

**Appendix 4E**  
**Results for announcement to the market**  
**Annual results for the period ended 30 June 2006**  
Challenger Wine Trust ARSN 092 960 060

	<b>Year ended 30-Jun-06 \$'000</b>	<b>Year ended 30-Jun-05 \$'000</b>	<b>Variance \$'000</b>	<b>Variance %</b>
2.1(a) Revenue from ordinary activities	28,478	26,196	2,282	8.7
2.1(b) Net operating income before fair value movements in non-current assets	13,171	13,731	(560)	(4.1)
2.2 Profit from ordinary activities after tax attributable to members	16,122	17,823	(1,701)	(9.5)
2.3 Net profit attributable to members	16,122	17,823	(1,701)	(9.5)

2.4/2.5 Amounts per security of all distributions paid during the period:

	<b>Ordinary units (cents per unit)</b>	<b>PICE units (cents per unit)</b>	<b>Record date</b>	<b>Payment date</b>
- Quarter ended 30 Sep 2005	2.286	25.055	30-Sep-05	15-Nov-05
- Quarter ended 31 Dec 2005	2.272	25.055	31-Dec-05	14-Feb-06
- Quarter ended 31 Mar 2006	2.188	25.102	31-Mar-06	15-May-06
- Quarter ended 30 Jun 2006	2.316	25.757	30-Jun-06	15-Aug-06
<b>TOTAL</b>	<b>9.062</b>	<b>100.969</b>		

*Note: Distribution reinvestment plans (DRPs) were in operation for all distributions on ordinary and PICE units during the year. The last date for election to participate in the respective DRPs for the June 2006 distribution was 30 June 2006.*

2.6 Explanation of figures in 2.1 to 2.4

For an explanation of the above result refer to the following attached documents:

- Annual results market release
- Annual financial report



**Chris Robson**  
**Company Secretary**

15 August 2006

**Date**

## MARKET RELEASE

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### CHALLENGER WINE TRUST 2006 ANNUAL RESULTS

15 August 2006, Sydney – Challenger Wine Trust (ASX: CWT) has today announced a net profit of \$16.1 million. On a pre-AIFRS basis, the Trust's net operating profit was \$14.9 million, exceeding the 2005 result of \$13.7 million by 8.7 per cent.

This result was driven by consistent performance from the underlying portfolio, and has resulted in the Trust paying an annual distribution of 9.06 cents per ordinary unit, reflecting a distribution yield of 12.9 per cent on the 30 June 2006 unit price of \$0.70 cents per unit.

CWT's Chief Executive Mr Chris Atkins said: "CWT's diversified portfolio, combined with our strong tenant relationships has provided the basis for a solid operational result for the 2006 financial year. Importantly, the Trust continues to deliver on its core objective, providing a stable and secure income stream to unitholders."

#### Financial results

The Trust's net profit under AIFRS for the year ended 30 June 2006 of \$16.1 million included the impact of unrealised net gains from property valuations of \$2.9 million. After adjusting for these unrealised gains, the Trust delivered a net operating profit of \$13.2 million.

This compares to a net profit of \$17.8 million for the 2005 financial year (including unrealised net gains from property valuations of \$4.1 million), and a net operating profit of \$13.7 million.

The transition to AIFRS also resulted in the re-classification of the Trust's PICE units as debt rather than equity, and accordingly the return to PICE unitholders is represented as an interest expense of \$1.7 million in the Trust's 2006 net operating profit. In 2005 this return was represented as an after profit distribution. Removal of this additional interest expense provides a pre-AIFRS net operating profit of \$14.9 million for 2006, exceeding the 2005 net operating profit of \$13.7 million by 8.7 per cent.

On a per unit basis, after taking into account additional units issued under the DRP and via PICE unit conversions during the year, the Trust delivered an annual distribution of 9.06 cents per ordinary unit. This is marginally below the 9.12 cents per ordinary unit paid for the 2005 financial year.

At 30 June 2006, the Trust's total assets were \$296.3 million. The Trust's net tangible assets (NTA) per unit of \$0.96 remained consistent with the NTA per unit at 30 June 2005.



Total borrowings at 30 June 2006 were \$142.8 million, reflecting a gearing ratio of 48.2 per cent. After excluding the PICE units, the Trust's gearing was 43.6 per cent, which is consistent with the position at 30 June 2005. All of the Trust's borrowings have a fixed interest rate exposure, either directly or via interest rate swaps. The duration of the interest rate swaps is consistent with the underlying lease term to which the borrowings relate, effectively fixing the cost of borrowings over the term of each lease. The weighted average cost of debt on the Trust's borrowings at 30 June 2006 was 7.6 per cent.

### **Portfolio composition**

Since CWT listed in 1999, the core portfolio objective has been to acquire and manage assets that provide a low risk, predictable income stream to the Trust. In consistently achieving this objective, the portfolio has successfully delivered on its key portfolio criteria. At 30 June 2006 the Trust's portfolio consists of 33 assets located across Australia and New Zealand and has:

- 100 per cent occupancy and a weighted average lease term to expiry of seven years;
- fixed annual rental reviews across all leases;
- a 72 per cent weighting to warm climate regions in the Australian portfolio, which traditionally exhibit lower yield and price volatility than cool climate regions;
- a total of 12 tenants with an 88 per cent weighting to established wine companies (rather than contract growers), and an 84 per cent weighting to publicly listed companies; and
- a 46 per cent weighting to development assets, which enhance the portfolio's average vineyard size and provide a superior operating platform tailored to tenant requirements.

### **Leasing update**

In June 2006, the Trust entered into new leases with Pernod Ricard Pacific Pty Ltd over the Lawsons and Richmond Grove vineyards. This has resulted in a reduction in exposure to McGuigan Simeon Wines Limited from 55 per cent to 40 per cent of the portfolio, and the establishment of a direct relationship with Pernod Ricard Pacific Pty Ltd.

In addition, the Trust has today announced it is in negotiations with McGuigan Simeon Wines Limited for a two year lease extension at Hermitage Road Winery commencing in October 2006. Following the execution of this lease extension, the Trust has no lease expiries in the 2007 financial year and only two lease expiries in the 2008 financial year, which together comprise less than 1.7 per cent of the Trust's annual portfolio income.

### **Revaluations**

The Trust's vineyard properties and wine infrastructure assets were independently revalued during the 2006 financial year<sup>1</sup>. The Trust's 72 per cent weighting to warm climate vineyards in Australia, which have experienced considerably lower levels of price volatility relative to cool climate vineyards, and positive market conditions in New Zealand contributed to the overall portfolio experiencing a net positive revaluation movement of \$2.9 million.

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**Further enquiry:** Susie McPherson, Manager, Investor Relations, Challenger Financial Services Group. 02 9994 7958  
Angela Warburton, Senior Manager, Media Relations, Challenger Financial Services Group. 02 9994 7509



## **Divestments**

In May 2006, the Trust successfully divested the Oakridge vineyard for \$2.7 million. This sale, which was completed marginally above book value, reduced the Trust's exposure to Evans and Tate Limited to 5.3 per cent.

## **Developments**

The Trust has a long history of successfully partnering with tenants to source suitable development properties to meet their expansion needs. A total of 46 per cent of the Trust's current portfolio consists of properties that were developed, or are currently under development, by the Trust on behalf of its tenants. Capital expenditure of \$17.2 million was undertaken on development properties in the 2006 financial year, with an estimated \$30.4 million committed to further developments over the medium term. The completion of these development properties provides the tenant with the opportunity to undertake larger scale operations and realise significant operating efficiencies.

Mr Atkins said: "The flow on benefits for the Trust include not only certainty of income throughout the development phase and lease term, but also the ownership of large scale, efficient vineyards which are considered as long-term strategic assets by the tenants."

## **Outlook**

The strategic composition of the Trust's portfolio, together with the fixed rental review structures and long term leases to high quality tenants continued to successfully mitigate against risks to portfolio income and capital value throughout the year.

In the year ahead, the Manager will continue to focus on enhancing the defensive characteristics of the Trust's portfolio through the continued development of new assets and the sale of assets which for reasons such as size, location or tenant type are not considered to be strategic assets for the Trust to hold in the long-term.

As part of the ongoing management of the Trust's capital structure, the Manager has today announced the suspension of the Trust's distribution reinvestment plans, which were having a dilutionary impact on investment returns to unitholders.

*ENDS*

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<sup>1</sup> *With the exception of the Grande Junction development asset which was acquired in June 2005 and is carried at cost.*

2006 Annual Report  
Year ended 30 June 2006



Challenger Wine Trust

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# Directors' Report

The directors of Challenger Listed Investments Limited ("CLIL") ABN 94 055 293 644, the Responsible Entity of the Challenger Wine Trust ("CWT") (ARSN: 092 960 060), submit their report together with the financial report for CWT, for the year ended 30 June 2006.

## Principal Activities

The principal activity of Challenger Wine Trust during the period was to pool investors' funds in a portfolio of vineyards and wine infrastructure assets which is designed to provide its investors with a stable distribution stream derived from net rental incomes. The Trust's investments are structured in such a way as to avoid the risks inherent in grape production.

## Scheme Information

Challenger Listed Investments Limited ("CLIL"), the responsible entity of the Trust, is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at Level 41, 88 Phillip St, Sydney, NSW, 2000.

## Directors

The following persons held office as directors of CLIL during the period and up to the date of this report:

- Stephen Gerlach                      Chairman
- Tim Foster                              (resigned 23 November 2005)
- David Hall                              (resigned 15 May 2006)
- Russell Hooper
- Ian Martens
- Ian Moore                              (appointed 18 November 2005)
- Peter Polson                            (resigned 4 August 2006)
- Paul Rogan                              (appointed 23 November 2005)
- Robert Woods
- Geoff McWilliam                      (appointed 20 February 2006)
- Greg Martin                             (appointed 14 June 2006, resigned 4 August 2006)

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## **Director and Executive Profiles**

Challenger Listed Investments Limited has considerable expertise in the infrastructure, property and funds management sectors 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.

