

Record profit growth of 94% as assets increase \$123 million

18 August 2004

The Challenger Beston Wine Trust (formerly known as the Beston Wine Industry Trust) (ASX Code: CWT & CWTPA) is pleased to announce that it has continued its track record of profit growth and stable income with another strong result for the 2004 financial year delivering Unitholders a fifth consecutive year of record profits since the Trust's inception.

Net profit after tax was \$10,364,092 for the year to 30 June 2004, up 94% from the previous corresponding period figure of \$5,339,444. Record revenue growth was also achieved, with a 90% increase in revenues to \$19,688,853 for the year.

Profit growth was driven by the 94.1% increase in property assets from 30 June 2003 to reach \$244,690,881 at year end. An 18% reduction of the Trust's Management Expense Ratio (MER) from 1.49% in the 2003 financial year to 1.26% for the 2004 financial year based on average total assets also contributed to profit growth.

This profit has been distributed to Unitholders in accordance with the Trust's present policy, on a quarterly basis as follows:

	Rate per ordinary Unit	Total distribution (Including PICE Units)
Three months ended 30 September 2003	2.287	1,799,229
Seventy days ended 9 December 2003	1.848	1,190,769
Balance of quarter ended 31 December 2003	0.456	982,213
Three months ended 31 March 2004	2.098	3,046,065
Three months ended 30 June 2004	2.321	3,345,816
	9.010	10,364,092

The distribution on Ordinary Units for the full year ending 30 June 2004 represented an annualised running yield of 10.01% on the most recent issue price of \$0.90 per Unit. A further benefit to the ordinary Unitholders is that 25.65% of the distribution is tax deferred, which represents a grossed up yield of 12.4% based upon an investor at the highest marginal tax bracket.

The Trust's 2004 financial year distribution was slightly down on last year's distribution of 9.2 cents due to the full impact of the increased rental income from the \$85.5 million in property acquisitions being staggered across the year following the settlement of the property acquisitions in December 2003 and June 2004. The higher proportion in cash, term deposits and undrawn borrowings at balance date (\$13.0 million) designated for vineyard and winery acquisitions than in the previous corresponding period also contributes to the lower distribution. Timing differences were, however, partially offset by the higher rental rates.

Preferred Indexed Convertible Equity (PICE) Unitholders received distributions totalling 95.9 cents per Unit for the financial year ending 30 June 2004, up 3.4 cents per Unit from the previous corresponding period. Following the annual CPI adjustment on 26 March, the PICE Units are currently yielding 9.8% based on the \$10.00 issue price.

During the year, the Trust also successfully passed the \$100 million milestone in market capitalisation and achieved a reclassification of its Ordinary Units on the Australian Stock Exchange (ASX) to have the Trust grouped with its more appropriate peers – listed property trusts.

Record profit growth of 94% as assets increase \$123 million (continued)

As announced during the year, the Trust has been renamed to more closely align itself with the Challenger Financial Services Group (ASX Code: CGF), the owner of the Responsible Entity and significant Unitholder of the Trust. The name has changed from the Beston Wine Industry Trust (former ASX Codes: BWI and BWIPA) to the Challenger Beston Wine Trust (current ASX codes: CWT and CWTPA).

Portfolio

Assets under management by the Trust increased from \$131,566,588 to \$254,721,552 during the year, an increase of 94.1%.

During the year, the Trust made the following acquisitions:

- the Cocoparra vineyard in Griffith, New South Wales for \$8.5 million which has been leased to the ASX listed wine company Evans & Tate Limited (ASX Code: ETW) for 10 years with two rights of renewal of five years each;
- nine of the 13 lots comprising the Balranald Vineyard in Balranald, New South Wales were purchased for \$17.0 million and are leased to Australia's fourth largest pure wine company, McGuigan Simeon Wines Limited (ASX Code: MGW). [The remaining four lots are to be purchased by the Trust in the first half of the 2005 financial year];
- the Qualco East vineyard located close to Waikerie in the Riverland region of South Australia for \$7.7 million which is to be leased to McGuigan Simeon Wines for 12 years with two rights of renewal of five years each;
- the Lawson's and Richmond Grove vineyards located in the Padthaway region of South Australia which are sub-leased to Orlando Wyndham from McGuigan Simeon Wines and were purchased for \$44.9 million. The Trust has a lease with McGuigan Simeon Wines for 9.4 years which matches the duration of the sub-lease, plus three rights of renewal of five years each; and
- the Rarangi vineyard in the Marlborough region of New Zealand was purchased for \$7.4 million and will be leased to New Zealand's fourth largest wine company, Delegat's Wine Estate Limited for 10 years with three rights of renewal of five years each.

Throughout the year the Trust also continued work on its development vineyards and general upgrade programs across the portfolio totalling \$24.0 million.

This now places the Trust as the third largest vineyard owner in Australia with a total of 3,802.5 hectares (9,396.0 acres) under vine.

Across the Trust's portfolio, the weighted average lease rental rate is 9.7% while the weighted average lease maturity has increased from eight years three months to eight years eight months. This demonstrates the Trust's long-dated income that also benefits from annual adjustments upwards to reflect CPI.

