

**COONAWARRA PREMIUM VINEYARDS PROJECT NO.2
ANNUAL INVESTOR TAXATION SUMMARY
FINANCIAL YEAR ENDING 30 JUNE 2004**



**Taxation Deductions are in accordance with Australian Taxation Office
Product Ruling PR 2002/25.**

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

A.R.S.N. 096 298 074

Total Investment (Per Managed Unit)	2001/ 2002	2002/ 2003	2003/ 2004	Tax Deduction 2003/2004
Shares in CPV Land Holdings Limited	\$ 1,357			-
Landcare Operations	\$ 17			-
Trellising	\$ 461	\$ 461		(a)
Other Infrastructure	\$ 24	\$ 24		(b)
Irrigation	\$ 662	\$ 891		\$518 (c)
Power	\$ 47	\$ 47		\$9 (d)
Grapevines & Planting	\$ 202	\$ 121		\$0 (e)
Land Preparation & Design	\$ 158			\$0 (f)
Management Fees 2001/2002	\$ 2,319			-
Management Fees 2002/2003		\$ 1,603		-
Management Fees 2003/2004			\$ 1,184	\$1,184 (g)
Grant of Use (Licence fee)	\$ 150			-
Grant of Use (Licence fee) 2002/2003		\$ 150		-
Grant to Use (Licence fee) 2003/2004			\$ 150	\$150 (h)
Interim Grape Processing Fee			\$ 65	\$65 (i)
Recoverable Harvest Costs			\$ 74	(j)
	<u>\$ 5,397</u>	<u>\$ 3,297</u>	<u>\$ 1,473</u>	

INVOICES RAISED 1 JULY 2003 to 30 JUNE 2004 (Per Unit):

Date	Detail	Fees	GST	Total Invoiced
31/10/2003	Invoice			
	Management Fees 2004	\$ 1,184.00	\$ 118.40	\$ 1,302.40
	Grant of Use (Licence Fee) 2004	\$ 150.00	\$ 15.00	\$ 165.00
30/06/2004	Interim Grape Processing Fee	\$ 65.00	\$ 6.50	\$ 71.50
		<u>\$ 1,399.00</u>	<u>\$ 139.90</u>	<u>\$ 1,538.90</u>

Notes:

Please ensure that the deductions above are multiplied by the number of units you own in the Project.

If you are not registered for GST your deductions will need to include the GST apportioned to each of the items.

Product Ruling PR 2002/25 confirms that the Commissioner has exercised his discretion under Division 35 not to apply the non-commercial loss provisions.

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

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). Your trellising in the Project was installed by 1 July 2002. The deduction available under Division 40 of the 1997 Act can be calculated using the appropriate depreciation rate. Taxpayers who elect to be "Simplified Tax System" (STS) (division 328) taxpayers and own only 1 unit can claim the full amount as an immediate write-off (\$922) as it is less than \$1,000, STS taxpayers with more than 1 unit can allocate the expenditure to a general STS pool and depreciate at a rate of 15% of the cost in the first year (regardless of the date acquired during the year) and 30% of the balance of the pool in following years. Investors who do not elect to be STS taxpayers and who have only 1 unit can allocate the expenditure to a low-value pool as the value of the trellising is less than \$1,000, and a rate of 18.75% of the cost can be claimed in the first year (regardless of the date acquired during the year) and 37.5% of the balance of the pool in following years. Other taxpayers (ie, non-STs with more than 1 unit) should use the Commissioner's depreciation rates of 7.5% diminishing balance or 5% prime cost.

(b) Other infrastructure relates to small and miscellaneous items to be installed around the vineyard, (signs, gates etc.) These items may be deductible when installed, and the Manager will advise the nature of any deductions in future years as they arise.

(c) Section 40-515 of the the 1997 Act allows a 1/3rd deduction for expenditure on water facilities for use in a primary production business in the year the expenditure is incurred, with the remaining 2/3rds deducted equally over the following 2 years. The deduction for the year ending 30 June 2004 is \$518.

(d) Section 40-645 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 \$9 will be available in the year ending 30 June 2004.

(e) No deduction will be available for grapevine establishment until the first year a commercial crop exists in accordance with section 40-515 of the 1997 Act. The Manager will advise when this does occur.

(f) Land Preparation and design costs are of a capital nature and are not deductible to investors.

(g) Management fees relate to activities conducted during the 30 June 2004 year, and \$1,184 is deductible in the 2004 year under section 8-1 of the 1997 Act.

(h) Grant of use fees of \$150 relate to the 30 June 2004 year and are deductible in the 2004 year under section 8-1 of the 1997 Act.

(i) The processing fee should be deductible as cost of manufacturing stock, however, the same amount is used to calculate the closing value of trading stock as at 30 June 2004.

(j) Recoverable harvest costs of \$74.41 should be treated as follows:

Cash Tax Payers - Nothing claimable as a deduction in the year ended 30 June 2004. The balance of \$74.41, once paid, can be claimed in later years.

Accruals Tax Payers - Harvest costs of \$74.41 should be claimed as a deduction in the year ended 30 June 2004.

COONAWARRA PREMIUM VINEYARDS PROJECT No.2 - STAGE 2

A.R.S.N. 087 876 186

AFS Licence No: 226243



INFORMATION ON COMPLETING YOUR TAX RETURN

FINANCIAL YEAR ENDING 30 JUNE 2004

Completing your income tax return may be complicated for many investors, especially as your investment in the Coonawarra Premium Vineyards Project No.2 means that you are operating a business and you must complete the appropriate business schedules in the tax return.

If you require assistance in completing your tax return, please contact your registered tax agent or alternatively contact the Australian Taxation Office. The ATO website www.ato.gov.au provides guidance and information that may assist you.

The Project returned income to all investors this year, and this must be included as assessable income in your income tax return. Investors will also be able to claim deductions as detailed in Product Ruling 2001/30.

For individual investors, Income and Deductions should be included on the Supplementary Section to your Income Tax Return, and specifically in the Business and Professional Items section of the Return.

INCOME

As there was no sale of grapes or bulkwine no assessable income has been derived by either cash or non cash (accruals) taxpayers.

EXPENSES

Deductions for expenditure incurred in respect of the Project are outlined on the reverse side of these notes.

Further deductions may be available for interest on any loans that you have taken out to finance your investment.

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Accruals Tax Payers - Harvest costs of \$74.41 should be claimed as a deduction in the year ended 30 June 2004.

BUSINESS ACTIVITY STATEMENT

Investors who have registered for GST will need to include the expenses to the Project on their Business Activity Statement in the quarter that it relates. The amount to include will depend on whether you are cash or non-cash registered.

If you are registered on a cash basis then you need to include expenses actually paid in the relevant quarter. Investors will need to keep their own records of payments made, as a fee may be charged to provide this information.

If you are registered on a non-cash/accruals basis then you need to include expenses in the quarter the invoice is dated as.

Note that there is no GST on grape income and trust distribution income.

TRADING STOCK

GROWERS SHOULD ALSO INCLUDE THE VALUE OF THE BULK WINE ON HAND AS AN AMOUNT FOR TRADING STOCK. EACH GROWER UNIT IS ENTITLED TO 236 LITRES OF WINE. THE CLOSING VALUE OF STOCK IS CONSIDERED TO BE \$65 PER INTEREST (PROCESSING COSTS) AND THE COST FOR THE TRADING STOCK IS CONSIDERED TO BE \$65 PER INTEREST.