

# Challenger Wine Trust

2006 annual results presentation

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# Achievements

- Trust performance
  - Net profit \$16.1 million
  - Net operating profit (pre-AIFRS impacts) \$14.9 million
  - Distribution per ordinary unit 9.06 cents
  - NTA \$0.96 per unit
- Portfolio performance
  - Occupancy maintained at 100%
  - Weighted average lease expiry (by income) of 7 years
  - Portfolio composition strengthened via:
    - negotiation of new leases
    - ongoing developments
    - divestment of non-strategic asset

# Financial performance

- Net operating profit (pre-AIFRS impacts\*) up 8.7%

	<b>FY06</b>	<b>FY05</b>
Net profit (\$m)	16.1	17.8
Unrealised gains on property valuations (\$m)	(2.9)	(4.1)
PICE unit interest expense (\$m)	1.7	-
<b>Net operating profit (pre-AIFRS impacts*) (\$m)</b>	<b>14.9</b>	<b>13.7</b>
Distribution per ordinary unit (cents)	9.06	9.12
Distribution per PICE unit (cents)	100.97	98.36

\* AIFRS impacts include the recognition of unrealised gains from property valuations and additional interest expense incurred as a result of the re-classification of PICE units from equity to debt.

# Financial position

- Gearing 43.6% (pre-AIFRS impacts)

	<b>FY06</b>	<b>FY05</b>
Total assets (\$m)	296.3	288.4
Borrowings (\$m)	142.8	127.0
Gearing (%)	48.2	44.0
Gearing (excluding PICE units*) (%)	43.6	44.0
Net assets (\$m)	145.5	149.0
NTA per unit (\$)	0.96	0.96

\* AIFRS impacts include the re-classification of PICE units from equity to debt.

# Capital management

- NTA \$0.96 per unit – consistent with 30 June 2005

	Net Assets \$m	NTA per unit \$
<b>Closing balance at 30 June 2005</b>	<b>149.0</b>	<b>0.96</b>
AIFRS adjustment <sup>1</sup>	(2.7)	
Opening balance at 1 July 2005	146.3	
Transfer of PICE units to liabilities	(16.4)	
New units issued (net of issue costs) <sup>2</sup>	13.3	
Profit for the year	16.1	
Distribution paid/payable	(13.2)	
Movement in reserves <sup>3</sup>	(0.6)	
<b>Closing balance at 30 June 2006</b>	<b>145.5</b>	<b>0.96</b>

1. AIFRS adjustment reflects opening fair value of the effective cash flow hedge reserve.

2. During the year 11,823,000 ordinary units and 45,000 PICE units were issued.

3. Cash flow hedge reserve and foreign currency translation reserve.

# Capital management

- Borrowings have 100% fixed interest rate exposure
  - Interest rate hedge duration in line with individual lease terms
- \$53.1 million of borrowings in New Zealand dollars
  - 82.0% of NZ portfolio value
  - Natural foreign exchange hedge
- Weighted average cost of debt 7.5%

# Portfolio highlights

- New leases to Pernod Ricard Pacific Pty Ltd over Lawsons and Richmond Grove vineyards
  - Pernod Ricard Pacific Pty Ltd now occupy 15% of portfolio
- In negotiations with McGuigan Simeon Wines Limited for two year lease extension at Hermitage Road Winery
  - No further portfolio lease expiry until Feb 2008
- Sale of Oakridge Vineyard for \$2.7 million
  - Sale transacted at marginally above book value
  - Exposure to Evans and Tate Limited now 5.3%

# Achieving strategic portfolio objectives

## Objective

1. Maintaining full occupancy



2. Long term leases



3. Fixed rental review structures



## Current status

100% occupancy

- Majority of leases 10yrs with 3 x 5yr options
- Weighted average lease expiry (by income) of 7 years

Annual rental reviews

- 52% to CPI
- 48% fixed at 1.5%

# Achieving strategic portfolio objectives

## Objective

4. Preference for warm climate over cool climate vineyards



5. Preference for wine companies over contract growers



## Current status

Warm climate vineyards represent 72% of Australian portfolio (by value)

Wine companies represent 88% of portfolio tenants (by income)

# Achieving strategic portfolio objectives

## Objective

6. Preference for large scale development vineyards



## Current status

- 46% portfolio consists of development assets
- Average size of development vineyard 247 hectares

