

# Appendix 4E

## ASX Announcement

Year ended 30 June 2005



Challenger Wine Trust

### Profits increase by 32% in a successful 2005 financial year

#### 17 August 2005

The Challenger Wine Trust (formerly known as the Challenger Beston Wine Trust) (ASX Code: CWT and CWTPA) is pleased to announce an operating profit increase of 32% to \$13.7 million for the financial year ending 30 June 2005. The growth in operating profit was driven by the 13% increase in property assets from 30 June 2004 to \$288.8 million at year end, and included a full year of income received from the \$65.6 million of assets purchased in December 2003.

Based on a unit price of \$0.92 the yield of 9.90% (which is 28% tax deferred) for ordinary unit holders for the 2005 financial year represented an increase of 1.18% over the previous financial year. Net tangible assets (NTA) increased from \$0.9215 in 2004 to \$0.9567 in the 2005 financial year, an increase of 3.81%.

A 14% reduction of the Trust's Management Expense Ratio (MER) to 1.07% for the 2005 financial year based on average total assets, also contributed to profit growth.

Revenue growth was also achieved, with a 33.51% increase to \$26.3 million for the year. The revenue growth was also driven by acquisitions and the continued development of the Trust's properties in New Zealand and Australia. A further \$23.6 million was spent on developing properties principally in Marlborough, NZ, and the Riverina, Gundagai and Margaret River grape growing regions of Australia.

The policy of the Trust has been to develop properties for wine companies with grape varieties in demand in areas which provide grapes at a cost which is below district average grape contract prices. Of the Trust's portfolio, 46% of the properties are newly developed vineyards whilst 54% were existing vineyard properties. The Trust will continue to explore this strategy of providing grape cost competitive vineyards for wine companies.

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

	Cents per Ordinary Unit	Total Distribution (Including PICE Units)
Three months ended 30 September 2004	2.2799	3,324,254
Three months ended 31 December 2004	2.3207	3,447,713
Three months ended 31 March 2005	2.2599	3,443,575
Three months ended 30 June 2005	2.2577	3,515,204
	<b>9.1162</b>	<b>\$13,730,746</b>

The performance of the PICE Units following the annual CPI adjustment on 26 March 2005 produced a yield of 9.836% for the year ended 30 June 2005.

#### Portfolio

The Trust has made four purchases in the financial year to 30 June 2005 totalling \$13.6 million. The Trust has made these additional purchases of vineyards in the Hunter Valley, Griffith, Gundagai and Wentworth, all in NSW. The new acquisitions included the Whitton Vineyard from Beringer Blass, a mature vineyard, land to develop the Grande Junction Vineyard at Wentworth and the Poole's Rock Winery and Vineyard in the Hunter Valley. These new purchases are to the Trust's existing lessee's McGuigan Simeon Wines and Greenvally Properties (Gundagai vineyard) and to a new lessee Poole's Rock Wines. The Trust has also further developed the Sirens vineyard for Southcorp (Fosters).

Additional expenditure to complete developments has occurred on the following properties:

- Two Rivers Vineyard, Victoria
- Rarangi Vineyard, NZ
- Crownthorpe Vineyard, NZ
- Dashwood Vineyard, NZ
- Oakridge Winery, Victoria
- Gnangara Vineyard, Western Australia
- Qualco East Vineyard, South Australia
- Balranald Vineyard, NSW

The Trust sold the Yarraman vineyard in the Hunter Valley and two Riverland vineyards leased to Thomsons.

### **Capital Structure**

At 30 June 2005, there were 136,138,269 Ordinary Units on issue (an increase of 10,024,448 Units) of which the 20 largest held 71,487,947 Units or 52.5% of the Ordinary Units, and 1,773,067 PICE Units (an increase of 54,510 PICE Units) of which the 20 largest held 1,717,415, or 96.87% of the total. As at 30 June 2005, the Trust had 3,871 Ordinary Unitholders and 89 PICE Unitholders.

