

# Challenger Wine Trust

2005 Annual Report

Year ended 30 June 2005





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# Trust highlights, results and review

for the year ended 30 June 2005

## Key financial results

	30 June 2005	30 June 2004	Change
<b>Highlights of results</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	9.12	9.01	1.18%
<b>Total distributions – cents per Unit</b>	<b>9.12</b>	<b>9.01</b>	<b>1.18%</b>
Basic earnings – cents per Unit	9.12	9.01	1.18%
Diluted earnings – cents per Unit	9.13	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)	0.96	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>

Record date	– September Quarter (Q1)	30 September 2004
	– December Quarter (Q2)	4 January 2005
	– March Quarter (Q3)	5 April 2005
	– June Quarter (Q4)	30 June 2005
Payment date	– September Quarter (Q1)	15 November 2004
	– December Quarter (Q2)	14 February 2005
	– March Quarter (Q3)	13 May 2005
	– June Quarter (Q4)	15 August 2005

## Trust highlights

### Summary financials

Total assets under management	2005	2004
Australia	\$216.19m	\$197.38m
New Zealand	\$65.64m	\$52.55m
Total Assets under Management	\$281.83m	\$249.93m
Operating profit	\$13.73m	\$10.36m

### Growth

- Assets under management grew by 12.76%
- Total rental income up 36.69%
- Operating profit up 32.49%
- MER fell by 14.47%
- Dividend yield based on a \$0.92 unit price of 9.91%

### Key highlights

- Total assets of the Trust increasing 13.40% to \$288.85 million
- Record operating profit of \$13.73 million, up 32.49%
- Tax deferral of 28.01% of Ordinary Unitholders' income distributions
- Increase in assets under management totalling \$31.90 million
- Weighted average lease maturity is eight years and six months

### Trust strategy

The Challenger Wine Trust is the largest property trust in the wine sector and continues to consolidate its position as a leader in providing capital solutions to the wine industry. The Trust invests in vineyard properties and wine infrastructure assets to provide investors with a stable income stream that is derived from rental incomes backed by long-term leases with limited exposure to agricultural risk. The Trust has a history of high and consistent yields, and acquisitions are aimed at maintaining or improving those returns. The Trust is the leading provider of capital to the wine industry for sale and leaseback transactions.

The Trust currently owns 32 vineyards and three wineries in grape growing regions of Australia and New Zealand that are leased to quality wine companies or grape growers with secure grape contracts.

## Chairman's report

The wine industry is dynamic and is currently experiencing strong sales growth on the export and domestic markets. However, it has had two consecutive vintages of near record grape crushes that have seen some price pressures on selected grape varieties, mainly Cabernet Sauvignon. The current industry situation has reinforced the existing practice of the Trust to be selective in its purchases which ensures a thorough due diligence of any opportunity prior to any purchases being made.

The Challenger Wine Trust continues to provide a viable alternative for wine companies to fund assets such as vineyards and wineries as it provides a price-competitive way of releasing funds tied up in property assets. The funds released may be used to reduce debt, invest in marketing or provide free cash for other development in the business.

With the takeover of Southcorp by Fosters, the Trust has become the second largest vineyard owner in Australasia behind Fosters, with 4,051 hectares of properties throughout Australia and New Zealand.

In this challenging environment the Trust has continued its track record of profit growth and stable income with another strong result for the 2005 financial year.

Net profit after tax was \$13.73 million for the year to 30 June 2005, up 32.49% from the previous corresponding period figure of \$10.36 million. Record revenue growth was also achieved, with a 33.05% increase in revenues to \$26.20 million for the year, based on the full effect of the growth of assets in the previous year.

Profit growth was driven by the 15.01% increase in property assets from 30 June 2004 to reach \$280.33 million at year end. A 14.47% reduction of the Trust's Management Expense Ratio (MER) from 1.25% in the 2004 financial year to 1.07% for the 2005 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:

	<b>Cents per Ordinary Unit</b>	<b>Total distribution (including PICE Units)</b>
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
	9.1162	\$13,730,746

The performance of the PICE Units following the annual CPI adjustment on 26 March 2005 produced a yield of 9.84% for the year ended 30 June 2005.

### Portfolio

The Trust has made four purchases in the financial year to 30 June 2005 totalling \$13.60 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 leased to the Trust's existing lessees, McGuigan Simeon Wines, Greenvalley Properties (Gundagai vineyard) and to a new lessee, Poole's Rock Wines.

Additional expenditure has been incurred on the following properties:

- Dos Rios 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, New South Wales
- Sirens Vineyard, Western Australia

During the year 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 52.50% of the Units, and 1,773,067 PICE Units (an increase of 54,510 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 \$134.38 million to \$148.96 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 including acquisitions of vineyards and infrastructure assets that complement the existing portfolio of assets. As the new acquisitions arise the Trust may seek to raise further capital to complete the transactions.

We thank you for your support throughout this financial year.

Yours sincerely



Stephen Gerlach  
Chairman

# Property portfolio summary

as at 30 June 2005

Property and investment interest	Lessee	Location	% of portfolio	Date of latest independent valuation (a)	Fair value	Planted hectares
<b>Australia</b>						
Lawsons & Richmond Grove Vineyards (e)	McGuigan Simeon Wines Ltd (sub-leased to Orlando Wyndham Group )	Padthaway, SA	15.18%	Jun 2003	\$42,686,950	484.0
Chapel Vineyard	National Viticultural Fund of Australia	Coonawarra, SA	1.07%	Dec 2004	\$3,000,000	30.4
Bethany Creek & Vine Vale Vineyards	McGuigan Simeon Wines Ltd	Barossa Valley, SA	0.64%	Oct 2004	\$1,809,540	18.6
Summers Hill Vineyard	Burge Corp Pty Ltd	Barossa Valley, SA	0.55%	Oct 2004	\$1,550,000	18.1
Corryton Park Vineyard	Burge Corp Pty Ltd	Eden Valley, SA	1.12%	Dec 2002	\$3,150,000	38.8
Schubert's Vineyard	McGuigan Simeon Wines Ltd	Adelaide Hills, SA	1.90%	Mar 2004	\$5,351,605	76.9
Trillian's Hill Vineyard	Trillian's Hill Vineyard Pty Ltd	Clare, SA	0.52%	Apr 2005	\$1,452,250	19.5
Boh River Vineyard	BH & SE Booth and Auction Services Pty Ltd	Waikerie, SA	3.48%	Jul 2003	\$9,800,000	192.7
Qualco East Vineyard (e)	McGuigan Simeon Wines Ltd	Waikerie, SA	2.64%	Jun 2003	\$7,425,000	168.9
Waikerie Vineyard	McGuigan Simeon Wines Ltd	Riverland, SA	0.64%	Oct 2004	\$1,800,000	40.0
Inglewood Vineyard	Inglewood Vineyards Pty Ltd	Hunter Valley, NSW	0.45%	Jul 2003	\$1,276,746	20.1
Dalswinton Vineyard	Inglewood Vineyards Pty Ltd	Hunter Valley, NSW	1.64%	Jul 2003	\$4,600,000	75.5
Sandy Hollow Vineyard	McGuigan Simeon Wines Ltd	Hunter Valley, NSW	1.55%	Oct 2004	\$4,350,000	105.3
Hermitage Road Winery	McGuigan Simeon Wines Ltd	Hunter Valley, NSW	1.56%	Dec 2003	\$4,373,234	N/A
Balranald Vineyards (e)	McGuigan Simeon Wines Ltd	Balranald, NSW	7.36%	Jun 2003	\$20,699,546	372.0
Cocoparra Vineyard	Cranswick Premium Wines Ltd	Griffith, NSW	3.01%	Feb 2003	\$8,462,192	229.7
Woods Vineyard	Cranswick Premium Wines Ltd	Griffith, NSW	0.45%	Feb 2003	\$1,270,265	36.4
Gundagai Vineyard	Greenvalley Properties Pty Ltd	Gundagai, NSW	5.44%	May 2005	\$15,285,800	237.7
Cowra Station Vineyard (b)	Vineyards of NSW Pty Ltd (b)	Cowra, NSW	1.28%	Oct 2004	\$3,600,000	58.5
Dos Rios Vineyard Development (e)	McGuigan Simeon Wines Ltd	Swan Hill, Vic	16.12%	May 2003	\$45,323,173	945.0
Oakridge Estate Vineyard & Winery	Oakridge Vineyards Pty Ltd	Yarra Valley, Vic	0.96%	Feb 2003	\$2,697,891	11.2
Sirens Vineyard (d)	Southcorp Ltd	Margaret River, WA	1.14%	Sep 2002	\$3,202,606	44.0
Gnangara Vineyard Development	Evans & Tate Ltd	Manjimup, WA	2.28%	Dec 2002	\$6,425,156	101.2
Poole's Rock Winery/Vineyard	Poole's Rock Pty Ltd	Hunter Valley, NSW	1.79%	Jun 2004	\$5,039,510	9.0
Whitton Vineyard	McGuigan Simeon Wines Ltd	Griffith, NSW	1.31%	Feb 2005	\$3,679,602	98.0
Grande Junction Vineyard Development	McGuigan Simeon Wines Ltd	Wentworth, NSW	2.27%	Jun 2005	\$6,384,815	0.0
Investment Interest (f)		Langhorne Creek, SA	0.32%		\$896,852	N/A
<b>New Zealand</b>						
Dashwood Vineyard Development (c)	Delegat's Wine Estate Ltd	Marlborough, NZ	7.92%	Aug 2002	\$22,267,597	168.0
Rarangi Vineyard Development (c)	Delegat's Wine Estate Ltd	Marlborough, NZ	4.48%	Jun 2004	\$12,590,621	129.0
Crownthorpe Vineyard Development (c)	Delegat's Wine Estate Ltd	Hawkes Bay, NZ	8.57%	Apr 2004	\$24,089,199	283.0
Gimblett Rd Vineyard (c)	Delegat's Wine Estate Ltd	Hawkes Bay, NZ	1.22%	Apr 2004	\$3,422,960	20.8
Highway 50 Vineyard (c)	Delegat's Wine Estate Ltd	Hawkes Bay, NZ	1.16%	Apr 2004	\$3,262,366	18.9
TOTAL:			100%		\$281,225,476	4,051.2

(a) Refer to Note 6(b) for details of the independent valuers.

(b) Affiliate of McGuigan Simeon Wines Limited.

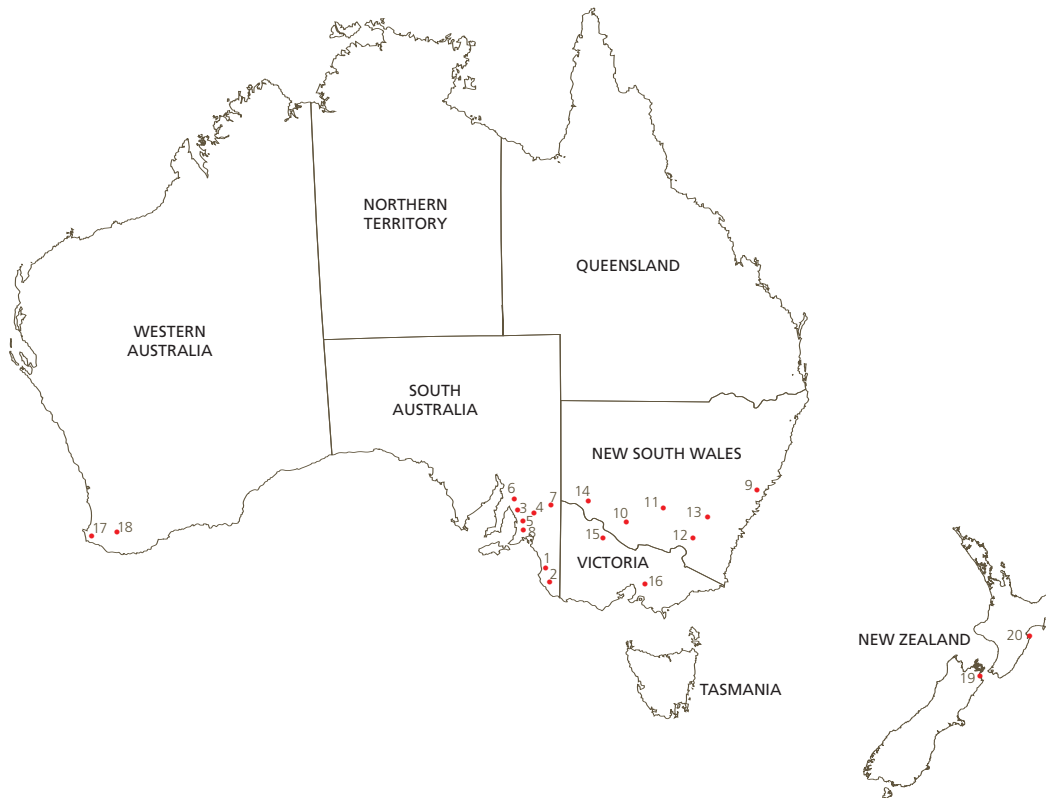
(c) These properties are owned through the Beston Delegat's Wine Trust, a unit trust wholly owned by the Trust. The value of these assets are converted to Australian dollars at a rate of AUD 1.0897 per NZD (as at 30 June 2005).

(d) This property is owned through the Beston Southcorp Vineyard Trust, a unit trust wholly owned by the Trust.

(e) These properties are owned through the McGuigan Simeon Wines Wholesale Trust, a unit trust wholly owned by the Trust.

(f) Of this amount, \$396,852 is a Loan Receivable.