### **Directors**

#### **Stephen Gerlach**

**LLB, FAICD**

**Chairman**

**Independent, Non-Executive Director**

Mr Gerlach has extensive experience as a corporate advisor and company director, holding positions on the boards of several public companies, including Santos Limited (Chairman), Futuris Corporation Limited (Chairman), Elders Australia Limited (Chairman) and Elders Rural Bank Limited.

Mr Gerlach is the former Managing Partner of Adelaide legal firm Finlaysons, and is a former director of Equatorial Mining Limited (Chairman), Penrice Soda Products Limited (Chairman), Southcorp Limited and Brunner Mond Holdings Limited (UK).

#### **Tim Foster**

**FCA, BA (Dual honours)**

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

Mr Foster resigned on 23 November 2005.

#### **David Hall**

**FCA, FAICD**

**Independent Non-Executive Director**

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

Mr Hall resigned on 15 May 2006.

#### **Peter Polson**

**BCom (SAf), MBL (SAf)**

**Independent, Non-Executive Director**

Mr Polson has had a wide-ranging career in the global financial services industry. Prior to his retirement in October 2002, Mr Polson held the position of Group Executive, Investment and Insurance Services at the Commonwealth Bank, where he had responsibility 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. Prior to joining the Colonial Group in 1994, Mr Polson was the Managing Director of National Mutual Funds Management (International) Limited.

Mr Polson is currently the Chairman of Challenger Financial Services Group Limited and Challenger Life No.2 Limited, and a director of AWB Limited, AWB International Limited and Professional and Indemnity Company Australia Limited. Mr Polson was previously a director of Australian Leisure and Hospitality Group Limited.

Mr Polson resigned on 4 August 2006.

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**Russell Hooper**  
**FAICD, FCPA, FAIBF**  
**Independent, Non-Executive Director**

Mr Hooper has extensive experience in financial services, including over 13 years at St George Bank Limited and Advance Bank Limited, where he held senior management positions in life insurance, wealth management and listed investment trusts, including the role of Chief General Manager, Funds Management.

Mr Hooper is also a Director of Challenger Financial Services Group Limited and Challenger Life No.2 Limited, and was previously a director of (and Chairman of the Audit Committee for) Commonwealth Insurance Limited, a subsidiary of the Commonwealth Bank. Mr Hooper is a Fellow of the Australian Institute of Company Directors, CPA Australia and the Financial Services Institute of Australasia.

Mr Hooper is a member of the Challenger Listed Investments Limited Audit and Compliance Committee.

**Ian Martens**  
**FCA, FAICD**  
**Independent, Non-Executive Director**

Mr Martens is a chartered accountant and was a senior partner at BDO Chartered Accountants (SA), where he is now a consultant. Throughout his career Mr Martens has advised a broad range of public and private companies on financial measurement and reporting, strategy development and evaluation and merger and acquisitions activities.

Mr Martens is currently Chairman of RAA Insurance Ltd and a Director of RAA Investments Pty Ltd and the Royal Automobile Association of SA Inc.

Mr Martens is Chairman of the Challenger Listed Investments Limited Audit and Compliance Committee.

**Ian Moore**  
**BA, FIA, FIAA**  
**Independent, Non-Executive Director**

Mr Moore has extensive experience in investment banking and structured finance. Mr Moore was Head of Corporate Finance at Bankers Trust Investment Bank where he was responsible for all forms of corporate, project and asset backed financings.

Mr Moore is currently a director of Artesian Capital Management and a Fellow of the Institute of Actuaries of Australia and the Institute of Actuaries in London.

Mr Moore is a member of the Challenger Listed Investments Limited Audit and Compliance Committee.

**Geoff McWilliam**  
**BE(Civil)**  
**Independent, Non-Executive Director**

Mr McWilliam has had an extensive career in the Australian property investment industry. Most recently, Mr McWilliam spent 10 years building the Commonwealth Bank's property funds management division, Colonial First State Property. As head of this business, he was responsible for the management and performance of over \$16 billion in listed and unlisted property funds. Prior to this, Mr McWilliam spent 23 years with Lend Lease Corporation in a variety of senior management roles.

Mr McWilliam is a director of Lend Lease Real Estate Investments Limited, the Property Industry Foundation and the Düsseldorf Skills Forum, and a Fellow of the Australian Property Institute.

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**Robert Woods**  
**BCom**  
**Non Independent, Executive Director**

Mr Woods is Chief Executive, Challenger Asset Management at Challenger Financial Services Group Limited.

In this role, Mr Woods is responsible for managing Challenger Asset Management's proprietary investments and funds business, which together have a combined value in excess of \$3 billion across property, infrastructure and fixed interest assets.

Prior to joining Challenger, Mr Woods was a founder of Zurich Capital Markets Asia, where he was responsible for the alternative asset business. Prior to this, Mr Woods spent 11 years with Bankers Trust in investment banking.

**Paul Rogan**  
**BBus FCPA**  
**Non Independent, Executive Director**

Mr Rogan is the Chief Financial Officer of Challenger Financial Services Group Limited and its subsidiaries. In this role, Mr Rogan is responsible for leading the Business Services division, which includes responsibility for Finance, Legal, Tax, Compliance and Operational Risk, Secretariat, Investment Services and Capital Risk and Treasury.

Mr Rogan is a member of the Challenger Listed Investments Limited Audit and Compliance Committee.

Mr Rogan has over 20 years experience in financial services both in Australia and overseas, including Chief Executive and Chief Financial Officer roles with the National Australia Bank and Lend Lease Corporation.

**Greg Martin**  
**BEc LLB**  
**Non Independent, Executive Director**

Mr Martin is the Chief Executive, Infrastructure at Challenger Financial Services Group. Mr Martin joined Challenger in May 2006 after a career spanning more than 25 years with the Australian Gas Light Company (AGL). While at AGL, Mr Martin held a variety of senior roles both in Australia and overseas and within a number of AGL's associated entities.

Most recently, Mr Martin headed the company as Managing Director and Chief Executive Officer. He has extensive experience in the gas and utilities sector having also previously worked for the Newcastle Gas Company and Wollongong Gas. Mr Martin is a non executive director of Energy Developments Limited and is Chairman of the NSW Royal Botanic Gardens & Domain Trust.

Mr Martin resigned on 4 August 2006

**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 Business Services Division of the Challenger Group.

**Christopher J Atkins**  
**FCA**  
**Chief Executive**

Mr Atkins is a Chartered Accountant 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.

## Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of CLIL support and have adhered to the ASX Corporate Governance Council's Principles of Corporate Governance and Best Practise Recommendations. The corporate governance statement is contained in the Corporate Governance Section of this report.

## Review and Results of Operations

The consolidated net profit before tax for the year to 30 June 2006 attributable to unit holders of CWT was \$16,122,672. The following table provides an analysis of the result:

	<b>Consolidated</b> <b>30 June 2006</b> <b>\$'000</b>	<b>Consolidated</b> <b>30 June 2005</b> <b>\$'000</b>
Net property income	<b>28,144</b>	<b>25,698</b>
Net Operating Income	<b>13,171</b>	<b>13,731</b>
Net fair value movement in investment properties and vines (including integral infrastructure and water rights)	<b>2,951</b>	<b>4,092</b>
Net Profit attributable Unit holders	<b>16,122</b>	<b>17,823</b>
Distributions to ordinary unit holders	<b>13,175</b>	<b>12,010</b>
Interim Distributions - Paid 15 November 2005, 15 February 2006 and 15 May 2006 (cents per unit)	<b>6.746</b>	<b>6.858</b>
Final Distribution - To be paid on 15 August 2006 in respect of 30 June 2006 (cents per security)	<b>2.316</b>	<b>2.258</b>

## Distributions

Interim distributions of 6.746 cents per unit were paid as described above. On 14 August 2006, the directors resolved to pay a final distribution of 2.316 cents per stapled security on 15 August 2006 in respect of the period ended 30 June 2006.

## Application of AIFRS for financial reporting

During the period, CWT applied Australian equivalents to International Financial Reporting Standards (AIFRS) for financial reporting purposes.

## Units on Issue

151,957,010 ordinary units and 1,492,922 Preferred Indexed Convertible Equity (PICE) units were on issue at 30 June 2006. During the period, 11,822,916 Ordinary units and 45,248 PICE units were issued through the respective Distribution Reinvestment Plans. In addition, 325,393 PICE units were converted, in accordance with the conversion conditions, into 3,995,825 ordinary units.

## Earnings per unit

Basic Earnings per unit amounts are calculated by dividing the net profit after tax attributable to ordinary unit holders by the weighted average number of securities outstanding during the period.

Diluted earnings per unit amounts are calculated by dividing the net profit attributable to ordinary unitholders of the parent (plus the interest on the PICE units) by the weighted average number of ordinary units outstanding during the year plus the weighted average number of ordinary units that would be issued on the conversion of all the PICE units into ordinary units.

The following reflects the income and security data used in the basic and diluted earnings per unit computations.

	<b>Consolidated</b> <b>30 June 2006</b> <b>\$'000</b>	<b>Consolidated</b> <b>30 June 2005</b> <b>\$'000</b>
Net Profit/(Loss) attributable to security holders	<b>16,122</b>	<b>17,823</b>
Time weighted average number of units for basic earnings per unit at 30 June 2006 (No. of units in thousands)	<b>145,358</b>	<b>131,740</b>
Time weighted average number of units for diluted earnings per unit at 30 June 2006 (No. of units in thousands)	<b>169,043</b>	<b>150,351</b>
Basic earnings per unit for net profit attributable to security holders (cents per unit)	<b>11.09</b>	<b>12.22</b>
Diluted earnings per unit for net profit attributable to unit holders (cents per unit)	<b>10.57</b>	<b>11.85</b>

### **Scheme Assets**

At 30 June 2006, CWT held assets to a total value of \$296.3m. The basis for valuation of the assets is disclosed in Note 2 to the financial statements.

