

Coonawarra Australia Property Trust

ARSN 104 335 159 ABN 37 529 164 940

2005 Annual Report



Responsible Entity:

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

Annual Report for the year ended 30 June 2005

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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 secretaries of the RE	Andrew Parkinson Charlie Latham
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
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Email:	enquiries@coonawarravineyard.com.au
Trust ASX Code:	CNR
Trust Registry	Computershare Investor Services Pty Ltd Level 5, 115 Grenfell St, Adelaide SA 5000 Ph: 1300 556 161 or (from outside Australia) +61 3 9415 4000 Email: web.query@computershare.com.au www.computershare.com
Custodian	Australian Equity Trustees (SA) Limited, Adelaide (formerly Tower Trust (SA) Limited)
Auditor	Deloitte Touche Tohmatsu, Adelaide
Taxation advisor	Deloitte Touche Tohmatsu, Adelaide
Banker	Commonwealth Bank of Australia, Adelaide

Coonawarra Australia Property Trust

Notice of Annual General Meeting

The Annual General Meeting of Unitholders of Coonawarra Australia Property Trust will be held at the Adelaide South Park Hotel, 1 South Terrace, Adelaide, South Australia on Wednesday 30 November 2005 at 11:30am.

A formal notice of the meeting and a proxy form are enclosed with this Annual Report at pages 30 and 31.

Chairman's Report

Dear Unitholder

The distributions for the financial year to 30 June 2005 totalled 8.0 cents per unit. This represents yield of 13% on the most recent unit price of 70 cents per unit.

The property assets of the Trust have been recorded in the financial statements at valuation of \$16,350,000 as at 30 June 2005, which represents a fall of only 2.68% compared to last year.

At 1 September 2005 there were 17,500,000 ordinary units on issue, of which the 20 largest unitholders held 5,097,192 units or 29.13% of the units on issue. The Trust currently has 717 unitholders listed on its register, although some of these may be duplicated.

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

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

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

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

Yours Sincerely



Richard Beck
Chairman
Coonawarra Premium Vineyards Limited
29 September 2005

Coonawarra Australia Property Trust

Corporate Governance Statement

The Board of Directors of the Responsible Entity (RE)

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

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

Independent Professional Advice

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

Audit and Compliance Committee

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

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

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

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

The Audit and Compliance Committee generally invites the Company Secretaries of the RE and the external auditors to attend the Audit and Compliance Committee meetings.

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

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

Risk Management and Other Board Committees

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

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

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

Environmental Review

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

Occupational Health and Safety

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

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

Coonawarra Australia Property Trust

Directors' Report

The directors of Coonawarra Premium Vineyards Limited ABN 58 086 944 265, as Responsible Entity (RE) and Trustee for the Coonawarra Australia Property Trust ABN 37 529 164 940 (Trust), present their report on the Trust for the financial year ended 30 June 2005. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

<i>Name</i>	<i>Particulars</i>
Mr Richard P. Beck	FVLE, FAID, FAIM Aged 61. Non-executive Chairman with extensive experience on many public company boards and has established a highly successful funds management business.
Mr Rex L. Watson	Group Managing Director. Aged 50. 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 extensive vineyards in the Coonawarra region and an expanding wine business.
Mr Paul H. Miller	B Ag Sci. Aged 48. Non-executive Director and Compliance Officer. Has over 20 years experience as a research scientist, a consulting horticulturalist, and since 1997 in commercial viticulture.

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

<i>Name</i>	<i>Company</i>	<i>Period of Directorship</i>
Mr Paul Miller	Piquant Blue Ltd	Since April 2004

Company Secretaries

<i>Name</i>	<i>Particulars</i>
Mr Andrew Parkinson	B Comm. LLB, Aged 51, over 25 years experience at senior management levels in stockbroking, banking and chartered accounting firms. Inaugural Chairman of the RE and actively involved in the viticulture and wine industry since 1999. He commenced the full time role of Chief Executive Officer with the RE in January 2003 and oversaw the listing of the Trust in 2003. Appointed 4 February 2003.
Mr Charlie Latham	BSc(hons), CA, ACA, MAICD. Aged 51. Chartered Accountant with over 30 years professional accounting experience. Joined the RE in October 2003 and appointed secretary 10 December 2004. Ten years experience as company secretary at a number of ASX-listed investment and manufacturing companies.

Principal Activities

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

The Trust's principal activity in the course of the year was to make land available to licensees under a 13 year licence agreement to grow wine grapes. The Trust's vineyards are licensed to growers who are members of the Coonawarra Premium Vineyards Project. Upon the expiry of the licences in 2012, ownership of improvements to the land vests in the Trust. The Trust has no employees.

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

Coonawarra Australia Property Trust

Directors' Report (continued)

Review of Operations

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

	2005	2004
	\$	\$
Grant of use (licence) fees	1,735,856	1,755,546
Net (decrements)/increments in value of grapevines	(102,175)	515,620
Operating expenses	597,684	616,336
Net profit	1,173,943	1,777,317

Total distributions for the year totalled 8.0 cents per unit (2004: 8.2 cents).

An independent valuation of the vineyard as at 30 June 2005, dated August 2005, placed a total value on the land, improvements and grapevines at \$16.35 million. The Trust has adopted this valuation, which was done based on the value of the rental stream receivable from the growers, whose obligations to pay the rent do not expire until the end of 2012, plus a terminal value for the vineyard in 2012. This approach is consistent with the methodology used in the prior year. The major change to assumptions in the current valuation was a fall in the assumed terminal value of the vineyard in 7 years time after the rental stream ceases, in order to reflect the present consolidation phase of the wine industry with widely reported surpluses of grapes and wine at the present time. This has seen a continuing significant reduction in grape prices (particularly red varieties) which has led to a softening in vineyard values in most regions of Australia. The value of the rental stream to the Trust is now greater than the perceived value of the vineyard as an unencumbered property.