## Geographical location of the Trust's properties



### Map legend

#### Australia

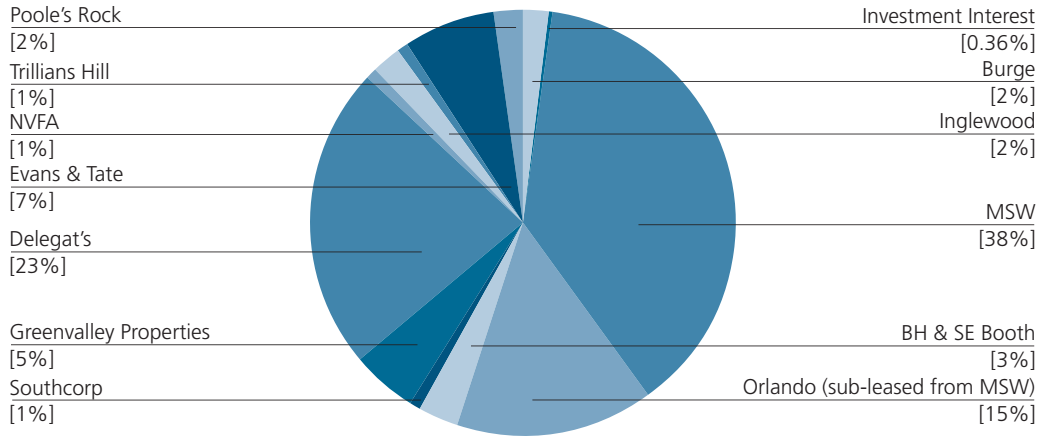
1. Padthaway – Richmond Grove and Lawsons
2. Coonawarra – Chapel
3. Barossa Valley – Bethany Creek and Vine Vale
4. Eden Valley – Summers Hill and Corryton Park
5. Adelaide Hills – Schubert's
6. Clare Valley – Trillian's Hill
7. Riverland – Waikerie, Boh River and Qualco East
8. Langhorne Creek – Investment Interest
9. Hunter Valley – Sandy Hollow, Inglewood, Dalswinton, Hermitage Road, Poole's Rock
10. Balranald – Balranald
11. Griffith – Woods, Cocoparra and Whitton
12. Gundagai – Gundagai
13. Cowra – Cowra
14. Wentworth – Grande Junction
15. Swan Hill – Dos Rios
16. Yarra Valley – Oakridge
17. Margaret River – Sirens
18. Manjimup – Gngangara

#### New Zealand

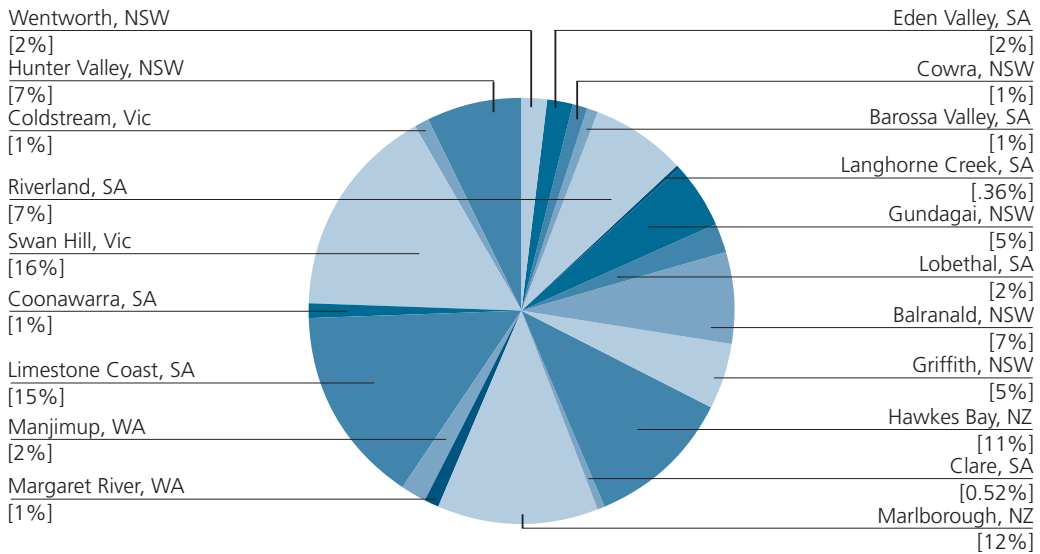
19. Marlborough – Dashwood and Rarangi
20. Hawkes Bay – Gimblett Road, Highway 50 and Crownthorpe

## Property portfolio summary (continued)

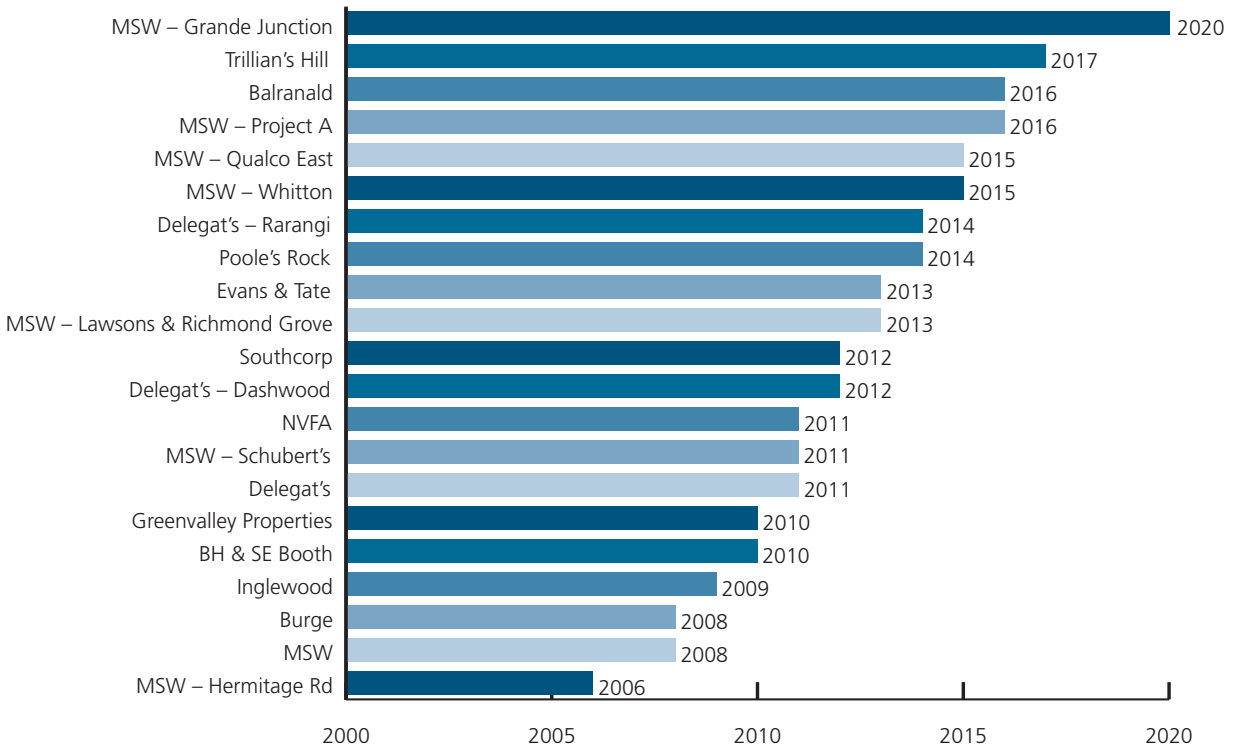
### CWT lessee profile by asset value as at 30 June 2005



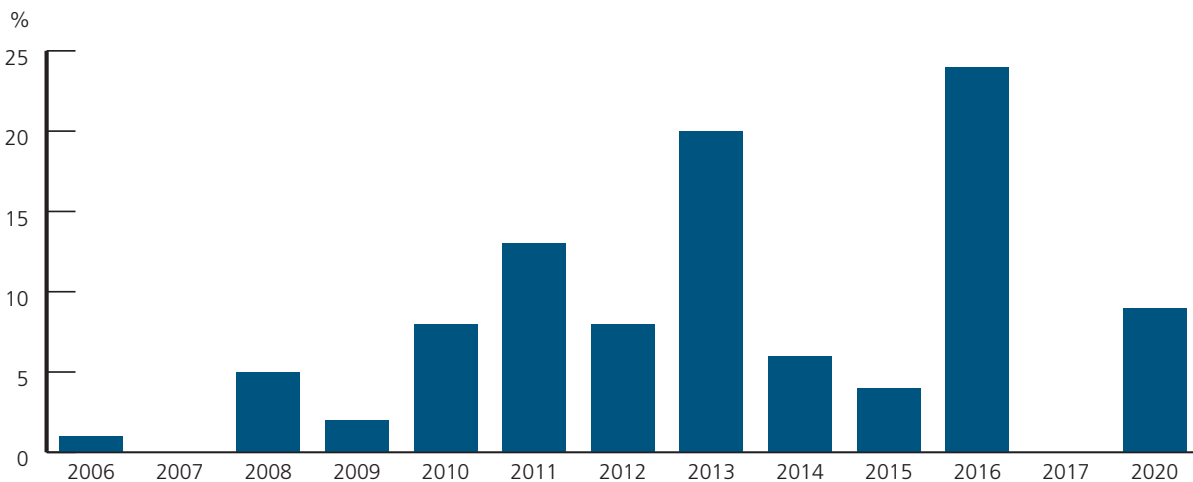
### Portfolio diversification by region as at 30 June 2005



### Lease maturity profile as at 30 June 2005



### Weighted lease maturity profile as at 30 June 2005



Weighted average lease maturity is eight years and six months.

# Property portfolio

as at 30 June 2005

Recent property acquisitions up to 30 June 2005:



## Grande Junction Vineyard Development

Location (GI): Wentworth, Victoria (Big Rivers)

Lessee: McGuigan Simeon Wines Ltd

Value: \$6,384,815

Planted Hectares: 405 hectares to be planted  
(Total Property Size): (572 ha)

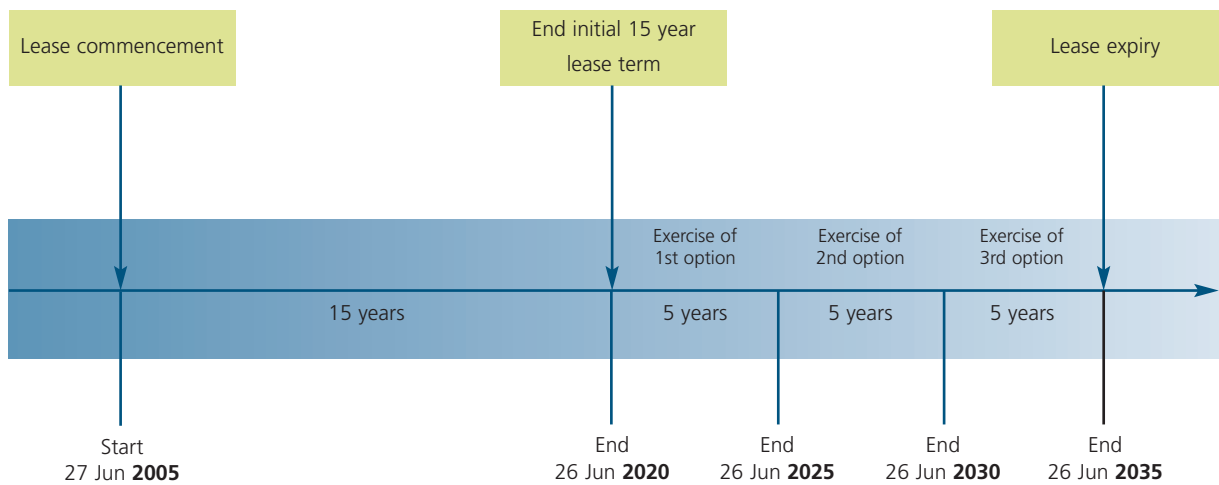
Major Varietals: Muscat Gordo Blanc, Pinot Gris, Colombard, Verdelho and Sauvignon Blanc

The Grande Junction Vineyard development borders the Darling River and comprises a site of 572 hectares and is located approximately 15 kilometres from Wentworth. Closer rows and denser vine spacings of high yielding varieties will result in high average yields per hectare upon maturity. The grapes will be delivered to MSWL's Buronga Hill Winery at Mildura, the second largest winery in Australia.

### Viticultural summary

Development commenced in late April 2005 and will continue over a three year period.

MSWL has used an analysis of soil survey data collated by an external consultant and its own knowledge of vineyard development in the Sunraysia region to determine the area of the property suitable for vineyard establishment.





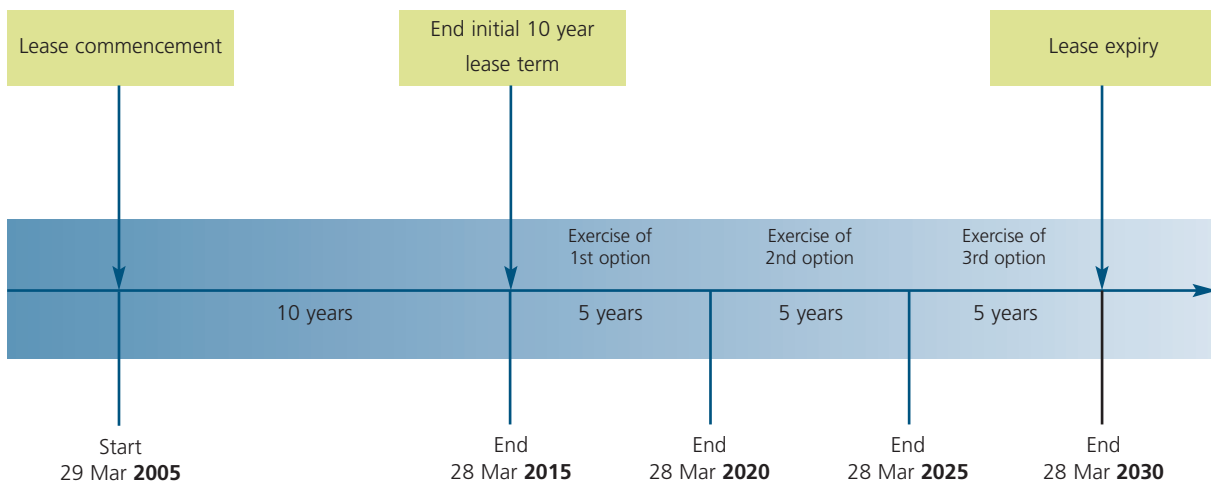
### Whitton Vineyard

Location (GI):	Griffith, New South Wales (Riverina)
Lessee:	McGuigan Simeon Wines Ltd
Value:	\$3,679,602
Planted Hectares (Total Property Size):	98.1 (102.27 ha)
Major Varietals:	Chardonnay, Chenin Blanc, Colombard, Ruby Cabernet, Semillon, Shiraz

The Whitton Vineyard is located approximately 30 kilometres south-east of Griffith in the Murrumbidgee Irrigation Area of New South Wales. The vineyard was established in the 1980s with further planting completed in 2003 with a mixture of predominantly white grape varieties (75%) and red grape varieties (25%).