### **Fees Paid to the Responsible Entity and Associates**

During the year, fees amounting to \$2,581,742 were paid to CLIL as responsible entity. In accordance with the CWT constitution and the management agreement entered into by CLIL with Challenger Management Services Limited ("CMSL") the following fees were paid by CWT out of scheme property:

- Responsible Entity fees for the financial year paid to CLIL in accordance with the Scheme Constitution: \$1,524,329
- Management fees for the financial year paid to CMSL under the Management Agreement: \$1,057,413

Of the above fees \$161,197 has been capitalised to property acquisitions and developments.

### **Interests Held in CWT by the Responsible Entity and its Associates**

The following related entities of CLIL hold interests of 5% or more in CWT:

- Challenger Life No.2 Limited holds 36,251,019 ordinary units and 783,052 PICE units as at 30 June 2006.

Challenger Life No.2 Limited ("CL 2") and CLIL are wholly owned subsidiaries of Challenger Financial Services Group Limited.

### **Significant Changes in the State of Affairs**

There were no significant changes to the state of affairs of CWT during the year, other than those changes identified in the financial statements for the year ended 30 June 2006.

### **Significant Events after the Balance Date**

There has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may affect, CWT's operations in future financial years, the results of those operations or CWT's state of affairs in future financial years.

### **Likely Developments and Expected Results**

Further information on likely developments on the operation of CWT and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to CWT.

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## **Environmental Regulation and Performance**

The Trust owns properties which are subject to environmental regulations under both Commonwealth and state legislation. The directors are satisfied that adequate systems were in place for the management of the environmental responsibilities and the compliance with various legislative, regulatory and licence requirements. Further, the directors are not aware of any breaches to these requirements and to the best of their knowledge all activities have been undertaken in compliance with environmental requirements.

## **Indemnification and Insurance of Directors and Officers**

The Responsible Entity (RE) has insured the Directors and Officers against liabilities incurred in their role as Directors and Officers of the RE. The RE is prohibited by the insurance contract itself from disclosing the nature of the liabilities covered and the amount of the premium. The auditors of CWT are in no way indemnified out of the assets of the scheme.

## **CEO and CFO Declaration**

The Chief Executive Officer and Chief Financial Officer have given a declaration to the Board of Directors that in their opinion the financial records of CWT have been properly maintained in accordance with section 286 of the Corporations Act 2001, and the financial statements and notes for the financial period ended 30 June 2006 comply with accounting standards and give a true and fair view.

## **Rounding of Amounts in the Directors' Report and the Financial Report**

CWT is a registered scheme that is of a kind referred to in Class Order 98/100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

This report is made in accordance with a resolution of directors of Challenger Listed Investments Limited.

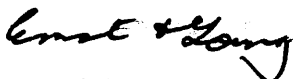


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Director  
Sydney  
14 August 2006

**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 audit of the financial report of Challenger Wine Trust for the financial year ended 30 June 2006, 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



Alan H Herald  
Partner  
14 August 2006

# Income Statement

For the year ended 30 June 2006

	Notes	CONSOLIDATED		PARENT	
		30 June 2006 \$'000	30 June 2005 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
<b>Property Revenue</b>					
Rental revenue	6	28,144	25,698	10,589	9,640
less property related expenses		-	-	-	-
Net property revenue		28,144	25,698	10,589	9,640
Other revenue	6	334	498	9,556	8,800
Net gains from sale of investment property		47	-	47	-
<b>Expenses</b>					
Finance costs	6	(11,904)	(9,270)	(5,186)	(3,193)
Operating expenses	6	(3,450)	(3,195)	(1,835)	(1,516)
<b>Net operating income</b>		<b>13,171</b>	<b>13,731</b>	<b>13,171</b>	<b>13,731</b>
Unrealised foreign exchange losses		-	-	(1,240)	(33)
Net fair value movement in non current assets		2,951	4,092	(1,522)	(1,803)
<b>Net Profit</b>		<b>16,122</b>	<b>17,823</b>	<b>10,409</b>	<b>11,895</b>
Earnings per Ordinary unit (cents per unit)		11.09	12.22	7.16	7.72
Diluted earnings per Ordinary unit (cents per unit)		10.57	11.85	7.19	7.91
Distributions per Ordinary unit (cents per units)		9.06	9.12	9.06	9.12

# Balance Sheet

As at 30 June 2006

	Notes	CONSOLIDATED		PARENT	
		30 June 2006 \$'000	30 June 2005 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	9	3,991	3,380	2,983	1,799
Investments		-	2,004	-	2,004
Trade and other receivables	10	374	638	10,238	2,491
Prepayments	11	887	561	867	553
Other financial assets	13	600	-	600	-
<b>Total Current Assets</b>		<b>5,852</b>	<b>6,583</b>	<b>14,688</b>	<b>6,847</b>
<b>Non-current Assets</b>					
Investment properties at fair value	14	38,194	39,228	9,299	11,095
Vines (including integral infrastructure and water rights) at fair value	15	244,377	233,466	76,904	76,629
Plant and equipment at net carrying value	16	7,024	7,643	7,024	7,643
Available-for-sale assets	12	500	-	60,039	-
Other financial assets	13	397	1,497	21,090	81,325
<b>Total Non-current Assets</b>		<b>290,492</b>	<b>281,834</b>	<b>174,356</b>	<b>176,692</b>
<b>TOTAL ASSETS</b>		<b>296,344</b>	<b>288,417</b>	<b>189,044</b>	<b>183,539</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade and other payables	18	1,931	5,712	942	4,181
Rent received in advance		819	3,266	121	561
Interest-bearing loans and borrowings	19	1,925	-	1,925	-
Distributions payable	8	3,519	3,515	3,519	3,515
Cash flow hedge at fair value	22	1,760	-	633	-
<b>Total Current Liabilities</b>		<b>9,954</b>	<b>12,493</b>	<b>7,140</b>	<b>8,257</b>
<b>Non-current Liabilities</b>					
Interest-bearing loans and borrowings	19	127,210	126,965	41,834	42,364
PICE units	20	13,625	-	13,625	-
<b>Total Non-current Liabilities</b>		<b>140,835</b>	<b>126,965</b>	<b>55,459</b>	<b>42,364</b>
<b>TOTAL LIABILITIES</b>		<b>150,789</b>	<b>139,458</b>	<b>62,599</b>	<b>50,621</b>
<b>NET ASSETS</b>		<b>145,555</b>	<b>148,959</b>	<b>126,445</b>	<b>132,918</b>
<b>EQUITY</b>					
Contributed equity	21	131,206	134,280	131,206	134,280
Retained earnings	21	15,629	12,682	(4,581)	(1,815)
Reserves	21	(1,280)	1,997	(180)	453
<b>TOTAL EQUITY</b>		<b>145,555</b>	<b>148,959</b>	<b>126,445</b>	<b>132,918</b>

# Statement of Change in Equity

For the year ended 30 June 2006

	Issued Capital \$'000	Retained Earnings \$'000	Reserves \$'000	Total \$'000
<b>Balance as at 1 July 2004</b>	<b>124,185</b>	<b>8,590</b>	<b>1,604</b>	<b>134,379</b>
Currency translation differences	-	-	393	393
Net gains on interest rate hedges	-	-	-	-
Total income and expense for the period recognised directly in equity	124,185	8,590	1,997	134,772
Profit for the period	-	17,823	-	17,823
Total income/expense for the period	124,185	26,413	1,997	152,595
Issues of units	10,221	-	-	10,221
Capital raising costs	(126)	-	-	(126)
Equity distributions	-	(13,731)	-	(13,731)
<b>Balance as at 30 June 2005</b>	<b>134,280</b>	<b>12,682</b>	<b>1,997</b>	<b>148,959</b>
<b>Balance as at 1 July 2005</b>	<b>134,280</b>	<b>12,682</b>	<b>1,997</b>	<b>148,959</b>
Adjustment on transition to AIFRS	-	-	(2,666)	(2,666)
Currency translation differences	-	-	(1,517)	(1,517)
Fair value movements in interest rate cash flow hedges	-	-	906	906
Total income and expense for the period recognised directly in equity	134,280	12,682	(1,280)	145,682
Profit for the period	-	16,122	-	16,122
Total income/expense for the period	134,280	28,804	(1,280)	161,804
Transfer PICE units to liabilities on transition to AIFRS	(16,434)	-	-	(16,434)
Issues of units	13,448	-	-	13,448
Capital raising costs	(88)	-	-	(88)
Equity distributions	-	(13,175)	-	(13,175)
<b>Balance as at 30 June 2006</b>	<b>131,206</b>	<b>15,629</b>	<b>(1,280)</b>	<b>145,555</b>

## PARENT

	Issued Capital \$'000	Retained Earnings \$'000	Reserves \$'000	Total \$'000
<b>Balance as at 1 July 2004</b>	<b>124,185</b>	<b>21</b>	<b>453</b>	<b>124,659</b>
Net gains on interest rate hedges	-	-	-	-
Total income and expense for the period recognised directly in equity	124,185	21	453	124,659
Profit for the period	-	11,895	-	11,895
Total income/expense for the period	124,185	11,916	453	136,554
Issues of units	10,221	-	-	10,221
Capital raising costs	(126)	-	-	(126)
Equity distributions	-	(13,731)	-	(13,731)
<b>Balance as at 30 June 2005</b>	<b>134,280</b>	<b>(1,815)</b>	<b>453</b>	<b>132,918</b>
<b>Balance as at 1 July 2005</b>	<b>134,280</b>	<b>(1,815)</b>	<b>453</b>	<b>132,918</b>
Adjustment on transition to AIFRS	-	-	(1,858)	(1,858)
Fair value movements in interest rate cash flow hedges	-	-	1,225	1,225
Total income and expense for the period recognised directly in equity	134,280	(1,815)	(180)	132,285
Profit for the period	-	10,409	-	10,409
Total income/expense for the period	134,280	8,594	(180)	142,694
Transfer PICE units to liabilities on transition to AIFRS	(16,434)	-	-	(16,434)
Issues of units	13,448	-	-	13,448
Capital raising costs	(88)	-	-	(88)
Equity distributions	-	(13,175)	-	(13,175)
<b>Balance as at 30 June 2006</b>	<b>131,206</b>	<b>(4,581)</b>	<b>(180)</b>	<b>126,445</b>