This decline in the theoretical vineyard value is attributed to the over-supply of red wine grapes in Australia in both the current year and previous 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 balance within the next 3 to 5 years, although some caution is likely to remain in the market.

The net market value of grapevines decreased during the financial year by \$102,175 despite the vines continuing to mature. A \$380,272 decrease in the value of the land was adjusted against the asset revaluation reserve.

Distributions have been made to unitholders in accordance with the Trust's present policy, with interim distributions on 19 November 2004 of 2.0c per unit, 21 February 2005 (2.0 cents), 25 May 2005 (2.0 cents) and a final distribution to 30 June 2005 of 2.0 cents per unit, which was announced on 22 June and paid on 25 August 2005. The earnings per unit was 6.71 cents for the year ended 30 June 2005 (2004: 10.16 cents), with the net tangible assets per unit being 91.7 cents (2004: 95.2 cents). The major cause for the fall in earnings was the change in the SGARA value of the grape vines, which has to be taken directly to the statement of financial performance.

During the year 26 licensees (2004: 22) defaulted on their licence fee payments and their grants of use were terminated by the RE of the Project. Such termination does not relieve the grower from liability for any breach or non-performance of the grower's obligations arising under the Project's constitution. The licensees remain responsible for any arrears and the RE of the Project will continue with actions to recover the outstanding amounts. 326 lots (2004: 143 lots) out of the 2,800 lots that comprise the Trust's vineyards are affected by these terminations. The arrears have been provided against as an allowance for doubtful debts as at 30 June 2005 to varying extents depending upon the financial standing of the terminated licensees and as the timing of recovery of the arrears is uncertain.

Director-related entity Coonawarra Vineyard Management Services Pty Ltd, the Manager of the Project Vineyard, (Project Manager) has agreed to enter a lease agreement with the Trust to take over the agricultural risk associated with these terminated lots so that the Trust retains a full rental income stream over the whole vineyard until 2012. The lease arrangement is effective from the date of termination of each terminated vineyard lot. As part of that lease agreement, the rent is payable out of grape proceeds. The effect of the retrospective element of the new lease is that grape proceeds, inventory and various management costs associated with the terminated lots recorded in the financial statements for the year ended 30 June 2004 and the half-year ended 31 December 2004 have been replaced by licence fee income in the current year.

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

Changes In State Of Affairs

In the 2004 financial report, the Trust accounted for the crop from terminated lots as grape income and inventory. During the 2004/05 financial year the Trust entered an arrangement with the Manager of the Project, whereby the Manager takes all the agricultural risk in relation to these terminated lots and the Trust receives rental income at the same rate as the grant of use fees that the rent is replacing. This new arrangement is effective from the date of the first terminations of vineyard lots so that all lots are fully licensed and all the grape income, inventory and cost of management of these lots is borne by the Manager.

During the financial year there were no other significant changes in the state of affairs of the Trust.

Subsequent Events

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

Future Developments

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

Coonawarra Australia Property Trust

Directors' Report (continued)

Environmental Compliance

The Trust complies with all aspects of its water licences and the RE ensures that the manager complies with regulations for chemical use on the vineyard.

Distribution Payments

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

<u>Quarter</u>	<u>Record Date</u>	<u>Payment Date</u>
September 2004	1 October 2004	19 November 2004
December 2004	31 December 2004	21 February 2005
March 2005	4 April 2005	25 May 2005
June 2005	30 June 2005	25 August 2005

Indemnification of Officers and Auditors

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

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

Directors' Meetings

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

<u>Board of Directors</u>			<u>Audit & Compliance Committee</u>		
<u>Name</u>	<u>Meetings held</u>	<u>Attended</u>	<u>Name</u>	<u>Meetings held</u>	<u>Attended</u>
Richard Beck	12	9	Richard Beck	5	3
Paul Miller	12	12	Paul Miller	5	5
Rex Watson	12	11	Prof. M Burgess	5	4

Directors' Unitholdings

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

<u>Name of Director</u>	<u>No of units held</u>
R P Beck	-
P H Miller	-
R L Watson *	2,287,285

* these units are held by an associate of the RE

Registered Schemes Information

The Trust had 17,500,000 units on issue at the beginning and at the end of the financial year. No units were issued in the Trust during or since the end of the financial year. The number of units in the Trust held by the RE and its associates is 2,287,285, as set out above. In respect of the financial year ended 30 June 2005, a final distribution of 2.0 cents per unit was announced on 22 June 2005 and paid on 25 August 2005 to the holders of fully paid ordinary units at the record date of 30 June 2005.

Share/Unit Options

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

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

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

Non-audit services

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The non-audit services provided by the firm of which the auditor is a member were for audit of the compliance plan of the Trust and tax advice concerning the Trust's earnings and distributions and a potential acquisition that did not proceed.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 17 to the financial statements.

Coonawarra Australia Property Trust

Directors' Report (continued)

Auditor's independence declaration

The auditor's independence declaration is included on page 26 of the financial report.

REMUNERATION REPORT

Remuneration policy for directors and executives

The board of directors of the RE reviews the remuneration packages of all 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, comparable industry salaries, performance of the Trust and the related Managed Investment Schemes Coonawarra Premium Vineyards Project and Coonawarra Premium Vineyards Project No.2 and other relevant factors.