#### Viticultural summary

The topography is generally flat with gentle slopes suitable for the furrow irrigation method currently used. Planning is under way for conversion to the drip irrigation method to improve the water usage and efficiency of the vineyard. Murrumbidgee Irrigation Limited supplies the vineyard with a high security water allocation of 1,000 megalitres. An amount of 50 megalitres is allocated to environmental flow.



## Property portfolio (continued)



### Poole's Rock Vineyard and Winery

Location (GI): Pokolbin, New South Wales (Hunter Valley)

Lessee: Poole's Rock Wines Pty Ltd

Value: \$5,039,510

Crush Capacity: 1,500 tonnes

Planted Hectares 9

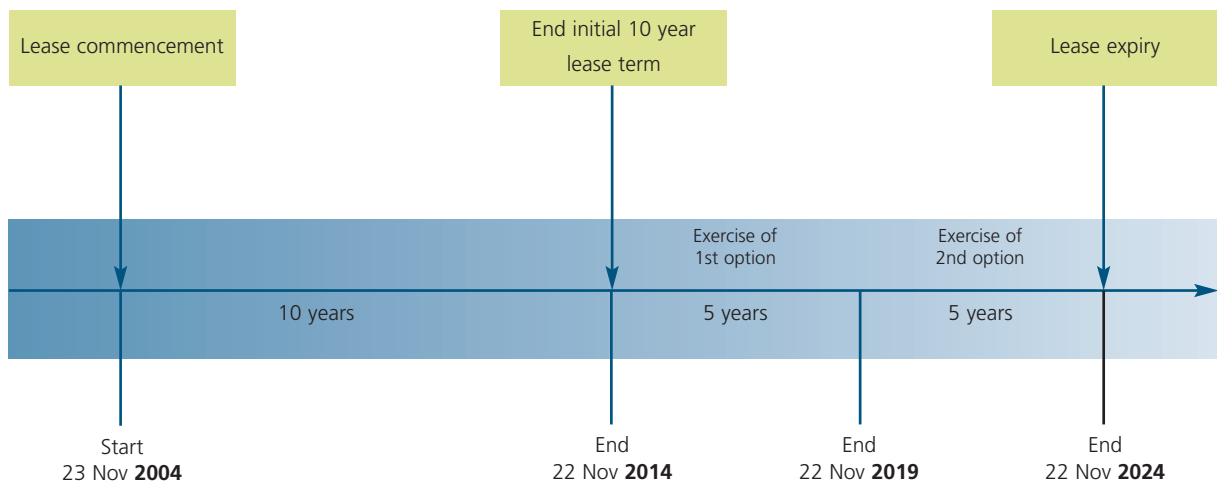
(Total Property Size): (20.75 ha)

Major Varietals: Shiraz

The Poole's Rock Vineyard and Winery is located in the Lower Hunter Valley region near Pokolbin, approximately 160 kilometres north of Sydney. The winery has a crushing capacity of 1,500 tonnes with 1.3 million litres of storage capacity. The winery also has an attractive cellar door sales area.

#### Viticultural summary

The vineyard is named 'Post Office' after the building that previously existed on the site. It comprises nine hectares of drip irrigated Shiraz, 1.5 hectares of which was planted in 2003 with the balance approximately 30 years old. Production from the vines is low yielding and produces characteristic high quality Hunter Valley fruit.





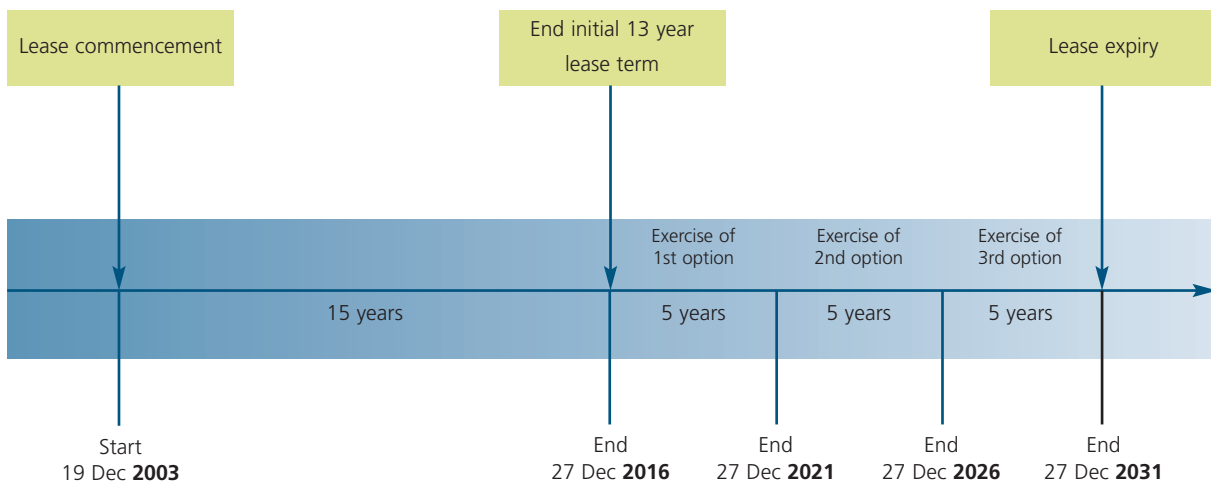
### Balranald Vineyard Lots 12 and 14

Location (GI):	Balranald, New South Wales (Big Rivers)
Lessee:	McGuigan Simeon Wines Ltd
Value:	\$4,247,332
Planted Hectares (Total Property Size):	81.07 (84.53 ha)
Major Varietals:	Chardonnay, Cabernet Sauvignon, Merlot, Ruby Cabernet, Shiraz

The purchase of lots 12 and 14 of the Balranald Vineyard increased the Trust’s holding to 10 of the 13 lots available totalling 472 hectares. The Trust has a call option to purchase the remaining three lots by 2007 if the current owners do not exercise their put options prior to this date. McGuigan Simeon Wines operates and manages all of the 13 lots with all grapes going into McGuigan’s branded wine.

#### Viticultural summary

The vineyard has been converted from overhead to drip irrigation to improve water usage and efficiency. The vineyard has a water allocation of 4,000 megalitres with 200 megalitres allocated to environmental flow. The vineyard is high yielding with white varieties producing approximately 25 to 30 tonnes per hectare and red varieties approximately 22 tonnes per hectare.



## Directors' report

Challenger Listed Investments Limited (formerly known as Challenger Beston Limited), the Responsible Entity of the Challenger Wine Trust (formerly known as the Challenger Beston Wine Trust) ('the Trust'), presents its report together with the financial report of the Trust and the independent auditor's report thereon, for the year ended 30 June 2005.

The Responsible Entity of the Challenger Wine Trust is Challenger Listed Investments Limited ('the Responsible Entity'), which has been the Responsible Entity since registration of the Trust on 8 June 2000.

Challenger Listed Investments Limited holds an Australian Financial Services Licence.

### Directors

#### Names, qualifications, experience and special responsibilities

Challenger Listed Investments Limited has considerable expertise in the wine, property and funds management industries as illustrated by the experience of its Directors.

The names and details of the Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.



#### **Stephen Gerlach**

LLB, FAICD

#### **Chairman**

*Independent, non-executive Director*

Mr Gerlach is a company Director and corporate adviser, holding positions on the boards of several public companies including: Santos Limited (Chairman); Futuris Corporation Limited (Chairman); Riverland Water Group (Chairman); Elders Rural Bank Limited (Director) and Elders Australia Limited (Chairman).

During the past three years Mr Gerlach has also served as a Director of the following listed companies:

- Southcorp Limited
- Equatorial Mining Limited



#### **Roger N Sexton**

BEC (Hons), MEC, PhD (Econ), FAICD, FAIM

#### **Deputy Chairman**

*Independent, non-executive Director*

Dr Sexton holds positions on the boards of several other public and private companies including IOOF Holdings Limited (Deputy Chairman) and Perennial Investment Partners Limited. He has specialist qualifications and experience in investment banking, agricultural economics and the wine industry and has over 15 years experience in funds management. Dr Sexton was Chairman of the Audit & Compliance Committee and was a member of the Credit & Risk Committee.

Dr Sexton resigned from the Board, the Audit & Compliance Committee and the Credit & Risk Committee on 20 December 2004.



#### **Christopher J Atkins**

FCA

#### **Chief Executive**

*Non-independent, executive Director*

Mr Atkins is a Chartered Accountant and was a Director of Challenger Listed Investments Limited and has been involved in advisory work for a number of major wineries over the last 30 years.

He has been Chief Executive of the Trust since its inception, growing the assets under management to over \$280 million. Mr Atkins is a member of the Credit & Risk Committee.

Mr Atkins resigned from the Board on 23 June 2005, but continues as Chief Executive of the Trust.

During the past three years Mr Atkins has not served as a Director of any listed companies.



**Ian M Martens**

FCA, FAICD

*Independent, non-executive Director*

Mr Martens is a Chartered Accountant and a consultant with BDO Chartered Accountants. His advisory work has included the Petaluma Group prior to its takeover by Lion Nathan, as a Director of several other wine companies, and vineyard owners and operators both in Australia and overseas. Mr Martens is the Chairman of the Credit & Risk Committee and the Audit & Compliance Committee.

During the past three years Mr Martens has not served as a Director of any listed companies.



**David C Hall**

FCA, FAICD

*Independent, non-executive Director*

Mr Hall is a Chartered Accountant, Managing Director of Roche Group Pty Limited and is on the board of the public companies Brickworks Investment Co. Limited, Pacific Strategic Investments Limited, UnderCoverWear Limited, and was a former director of Ainsworth Game Technology Limited. Mr Hall is a member of the Audit & Compliance Committee.



**Tim H Foster**

FCA, BA (Dual Hons)

*Non-independent, executive Director*

Mr Foster is a Chartered Accountant and is the Chief Financial Officer of Challenger Financial Services Group Limited. His responsibilities include leading the Finance, Legal and Compliance Divisions within the Challenger Group. He is also a member of the Compliance Committees for three other responsible entities of managed investment schemes within the Challenger Group. Mr Foster is a member of the Audit & Compliance Committee.

During the past three years Mr Foster has not served as a Director of any listed companies.



**Robert J Woods**

BCom

*Non-independent, executive Director*

Mr Woods is Chief Executive, Challenger Life at Challenger Financial Services Group. His responsibilities include the management of the Direct Property, Infrastructure and Alternative Asset Management businesses within Challenger Life. Prior to joining Challenger, Mr Woods was a founder of Zurich Capital Markets Asia, where he was responsible for its alternative asset business. Prior to this, Mr Woods spent 11 years with Bankers Trust in Investment Banking.

During the past three years Mr Woods has not served as a Director of any listed companies.

## Directors' report (continued)



### **Peter Polson**

BCom (SAf), MBL (SAf)  
*Independent, non-executive Director*

Mr Polson was appointed to the Board on 24 February 2005.

Mr Polson was appointed Chairman of Challenger Financial Services Group in June 2004 and is also a Director of Challenger Life No.2 Ltd, a subsidiary of the Challenger Group. Previously, he held the position of Group Executive, Investment and Insurance Services at the Commonwealth Bank, where he was responsible for all investment and insurance services for the group, including the funds management, master funds, superannuation, insurance and third party support services for brokers, agents and financial advisers. Mr Polson retired from the Commonwealth Bank in October 2002. Since the early 1990s Mr Polson has held a number of executive roles in financial services including positions at the Colonial group and National Mutual Funds Management (International) Limited.

During the past three years Mr Polson has also served as a Director of the following listed companies:

- AWB Ltd and AWB International Ltd\*
- Professional and Indemnity Company Australia Limited\*
- Challenger Financial Services Group Limited\*
- Australian Leisure and Hospitality Ltd

\* Denotes current Directorship.



### **Russell Hooper**

FAICD, FCPA, FAIBF  
*Independent, non-executive Director*

Mr Hooper was appointed to the Board on 23 February 2005.

Mr Hooper is a Director of Challenger Financial Services Group Limited, including Challenger Life No.2 Ltd, and was previously a Director and Chairman of the audit committee for Commonwealth Insurance Limited, a subsidiary of the Commonwealth Bank. Mr Hooper was also Chief General Manager, Funds Management at St George Bank Limited and held various positions within Advance Bank Limited and St George Bank Limited, where he was responsible for investment funds, superannuation, life insurance and ASX-listed property trusts. Mr Hooper is a Fellow of the Australian Institute of Company Directors, the Australian Society of Certified Practising Accountants and the Australian Institute of Banking and Finance and has completed the Harvard Business School Advanced Management Program.

During the past three years Mr Hooper has also served as a Director of the following listed company:

- Challenger Financial Services Group Limited\*

\* Denotes current Directorship.

## **Company Secretary**



### **Chris Robson**

BA LLB (Hons), LLM  
*Company Secretary*

Mr Robson is a qualified solicitor and is the Group Company Secretary and General Counsel of Challenger Financial Services Group Limited and its subsidiaries. He is also a non-independent Director of certain subsidiaries of the Challenger Group. His responsibilities include leading the legal and company secretariat teams within the Finance, Legal and Compliance Division of the Challenger Group.

