

MARKET RELEASE

9 February 2006

CHALLENGER WINE TRUST **Results for the six months to 31 December 2005**

CWT REPORTS NET PROFIT AFTER TAX OF \$8.1 MILLION

Challenger Wine Trust (ASX: CWT/CWTPA) the leading property trust specialising in the Australia and New Zealand wine industry, today announced a net profit after tax (NPAT) of \$8.1 million for the six months to 31 December 2005 and a distribution per unit of 4.56 cents, in line with the corresponding period last year.

Challenger Wine Trust Chief Executive, Chris Atkins said: "This is a solid result that reflects the strength of the Trust's underlying assets and the stability of the rental income derived from the long term lease contracts on those assets."

"The portfolio holds quality vineyards, reflected in the consistent valuations which are not impacted by the grape supply concerns facing some growers," Mr Atkins said.

"The result reinforces the appropriateness of the Trust's structure and disciplined investment strategy. Its rental incomes are exposed to minimal agricultural risk inherent in grape production and have an average residual lease term in excess of 8 years," he said.

The Trust has a history of competitive and consistent distributions reporting a 10.82 per cent annual cash yield for the six months to 31 December 2005 based on an ordinary unit price of 84 cents. Other financial highlights include:

- Independent revaluations of properties at 31 December 2005 realising net increment of \$1.6m;
- Net tangible asset (NTA) backing of 95.51 cents (97.46 cents pre AIFRS adjustment) per ordinary unit, 93.58 cents (95.27 cents pre AIFRS adjustment) on a fully diluted basis - reflecting that the overall asset value of the Trust's assets have been maintained in the reporting period.



Industry Outlook

The industry continues to experience grape oversupply issues resulting in some growers coming under pressure to reduce yields or to take lower grape prices. Of the properties that the Trust owns, 90 per cent are leased directly to wine companies and unaffected by grower contracts. The remaining 10 per cent of the Trust's properties are leased to contract growers who have long term supply contracts with a major wine company for the term of the lease. These properties are located in warm climate grape growing regions where supply and demand is close to being in balance.

CWT Outlook

The Trust continues to seek growth through the acquisition of quality properties, focused on:

- Quality vineyards and other strategic assets such as crushing, processing and storage facilities
- Vineyards in higher yielding warm climate regions
- Geographic diversification of the Trust's asset base across numerous wine-growing regions in Australia and overseas
- Diversification of the underlying lessee base
- Minimising exposure to contract grower lessees

Mr Atkins concluded: "Future growth in demand is expected to focus on warm region fruit which supplies the bulk of Australian wine exports markets. The Trust is well positioned given over 70 per cent of its asset portfolio is exposed to warm climate vineyards."

ENDS

For more information contact:

Christopher J Atkins

Chief Executive

Ph: (08) 8211 7777

Note to editors:

The Challenger Wine Trust has 4052 hectares of land under vine throughout Australia and New Zealand making it Australia's second largest owner of vineyards behind Fosters. Properties owned by the trust are located in such well known wine grape growing areas such as the Riverland, Barossa Valley, Yarra Valley, Margaret River and Coonawarra in Australia, and Marlborough and Hawke's Bay in New Zealand.

Challenger Wine Trust

Half Year Ended 31 December 2005

Presenter: Chris Atkins
February 2006

Disclaimer

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This report is merely intended to provide a summary of key industry data and data concerning the Trust that has been gathered by the Trust's management. This is not an independent experts report and should not be relied upon by recipients as such. In providing the information contained in this report Challenger Listed Investments Limited has assumed the accuracy of information obtained from third parties and makes no representations or warranties in this regard. Past performance is no guarantee or assurance as to the future performance, profitability or capital value of the Trust or its securities.

Key Messages

- A diversified portfolio of Australian and New Zealand vineyard and wine property / infrastructure assets, by both region and lessee
- Average residual lease life of 8 years at 100% occupancy – successfully maintained over a period of years
- Negligible default history – high direct portfolio weighting to wine companies (90%) rather than contract growers
- Growth opportunities as major winemakers consider transactions to take assets off balance sheet
- All properties independently valued at 31 December 2005 – net revaluation increment of \$1.6m
- 10.82% pa cash yield for HY2006 based on ordinary unit price of 84 cents
- NTA of \$0.96 per unit as at 31 December 2005

Overview of Trust's Objectives

- To invest in quality vineyard and wine infrastructure assets
- To provide investors with a consistent stable income stream
 - Derived from rental incomes backed by long-term leases to lessees, predominantly 10 years with 5 + 5 + 5 year option to release
 - The Trust is not the operator of the vineyards or the owner of the grapes - rental streams are based on the value of the property
 - The Trust bears minimal agricultural risk
 - The tenant pays all outgoings

HY06 Result Highlights

| Income Statement | HY2006 | HY2005 | Mvt |
|-------------------------|---------------|---------------|------------|
| | \$'000 | \$'000 | % |
| Revenue | 14,034 | 12,403 | +13.2 |
| Distributable Income | 6,474 | 5,925 | +9.3 |
| Net Operating Profit* | 8,102 | 8,353 | -3.0 |
| | ¢ | ¢ | |
| Basic EPU | 5.72 | 5.81 | -1.6 |
| DPU | 4.56 | 4.59 | -0.7 |

- Results in line with expectations
- Revenue growth reflects full contribution from properties acquired in FY04
- Distribution was not effected by A-IFRS

* Preferred Indexed Convertible Equity (PICE) distribution treatment under AIFRS has changed in 2005/6. 2004 net operating profit of \$7,505m on a like for like basis (+8%)

HY06 Result Highlights

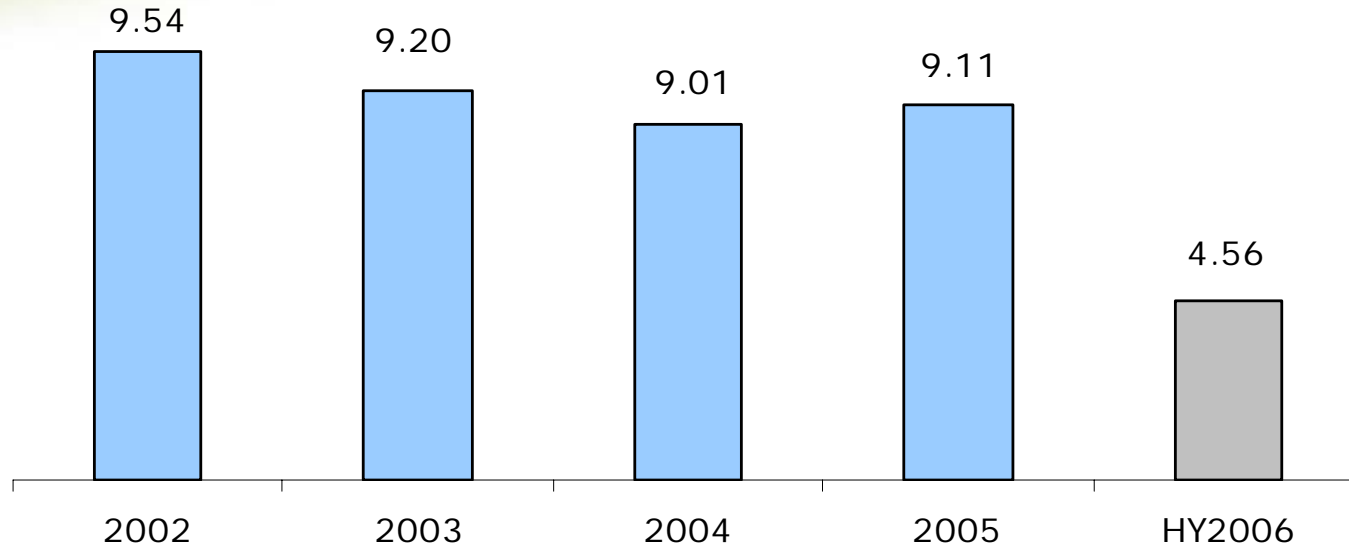
| Balance Sheet | HY2006 | HY2005 | Mvt |
|----------------------------------|---------|---------|------|
| | \$'000 | \$'000 | % |
| Total Assets | 298,006 | 288,417 | +3.3 |
| Net Borrowings | 133,644 | 126,965 | +5.3 |
| Total Equity | 137,213 | 129,858 | +5.7 |
| PICE* Units | 16,825 | 16,110 | +3.8 |
| | ¢ | ¢ | |
| NTA per unit | 0.96 | 0.95 | +0.5 |
| | % | % | |
| Gearing (Net Debt: Total Assets) | 44.84 | 43.78 | +2.6 |