None of the directors or executives of the RE is employed under a contract or entitled to any performance-related bonus or remuneration of any kind whatsoever.

None of the directors or executives of the RE is entitled to be granted any options over shares in the RE or unissued units in the Trust.

Director and executive details

The directors of the RE during the year were:

- Richard Beck (Chairman, Non-executive)
- Rex Watson (Group Managing Director, Executive)
- Paul Miller (Compliance Officer, Non-executive)

The group executives of the RE during the year were:

- Andrew Parkinson (Company Secretary, Chief Executive Officer)
- Charlie Latham (Company Secretary, Chief Financial Officer)
- Anthony Fox (Vineyard Manager)

Elements of director and executive remuneration

Remuneration packages contain the following key elements:

- a) Salary/fees; and
- b) Benefits – Superannuation and other non-monetary benefits in the form of motor vehicles.

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

2005 Name	Primary			Post-employment		Equity	Total
	Cash salary & fees	Cash bonus	Non-monetary benefits	Super-annuation	Retirement benefits		
	\$	\$	\$	\$	\$	\$	\$
Specified directors							
Rex Watson	158,698	-	14,050	18,885	-	-	191,633
Paul Miller	33,027	-	-	2,972	-	-	35,999
Richard Beck	-	-	-	36,324	-	-	36,324
Total	191,725	-	14,050	58,181	-	-	263,956

The following table discloses the remuneration of the 3 group executives of the RE:

Specified executives

Andrew Parkinson	114,679	-	7,481	10,321	-	-	132,481
Anthony Fox	79,245	-	-	7,132	-	-	86,377
Charlie Latham	85,081	-	11,249	8,670	-	-	105,000
Total	279,005	-	18,730	26,123	-	-	323,858

This directors' report is made in accordance with a resolution of the directors pursuant to s298(2) of the Corporations Act 2001.

On behalf of the Directors



Rex Watson
Director

Adelaide, 29 September 2005

Coonawarra Australia Property Trust

Statement of Financial Performance for the year ended 30 June 2005

		2005	2004
	Notes	\$	\$
Operating revenue:			
Grant of use (licence) fees		1,735,856	1,755,546
Interest revenue	4	35,771	5,079
Net market value of grapes picked during the financial year		-	117,408
Non-operating revenue from ordinary activities:			
Net market value increment - grape vines	11	-	515,620
Revenue from ordinary activities		<u>1,771,627</u>	<u>2,393,653</u>
Management expenses		(206,754)	(206,754)
Corporate expenses		(78,175)	(102,031)
Marketing expenses		-	(1,229)
Occupancy expenses		(71,331)	(28,317)
Net market value decrement - grape vines	11	(102,175)	-
Finance expense - allowance for doubtful debts	4	(43,299)	(144,193)
Other expenses		(2,671)	(23,165)
Borrowing costs	4	(93,279)	(110,647)
Profit from ordinary activities before related income tax expense		<u>1,173,943</u>	<u>1,777,317</u>
Income tax expense relating to ordinary activities		-	-
Profit from ordinary activities after related income tax expense		<u>1,173,943</u>	<u>1,777,317</u>
Net profit		<u>1,173,943</u>	<u>1,777,317</u>
(Decrease) in asset revaluation reserve arising on revaluation of non-current assets		(380,272)	(1,161,397)
Total revenue, expense and valuation adjustments attributable to members recognised directly in equity		<u>(380,272)</u>	<u>(1,161,397)</u>
Total changes in equity other than those resulting from transactions with owners as owners		<u>793,671</u>	<u>615,920</u>
Distributions of net profit from ordinary activities			
Net profit		1,173,943	1,777,317
Net decrement/(increment) transferred from/(to) retained profits		102,175	(515,620)
Transfer from retained profits		123,882	173,303
Net amount available for distribution		<u>1,400,000</u>	<u>1,435,000</u>
Distributions paid and payable	5	(1,400,000)	(1,435,000)
Undistributed profit transferred to retained profits		-	-
		<u>cents</u>	<u>cents</u>
Basic earnings per unit	3	<u>6.71</u>	<u>10.16</u>
Diluted earnings per unit	3	<u>6.71</u>	<u>10.16</u>

Notes to the financial statements are included on pages 12 to 24.

Coonawarra Australia Property Trust

Statement of Financial Position as at 30 June 2005

	Notes	2005 \$	2004 \$
Current assets			
Cash assets		138	102,014
Receivables	6	927,673	290,163
Inventories		-	70,620
Other		-	99,039
TOTAL CURRENT ASSETS		927,811	561,836
Non-current assets			
Property, plant & equipment	9 & 10	6,761,374	7,109,199
Self-generating and regenerating assets	11	9,588,626	9,690,801
TOTAL NON-CURRENT ASSETS		16,350,000	16,800,000
TOTAL ASSETS		17,277,811	17,361,836
Current liabilities			
Payables	12	429,857	400,467
Interest-bearing liabilities	13	801,188	308,274
TOTAL CURRENT LIABILITIES		1,231,045	708,741
TOTAL LIABILITIES		1,231,045	708,741
NET ASSETS		16,046,766	16,653,095
EQUITY			
Issued units	14	1,831,200	1,831,200
Settled sum	14	10	10
Asset revaluation reserve	15	3,966,672	4,346,944
Retained profits	16	10,248,884	10,474,941
TOTAL EQUITY		16,046,766	16,653,095

Notes to the financial statements are included on pages 12 to 24.