Total Unitholders' equity increased 10.85% during the year, from \$134.4 million to \$148.9 million.

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

### **Unit Price Movement**

The market price of the ordinary units closed at \$0.91 on 30 June 2005, compared to \$0.93 at the end of the previous year.

The PICE units closed at \$10.00 on 30 June 2005, an increase over the previous financial year close of \$9.80.

### **Outlook**

The Responsible Entity of the Trust continues to seek growth opportunities in the industry for the Trust including acquisitions of vineyards and infrastructure assets that complement the existing portfolio of assets. As new acquisitions arise the Trust may seek to raise further capital to complete the transactions.

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For further information visit the Trust's website at [www.challengerwinetrust.com.au](http://www.challengerwinetrust.com.au) or contact the Challenger Wine Trust.

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Challenger Wine Trust  
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# Highlights and Review

For the year ended 30 June 2005

<b>HIGHLIGHTS OF RESULTS</b>	<b>30-Jun-05</b>	<b>30-Jun-04</b>	<b>Change</b>
Revenue from ordinary activities (\$'000)	30,896	19,689	57.38%
Net Profit from ordinary activities after tax attributable to unitholders - (\$'000)	13,731	10,364	32.49%
Distribution to unitholders - (\$'000)	13,731	10,364	32.49%
Distributions for the year ending 30 June 2005 - cents per unit	1 <u>9.1162</u>	<u>9.01</u>	<u>1.18%</u>
<b>Total distributions - cents per unit</b>	<b>9.1162</b>	<b>9.01</b>	<b>1.18%</b>
Basic earnings cents per unit	2 9.1162	9.01	1.18%
Diluted earnings cents per unit	2 9.1300	8.90	2.58%
<b>Total Assets (\$'000)</b>	<b>288,849</b>	<b>254,722</b>	<b>13.40%</b>
Total borrowings (\$'000)	127,396	113,252	12.49%
Unitholders Equity (\$'000)	148,959	134,379	10.85%
Net tangible assets (NTA) \$ per unit (diluted)	0.957	0.92	3.81%
Unit price 30 June 2005 (\$)	0.91	0.93	-2.15%
Ordinary Units on issue ('000)	136,138	126,114	7.95%
<b>Ordinary Unit Market Capitalisation (\$'000)</b>	<b>123,886</b>	<b>117,286</b>	<b>5.63%</b>
Preferred Indexed Convertible Equity Unit price	10.00	9.80	2.04%
Preferred Indexed Convertible Equity Units on issue ('000)	1,773	1,719	3.14%
<b>PICE Unit Market Capitalisation (\$'000)</b>	<b>17,731</b>	<b>16,846</b>	<b>5.25%</b>
<u>Record date</u>			
September Quarter (Q1)	30 September 2004		
December Quarter (Q2)	4 January 2005		
March Quarter (Q3)	5 April 2005		
June Quarter (Q4)	30 June 2005		
<u>Payment date</u>			
September Quarter (Q1)	15 November 2004		
December Quarter (Q2)	14 February 2005		
March Quarter (Q3)	13 May 2005		
June Quarter (Q4)	15 August 2005		

## Commentary of results

- Rental revenues increased during the year due to the effect of a full year's rental being earned on properties which were purchased in December and June in the previous year. The rental income also increased due to the excess cash funds held from December 2003 to June 2004 being used for additional property purchases and development costs. That expenditure further contributed to the increase in rental revenues. The third factor in the rental increases was the inherent increase in rental rates for existing leases, the majority of which include a CPI increase component. Those factors were the main contributors to the increase in rental revenues for the year which improved by \$6.9m to \$25.7m.
- Diluted earnings increased due to the notional effect of dismantling the PICE Units which are now yielding 10.022% per annum based on a \$10.00 unit price.