## Directors' meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

Director	Notes	Board		Audit & Compliance Committee		Credit & Risk Committee	
		Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
S Gerlach		9	9				
RN Sexton	1	3	3	3	3	1	1
CJ Atkins	2	7	7			5	5
IM Martens		9	9	5	5	5	5
DC Hall		9	6	5	5		
TH Foster		9	8	5	5		
RJ Woods		9	9				
P Polson	3	5	2				
R Hooper	4	5	5				

1 Roger Sexton retired from the Board on 20 December 2004.

2 Christopher Atkins retired from the Board on 23 June 2005 but continues as Chief Executive of the Trust.

3 Peter Polson was appointed to the Board on 24 February 2005.

4 Russell Hooper was appointed to the Board on 23 February 2005.

## Committee membership

As at the date of this report, the Trust had an Audit & Compliance Committee, and a Credit & Risk Committee of the board of Directors.

Members acting on the committees of the Board during the year were:

### Audit & Compliance

RN Sexton  
IM Martens  
DC Hall  
TH Foster

### Credit & Risk

RN Sexton  
IM Martens  
CJ Atkins

## Management

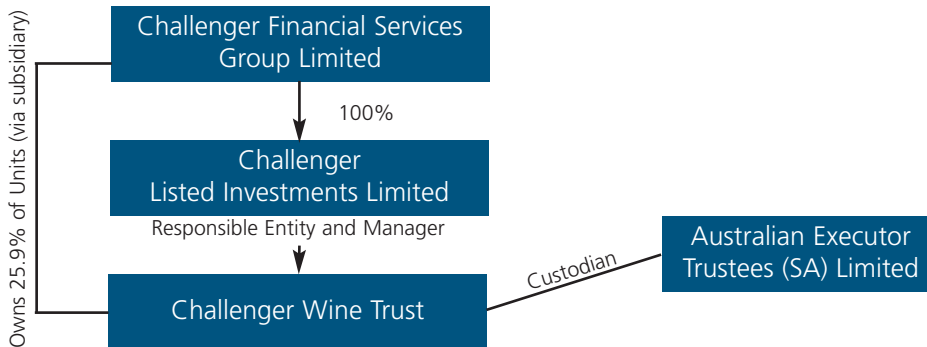
Challenger Listed Investments Limited took on the role of manager of the Trust in May 2003. Challenger Listed Investments Limited is a wholly owned subsidiary of Challenger Financial Services Group Limited (ASX Code: CGF). Challenger Financial Services Group is also a substantial Unitholder of the Trust, through one of its subsidiaries.

Australian Executor Trustees (SA) Limited (formerly known as Tower Trust (SA) Ltd) is custodian of the Trust property as set out in the property portfolio summary.

## Directors' Report (continued)

### Structure

The following structure details the roles of the entities.



### Principal activities

The principal activity of the Trust during the period was the pooling of investors' funds in the Trust through the private placement and public issue of Units and the investment of the Trust funds in wine industry properties and infrastructure assets. These assets are then leased to experienced wine industry participants for periods generally of at least 10 years.

### Investment and borrowing policies

The Trust is a specialised wine industry trust investing in well located vineyards and other strategic assets such as crushing, processing and storage facilities leased to quality tenants. It aims to achieve competitive income returns to investors with the opportunity for capital growth from the Trust's investment.

The Trust has a \$41.34 million borrowing facility with National Australia Bank, a \$2.04 million borrowing facility with Bank SA, a \$19.94 million borrowing facility with Bank of NZ and a \$64.08 million borrowing facility with ANZ Bank, representing net debt of 46.16%, of the total tangible assets of the Trust. Swap contracts are entered into on floating rate facilities for the duration of the corresponding leases.

### Fees and charges paid to the responsible entity

The Trust was registered as a Managed Investment Scheme under the Corporations Act with effect from 8 June 2000. During the year Challenger Listed Investments Limited received \$2.52 million (2004: \$1.62 million) for the management of the Trust in accordance with the Constitution.

### Financial results

The operating profit after income tax for the Trust was \$13.73 million (2004: \$10.36 million).

## Responsible Entity's interest in the Trust

Neither the Responsible Entity nor any of its associates has had an interest in any of the Trust's property held or disposed of by the Trust.

The Responsible Entity and its associates held the following interests in the Trust:

Entity/Director	PICE Units		Ordinary Units	
	30 June 2005	30 June 2004	30 June 2005	30 June 2004
Challenger Life Limited	691,590	641,807	21,335,460	18,966,377
CJ Atkins	262	237	47,226	42,931
S Gerlach	–	–	151,600	151,600
RN Sexton	200	200	169,861	209,261
IM Martens	200	200	246,913	242,647
DC Hall	–	–	–	–
RJ Woods	–	–	–	–
TH Foster	–	–	–	–
P Polson	–	–	–	–
R Hooper	–	–	–	–

Further information regarding Unit capital is disclosed in Note 13 to the financial report.

## Distributions

The following distributions were paid or are payable during the period covered by the attached financial statements:

Date declared	30 Sep 2004	31 Dec 2004	31 Mar 2005	30 Jun 2005	Total
Total distribution (\$)	3,324,254	3,447,713	3,443,383	3,515,396	13,730,746

## Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Trust that occurred during the year not otherwise disclosed in this report or the financial statements.

## Significant events after balance date

No transaction or event of a material and unusual nature has arisen in the interval between the end of the period and the date of this report that, in the opinion of the Directors, is likely to affect significantly the operation of the Trust, the results of those operations, or the state of affairs of the Trust in subsequent financial years.

## Insurance and indemnification

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to either the Responsible Entity or its agent, or the auditor of the Trust. So long as the officers of both the Responsible Entity and its agent act in accordance with the Constitution and the law, both parties remain fully indemnified out of the assets of the Trust against any losses incurred while acting on behalf of the Trust.

## Directors' report (continued)

### Corporate governance

In recognising the need for the highest standards in corporate behaviour and accountability, the Directors support and have adhered to the principles of corporate governance.

The corporate governance statement is contained in the Corporate Governance section of this report.

### Likely developments and expected results

In the opinion of the Directors it would prejudice the Trust's interests if any information on specific forecasts, or likely developments as they relate to specific forecasts in the operations of the Trust's and expected results of operations, were included in this report.

### Auditor independence and non-audit services

The Directors received the following declaration from the auditor of Challenger Wine Trust.



The following non-audit services were provided by the entity's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or is due to receive the following amounts for the provision of non-audit services:

Tax compliance services	\$104,922
Capital raising services	\$25,000
Assurance related services	\$14,859

Signed in accordance with a resolution of the Directors.

Ian M Martens  
Director

Dated this 17th day of August 2005

# Corporate governance statement

## Introduction

The Board of the Responsible Entity of the Challenger Wine Trust ('the Trust'), Challenger Listed Investments Limited (CLIL), is committed to the highest standards in corporate governance which it believes is fundamental to the success of the Trust's operations. Throughout the reporting period, CLIL has undertaken a review of the Trust's compliance with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ('Guidelines'). This report provides details of the Trust's compliance with those recommendations or, where appropriate, indicates a departure from the Guidelines and CLIL's explanation as to why.

Throughout the reporting period the Board's review of the Trust's compliance with the Guidelines has meant the progressive implementation of measures to ensure it meets its objectives of having in place a robust corporate governance framework.

Where it is indicated a policy is available on the Trust's website. For further information on corporate governance policies adopted by the Trust, refer to our website: [www.challengerwinetrust.com.au](http://www.challengerwinetrust.com.au)

## The Board

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report is included in the Directors' report.

## Role of the Board and Board delegations

The Board of CLIL, as a responsible entity, is accountable to Unitholders of the Trust for the activities and performance of the Trust by overseeing the development of sustainable unitholder value within an appropriate framework of risk.

As CLIL is a subsidiary of the Challenger Group, the Board has identified the key functions which it has reserved for itself and those which are delegated to management within the Group in relation to the Trust. These duties are outlined below and set out in the Board Charter, a copy of which is available on the Trust's website:

- approval of business plans, budgets and financial policies;
- approval of all material transactions;
- approval of all equity raising and capital management decisions;
- consideration of management recommendations on strategic business matters;
- establishment, promotion and maintenance of proper processes and controls to maintain the integrity of accounting and financial records and reporting;
- adoption and oversight of implementation of appropriate corporate governance practices;
- oversight of the establishment, promotion and maintenance of effective risk management policies and processes;
- determination and adoption of the Trust's distribution policy in accordance with the Constitution;
- compliance with AFS Licence and Compliance Plan and other rules and regulations.

The Board has delegated to the CWT Chief Executive the authority and powers necessary to implement the strategies approved by the Board for the Trust and to manage the business affairs of the Trust within the policies and specific delegation limits specified by the Board from time to time.

## Corporate governance statement (continued)

### The Board

CLIL's Constitution provides for a minimum of three Directors. The chart below summarises the current composition of the Board.

Name	Position	Independent (Y/N)	First Appointed
Stephen Gerlach	Chairman	Y	1994
Ian Martens	Non-Executive Director	Y	2003
David Hall	Non-Executive Director	Y	2003
Tim Foster	Executive Director	N	2003
Robert Woods	Executive Director	N	2004
Peter Polson	Non-Executive Director	Y	2005
Russell Hooper	Non-Executive Director	Y	2005

**At the date of this report there are five non-executive Directors who are independent, and two executive Directors.**

The members of the Board, including their qualifications, experience, independent status and membership of committees are set out above. The Chairman is selected by the Board from the non-executive Directors. The roles of Chairman and Chief Executive are not exercised by the same person.

### Independence

The Board has an Independence Policy. This policy meets all the requirements of the Guidelines with the exception of the substantial unitholder test. The Board has considered this departure from the Guidelines and the policy gives an explanation as to why the Directors believe that it is appropriate for CLIL. The policy states that an independent Director is not a Director who is a related party of, or associated directly with, a substantial unitholder of the company, except where the person is a Director of a related party with a substantial unitholding in the Trust and the Directors have resolved that the Director is independent of management and free of any business relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

Based on this policy there is a majority of independent Directors on the Board.

### Conflicts of interest

In accordance with the Board Charter and the Corporations Act 2001 (Cth) any Director with a material personal interest in a matter being considered by the Board may not be present when the matter is being considered and may not vote on the matter.

### Meetings of the Board

The Board generally meets formally at least six times a year. In addition, it may meet whenever necessary to deal with specific matters needing attention between scheduled meetings. The Chief Executive, in consultation with the Chairman, establishes the meetings' agendas to ensure adequate coverage of strategic, financial and material risk areas throughout the year. Members of CLIL's management team are invited to attend Board meetings and are available for contact by non-executive Directors between meetings. The non-executive Directors also meet without any executive involvement from time to time.

### Succession planning

The Board considers the succession of its members and the Chief Executive.

## Review of Board and senior management performance

The Board has undertaken to perform a formal review of the Board's performance at least every two years. As part of the overall review of the governance structure for the Board, informal reviews of the Board's composition and performance were undertaken during the 2004 financial year. A formal methodology for review is currently being considered. Senior management performance is assessed annually as part of Challenger's annual formal Performance Reviews.

## Nominations and appointment of New Directors

The Board has not appointed a formal Nominations Committee. However, as CLIL is a subsidiary of the Challenger Group, it will draw upon the Group's Nomination Committee recommendations for nominations of new Directors. Such recommendations are referred to the Board of CLIL for approval prior to any appointment. All new Directors are provided with an appropriate induction into CLIL and the Trust's business. A copy of the Group's Nominations Committee Charter is available on the Trust's website.

## Director and executive disclosures

### Principles of Directors' remuneration allocations

For all Trusts managed by the Responsible Entity, the cost of the total Directors' remuneration has been notionally apportioned to each Trust. The Directors' remuneration is paid by the Responsible Entity and not the Trust.

	Salary \$	Superannuation \$	Bonus \$	Total \$
S Gerlach	80,000	0	0	80,000
RN Sexton	29,166	0	0	29,166
CJ Atkins	204,423	11,585	79,380	295,388
IM Martens	61,467	5,532	0	66,999
DC Hall	32,110	2,890	0	35,000
TH Foster <sup>1</sup>	9,402	348	7,312	17,062
RJ Woods <sup>1</sup>	11,652	348	5,100	17,100
P Polson <sup>1</sup>	5,189	229	0	5,418
R Hooper <sup>1</sup>	8,548	135	0	8,683
<b>Total</b>	<b>441,957</b>	<b>21,067</b>	<b>91,792</b>	<b>554,816</b>

<sup>1</sup> As TH Foster, RJ Woods, P Polson and R Hooper are also Directors and executives of other entities within the wholly-owned group, the amount of remuneration disclosed above is based, firstly, on an allocation of their activities attributed to the Responsible Entity which relates to management of the Trusts and, secondly, on an apportionment to each Trust under the control of the Responsible Entity.

In accordance with CLIL's Board Charter the Directors have delegated their general powers of management of the business housed in the company, but not its other statutory powers, such as the power to issue units in the Trust, sign-off financial accounts or be responsible for compliance with legislation and its AFS licence.

## Retirement and re-election of Directors

In accordance with the Corporations Act, the Directors of CLIL are not required to be re-elected at an annual general meetings. CLIL does not intend to hold set annual general meetings of the Trust. However, CLIL generally convenes meetings of Unitholders when considered appropriate to approve significant proposals for the Trust and those meetings also embody general presentations on the affairs of the Trust.

## Board access to information and advice

All Directors have unrestricted access to CLIL and Trust records and information. The Company Secretary provides Directors with guidance on corporate governance issues and developments and on all other matters reasonably requested by the Directors. The Board or each individual Director has the right to seek independent professional advice at CLIL's expense to assist them to discharge their duties.

## Corporate governance statement (continued)

### Board committees

To assist it in undertaking its duties, the Board has established the following committees:

- The Audit & Compliance Committee
- The Credit & Risk Committee

Each Committee has its own Charter, copies of which are available on the Trust's website. The Charters specify the composition, responsibilities, duties, reporting obligations, meeting arrangements, authority and resources available to the Committees and the provisions for review of the Charters. Details of Directors' membership of each Committee and their attendance at meetings throughout the period is set out below.