7. Diversification by:

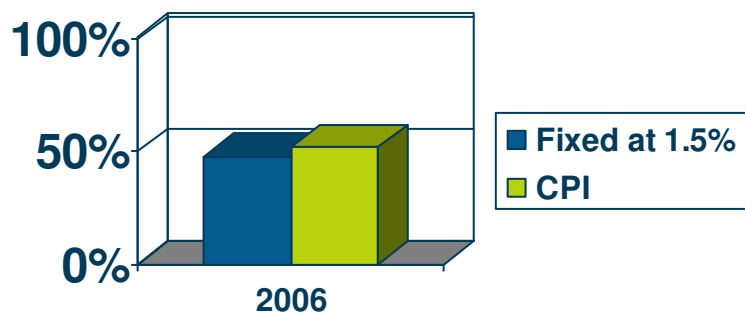
- asset
- tenant
- geographic location



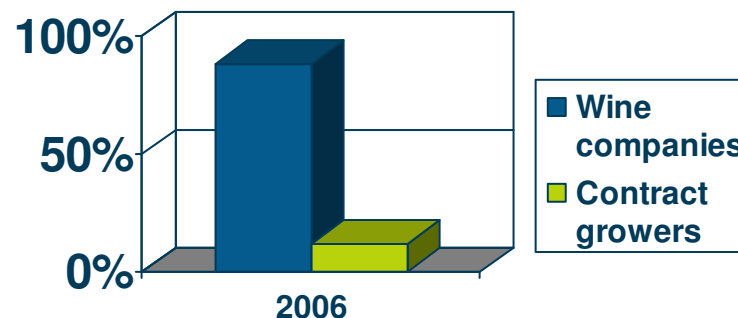
- 33 assets
- 12 tenants
- Located across Australian (78%) and NZ (22%) wine growing regions

# Strategic portfolio composition

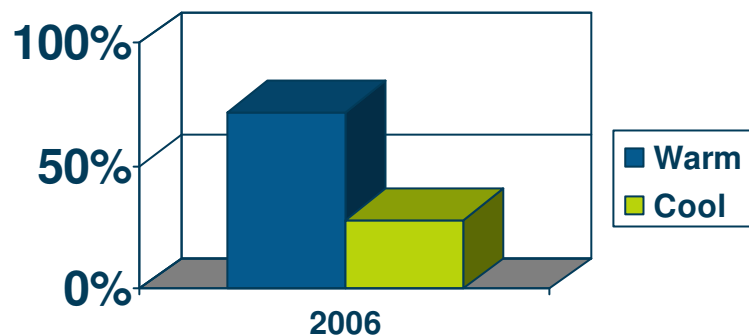
Portfolio by rent review type  
(by income)



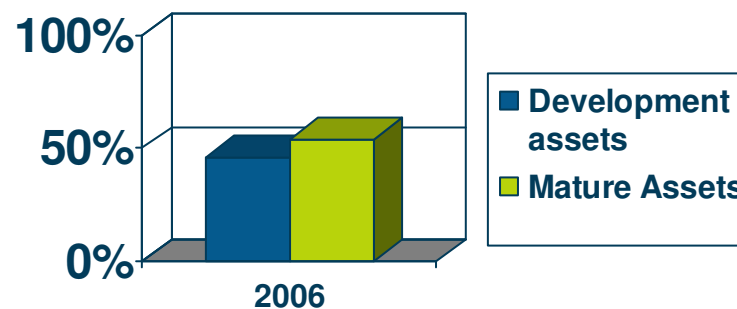
Portfolio by tenant type  
(by income)



Australian portfolio by vineyard climate  
(by value)

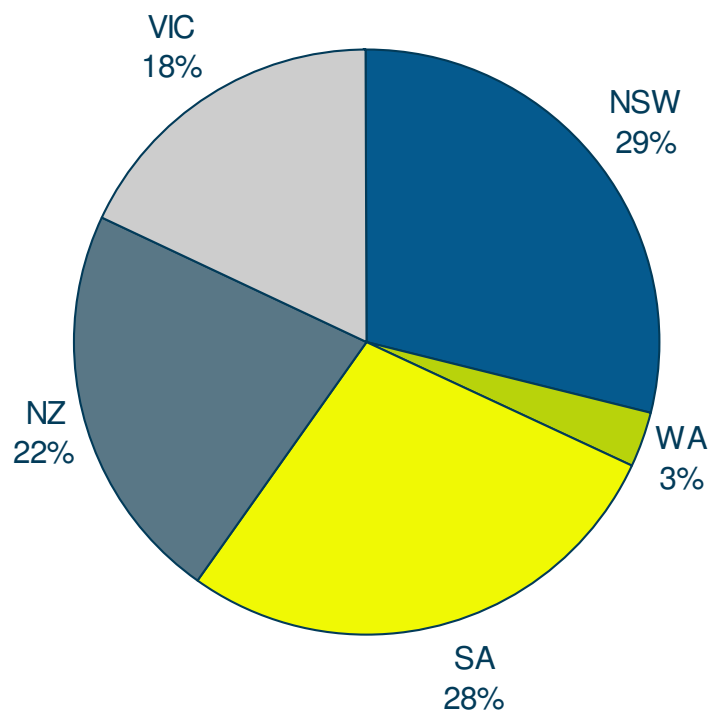


Portfolio by asset type  
(by value)