- Property revaluation upwards of \$1.6m
- Net debt to total assets is in line with targeted range
- Funds were raised through fully underwritten DRP - \$3m per quarter

* PICE – Preferred Indexed Convertible Equity Unit

Distribution to Investors

Distribution per Ordinary Unit (cents)



- Consistent distribution performance over the last 4 years and the first half of FY2006
- 28% tax deferred income in FY2005, FY2006 expected to be similar

Challenger Wine Trust's (CWT) Investment Strategy

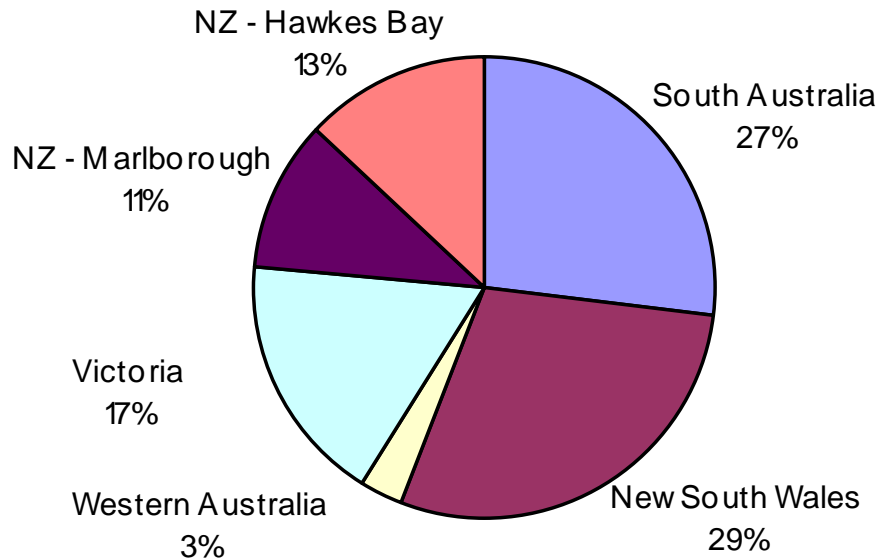
- To invest in well-located vineyards and other strategic assets such as wine crushing, processing and storage facilities
- To diversify the asset base across numerous wine-growing regions in Australia and overseas
- To concentrate on vineyards in higher yielding warm climate regions
- To diversify the underlying lessee base
- To minimise the exposure to contract grower lessees
- To maximise the term of the lease with highly regarded tenants
- To acquire assets that diversify the portfolio and minimise credit risk

CWT's Expertise / Point of Difference

- Largest specialist wine listed property trust
- Long term relationships with major wine players
- Expertise in designing and implementing a financial structure to suit individual wine businesses
- Wine companies approach CWT to build vineyards in excess of 200ha in high yielding warm climate regions to provide grape prices lower than contract growers

Portfolio Diversification by region - as at 31 December 2005

CWT PORTFOLIO GEOGRAPHICAL DIVERSIFICATION BY REGION

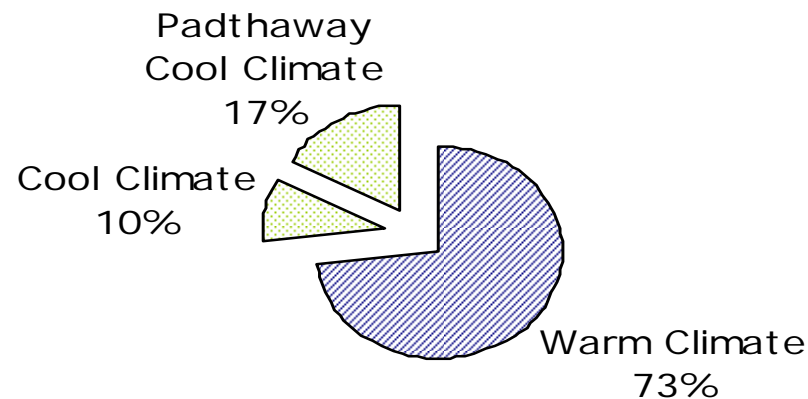


- Total property value is \$291.5m – split 76% Australia / 24% in NZ
- The vineyards / winery infrastructure split is 95% vineyards, 5% winery infrastructure

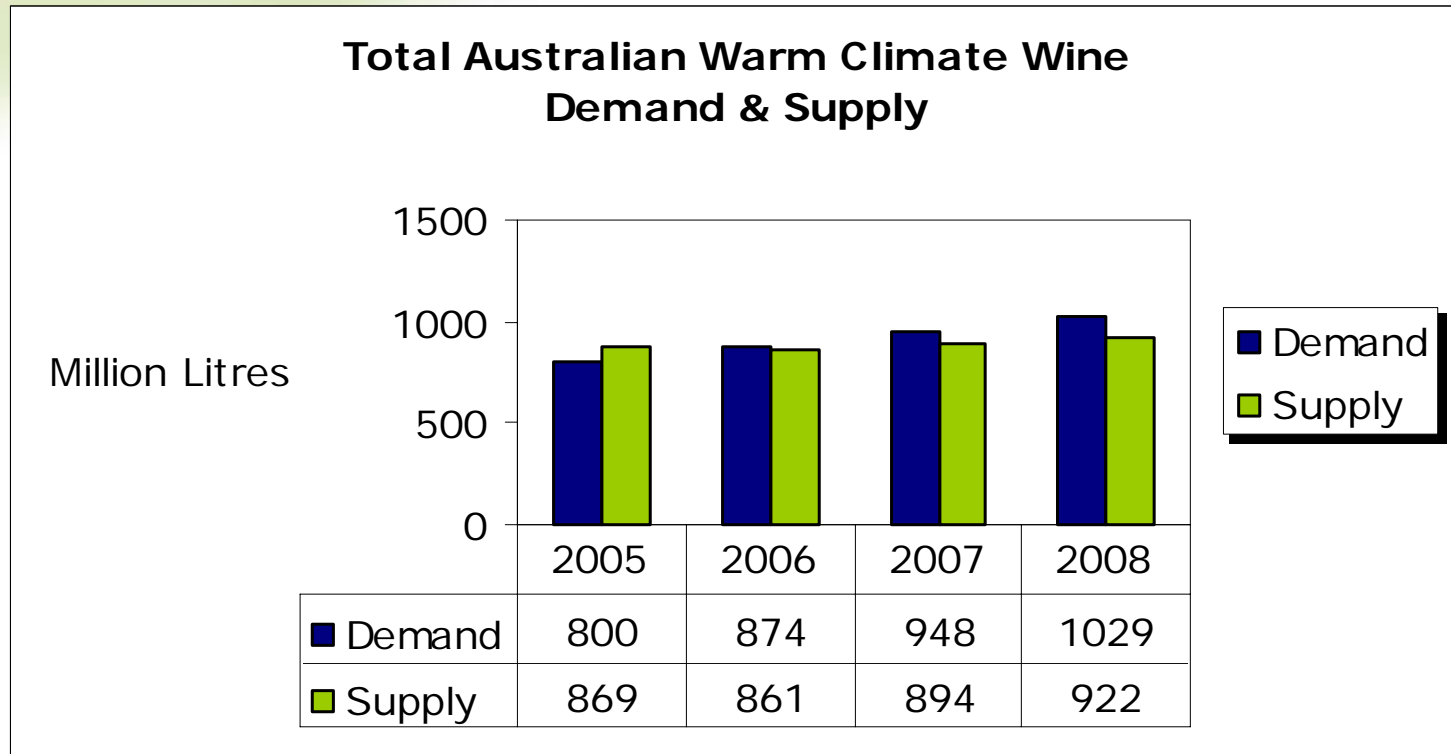
Warm vs. Cool Climate Exposure

- CWT concentrates on warm climate regions because of the consistent and higher yields compared with cool climate regions
- Warm climate vineyards supply the grapes for the bulk of Australia's wine exports
- Normal yields in warm climates are between 22 – 25 tonnes per hectare
- Normal yields in cool climates are between 8 – 12 tonnes per hectare
- CWT's cool climate exposure is predominantly the Padthaway vineyards leased to Orlando Wines which supply the grapes for the premium Jacobs Creek Reserve, Richmond Grove and Lawsons wine brands.