# Condensed Statement of Financial Performance

For the year ended 30 June 2005

	Notes	Consolidated		Parent Entity	
		30 June 2005	30 June 2004	30 June 2005	30 June 2004
		\$	\$	\$	\$
<b>Revenue and expenses from ordinary activities</b>					
Revenue from ordinary activities	2	30,895,828	19,688,853	23,139,649	14,652,036
Borrowing costs expense	2	9,270,106	6,834,079	3,193,361	2,930,894
Fair value of sold properties	2	4,700,000	-	4,700,000	-
Depreciation and amortisation expense	2	285,471	52,366	285,471	52,366
Other expenses from ordinary activities	2	2,909,505	2,438,316	1,230,071	1,304,684
		<u>17,165,082</u>	<u>9,324,761</u>	<u>9,408,903</u>	<u>4,287,944</u>
<b>Profit from ordinary activities before income tax expense</b>					
Income tax attributable to ordinary activities	2	13,730,746	10,364,092	13,730,746	10,364,092
		-	-	-	-
<b>Profit from ordinary activities after income tax expense</b>					
Net increase/(decrease) in asset revaluation reserve	8	13,730,746	10,364,092	13,730,746	10,364,092
		4,092,311	9,042,852	(1,803,328)	474,257
Net exchange difference on translation of financial report of foreign controlled entities	8	393,336	1,014,941	(32,933)	-
Issue costs from capital raising	7	(126,262)	(2,408,221)	(126,262)	(2,408,221)
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>					
		<u>18,090,132</u>	<u>18,013,664</u>	<u>11,768,224</u>	<u>8,430,128</u>
<b>Reconciliation of Distributions</b>					
Profit from ordinary activities available for distribution		13,730,746	10,364,092	13,730,746	10,364,092
Distributions paid and payable	3	(13,730,746)	(10,364,092)	(13,730,746)	(10,364,092)
<b>Balance at year end</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Distributions (cents per Unit) – ordinary</b>		9.12	9.0		
<b>Diluted Distributions (cents per Unit)</b>		9.13	8.9		

# Condensed Statement of Financial Position

For the year ended 30 June 2005

	Notes	Consolidated		Parent Entity	
		30 June 2005	30 June 2004	30 June 2005	30 June 2004
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash		3,380,511	568,319	1,799,480	39,652
Receivables		637,506	2,591,897	2,490,281	3,540,995
Investments		2,004,033	5,885,177	2,004,033	5,885,177
Other		710,804	606,612	586,608	404,912
<b>TOTAL CURRENT ASSETS</b>		<b>6,732,854</b>	<b>9,652,005</b>	<b>6,880,402</b>	<b>9,870,736</b>
<b>NON-CURRENT ASSETS</b>					
Receivables		996,852	445,727	996,852	445,727
Investments		500,000	500,000	80,327,505	73,142,203
Property, plant & equipment	5	280,338,049	243,745,154	95,368,032	83,889,963
Other		280,811	378,666	47,357	75,753
<b>TOTAL NON-CURRENT ASSETS</b>		<b>282,115,712</b>	<b>245,069,547</b>	<b>176,739,746</b>	<b>157,553,646</b>
<b>TOTAL ASSETS</b>		<b>288,848,566</b>	<b>254,721,552</b>	<b>183,620,148</b>	<b>167,424,382</b>
<b>CURRENT LIABILITIES</b>					
Payables		5,712,261	2,149,540	4,181,790	357,091
Provisions		-	16,109	-	16,109
Distributions payable	3	3,515,396	3,345,817	3,515,396	3,345,817
Other		3,265,590	1,579,375	561,034	112,689
<b>TOTAL CURRENT LIABILITIES</b>		<b>12,493,247</b>	<b>7,090,841</b>	<b>8,258,220</b>	<b>3,831,706</b>
<b>NON-CURRENT LIABILITIES</b>					
Interest-bearing liabilities		127,396,141	113,251,707	42,444,336	38,933,350
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>127,396,141</b>	<b>113,251,707</b>	<b>42,444,336</b>	<b>38,933,350</b>
<b>TOTAL LIABILITIES</b>		<b>139,889,388</b>	<b>120,342,548</b>	<b>50,702,556</b>	<b>42,765,056</b>
<b>NET ASSETS</b>		<b>148,959,178</b>	<b>134,379,004</b>	<b>132,917,592</b>	<b>124,659,326</b>
<b>UNITHOLDERS FUNDS</b>					
Units on issue	7	134,279,596	124,185,069	134,279,596	124,185,069
Reserves	8	14,679,582	10,193,935	(1,362,004)	474,257
<b>TOTAL UNITHOLDERS EQUITY</b>		<b>148,959,178</b>	<b>134,379,004</b>	<b>132,917,592</b>	<b>124,659,326</b>