For the year ended 30 June 2004, the Trust has recorded Investment Properties, being land, vineyards and winery assets and other investments, at fair value, which has resulted in the creation of the \$9,042,852 asset revaluation reserve. Previously, the Trust recorded all of its assets at historical cost which equated to acquisition cost plus all development and other incidental costs. This \$9.0 million revaluation premium thus represents the fair value premium of the Trust's assets over their historical cost. With property acquisition costs such as stamp duty removed, the Trust's properties have appreciated in value by a portfolio average of 3.8% since their purchase.

NTA

The Trust's Net Tangible Asset backing on a fully diluted basis increased from \$0.84 to \$0.92 during the 2004 financial year.

This improvement in NTA is largely the result of the fair value of the Trust's asset being reflected in the asset base.

Capital structure

During the year, the Trust successfully raised \$59,476,802 in new equity via the issue of 61,111,111 Ordinary Units at \$0.90 pursuant to its fully oversubscribed prospectus capital raising, 3,974,605 Ordinary Units via an institutional private placement at \$0.90 and 811,695 ordinary and 18,442 Preferred Indexed Convertible Equity (PICE) Units under its Distribution Reinvestment Plan.

At 30 June 2004, there were 126,113,821 Ordinary Units on issue (an increase of 65,897,411 Units) of which the 20 largest investors held 64,227,877 Units or 50.96% of the Ordinary Units, and 1,718,557 PICE Units (an increase of 18,442 PICE Units) of which the 20 largest investors held 1,697,054, or 98.74% of the total. As at 30 June 2004, the Trust had 3,821 ordinary Unitholders and 74 PICE Unitholders.

Further details of the Trust's capital may be found at Note 7.

Total Unitholders' equity increased 99.8% during the year, from \$67.3 million to \$134.2 million.

Following the Trust's successful capital raisings, additional debt totalling \$52.93 million was secured from the major banks in order to gear the equity used to fund property acquisitions and expenditure completed during the year. This took total debt of the Trust to \$113.25 million as at 30 June 2004.

The Trust's gearing as at 30 June 2004 was 44.61%, down from 45.85% at 30 June 2003 and is set at a weighted average debt rate, including all margins, of 7.28%.

100% of the Trust's interest bearing liabilities are hedged and are duration matched to the initial terms of the Trust's leases.

Unit price movement

The price of Ordinary Units at 30 June 2004 was in line with the 2003 financial year, closing at \$0.93 as compared to the 30 June 2003 price of \$0.92.

The price of the PICE Units was also stable, closing the financial year at \$9.80, compared to \$9.70 at 30 June 2003.

Outlook

Challenger Beston Limited, the Responsible Entity for the Trust, has identified a number of investment opportunities that it believes complements the Trust's growth strategy and is continuing due diligence on these assets. Expenditure on the Trust's development properties continues, as do upgrades to the Trust's existing vineyards to ensure they are maintained in accordance with best viticultural practices. In total at 30 June 2004, the Trust has the capacity to fund acquisitions and/or developments totalling approximately \$24.0 million (including gearing) which it currently has fully allocated. The Trust envisages that it may also undertake further capital raising for transactions complementary to the Trust's strategy during the next financial year.

This year the Australian wine industry continued its success, with export sales exceeding \$2.5 billion, and market share increasing in many international markets. The competitive environment within the wine industry has driven many wine companies to review their operations in an attempt to lower their overall cost of production. This shift has seen the Trust's leasing model become increasingly relevant as it allows wine companies to extract considerable cost savings over traditional fruit sourcing models.

Record profit growth of 94% as assets increase \$123 million (continued)

New Zealand wine companies are also facing a similar need for efficiencies in their cost of production as their wine industry matures further. The New Zealand industry has predicted that production could be trebled by 2010, while export sales currently exceed NZ\$284 million, demonstrating the success of the New Zealand product in achieving commercial and critical acclaim.

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Challenger Beston Limited support and have adhered to the principles of good corporate governance. The entity's corporate governance statement is contained in the Corporate Governance section of the Annual Report.

The Challenger Beston Wine Trust is now positioned to partner with the wine industry to meet these challenges as an established and significant contributor to the development of additional vineyard properties in Australia and New Zealand. The Trust's sale and leaseback product assists wine companies to improve their cost and capital management practises and allows them to keep pace with the demands of the domestic and international market places.

Unitholders in the Trust are well placed to enjoy the benefits of an expanding and dynamic wine industry, both here in Australia and abroad.

For further information visit the Trust's website at www.challengerbestonwinetrust.com.au or contact the Challenger Beston Wine Trust.