CWT Australian Warm Climate vs Cool Climate Vineyards - Planted Hectares



Total Warm Climate Wine

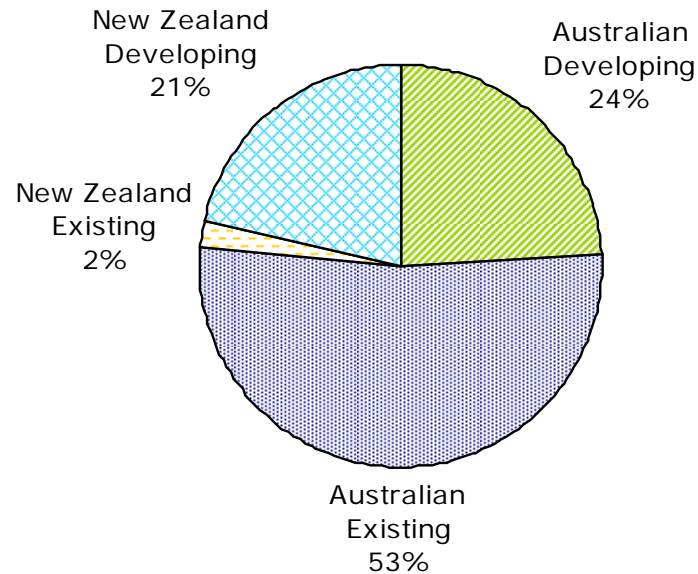


Source: Outlook for SA Wine Regions, SA Wine Industry Assoc. Inc., December 2005

- Total red and white wine supply and demand due to cross in 2006 vintage

Developing Vineyards vs Existing Properties

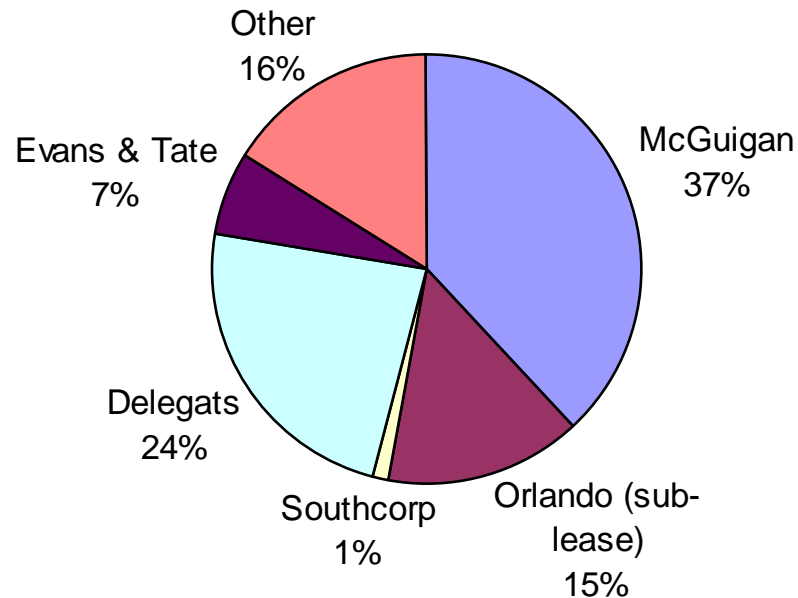
CWT Vineyards - Developing and Existing Properties



- The Trust in concert with wine companies develops vineyards to their specification
- Fully leased prior to building commencement
- The Trust benefits from any increase in value above cost

Portfolio Diversification by Lessee – as at 31 December 2005

CWT LESSEE DIVERSIFICATION as at 31 December 2005

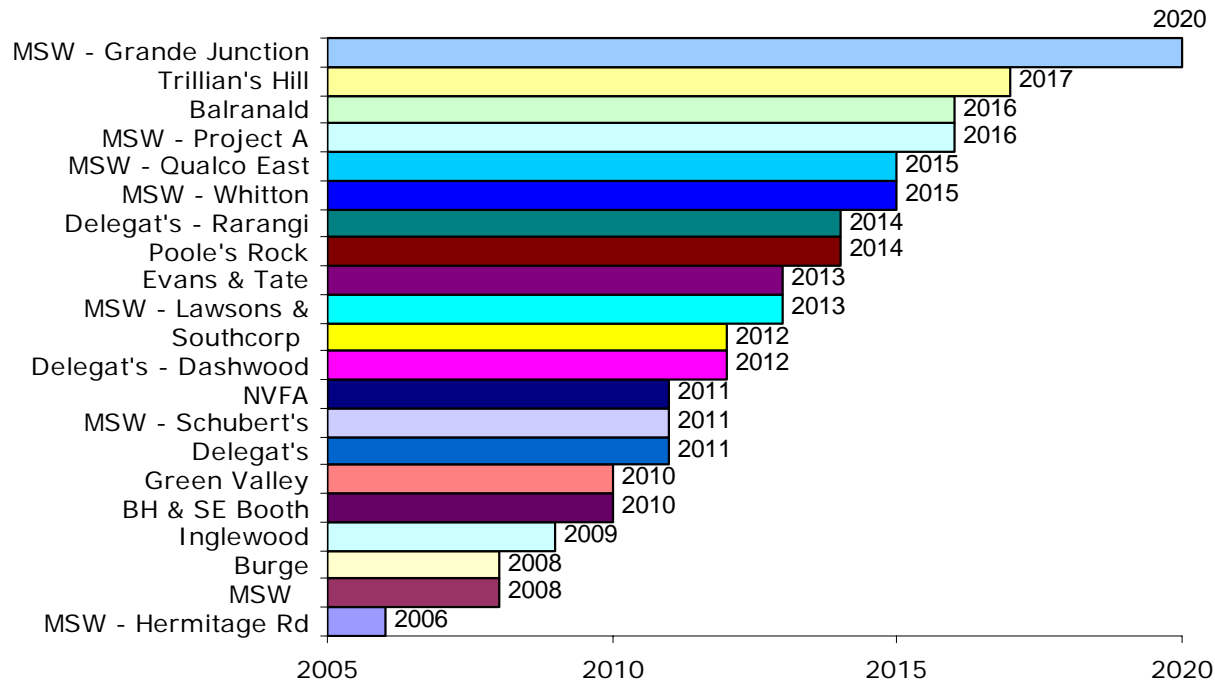


- The wine company lessees represent 90% of the portfolio, while contract grape growers with long term contracts to a major wine company amount to 10%