# Cash Flows Statement

For the year ended 30 June 2006

	Notes	CONSOLIDATED		PARENT	
		30 June 2006 \$'000	30 June 2005 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers		25,963	29,363	11,198	9,608
Payments to suppliers		(3,677)	(3,789)	(1,545)	(1,056)
Finance costs - properties		(9,715)	(8,797)	(2,771)	(3,256)
Interest received		360	425	1,574	2,079
Dividends received		27	26	27	26
Distributions received		-	-	3,146	7,759
<b>Net cash flows from operating activities</b>	<b>9</b>	<b>12,958</b>	<b>17,228</b>	<b>11,629</b>	<b>15,160</b>
<b>Cash flows from investing activities</b>					
Proceeds from disposal of property		2,701	4,700	2,701	4,700
Payment for vines (including integral infrastructure and water rights), investment properties and developments		(21,241)	(33,471)	(5,070)	(14,252)
Payments for deposits		-	(551)	-	(551)
Proceeds from deposits		2,045	3,840	2,004	3,881
Payments to subsidiaries		-	-	(7,072)	(7,185)
<b>Net cash flow used in investing activities</b>		<b>(16,495)</b>	<b>(25,482)</b>	<b>(7,437)</b>	<b>(13,407)</b>
<b>Cash flows from financing activities</b>					
Finance costs - PICE units		(1,744)	-	(1,744)	-
Proceeds from borrowings		8,520	14,144	1,363	3,510
Payment for capital raising		(89)	(126)	(88)	(126)
Distributions to unit holders		(2,532)	(3,345)	(2,532)	(3,345)
<b>Net cash flows from financing activities</b>		<b>4,155</b>	<b>10,673</b>	<b>(3,001)</b>	<b>39</b>
Net increase/(decrease) in cash and cash equivalents		618	2,419	1,191	1,792
Net foreign exchange differences		(7)	393	(7)	(33)
Cash and cash equivalents at beginning of period		3,380	568	1,799	40
<b>Cash and cash equivalents at end of period</b>	<b>9</b>	<b>3,991</b>	<b>3,380</b>	<b>2,983</b>	<b>1,799</b>

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# Notes to the Financial Statements

## For the year ended 30 June 2006

### Note 1. Corporate Information

The financial report for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the directors on 14 August 2006.

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

The principal activity of the Trust during the period was the pooling of investor's 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.

### Note 2. Summary of Significant Accounting Policies

#### (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, the *Corporations Act 2001* and applicable Australian Accounting Standards. The financial report has also 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, which have been measured at fair value.

The 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 98/100. The trust is an entity to which the class order applies.

#### (b) Statement of compliance

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

This is the first annual financial report prepared based on AIFRS and comparatives for the 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*. The Trust has adopted the exemption under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* from having to apply AASB 132 and AASB 139 to the comparative period. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in note 3.

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2006:

AASB Amendment	Affected Standard(s)	Application date of standard	Application date of Group
2005-1	AASB 139: <i>Financial Instruments: Recognition and Measurement</i>	1 January 2006	1 July 2006
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 1038 <i>Life Insurance Contracts</i>	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>	1 January 2006	1 July 2006
2005-6	AASB 3: <i>Business Combinations</i>	1 January 2006	1 July 2006
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>	1 January 2006	1 July 2006
2005-10	AASB 132: <i>Financial Instruments: Disclosure and 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>	1 January 2007	1 July 2007
2006-1	AASB 121 <i>The effects of Change in Foreign Currency Rates</i>	1 January 2006	1 July 2006

New Standard/UIG	Affected Standard(s)	Application date of standard	Application date of Group
AASB 7	<i>Financial Instruments: Disclosures</i>	1 January 2007	1 July 2006
UIG 4	<i>Determining whether an Arrangement contains a Lease</i>	1 January 2006	1 July 2006
UIG 5	<i>Rights to Interests in Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	1 January 2006	1 July 2006
UIG 7	<i>Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies</i>	1 March 2006	1 July 2006
UIG 8	<i>Scope of AASB 2</i>	1 May 2006	1 July 2007
UIG 9	<i>Reassessment of Embedded Derivatives</i>	1 May 2006	1 July 2007

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

AASB Amendment	Affected Standard(s)
2004-3	AASB 119 <i>Employee Benefits</i>
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>

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**(c) 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.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are fully 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.

**(d) Change in accounting policy**

For the year ending 30 June 2005 term deposits were recognised as current investments (\$2,004,033) as they were held in escrow by the National Bank of Australia until certain conditions had been met. For the year ending 30 June 2006 term deposits are classified as cash equivalents as they are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

**(e) Significant accounting judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

***Operating Lease Commitments – Group as Lessor***

The entity has entered into commercial property leases on its investment property portfolio. The entity has determined that it retains all the significant risks and rewards of ownership of these properties and has thus classified the leases as operating leases.

**(f) Revenue recognition**

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:

*(i) Rental income*

Rental income arising on investment properties is recognised 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.

*(ii) Interest*

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*(iii) Distributions and dividends*

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

**(g) 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 in the land in accordance with Best Viticultural Practice, including pruning, irrigation, fertilisation, etc;

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- 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.

Lease agreements entered into with lessees over vineyard properties and wineries are considered to be operating leases given that the Group retains substantially all the risks and benefits of ownership of the leased assets. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset.

#### **(h) Cash and cash equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

#### **(i) Trade and other receivables**

Trade receivables, which generally have 15-30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

#### **(j) Derivative financial instruments and hedging**

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for derivative financial instruments and hedging applicable for the year ending 30 June 2006 and 30 June 2005.

#### ***Accounting policies applicable for the year ending 30 June 2006***

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to net profit or loss for the year.

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

For the purpose of hedge accounting, hedges are classified as cash flow hedges when they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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Hedges that meet the strict criteria for hedge accounting are accounted for as follow:

*(i) Cash flow hedges*

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

**Accounting policies applicable for the year ending 30 June 2005**

It was the company's policy not to recognise the fair value of interest rate swaps in the financial statements. Net receipts and payment were recognised as an adjustment to interest expense.

**(k) Derecognition of financial assets and financial liabilities**

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies applicable to the derecognition of financial assets and financial liabilities for the years ending 30 June 2006 and 30 June 2005.

**Accounting policies applicable for the year ending 30 June 2006**

*(i) Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risk and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

*(ii) Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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## **Accounting policies applicable for the year ending 30 June 2005**

### *(i) Financial assets*

A financial asset was derecognised when the contractual rights to receive or exchange cash no longer existed.

### *(ii) Financial liabilities*

A financial liability was derecognised when the contractual obligation to deliver or exchange cash no longer existed.

## **(I) Impairment of financial assets**

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below is the relevant accounting policy applicable to the impairment of financial assets for the years ending 30 June 2006 and 30 June 2005.

### *Accounting policies applicable for the year ending 30 June 2006*

The Group assess at each balance sheet date whether a financial asset or group of financial assets is impaired.

#### *(i) Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

#### *(ii) Available-for-sale investments*

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

## **(m) Foreign currency translation**

Both the functional and presentation currency of Challenger Wine Trust and its Australian subsidiaries is Australian dollars. The functional currency of the New Zealand subsidiary (Delegat's Trust formerly 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 by applying 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 exchange differences in the consolidated financial report are taken to profit or loss 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 profit or loss.

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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 the 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.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

#### **(n) Income tax**

##### ***Eligible investment business***

Under current legislation the Trust undertakes activities of an 'eligible investment business', that is investing in land and vines (including integral infrastructure and water rights) 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 2006.

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

#### **(o) Goods and Services tax**

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

- when 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, which 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 balance sheet.

Cash flows are included in the Cash Flow Statement 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.

#### **(p) Investment properties**

Investment properties, which include vineyard land and winery land and buildings, are measured initially at cost including transaction costs. Subsequent to initial recognition investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Independent valuations of vineyard properties are obtained annually from suitably qualified valuers. The valuations have been completed in accordance with AASB 140 *Investment Property* and the Fair Value definitions, and the AIFRS determination that fair value may be assessed utilising a discounted cash flow approach. 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 recognised in profit or loss in the year in which they arise.

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Investment properties are derecognised either when they have 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 retirement or disposal of an investment property are recognised in the income statement in the period of the retirement or disposal.

**(q) 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. Gains or losses arising from changes in the fair values of vines (including integral infrastructure and water rights) are recognised in profit or loss in the year in which they arise.

Independent valuations of vineyard properties are obtained annually from suitably qualified valuers. The valuations have been completed in accordance with AASB 141 *Agriculture* and the Fair Value definitions, and the AIFRS determination that fair value may be assessed utilising a discounted cash flow approach. 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.

**(r) 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**

At each reporting date the Group assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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 risk specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(s) 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 plant and equipment are depreciated, on a straight-line basis, over their expected useful life. Major depreciation periods are:

	<b>2006</b>	<b>2005</b>
Grape processing plant	30 years	30 years
Storage	50 years	50 years
Winery plant	20 years	20 years

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**(t) Investments and other financial assets**

The Group has elected to apply the option available under ASSB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for investments and other financial assets applicable for the years ending 30 June 2006.

**Accounting policies applicable for the year ending 30 June 2006**

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

*(i) Available-for-sale investments*

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

*(ii) Loans*

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans are derecognised or impaired, as well as through the amortisation process.

**(u) Trade and other payables**

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of the goods and services.

**(v) Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

**(w) Preferred Income Convertible Equity (PICE) units**

The Group has elected to apply the option available under ASSB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for PICE units applicable for the years ending 30 June 2006 and 30 June 2005.