# Condensed Statement of Cash Flows

For the year ended 30 June 2005

	Notes	Consolidated		Parent Entity	
		30 June 2005	30 June 2004	30 June 2005	30 June 2004
		\$	\$	\$	\$
<b>Cash Flows from Operating Activities</b>					
Receipts from customers		29,362,546	17,225,019	9,607,955	5,140,704
Payments to suppliers and employees		(3,789,215)	(2,038,830)	(1,056,568)	(1,478,741)
Borrowing costs		(8,796,700)	(6,848,540)	(3,256,042)	(2,945,356)
Interest received		425,220	864,544	2,079,862	2,362,490
Dividends received		25,960	22,708	25,960	22,708
Distributions received		-	-	7,759,378	3,488,633
<b>Net Cash flows from Operating Activities</b>		<b>17,227,811</b>	<b>9,224,901</b>	<b>15,160,545</b>	<b>6,590,438</b>
<b>Cash Flows from Investing Activities</b>					
Acquisition of property and upgrades		(33,470,998)	(109,620,713)	(14,251,811)	(13,434,335)
Sale of Property		4,700,000	-	4,700,000	-
Payments for deposits		(551,125)	(43,863)	(551,125)	(21,579,030)
Payments to subsidiary		-	-	(7,185,302)	-
Proceeds/(repayments) from deposits		3,840,411	(2,699,943)	3,881,143	18,835,224
Payments for purchase of securities		-	-	-	(46,866,820)
<b>Net Cash flows used in Investing Activities</b>		<b>(25,481,712)</b>	<b>(112,364,519)</b>	<b>(13,407,095)</b>	<b>(63,044,961)</b>
<b>Cash Flows from Financing Activities</b>					
Cash proceeds from the issue of Units		10,220,789	59,476,808	10,220,789	59,476,808
Proceeds from borrowings		14,144,434	52,926,110	3,510,988	7,471,240
Payment for capital raising		(126,262)	(2,408,221)	(126,262)	(2,408,221)
Distribution to Unitholders	3	(13,566,203)	(8,665,509)	(13,566,204)	(8,665,509)
<b>Net Cash flows from Financing Activities</b>		<b>10,672,758</b>	<b>101,329,188</b>	<b>39,311</b>	<b>55,874,318</b>
Net Increase/(decrease) in cash held		2,418,857	(1,810,430)	1,792,761	(580,205)
Add Opening cash brought forward		568,319	1,363,808	39,652	619,857
Effect of exchange rate changes on cash		393,337	1,014,941	(32,933)	-
<b>Closing Cash Carried Forward</b>		<b>3,380,513</b>	<b>568,319</b>	<b>1,799,480</b>	<b>39,652</b>

# Notes to the condensed Financial Statements

For the year ended 30 June 2005

## Note 1. Basis of preparation of the condensed financial statements

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 Wine Trust as at 30 June 2005. It is also recommended that the condensed financial statements be considered together with any public announcements made by Challenger Wine Trust and its controlled entities during the year ended 30 June 2005 in accordance with the continuous 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 3 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 & 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

### **(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 own 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 to value the vines. Although the Trust does have access to the rental streams derived from the vine, 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.