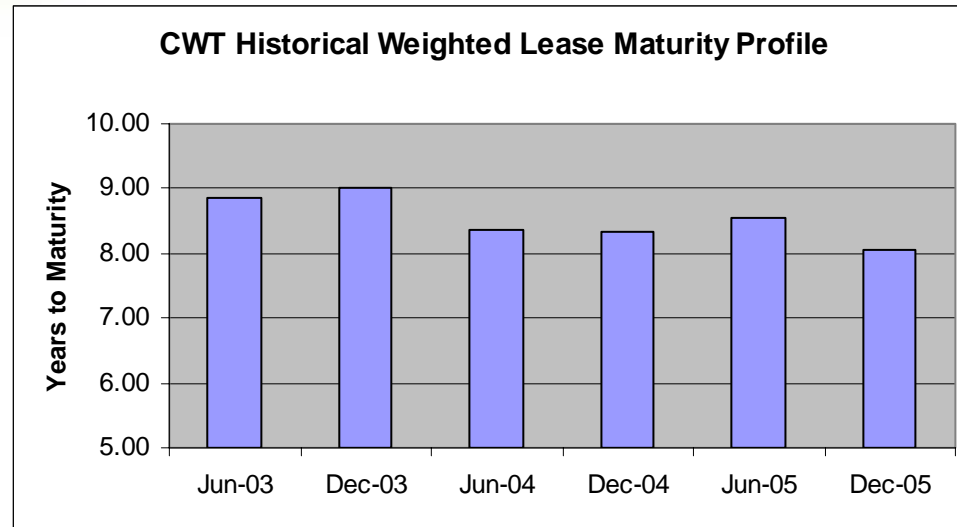
Lease Maturity Profile – as at 31 December 2005

- Average residual lease commitment is in excess of 8 years

CWT Portfolio Lease Expiry



Lease Maturity Profile



- The residual lease commitment is 8 years
- Consistently over 8 years for the last 6 reporting periods
- Aim is to preserve and extend the maturity profile

Foreign Currency Hedging Policy

- New Zealand Properties approximately 93% hedged at 31 December 2005
- NZ dollar borrowings are 93% of the value of NZ properties using New Zealand and Australian properties as security
- Rent received in NZ dollars

Acquisition Criteria

- Lease rate matched to lessee credit risk
- The Trust aims to maintain current level of distributions through acquisitions
- Current funding demands are being sourced via the DRP
- Focusing on transactions with major wine companies
- The Trust will continue to develop vineyards and wineries, and purchase mature vineyards and wine infrastructure developments

Opportunities

- Discussions with major wine companies and premium specialist wine companies
- The wine industry continues to require capital to expand
- A commercial size warm climate vineyard will provide a cheaper cost of grapes for wine companies
- Wine companies continue to seek improvements in their use of capital so the CWT model is appealing

Industry Oversupply

- Growing export demand in the late 90's led to wine companies entering long-term grape contracts with growers at high prices
- Large planting of grapes in 1999 – 2002 due to tax incentives under MIS schemes
- This brought about over-supply of grapes in 2003 to present vintage
- Wine companies are therefore choosing to break grape contracts with growers to purchase grapes at lower prices on the spot market
- Lower grape costs reduces raw material costs which leads to increase in profitability of wine companies
- Therefore oversupply of grapes is an advantage to wine companies at the expense of contract growers
- The Trust has 90% of its assets leased to wine companies

Why is CWT Insulated Against This?

- Direct wine company exposure (90%)
- All contract growers have long term contracts to a major wine company (10%)
- The Trust has a greater weighting to warm climate vineyards (73%) where supply and demand are in balance
- Strong relationships with key wine customers
- Financial expertise in designing custom fit transactions that are sustainable
- Strong credit history

Summary

- Performance in first half in line with budget
- Strong distribution yield of 10.82% for HY2006 based on 84 cents
- CWT leases have an average 8 years to completion at 100% occupancy
- NTA of \$0.9746 cents at 31 December 2005 (\$0.945 at 31 December 2004 pre AIFRS)
- Diversified lessee list and geographically diversified assets
- Largest vineyard and infrastructure trust in the wine industry
- 73 per cent of the portfolio located in preferred climate regions
- Continued emphasis on growing the Trust through the acquisition of appropriate properties leased to quality lessees
- Continued strong credit quality

Questions?

**Contact Details: Chris Atkins, Chief Executive
Simon Jongebloed, Investment Manager**

Ph: 08 8211 7777

Fax: 08 8212 1661

Challenger Wine Trust (ASX: CWT)

Level 1, 212 Pirie Street

Adelaide SA 5000

Web: www.challengerwinetrust.com.au

Challenger Wine Trust

Half-Year Financial Report

Half-Year ended 31 December 2005

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Trust highlights, results and review

for the half-year ended 31 December 2005

- Consistent result despite negative wine industry perception
- Net Profit after Tax - \$8.102m
- Distribution per Unit - 4.558 cents
- Net Tangible Asset (NTA) backing of 95.51 cents (97.46 cents pre AIFRS adjustments) per ordinary unit, 93.58 cents (95.27 cents pre AIFRS adjustments) on a fully diluted basis

Challenger Wine Trust, the leading Property Trust in the Australian and New Zealand wine industries, reported a strong Net Profit after Tax (NPAT) result of \$8.102m which is consistent with the same period of the previous year.

Distribution per unit of 4.558 cents for the six month period is consistent with the same period last year.

CWT is Australia's second largest owner of vineyards behind Fosters Ltd with 4,052 hectares of land under vine throughout Australia and New Zealand. Properties owned by the Trust are located in such well known wine grape growing areas such as the Riverland, Barossa Valley, Yarra Valley, Margaret River and Coonawarra in Australia, and Marlborough and Hawkes Bay in New Zealand.

NTA

The NTA of the Trust was 97.46 cents (pre AIFRS adjustments) on a non diluted basis, reflecting that the overall asset value of the Trust have been maintained in the reporting period.

The Trust's properties are located in recognised wine regions in Australia and New Zealand. Over 25% of Australian properties and 21% of New Zealand properties owned by the Trust have been established at cost from bare land.

The Trust issued 6,952,124 ordinary new units during the half year as a direct result of the dividend reinvestment plan. A total of 40,363 Preferred Indexed Convertible Equity (PICE) units were also issued as a result of the dividend reinvestment plan.

PORTFOLIO

Highlights

- An average residual lease term of 8.05 years across the portfolio
- Acquired Lot 3 of the Balranald vineyard for \$1.65m, with 2 lots remaining to complete the acquisition of the entire vineyard
- Continuing to develop the large scale commercial developments of the McGuigan Simeon Wines' Dos Rios vineyard in Victoria and commence the development of the McGuigan Simeon Wines' Grande Junction vineyard near Wentworth, New South Wales.

There were no major acquisitions in the reporting period with no new transactions meeting the Trust's strategy of acquiring only well located properties and leasing them to lessees with sufficient credit quality. Lot 3 of the Balranald vineyard was purchased in the reporting period as part of an ongoing program to secure all lots associated with this vineyard. The Balranald vineyard is operated by McGuigan Simeon Wines.

The Trust's structure ensures there is minimal direct exposure to the agricultural risk normally associated with vineyard ownership. Lessees are responsible for growing the tonnage and quality of fruit appropriate to their needs, with lease payments to the Trust having no link to the quantity or price of the grapes produced.

The lessee has an obligation to operate and maintain the property to the best viticultural standards during the term of the lease.

Upgrades on existing properties in Australia and New Zealand continue with a budgeted \$11.34m to be spent over the remainder of the financial year ending June 2006. Rent is adjusted to cover additional upgrade expenditure.

INDUSTRY CONDITIONS

The wine industry has experienced ongoing oversupply issues with growers for some major wine companies coming under some pressure to reduce yields or to take lower grape prices. Of the properties that the Trust owns 90% are leased to wine companies and thus unaffected by grape contracts. The 10% of the Trust's properties leased to contract growers have long term grape contracts to a major wine company for the term of the lease, and are mainly located in warm climate grape growing regions where supply and demand is close to being in balance.

OUTLOOK

The Trust continues to seek growth through the acquisition of appropriately located properties leased to quality lessees. The Trust is currently in discussions with several wine companies on potential transactions that would complement the Trust's existing portfolio.