Coonawarra Australia Property Trust

Statement of Cash Flows for the year ended 30 June 2005

	Notes	2005 \$	2004 \$
Cash flows from operating activities			
Receipts from customers		1,098,346	1,954,251
Payments to suppliers		(187,219)	(714,166)
Interest received		35,771	5,079
Interest and other costs of finance paid		(93,279)	(110,647)
Net cash provided by operating activities	18	<u>853,619</u>	<u>1,134,517</u>
Cash flows from investing activities			
Payments for property, plant & equipment		(48,409)	(46,129)
Net cash used in investing activities		<u>(48,409)</u>	<u>(46,129)</u>
Cash flows from financing activities			
Distributions paid	5	(1,400,000)	(1,294,875)
Net cash used in financing activities		<u>(1,400,000)</u>	<u>(1,294,875)</u>
NET DECREASE IN CASH HELD		<u>(594,790)</u>	<u>(206,487)</u>
Cash at the beginning of the year		(206,260)	227
NET CASH AT THE END OF THE YEAR		<u>(801,050)</u>	<u>(206,260)</u>
Reconciliation of cash			
Cash at bank		138	102,014
Bank overdraft		(801,188)	(308,274)
Net cash at the end of the year		<u>(801,050)</u>	<u>(206,260)</u>

Notes to the financial statements are included on pages 12 to 24.

Coonawarra Australia Property Trust

Notes to the Financial Statements for the year ended 30 June 2005

1. SUMMARY OF ACCOUNTING POLICIES

Financial Reporting Framework

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

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

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

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

(a) Depreciation

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

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

(b) Goods and Services Tax

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

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

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

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

(c) Income Tax

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

(d) Grapevines

The Trust recognises biological assets in the balance sheet as 'self-generating and regenerating assets' (SGARAs), measured on a net market value basis. Changes in net market value are recognised as revenue or expenses in the period in which the changes occur. There is no active and liquid market for the SGARAs at present and they cannot be physically separated from the land to which they are attached.

The directors use a combination of external valuations, establishment costs and the discounted net present values of expected future cash flows 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. To the extent that the vines are situated on land licensed to a third party, the Trust will not receive revenue or incur expenses in relation to the vines. Grapes harvested are the property of the licensees and costs incurred in maintaining vines are expenses of the licensees.

(e) Recoverable Amount of Non-Current Assets

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

(f) Revenue Recognition

Revenue is recognised when the Trust gains control of the revenue or the right to receive the revenue. Interest revenue is recognised on an accruals basis. Rental income from operating lease arrangements is recognised on a straight line basis over the term of the lease.

(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.

Coonawarra Australia Property Trust

Notes to the Financial Statements for the year ended 30 June 2005

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(h) Inventories

Inventories consisted of bulk wine and were carried at cost, being the market value of the grapes picked from terminated lots during the previous financial year, plus processing costs.

(i) Receivables

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

(j) Accounts Payable

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

(k) Interest-Bearing Liabilities

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

(l) Acquisition of Assets

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

(m) Revaluation of non-current assets

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

(n) Distributions

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

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

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

2. SEGMENT INFORMATION

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

Coonawarra Australia Property Trust

Notes to the Financial Statements for the year ended 30 June 2005

3. EARNINGS PER UNIT

	2005	2004
	cents	cents
Basic earnings per unit	6.71	10.16
Diluted earnings per unit	6.71	10.16
	number	number
Weighted average number of ordinary units used in the calculation of basic earnings per unit	17,500,000	17,500,000
Earnings used in the calculation of basic earnings per unit:	\$	\$
Net profit	1,173,943	1,777,317
	number	number
Weighted average number of ordinary units used in the calculation of diluted earnings per unit	17,500,000	17,500,000
Earnings used in the calculation of diluted earnings per unit:	\$	\$
Net profit	1,173,943	1,777,317

4. PROFIT FROM ORDINARY ACTIVITIES

	2005	2004
	\$	\$
The profit from ordinary activities includes the following items of revenue and expense:		
Interest revenue: director-related entities	35,765	3,718
Interest revenue: other entities	6	1,361
	35,771	5,079
Interest expense: director-related entities	-	4,697
Interest expense & other borrowing costs: other entities	93,279	105,950
Depreciation - improvements	15,962	19,309
Increase in allowance for doubtful debts - other entities	43,299	144,193

Coonawarra Australia Property Trust

Notes to the Financial Statements for the year ended 30 June 2005

5. DISTRIBUTIONS PAID AND PAYABLE

Distributions paid and payable are as follows.

<u>Distribution relating to:</u>	<u>Date paid</u>	<u>Cents per unit</u>	<u>2005 \$</u>	<u>2004 \$</u>
Quarter ended 30 September 2003	Paid 18 Nov 2003	2.2	-	385,000
Quarter ended 31 December 2003	Paid 24 Feb 2004	2.0	-	350,000
Quarter ended 31 March 2004	Paid 19 May 2004	2.0	-	350,000
Quarter ended 30 June 2004	Paid 20 August 2004	2.0	-	350,000
Quarter ended 30 September 2004	Paid 19 Nov 2004	2.0	350,000	-
Quarter ended 31 December 2004	Paid 21 Feb 2005	2.0	350,000	-
Quarter ended 31 March 2005	Paid 25 May 2005	2.0	350,000	-
Quarter ended 30 June 2005	Paid 25 August 2005	2.0	350,000	-
			<u>1,400,000</u>	<u>1,435,000</u>

