium Vineyards Project No.2.

The following table discloses the remuneration of the directors and specified executives of the Company for the year ended 30 June 2004:

2004 Name	Primary			Post-employment		Equity	Total
	Cash salary & fees	Cash bonus	Non-monetary benefits	Super-annuation	Retirement benefits		
	\$	\$	\$	\$	\$	\$	\$
<u>Specified directors</u>							
Rex Watson	114,347	-	14,753	11,516	-	-	140,616
Paul Miller	33,027	-	-	2,973	-	-	36,000
Richard Beck	-	-	-	36,324	-	-	36,324
Total	147,374	-	14,753	50,813	-	-	212,940
<u>Specified executives</u>							
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	226,553	-	7,372	26,771	-	-	260,696

Total remuneration of the directors and specified executives of the Company for the year ended 30 June 2003 is set out below. Information for individual directors and specified executives is not shown as this is the first financial report prepared since the issue of AASB 1046 "Director and Executive Disclosures by Disclosing Entities". In some cases different individuals are included than those specified executives in the year ended 30 June 2004.

2003 Name	Primary			Post-employment		Equity	Total
	Cash salary & fees	Cash bonus	Non-monetary benefits	Super-annuation	Retirement benefits		
	\$	\$	\$	\$	\$	\$	\$
<u>Specified directors</u>							
Total	190,358	-	3,688	53,603	-	-	247,649
<u>Specified executives</u>							
Total	126,905	-	-	22,630	-	-	149,535

CPV Land Holdings Ltd

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

22. RELATED PARTY AND SPECIFIED EXECUTIVE DISCLOSURES (continued)

(d) Transactions with other related parties

Aggregate amounts receivable from directors and other related parties are disclosed in Note 7 to the financial statements. Aggregate amounts payable to other related parties are disclosed in note 12 to the financial statements. These transactions were on normal terms and conditions.

Details of interest revenue from other related parties are disclosed in the statement of financial performance.

Details of interest expense paid to other related parties are disclosed in the statement of financial performance.

During the year an amount of \$22,875 (2003: \$89,494) was received from entities related to director Richard Beck for grant of use fees.

During the financial year the Company paid fees totalling \$536,969 (2003: \$91,818) to Coonawarra Vineyard Management Services Pty Ltd for vineyard property development, management and administration.

During the financial year, money previously lent to director-related entity Coonawarra Vineyard Management Services Pty Ltd was repaid. Licence fees were received during the year by director-related entity, Coonawarra Premium Vineyards Ltd, on behalf of the Company and were subsequently passed on to the Company.

During the financial year, the net transactions which occurred in relation to money lent to, expenses paid on behalf of, loans taken over by and invoices raised by Coonawarra Vineyard Management Services Pty Ltd was \$180,603 (2003: \$356,366).

During the previous financial year, a contract was entered into with a syndicate of four companies, one of which was Conical Hill Nominees Pty Ltd, a director-related entity to director Richard Beck. The contract was for the purchase of the last remaining unsold portion of land for a sum of \$945,553 of which a deposit of \$95,000 was paid to a solicitor in trust. The total proceeds was recognised as a receivable in the financial statements at 30 June 2003 and was received by the Company during the current financial year.

Settlement on sale of the land occurred in October 2003 after issue of titles and the water licence had been issued to the purchaser. Interest of \$6,442 was paid by the purchasers to the Company as compensation for late settlement of the sale.

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 Company 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 Company'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 Company, 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 Company, and expect to complete an impact study and commence a plan to prepare the Company 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 Company, 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"

CPV Land Holdings Ltd

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)

First-time adoption of A-IFRS

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

Property, plant and equipment

On transition to A-IFRS, the Company 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 Company has not decided which options and measurement basis will be adopted and the likely impacts therefore cannot be determined.

The Company 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 Company 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 Company 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.

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 Company 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 Company 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 Company provides an allowance for doubtful debts using an estimate based on specific analysis of receivables. Under A-IFRS, the Company 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.