The Trust will continue to focus on

- Appropriate acquisitions for the Trust
- Ensuring best viticultural practice is employed in the Trust's vineyard developments
- Ensure lessees operate and maintain the Trust's properties to maximize the asset value and viticultural returns

Further information on the Trust can be found at the Trusts website, www.challengerwinetrust.com.au, or by contacting the Chief Executive:



Christopher J Atkins
Chief Executive
Ph: (08) 8211 7777

Challenger Wine Trust – Appendix 4D for the half-year ended 31 December 2005

| Highlights of Results | 31-Dec-05 | 31-Dec-04 | % Change |
|---|------------------|------------------|-----------------|
| Revenue from Ordinary Activities (\$'000) | 15,857 | 14,323 | 10.71% |
| Net Profit from Ordinary activities after tax attributable to Unit Holders (\$'000) | 8,102 | 8,353 | (3.00%) |
| Distributions to Ordinary Unitholders (\$'000) | 6,474 | 5,925 | 9.26% |
| Distributions for the half year ended 31 December 2005 (cents per unit) | 4.56 | 4.59 | (0.70%) |
| Basic earnings (cents per unit) | 5.72 | 5.81 | (1.55%) |
| Diluted earnings (cents per unit) | 5.64 | 5.71 | (1.23%) |
| | | | |
| | 31-Dec-05 | 30-Jun-05 | % Change |
| Total Assets (\$'000) | 298,006 | 288,417 | 3.32% |
| Total Borrowings (\$'000) | 153,687 | 143,399 | 7.17% |
| Unitholders equity | 137,213 | 129,858 | 5.66% |
| Ordinary Market Capitalisation (\$'000) | 120,196 | 130,299 | (7.75%) |
| Net tangible assets (NTA) \$ per ordinary unit (diluted) | 0.96 | 0.95 | 0.54% |
| Ordinary Unit Price (\$) | 0.84 | 1.00 | (16.00%) |
| Ordinary Units on issue | 143,090 | 130,299 | 9.82% |
| Preferred Indexed Convertible Equity Units Unit Price (\$) | 9.71 | 10.00 | (2.90%) |
| Preferred Indexed Convertible Equity Units on issue ('000) | 1,813 | 1,736 | 4.46% |
| | | | |
| Record Date | | | |
| September Quarter (Q1) distribution | 30-Sep-05 | | |
| December Quarter (Q2) distribution | 30-Dec-05 | | |
| | | | |
| Payment Date | | | |
| September Quarter (Q1) distribution | 15-Nov-05 | | |
| December Quarter (Q2) distribution | 14-Feb-06 | | |

The information on this page should be read in conjunction with the notes to the financial statements as at 31 December 2005

Directors' Report

Challenger Listed Investments Limited, the Responsible Entity of the Challenger Wine Trust ("the Trust"), presents its report together with the financial report of the Trust, for the half year ended 31 December 2005 and the independent auditors' review report thereon.

Directors

The names of the directors of Challenger Listed Investments Limited, being the responsible entity of the Challenger Wine Trust, during or since the end of the half-year are:

| | | |
|-----------------|----------|----------------------------|
| Stephen Gerlach | Chairman | |
| Ian M Martens | | |
| David Hall | | |
| Tim Foster | | Resigned 23 November 2005 |
| Robert Woods | | |
| Peter Polson | | |
| Russell Hooper | | |
| Ian Moore | | Appointed 18 November 2005 |
| Paul Rogan | | Appointed 23 November 2005 |

The directors were in office for the entire period unless otherwise stated.

Review and results of operations

The trust reported a net profit after tax of \$8.102m (2004: \$8.353m) for the half-year to 31 December 2005; a decrease of 3.0%. The distributable profit for ordinary unitholders for the respective periods is \$6.474m and \$5.925m an increase of 9.26%. This distributable income will be continued to be calculated in the same manner in future periods.

Total assets grew by 9.24% from 31 December 2004 to reach \$298.0 million at 31 December 2005.

During the half-year, 6,952,124 additional ordinary units and 40,363 PICE units were issued. The new issues together with an increase of \$6.7 million in borrowings were applied for the purpose of acquiring additional developing property assets.

Auditor's independence declaration



■ Santos House
91 King William Street
Adelaide SA 5000
Australia

■ Tel 61 8 8233 7111
Fax 61 8 8213 1775
DX 155 Adelaide

GPO Box 1271
Adelaide SA 5001

Auditor's Independence Declaration to the Directors of Challenger Listed Investments Ltd, being the Responsible Entity of the Challenger Wine Trust.

In relation to our review of the financial report of the Challenger Wine Trust for the half-year ended 31 December 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Signed in accordance with a resolution of the directors.

I M Martens
Director

Dated this 8th day of February 2006

Location Sydney

Condensed income statement

for the half-year ended 31 December 2005

| | Notes | Consolidated | |
|---|-------|---------------------|---------------------|
| | | 31 Dec 05 \$'000 | 31 Dec 04 \$'000 |
| Revenue | 3 | 14,034 | 12,403 |
| Other Income | 3 | 1,823 | 1,929 |
| Finance Costs | 3 | (6,019) | (4,452) |
| Depreciation | | (193) | (134) |
| Other Expenses | | (1,543) | (1,393) |
| Net Operating Profit attributable to members | 4 | 8,102 | 8,353 |

Earnings per unit

Earnings per ordinary units (cents per unit)

Basic earnings per unit for the half-year 5.72 5.81

Basic earnings per unit from continuing operations 5.72 5.81

Diluted earnings per unit for the half-year 5.64 5.71

Diluted earnings for profit from the continuing operations 5.64 5.71

Distributions per unit

Distributions paid per unit 4.56 4.59

Condensed balance sheet

as at 31 December 2005

| | Notes | Consolidated | |
|--|-------|---------------------|---------------------|
| | | 31 Dec 05 \$'000 | 30 Jun 05 \$'000 |
| Current Assets | | | |
| Cash | 16 | 757 | 3,380 |
| Available for sale financial assets (Term deposits) | | 2,055 | - |
| Investments | | - | 2,004 |
| Trade receivables and other receivables | | 1,679 | 638 |
| Prepayments | | 541 | 561 |
| Total Current Assets | | 5,032 | 6,583 |
| Non-Current Assets | | | |
| Investment properties | 5 | 39,788 | 37,562 |
| Vines (including integral infrastructure and water rights) | 6 | 244,854 | 235,757 |
| Plant and equipment | 7 | 6,835 | 7,018 |
| Other Receivables | | 997 | 997 |
| Available for sale financial assets | | 500 | - |
| Investments | | - | 500 |
| Total Non-Current Assets | | 292,974 | 281,834 |
| Total Assets | | 298,006 | 288,417 |
| Current Liabilities | | | |
| Payables | 8 | 2,118 | 5,712 |
| Distributions payable | | 3,284 | 3,515 |
| Rent received in advance | | 1,704 | 3,266 |
| Total Current Liabilities | | 7,106 | 12,493 |
| Non-Current Liabilities | | | |
| PICE units | 9 | 16,825 | - |
| Derivative hedge financial instruments | 10 | 3,218 | - |
| Borrowings external | | 133,644 | 126,965 |
| Total Non-Current Liabilities | | 153,687 | 126,965 |
| Total Liabilities | | 160,793 | 139,458 |
| Net Assets | | | |
| | | 137,213 | 148,959 |
| Units on issue | 12 | 124,016 | 134,280 |
| Retained earnings | | 15,914 | 14,286 |
| Reserves | 13 | (2,717) | 393 |
| Total Equity | | 137,213 | 148,959 |

Condensed cash flow statement
for the half-year ended 31 December 2005

| Notes | Consolidated | |
|---|---------------------|---------------------|
| | 31 Dec 05 \$'000 | 31 Dec 04 \$'000 |
| Cash Flows from Operating Activities | | |
| Receipts from customers | 13,276 | 15,626 |
| Payments to suppliers and employees | (6,136) | (3,782) |
| Borrowing costs | (6,312) | (4,460) |
| Interest received | 147 | 322 |
| Dividends received | 27 | 26 |
| Net Cash Flows from Operating Activities | 1,002 | 7,732 |
| Cash Flows from Investing Activities | | |
| Acquisition of property | (10,704) | (20,093) |
| Disposal of property | - | - |
| Payments for deposits | - | - |
| Payments to subsidiary entities | - | - |
| Proceeds from deposits | (10) | 4,876 |
| Payments for purchase of securities | - | - |
| Net Cash Flows from Investing Activities | (10,714) | (15,217) |
| Cash Flows from Financing Activities | | |
| Cash proceeds from the issue of PICE units | 392 | 164 |
| Cash proceeds from the issue of Ordinary units | 6,225 | 3,885 |
| Proceeds from borrowings | 6,678 | 12,659 |
| Payment for capital raising | (55) | (74) |
| Distributions to unit holders | (6,259) | (6,667) |
| Net Cash Flows from Financing Activities | 6,981 | 9,967 |
| Net increase/(decrease) in cash held | (2,731) | 2,482 |
| Add opening cash brought forward | 3,380 | 568 |
| Effect of exchange rate changes on cash | 108 | 20 |
| Cash and cash equivalents at end of period | 757 | 3,070 |