## Note 2. Profit from ordinary activities

	Consolidated		Parent Entity	
	30 June 2005	30 June 2004	30 June 2005	30 June 2004
	\$	\$	\$	\$
Included in the profit from ordinary activities are the following items of revenue:				
<b>Revenue from operating activities</b>				
Rental revenue	25,697,464	18,801,600	9,639,803	8,778,204
Revenue from property sales	4,700,000	-	4,700,000	-
	<b>30,397,464</b>	<b>18,801,600</b>	<b>14,339,803</b>	<b>8,778,204</b>
<b>Revenue from non-operating activities</b>				
Distributions from subsidiaries	-	-	6,786,559	3,488,633
Interest received	472,404	864,545	433,188	813,171
Interest revenues – wholly owned group entities	-	-	1,554,139	1,549,320
Dividend received	25,960	22,708	25,960	22,708
	<b>498,364</b>	<b>887,253</b>	<b>8,799,846</b>	<b>5,873,832</b>
<b>Revenue from ordinary activities</b>	<b>30,895,828</b>	<b>19,688,853</b>	<b>23,139,649</b>	<b>14,652,036</b>
Profit from ordinary activities has been arrived at after charging the following items:				
Borrowing costs – interest expense	<b>9,270,106</b>	<b>6,834,079</b>	<b>3,193,361</b>	<b>2,930,894</b>
Fair value of sold properties	<b>4,700,000</b>	-	<b>4,700,000</b>	-
Other expenses:				
Management and custodial fees	2,608,490	1,680,155	961,726	826,987
Consultant fee	62,597	127,215	40,457	40,930
Auditors' remuneration – audit services	38,000	35,000	38,000	35,000
Auditors' remuneration – other services	57,407	72,355	49,740	45,708
Salaries and related expenses	-	215,387	-	120,226
Other costs	143,010	308,204	140,148	235,833
	<b>2,909,505</b>	<b>2,438,316</b>	<b>1,230,071</b>	<b>1,304,684</b>
Depreciation of winery assets	285,471	52,366	285,471	52,366
<b>Total Depreciation &amp; Amortisation Expense</b>	<b>285,471</b>	<b>52,366</b>	<b>285,471</b>	<b>52,366</b>

## Note 3. Distributions paid or provided for on ordinary shares

	Consolidated		Parent Entity	
	30 June 2005	30 June 2004	30 June 2005	30 June 2004
	\$	\$	\$	\$
Distributions proposed and recognised as a liability	3,515,396	3,345,817	3,515,396	3,345,817
Distributions paid from current year profits	10,215,350	7,018,275	10,215,350	7,018,275
Total Distributions paid or payable from current year profits	<b>13,730,746</b>	<b>10,364,092</b>	<b>13,730,746</b>	<b>10,364,092</b>
Distributions paid from prior year profits	<b>3,345,817</b>	<b>1,647,234</b>	<b>3,345,817</b>	<b>1,647,234</b>

## 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.

## Note 5. Property, plant and equipment

	Consolidated		Parent Entity	
	30 June 2005	30 June 2004	30 June 2005	30 June 2004
	\$	\$	\$	\$
<i>Vineyards at fair value*</i>				
At fair value	276,109,200	238,505,881	91,139,183	78,650,690
Balance at the end of the financial year	<u>276,109,200</u>	<u>238,505,881</u>	<u>91,139,183</u>	<u>78,650,690</u>
<i>Winery and Other plant &amp; equipment</i>				
Cost	4,779,821	5,593,281	4,779,821	5,593,281
less provision for amortisation	550,972	354,008	550,972	354,008
Net carrying value	<u>4,228,849</u>	<u>5,239,273</u>	<u>4,228,849</u>	<u>5,239,273</u>

\*Includes land, vines and vineyard infrastructure.