6. CURRENT RECEIVABLES

Trade debtors - other	848,412	402,271
Less allowance for doubtful debts	<u>(187,492)</u>	<u>(144,193)</u>
	660,920	258,078
Trade debtors - director-related entities	266,753	31,904
Other debtors	-	181
	<u>927,673</u>	<u>290,163</u>

7. CURRENT INVENTORIES

Bulk wine at cost	-	<u>70,620</u>
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8. OTHER CURRENT ASSETS

Prepayments	-	<u>99,039</u>
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Coonawarra Australia Property Trust

Notes to the Financial Statements for the year ended 30 June 2005

9. PROPERTY PLANT & EQUIPMENT	Freehold land	Improvements	Total
	(at fair value)	(at fair value)	
	\$	\$	\$
Gross carrying amount			
Balance at 30 June 2004	6,759,974	349,225	7,109,199
Additions	-	48,409	48,409
Revaluations to market value	(477,167)	80,933	(396,234)
Balance at 30 June 2005	6,282,807	478,567	6,761,374
Depreciation			
Balance at 30 June 2004	-	-	-
Depreciation expense	-	(15,962)	(15,962)
Revaluations to market value	-	15,962	15,962
Balance at 30 June 2005	-	-	-
Net book value			
At 30 June 2004	6,759,974	349,225	7,109,199
At 30 June 2005	6,282,807	478,567	6,761,374
		2005	2004
Net book value reconciliation		\$	\$
At beginning of year		7,109,199	8,243,776
Revaluations to market value		(380,272)	(1,161,397)
Additions		48,409	46,129
Depreciation expense		(15,962)	(19,309)
At end of year		6,761,374	7,109,199

Coonawarra Australia Property Trust has 227 hectares of grapevines planted in the premium grape growing area of the Coonawarra, South Australia. Under the terms of a 13-year license agreement, the members of the Coonawarra Premium Vineyards Project (Growers) are entitled to a grant of use to establish and grow wine grapes on the land held by the Trust, which for this purpose is divided into 2,800 vineyard lots. Upon expiry of the licence, ownership of improvements to the land vests in the Trust. Where any Grower has had their grant of use of their vineyard lot terminated due to failure to adhere to the management conditions (generally non-payment of fees due), the vineyard manager has entered into a lease with the Trust for that vineyard lot so that the Trust continues to receive rental income for the remainder of the life of the Project and the vineyard asset is maintained. The vineyard manager receives the grapes as consideration, out of which it pays the rent to the Trust.

The overall property is a vineyard comprised of Land, Water Licences, Vines, Trellising, Irrigation Equipment and other Buildings and Improvements.

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

The constitution provides for the following:

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

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

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

Coonawarra Australia Property Trust

Notes to the Financial Statements for the year ended 30 June 2005

10. REVALUATION OF ASSETS

The directors of the RE have determined that the valuation of the property for the purpose of this financial report is \$16,350,000 (2004 \$16,800,000) on the basis of the value of the rental income stream plus a residual sale value at the end of the Project in 2012. This basis is consistent with the prior year, except that in the current year the valuer has included administration costs as a deduction to the vineyard value.

Land and grapevines are recorded at net market value. The carrying amount of improvements to non-current assets is initially recorded at the previous year's fair value less depreciation, which is compared to market value at the end of the financial year and a revaluation to market value is made. The grapevines are self-generating and regenerating assets (SGARAs), measured on a net market value basis

The RE's valuation separated the assets between SGARA and non-SGARA for the purposes of Accounting Standard AASB 1037..

To assist the directors of the RE in making their determination a formal valuation of the Trust property conducted in July and August 2005 has been provided by an independent valuer Colin Pickett, Certified Practising Valuer, Associate Australian Property Institute, Colin Gaetjens & Co Valuers, that states the current market value of the property to the Trust is \$16,350,000 (including the benefits and obligations attaching to the lease with the Growers). The valuation states the current market value of the property on an unencumbered freehold basis to be \$14,000,000 (2004: \$15,350,000), ignoring the benefits and obligations of the leases with the Growers and the Project Manager.

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

- Data derived from comparable market transactions adjusted for attributes of the subject vineyard;
- Discounted cash flow analysis of likely future income;
- A discount rate of 12.5% has been used; and
- It was noted that the rental value would be in the order of 10% p.a. of capital value.
- For the unencumbered freehold basis valuation, the blocks with on-going grape supply contracts are taken to have a value of \$67,500 (2004: \$70,000) per hectare and the blocks subject to the Nugan contract, which Nugan has repudiated, are taken to have a value of \$50,000 (2004: \$50,000) per hectare.

11. SELF-GENERATING AND REGENERATING ASSETS

	2005	2004
Net market value of vines	\$	\$
At beginning of year	9,690,801	9,175,181
Revaluations to net market value	(102,175)	515,620
At end of year	<u>9,588,626</u>	<u>9,690,801</u>

(a) Impact on Statement of Financial Performance

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

(102,175)	515,620
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(b) Physical quantity of vines

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

(c) Nature of asset

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

(d) Significant assumptions

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

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

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

Coonawarra Australia Property Trust

Notes to the Financial Statements for the year ended 30 June 2005

	Notes	2005 \$	2004 \$
12. CURRENT PAYABLES			
Trade payables: other entities		19,954	28,914
GST payable		59,873	21,428
Unitholder distributions payable		350,030	350,125
		<u>429,857</u>	<u>400,467</u>

13. CURRENT INTEREST-BEARING LIABILITIES

Secured

Bank overdraft		801,188	308,274
Secured by a fixed and floating charge over the Trust's vineyard assets. See note 18.			

14. CONTRIBUTED EQUITY

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

There were no units issued during the current or corresponding financial year.