Condensed statement of changes in equity

for the half-year ended 31 December 2005

| | Issued Capital \$'000 | Retained Earnings \$'000 | Reserves \$'000 | Total \$'000 |
|--|--------------------------|--------------------------------|--------------------|-----------------|
| Balance as at 1 July 2004 | 124,185 | 10,188 | - | 134,373 |
| Currency translation differences | - | - | 591 | 591 |
| Net Gains on interest rate hedges | - | - | - | - |
| Total income and expense for the period recognised directly in equity | - | - | 591 | 591 |
| Profit for the period | - | 8,353 | - | 8,353 |
| Total income/expense for the period | - | 8,353 | 591 | 8,944 |
| Issues of Units | 4,049 | - | - | 4,049 |
| Capital Raising Costs | (68) | - | - | (68) |
| Equity distributions | - | (6,772) | - | (6,772) |
| Balance as at 31 December 2004 | 128,166 | 11,769 | 591 | 140,526 |
| Balance as at 1 July 2005 | 117,846 | 14,286 | (2,273) | 129,859 |
| Currency translation differences | - | - | 109 | 109 |
| Net Gains on interest rate hedges | - | - | (553) | (553) |
| Total income and expense for the period recognised directly in equity | 117,846 | 14,286 | (2,717) | 129,415 |
| Profit for the period | - | 8,102 | - | 8,102 |
| Total income/expense for the period | 117,846 | 22,388 | (2,717) | 137,517 |
| Issues of Units | 6,225 | - | - | 6,225 |
| Capital Raising Costs | (55) | - | - | (55) |
| Equity distributions | - | (6,474) | - | (6,474) |
| Balance as at 31 December 2005 | 124,016 | 15,914 | (2,717) | 137,213 |

Refer to Notes to the half year financial statements 1 (e)(i)

Notes to the half-year financial statements

31 December 2005

Note 1. Corporate Information

The half-year financial report for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the directors on 8th February 2006.

Challenger Wine Trust is a trust incorporated in Australia limited by units which are publicly traded on the Australian Stock Exchange.

Note 2. Basis of preparation of the half-year financial report

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of the Challenger Wine Trust as at 30 June 2005 which was prepared based on Australian Accounting Standards applicable before 1 January 2005 ('AGAAP'). It is also recommended that the half-year financial report be considered together with any public announcements made by Challenger Wine Trust and its controlled entities during the half-year ended 31 December 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Australian Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on an historical cost basis, except for investment properties, vines including integral infrastructure and water rights, winery land and buildings, derivative financial instruments and available for sale-financial assets that have been measured at fair value.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half-year financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Trust under ASIC Class Order 98/0100. The Trust is an entity to which the Class Order applies.

(b) Statement of compliance

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first half-year financial report prepared based on AIFRS and comparatives for the half-year ended 31 December 2004 and full-year ended 30 June 2005 have been restated accordingly, except for the adoption of AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement as the group has adopted the exemption under AASB1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards to apply AASB 132 and AASB 139 from 1 July 2005. A summary of the significant accounting policies of the Trust under AIFRS are disclosed in Note 1(c) below.

Reconciliations of:

- AIFRS equity as at 1 July 2004, 31 December 2004, 30 June 2005 and 1 July 2005; and
- AIFRS profit for the half-year ended 31 December 2004 and full year ended 30 June 2005, to the balances reported in the 31 December 2004 half-year report and 30 June 2005 full-year financial report prepared under AGAAP are detailed in Note 1(e) below.

Australian Accounting Standards that have recently been amended but are not yet effective, have not been adopted for the half year reporting period ended 31 December 2005. The table below outlines each of these amended standards and the expected change in accounting policy when applied, if any.

| AASB Amendment | Affected Standard(s) | Nature of change to accounting policy | Application date of standard* | Application date of Group |
|----------------|---|--|-------------------------------|---------------------------|
| 2005-1 | AASB 139: <i>Financial Instruments: Recognition and Measurement</i> | No change to accounting policy required. Therefore no impact | 1 January 2006 | 1 July 2006 |
| 2005-5 | AASB 1: <i>First-time adoption of AIFRS</i> , AASB 139: <i>Financial Instruments: Recognition and Measurement</i> | No change to accounting policy required. Therefore no impact | 1 January 2006 | 1 July 2006 |
| 2005-6 | AASB 3: <i>Business Combinations</i> | No change to accounting policy required. Therefore no impact | 1 January 2006 | 1 July 2006 |
| 2005-10 | AASB 132: <i>Financial Instruments: Presentation</i> , AASB 101: <i>Presentation of Financial Statements</i> , AASB 114: <i>Segment Reporting</i> , AASB 117: <i>Leases</i> , AASB 133: <i>Earnings per Share</i> , AASB 139: <i>Financial Instruments: Recognition and Measurement</i> , AASB 1: <i>First-time adoption of AIFRS</i> , AASB 4: <i>Insurance Contracts</i> , AASB 1023: <i>General Insurance Contracts</i> and AASB 1038: <i>Life Insurance Contracts</i> | No change to accounting policy required. Therefore no impact | 1 January 2007 | 1 July 2007 |
| New standard | AASB 7 <i>Financial Instruments: Disclosures</i> | No change to accounting policy required. Therefore no impact | 1 January 2007 | 1 July 2007 |

*Application date is for the annual reporting periods beginning on or after that date with early adoption permitted for annual reporting periods beginning on or after 1 January 2005.

The following amendments are not applicable to the Group and therefore have no impact.

| AASB Amendment | Affected Standard(s) |
|----------------|--|
| 2005-2 | AASB 1023: <i>General Insurance Contracts</i> |
| 2005-4 | AASB 139: <i>Financial Instruments: Recognition and Measurement</i> , AASB 132: <i>Financial Instruments: Disclosure and Presentation</i> , AASB 1: <i>First-time adoption of AIFRS</i> , AASB 1023: <i>General Insurance Contracts</i> and AASB 1028: <i>Life Insurance Contracts</i> |
| 2005-9 | AASB 4: <i>Insurance Contracts</i> , AASB 1023: <i>General Insurance Contracts</i> , AASB 139: <i>Financial Instruments: Recognition and Measurement</i> and AASB 132: <i>Financial Instruments: Disclosure and Presentation</i> |
| 2005-12 | AASB 1038: <i>Life Insurance Contracts</i> and AASB 1023: <i>General Insurance Contracts</i> |
| 2005-13 | AAS 25: <i>Financial Reporting by Superannuation Plans</i> |

(c) Summary of significant accounting policies

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Challenger Wine Trust and its subsidiaries ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. All subsidiaries in the Group have been wholly owned throughout the reporting period.

(ii) Foreign currency translation

Both the functional and presentation currency of Challenger Wine Trust and its Australian subsidiaries is Australian dollars (A\$). The functional currency of the New Zealand subsidiary (Beston Delegats Wine Trust) is New Zealand dollars and is reported in Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of this overseas subsidiary are translated into the presentation currency of Challenger Wine Trust at the rate of exchange ruling at the balance sheet date and the income statements are translated at the spot rate on the effective date of each transaction. The exchange differences arising on the retranslation are taken directly to a separate component of equity.

(iii) Investment properties

Initially, investment properties, which include vineyard land and winery land and buildings, are measured at cost including transaction costs. Subsequent to initial recognition investment properties are stated at fair value.