**Accounting policies applicable for the year ending 30 June 2006**

The PICE units exhibit characteristics of a liability and are recognised as a liability in the balance sheet, net of transaction 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 are entitled to income in preference to ordinary unit holder distributions.

On the issuance of the PICE units, the fair value of the liability component 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.

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*Accounting policies applicable for the year ending 30 June 2005*

Compound instruments issued before 1 January 1998 were classified as liabilities or equity, whichever was the predominant component, in accordance with the substance of the contractual agreement. Accordingly, the PICE units were classified as equity. The corresponding distributions were recognised as a deduction from equity.

**(x) Contributed equity**

Ordinary units are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(y) Earnings per unit**

Basic earnings per unit is calculated as net profit attributable to unitholders of the parent, adjusted to exclude any costs of servicing equity (other than distributions) and PICE distributions, divided by the weighted average number of ordinary units, adjusted for any bonus element.

Diluted earnings per unit are calculated as net profit attributable to unitholders of the parent, adjusted for:

- cost of servicing equity (other than distributions) and PICE distributions;
- the after tax effect of distributions and interest associated with dilutive potential ordinary units that have been recognised as expenses; and
- other non-discretionary changes in revenues or 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.

**(z) 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.

**Note 3. Transition to AIFRS**

**(a) 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

	CONSOLIDATED			PARENT		
	1 July 2005	30 Jun 2005	1 July 2004	1 July 2005	30 Jun 2005	1 July 2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total Equity Under AGAAP	148,959	148,959	134,379	132,918	132,918	124,659
<b>Net Increases in Equity</b>						
Changes in Retained Earnings (a)	-	13,833	9,741	-	(1,782)	21
	148,959	162,792	144,120	132,918	131,136	124,680
<b>Net Decreases in Equity</b>						
Changes in PICE units (b)	(16,434)	-	-	(16,434)	-	-
Transfer of reserves to retained earnings (c)	-	(13,833)	(9,741)	-	1,782	(21)
Derivative financial instruments (d)	(2,666)	-	-	(1,858)	-	-
Total Equity under AIFRS	129,859	148,959	134,379	114,626	132,918	124,659

- Retained earnings now include items previously reported as revaluation reserves, relating to investment properties, vines (including integral infrastructure and water rights) and certain foreign currency translation reserves.
- PICE units were treated as equity under AGAAP but are required to be recognised as a liability under AIFRS.
- 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 translation reserve in respect of investment properties has been transferred to retained earnings on transition.
- Derivative financial instruments are interest rate swap hedge contracts. The amount brought to account represents the fair value as at 1 July 2005.

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

	CONSOLIDATED	PARENT
	30 June 2005	30 June 2005
	\$'000	\$'000
Net profit as previously reported	13,731	13,731
Fair value movement in investment properties (a)	4,092	(1,803)
Unrealised foreign exchange losses	-	(33)
Net profit under AIFRS	17,823	11,895

- 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 increase/decline in fair value during the period increased/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 4. Net profit attributable to members

The 2006 net profit reported in the income statement has been calculated after deducting distributions to PICE unitholders, which are required to be recognised as finance costs under AIFRS. Since AIFRS does not allow the re-statement of the 2005 net profit for this adjustment the following note has been prepared to restate the 2005 comparative information for this new treatment and thereby assist comparability of information disclosed for the reported periods.

	<b>CONSOLIDATED</b> <b>30 June 2006</b> <b>\$'000</b>	<b>CONSOLIDATED</b> <b>30 June 2005</b> <b>\$'000</b>
Net profit attributable to members	16,122	17,823
less PICE distribution	-	(1,721)
	<u>16,122</u>	<u>16,102</u>

## Note 5. Segment Information

The Group 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.

There are no distinguishable business segments or geographical segments within the Trust which are subject to a different risk and return.

## Note 6. Revenue and Expenses

Notes	<b>CONSOLIDATED</b>		<b>PARENT</b>	
	<b>30 June 2006</b> <b>\$'000</b>	<b>30 June 2005</b> <b>\$'000</b>	<b>30 June 2006</b> <b>\$'000</b>	<b>30 June 2005</b> <b>\$'000</b>
<b>Revenue from property activities</b>				
Rental revenue from investment properties	28,144	25,698	10,589	9,640
	<u>28,144</u>	<u>25,698</u>	<u>10,589</u>	<u>9,640</u>
<b>Other Revenue</b>				
Interest received	307	472	272	433
Interest revenue - wholly owned group entities	-	-	1,612	1,554
Dividends received	27	26	27	26
Distributions by subsidiaries	-	-	7,588	6,787
Realised foreign exchange gains	-	-	57	-
	<u>334</u>	<u>498</u>	<u>9,556</u>	<u>8,800</u>
<b>Finance Costs</b>				
Interest expense - bank borrowings	(10,160)	(9,270)	(3,442)	(3,193)
Interest expense - PICE Units (i)	(1,744)	-	(1,744)	-
	<u>(11,904)</u>	<u>(9,270)</u>	<u>(5,186)</u>	<u>(3,193)</u>
<b>Operating expenses</b>				
Management & custodial fees	(2,506)	(2,608)	(912)	(962)
Consultant fees	(114)	(63)	(101)	(41)
Auditor's remuneration	(81)	(96)	(81)	(88)
Depreciation	(382)	(285)	(382)	(285)
Other costs	(367)	(143)	(359)	(140)
	<u>(3,450)</u>	<u>(3,195)</u>	<u>(1,835)</u>	<u>(1,516)</u>

- (i) 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 an interest expense of \$1,721 (rounded to \$'000) for the year ended 30 June 2005.

## Note 7. Earnings per unit

Basic earnings per unit amounts are calculated by dividing net profit for the year attributable to ordinary unitholders of the parent (after deducting interest on the PICE units) by the weighted average number of ordinary units outstanding during the year.

Diluted earnings per unit amounts are calculated by dividing the net profit attributable to ordinary unitholders of the parent (plus the interest on the PICE units) by the weighted average number of ordinary units outstanding during the year plus the weighted average number of ordinary units that would be issued on the conversion of all the PICE units into ordinary units.

The following reflects the income and unit data used in the basic and diluted earnings per unit computations:

	<b>CONSOLIDATED 2006</b>	<b>CONSOLIDATED 2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Net profit attributable to ordinary unit holders of the parent from continuing operations	16,122	17,823
Distributions on PICE units	-	(1,721)
Net profit attributable to ordinary unitholders adjusted for the effect of PICE units (used in calculating basic EPU)	<u>16,122</u>	<u>16,102</u>

	<b>Thousands</b>	<b>Thousands</b>
Weighted average number of ordinary units (excluding PICE units) for basic earnings per unit	145,358	131,740
Effect of dilution:		
PICE units	23,685	18,611
Weighted average number of ordinary units adjusted for the effect of dilution	<u>169,043</u>	<u>150,351</u>

There have been no other transactions involving ordinary units or potential ordinary units between the reporting date and the date of completion of these financial statements.

## Note 8. Distributions paid and proposed

	<b>CONSOLIDATED</b>		<b>PARENT</b>	
	<b>30 June 2006 \$'000</b>	<b>30 June 2005 \$'000</b>	<b>30 June 2006 \$'000</b>	<b>30 June 2005 \$'000</b>
Distributions proposed and recognised for ordinary unitholders as a liability at year end	3,519	3,071	3,519	3,071
Distributions proposed and recognised for PICE unitholders as a liability at year end	-	444	-	444
Distributions paid during the year	9,656	10,216	9,656	10,216
<b>Total distributions paid or payable from current year profits</b>	<u>13,175</u>	<u>13,731</u>	<u>13,175</u>	<u>13,731</u>
Prior year distributions paid during the year from prior year profits	<u>3,515</u>	<u>3,346</u>	<u>3,515</u>	<u>3,346</u>

Distributions on PICE units are included in finance costs in the income statement for 2006.

## Note 9. Cash and cash equivalents

	<b>CONSOLIDATED</b>		<b>PARENT</b>	
	<b>30 June 2006 \$'000</b>	<b>30 June 2005 \$'000</b>	<b>30 June 2006 \$'000</b>	<b>30 June 2005 \$'000</b>
Cash at banks and in hand	2,173	3,380	1,165	1,799
Term deposits	1,818	-	1,818	-
	<u>3,991</u>	<u>3,380</u>	<u>2,983</u>	<u>1,799</u>

For the purpose of the Cash Flow Statement, cash and cash equivalents comprise the above at 30 June.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between seven days and three months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

## (a) Reconciliation of net profit to net cash flows from operations

	CONSOLIDATED		PARENT	
	30 June 2006 \$'000	30 June 2005 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
Net profit	16,122	17,823	10,409	11,895
<i>Adjustments for:</i>				
Depreciation of non current assets	382	285	382	285
Amortisation of borrowing costs	165	153	49	41
Unrealised losses from currency fluctuations	-	-	1,240	33
PICE units - finance costs classified as finance activities	1,744	-	1,744	-
Net fair value movement in non current assets	(2,951)	(4,092)	1,522	1,803
<i>Changes in assets and liabilities</i>				
(Increase) / decrease in trade and other receivables	88	1,738	(3,938)	758
(Decrease) / increase in unearned income	(2,446)	1,686	(440)	448
(Decrease) / increase in trade and other payables	(146)	(365)	661	(103)
Net cash from operating activities	<u>12,958</u>	<u>17,228</u>	<u>11,629</u>	<u>15,160</u>

## (b) Non-cash financing activities

Non-cash and financing activities during the year on normal terms and conditions include:

	CONSOLIDATED		PARENT	
	30 June 2006 \$'000	30 June 2005 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
Reinvestment of ordinary unitholders' distributions	10,211	9,692	10,211	9,692
Reinvestment of PICE unitholders' distributions	438	529	438	529
	<u>10,649</u>	<u>10,221</u>	<u>10,649</u>	<u>10,221</u>

## (c) Disclosure of financing facilities

Refer to note 19.