CPV Land Holdings Ltd

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)

Biological assets

The Company 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 Company 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 Company'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.

24. ADDITIONAL INFORMATION

CPV Land Holdings Ltd is an unlisted public company, incorporated and operating in Australia. Other than the directors of the Company, there are no employees of the Company. The Company operates in connection with a registered Managed Investment Scheme operating in Australia

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

CPV Land Holdings Ltd

Directors' Declaration

The financial statements and notes thereto of the CPV Land Holdings Ltd (Company) for the year ended 30 June 2004 have been prepared in accordance with the Corporations Act 2001.

The directors of the Company declare that the financial statements and notes set out on pages 7 to 22:

- 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 Company'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 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 Company 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, 10 September 2004

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**INDEPENDENT AUDIT REPORT TO THE MEMBERS
OF CPV LAND HOLDINGS LIMITED**

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 CPV Land Holdings Limited, for the financial year ended 30 June 2004 as set out on pages 7 to 23.

The directors of the Company 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 Company. 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 Company'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 CPV Land Holdings Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company'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

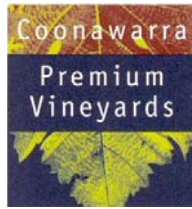
DELOITTE TOUCHE TOHMATSU



Stephen Harvey
Partner
Chartered Accountants

Adelaide, 13 September 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).



CPV LAND HOLDINGS LIMITED
ACN 96 094 489 639

NOTICE OF MEETING

Notice is hereby given that the annual general meeting of CPV Land Holdings Limited (Company) ACN 094 489 639, will be held at Adelaide South Park 1 South Terrace, Adelaide, South Australia, on Tuesday 30 November 2004 commencing at 11.00 am.

BUSINESS

1. Consideration of the of the annual financial report, directors' report and auditor's report.
2. Election of director: Mr Richard Beck retires in accordance with the Company's constitution and, being eligible, offers himself for election.
3. Election of director: Mr Paul Miller retires in accordance with the Company's constitution and, being eligible, offers himself for election.
4. Election of director: Mr Rex Watson retires in accordance with the Company's constitution and, being eligible, offers himself for election.

Andrew Parkinson
Company Secretary

20 October 2004

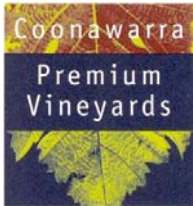
A member entitled to attend and vote is entitled to appoint not more than two proxies.

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 Company.

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.



CPV LAND HOLDINGS LIMITED

(ABN 96 094 489 639)

FORM OF PROXY

I/We _____
Of _____

Being a member of CPV Land Holdings Limited (Company) 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 Company to be held on **Tuesday, 30 November 2004** at Adelaide South Park, 1 South Terrace, Adelaide, South Australia commencing at 11.00 am noon 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 shares.

ORDINARY RESOLUTION (refer to Notice of Meeting):

My/our proxy is instructed to vote as indicated below in respect of the resolutions arising out of the business in the Notice of Meeting. If I/we have not specifically directed my/our proxy how to vote, my/our proxy may vote or abstain from voting as the proxy thinks fit.

	FOR	AGAINST	ABSTAIN	* NO DIRECTION
1 To appoint Mr Richard Beck as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 To appoint Mr Paul Miller as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 To appoint Mr Rex Watson as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the meeting intends to vote in favour of the resolution with any undirected proxies he holds.

* If you **do not** wish to direct your proxy how to vote, please place a mark in the box marked "no direction". By marking this box you acknowledge that the Chairman, if appointed as your proxy, may exercise your proxy, even if he has an interest in the outcome of the resolution and votes cast by him other than as a proxyholder will be disregarded because of that interest.

Signature(s) of member(s) _____

(Refer to note 7 overleaf)

Dated

PRIVACY

The Company 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 Company'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 Company 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 Company.
- 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 Company, (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 Company will make further copies of this form available to members on request.