Independent valuations of vineyard properties are obtained annually from suitably qualified valuers. The directors of the Responsible Entity make reference to these independent valuations when assessing the fair value of investment properties at each reporting date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise. The balance of revaluations from prior periods is included in the opening balance of retained earnings.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

Any gains or losses on disposal or total write down of an investment property are recognised in the income statement in the period of the disposal or total write down.

(iv) Vines (including integral infrastructure and water rights)

Vines, integral infrastructure and water rights are initially recorded at cost including transaction costs. Subsequent to initial recognition, the vines, integral infrastructure and water rights are stated at fair value.

Independent valuations of vineyard properties are obtained annually from suitably qualified valuers. The Directors' valuations of vines, integral infrastructure and water rights are determined by reference to the total value of the vineyard property after deducting the value of bare land. The residual, after deducting the bare land value represents the value of vines, integral infrastructure and water rights which are not capable of separate valuation and are therefore recorded at their aggregated value.

The directors of the Responsible Entity make reference to these independent valuations when assessing the fair value of vines, integral infrastructure and water rights at each reporting date.

(v) Plant and Equipment

Winery plant and equipment assets are measured at cost, including relevant transactions costs, less accumulated depreciation and any impairment in value.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Any item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is de-recognised.

(vi) Depreciation

Investment properties and Vines (including integral infrastructure and water rights) are not required to be depreciated as per AASB140 Investment properties and AASB141 Agriculture respectively. Winery assets 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 |

(vii) Valuation adjustments

Fair value is determined by reference to market based evidence which is the amount for which an asset could be exchanged between knowledgeable willing buyer and knowledgeable willing seller in an arm's length transaction at the valuation date.

Changes in fair value of investment properties, vines (including integral infrastructure and water rights) are recognised directly in the income statement. The balance of revaluations from periods prior to the adoption of AIFRS is included in the opening balance of retained earnings.

(viii) Recoverable amount of assets

At each reporting date, the Directors assess whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Directors make a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(ix) Available for sale financial assets

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. Subsequent to their initial recognition, available for sale financial assets are recognised at fair value.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

(x) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(xi) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand.

(xii) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised costs are calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

(xiii) Preferred Income Convertible Equity (PICE) Units

The PICE units exhibit characteristics of a liability and are recognised as a liability in the balance sheet, net of issue costs.

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

On the issue of the PICE units, the fair value of the liability is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The distribution payable on this liability is treated as a finance cost.

(xiv) 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 generally monthly or quarterly, based on a premium over bond rates. Leases are renewable at the Lessee's option after the expiration of the initial lease term, in renewal periods of not less than 5 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 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;
- Maintenance, repair and replacement of items of a structural and or capital nature; and
- All operational costs related to the growing of grapes.

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 lessees. These options are exercisable upon expiry of the initial lease term or each 5 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.

All leases currently in place are operating leases.

Lease agreements entered into with lessees over vineyard properties and wineries 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.

(xv) Revenue

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

Rental income

Rental income arising on investment properties is accounted for in accordance with the provisions of the lease. The basic rent rate is increased annually at a rate not greater than CPI and in accordance with the terms of the lease. Contingent rental income is recognised as income in the periods in which it is earned. All rental income is recognised net of GST.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Distributions

Revenue is recognised when the unitholders' right to receive the payment is established.

(xvi) Distributions per unit

Basic distribution per unit (DPU) is calculated as the net profit for the half year attributable to Ordinary unitholders divided by the weighted average number of Ordinary units outstanding during the year.

Diluted DPU is calculated as the net profit attributable to ordinary unitholders (adjusted for distributions on PICE units) divided by the weighted average number of Ordinary units outstanding during the year (adjusted for the dilutive effect of the weighted average number of the PICE units outstanding during the year).

(xvii) 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.

(xviii) Derivative financial instruments

The Group uses interest rate swap derivative financial instruments to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to cash flow hedges (interest rate swaps) to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

The gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

(d) AASB 1 Transitional exemptions

The Group has made its election in relation to the transitional exemptions allowed by AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards as follows:

Business combinations

AASB 3 Business Combinations was not applied retrospectively to past business combinations (ie business combinations that occurred before the date of transition to AIFRS).

Designation of previously recognised financial instruments

Financial instruments were designated as financial assets or liabilities at fair value through profit or loss or as available-for-sale at the date of transition to AIFRS.

Exemption from the requirement to restate comparative information for AASB 132 and AASB 139

The Group has elected to adopt this exemption and has not applied AASB 132 Financial Instruments: Presentation and Disclosure and AASB 139 Financial Instruments: Recognition and Measurement to its comparative information.

(e) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below.

(i) Reconciliation of total equity as presented under AGAAP to that under AIFRS

| | 1 Jul 2005 \$'000 | 30 Jun 2005 \$'000 | 31 Dec 2004 \$'000 | 1 Jul 2004 \$'000 |
|---|----------------------|-----------------------|-----------------------|----------------------|
| Total Equity Under AGAAP | 148,959 | 148,959 | 140,526 | 134,373 |
| Net Increases in Equity | | | | |
| Changes in Retained Earnings (a) | - | 14,286 | 11,775 | 10,194 |
| | <hr/> 148,959 | <hr/> 163,245 | <hr/> 152,301 | <hr/> 144,567 |
| Net Decreases in Equity | | | | |
| Changes in PICE units (b) | (16,434) | - | - | - |
| Transfer of reserves to retained earnings (c) | - | (14,286) | (11,775) | (10,194) |
| Derivative financial instruments (d) | (2,666) | - | - | - |
| Total Equity under AIFRS | <hr/> <hr/> 129,859 | <hr/> <hr/> 148,959 | <hr/> <hr/> 140,526 | <hr/> <hr/> 134,373 |

- a. Retained earnings now include items previously reported as revaluation reserves and foreign currency translation reserves.
- b. PICE units were treated as capital under AGAAP but they exhibit characteristics of a liability under AIFRS and have been recognised as a liability in the balance sheet.
- c. Under AASB140 and AASB141 changes in the fair value of investment properties and vines are taken directly to the profit and loss. The existing asset revaluation reserve has therefore been transferred to retained earnings on transition. The opening balance of the foreign currency transaction reserve has been transferred to retained earnings on transition
- d. Derivative financial instruments are interest swap hedge contracts which are executed in conjunction with property funding contracts. The amount brought to account represents the current market value of those swaps if they were to be terminated at 31 December 2005.

(ii) Reconciliation of profit after tax under AGAAP to that under AIFRS

| | 30 Jun 2005 | 31 Dec 2004 |
|--|--------------------|--------------------|
| | \$'000 | \$'000 |
| Profit after tax as previously reported | 13,731 | 6,772 |
| Fair value movement in investment properties (a) | 4,098 | 1,581 |
| Profit after tax under AIFRS | <u>17,829</u> | <u>8,353</u> |

- a. Fair value movements in investment properties are recognised in the income statement under AASB 140 Investment Property, but were taken to the asset revaluation reserve under AGAAP. The decline in fair value during the period reduced the profit under AIFRS.