Director	Notes	Board		Audit & Compliance Committee		Credit & Risk Committee	
		Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
S Gerlach		9	9				
RN Sexton	1	3	3	3	3	1	1
CJ Atkins	2	7	7			5	5
IM Martens		9	9	5	5	5	5
DC Hall		9	6	5	5		
TH Foster		9	8	5	5		
RJ Woods		9	9				
P Polson	3	5	2				
R Hooper	4	5	5				

1 Roger Sexton retired from the Board on 20 December 2004.

2 Christopher Atkins retired from the Board on 23 June 2005 but continues as Chief Executive of the Trust.

3 Peter Polson was appointed to the Board on 24 February 2005.

4 Russell Hooper was appointed to the Board on 23 February 2005.

The Board has not appointed a formal Nominations or Remuneration Committee. The Board has considered this departure from the Guidelines and believes that as CLIL is a subsidiary of the Challenger Group, it is appropriate for the Board to draw upon the Group's Nomination and Remuneration Committees' recommendations. Copies of the Group's charters are available on the Trust's website.

### Integrity of the Trust's financial reporting

A principal aim of the Audit & Compliance Committee is to assist the Board in overseeing the integrity of the Trust's financial reporting. The Committee makes recommendations to the Board in relation to the appointment, review and removal of an external auditor, assessment of the external auditor's independence and the appropriateness of non-audit services that the external auditor may provide.

CLIL requires its independent auditor to:

- provide stakeholders with true and fair financial reports; and
- ensure accounting practices comply with applicable accounting rules and policies.

CLIL's independent external auditor is Ernst & Young (E&Y). E&Y was first appointed as auditor of the Trust for the year ended 30 June 2000. In accordance with the Guidelines, CLIL has determined that the lead signing and review audit partner's responsibilities may be performed by the same person for no longer than five years. However, this period is to be extended by two years, making the total period seven years, in recognition of the transitional provisions of CLERP 9. These provisions become effective for reporting periods commencing on or after 1 July 2004.

The present lead E&Y partner is Alan Herald who was first appointed for the year ending 30 June 2000. The review partner was also appointed at this time. Based on the criteria established above, the last audit in this rotation for both Alan Herald and the review partner will be the year ended 30 June 2006.

In accordance with the Corporations Act, CLIL is not required to hold set annual general meetings of the Trust. However, CLIL generally convenes meetings of Unitholders when considered appropriate to approve significant proposals for the Trust. E&Y has attended all of the Trust's meetings of Unitholders.

### **Risk management and compliance**

The management of risks is fundamental to the Trust's operations and to building unitholder value. The Board recognises the broad range of risks which apply to the Trust. These risks include, but are not limited to, market risk, liquidity risk, credit risk, legal risk, operational risk and reputational risk. The Board is responsible for the Trust's risk management strategy. Management is responsible for implementing the Board's strategy and for developing policies and procedures to identify, manage and mitigate risks across all of the Trust's operations.

Management has adopted the Challenger Financial Services Group Limited's ('the Group') Operational Risk Framework and formal policies in respect of Compliance and Operational Risk Management and processes were developed, approved by management, reviewed by the Audit & Compliance Committee and made available to all staff of CLIL. The Credit & Risk Committee of CLIL is responsible for monitoring implementation and day to day operation of the framework and policy and regularly considers the adequacy and effectiveness of management controls for risk. The Committee reports regularly to the Board on compliance with the framework and policy, and the Compliance Plan is audited annually.

A copy of the Group's Operational Risks Policy can be found on the Trust's website.

The Chief Executive and Finance Officer bi-annually provide formal assurance statements to the Board that:

- the Trust's financial statements present a true and fair view of the Trust's financial condition and operational results; and
- the risk management and internal compliance and control systems that relate to financial reporting are sound, appropriate and operating efficiently and effectively.

### **Code of Conduct**

The CLIL Board adopted the Group's Code of Conduct which was approved in May 2004 and applies to all Directors, executives, management and employees of the Group and its subsidiaries. The Code articulates the standards of honest, ethical and law-abiding behaviours expected by CLIL. Employees are actively encouraged to bring any problems to the attention of management or the Board, including activities or behaviour which may not comply with the Code of Conduct, other policies and procedures in place, or other regulatory requirements or laws.

A copy of the Group's Code of Conduct is available on the Trust's website.

## Corporate governance statement (continued)

### **Staff Trading Policy**

The CLIL Board has had a staff trading policy in place since its appointment in May 2003. However, the Board adopted the Challenger Group Staff Trading Policy approved in February 2004. Directors and staff are subject to restrictions under the law relating to dealing in securities, including the securities issued by the Trust if they are in possession of insider information. The policy applies to all Directors and staff and places restrictions and reporting requirements on staff, including limiting trading in Units in the Trust (or Challenger shares) to specific trading windows and in a specified manner and requiring those staff designated as potentially having access to insider information to seek prior approval to trades in other securities.

A summary of the Staff Trading Policy is available on the Trust's website.

### **Continuous Disclosure Policy and shareholder communication processes**

CLIL is committed to providing relevant information to all Unitholders about the operations of the Trust and to fulfil its duties to comply with its continuous disclosure obligations to the market generally.

The Board has had a Continuous Disclosure Policy in place since the inception of the Trust. The policy is designed to ensure compliance with ASX Listing Rules continuous disclosure requirements.

CLIL has a Continuous Disclosure Committee which is responsible for:

- making decisions on what should be disclosed publicly under the Continuous Disclosure Policy;
- maintaining a watching brief on information; and
- ensuring disclosure is made in a timely and efficient manner.

CLIL also publishes the Trust's annual and half-yearly results, announcements, media releases and other relevant information on the Trust's website. CLIL encourages greater use of electronic media by providing unitholders with electronic access to records and receipt of reports and the facility to ask questions about the Trust and have them answered directly.

A summary of CLIL's Continuous Disclosure Policy is available on the Trust's website.

# 2005 financial report

# Statement of financial performance and distribution

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
		17,165,082	9,324,761	9,408,903	4,287,944
<b>Profit from ordinary activities before income tax expense</b>	2	<b>13,730,746</b>	<b>10,364,092</b>	<b>13,730,746</b>	<b>10,364,092</b>
Income tax attributable to ordinary activities		–	–	–	–
<b>Profit from ordinary activities after income tax expense</b>		<b>13,730,746</b>	<b>10,364,092</b>	<b>13,730,746</b>	<b>10,364,092</b>
Net increase/(decrease) in asset revaluation reserve	14	4,092,311	9,042,852	(1,803,328)	474,257
Net exchange difference on translation of financial report of foreign controlled entities	14	393,336	1,014,941	(32,933)	–
Issue costs from capital raising	13	(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>		<b>18,090,132</b>	<b>18,013,664</b>	<b>11,768,224</b>	<b>8,430,128</b>
<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		(13,730,746)	(10,364,092)	(13,730,746)	(10,364,092)
<b>Balance at year end</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Distributions (cents per Unit) – ordinary		9.12	9.01		
Diluted distributions (cents per Unit)		9.13	8.90		

# Statement of financial position

as at 30 June 2005

	Notes	Consolidated		Parent entity	
		30 June 2005 \$	30 June 2004 \$	30 June 2005 \$	30 June 2004 \$
<b>Current assets</b>					
Cash	15(b)	3,380,511	568,319	1,799,480	39,652
Receivables	3	637,506	2,591,897	2,490,281	3,540,995
Investments	5	2,004,033	5,885,177	2,004,033	5,885,177
Other	4	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	3	996,852	445,727	996,852	445,727
Investments	5	500,000	500,000	80,327,505	73,142,203
Property, plant and equipment	6	280,338,049	243,745,154	95,368,032	83,889,963
Other	7	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	8	5,712,261	2,149,540	4,181,790	357,091
Provisions	9	–	16,109	–	16,109
Distributions payable	10	3,515,396	3,345,817	3,515,396	3,345,817
Other	11	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	12	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	13	134,279,596	124,185,069	134,279,596	124,185,069
Reserves	14	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>

# 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>				
	29,362,546	17,225,019	9,607,955	5,140,704
	(3,789,215)	(2,038,830)	(1,056,568)	(1,478,741)
	(8,796,700)	(6,848,540)	(3,256,042)	(2,945,356)
	425,220	864,544	2,079,862	2,362,490
	25,960	22,708	25,960	22,708
	–	–	7,759,378	3,488,633
<b>Net cash flows from operating activities</b> 15(a)	<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>				
	(33,470,998)	(109,620,713)	(14,251,811)	(13,434,335)
	4,700,000	–	4,700,000	–
	(551,125)	(43,863)	(551,125)	(21,579,030)
	–	–	(7,185,302)	–
	3,840,411	(2,699,943)	3,881,143	18,835,224
	–	–	–	(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>				
	10,220,789	59,476,808	10,220,789	59,476,808
	14,144,434	52,926,110	3,510,988	7,471,240
	(126,262)	(2,408,221)	(126,262)	(2,408,221)
	(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>
	2,418,857	(1,810,430)	1,792,761	(580,205)
	568,319	1,363,808	39,652	619,857
	393,337	1,014,941	(32,933)	–
<b>Closing cash carried forward</b> 15(b)	<b>3,380,513</b>	<b>568,319</b>	<b>1,799,480</b>	<b>39,652</b>

# Notes to and forming part of the financial statements

## Note 1. Summary of significant accounting policies

The principal accounting policies adopted by the Trust are stated to assist in the general understanding of the financial information.

The Trust was constituted on 19 February 1998. The Constitution was amended in June 2005 to remove the termination date.

### (a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Constitution and the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention, except for investments and investment properties, which are measured at fair value.

### (b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year.

### (c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the Challenger Wine Trust (the parent entity) and all entities that the Challenger Wine Trust controlled from time to time during the year and at reporting date.

Information from the financial statements of subsidiaries is included from the date the parent entity obtained control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent entity has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

All intercompany balances and transactions, including unrealised profits or losses arising from intra-group transactions, have been eliminated in full.

### (d) Foreign currencies

#### Translation of foreign currency transactions

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

A monetary item arising under a foreign currency contract outstanding at the reporting date where the exchange rate for the monetary item is fixed in the contract is translated at the exchange rate fixed in the contract.

Except for certain specific hedges, all resulting exchange differences arising on settlement or restatement are recognised as revenues and expenses for the financial year. Any gains or costs on entering a hedge are deferred and amortised over the life of the contract.

# Notes to and forming part of the financial statements (continued)

## Note 1. Summary of significant accounting policies (continued)

### (d) Foreign currencies (continued)

#### Translation of foreign currency transactions (continued)

All overseas operations are deemed self-sustaining, as each is financially and operationally independent of the Challenger Wine Trust. The financial reports of overseas operations are translated using the current rate method which applies the same exchange rate to all assets and liabilities, and which translates items in the profit and loss account or its equivalent at the rates current when those items were recognised in the accounts. Any exchange differences are taken directly to the foreign currency translation reserve.

### (e) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is recognised as an expense as it is charged.

### (f) Receivables

Trade receivables are recognised and carried at original invoice amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

### (g) Investments

Term deposits are recorded at the lower of cost or recoverable amounts. Shares in unlisted companies are recorded at fair value.

All other non-current investments are carried at the lower of cost or Directors' valuation and recoverable amount.

### (h) 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 vines, 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.

### (i) Recoverable amount

Non-current assets measured using the cost basis are not carried above their recoverable amount. The expected net cash flows have not been discounted in determining recoverable amount.

### (j) Property, plant and equipment

#### Cost and valuation

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 asset 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 properties 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

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:

	2005	2004
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 and forming part of the financial statements (continued)

## Note 1. Summary of significant accounting policies (continued)

### (k) Leases

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

Under the terms and conditions of the lease contract, lessees are responsible for the following:

- payment of relevant rates, taxes and levies;
- costs incurred in the supply of utilities to the lease property;
- costs incurred to preserve and maintain the land and the vines growing on the land in accordance with Best Viticultural Practice, including pruning, irrigation, fertilisation, etc;
- expenditure on any additional plant that will remain the lessee's property; and
- maintenance, repair and replacement of items of a structural and/or capital nature.

The Trust will reimburse the lessee for any agreed alterations and additions to the leased vineyards and wineries, with rental payments adjusted accordingly.

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 increment at varying dates between October 2006 and June 2020. The exercise price of the options is to be the higher of cost or market value as determined by an independent valuation if required.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Lease agreements entered into with vineyard operators over vineyard properties are considered to be operating leases given that leases over vineyards generally expire after 10 years of the initial term, with vineyard operators holding call options to purchase back the properties at market value after this term.

### (l) Other non-current assets

The other non-current assets amount is comprised of prepaid borrowing costs. Borrowing costs are capitalised when incurred and amortised on a straight-line basis over a five year period.

### (m) Payables

Trade payables and other accounts payable are recognised when the economic entity becomes obliged to make future payments resulting from the purchase of goods and services.

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

#### **(n) Interest-bearing liabilities**

Bills of exchange are recorded at an amount equal to the net proceeds received, with the premium or discount amortised over the period until maturity. Interest expense is recognised on an effective yield basis.

Debentures, bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

#### **(o) Provisions**

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for distribution is recognised in accordance with the requirements of the Trust Constitution.

#### **(p) Contributed equity**

Issued and paid up capital is recognised at the fair value of the consideration received by the Trust.

Any transaction costs arising on the issue of Units are recognised directly in equity as a reduction of the unit proceeds received.

#### **(q) Preferred Indexed Convertible Equity Unit**

A Preferred Indexed Convertible Equity (PICE) Unit is a class of unit in the capital of the Trust that is convertible into Ordinary Units only in specific circumstances.

PICE Units may be converted at any time within 30 days immediately after the fifth to the tenth anniversaries of issue. At any time following the tenth 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.

Refer to Note 26, Impact of adopting Australian equivalents to IFRS, for a discussion on how the PICE Units will be affected by the 2005 harmonisation of international accounting standards.