## Note 10. Trade and other receivables

	CONSOLIDATED		PARENT	
	30 June 2006 \$'000	30 June 2005 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
Trade receivables (i)	331	500	331	485
Receivable from subsidiaries (ii)	-	-	9,864	1,909
Other	43	138	43	97
<b>Total current trade and other receivables</b>	<u>374</u>	<u>638</u>	<u>10,238</u>	<u>2,491</u>

- (i) Trade receivables are non-interest bearing and generally 15-30 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. No allowances have been recognised as an expense for the current year.
- (ii) Receivable from subsidiaries is comprised of interest charged on convertible notes issued by the parent entity to applicable subsidiaries and equity distributions.

## Note 11. Prepayments

	CONSOLIDATED		PARENT	
	30 June 2006 \$'000	30 June 2005 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
Prepaid Interest (i)	351	405	348	395
Other (ii)	536	156	519	158
<b>Total prepayments</b>	<u>887</u>	<u>561</u>	<u>867</u>	<u>553</u>

- (i) Prepaid interest is the net bank interest paid in advance for generally a 30 - 90 day term.
- (ii) Other prepayments represents amounts paid in advance for property developments.

## Note 12. Available-for-sale assets

	CONSOLIDATED		PARENT	
	30 June 2006 \$'000	30 June 2005 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
At fair value				
Shares - unlisted at fair value	500	-	500	-
Convertible notes in controlled entities	-	-	59,539	-
	<u>500</u>	<u>-</u>	<u>60,039</u>	<u>-</u>

Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

The fair value of the unlisted available-for-sale investments has been estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates.

## Note 13. Other financial assets

	CONSOLIDATED		PARENT	
	30 June 2006 \$'000	30 June 2005 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
<b>Current</b>				
Loan notes (i)	600	-	600	-
	<u>600</u>	<u>-</u>	<u>600</u>	<u>-</u>
<b>Non Current</b>				
Loan notes (ii)	397	997	397	997
Units in controlled entities at cost	-	-	20,693	20,693
Convertible notes in controlled entities	-	-	-	59,135
Shares - unlisted at fair value (iii)	-	500	-	500
	<u>397</u>	<u>1,497</u>	<u>21,090</u>	<u>81,325</u>

- (i) The loan notes are repayable on 30 June 2007. Interest is earned at the applicable rate of 7.50% per annum.
- (ii) The loan notes are repayable in April 2009. Interest is earned at the applicable rate of 10.75% per annum.
- (iii) The unlisted shares at fair value have no fixed maturity date or coupon rate. The fair value has been estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates. Management believes the estimated fair values resulting from the valuation techniques and recorded in the balance sheet and the related changes in fair values recorded in the income statement are reasonable and the most appropriate at the balance sheet date.
- (iv) In accordance with the classification of financial assets under AASB 132 and AASB 139, convertible notes in controlled entities and investments in unlisted shares are now classified as available-for-sale financial assets.

## Note 14. Investment properties

	CONSOLIDATED		PARENT	
	30 June 2006 \$'000	30 June 2005 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
<b>Vineyard Land</b>				
Beginning of the year at fair value	37,108	28,275	8,975	4,263
Additions	1,764	9,507	-	5,457
Disposals	(625)	(745)	(625)	(745)
Foreign currency fluctuations	(2,591)	71	-	-
Net fair value movement	1,611	-	22	-
End of the year at fair value	<u>37,267</u>	<u>37,108</u>	<u>8,372</u>	<u>8,975</u>
<b>Winery Land &amp; Buildings</b>				
Beginning of the year at fair value	2,120	2,120	2,120	2,120
Additions	-	-	-	-
Disposals	(1,193)	-	(1,193)	-
End of the year at fair value	<u>927</u>	<u>2,120</u>	<u>927</u>	<u>2,120</u>
<b>Total Investment Properties</b>	<u><b>38,194</b></u>	<u><b>39,228</b></u>	<u><b>9,299</b></u>	<u><b>11,095</b></u>

### Revaluation of investment properties

Investment properties are stated at fair value which has been determined based on valuations from independent accredited industry valuers who are specialists in valuing these types of investment properties. Valuations have been performed at 30 June 2006 and 30 June 2005. The directors of the Responsible Entity make reference to these independent valuations when assessing the fair value of investment properties at each reporting date.

The valuation methodology is disclosed in note 2(p).

### Assets pledged as security

First mortgages have been granted as security for bank loans (Note 19) over all investment properties. 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.

## Note 15. Vines (including integral infrastructure and water rights)

	CONSOLIDATED		PARENT	
	30 June 2006 \$'000	30 June 2005 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
<b>Vines (including integral infrastructure and water rights)</b>				
Beginning of the year at fair value	233,466	204,696	76,629	68,853
Additions	15,401	27,818	2,418	12,770
Disposals	(599)	(3,217)	(599)	(3,191)
Foreign currency fluctuations	(5,231)	77	-	-
Net fair value movement	1,340	4,092	(1,544)	(1,803)
End of the year at fair value	<b>244,377</b>	<b>233,466</b>	<b>76,904</b>	<b>76,629</b>

### Revaluation of Vines (including integral infrastructure and water rights)

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. Vines, integral infrastructure and water rights are not capable of separate valuation and are therefore recorded at their aggregated value.

The valuation methodology is disclosed in note 2(q).

### Assets pledged as security

First mortgages have been granted as security for bank loans (Note 19) over all vines (including integral infrastructure and water rights). 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.

## Note 16. Plant and equipment

	CONSOLIDATED		PARENT	
	30 June 2006 \$'000	30 June 2005 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
<b>Winery Plant and Equipment</b>				
Beginning of the year at net carrying value	7,634	8,653	7,634	8,653
Additions (at cost)	-	-	-	-
Disposals (WDV)	(237)	(717)	(237)	(717)
Depreciation for the year	(381)	(302)	(381)	(302)
End of the year at net carrying value	<b>7,016</b>	<b>7,634</b>	<b>7,016</b>	<b>7,634</b>
<b>Office Plant and Equipment</b>				
Beginning of the year at net carrying value	9	-	9	-
Additions (at cost)	-	10	-	10
Depreciation for the year	(1)	(1)	(1)	(1)
End of the year at net carrying value	<b>8</b>	<b>9</b>	<b>8</b>	<b>9</b>
	<b>7,024</b>	<b>7,643</b>	<b>7,024</b>	<b>7,643</b>
	<b>Winery P&amp;E \$'000</b>	<b>Office P&amp;E \$'000</b>	<b>Winery P&amp;E \$'000</b>	<b>Office P&amp;E \$'000</b>
<b>1 July 2005</b>				
Cost	8,185	10	8,185	10
Accumulated Depreciation	(551)	(1)	(551)	(1)
Net carrying amount	<b>7,634</b>	<b>9</b>	<b>7,634</b>	<b>9</b>
<b>30 June 2006</b>				
Cost	7,826	10	7,826	10
Accumulated Depreciation	(810)	(2)	(810)	(2)
Net carrying amount	<b>7,016</b>	<b>8</b>	<b>7,016</b>	<b>8</b>

## Note 17. Investment properties, vines (including integral infrastructure and water rights) and plant and equipment

Details of the investment properties, vines (including integral infrastructure and water rights) and plant and equipment are below. The valuation methods for Investment properties and Vines (including integral infrastructure and water rights) are disclosed in notes 2(p) and 2(q).

Description	Acquisition date	Country	Date of latest independent valuation	2006 Fair value \$'000	2005 Fair value \$'000
Schubert's Vineyard (i)	Nov 2001	Australia	Jun 2006	6,250	5,352
Summers Hill Vineyard (i)	Feb 1998	Australia	Jun 2006	1,500	1,550
Corryton Park Vineyard (iv)	Feb 1998	Australia	Dec 2005	3,100	3,150
Sandy Hollow Vineyard (i)	Nov 1998	Australia	Jun 2006	4,100	4,350
Cowra Station Vineyard (i)	Oct 1998	Australia	Jun 2006	3,500	3,600
Waikerie Vineyard (i)	Oct 1998	Australia	Jun 2006	1,800	1,800
Bethany Creek & Vine Vale Vineyards (i)	Oct 1998	Australia	Jun 2006	1,800	1,810
Hermitage Road Winery (i)	Oct 2001	Australia	Apr 2006	3,887	4,373
Inglewood Vineyard (i)	Jul 1999	Australia	Jun 2006	1,200	1,277
Dalswinton Vineyard (i)	Jul 1999	Australia	Jun 2006	4,300	4,600
Boh River Vineyard (i)	Jun 2000	Australia	Jun 2006	9,200	9,800
Gundagai Vineyard (ii)	Sep 2000	Australia	Aug 2005	16,462	15,286
Chapel Vineyard (iii)	Dec 2001	Australia	Jun 2006	2,900	3,000
Trillian's Hill Vineyard (i)	Jun 2002	Australia	Jun 2006	1,450	1,452
Woods Vineyard (ii)	Apr 2003	Australia	Dec 2005	1,340	1,270
Cocoparra Vineyard (ii)	Apr 2003	Australia	Dec 2005	8,255	8,462
Gnangara Vineyard (iii)	Apr 2003	Australia	Dec 2005	5,700	6,425
Oakridge Estate Vineyard and Winery (v)	Apr 2003	Australia	Sold May 2006	-	2,698
Grande Junction Vineyard (vi)	Jun 2005	Australia	N/A	6,875	6,385
Poole's Rock Vineyard & Winery (i)	Nov 2004	Australia	Jun 2006	5,800	5,040
Whitton Vineyard (ii)	Mar 2005	Australia	Jun 2006	3,800	3,679
<b>Total held by parent entity</b>				<u>93,219</u>	<u>95,359</u>
Gimblett Road Vineyard (iv)	Apr 2001	New Zealand	Jun 2006	3,126	3,423
Highway 50 Vineyard (iv)	Apr 2001	New Zealand	Jun 2006	2,897	3,262
Crownthorpe Vineyard (iv)	Apr 2001	New Zealand	Jun 2006	24,278	24,089
Dashwood Vineyard (v)	Oct 2002	New Zealand	Aug 2005	20,888	22,267
Rarangi Vineyard (v)	Jun 2004	New Zealand	Aug 2005	13,867	12,591
Sirens Estate Vineyard (iii)	Oct 2002	Australia	Sep 2005	3,343	3,203
Richmond Grove & Lawsons Vineyard (i)	Dec 2003	Australia	Jun 2006	42,867	42,687
Qualco East Vineyard (i)	Dec 2003	Australia	Jun 2006	9,000	7,425
Balranald Vineyard (i)	Dec 2003	Australia	Jun 2006	24,000	20,699
Dos Rios Vineyard (i)	Jun 2003	Australia	Jun 2006	52,102	45,323
<b>Total held by controlled entities</b>				<u>196,368</u>	<u>184,969</u>
<b>Total Consolidated</b>				<u><b>289,587</b></u>	<u><b>280,328</b></u>

The Directors have assessed fair value by reference to the following valuers' valuations as described in notes 2(p) and 2(q).