Rights of Unitholders

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

15. RESERVES

Asset revaluation reserve

At beginning of year		4,346,944	5,508,341
Revaluation of land and improvements to market value		(380,272)	(1,161,397)
At end of year		<u>3,966,672</u>	<u>4,346,944</u>

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

16. RETAINED PROFITS

Movements during the year

At beginning of year		10,474,941	10,132,624
Net profit		1,173,943	1,777,317
Distributions		(1,400,000)	(1,435,000)
At end of year		<u>10,248,884</u>	<u>10,474,941</u>

Coonawarra Australia Property Trust

Notes to the Financial Statements for the year ended 30 June 2005

	2005	2004
17. REMUNERATION OF AUDITORS	\$	\$
Auditing the financial reports	21,700	20,054
Audit of compliance plan	2,200	2,000
Taxation services	2,500	5,000
	<u>26,400</u>	<u>27,054</u>
18. RECONCILIATION OF CASH PROVIDED BY OPERATING ACTIVITIES WITH OPERATING PROFIT		
Operating profit after income tax	1,173,943	1,777,317
Depreciation expense	15,962	19,309
Decrease (Increase) in market value of SGARAs - grapevines	102,175	(515,620)
Increase in allowance for doubtful debts	43,299	144,193
<u>Changes in net assets and liabilities:</u>		
Current receivables	(680,809)	(62,896)
Current inventories	70,620	(70,620)
Other current assets: prepayments	99,039	(99,039)
Current payables	29,390	(58,127)
Net cash from operating activities	<u>853,619</u>	<u>1,134,517</u>
Finance facilities		
Secured 5-year bank overdraft facility, reviewed annually and payable at call *		
Amount used	801,188	308,274
Amount unused	698,812	1,191,726
	<u>1,500,000</u>	<u>1,500,000</u>
Secured 5-year bank loan facility, available for making approved acquisitions *		
Amount used	-	-
Amount unused	15,000,000	15,000,000
	<u>15,000,000</u>	<u>15,000,000</u>

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

19. CONTINGENT ASSETS AND LIABILITIES

The Trust had no contingent assets or liabilities as at the last reporting date of 30 June 2005. No contingent assets or liabilities have arisen since that date.

20. SUBSEQUENT EVENTS

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

Coonawarra Australia Property Trust

Notes to the Financial Statements for the year ended 30 June 2005

21. FINANCIAL INSTRUMENTS

(a) Significant accounting policies

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

(b) Credit risk

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

The Trust does not have any significant credit risk exposure to any single counter party or any group of counter parties having similar characteristics, other than Growers in the Coonawarra Premium Vineyards Project. Growers who default on payment of their Grant of Use fees are liable to have that Grant of Use terminated. In the event of termination, the relevant vineyard lots revert to the Trust and are then leased to the Project Manager. 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 or terminated Grower.

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

(c) Interest rate risk exposures

	Fixed interest rate	Floating interest rate	Non-interest bearing	Total
	\$	\$	\$	\$
2005				
Financial assets				
Cash assets	-	138	-	138
Receivables (gross)	465,030	-	650,135	1,115,165
	465,030	138	650,135	1,115,303
Weighted average interest rate	10.70%	2.00%		
Financial liabilities				
Bank overdraft	-	801,188	-	801,188
Trade payables	-	-	79,827	79,827
Unitholder distributions payable	-	-	350,030	350,030
	-	801,188	429,857	1,231,045
Weighted average interest rate		8.90%		
2004				
Financial assets				
Cash assets	-	102,014	-	102,014
Receivables (gross)	-	-	434,356	434,356
	-	102,014	434,356	536,370
Weighted average interest rate		2.00%		
Financial liabilities				
Bank overdraft	-	308,274	-	308,274
Trade payables	-	-	50,342	50,342
Unitholder distributions payable	-	-	350,125	350,125
	-	308,274	400,467	708,741
Weighted average interest rate		7.50%		

Coonawarra Australia Property Trust

Notes to the Financial Statements for the year ended 30 June 2005

22. RELATED PARTY AND EXECUTIVE DISCLOSURES

(a) Names

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

Richard Beck (Chairman, non-executive)
Paul Miller (Compliance Officer, non-executive)
Rex Watson (Group Managing Director, executive)

The specified executives of the RE during the financial year were:

Andrew Parkinson Andrew Parkinson (Company Secretary, Chief Executive Officer)
Charlie Latham (Company Secretary, Chief Financial Officer)
Anthony Fox (Vineyard Manager)

(b) Equity holdings

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

	Balance at start of year <u>number</u>	Sold during the year <u>number</u>	Balance at end of year <u>number</u>
<u>Directors of the Trustee</u>			
Rex Watson (#)	2,334,250	(46,965)	2,287,285
Paul Miller	-	-	-
Richard Beck	-	-	-
	<u>2,334,250</u>	<u>(46,965)</u>	<u>2,287,285</u>
<u>Specified Executives of the Trustee</u>			
Andrew Parkinson	-	50,000	50,000
Anthony Fox	-	-	-
Charlie Latham	-	-	-
	<u>-</u>	<u>50,000</u>	<u>50,000</u>

units all held by director-related entity Coonawarra Vineyard Management Services Pty Ltd.

(c) Transactions with other related parties

Aggregate amounts receivable from other related parties (including director-related entities) are disclosed in note 6 to the financial statements.

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

Details of interest expense paid to other related parties are disclosed in note 4 to the financial statements. No interest was paid to other related parties in the current year (2004: \$4,052 to the RE and \$645 to director-related entity Coonawarra Vineyard Management Services Pty Ltd).