Christopher J Atkins
Managing Director
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Highlights and review

for the year ended 30 June 2004

Highlights of results		30 June 2004	30 June 2003	Change
Revenue from ordinary activities (\$'000)		19,689	10,361	90.02%
Net profit from ordinary activities after tax attributable to Unitholders – (\$'000)		10,364	5,339	94.10%
Distribution to Unitholders – (\$'000)		10,364	5,339	94.10%
Distributions for the year ending				
30 June 2004 – cents per Unit	1	9.01	9.16	-1.64%
Total Distributions – cents per Unit		9.01	9.16	-1.64%
Basic earnings – cents per Unit	2	9.00	9.20	-2.17%
Diluted earnings – cents per Unit	2	8.90	8.60	3.49%
Total Assets (\$'000)		254,722	131,567	93.61%
Total borrowings (\$'000)		113,252	60,326	87.73%
Unitholders' equity (\$'000)		134,379	67,253	99.81%
Net tangible assets (NTA) \$ per unit (diluted)		0.92	0.84	9.52%
Unit price 30 June 2004		0.93	0.92	1.09%
Ordinary Units on issue (\$'000)		126,114	60,216	109.44%
Ordinary Unit Market Capitalisation (\$'000)		117,286	55,399	111.71%
Preferred Indexed Convertible Equity Unit price		9.80	9.70	1.03%
Preferred Indexed Convertible Equity Units on issue (\$'000)		1,719	1,700	1.12%
PICE Unit Market Capitalisation (\$'000)		16,846	16,490	2.16%
Record date	– September Quarter (Q1)	30 September 2003		
	– December Quarter (Q2) – Interim	9 December 2003		
	– December Quarter (Q2) – Final	31 December 2003		
	– March Quarter (Q3)	31 March 2004		
	– June Quarter (Q4)	30 June 2004		
Payment date	– September Quarter (Q1)	14 November 2003		
	– December Quarter (Q2) – Interim	23 January 2004		
	– December Quarter (Q2) – Final	16 February 2004		
	– March Quarter (Q3)	17 May 2004		
	– June Quarter (Q4)	16 August 2004		

Commentary of results

- Rental revenue increased significantly during the year following the acquisition of properties totalling in excess of \$85.5 million and development expenditures in excess of \$24.1 million, however, the full impact of these rental incomes were not felt during the 2004 financial year since the property acquisitions occurred in December 2003 and June 2004 with rentals commencing from that date. The higher proportion of cash, term deposits and undrawn borrowings at balance date (\$13.0 million) designated for vineyard and winery acquisitions than in the previous corresponding period contributed to the lower distribution. Timing differences were, however, partially offset by higher rental rates.
- Diluted earnings increased due to a lower relative number of Preferred Indexed Convertible Equity (PICE) Units to Ordinary Units in the Trust's equity capital base.

Condensed statement of financial performance

for the year ended 30 June 2004

Notes	Consolidated		Parent entity		
	30 June 2004 \$	30 June 2003 \$	30 June 2004 \$	30 June 2003 \$	
Revenue and expenses from ordinary activities					
Revenue from ordinary activities	2	19,688,853	10,361,355	14,652,036	9,153,846
Borrowing costs expense	2	6,834,079	3,145,736	2,930,894	2,263,366
Depreciation and amortisation expense	2	52,366	305,088	52,366	295,880
Other expenses from ordinary activities	2	2,438,316	1,571,087	1,304,684	1,255,156
		9,324,761	5,021,911	4,287,944	3,814,402
Profit from ordinary activities before income tax expense	2	10,364,092	5,339,444	10,364,092	5,339,444
Income tax attributable to ordinary activities					
Profit from ordinary activities after income tax expense		10,364,092	5,339,444	10,364,092	5,339,444
Net increases in asset revaluation reserve	8	9,042,852	–	474,257	–
Net exchange difference on translation of financial report of foreign controlled entity	8	1,014,941	(117,888)	–	–
Issue costs from capital raising	7	(2,408,221)	(970,381)	(2,408,221)	(970,381)
Total changes in equity other than those resulting from transactions with owners as owners		18,013,664	4,251,175	8,1430,128	4,369,063
Reconciliation of distributions					
Profit from ordinary activities available for distribution		10,364,092	5,339,444	10,364,092	5,339,444
Distributions paid and payable	3	(10,364,092)	(5,339,444)	(10,364,092)	(5,339,444)
Balance at year end		–	–	–	–
				30 June 2004 Cents per unit	30 June 2003 Cents per unit
Distribution per Unit				9.0	9.2
Diluted distribution per Unit				8.9	8.6

Condensed statement of financial position

as at 30 June 2004

Notes	Consolidated		Parent entity	
	30 June 2004 \$	30 June 2003 \$	30 June 2004 \$	30 June 2003 \$
Current assets				
Cash	568,319	1,363,808	39,652	619,857
Receivables	2,591,897	497,725	3,540,995	587,760
Investments	5,885,177	3,185,234	5,885,177	3,185,234
Other	606,612	416,623	404,912	373,117
Total current assets	9,652,005	5,463,390	9,870,736	4,765,968
Non-current assets				
Receivables	445,727	401,864	445,727	401,864
Investments	500,000	47,125	73,142,203	25,822,508
Property, plant and equipment	5 243,745,154	125,586,831	83,889,963	70,486,612
Other	378,666	67,378	75,753	48,443
Total non-current assets	245,069,547	126,103,198	157,553,646	96,759,427
Total assets	254,721,552	131,566,588	167,424,382	101,525,395
Current liabilities				
Payables	2,149,540	1,093,216	357,091	520,220
Provisions	16,109	9,507	16,109	9,507
Distributions payable	3 3,345,817	1,641,463	3,345,817	1,641,463
Other	1,579,375	1,244,178	112,689	775,611
Total current liabilities	7,090,841	3,988,364	3,831,706	2,946,801
Non-current liabilities				
Interest-bearing liabilities	113,251,707	60,325,598	38,933,350	31,462,110
Total non-current liabilities	113,251,707	60,325,598	38,933,350	31,462,110
Total liabilities	120,342,548	64,313,962	42,765,056	34,408,911
Net assets	134,379,004	67,252,626	124,659,326	67,116,484
Unitholders' funds				
Units on issue	7 124,185,069	67,116,484	124,185,069	67,116,484
Reserves	10,193,935	136,142	474,257	–
Total Unitholders' equity	134,379,004	67,252,626	124,659,326	67,116,484