### (a) Reconciliation of Carrying Amounts

<i>Land – vineyards</i>				
Opening balance at cost	238,505,881	120,364,323	78,650,690	65,264,104
Acquisitions of vineyard properties and additions during the year	37,472,436	109,551,581	18,226,515	13,365,204
Disposals of vineyard properties during the year	(4,442,176)	-	(4,442,176)	-
Net increment from accounting policy change	-	8,589,977	-	21,382
Net amount of revaluation increments less decrements	4,573,059	-	(1,295,846)	-
Balance at the end of the financial year	<u>276,109,200</u>	<u>238,505,881</u>	<u>91,139,183</u>	<u>78,650,690</u>
<i>Winery and Other plant &amp; equipment</i>				
Net carrying value (opening)	5,239,273	5,222,508	5,239,273	5,222,508
Acquisitions of winery plant and equipment during the year	9,670	69,131	9,670	69,131
Disposals of plant and equipment during the year (WDV)	(717,466)	-	(717,466)	-
Amortisation for the year	(302,628)	(52,366)	(302,628)	(52,366)
Balance at the end of the financial year	<u>4,228,849</u>	<u>5,239,273</u>	<u>4,228,849</u>	<u>5,239,273</u>
<b>Total Property, Plant &amp; Equipment</b>	<b><u>280,338,049</u></b>	<b><u>243,745,154</u></b>	<b><u>95,368,032</u></b>	<b><u>83,889,963</u></b>

Vineyards and wineries are leased to vineyard operators and / or wine companies under long-term lease contracts, typically for ten 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 ten year increment at varying dates between October 2006 and June 2020. 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 (see note 12) 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.

Assets under lease are pledged as security for the associated lease liabilities.

	Consolidated		Parent Entity	
	30 June 2005	30 June 2004	30 June 2005	30 June 2004
	\$	\$	\$	\$
Freehold land – buildings	276,109,200	238,505,881	91,139,183	78,650,690
Winery Plant & equipment	4,219,422	5,239,273	4,219,422	5,239,273
	<b>280,328,622</b>	<b>243,745,154</b>	<b>95,358,605</b>	<b>83,889,963</b>

### Valuations

The fair values of investment properties have been determined by reference to director 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 & Equipment