During the financial year the Trust paid fees to the RE for management, administration and property management totalling \$206,754 (2004 \$206,754) pursuant to the arms length terms and conditions of a contract that was approved by the unitholders in December 2002 as part of the restructuring of the Project in 2003.

Coonawarra Australia Property Trust

Notes to the Financial Statements for the year ended 30 June 2005

22. RELATED PARTY AND EXECUTIVE DISCLOSURES (continued)

(d) Key management personnel remuneration

The board of directors of the RE reviews the remuneration packages of all 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, comparable industry salaries, performance of the Trust and the related Managed Investment Schemes Coonawarra Premium Vineyards Project and Coonawarra Premium Vineyards Project No.2 and other relevant factors.

2005	Primary			Post-employment		Equity	Total
	Cash salary & fees	Cash bonus	Non-monetary benefits	Super-annuation	Retirement benefits		
Name	\$	\$	\$	\$	\$	\$	\$
Specified directors							
Rex Watson	158,698	-	14,050	18,885	-	-	191,633
Paul Miller	33,027	-	-	2,972	-	-	35,999
Richard Beck	-	-	-	36,324	-	-	36,324
Total	191,725	-	14,050	58,181	-	-	263,956
Specified executives							
Andrew Parkinson	114,679	-	7,481	10,321	-	-	132,481
Anthony Fox	79,245	-	-	7,132	-	-	86,377
Charlie Latham	85,081	-	11,249	8,670	-	-	105,000
Total	279,005	-	18,730	26,123	-	-	323,858
2004							
2004	Primary			Post-employment		Equity	Total
	Cash salary & fees	Cash bonus	Non-monetary benefits	Super-annuation	Retirement benefits		
Name	\$	\$	\$	\$	\$	\$	\$
Specified directors							
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
Specified executives							
Andrew Parkinson	93,458	-	7,372	8,411	-	-	109,241
Anthony Fox	69,582	-	-	13,393	-	-	82,975
Charlie Latham (from 13/10/03)	63,513	-	-	4,967	-	-	68,480
Total	226,553	-	7,372	26,771	-	-	260,696

Coonawarra Australia Property Trust

Notes to the Financial Statements for the year ended 30 June 2005

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

Management of the transition to A-IFRS

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

The directors of the Responsible Entity have partially completed an evaluation of the expected impacts on first-time adoption and the best options for the Trust for future reporting periods. This analysis is expected to be finalised in late 2005. The directors of the RE believe the Trust will be able to achieve its plan for A-IFRS implementation before 31 December 2005, and will be able to comply with its reporting obligations to present a financial report appropriately prepared in accordance with A-IFRS.

The directors of the RE 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 141 "Agriculture"

First-time adoption of A-IFRS

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

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

The likely impacts of A-IFRS on the results and financial position of the Trust

The following explanatory notes describe, for significant items, the differences between the accounting policies under A-IFRS and the current treatment of those items under Australian GAAP ('AGAAP'), based on the directors' accounting policy decisions current at the date of this financial report. Users of the financial report should note that further developments in A-IFRS (for example, the release of further pronouncements by the Australian Accounting Standards Board and the Urgent Issues Group), if any, may result in changes to the accounting policy decisions made by the directors to date, and, consequently, the likely impacts outlined in the following proforma financial statements.

The directors may, at any time until the completion of the Trust's first A-IFRS compliant financial report, elect to revisit, and where considered necessary, revise the accounting policies applied in preparing the proforma financial statements.

Property, plant and equipment

As the Trust already measures its land and buildings at fair value, the adoption of A-IFRS is not expected to result in any change in carrying values nor result in the recognition of additional or lower depreciation expense for the financial year ended 30 June 2006.

Under current AGAAP, revaluation increments and decrements within the improvements class of assets were recognised on a net basis; however, A-IFRS requires revaluation increments and decrements to be recognised on an individual asset-by-asset basis. The adoption of A-IFRS will result in a decrease in the asset revaluation reserve in respect of improvements to land and an increase in the asset revaluation reserve in respect of the land itself. Consequently, cumulative revaluation decrements (being the net decrement in the current year) is expected to be transferred from the asset revaluation reserve to retained earnings on transition to A-IFRS.

Coonawarra Australia Property Trust

Notes to the Financial Statements for the year ended 30 June 2005

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

Impairment of assets

Historically, although not mandated, the Trust has discounted cash flows in determining the recoverable amount of its non-current assets. Under A-IFRS, both current and non-current assets are tested for impairment. On adoption of A-IFRS, a further impairment of assets is unlikely as the non-current assets are already measured at fair value at the reporting date, and the current receivables are all examined individually for recoverability and allowance made for any doubtful accounts.

Financial assets and financial liabilities

The Trust has neither complex financial instruments nor embedded derivatives. On adoption of A-IFRS classification of financial assets and financial liabilities will not change.

Biological assets

The Trust recognises biological assets in the balance sheet as 'self-generating and regenerating assets' (SGARAs), measured on a net market value basis. The directors believe the adoption of A-IFRS will not significantly impact the carrying amount of SGARAs as at 1 July 2004 (the date of transition) as the directors have decided not to change the method of assessment of net market value.

Depreciation

Under current Australian GAAP, certain items of the Trust's property, plant and equipment are depreciated to the extent of its depreciable amount, determined as the difference between carrying amount and residual value. The residual amount used in the determination of recoverable amount is estimated at the date of acquisition and is not subsequently increased for changes in prices, except where the asset had been revalued. Under A-IFRS, the residual amount will be reviewed at each reporting 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 in the future.