Condensed statement of cash flows

for the year ended 30 June 2004

Note	Consolidated		Parent entity	
	30 June 2004 \$	30 June 2003 \$	30 June 2004 \$	30 June 2003 \$
Cash flows from operating activities				
Receipts from customers	17,225,019	10,511,096	5,140,704	7,018,575
Payments to suppliers and employees	(2,038,830)	(919,301)	(1,478,741)	(950,501)
Borrowing costs	(6,848,540)	(3,183,869)	(2,945,356)	(2,292,290)
Interest received	864,544	234,595	2,362,490	1,290,820
Dividends received	22,708	10,737	22,708	10,737
Distributions received	–	–	3,488,633	407,579
Net cash flows from operating activities	9,224,901	6,653,258	6,590,438	5,484,920
Cash flows from investing activities				
Acquisition of property	(109,620,713)	(49,547,750)	(13,434,335)	(8,490,650)
Payments for deposits	(43,863)	(21,622,031)	(21,579,030)	(21,622,031)
Payments to subsidiary	–	–	–	4,574,098
(Repayment)/proceeds from deposits	(2,699,943)	18,705,861	18,835,224	18,705,861
Payments for purchase of securities	–	(712)	(46,866,820)	(20,776,085)
Net cash flows used in investing activities	(112,364,519)	(52,464,632)	(63,044,961)	(27,608,807)
Cash flows from financing activities				
Cash proceeds from the issue of Units	59,476,808	24,436,441	59,476,808	24,436,441
Proceeds from borrowings	52,926,110	27,739,074	7,471,240	3,285,701
Payment for capital raising	(2,408,221)	(970,383)	(2,408,221)	(970,381)
Distribution to Unitholders	3 (8,665,509)	(4,852,450)	(8,665,509)	(4,852,450)
Net cash flows from financing activities	101,329,188	46,352,682	55,874,318	21,899,311
Net increase in cash held	(1,810,430)	541,308	(580,205)	(224,576)
Add opening cash brought forward	1,363,808	940,387	619,857	844,433
Effect of exchange rate changes on cash	1,014,941	(117,887)	–	–
Closing cash carried forward	568,319	1,363,808	39,652	619,857

Notes to the condensed financial statements

for the year ended 30 June 2004

Note 1. Basis of preparation of the condensed financial statement

The condensed financial statements do not include all notes of the type normally included within the Annual Report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the Annual Report.

The condensed financial statements should be read in conjunction with the Annual Report of Challenger Beston Wine Trust as at 30 June 2004. The independent auditors report attached pertains to the Annual Report. It is also recommended that the condensed financial statements be considered together with any public announcements made by Challenger Beston Wine Trust and its controlled entities during the year ended 30 June 2004 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

Cost and valuation of vineyards

Vineyards consist of land, vines and vineyard infrastructure. Vineyards are treated as investment properties and carried at fair value. Independent valuations of investment properties are obtained at intervals of not more than three years from suitably qualified property valuers. Such valuations are reflected in the financial statements of the Trust. Notwithstanding, the directors of the Responsible Entity assess the carrying value of each investment property at each reporting period to ensure its carrying value does not materially differ from its fair value. Where carrying values differ from the fair value, those assets are adjusted to their fair value as assessed by the directors.

Revaluation increments and decrements arising from recognising investment properties at their fair values are offset against one another within the class of asset. Net revaluation increments in the carrying amounts of investment properties are recognised directly in the asset revaluation reserve, except to the extent that the increment reverses a decrement that was previously recognised as an expense in net profit or loss in respect of the same class of asset, in which case the increment is recognised as revenue in net profit or loss. Net revaluation decrements in the carrying amounts of investment properties are recognised as an expense in net profit or loss, except to the extent that the decrement reverses a previous revaluation increment in respect of the same class of assets credited directly to the asset revaluation reserve, in which case the decrement is debited directly to the reserve to the extent that a credit exists in respect of the same class of asset.

Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount because the Trust does not expect to be ultimately liable for CGT in respect of the assets.

Expenditure capitalised to vineyards includes the cost of acquisition, capital and refurbishment additions, and during development includes financing charges and related professional fees incurred.

All other classes of property, plant and equipment are measured at cost.