#### **(r) Distribution per Unit**

Basic distribution per Unit (DPU) is calculated as net profit attributable to Ordinary Units adjusted to exclude costs of servicing equity (excluding distributions) and preference distributions, divided by the weighted average number of Ordinary Units on issue during the year adjusted for any bonus element.

Diluted DPU is calculated as the net profit attributable to members adjusted for:

- costs of servicing equity (other than distributions) and preference distributions;
- the after tax effect of dividends and interest associated with dilutive potential Ordinary Units that have been recognised as expenses; and
- other non-discretionary changes in revenue and expenses during the period that would result from the dilution of potential Ordinary Units; divided by the weighted average number of Ordinary Units and dilutive potential Ordinary Units, adjusted for any bonus element.

# Notes to and forming part of the financial statements (continued)

## Note 1. Summary of significant accounting policies (continued)

### (s) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### Rentals

On a monthly basis in line with the service provision of leased properties.

#### Interest

Control of the right to receive the interest payment.

#### Distributions

Control of the right to receive the dividend payment.

### (t) Taxes

#### Eligible Investment Business

Under current legislation the Trust undertakes activities of an 'eligible investment business', that is investing in land for the purpose of, or primarily for the purpose of deriving rent, and is, therefore, taxed as a trust estate.

It is the opinion of the Directors that the Trust has not conducted activities outside of the scope of an eligible investment business during the financial year ended 30 June 2005.

Distributions to investors will be taxed as distributions of net income or corpus.

#### Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(u) Employee benefits**

From 1 July 2004 all employees ceased employment with the Trust and became employees of Challenger Group Services Pty Ltd. Thus for the 30 June 2005 financial year, no employee benefits were provided for.

**(v) Derivative financial instruments**

**Interest rate swaps**

Challenger Wine Trust enters into interest rate swap agreements on borrowing facilities that coincide with part or all of the initial corresponding lease term, thereby fixing the interest rate of each facility. The swaps are entered into with the objective of reducing the risk of rising interest rates.

It is the Trust's policy not to recognise interest rate swaps in the financial statements. Net receipts and payments are recognised as an adjustment to interest expense.

Refer to Note 26, Impact of adopting Australian equivalents to IFRS, for a discussion on how the interest rate swaps will be affected by the 2005 harmonisation of international accounting standards.

**(w) Comparatives**

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

# Notes to and forming part of the financial statements (continued)

## 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>
Revenue from non-operating activities				
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
Consultants fees	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 and amortisation expense</b>	<b>285,471</b>	<b>52,366</b>	<b>285,471</b>	<b>52,366</b>
<b>Expenses from ordinary activities</b>	<b>17,165,082</b>	<b>9,324,761</b>	<b>9,408,903</b>	<b>4,287,944</b>
<b>Operating profit</b>	<b>13,730,746</b>	<b>10,364,092</b>	<b>13,730,746</b>	<b>10,364,092</b>
<b>Note 3. Receivables</b>				
<b>Current</b>				
Sundry receivables	96,656	50,631	96,656	50,631
Accrued rental revenue	500,117	2,541,266	484,255	329,772
Receivables from subsidiaries	–	–	1,909,370	3,160,592
Foreign currency receivables	40,733	–	–	–
	<b>637,506</b>	<b>2,591,897</b>	<b>2,490,281</b>	<b>3,540,995</b>
<b>Non-current</b>				
Loans – secured	996,852	445,727	996,852	445,727
	<b>996,852</b>	<b>445,727</b>	<b>996,852</b>	<b>445,727</b>

The Trust has a registered charge over the assets and undertakings of the borrower.

## Note 4. Other current assets

	Consolidated		Parent entity	
	30 June 2005 \$	30 June 2004 \$	30 June 2005 \$	30 June 2004 \$
Prepaid interest and borrowing costs	710,804	606,612	586,608	404,912
	<b>710,804</b>	<b>606,612</b>	<b>586,608</b>	<b>404,912</b>

## Note 5. Investments

### Current

Term deposits at recoverable amount	2,004,033	5,885,177	2,004,033	5,885,177
	<b>2,004,033</b>	<b>5,885,177</b>	<b>2,004,033</b>	<b>5,885,177</b>

### Non-current

Units in controlled entities – at cost	–	–	20,692,873	20,692,873
Shares in unlisted companies – at fair value	500,000	500,000	500,000	500,000
Convertible notes in controlled entities – at cost	–	–	59,134,632	51,949,330
	<b>500,000</b>	<b>500,000</b>	<b>80,327,505</b>	<b>73,142,203</b>

### (a) Reconciliation of carrying amounts

#### Shares in unlisted companies

Opening balance at cost	–	47,125	–	47,125
Opening balance at fair value	500,000	–	500,000	–
Net increment from accounting policy change	–	452,875	–	452,875
Balance at the end of the financial year	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>

## Note 6. Property, plant and equipment

### Vineyards at fair value\*

Balance at the end of the financial year	276,109,200	238,505,881	91,139,183	78,650,690
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### Winery plant and other equipment

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	<b>4,228,849</b>	<b>5,239,273</b>	<b>4,228,849</b>	<b>5,239,273</b>
	<b>280,338,049</b>	<b>243,745,154</b>	<b>95,368,032</b>	<b>83,889,963</b>

\*Includes land, vines and vineyard infrastructure.

## Notes to and forming part of the financial statements (continued)

### Note 6. Property, plant and equipment (continued)

#### (a) Reconciliation of carrying amounts

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the financial year are set out below:

	Consolidated		Parent entity	
	30 June 2005 \$	30 June 2004 \$	30 June 2005 \$	30 June 2004 \$
<b>Vineyards</b>				
Opening balance at cost	–	120,364,323	–	65,264,104
Opening balance at fair value	238,505,881	–	78,650,690	–
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	276,109,200	238,505,881	91,139,183	78,650,690
<b>Winery plant and other equipment</b>				
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	4,228,849	5,239,273	4,228,849	5,239,273
<b>Total property, plant and equipment</b>	<b>280,338,049</b>	<b>243,745,154</b>	<b>95,368,032</b>	<b>83,889,963</b>

Vineyards and wineries are leased to vineyard operators and/or wine companies under long-term lease contracts, typically for 10 year terms. Rentals are generally 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 increment at varying dates between October 2006 and June 2020. The exercise price of the options is to be the higher of cost or market value as determined by an independent valuation if required.

#### 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.

	Consolidated		Parent entity	
	30 June 2005 \$	30 June 2004 \$	30 June 2005 \$	30 June 2004 \$
Vineyards at fair value	276,109,200	238,505,881	91,139,183	78,650,690
Winery plant and 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 Directors' valuations, based upon independent valuations. 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 <sup>(i)</sup>	Nov 2001	4,325,744	5,255,744	Mar 2004	5,351,605
Summer's Hill Vineyard <sup>(ii)</sup>	Feb 1998	1,398,072	1,533,600	Oct 2004	1,550,000
Corryton Park Vineyard <sup>(iii)</sup>	Feb 1998	1,088,415	3,124,489	Dec 2002	3,150,000
Sandy Hollow Vineyard <sup>(i)</sup>	Nov 1998	4,506,068	4,878,198	Oct 2004	4,350,000
Cowra Station Vineyard <sup>(i)</sup>	Oct 1998	3,635,759	3,686,759	Oct 2004	3,600,000
Waikerie Vineyard <sup>(ii)</sup>	Oct 1998	1,977,421	2,186,420	Oct 2004	1,800,000
Bethany Creek & Vine Vale Vineyards <sup>(ii)</sup>	Oct 1998	1,563,890	1,722,190	Oct 2004	1,809,540
Hermitage Road Winery <sup>(i)</sup>	Oct 2001	1,457,559	4,662,122	Dec 2003	4,373,234
Inglewood Vineyard <sup>(i)</sup>	Jul 1999	1,373,001	1,439,490	Jul 2003	1,276,746
Dalswinton Vineyard <sup>(i)</sup>	Jul 1999	4,958,765	4,973,308	Jul 2003	4,600,000
Boh River Vineyard <sup>(ii)</sup>	Jun 2000	8,861,613	10,167,771	Jul 2003	9,800,000
Gundagai Vineyard <sup>(i)</sup>	Sep 2000	6,385,125	14,457,174	May 2005	15,285,800
Chapel Vineyard <sup>(vii)</sup>	Dec 2001	2,887,511	2,933,218	Dec 2004	3,000,000
Trillian's Hill Vineyard <sup>(ii)</sup>	Jun 2002	917,196	1,050,695	Apr 2005	1,452,250
Woods Vineyard <sup>(vi)</sup>	Apr 2003	1,270,266	1,270,266	Feb 2003	1,270,265
Cocoparra Vineyard <sup>(vi)</sup>	Apr 2003	8,633,285	8,462,191	Feb 2003	8,462,192
Oakridge Estate Vineyard & Winery <sup>(vi)</sup>	Apr 2003	1,134,902	2,490,975	Feb 2003	2,697,891
Gnangara Vineyard <sup>(i)</sup>	Apr 2003	1,713,649	6,125,156	Dec 2002	6,425,156
Grande Junction Vineyard <sup>(v)</sup>	Jun 2005	884,815	6,384,815	Jun 2005	6,384,815
Poole's Rock Vineyard & Winery <sup>(vi)</sup>	Nov 2004	5,039,510	5,039,510	Jun 2004	5,039,510
Whitton Vineyard <sup>(vii)</sup>	Mar 2005	3,679,602	3,679,602	Feb 2005	3,679,601
<b>Total held by parent entity</b>		<b>67,692,168</b>	<b>95,523,692</b>		<b>95,358,605</b>
Gimblett Road Vineyard <sup>(iii)</sup>	Apr 2001	2,705,940	2,705,940	Apr 2004	3,422,960
Highway 50 Vineyard <sup>(iii)</sup>	Apr 2001	2,651,152	2,651,152	Apr 2004	3,262,366
Crownthorpe Vineyard <sup>(iii)</sup>	Apr 2001	3,628,583	16,935,583	July 2005	24,089,199
Dashwood Vineyard <sup>(iv)</sup>	Oct 2002	8,138,272	14,996,500	July 2005	22,267,597
Rarangi Vineyard <sup>(v)</sup>	Jun 2004	6,591,655	10,480,511	July 2005	12,590,621
Sirens Estate Vineyard <sup>(i)</sup>	Oct 2002	1,969,958	2,726,328	Sep 2002	3,202,606
Richmond Grove and Lawsons Vineyard <sup>(i)</sup>	Dec 2003	44,981,457	45,238,558	Jun 2003	42,686,950
Qualco East Vineyard <sup>(i)</sup>	Dec 2003	7,424,454	7,849,454	Jun 2003	7,425,000
Balranald Vineyard <sup>(i)</sup>	Dec 2003	19,922,496	21,598,586	Jun 2003	20,699,546
Dos Rios Vineyard <sup>(ii)</sup>	Jun 2003	17,647,309	45,323,173	May 2003	45,323,172
<b>Total held by controlled entities</b>		<b>115,661,276</b>	<b>170,505,785</b>		<b>184,970,017</b>
<b>Total property, plant and equipment</b>		<b>183,353,444</b>	<b>266,029,477</b>		<b>280,328,622</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 Val), 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.

## Notes to and forming part of the financial statements (continued)

### Note 7. Other non-current assets

	Consolidated		Parent entity	
	30 June 2005 \$	30 June 2004 \$	30 June 2005 \$	30 June 2004 \$
Prepaid borrowing costs	280,811	378,666	47,357	75,753
	<b>280,811</b>	<b>378,666</b>	<b>47,357</b>	<b>75,753</b>

### Note 8. Payables

Trade creditors and accruals	5,712,261	2,149,540	4,181,790	357,091
	<b>5,712,261</b>	<b>2,149,540</b>	<b>4,181,790</b>	<b>357,091</b>

### Note 9. Provisions

Employee benefits	–	16,109	–	16,109
	<b>–</b>	<b>16,109</b>	<b>–</b>	<b>16,109</b>

### Note 10. Distributions payable

Distributions payable	3,515,396	3,345,817	3,515,396	3,345,817
	<b>3,515,396</b>	<b>3,345,817</b>	<b>3,515,396</b>	<b>3,345,817</b>

### Note 11. Other current liabilities

Revenue received in advance	3,265,590	1,579,375	561,034	112,689
	<b>3,265,590</b>	<b>1,579,375</b>	<b>561,034</b>	<b>112,689</b>

### Note 12. Interest-bearing liabilities

Bank bills – secured	127,396,141	113,251,707	42,444,336	38,933,350
	<b>127,396,141</b>	<b>113,251,707</b>	<b>42,444,336</b>	<b>38,933,350</b>

The bank bills are secured as registered mortgage debentures over the properties disclosed in Note 6.

## Note 13. 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
<b>Balance at the end of the year</b>	<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
<b>Balance at the end of the year</b>	<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)
<b>Balance at the end of the year</b>		<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 at prices between \$9.5254 and \$9.8500. 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 fifth to the tenth anniversaries of issue. At any time following the tenth 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 9.00% 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.