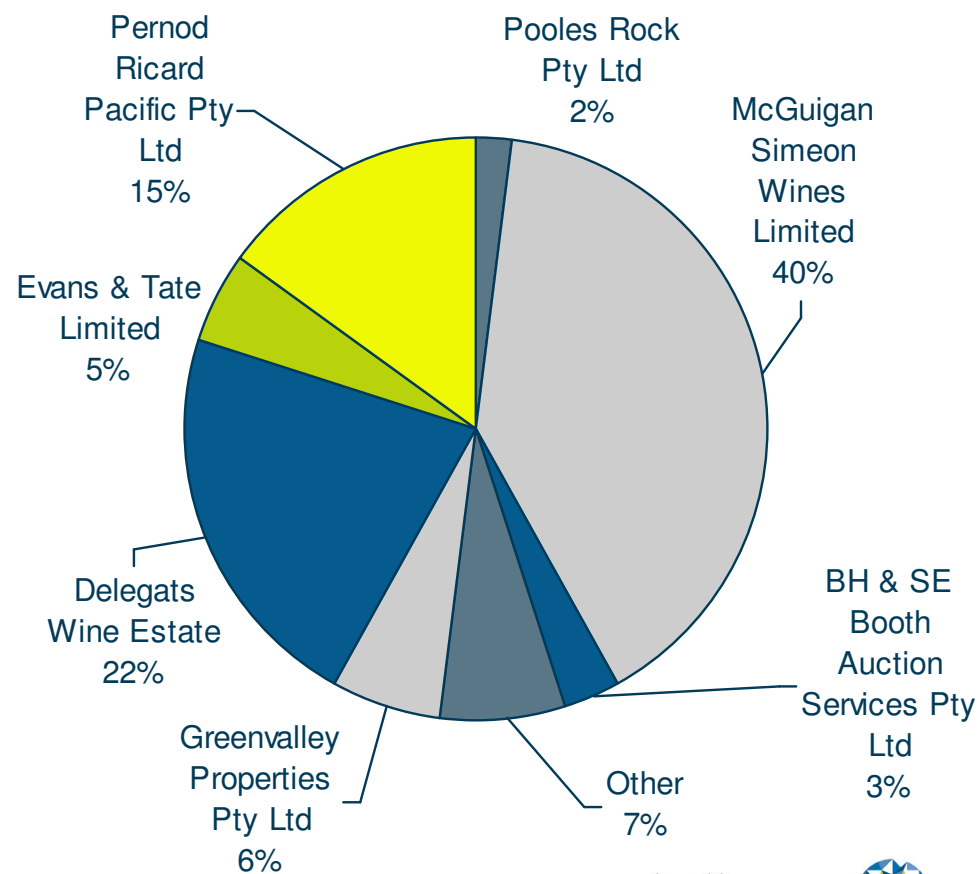


# Strategic portfolio composition

**Geographic diversification (by value)**  
30 June 2006



**Tenant diversification (by value)**  
30 June 2006



# Portfolio value

- Assets independently revalued in FY06\*
- Valuation methodology
  - DCF of rental income streams and estimated terminal value
  - Adoption of discount rate appropriate to specific tenant and asset
  - Estimated terminal value calculated using estimated yield and projected district average grape prices at end of lease
- \$2.9 million increase in asset values recorded
  - Strong New Zealand market conditions
  - 72% weighting to warm climate vineyards in Australian portfolio