Depreciation of winery plant and equipment

Land and buildings are considered to have the function of an investment and are therefore regarded as a composite asset. Accounting Standard AASB 1021 'Depreciation' does not require investment properties to be depreciated. Accordingly, no depreciation charge is applied to the vineyard properties in the financial statements. Winery assets acquired during the period are depreciated, on a straight-line basis, over their expected useful life. Major depreciation periods are:

	2004	2003
Winery buildings	50 years	50 years
Grape processing plant	30 years	30 years
Storage	50 years	50 years
Winery plant	20 years	20 years

Notes to the full-year financial statements (continued)

(b) Self-generating and regenerating assets (SGARAs)

Although the SGARA standard would suggest that any portion of the valuation that is made up of changes in the valuation of the vine (as a 'living asset') should be taken to Net Profit, we believe that to try to allocate value down to the level of the vines (as opposed to the vineyards) would be unreliable. The reasons for this unreliability are:

- the Trust does not have access to the grapes produced from the vines, and therefore the direct cash flow forecasts of such sales cannot be used in a discounted cash flow model. Although the Trust does have access to the rental streams derived from them, as well as the sale value of the land and vineyards, should the Trust be required to dispose of the property at the end of the lease, such cash flows are not separately identified in the rentals or sale price, and again discounted cash flows for the 'live' vines determined;
- the valuation does not split the value of the component assets from the total valuation; and
- the vines would be calculated as a residual from the valuation after first deducting an assumed value for land, then deducting an assumed value for buildings and vineyard improvements. Each of these deductions is subject to estimation and error. The resulting residual is not considered to be a reliable measure of the valuation of the vines, and would be subject to significant volatility due to minor changes in estimates of the items deducted from the valuation of the vineyard as a whole. In reality the vines have a long life, and the fair value of the vines, particularly those for well established vineyards, is not likely to change significantly.

(c) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year with the exception of a change in the method of measuring the value of vineyards.

AASB 1041 'Revaluation of Non-Current Assets', allows the selection of either cost or revaluation bases of measuring non-current assets class by class. For the year ended 30 June 2004, the Trust changed the method of recording the classes of non-current assets 'Investment Properties' and 'Share in Unlisted Companies' from cost to fair value. This change in accounting policy is considered appropriate in light of AASB 1001 'Accounting Policies' as the change will result in an overall improvement in the relevance and reliability of financial information.

A consolidated asset revaluation reserve of \$9,042,852 has been created as a result of the change to the fair value basis of measuring investment property.

All other classes of non-current assets are still recorded at cost.

Note 2. Profit from ordinary activities

	Consolidated		Parent entity	
	30 June 2004 \$	30 June 2003 \$	30 June 2004 \$	30 June 2003 \$
Included in the profit from ordinary activities are the following items of revenue:				
Revenue from operating activities				
Rental revenue	18,801,600	10,116,023	8,778,204	7,281,991
	18,801,600	10,116,023	8,778,204	7,281,991
Revenue from non-operating activities				
Distributions from subsidiaries	–	–	3,488,633	761,491
Interest received	864,545	234,595	813,171	224,387
Interest revenues – wholly owned group entities	–	–	1,549,320	875,240
Dividend received	22,708	10,737	22,708	10,737
	887,253	245,332	5,873,832	1,871,855
Revenue from ordinary activities	19,688,853	10,361,355	14,652,036	9,153,846
Profit from ordinary activities has been arrived at after charging the following items:				
Borrowing costs – interest expense	6,834,079	3,145,736	2,930,894	2,263,366
Other expenses				
Management and custodial fees	1,680,155	996,441	826,987	719,755
Consultant fee	127,215	138,071	40,930	106,721
Auditor's remuneration – audit services	35,000	33,000	35,000	33,000
Auditor's remuneration – other services	72,355	40,667	45,708	33,497
Other costs	523,591	362,908	356,059	362,183
	2,438,316	1,571,087	1,304,684	1,255,156
Amortisation of expenditure carried forward	–	38,133	–	28,925
Depreciation of winery assets	52,366	266,955	52,366	266,955
Total depreciation and amortisation expense	52,366	305,088	52,366	295,880

Note 3. Distributions paid or provided for on ordinary shares

Distributions proposed and recognised as a liability	3,345,817	1,641,463	3,345,817	1,641,463
Distributions paid from current year profits	7,018,275	3,697,981	7,018,275	3,697,981
Total distributions paid or payable from current year profit	10,364,092	5,339,444	10,364,092	5,339,444
Distributions paid from prior year profit	1,647,234	1,154,469	1,647,234	1,154,469

Note 4. Contingent assets and liabilities

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets.

Notes to the full-year financial statements (continued)

Note 5. Property, plant and equipment

	Consolidated		Parent entity	
	30 June 2004 \$	30 June 2003 \$	30 June 2004 \$	30 June 2003 \$
Vineyards at fair value*				
At cost 2003	–	120,364,323	–	65,264,104
At fair value	238,505,881	–	78,650,690	–
Balance at the end of the financial year	238,505,881	120,364,323	78,650,690	65,264,104
Winery plant and equipment				
At cost less provision for amortisation	5,239,273	5,222,508	5,239,273	5,222,508
	243,745,154	125,586,831	83,889,963	70,486,612
*Includes land, vines and vineyard infrastructure.				
(a) Reconciliation of carrying amounts				
Land – vineyards				
Opening balance at cost	120,364,323	72,129,058	65,264,104	58,085,939
Acquisitions of vineyard properties and additions during the year	109,551,581	48,235,265	13,365,204	7,178,165
Net increment from accounting policy change	8,589,977	–	21,382	–
Balance at the end of the financial year	238,505,881	120,364,323	78,650,690	65,264,104
Winery plant and equipment				
Opening balance at cost	5,524,150	4,247,600	5,524,150	4,247,600
Acquisitions of winery plant and equipment during the year	69,131	1,276,550	69,131	1,276,550
Accumulated amortisation	(354,008)	(301,642)	(354,008)	(301,642)
Balance at the end of the financial year	5,239,273	5,222,508	5,239,273	5,222,508
Total property, plant and equipment	243,745,154	125,586,831	83,889,963	70,486,612

