

**COONAWARRA PREMIUM VINEYARDS PROJECT  
ANNUAL INVESTOR TAXATION SUMMARY  
FINANCIAL YEAR ENDING 30 JUNE 2003**



A.R.S.N. 087 876 186

Total Investment (Per Managed Unit)	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003
Unit in the Unit Trust	\$ 654				
Landcare Operations	\$ 645				
Trellising	\$ 1,005				
Construction of Buildings	\$ 25				
Irrigation	\$ 1,553				
Power	\$ 82				
Grapevines & Planting	\$ 484				
Management Fees 1999/2000	\$ 1,670				
Management Fees 2000/2001		\$ 646			
Management Fees 2001/2002			\$ 662		
Management Fees 2002/2003				\$ 681	
Management Fees 2003/2004					\$ 658
Grant of Use (Licence) for 3 years	\$ 393				
Grant of Use (Licence) 1 July 2002 to 8 May 2003 (1)					\$ 111
Grant of Use (Licence) 9 May 2003 to 30 June 2003 (2)					\$ 92
	<u>\$ 6,511</u>	<u>\$ 646</u>	<u>\$ 662</u>	<u>\$ 681</u>	<u>\$ 861</u>

Tax Deduction 2002/2003
-
-
(a)
-
-
\$8 (b)
\$63 (c)
-
-
(d)
(e)
\$111 (f)
\$92 (f)

**INVOICES RAISED 1 JULY 2002 to 30 JUNE 2003 (Per Unit):**

Date	Detail	Fees	GST	Total Invoiced
30/06/2003	Invoice			
	Annual Management Fees (2003/2004)	\$ 658.00	\$ 65.80	\$ 723.80
		<u>\$ 658.00</u>	<u>\$ 65.80</u>	<u>\$ 723.80</u>

**Notes:**  
 1 - Per Prospectus (page 116) at \$131 per annum pro rated for the period 1 July 2002 - 8 May 2003.  
 2 - In accordance with the revised Constitution, adopted by the meeting of Growers on 12 December 2002, annual rent of \$634 per Vineyard Lot pro rated for the period from 9 May 2003 to 30 June 2003.

**Each investor should seek their own independent advice as this is only a summary and should not be construed as taxation advice.**

**Taxation Deductions are in accordance with Australian Taxation Office Product Ruling PR 1999/61.**

\* Deductions on this summary should be multiplied by the number of units held by each investor.\*

**Explanations of Available Taxation Deductions:**

*Note: The tax deductions referred to below do not include GST and assume that each Grower is registered for GST. In this situation GST can be claimed back from the Australian Taxation Office and is not deductible for Income Tax Purposes. If you are not registered for GST then the amount of GST paid by you in relation to each of the items of expenditure will form part of the cost of that item and will form part of your deduction.*

(a) Division 40 of the Income Tax Assessment Act 1997 ("the 1997 Act") allows a deduction for depreciation on plant and equipment (which includes trellising). Trellising in the Project was installed progressively over the 1999/2000 year in line with the Project subscriptions. The deduction available under Division 40 of the 1997 Act can be calculated using the appropriate depreciation rate (either 'prime-cost' or 'diminishing balance'). The depreciation rate and method used for the 30 June 2003 year should be consistent with the depreciation method and rate used in prior years.

(b) Section 40-645 (formerly section 287-355) of the 1997 Act permits a deduction for expenditure in connecting power to land. This deduction is spread equally over 10 years, allowing a 10% deduction each year. A deduction of \$8 will be available in the year ending 30 June 2003.

(c) In accordance with section 40-515 (formerly section 387-165) of the 1997 Act a deduction is allowed for expenditure on establishing horticultural plants from the time they enter their year of first production. The manager considers that the vines have an effective life for the purposes of section 40-545 of less than 30 years, and therefore a write-off rate of 13% of the original establishment costs can be used. A deduction can be claimed of \$484 x 13% = \$63 write-off for the year ending 30 June 2003.

(d) Management Fees charged in 2001/2002 of \$681 relate to services to be provided by the Manager during the year ending 30 June 2003. If a Grower held only 1 unit then this amount was fully deductible in the year ending 30 June 2002 as it is less than \$1,000 (section 82KZM of the Income Tax Assessment Act 1936). If a Grower holds more than one unit, and has elected to be a "Simplified Tax System" taxpayer from 1 July 2001 (ie, annual turnover less than \$1 million) the \$681 was fully deductible in the 2002 year as it is in relation to expenditure on services to be provided within 12 months. For either of these scenarios, there will be no deductions available for the year ending 30 June 2003. If a Grower was not a "Simplified Tax System" taxpayer then this amount will be deductible (subject to the transitional rules in relation to prepayments) in the year ending 30 June 2003.

(e) Management Fees charged in 2002/2003 of \$658 relate to services to be provided by the Manager during the year ending 30 June 2004. If a Grower holds only 1 unit then this amount is fully deductible in the year ending 30 June 2003 as it is less than \$1,000 (section 82KZM of the Income Tax Assessment Act 1936). If a Grower holds more than one unit, and has elected to be a "Simplified Tax System" taxpayer from 1 July 2001 (ie, annual turnover less than \$1 million) the \$658 is fully deductible in the 2003 year as it is in relation to expenditure on services to be provided within 12 months. If a Grower is not a "Simplified Tax System" taxpayer then the deduction will be available the following year (subject to the transitional rules in relation to prepayments).

(f) The Grant to Use (Licence) amounts of \$111 and \$92 will be deductible in the year ending 30 June 2003.

**Note:**  
 Product Ruling (addendum) PR1999/61A which confirmed that the Commissioner had exercised his discretion and the non-commercial loss provisions do not apply to investors in this Project has now expired. Coonawarra Premium Vineyards Limited has lodged an application for the Commissioner to exercise his discretion so that the non-commercial loss provisions do not apply. Growers will be advised as soon as the Commissioner has advised of his decision. If the Commissioner exercises his discretion then a Grower will not be required to defer any excess of deductions attributable to their business in excess of any assessable income from that activity to a later year.