# Notes to and forming part of the financial statements (continued)

## Note 14. 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)	–
<b>Balance at end of year</b>	<b>1,544,419</b>	<b>1,151,083</b>	<b>(32,933)</b>	<b>–</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
<b>Balance at end of year</b>	<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 15. Cash flow statement

	Consolidated		Parent entity	
	30 June 2005 \$	30 June 2004 \$	30 June 2005 \$	30 June 2004 \$
<b>a) Reconciliation of the operating profit after tax to the net cash flows from operations</b>				
Operating profit after tax	13,730,746	10,364,092	13,730,746	10,364,092
Amortisation of non-current assets	285,471	52,366	285,471	52,366
Amortisation of borrowing costs	153,015	144,235	41,124	39,218
Changes in assets and liabilities:				
(Increase)/decrease in trade and other receivables	1,737,596	(2,238,407)	758,111	(2,992,452)
(Decrease)/increase in unearned income	1,686,215	335,197	448,346	(662,922)
(Decrease)/increase in trade and upgrade payables	(365,232)	567,418	(103,253)	(209,864)
<b>Net cash flow 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>(b) Reconciliation of cash</b>				
Cash balance comprises				
– Cash	<b>3,380,511</b>	<b>568,319</b>	<b>1,799,480</b>	<b>39,652</b>

## Note 16. Controlled entities

### Subsidiary

Country of Incorporation:

Percentage owned

### Beston Delegat's Wine Trust

New Zealand

100%

### Subsidiary

Country of Incorporation

Percentage owned

### Beston Southcorp Vineyard Trust

Australia

100%

### Subsidiary

Country of Incorporation

Percentage owned

### McGuigan Simeon Wines Wholesale Trust

Australia

100%

## Note 17. Director and executive disclosures

### (a) Details of Directors

S Gerlach	Chairman (non-executive)
RN Sexton	Deputy Chairman (non-executive) – resigned 20 December 2004
CJ Atkins	Managing Director – resigned 23 June 2005 but continues as Chief Executive of the Trust
IM Martens	Director (non-executive)
DC Hall	Director (non-executive)
TH Foster	Director (executive)
RJ Woods	Director (executive)
P Polson	Director (non-executive) – appointed 24 February 2005
R Hooper	Director (non-executive) – appointed 23 February 2005

No Director has entered into a material contract with the Trust.

### (b) Remuneration of Directors

For all Trusts managed by the Responsible Entity, the cost of the total Directors' remuneration has been notionally apportioned to each Trust. The Directors' remuneration is paid by the Responsible Entity and not the Trust.

	Salary \$	Superannuation \$	Bonus \$	Total \$
S Gerlach	80,000	0	0	80,000
RN Sexton	29,166	0	0	29,166
CJ Atkins	204,423	11,585	79,380	295,388
IM Martens	61,467	5,532	0	66,999
DC Hall	32,110	2,890	0	35,000
TH Foster <sup>1</sup>	9,402	348	7,312	17,062
RJ Woods <sup>1</sup>	11,652	348	5,100	17,100
P Polson <sup>1</sup>	5,189	229	0	5,418
R Hooper <sup>1</sup>	8,548	135	0	8,683
<b>Total</b>	<b>441,957</b>	<b>21,067</b>	<b>91,792</b>	<b>554,816</b>

<sup>1</sup> As TH Foster, RJ Woods, P Polson and R Hooper are also Directors and executives of other entities within the wholly-owned group, the amount of remuneration disclosed above is based, firstly, on an allocation of their activities attributed to the Responsible Entity which relates to management of the Trusts and, secondly, on an apportionment to each Trust under the control of the Responsible Entity.

In accordance with the Company's Board Charter the Directors have delegated their general powers of management of the business housed in the Company, but not its other statutory powers, such as the power to issue shares in the Company, sign-off financial accounts or be responsible for compliance with legislation and its AFS licence.

# Notes to and forming part of the financial statements (continued)

## Note 17. Director and executive disclosures (continued)

### (c) Unitholdings of Directors and related entities

Interests in equity held by Directors of Challenger Listed Investments Limited and their Director-related entities at balance date:

	PICE Units fully paid		Ordinary Units fully paid	
	30 June 2005 \$	30 June 2004 \$	30 June 2005 \$	30 June 2004 \$
Challenger Life No.2 Limited	691,590	641,807	21,335,460	18,966,377
S Gerlach	–	–	151,600	151,600
RN Sexton	200	200	169,861	209,261
CJ Atkins	262	237	47,226	42,931
IM Martens	200	200	246,913	242,647
<b>Total</b>	<b>692,252</b>	<b>642,444</b>	<b>21,951,060</b>	<b>19,612,816</b>

### (d) Loans to specified Directors

The Trust has not made, guaranteed or secured, directly or indirectly, any loans to the Directors or their personally-related entities at any time during the reporting period.

## Note 18. Related parties

The Responsible Entity is entitled under the Constitution to be reimbursed for certain expenses incurred in administering the Trust. The basis on which the expenses are reimbursed are defined in the Constitution. In accordance with the Constitution, the Responsible Entity's fee is 0.75% per annum of the total asset value of the Trust, assessed at the end of each month.

The Responsible Entity is entitled to receive 2% per annum of the properties' annual gross income for managing the vineyards, payable monthly. The Responsible Entity may also be entitled to additional fees for providing additional services to the Trust.

Expenses are recognised on an accruals basis as they are incurred.

### Single Responsible Entity

Challenger Listed Investments Limited is the Responsible Entity for the Trust and is wholly owned by Challenger Financial Services Group.

### Custodian

The Custodian is Australian Executor Trustees (SA) Limited (formerly known as Tower Trust (SA) Limited).

### Wholly owned group transactions

All transactions with related parties have been conducted at terms not more favourable than arm's length.

### Other related party transactions

Challenger Listed Investments Limited, a related entity, received management fees during the year of \$2,521,397 (2004: \$1,619,065).

Custodial fees for the year of \$87,093 (2004: \$61,090) were payable to Australian Executor Trustees (SA) Limited.

### Convertible notes

Beston Delegat's Wine Trust and Beston Southcorp Vineyard Trust have issued convertible notes to Challenger Wine Trust. The convertible notes are issued in consideration for funds advanced by Challenger Wine Trust. The convertible notes may be redeemed at 30 days' notice or converted to Ordinary Units on each anniversary of the issue of the notes.

## Note 19. Capital commitments

Finance facilities which total \$43,614,969 (2004: \$51,490,883) have been made available by the Trust for further development of various vineyards. These commitments will be secured by the Trust and the Trust will earn lease rental on these developments at rates based on predetermined formulae in each lease.

	Consolidated		Parent entity	
	30 June 2005 \$	30 June 2004 \$	30 June 2005 \$	30 June 2004 \$
Estimated capital expenditure contracted for at balance date but not provided for				
– payable not later than one year	29,791,469	38,293,974	13,572,183	9,257,050
– later than one year and not later than two years	7,341,000	11,544,496	7,323,000	205,068
– later than two years and not later than five years	6,482,500	1,652,413	6,102,500	–
	43,614,969	51,490,883	26,997,683	9,462,118

## Note 20. Segment information

The Trust operates entirely within Australasia, investing in vineyard properties and wine infrastructure assets for lease to vineyard and winery operators. Please refer to the map of Australasia in the property portfolio summary for further details.

## Notes to and forming part of the financial statements (continued)

### Note 21. Financial instruments

#### Terms, conditions and accounting policies

The Trust's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity, both recognised and unrecognised at the balance date are as follows:

Recognised financial instruments	Balance sheet notes	Accounting policies	Terms and conditions	Weighted average interest rate
<b>(i) Financial assets</b>				
Receivables – sundry	3	Trade receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.	Trade receivables are on 30 day terms.	N/A
Receivables – loan	3	Other loans are carried at the principal amount. Interest is recognised in the statement of financial performance when earned.	Other loans relates to a secured loan to unrelated parties. Interest is calculated monthly.	8.79%
Short-term deposits	5	Short term deposits are carried at the principal amount. Interest is recognised as income when earned.	Interest is earned at the bank's benchmark rate.	5.27%
<b>(ii) Financial liabilities</b>				
Trade creditors and accruals	8	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Trust.	Trade liabilities are normally settled in 30 days.	N/A
Accounts payable – related party/entity	8	Loans from related parties are carried at the principal amount. Interest (when charged by the lender) is taken up as an expense on an accrual basis.	Related party liabilities are normally settled in 30 days.	N/A
Bank bills	12	Bank bills are carried at the principal amount plus deferred interest.	Details of the terms and conditions are set out in Note 12.	6.19%
Interest rate swaps		Interest rate swaps are not recognised in the financial statements. However, any interest payable in respect of swaps is brought to account on an accrual basis. At year end the consolidated mark-to-market value of the interest rate swaps was -\$2,666,020.38.	Interest rate swaps are generally set for periods of 90 days payable in arrears.	*
<b>(iii) Equity</b>				
Units on issue	13	Units on issue are recognised at the value of the amount paid-up.	There are no restrictions on the number of Units that can be issued by the Trust. Refer to Note 13 for details of the terms and conditions of the Units.	N/A

\* The disclosure of effective interest rates is not applicable to derivative financial instruments.

**(a) Net fair values**

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at the balance date are as follows:

	Total carrying amount as per the statement of financial position		Aggregate net fair value	
	30 June 2005 \$	30 June 2004 \$	30 June 2005 \$	30 June 2004 \$
<b>Financial assets</b>				
Cash	3,380,511	568,319	3,380,511	568,319
Short-term deposits	2,004,033	5,885,177	2,004,033	5,885,177
Receivables – loans	996,852	445,727	996,852	445,727
Receivables – sundry	96,656	3,293,881	96,656	3,293,881
Foreign currency receivables	40,733	–	40,733	–
<b>Total financial assets</b>	<b>6,518,784</b>	<b>10,193,104</b>	<b>6,518,784</b>	<b>10,193,104</b>
<b>Financial liabilities</b>				
Trade creditors and accruals	5,712,261	3,021,890	5,712,261	3,021,890
Bank bills	127,396,141	113,251,707	127,396,141	113,251,707
<b>Total financial liabilities</b>	<b>133,108,402</b>	<b>116,273,597</b>	<b>133,108,402</b>	<b>116,273,597</b>

# Notes to and forming part of the financial statements (continued)

## Note 21. Financial instruments (continued)

### (b) Interest rate risk

The consolidated entity's exposure to interest rate risk and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the reporting date, are as follows:

Fixed interest rate maturing in:

Financial instruments	Floating interest		1 year or less		Over 1 to 5 years	
	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$
<b>(i) Financial assets</b>						
Cash	3,380,511	568,319				
Trade and other receivables						
Short-term deposits	2,004,033	5,885,177				
Interest-bearing receivables			396,852	445,727	600,000	–
Hedging foreign currency receivable						
Unlisted Shares						
<b>Total financial assets</b>	<b>5,384,544</b>	<b>6,453,496</b>	<b>396,852</b>	<b>445,727</b>	<b>600,000</b>	<b>–</b>
<b>(ii) Financial liabilities</b>						
Trade creditors						
Other creditors						
Bank and other loans					66,116,715	58,909,224
Interest rate swaps			915,000		14,000,000	14,000,000
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>915,000</b>	<b>–</b>	<b>80,116,715</b>	<b>72,909,224</b>

N/A Not applicable for non-interest bearing financial instruments.

The following methods and assumptions are used to determine the net fair value of financial assets and liabilities.

### Recognised financial instruments

Cash, cash equivalent and short-term investments: the carrying amount approximates fair value because of their short term to maturity.

Trade receivables and payables: the carrying amount approximates fair value.

Other loans: the carrying amount approximates fair value.

Long-term borrowings: the carrying amount approximates fair value.

### (c) Credit risk exposure

The economic entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position. Credit reviews of all vineyard lessees are completed prior to the acquisition of any vineyard property and there is an ongoing review process during the terms of the leases.

More than 5 years		Non-interest-bearing		Total carrying amount as per the statement of financial position		Weighted average effective interest rate	
2005	2004	2005	2004	2005	2004	2005	2004
\$	\$	\$	\$	\$	\$	%	%
				3,380,511	568,319		
		596,773	2,591,897	596,773	2,591,897	N/A	N/A
				2,004,033	5,885,177	5.27	5.33
				996,852	445,727	8.79	10.75
		40,733		40,733	–	N/A	N/A
		500,000	500,000	500,000	500,000	N/A	N/A
–	–	1,137,506	3,091,897	7,518,902	9,991,120		
		4,071,435	12,217	4,071,435	12,217	N/A	N/A
		1,640,826	2,137,323	1,640,826	2,137,323	N/A	N/A
4,710,000	4,710,000			70,826,715	63,619,224	6.19	7.28
44,319,426	35,632,482			59,234,426	49,632,482	N/A	N/A
49,029,426	40,342,482	5,712,261	2,149,540	135,773,402	115,401,246		

## Notes to and forming part of the financial statements (continued)

### Note 22. Auditor's remuneration

	Consolidated		Parent entity	
	30 June 2005 \$	30 June 2004 \$	30 June 2005 \$	30 June 2004 \$
Amounts received or due and receivable by the auditor of the Trust for:				
Audit of the financial statements of the entity	38,000	35,000	38,000	35,000
Tax compliance advice	104,922	72,355	65,036	45,708
	142,922	107,355	103,036	80,708
Other	14,859	–	4,909	–
Capital raising (included in issue costs)	25,000	57,977	25,000	57,977
	<b>182,781</b>	<b>165,332</b>	<b>132,945</b>	<b>138,685</b>

### Note 23. Operating leases

The Trust leases all of its properties under operating leases.

Minimum lease receipts

– not later than one year

– later than one year and not later than five years

– later than five years

	30 June 2005 \$	30 June 2004 \$	30 June 2005 \$	30 June 2004 \$
– not later than one year	25,842,139	26,096,193	9,665,513	10,041,604
– later than one year and not later than five years	137,537,093	114,063,610	45,929,605	39,780,206
– later than five years	134,809,462	113,568,126	14,152,188	20,088,268
	<b>298,188,694</b>	<b>253,727,929</b>	<b>69,747,306</b>	<b>69,910,078</b>

### Note 24. Distributions per Unit

The following reflects the income and share data used in the calculation of basic and diluted distributions per Unit:

	Consolidated	
	30 June 2005 \$	30 June 2004 \$
Net Profit	13,730,746	10,364,092
Adjustments:		
Net profit attributable to PICE Units	(1,721,072)	(1,642,948)
<b>Earnings used in calculation of basic distributions per Unit</b>	<b>12,009,674</b>	<b>8,721,144</b>
Weighted average number of Units used in calculating basic distributions per Unit	131,740,451	97,708,168
Effect of dilutive Units – weighted average conversion of PICE Units at the market value of Ordinary Units for each PICE Unit convertible at the end of a five year term from the date of issue	18,611,438	18,479,108
<b>Adjusted weighted average number of Ordinary Units used in calculating diluted distributions per Unit</b>	<b>150,351,889</b>	<b>116,187,276</b>

## Note 25. 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 financial position in this report.

## Note 26. Impact of adopting Australian equivalents to IFRS

Challenger Wine Trust is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006. In 2004, the Trust established a separate project to conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, the Trust's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when the Trust prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006. To date all transactions from 1 July 2004 to 30 June 2005 have been reviewed and restated where required in supplementary accounting records. These are subject to audit review and therefore can not be quantified at this stage.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS:

- Ordinary Units;
- PICE Units;
- investment property; and
- interest rate swaps.