Vineyards and wineries are leased to vineyard operators and/or wine companies under long-term lease contracts, typically for 10 year terms. Rentals are based upon a premium over bond rates, and cannot decline. Leases are renewable at the lessee's option after the expiration of the initial lease term, in renewal periods typically of not less than five years.

The vineyard properties are subject to call options which have been granted to the vineyard operators. These options are exercisable upon expiry of the initial lease term or each five year or 10 year increment at varying dates between October 2006 and June 2032. The exercise price of the options is to be market value as determined by an Independent Valuation if required, at not less than cost.

Assets pledged as security

First mortgages have been granted as security for bank loans over all vineyard properties, winery plant and equipment. The terms of the first mortgages preclude the assets being sold or being used as security for further mortgages without the permission of the first mortgage holder. The mortgage also requires buildings that form part of the security to be fully insured at all times.

Valuations

The fair values of investment properties have been determined by reference to directors' valuations, based upon independent valuations previously obtained. Such valuations are performed on an open market basis, being the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date.

(b) Details of property, plant and equipment

Description	Acquisition date \$	Original acquisition cost \$	Total cost including additions \$	Date of latest independent valuation \$	Fair value \$
Schubert's Vineyard ⁽ⁱ⁾	Nov 2001	4,209,067	4,904,139	Mar 2004	5,000,000
Summer's Hill Vineyard ⁽ⁱ⁾	Feb 1998	1,358,040	1,533,600	Oct 2001	1,500,000
Corryton Park Vineyard ⁽ⁱⁱ⁾	Feb 1998	1,043,051	3,124,489	Oct 2001	3,150,000
Sandy Hollow Vineyard ⁽ⁱ⁾	Nov 1998	4,416,550	4,878,198	Oct 2001	4,750,000
Cowra Station Vineyard ⁽ⁱ⁾	Oct 1998	3,572,550	3,686,759	Oct 2001	3,850,000
Waikerie Vineyard ⁽ⁱ⁾	Oct 1998	1,935,322	2,185,020	Oct 2001	2,100,000
Bethany Creek and Vine Vale Vineyards ⁽ⁱ⁾	Oct 1998	1,515,522	1,711,650	Oct 2001	1,775,000
Hermitage Road Winery ⁽ⁱ⁾	Oct 2001	1,404,244	4,662,122	Dec 2003	4,600,000
Inglewood Vineyard ⁽ⁱ⁾	Jul 1999	1,336,422	1,412,745	Jul 2003	1,250,000
Dalswinton Vineyard ⁽ⁱ⁾	Jul 1999	4,849,909	4,973,308	Jul 2003	4,600,000
Thomson Vineyard ⁽ⁱⁱ⁾	Oct 1999	3,618,324	4,100,542	Aug 2003	4,100,000
Boh River Vineyard ⁽ⁱⁱ⁾	Jun 2000	8,733,922	10,036,382	Jul 2003	9,800,000
Gundagai Vineyard ⁽ⁱ⁾	Sep 2000	6,104,548	12,608,337	Apr 2004	13,700,000
Chapel Vineyard ⁽ⁱⁱⁱ⁾	Dec 2001	2,869,525	2,930,718	Dec 2001	2,930,718
Yarraman Winery and Vineyard ⁽ⁱ⁾	Sep 2001	1,171,349	2,036,330	Aug 2001	1,400,000
Trillian's Hill Vineyard ⁽ⁱ⁾	Jun 2002	888,575	1,047,414	Apr 2002	1,047,413
Woods Vineyard ⁽ⁱⁱⁱ⁾	Apr 2003	1,251,552	1,270,266	Feb 2003	1,270,266
Cocoparra Vineyard ⁽ⁱⁱⁱ⁾	Apr 2003	8,526,360	8,462,191	Feb 2003	8,462,192
Oakridge Estate Vineyard and Winery ⁽ⁱⁱⁱ⁾	Apr 2003	1,105,030	2,490,975	Feb 2003	2,490,975
Gngarara Vineyard ⁽ⁱ⁾	Apr 2003	1,652,654	5,813,398	Dec 2002	6,113,399
Total held by parent entity		61,562,516	83,868,582		83,889,963
Gimblett Road Vineyard ^(iv)	Apr 2001	2,606,787	2,697,030	Apr 2004	3,411,689
Highway 50 Vineyard ^(iv)	Apr 2001	2,561,054	2,642,422	Apr 2004	3,251,624
Crownthorpe Vineyard ^(iv)	Apr 2001	3,486,447	17,075,717	Apr 2004	20,767,401
Dashwood Vineyard ^(iv)	Oct 2002	8,003,293	14,641,146	Aug 2002	17,717,918
Rarangi ^(v)	Jun 2004	6,494,100	7,404,867	Jun 2004	7,404,867
Sirens Estate Vineyard ⁽ⁱ⁾	Oct 2002	1,897,395	2,220,582	Oct 2002	2,696,859
Richmond Grove and Lawsons Vineyard ⁽ⁱ⁾	Dec 2003	44,947,105	44,940,463	Jun 2003	44,940,464
Qualco East Vineyard ⁽ⁱ⁾	Dec 2003	7,420,513	7,670,513	Jun 2003	7,670,513
Balranald Vineyard ⁽ⁱ⁾	Dec 2003	15,572,729	17,027,891	Jun 2003	17,027,891
Two Rivers Vineyard ⁽ⁱⁱⁱ⁾	Jun 2003	17,484,327	34,965,965	May 2003	34,965,965
Total held by controlled entities		110,473,750	151,286,596		159,855,191
Total property, plant and equipment		172,036,266	235,155,178		243,745,154