Description	Acquisition date	Original acquisition cost	Total cost including additions	Date of latest independent valuation	Fair value
		\$	\$		\$
Schubert's Vineyard (ii)	Nov 2001	4,325,744	5,255,744	Mar 2004	5,351,605
Summer's Hill Vineyard (ii)	Feb 1998	1,398,072	1,533,600	Oct 2004	1,550,000
Corryton Park Vineyard (ii)	Feb 1998	1,088,415	3,124,489	Dec 2002	3,150,000
Sandy Hollow Vineyard (i)	Nov 1998	4,506,068	4,878,198	Oct 2004	4,350,000
Cowra Station Vineyard (i)	Oct 1998	3,635,759	3,686,759	Oct 2004	3,600,000
Waikerie Vineyard (ii)	Oct 1998	1,977,421	2,186,420	Oct 2004	1,800,000
Bethany Creek & Vine Vale Vineyards (ii)	Oct 1998	1,563,890	1,722,190	Oct 2004	1,809,540
Hermitage Road Winery (i)	Oct 2001	1,457,559	4,662,122	Dec 2003	4,373,234
Inglewood Vineyard (i)	Jul 1999	1,373,001	1,439,490	Jul 2003	1,276,746
Dalswinton Vineyard (i)	Jul 1999	4,958,765	4,973,308	Jul 2003	4,600,000
Boh River Vineyard (ii)	Jun 2000	8,861,613	10,167,771	Jul 2003	9,800,000
Gundagai Vineyard (i)	Sep 2000	6,385,125	14,457,174	May 2005	15,285,800
Chapel Vineyard (vii)	Dec 2001	2,887,511	2,933,218	Dec 2004	3,000,000
Trillian's Hill Vineyard (ii)	Jun 2002	917,196	1,050,695	Apr 2005	1,452,250
Woods Vineyard (vi)	Apr 2003	1,270,266	1,270,266	Feb 2003	1,270,265
Cocoparra Vineyard (vi)	Apr 2003	8,633,285	8,462,191	Feb 2003	8,462,192
Oakridge Estate Vineyard & Winery (vi)	Apr 2003	1,134,902	2,490,975	Feb 2003	2,697,891
Gnangara Vineyard (ii)	Apr 2003	1,713,649	6,125,156	Dec 2002	6,425,156
Grande Junction Vineyard (v)	Jun 2005	884,815	6,384,815	Jun 2005	6,384,815
Poole's Rock Vineyard & Winery (vi)	Nov 2004	5,039,510	5,039,510	Jun 2004	5,039,510
Whitton Vineyard (vii)	Mar 2005	3,679,602	3,679,602	Feb 2005	3,679,602
<b>Total held by parent entity</b>		67,692,168	95,523,692		95,358,606
Gimblett Road Vineyard (iii)	Apr 2001	2,705,940	2,705,940	Apr 2004	3,422,960
Highway 50 Vineyard (iii)	Apr 2001	2,651,152	2,651,152	Apr 2004	3,262,366
Crownthorpe Vineyard (iii)	Apr 2001	3,628,583	16,935,583	July 2005	24,089,199
Dashwood Vineyard (iv)	Oct 2002	8,138,272	14,996,500	July 2005	22,267,597
Rarangi (iv)	Jun 2004	6,591,655	10,480,511	July 2005	12,590,621
Sirens Estate Vineyard (i)	Oct 2002	1,969,958	2,726,328	Sep 2002	3,202,606
Richmond Grove & Lawsons Vineyard (i)	Dec 2003	44,981,457	45,238,558	Jun 2003	42,686,950
Qualco East Vineyard (i)	Dec 2003	7,424,454	7,849,454	Jun 2003	7,425,000
Balranald Vineyard (i)	Dec 2003	19,922,496	21,598,586	Jun 2003	20,699,546
Dos Rios Vineyard (ii)	Jun 2003	17,647,309	45,323,173	May 2003	45,323,173
<b>Total held by controlled entities</b>		115,661,276	170,505,785		184,970,018
<b>Total property, plant &amp; equipment</b>		<b>183,353,444</b>	<b>266,029,477</b>		<b>280,328,624</b>

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

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

(v) As valued by Angus Barrington-Case, B. Bus (Prop), A.A.P.I., Agri Valuation & Advisory Certified Practising Valuer, of McGees Property

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

(vii) As valued by Tim Trnovsky, A.A.P.I., Certified Practising Valuer, of FPDSavills

## 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. Units on Issue

	30 June 2005		30 June 2004	
	Number of Units	\$	Number of Units	\$
<b>Ordinary Units</b>				
Beginning of the financial year	126,113,821	114,422,124	60,216,410	55,116,322
Issued during the year				
- Distribution reinvestment plan	10,024,448	9,692,104	811,695	728,657
- Public equity raising	-	-	61,111,111	55,000,001
- Private placements	-	-	3,974,605	3,577,144
Balance at the end of the year	<b>136,138,269</b>	<b>124,114,228</b>	<b>126,113,821</b>	<b>114,422,124</b>
<b>PICE Units</b>				
Beginning of the financial year	1,718,557	17,172,099	1,700,115	17,001,094
Issued during the year				
- Distribution reinvestment plan	54,510	528,685	18,442	171,005
- Private placements	-	-	-	-
Balance at the end of the year	<b>1,773,067</b>	<b>17,700,784</b>	<b>1,718,557</b>	<b>17,172,099</b>
<b>Contributed equity</b>		<b>141,815,012</b>		<b>131,594,223</b>
<b>Less Issue Costs</b>				
Beginning of the financial year		(7,409,154)		(5,000,933)
Incurred during the year		(126,262)		(2,408,221)
Balance at the end of the year		<b>(7,535,416)</b>		<b>(7,409,154)</b>
<b>Equity balance at the end of the year</b>		<b>134,279,596</b>		<b>124,185,069</b>

### Units issued during the year

54,510 Preferred Indexed Convertible Equity ('PICE') Units were issued during the year through the Distribution Reinvestment Plan on prices between \$9.5254 and \$9.85. 10,024,448 Ordinary Units were issued through the Distribution Reinvestment Plan at prices between \$0.9021 and \$1.0192. The total Units on issue are 136,138,269 ordinary and 1,773,067 PICE.