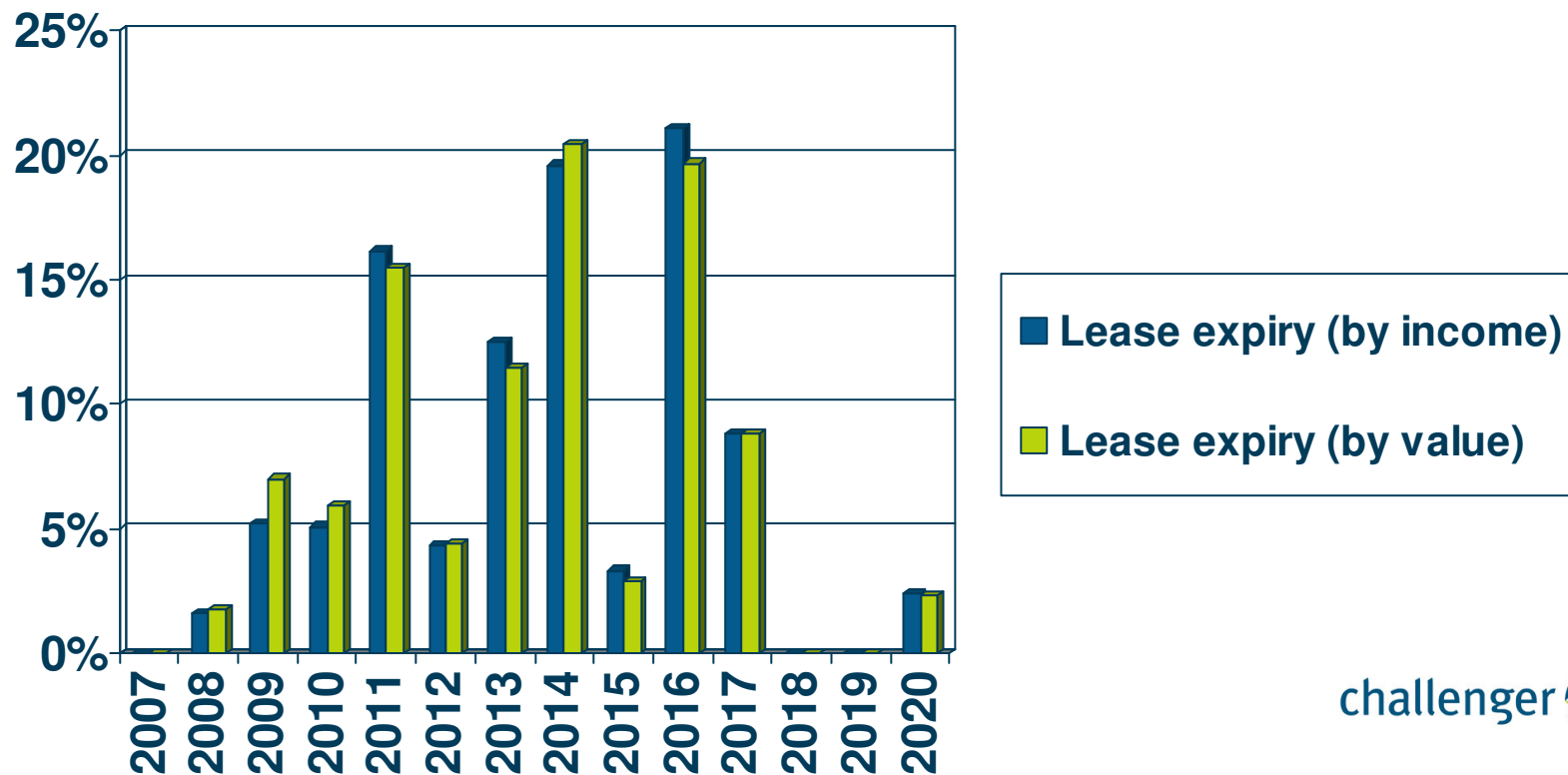
*\* With the exception of the Grand Junction development asset which was acquired in June 2005 and is carried at cost.*

# Portfolio development projects

- 10 development and upgrade projects underway
- \$17.2 million capital expenditure undertaken in FY06
  - Schubert's vineyard project completed at total cost of \$6.3 million
- Forecast \$30.4 million capital expenditure over next four years
  - Four development projects to be completed in FY07

# Portfolio focus

- No lease expiries in FY07 (post two year lease extension at Hermitage Road Winery)
- Only 1.7% of portfolio income subject to expiry in FY08



# Portfolio focus

- Upcoming lease expiries

Expiry date	Lessee	Lessee	% income
Feb-08	Summers Hill	Burge Corp Pty Ltd	0.6%
Feb-08	Corryton Park	Burge Corp Pty Ltd	1.1%
Oct 08	Hermitage Road	McGuigan Simeon Wines Limited	1.9%
Oct-08	Cowra Vineyard	McGuigan Simeon Wines Limited	1.5%
Oct-08	Sandy Hollow	McGuigan Simeon Wines Limited	1.9%
Oct-08	Bethany Creek & Vine Vale	McGuigan Simeon Wines Limited	0.7%
Oct-08	Waikerie	McGuigan Simeon Wines Limited	1.0%
Jul-09	Inglewood	Inglewood Vineyards Pty Ltd	0.5%
Jul-09	Dalswinton	Inglewood Vineyards Pty Ltd	1.7%

# Trust strategy and outlook

- CWT offers a high level of income security and predictability
  - 100% occupancy and WALE (by income) of 7 years
  - Strategic portfolio composition with preference for low risk exposures
- Active management of portfolio to maintain defensive characteristics
  - Development of large scale assets with long leases
  - Sale of non-strategic assets
- Capital management initiatives
  - Suspension of DRP