(i) As valued by Colin Gaetjens, F.A.P.I. (Val, P & M), R.E.I.V. (Aust), A.R.E.I., of Colin Gaetjens & Co.

(ii) As valued by Colin Pickett, A.A.P.I., Certified Practising Valuer, of Colin Gaetjens & Co.

(iii) As valued by Ron Aschberger, F.A.P.I., Certified Practising Valuer, of FPDSavills.

(iv) As valued by Boyd Gross, B. Agr. (Rural Va), Dip. Bus. Std., A.N.Z.I.V., of Logan Stone.

(v) As valued by David Stark, B. Ag. Com., A.N.Z.I.V., S.N.Z.P.I., of Alexander Hayward Ltd.

Notes to the full-year financial statements (continued)

Note 6. Segment information

The Trust operates entirely within Australasia, investing in vineyard properties for lease to vineyard operators and wine industry infrastructure assets. Please refer to the map of Australasia in the Property Portfolio Summary for further details.

Note 7. Unit capital

	30 June 2004		30 June 2003	
	Number of units	\$	Number units	\$
Ordinary Units				
Beginning of the financial year	60,216,410	55,116,322	34,991,667	32,680,975
Issued during the year				
– Distribution Reinvestment Plan	811,695	728,657	386,139	339,329
– Public equity raising	61,111,111	55,000,001	23,804,604	21,186,098
– Private placements	3,974,605	3,577,144	1,034,000	909,920
Balance at the end of the year	126,113,821	114,422,124	60,216,410	55,116,322
PICE Units				
Beginning of the financial year	1,700,115	17,001,094	1,500,000	15,000,000
Issued during the year				
– Distribution Reinvestment Plan	18,442	171,005	115	1,094
– Private placements	–	–	200,000	2,000,000
Balance at the end of the year	1,718,557	17,172,099	1,700,115	17,001,094
Less issue costs				
Beginning of the financial year		(5,000,932)		(4,030,551)
Incurred during the year		(2,408,222)		(970,381)
Balance at the end of the year		(7,409,154)		(5,000,932)
Equity balance at the end of the year		124,185,069		67,116,484

Units issued during the year

18,442 Preferred Indexed Convertible Equity (PICE) Units were issued during the year through the Distribution Reinvestment Plan at prices between \$9.26 and \$9.60. 61,111,111 Units were issued at \$0.90 by public equity raising, 811,695 Units were issued through the Distribution Reinvestment Plan at prices between \$0.88 and \$0.90. A further 3,974,605 Units were issued at \$0.90 by private placement.

Terms and conditions of Units

Ordinary Units have the right to receive distributions as declared and, in the event of winding up the Trust, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on the Units held.

PICE Units may be converted at any time within 30 days immediately after the 5th to the 10th anniversaries of issue. At any time following the 10th anniversary, PICE Units may be converted within 60 days. The conversion price is based on the market value of Ordinary Units within a specified minimum and maximum, depending on the length of time the PICE Units have been held before conversion. During the term of the Units, holders will be entitled to a yield at the rate of 9.0% per annum, which is indexed annually in arrears in accordance with increases in the Australian Consumer Price Index. PICE Unitholders will be entitled to income in preference to ordinary Unitholder distributions.

Note 8. Reserves

	Consolidated		Parent entity	
	30 June 2004 \$	30 June 2003 \$	30 June 2004 \$	30 June 2003 \$
Foreign currency translation	1,151,083	136,142	–	–
Asset revaluation	9,042,852	–	474,257	–
	10,193,935	136,142	474,257	–
Foreign currency translation				
Balance at beginning of year	136,142	254,030	–	–
Gain (loss) in translation of overseas controlled entities	1,014,941	(117,888)	–	–
Balance at end of year	1,151,083	136,142	–	–
Asset revaluation				
Balance at beginning of year	–	–	–	–
Gain (loss) in revaluation of non-current assets	8,589,977	–	21,382	–
Gain (loss) in revaluation of unlisted shares	452,875	–	452,875	–
Balance at end of year	9,042,852	–	474,257	–

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self-sustaining foreign operations.