### 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 5<sup>th</sup> to the 10<sup>th</sup> anniversaries of issue. At any time following the 10<sup>th</sup> 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 2005	30 June 2004	30 June 2005	30 June 2004
	\$	\$	\$	\$
Foreign currency translation	1,544,419	1,151,083	(32,933)	-
Asset revaluation	13,135,163	9,042,852	(1,329,071)	474,257
	<b>14,679,582</b>	<b>10,193,935</b>	<b>(1,362,004)</b>	<b>474,257</b>
<b>Foreign currency translation</b>				
Balance at beginning of year	1,151,083	136,142	-	-
Gain (loss) in translation of overseas controlled entities	393,336	1,014,941	(32,933)	-
Balance at end of year	<b>1,544,419</b>	<b>1,151,083</b>	<b>(32,933)</b>	-
<b>Asset revaluation</b>				
Balance at beginning of year	9,042,852	-	474,257	-
Gain (loss) in revaluation of non-current assets	4,092,311	8,589,977	(1,803,328)	21,382
Gain (loss) in revaluation of unlisted shares	-	452,875	-	452,875
Balance at end of year	<b>13,135,163</b>	<b>9,042,852</b>	<b>(1,329,071)</b>	<b>474,257</b>

### 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.

# Director's Declaration

In accordance with a resolution of the directors of Challenger Listed Investments 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 2005 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) This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial period ending 30 June 2005;
- (c) there are reasonable grounds to believe that Challenger Wine Trust will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Ian M Martens  
Director  
Dated this 17<sup>th</sup> day of August 2005

## Independent audit report to unitholders of the Challenger 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 Wine Trust (the Trust) and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the Trust and the entities it controlled during that year.

The directors of the Responsible Entity, Challenger Listed Investments Ltd, 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 them 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 their performance as represented by the results of their 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 judgement 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*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. 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 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 Challenger Wine Trust and the consolidated entity at 30 June 2005 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  
17 August 2005

## INDEPENDENT AUDIT REPORT

To the Directors of Challenger Listed Investments Limited:

### Scope

I have audited the compliance plan of Challenger Wine Trust (formerly the Challenger Beston Wine Trust) which was established by Challenger Listed Investments Limited (formerly Challenger Beston Limited) as the responsible entity for the scheme for the financial year ended 30 June 2005. 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. I have conducted an independent audit of the compliance plan in order to express an opinion on it to the responsible entity.

My audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance regarding the compliance plan. Accordingly, I have performed such tests and procedures as I considered necessary in the circumstances. My 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 2005, 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 Listed Investments Limited as the responsible entity of Challenger Wine Trust in accordance with section 601HG of the *Corporations Act 2001*. I 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 my opinion, in all material respects:

- (a) Challenger Listed Investments Limited has complied with the compliance plan of Challenger Wine Trust for the financial year ended 30 June 2005; 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

17 August 2005

# Directory

**For the year ended 30 June 2005**

Australian Stock Exchange Code	CWT (Ordinary Units) CWTPA (PICE Units)
Custodian of the Fund	Australian Executor Trustees Limited 44 Pirie Street Adelaide, South Australia, 5000
Responsible Entity	Challenger Listed Investments Limited Level 41 88 Phillip Street Sydney, New South Wales, 2000
Board of Directors of Responsible Entity	S Gerlach (Chairman) IM Martens DC Hall R Woods T Foster P Polson R Hooper
Secretary of the Responsible Entity	Chris Robson
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 Wine Trust Level 1 212 Pirie Street Adelaide, South Australia, 5000 Tel: +61 08 8211 7777 Fax: +61 08 8212 1661