- (i) As valued by Colin Pickett, A.A.P.I., Certified Practising Valuer, of Colin Gaetjens & Co.
- (ii) As valued by Angus Barrinton-Case, B. Bus (Prop), A.A.P.I., Agri Valuation & Advisory Certified Practising valuer, of McGees Property.
- (iii) As valued by Alex Thamm, B.Bus (Prop), A.A.P.I., Agri Valuation & Advisory Certified Practising Valuer, Qualified Agent and Conveyancer, of McGees Property.
- (iv) As valued by Boyd Gross, B. Agr. (Rural Val), Dip. Bus. Std., A.N.Z.I.V., of Logan Stone.
- (v) As valued by David Stark, B. Ag. Com., A.N.Z.I.V., S.N.Z.P.I., of Alexander Hayward Ltd.
- (vi) Currently under development, carried at cost.

The reconciliation of the consolidated fair value balances for the combined investment properties, vines (including integral infrastructure and water rights) and plant and equipment is detailed below:

	CONSOLIDATED 30 June 2006 \$'000	CONSOLIDATED 30 June 2005 \$'000
Beginning of the year at fair value	280,328	243,744
Additions	17,165	37,325
Disposals	(2,654)	(4,679)
Depreciation for the year	(381)	(302)
Foreign currency fluctuations	(7,822)	148
Net fair value movement	<u>2,951</u>	<u>4,092</u>
End of the year at fair value	<u><b>289,587</b></u>	<u><b>280,328</b></u>

## Note 18. Trade and other payables

	CONSOLIDATED		PARENT	
	30 June 2006 \$'000	30 June 2005 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
Trade payables	1,931	5,712	942	4,181
	<u>1,931</u>	<u>5,712</u>	<u>942</u>	<u>4,181</u>

Trade payables are non-interest bearing and normally settled on 60-day terms.

## Note 19. Interest-bearing loans and borrowings

	CONSOLIDATED		PARENT	
	30 June 2006 \$'000	30 June 2005 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
<b>Current</b>				
Bank bill facilities	1,925	-	1,925	-
	<u>1,925</u>	<u>-</u>	<u>1,925</u>	<u>-</u>
<b>Non-current</b>				
Bank bill facilities	127,210	126,965	41,834	42,364
	<u>127,210</u>	<u>126,965</u>	<u>41,834</u>	<u>42,364</u>
<b>Total interest-bearing loans and borrowings</b>	<b><u>129,135</u></b>	<b><u>126,965</u></b>	<b><u>43,759</u></b>	<b><u>42,364</u></b>

### Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available.

	CONSOLIDATED		PARENT	
	30 June 2006 \$'000	30 June 2005 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
Total facilities:				
bank overdraft	30	30	30	30
secured bank bills	149,369	148,836	48,902	46,440
	<u>149,399</u>	<u>148,866</u>	<u>48,932</u>	<u>46,470</u>
Facilities used at reporting date				
bank overdraft	-	-	-	-
secured bank bills	129,135	126,965	43,759	42,364
	<u>129,135</u>	<u>126,965</u>	<u>43,759</u>	<u>42,364</u>
Facilities unused at reporting date				
bank overdraft	30	30	30	30
secured bank bills	20,234	21,871	5,143	4,076
	<u>20,264</u>	<u>21,901</u>	<u>5,173</u>	<u>4,106</u>

### Bank overdraft

The bank overdraft is secured by a floating charge over certain of the Group's assets, including its land and buildings.

The bank overdraft facility may be drawn at any time and is reviewed by the bank annually at which time it can elect to cancel the facility. The bank may also cancel the facility at any time should the Group be in breach of its covenants or otherwise in default.

### Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

	CONSOLIDATED		PARENT	
	30 June 2006 \$'000	30 June 2005 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
<b>Non current</b>				
<i>First-mortgage</i>				
Investment properties at fair value	38,194	39,228	9,299	11,095
Vines (including integral infrastructure and water rights) at fair value	244,377	233,466	76,904	76,629
Winery plant and equipment at net carrying value	7,016	7,634	7,016	7,634
Total non current assets pledged as security	<u>289,587</u>	<u>280,328</u>	<u>93,219</u>	<u>95,358</u>

### Note 20. PICE units

	CONSOLIDATED		PARENT	
	30 June 2006 \$'000	30 June 2005 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
PICE Units	13,625	-	13,625	-
	<u>13,625</u>	<u>-</u>	<u>13,625</u>	<u>-</u>

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.

For the movement in PICE units during the year refer note 21.

### Note 21. Contributed equity and reserves

	CONSOLIDATED		PARENT	
	30 June 2006 \$'000	30 June 2005 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
Ordinary units issued and fully paid	131,206	117,846	131,206	117,846
PICE units issued and fully paid	-	16,434	-	16,434
Total contributed equity	<u>131,206</u>	<u>134,280</u>	<u>131,206</u>	<u>134,280</u>

	<u>Units '000</u>	<u>\$'000</u>	<u>Units '000</u>	<u>\$'000</u>
<b>Movement in ordinary units on issue</b>				
At 1 July 2004	126,114	114,422	126,114	114,422
Units issued during the year				
- Distribution reinvestment plan	10,024	9,692	10,024	9,692
Balance at the end of the year	<u>136,138</u>	<u>124,114</u>	<u>136,138</u>	<u>124,114</u>
<i>less issue costs</i>				
At 1 July 2004		(6,142)		(6,142)
Incurred during the year		<u>(126)</u>		<u>(126)</u>
Balance at the end of the year		<u>(6,268)</u>		<u>(6,268)</u>
Contributed equity balance at 30 June 2005		<u><b>117,846</b></u>		<u><b>117,846</b></u>
At 1 July 2005	136,138	124,114	136,138	124,114
Units issued during the year				
- Distribution reinvestment plan	11,823	10,211	11,823	10,211
- PICE units converted to ordinary units	3,996	3,237	3,996	3,237
Balance at the end of the year	<u>151,957</u>	<u>137,562</u>	<u>151,957</u>	<u>137,562</u>
<i>less issue costs</i>				
At 1 July 2005		(6,268)		(6,268)
Incurred during the year		<u>(88)</u>		<u>(88)</u>
Balance at the end of the year		<u>(6,356)</u>		<u>(6,356)</u>
Contributed equity balance at 30 June 2006		<u><b>131,206</b></u>		<u><b>131,206</b></u>
<b>Movement in PICE units on issue</b>				
At 1 July 2004	1,718	17,172	1,718	17,172
Units issued during the year				
- Distribution reinvestment plan	55	529	55	529
Balance at the end of the year	<u>1,773</u>	<u>17,701</u>	<u>1,773</u>	<u>17,701</u>
<i>less issue costs</i>				
At 1 July 2004		(1,267)		(1,267)
Incurred during the year		<u>-</u>		<u>-</u>
Balance at the end of the year		<u>(1,267)</u>		<u>(1,267)</u>
Contributed equity balance at 30 June 2005		<u><b>16,434</b></u>		<u><b>16,434</b></u>
At 1 July 2005 transferred to liabilities	1,773	17,701	1,773	17,701
Issued during the year less issue costs				
- Distribution reinvestment plan	45	438	45	438
- PICE units converted to ordinary units	(325)	(3,246)	(325)	(3,246)
Balance at the end of the year	<u>1,493</u>	<u>14,893</u>	<u>1,493</u>	<u>14,893</u>
<i>less issue costs</i>				
At 1 July 2005		(1,267)		(1,267)
Incurred during the year		<u>(1)</u>		<u>(1)</u>
Balance at the end of the year		<u>(1,268)</u>		<u>(1,268)</u>
Liability balance at 30 June 2006		<u><b>13,625</b></u>		<u><b>13,625</b></u>

## Retained Earnings

Movements in retained earnings were as follows:

	<b>CONSOLIDATED</b>		<b>PARENT</b>	
	<b>30 June 2006</b>	<b>30 June 2005</b>	<b>30 June 2006</b>	<b>30 June 2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance 1 July	12,682	8,590	(1,815)	21
Net profit for the year	16,122	17,823	10,409	11,895
Distributions paid / payable	(13,175)	(13,731)	(13,175)	(13,731)
Balance 30 June	<u>15,629</u>	<u>12,682</u>	<u>(4,581)</u>	<u>(1,815)</u>

## Reserves

Movements in reserves were as follows:

	CONSOLIDATED				PARENT		
	Investment Revaluation \$'000	Cash Flow Hedge \$'000	Foreign Currency Translation \$'000	Total \$'000	Investment Revaluation \$'000	Cash Flow Hedge \$'000	Total \$'000
At 1 July 2004	453	-	1,151	1,604	453	-	453
Currency translation movements	-	-	393	393	-	-	-
<b>At 30 June 2005</b>	<b>453</b>	<b>-</b>	<b>1,544</b>	<b>1,997</b>	<b>453</b>	<b>-</b>	<b>453</b>
Transition to AIFRS on 1 July 2005	-	(2,666)	-	(2,666)	-	(1,858)	(1,858)
Currency translation movements	-	-	(1,517)	(1,517)	-	-	-
Fair value movements in cash flow hedges	-	906	-	906	-	1,225	1,225
<b>At 30 June 2006</b>	<b>453</b>	<b>(1,760)</b>	<b>27</b>	<b>(1,280)</b>	<b>453</b>	<b>(633)</b>	<b>(180)</b>

## Nature and purpose of reserves

### Investments revaluation reserve

This reserve records fair value changes on investments in unlisted shares in the year ended 30 June 2005 which are now classified as available-for-sale investments from 1 July 2005.