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets. The reserve can only be used to pay distributions in limited circumstances.

Note 9. Subsequent events

No events of a material nature have arisen since the end of the year which will have an effect on the statement of financial performance or the statement of position in this report.

Directors' declaration

In accordance with a resolution of the directors of Challenger Beston Limited, I state that:

In the opinion of the directors:

- (a) The financial statements and notes of the Trust are in accordance with the Trust Deed and the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Trust's financial position as at 30 June 2004 and of its performance, as represented by the results of its operations and its cash flows for the year ended; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that the members of the closed group will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Christopher J Atkins

Director

Dated this 18 August 2004

Independent audit report to members of the Challenger Beston Wine 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 the Challenger Beston Wine Trust (formerly the Beston Wine Industry Trust) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the Challenger Beston Wine Trust (the Trust) and the entities it controlled during that year.

The directors of the Trust are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the Trust and the consolidated entity, and that complies with Accounting Standards in Australia, 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 conducted an independent audit of the financial report in order to express an opinion on it to the members of the Trust. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to 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 control, 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 assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Trust's and the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgment of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the Trust.

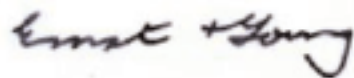
Independence

We are independent of the Trust, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the financial report of the Challenger Beston Wine Trust is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Trust and the consolidated entity at 30 June 2004 and of their 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 financial reporting requirements in Australia.



Ernst & Young



Alan H Herald
 Partner
 Adelaide
 18 August 2004

INDEPENDENT AUDIT REPORT

To the Directors of Challenger Beston Limited:

Scope

We have audited the compliance plan of the Challenger Beston Wine Trust (formerly the Beston Wine Industry Trust) which was established by Challenger Beston Limited as the responsible entity for the scheme for the financial year ended 30 June 2004. As directors of the responsible entity you are responsible for the design, documentation, operation and monitoring of the compliance plan and the adequacy of compliance measures contained in the plan, including the relevant internal control systems, policies and procedures, and compliance therewith. These responsibilities are set out in Part 5C.2 of the *Corporations Act 2001* applicable in Australia. We have conducted an independent audit of the compliance plan in order to express an opinion on it to the responsible entity.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance regarding the compliance plan. Accordingly, we have performed such tests and procedures as we considered necessary in the circumstances. Our procedures included obtaining an understanding of the compliance plan and the compliance measures which it contains and examining, on a test basis, evidence supporting the operation of these compliance measures. These procedures have been undertaken to form an opinion whether, in all material respects, the responsible entity has complied with the compliance plan during the financial year ended 30 June 2004, and the compliance plan continue to meet the requirements of Part 5C.4 of the *Corporations Act 2001* as at that date.

This audit report has been prepared for Challenger Beston Limited as the responsible entity of Challenger Beston Wine Trust in accordance with section 601HG of the *Corporations Act 2001*. We disclaim any assumption of responsibility for any reliance on this report to any person other than the responsible entity, or for any purpose other than that for which it was prepared.

Inherent Limitations

Because of the inherent limitations of any compliance plan, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. An audit is not designed to detect all weaknesses in a compliance plan and the compliance measures in the plan as an audit is not performed continuously throughout the financial year and the audit procedures performed on the compliance plan and compliance measures are undertaken on a test basis.

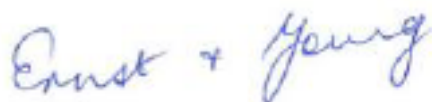
Any projection of the evaluation of the compliance plan to future periods is subject to the risk that the compliance measures in the plan may become inadequate because of changes in conditions or circumstances, or that the degree of compliance with them may deteriorate.

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

Audit Opinion

In our opinion, in all material respects:

- (a) Challenger Beston Limited has complied with the compliance plan of Challenger Beston Wine Trust for the financial year ended 30 June 2004; and
- (b) the plan continues to meet the requirements of Part 5C.4 of the *Corporations Act 2001* as at that date.



Ernst & Young



Allan Potter
Partner
Adelaide

5 August 2004

Directory

Australian Stock Exchange Code	CWT (Ordinary Units) CWTPA (PICE Units)
Custodian of the Fund	Tower Trust (SA) Limited 44 Pirie Street Adelaide, South Australia 5000
Responsible Entity	Challenger Beston Limited Level 9, T & G Building 82 King William Street Adelaide, South Australia 5000
Board of Directors of Responsible Entity	S Gerlach (Chairman) RN Sexton (Deputy Chairman) CJ Atkins (Managing Director) IM Martens DC Hall R Woods T Foster
Secretary of the Responsible Entity	Anne Gardiner
Auditor	Ernst & Young Santos House, 91 King William Street Adelaide, South Australia 5000
Legal Advisors	Finlaysons Level 8, 81 Flinders Street Adelaide, South Australia 5000
Registry	Computershare Investor Service Pty Ltd Level 5, 115 Grenfell Street Adelaide, South Australia 5000
Trust Investor Centre	Challenger Beston Wine Trust Level 9, T & G Building 82 King William Street Adelaide, South Australia 5000 Tel: +61 08 8211 7777 Fax: +61 08 8212 1661
Website	www.challengerbestonwinetrust.com.au