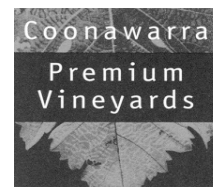


COONAWARRA PREMIUM VINEYARDS PROJECT No.2 - STAGE 1

A.R.S.N. 087 876 186

AFS Licence No: 226243



INFORMATION ON COMPLETING YOUR TAX RETURN

FINANCIAL YEAR ENDING 30 JUNE 2005

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 may also be able to claim deductions for expenses incurred. While Product Ruling 2001/30 has now expired, the principles should still apply. Investors should make their own private applications for the Commissioner to exercise his discretion to not apply the non-commercial losses provisions.

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

Cash taxpayers (including Simplified Tax System taxpayers) and Non-Cash Accrual taxpayers should include as income for the year ending 30 June 2005 the amounts set out in the table below.

	<u>Accruals</u> <u>taxpayers</u>	<u>Cash</u> <u>taxpayers</u>		<u>All</u> <u>taxpayers</u>
<u>Assessable Income</u>	<u>\$ per unit</u>	<u>\$ per unit</u>	<u>Trading Stock</u>	<u>\$ per unit</u>
Sales 2005 grapes	107.11	38.98	Opening stock as advised to investors	45.00
Grape sales 2004 receipts	0.00	14.15	Increase in trading stock in year	521.63
Bulk wine sales (net of GST)	30.81	12.27	Closing trading stock	566.63
Total assessable income	137.92	65.40		
Closing debtors (see note)		88.52		

Note: For taxpayers on a cash basis, grape proceeds not collected from wineries prior to 30 June 2005 will need to be included as assessable income in the year of collection (which will be advised in future notices). Grape and bulk wine proceeds not collected as at 30 June 2005 are \$88.52 for year ended 30 June 2005. For taxpayers on a cash basis the grape proceeds of \$65.40 are offset against recoverable harvest and other costs (refer note (k)).

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.

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.

Note that there is no GST on grape income but there may be GST on bulk wine sales income.

TRADING STOCK

Growers should also include the value of bulk wine on hand as an amount for trading stock. Each Grower Unit is entitled to 141.32 litres of wine from the 2004 vintage and 425.31 litres of bulk wine from the 2005 vintage. The closing market value of the stock is considered to be \$566.63 per Grower Unit.



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**COONAWARRA PREMIUM VINEYARDS PROJECT NO.2
ANNUAL INVESTOR TAXATION SUMMARY
FINANCIAL YEAR ENDING 30 JUNE 2005**



A.R.S.N. 096 298 074

**Taxation Deductions are in accordance with Australian Taxation Office
Product Ruling PR 2001/30.**

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

Total Investment (Per Managed Unit)	2001/ 2002	2002/ 2003	2003/ 2004	2004/ 2005	Tax Deduction 2004/2005
Shares in CPV Land Holdings Limited	\$ 1,357				-
Landcare Operations	\$ 17				-
Trellising	\$ 922				(a)
Other Infrastructure	\$ 48				(b)
Irrigation	\$ 1,553				\$518 (c)
Power	\$ 94				\$9 (d)
Grapevines & Planting	\$ 323				\$41.99 (e)
Land Preparation & Design	\$ 158				(f)
Management Fees to 30 June 2002	\$ 3,922				-
Management Fees to 30 June 2003		\$ 1,184			
Management Fees to 30 June 2004			\$ 933		
Management Fees to 30 June 2005				\$ 954	\$953.52 (g)
Grant of Use (Licence fee)	\$ 300				-
Grant of Use (Licence fee) 2003		\$ 150			
Grant of Use (Licence fee) 2004			\$ 158		
Grant of Use (Licence fee) 2005				\$ 161	\$160.89 (h)
Interim Grape Processing Fees			\$ 45		-
Interim Grape Processing Fees				\$ 27	\$26.82 (i)
Recoverable Harvest and Other Costs			\$ 99		(j)
Recoverable Harvest and Other Costs				\$ 288	\$288.43 (k)
	<u>\$ 4,222</u>	<u>\$ 1,334</u>	<u>\$ 1,235</u>	<u>\$ 1,430</u>	

INVOICES RAISED 1 JULY 2004 to 30 JUNE 2005 (Per Unit):

Date	Detail	Fees	GST	Total Invoiced	
<u>Invoice</u>					
31/01/2005	Interim Grape Processing Fee	\$ 20.70	\$ 2.07	\$ 22.77	(i)
1/03/2005	Management Fees 2004/5	\$ 953.52	\$ 95.35	\$ 1,048.87	(g)
	Grant of Use (Licence Fee) 2004/5	\$ 160.89	\$ 16.09	\$ 176.98	(h)
	Interim Grape Processing Fee	\$ 6.12	\$ 0.61	\$ 6.73	(i)
16/06/2005	Recoverable Harvest and Other Costs	\$ 288.43	\$ 28.84	\$ 317.27	(k)
		<u>\$ 1,429.66</u>	<u>\$ 142.97</u>	<u>\$ 1,572.63</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.

While Product Ruling 2001/30 has now expired, the principles should still apply. Investors should make their own private applications for the commissioner to exercise his discretion to not apply the non-commercial losses 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 31 October 2001. 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 (formerly section 387-125) of 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 2005 is \$518.

(d) Section 40-645 (formerly section 387-355) 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 \$9 will be available in the year ending 30 June 2005.

(e) 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. As this is the second year that a deduction can be claimed the write-off is available for 365 days. $\$323 \times 13\% = \41.99 write off for the year ended 30 June 2005.

(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 2005 year, and \$953 is deductible in the 2005 year under section 8-1 of the 1997 Act.

(h) Grant of use fees of \$161 relate to the 30 June 2005 year and are deductible in the 2005 year under section 8-1 of the 1997 Act.

(i) The processing fee should be deductible as cost of manufacturing stock.

(j) Cash Tax Payers only - the balance of harvest costs from 2004 can be claimed in the year ending 30 June 2005 provided the invoice is paid by 30 June 2005.

(k) Recoverable harvest and other costs should be treated as follows:

Cash Tax Payers - \$65.40 is claimable as a deduction in the year ended 30 June 2005 as this amount has been offset against grape and bulk wine sale proceeds. The balance can be claimed in the year ending 30 June 2005 provided the invoice is paid by 30 June 2005, otherwise it can be claimed in later years provided the invoice is paid.

Accruals Tax Payers - the costs invoiced (\$288) should be claimed as a deduction in the year ended 30 June 2005.