Income tax

The Trust distributes all of its net income and capital gains to Unitholders, who are then liable to assessment of taxation on that income or capital gain. Accordingly the Trust does not recognise taxation balances in its financial statements. Under A-IFRS this is not expected to change.

24. OPERATING LEASES

Director-related entity Coonawarra Vineyard Management Services Pty Ltd, the Manager of the Project Vineyard, (Project Manager) has agreed to enter a lease agreement with the Trust to take over the agricultural risk associated with the terminated lots so that the Trust retains a full rental income stream over the whole vineyard until 2012. The lease arrangement is effective from the date of termination of each terminated vineyard lot. As part of that lease agreement, the rent is payable out of grape proceeds.

	2005	2004
Non-cancellable operating lease receivables	\$	\$
Not longer than one year	219,268	-
Longer than one year and not longer than 5 years	917,334	-
Longer than 5 years	493,576	-
	<u>1,630,178</u>	<u>-</u>

24. ADDITIONAL INFORMATION

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

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

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

Phone: +61 8 8299 9455

Fax: +61 8 8299 9355

email: enquiries@coonawarravineyard.com.au

Coonawarra Australia Property Trust

Directors' Declaration

The financial statements and notes thereto of the Coonawarra Australia Property Trust (Trust) for the year ended 30 June 2005 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:

- a) in the directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable;
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Trust; and
- c) the directors have been given the declarations required by s.295A of the Corporations Act 2001

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001



Rex Watson
Director

Adelaide, 29 September 2005

The Board of Directors
Coonawarra Australia Property Trust
Level 1
7 Greenhill Road
WAYVILLE SA 5034

29 September 2005

Dear Board Members

Coonawarra Australia Property Trust

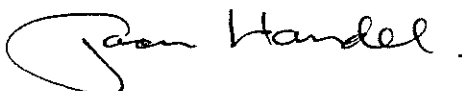
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Coonawarra Australia Property Trust.

As lead audit partner for the audit of the financial statements of Coonawarra Australia Property Trust for the financial year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely


DELOITTE TOUCHE TOHMATSU



J J Handel
Partner
Chartered Accountants

Independent audit report to the members of Coonawarra Australia Property Trust

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Coonawarra Australia Property Trust, for the financial year ended 30 June 2005 as set out on pages 9 to 25.

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

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Trust. 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 Trust'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 of the responsible entity.

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.

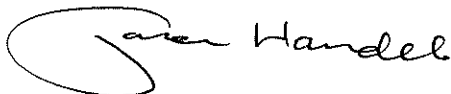
The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

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

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Trust's financial position as at 30 June 2005 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



J J Handel
Partner
Chartered Accountants

Adelaide, 29 September 2005

Coonawarra Australia Property Trust

Additional ASX Information at 1 September 2005 (continued)

Distributions

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

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

Trading and Pricing Information

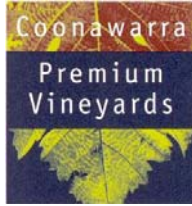
Units in the Trust trade in the same manner as shares in a listed public company. Trading takes place between 10:00am and 4:00pm EST each business day. All major Australian newspapers publish trading prices for securities listed on the ASX on the day following each trading day.

Annual Taxation Statement

An annual taxation statement for the taxation year ending 30 June 2005 is being issued. This statement advises taxable income for the period 1 July 2004 to 30 June 2005 assessable on the distributions paid in November 2004, February, May and August 2005.

Coonawarra Australia Property Trust

ARSN 104 335 159



Notice of Meeting

Notice is hereby given by Coonawarra Premium Vineyards Limited ABN 58 086 944 265 (CPVL), responsible entity of the Coonawarra Australia Property Trust ARSN 104 335 159 (Trust), that the annual general meeting of the Trust will be held at Adelaide South Park, 1 South Terrace, Adelaide, South Australia, on Wednesday 30 November 2005 commencing at 11:30am.

BUSINESS

1. Receive and consider the annual financial report, directors' report and auditor's report; and
2. Any other business which may legitimately be raised at the meeting.

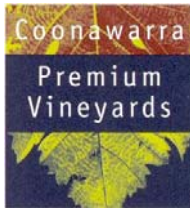
A handwritten signature in black ink that reads "Andrew Parkinson".

Andrew Parkinson
Company Secretary
Coonawarra Premium Vineyards Limited
30 September 2005

<p>A member entitled to attend and vote is entitled to appoint not more than two proxies.</p> <p>When more than one proxy is appointed each proxy must be appointed to represent a specified portion of the members voting rights.</p> <p>A proxy need not be a member of the Trust.</p> <p>Forms of proxy must be lodged at the registered office at least 48 hours before the meeting.</p> <p>A form of proxy accompanies this notice of meeting.</p>
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Coonawarra Australia Property Trust

ARSN 104 335 159



Form of Proxy

I/We

Of

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

(Name in Block Letters)

(Address in Block Letters)

or failing him/her, the Chair of the Meeting, as my/our proxy to attend, vote and otherwise act on my/our behalf at the annual general meeting of the Trust to be held on **Wednesday, 30 November 2005** at Adelaide South Park, 1 South Terrace, Adelaide, South Australia commencing at 11:30am and at any adjournment of that meeting.

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

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

Signature(s) of member(s) _____

(Refer to note 7 overleaf)

Dated

PRIVACY

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

SEE OVERLEAF FOR NOTES ON PROXIES

Coonawarra Australia Property Trust

NOTES ON PROXIES

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