(iii) Explanation of material adjustments to the cash flow statements

There are no differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

Note 3. Revenue and Expenses

Specific items

Net operating profit attributable to members includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:

| | Consolidated | |
|------------------------------------|---------------------|------------------|
| | 31 Dec 05 | 31 Dec 04 |
| | \$'000 | \$'000 |
| (i) Revenue | | |
| Rental income | 14,034 | 12,403 |
| | <u>14,034</u> | <u>12,403</u> |
| (ii) Other Income | | |
| Interest and Other Income | 169 | 348 |
| Property Revaluations | 1,627 | 1,581 |
| Dividends Received | 27 | - |
| | <u>1,823</u> | <u>1,929</u> |
| (iii) Finance Costs | | |
| Interest expense - bank borrowings | (5,115) | (4,452) |
| Interest expense - PICE units | (904) | - |
| | <u>(6,019)</u> | <u>(4,452)</u> |

Note 4. Net Operating Profit attributable to members

The 2005 net operating profit after tax reported in the condensed income statement has been calculated after deducting distributions to PICE unitholders, which are required to be recognised as borrowing costs under AIFRS. Since AIFRS does not allow the re-statement of the 2004 net profit after tax for this adjustment the following note has been prepared to restate the 2004 comparative information for this new treatment and thereby assist comparability of information disclosed for the reported periods.

| | 31 Dec 05 \$'000 | 31 Dec 04 \$'000 |
|--|---------------------|---------------------|
| Net Operating Profit attributable to members | 8,102 | 8,353 |
| less PICE distribution for December 2004 half year | - | (848) |
| | <u>8,102</u> | <u>7,505</u> |

Note 5. Investment Properties

| | Consolidated | |
|---------------------------|---------------------|---------------------|
| | 31 Dec 05 \$'000 | 30 Jun 05 \$'000 |
| Vineyard land | 37,677 | 36,139 |
| Winery land and buildings | 2,111 | 1,423 |
| | <u>39,788</u> | <u>37,562</u> |

Note 6. Vines (including integral infrastructure and water rights)

| | Consolidated | |
|-----------|---------------------|---------------------|
| | 31 Dec 05 \$'000 | 30 Jun 05 \$'000 |
| Vineyards | 244,854 | 235,757 |
| | <u>244,854</u> | <u>235,757</u> |

Note 7. Plant and Equipment

| | Consolidated | |
|------------------|---------------------|---------------------|
| | 31 Dec 05 \$'000 | 30 Jun 05 \$'000 |
| Wineries | 6,826 | 7,009 |
| Office Equipment | 9 | 9 |
| | <u>6,835</u> | <u>7,018</u> |

Note 8. Payables

| | Consolidated | |
|--------------------|---------------------|---------------------|
| | 31 Dec 05 \$'000 | 30 Jun 05 \$'000 |
| Trade payables | 1,376 | 5,733 |
| PICE distributions | 454 | - |
| Other | 288 | (21) |
| | <u>2,118</u> | <u>5,712</u> |

Note 9. PICE units

| | Consolidated | |
|------------|--------------|-----------|
| | 31 Dec 05 | 30 Jun 05 |
| | \$'000 | \$'000 |
| PICE Units | 16,825 | - |

The PICE units are required to be recognised as a liability under AASB 132 Financial Instruments: *Presentation and Disclosure* and AASB 139 *Financial Instruments: Recognition and Measurement* which became effective for application from 1 July 2005. The Trust has elected to adopt the transitional exemption allowed by AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* and has not applied AASB 132 and AASB 139 to its comparative information. AIFRS does not permit the disclosure of comparative information in respect of this item. If disclosure was permitted the trust would have reported a liability of \$16,434 (rounded to \$'000) as at 30 June 2005.

Note 10. Derivative hedge financial instruments

| | Consolidated | |
|----------------------------------|--------------|-----------|
| | 31 Dec 05 | 30 Jun 05 |
| | \$'000 | \$'000 |
| Derivative financial instruments | 3,218 | - |
| | <u>3,218</u> | <u>-</u> |

The Trust uses interest rate swap derivative financial instruments to hedge its risks associated with interest rate fluctuations. The interest rate swaps are executed in conjunction with property funding contracts. These derivative financial instruments are stated at fair value. For the purposes of hedge accounting these interest rate swap hedges are classified as cash flow hedges as they hedge exposure to variability in cash flows attributable to interest rate fluctuations.

These cash flow hedges (interest rate swaps) meet the conditions for hedge accounting and as such the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity in the derivatives financial instruments reserve.

The interest rate swaps are recognised under AASB 132 Financial Instruments: *Presentation and Disclosure* and AASB 139 *Financial Instruments: Recognition and Measurement* which became effective for application from 1 July 2005. The Trust has elected to adopt the transitional exemption allowed by AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* and has not applied AASB 132 and AASB 139 to its comparative information. AIFRS does not permit the disclosure of comparative information in respect of this item. If disclosure was permitted the trust would have reported a liability of \$2,666 (rounded to \$'000) as at 30 June 2005.

Note 11. Distributions paid and proposed

| | Consolidated | |
|--|--------------|---------------|
| | 31 Dec 05 | 30 Jun 05 |
| | \$'000 | \$'000 |
| (a) Distributions proposed and recognised as a liability during the half year | | |
| | 3,284 | 3,515 |
| (b) Distributions paid during the half-year (30 June 2005 - full year) | | |
| From current year profits | 3,188 | 10,421 |
| Total distributions paid or payable from current year profits | <u>6,472</u> | <u>13,936</u> |
| Prior year distributions paid from prior year profits | <u>3,070</u> | <u>3,345</u> |

Note 12. Units on issue

| | 31 Dec 05 \$'000 | 30 Jun 05 \$'000 |
|--|---------------------|---------------------|
| Ordinary Units | | |
| Beginning of the financial year | 130,340 | 124,114 |
| Issue during the year less issue costs | (6,324) | (6,268) |
| Balance of Ordinary units at the end of the year | <u>124,016</u> | <u>117,846</u> |
| PICE Units | | |
| Beginning of the financial year | - | 16,434 |
| Issue during the year less issue costs | - | - |
| Balance of PICE units at the end of the year | <u>-</u> | <u>16,434</u> |
| Equity balance at the end of the year | <u>124,016</u> | <u>134,280</u> |

On 1 July 2005 PICE units were reclassified as borrowings as reported in note 2 (xiii)

| | | 31 Dec 05 \$'000 |
|--|-------------------|---------------------|
| Movement in Ordinary units on issue | # of units | |
| Balance as at 1 July 2005 | 136,138 | 117,846 |
| Issued during the half year | | |
| - Distribution reinvestment plan | 6,952 | 6,170 |
| Balance as at 31 December 2005 | <u>143,090</u> | <u>124,016</u> |

Note 13. Reserves

| | Consolidated | |
|--------------------------------------|---------------------|---------------------|
| | 31 Dec 05 \$'000 | 30 Jun 05 \$'000 |
| Foreign currency translation reserve | 501 | 393 |
| Derivative financial instruments | (3,218) | - |
| | <u>(2,717)</u> | <u>393</u> |

Note 14. Segment Reporting

The Trust operates entirely within Australasia, investing in vineyard properties for lease to vineyard operators and wine industry infrastructure assets.

Note 15. Contingent assets and liabilities

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

Note 16. Additional information

Reconciliation of cash

For the purposes of the condensed cash flow statement, cash and cash equivalents comprise the following at 31 December:

| | Consolidated | |
|--------------------------|---------------------|------------------|
| | 31 Dec 05 | 30 Jun 05 |
| | \$'000 | \$'000 |
| Cash at bank and in hand | 757 | 3,380 |
| Bank overdraft | - | - |
| Total Assets | <u>757</u> | <u>3,380</u> |

Directors' Declaration

In accordance with a resolution of the directors of Challenger Listed Investments Limited, the Responsible Entity of the Challenger Wine Trust, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity:

- (i) give a true and fair view of the financial position as at 31 December 2005 and the performance for the half year ended on that date of the consolidated entity; and
- (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable

On behalf of the Board



I M Martens
Director

Dated this 8th day of February 2006

Location Sydney .

Independent review report to unitholders of Challenger Wine Trust

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity and accompanying notes to the financial statements for the consolidated entity comprising both Challenger Wine Trust (the Trust) and the entities it controlled during the half year ending 31 December 2005, and the directors' declaration for the Trust, for the period ended 31 December 2005.

The directors of the responsible entity, Challenger Listed Investments Limited, are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", 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.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the unitholders of the Trust, and in order for the Trust to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

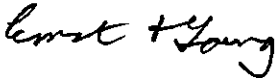
Independence

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 responsible entity a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

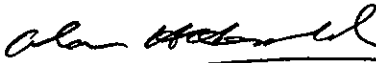
Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising Challenger Wine Trust and the entities it controlled during the half year ending 31 December 2005 is not in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2005 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



Alan H Herald
Partner
Adelaide

Date: 8 February 2006