### Classification of PICE Units

In accordance with the definition outlined in AASB 132 'Financial Instruments: Disclosure and Presentation', the PICE Units, or some portion of them, may be classified as a financial liability, rather than as equity. If it is determined that they should be classified as a liability, under the PICE Terms of Issue the Directors of the Trust may resolve to trigger the conversion of the PICE Units to Ordinary Units.

### Investment property

Under current AASB 1041 'Revaluation of Non-current Assets', increases in the fair value of investment properties are reflected through the asset revaluation reserve. Investment properties include vineyard infrastructure which is an integral part of the investment property. Shares in unlisted companies will be classified as available for sale and revalued as a reserve until sold when the net result of the sale will be transferred to profit and loss. Decreases are also reflected through the asset revaluation reserve to the extent they reduce previously recognised increments and otherwise are charged to the operating result in the income statement.

Under AASB 140 'Investment Properties', changes in the fair value of investment properties are recorded through the operating results in the Income Statement. If this policy was to be applied in the current financial year, this would result in an increase in reported net profit for the period ended 30 June 2005 for the amount of the increase recognised in the asset revaluation reserve.

# Notes to and forming part of the financial statements (continued)

## Note 26. Impact of adopting Australian equivalents to IFRS (continued)

### Investment property (continued)

Currently the following issues surrounding the application of AASB 140 'Investment Properties' to the Trust are being resolved:

- Whether the vines held by the Trust as part of the investment properties are outside the scope of AASB 141 'Agriculture' given that the Trust is a passive investor that does not participate in management of the vines being biological assets as defined in AASB 141. If the vines are outside the scope of AASB 141 'Agriculture', the vines will be treated as part of investment properties as prescribed by AASB 140 'Investment Properties'. If the vines are within the scope of AASB 141 'Agriculture', the vines will be separately recognised as biological assets and measured at fair value with changes in fair value recorded through the operating results in the income statement. Because of the difficulty in reliably measuring fair value of the vines under the Trust's current leasing arrangements, the vines may be required to continue to be recognised at cost, resulting in a different amount recognised in net profit.
- Whether assets integral to the investment property (other than land and buildings) such as vineyard infrastructure, winery plant and machinery are included in the definition of investment property under AASB 140 'Investment Properties'. If such assets are not included in the definition of 'Investment Properties', these assets will be recognised separately from investment properties and measured at fair value with changes in fair value recorded through the asset revaluation reserve, rather than net profit.

It is anticipated that these issues will be resolved in the near future prior to restatement of the opening balance sheet in accordance with AIFRS as at 1 July 2004.

### Interest rate swaps

The Trust enters into interest rate swap agreements on borrowing facilities that coincide with part or all of the initial corresponding lease term, thereby fixing the interest rate of each facility. The swaps are not currently recognised but will be required to be disclosed when the standards commence on 1 July 2005. However, the swaps will be classified as a derivative under AASB 139 'Financial Instruments: Recognition and Measurement' and recognised on the Trust's statement of financial position. Valuation of these agreements will be governed by the requirements of AASB 139. Any unrecognised hedge gains or losses will be transferred to equity on transition and recognised in net profit as the underlying transaction is recognised in net profit.

### Reconciliation of equity as presented under AGAAP to that under AIFRS

The total equity under AGAAP will be adjusted as at 1 July 2005 by the removal of the Preferred Indexed Convertible Equity (PICE) Units which will henceforth be treated as a liability.

In addition, the revaluation and foreign currency translation reserves will be transferred to Retained Earnings.

In both cases the comparative figures for the 2005 financial year will be recast to notionally adopt IFRS in retrospect for the 2005 year.

### Reconciliation of net profit under AGAAP to that under AIFRS

From 1 July 2005, the Trust will report its net profit so that it takes into account any revaluations which arise from altering the carrying value of any properties or other investment assets. In addition, any gains or losses arising from movements in foreign currencies will be included in net profit calculations.

Distributions made to PICE Unitholders will be treated as interest from 1 July 2005 and therefore be a factor in the calculation of net profit for the year.

Similarly, the comparative figures for the 2005 financial year will be recast to notionally adopt IFRS in retrospect for the 2005 year.

### Classification of Ordinary Units

In accordance with the definition in AASB 132 'Financial Investments: Disclosure and Presentation', the Ordinary Units, or some portion of them, may be classified as a financial liability, rather than equity.

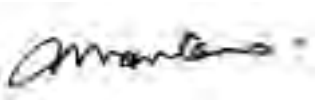
## Directors' declaration

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 17th day of August 2005

# Independent auditor's report



■ Santos House  
91 King William Street  
Adelaide SA 5000  
Australia

■ Tel 61 8 8233 7111  
Fax 61 8 8231 8050  
DX 155 Adelaide

GPO Box 1271  
Adelaide SA 5001

## 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.

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

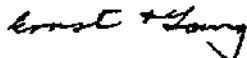
**Independence**

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.

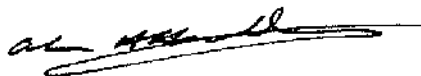
**Audit opinion**

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 auditor's report – compliance



■ Santos House  
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Adelaide SA 5000  
Australia

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## 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.

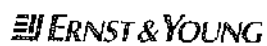
### Inherent Limitations

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.

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)



**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.

A stylized, handwritten signature of the Ernst &amp; Young firm, written in black ink.

Ernst & Young

A handwritten signature of Allan Potter, written in black ink.

Allan Potter  
Partner  
Adelaide

17 August 2005

## Unitholder information

### Distribution of Unitholders

As at 29 July 2005 the distribution of Unitholders was:

Range of holding	Ordinary	PICE
1 – 1,000	67,000	19,753
1,001 – 5,000	2,550,726	67,305
5,001 – 10,000	7,748,443	49,725
10,001 – 100,000	49,323,715	122,838
100,001 – over	76,448,385	1,513,446
	<b>136,138,269</b>	<b>1,773,067</b>

### Ordinary Units

As at 29 July 2005 the total number of Ordinary Units on issue was 136,138,269 of which the top 20 largest holders held 71,363,609 Units representing 52.43%.

### Top 20 Unitholders (as per register)

	Number of Units held at 29/07/05	% held
JP Morgan Nominees Australia Limited <sup>1</sup>	28,407,526	20.87
HSBC Custody Nominees (Australia) Limited <sup>2</sup>	5,822,476	4.28
National Nominees Limited	5,796,300	4.26
Westpac Custodian Nominees Limited	5,397,743	3.96
ANZ Nominees Limited	4,639,264	3.41
Crownace Pty Ltd	4,187,297	3.08
Cogent Nominees Pty Limited	4,038,856	2.97
Citicorp Nominees Pty Limited	3,382,058	2.48
Invia Custodian Pty Limited	2,666,667	1.96
Sandhurst Trustees Limited	1,432,959	1.05
Victorian Workcover Authority	1,118,174	0.82
Catholic Church Insurances Ltd	947,349	0.70
Health Super Pty Ltd	667,279	0.49
Tower Trust Limited	657,025	0.48
RBC Global Services Australia Nominees Pty Ltd	583,446	0.43
Washington H Soul Pattinson & Company Limited	500,000	0.37
Bond Street Custodians Limited	313,102	0.23
Equity Trustees Limited	302,467	0.22
McNeil Nominees Pty Limited	270,000	0.20
CSFB Fourth Nominees Pty Ltd	233,621	0.17
	<b>71,363,609</b>	<b>52.43</b>

<sup>1</sup> Challenger Life No. 2 Limited holds 21,335,460 Units of the 28,407,526 units.

<sup>2</sup> Challenger Wealth Management holds 13,783,036 units of the 5,822,476 units.

## PICE Units

As at 29 July 2005 the total number of PICE Units on issue was 1,773,067 of which the 20 largest holders held 1,716,415 Units representing 96.81%.

### Top 20 Unitholders (as per register)

	Number of Units held at 29/07/05	% held
JP Morgan Nominees Australia Limited <sup>1</sup>	845,475	47.68
Mr Alan Segel	400,000	22.56
Citicorp Nominees Pty Limited	360,808	20.35
Miss Samantha Orgill	18,000	1.02
Mrs Julie Ann Orgill	12,001	0.68
Magnus Donners Pty Ltd	10,000	0.56
AGO Pty Ltd Superannuation Fund	9,142	0.52
ANZ Nominees Limited	7,598	0.43
Mr Robin Barry Bell & Mrs Danute Anne Bell	7,500	0.42
Mr Alan James Barnard	5,950	0.34
Mr Danny Stojic	5,861	0.33
Guoco Pty Ltd	5,124	0.29
Mrs Jeanette Margaret Caught	5,000	0.28
St Francis Veterinary Hospital Pty Ltd	4,500	0.25
S & O M Investments Pty Ltd	4,000	0.23
Dr Ronald Leslie Dolton & Mrs Ann Dolton	3,943	0.22
Mr Alan Robert Mitchelson	3,050	0.17
Mr Bruce Llewellyn Jones	3,050	0.17
Scipio Nominees Pty Ltd	3,000	0.17
Mr John Edward Barbera	2,463	0.14
	<b>1,716,465</b>	<b>96.81</b>

### Voting rights

Ordinary Unitholders are entitled to one vote per Ordinary Unit held. PICE Units do not carry voting rights, apart from in very limited circumstances. These circumstances are given in detail in the terms of issue of the PICE Units.

1 Challenger Life No.2 Limited holds 691,590 Units of the 845,475 Units.

## Investor information

### Stock exchange listing

The Trust is currently listed as a property trust on the Australian Stock Exchange (ASX). The ASX code for Ordinary Units of the Trust is CWT and for the Preferred Indexed Convertible Equity Units is CWPTA.

### Trading and pricing information

Units in the Trust trade in the same manner as shares in a listed public company. Trading takes place between 10:00 am and 4:00 pm (AEST) each business day. All major Australian newspapers publish trading prices for securities listed on the ASX on the day following each trading day.

The price of the Units in the Trust can be accessed via our website [www.challengerwinetrust.com.au](http://www.challengerwinetrust.com.au).

### Distributions

Income is distributed quarterly, 45 days after the end of each quarter, in August, November, February and May. Unitholders may elect to either have their distribution paid directly into a nominated bank account or receive a cheque.

Unitholders may also elect to participate in the Trust's Distribution Reinvestment Plan. Election notices may be obtained from the Trust's Investor Centre.

Electronic Funds Transfer (EFT) allows both Ordinary and PICE Unitholders to have their cash distributions paid into a nominated bank, building society or credit union account on the day the distribution is payable. Application forms for direct credit of distributions can be obtained from the Trust's Investor Centre or Computershare Investor Services. Contact details are listed in the corporate directory.

### Distribution payments

Distributions are paid at the end of each trading quarter and the Manager expects that the distribution payments for the next financial year will be paid on the following dates:

Quarter	Record date	Expected payment date
September 2005	30 September 2005	14 November 2005
December 2005	31 December 2005	14 February 2006
March 2006	31 March 2006	15 May 2006
June 2006	30 June 2006	14 August 2006

Unitholders who have recently changed their address, altered or changed their bank account to which distributions are directed, or wish to advise their tax file number to ensure tax is not withheld from their distributions, should advise the Unit registry in writing of the details prior to the record date for each quarter.

Contact details for the Unit registry can be found in the corporate directory at the end of this report.

### Annual taxation statement

An annual taxation statement was issued in August 2005 for the taxation year ending 30 June 2005. This statement advised taxable income for the period 1 July 2004 to 30 June 2005 assessable on the distributions paid in November 2004, February 2005, May 2005 and August 2005.

**2005/2006 calendar**

November 2005	September 2005 quarter income distribution
February 2006	December 2005 quarter income distribution
February 2006	Half year results for six months ended 31 December 2005 released to ASX
March 2006	Half year report for six months ended 31 December 2005 available
May 2006	March 2006 quarter income distribution
August 2006	June 2006 quarter income distribution
August 2006	Annual taxation statement dispatched to Unitholders
August 2006	Annual results for year to 30 June 2006 released to ASX
September 2006	Annual report for year ended 30 June 2006 available

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# Directory

<b>Australian Stock Exchange Code</b>	CWT (Ordinary Units) CWTPA (PICE Units)
<b>Custodian of the Fund</b>	Australian Executor Trustees Limited 44 Pirie Street Adelaide, South Australia 5000
<b>Responsible Entity</b>	Challenger Listed Investments Limited Level 41, 88 Phillip Street Sydney, NSW 2000
<b>Board of Directors of the Responsible Entity</b>	S Gerlach (Chairman) IM Martens DC Hall RJ Woods TH Foster P Polson R Hooper
<b>Secretary of the Responsible Entity</b>	C Robson
<b>Auditor</b>	Ernst & Young Santos House, 91 King William Street Adelaide, South Australia 5000
<b>Legal Advisors</b>	Finlaysons Level 8, 81 Flinders Street Adelaide, South Australia 5000
<b>Registry</b>	Computershare Investor Services Pty Ltd Level 5, 115 Grenfell Street Adelaide, South Australia 5000
<b>Trust Investor Centre</b>	Challenger Wine Trust Level 1, 212 Pirie Street Adelaide, South Australia 5000 Tel: +61 08 8211 7777 Fax: +61 08 8212 1661

**Office address**

Level 1, 212 Pirie Street  
Adelaide SA 5000  
Tel: 08 8211 7777  
Fax: 08 8212 1661

**Investor services:** 08 8211 7777

**Website:** [www.challengerwinetrust.com.au](http://www.challengerwinetrust.com.au)