### Cash flow hedge reserve

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

### Currency revaluation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the foreign subsidiary.

## Note 22. Financial Instruments

### (a) Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank loans and an overdraft, PICE units, cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group also enters into derivative transactions, principally interest rate swaps. The purpose is to manage the interest rate risk arising from the Group's operations and its sources of finance. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risk arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below and in the Directors report.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets, financial liability and equity instruments are disclosed in note 2 to the financial statements.

### (b) Cash flow interest rates

The Group's exposure to changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using fixed rate debt. Floating interest contracts are aligned to matching swap contracts to hedge against fluctuations in interest rate movements.

Interest rate swaps, denominated in Australian dollars and New Zealand dollars, have been entered into as cash flow hedges of medium-term notes and long-term notes. The swaps have maturities ranging from 1 to 9 years, following the maturity of the related notes and have swap rates ranging from 5.64% to 7.55%. At 30 June 2006, the Group had interest rate swaps with a notional contract amount of \$122.3m (2005: \$120.6m).

The fair value of swaps at 1 July 2005 of \$2.666m was adjusted against the opening cash flow hedge reserve at this date.

The net fair value of swaps at 30 June 2006 was \$1.760m.

<b>Year ended 30 June 2006</b>	<1 year \$'000	>1-<2 years \$'000	>2-<3 years \$'000	>3-<4 years \$'000	>4-<5 years \$'000	>5 years \$'000	Total \$'000	Weighted average effective interest rate %
<b>CONSOLIDATED</b>								
<b>FINANCIAL ASSETS</b>								
Cash and cash equivalents	3,991	-	-	-	-	-	3,991	4.31%
<i>Weighted average effective interest rate</i>	4.31%	-	-	-	-	-		
Other financial assets	600	-	397	-	-	-	997	8.79%
<i>Weighted average effective interest rate</i>	7.50%	-	10.75%	-	-	-		
<b>FINANCIAL LIABILITIES</b>								
Bank bills with interest rate swaps	1,535	-	78,301	-	9,426	32,746	122,008	7.53%
<i>Weighted average effective interest rate</i>	6.80%	-	7.58%	-	7.21%	7.55%		
Bank bills	1,925	-	-	4,710	-	492	7,127	7.52%
<i>Weighted average effective interest rate</i>	6.76%	-	-	7.74%	-	8.38%		
PICE units	-	-	-	-	13,625	-	13,625	10.10%
<i>Weighted average effective interest rate</i>	-	-	-	-	10.10%	-		
<b>Year ended 30 June 2006</b>								
<b>PARENT</b>								
<b>FINANCIAL ASSETS</b>								
Cash and cash equivalents	2,983	-	-	-	-	-	2,983	4.31%
<i>Weighted average effective interest rate</i>	4.31%	-	-	-	-	-		
Other financial assets	600	-	397	-	-	-	997	8.79%
<i>Weighted average effective interest rate</i>	7.50%	-	10.75%	-	-	-		
<b>FINANCIAL LIABILITIES</b>								
Bank bills with interest rate swaps	1,754	-	13,993	-	8,375	13,002	37,124	7.65%
<i>Weighted average effective interest rate</i>	6.80%	-	8.55%	-	7.16%	7.11%		
Bank bills	1,925	-	-	4,710	-	-	6,635	7.46%
<i>Weighted average effective interest rate</i>	6.76%	-	-	7.74%	-	-		
PICE units	-	-	-	-	13,625	-	13,625	10.10%
<i>Weighted average effective interest rate</i>	-	-	-	-	10.10%	-		

<b>Year ended 30 June 2005</b>	<1 year \$'000	>1-<2 years \$'000	>2-<3 years \$'000	>3-<4 years \$'000	>4-<5 years \$'000	>5 years \$'000	Total \$'000	Weighted average effective interest rate %
<b>CONSOLIDATED</b>								
<b>FINANCIAL ASSETS</b>								
Cash and cash equivalents	3,380	-	-	-	-	-	3,380	4.47%
<i>Weighted average effective interest rate</i>	4.47%	-	-	-	-	-		
Other financial assets	-	600	-	397	-	-	997	8.79%
<i>Weighted average effective interest rate</i>	-	7.50%	-	10.75%	-	-		
<b>FINANCIAL LIABILITIES</b>								
Bank bills with interest rate swaps	-	1,382	-	78,061	-	40,774	120,217	8.28%
<i>Weighted average effective interest rate</i>	-	6.80%	-	8.33%	-	8.26%		
Bank bills	-	2,038	-	-	4,710	-	6,748	7.33%
<i>Weighted average effective interest rate</i>	-	6.38%	-	-	7.74%	-	-	

<b>Year ended 30 June 2005</b>	<1 year \$'000	>1-<2 years \$'000	>2-<3 years \$'000	>3-<4 years \$'000	>4-<5 years \$'000	>5 years \$'000	Total \$'000	Weighted average effective interest rate %
<b>PARENT</b>								
<b>FINANCIAL ASSETS</b>								
Cash and cash equivalents	1,799	-	-	-	-	-	1,799	4.47%
<i>Weighted average effective interest rate</i>	4.47%	-	-	-	-	-		
Other financial assets	-	600	-	397	-	-	997	8.79%
<i>Weighted average effective interest rate</i>	-	7.50%	-	10.75%	-	-		
<b>FINANCIAL LIABILITIES</b>								
Bank bills with interest rate swaps	-	1,720	-	13,994	-	19,901	35,615	8.02%
<i>Weighted average effective interest rate</i>	-	6.80%	-	8.55%	-	7.76%		
Bank bills	-	2,039	-	-	4,710	-	6,749	7.33%
<i>Weighted average effective interest rate</i>	-	6.38%	-	-	7.74%	-	-	

### (c) Foreign currency risk

The Group has transactional currency exposure. Such exposure arises from bank interest paid by an operating unit in a currency other than the unit's functional currency.

### (d) Credit risk

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.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

### (e) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and bank overdrafts.

## (f) Fair Values

The carrying amount of the financial assets and financial liabilities recorded in the balance sheet approximates the respective net fair values, determined in accordance with the accounting policies disclosed in Note 2 to the Financial Statements.

## Note 23. Auditors remuneration

The auditor of Challenger Wine Trust is Ernst & Young.

	CONSOLIDATED		PARENT	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<i>Amounts received or due and receivable by Ernst &amp; Young (Australia) for:</i>				
an audit or review of the financial report of the entity and any other entity in the consolidated group	46	38	46	38
other services in relation to the entity and any other entity in the consolidated group:				
compliance plan audit	7	7	7	-
tax compliance	-	98	-	58
other	28	15	28	5
capital raising (including issue costs)	-	25	-	25
	<u>81</u>	<u>183</u>	<u>81</u>	<u>126</u>
<i>Amounts received or due and receivable by non Ernst &amp; Young audit firms for:</i>				
Taxation services	7	-	3	-
	<u>7</u>	<u>-</u>	<u>3</u>	<u>-</u>

## Note 24. Related party disclosure

### (a) Related party entities

The consolidated financial statements include the financial statements of Challenger Wine Trust and the subsidiaries listed in the following table.

Name	Country of incorporation	% Equity interest		Investment (\$'000)	
		2006	2005	2006	2005
Delegat's Trust (formerly Beston Delegat's Wine Trust)	New Zealand	100	100	11,793	11,793
Southcorp Trust (formerly Beston Southcorp Vineyard Trust)	Australia	100	100	500	500
McGuigan Simeon Trust (formerly McGuigan Simeon Wines Wholesale Trust)	Australia	100	100	8,400	8,400
				<u>20,693</u>	<u>20,693</u>

### (b) Responsible Entity

The responsible entity of CWT is Challenger Listed Investment Limited (CLIL), a wholly owned subsidiary of Challenger Life Holdings Pty Limited.

### (c) Details of Key Management Personnel

#### (i) Directors

The Directors of CLIL, the Responsible Entity of CWT, are considered to be key management personnel.

- Stephen Gerlach            Chairman
- Tim Foster                 (resigned 23 November 2005)
- David Hall                 (resigned 15 May 2006)
- Russell Hooper
- Ian Martens

- 
- Ian Moore (appointed 18 November 2005)
  - Peter Polson
  - Paul Rogan (appointed 23 November 2005)
  - Robert Woods
  - Geoff McWilliam (appointed 20 February 2006)
  - Greg Martin (appointed 14 June 2006)

***(ii) Key Management Personnel***

In addition to the directors noted above, the following were considered Key Management Personnel during the period with the authority for the strategic direction and management of the Challenger Wine Trust:

- Chris Atkins (Chief Executive – Challenger Wine Trust)
- CLIL (Responsible Entity – Challenger Wine Trust)

***(iii) Compensation of the Key Management Personnel of CWT***

No amounts are paid by CWT directly to the Key Management Personnel of the Trust.

CLIL, as the responsible entity of CWT, is deemed to be the key management personnel of CWT. Compensation paid directly to CLIL in the form of fees is disclosed in Note 24(g).

***(d) Management Fees***

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 is defined in the Constitution.

***(i) Management fees policy applicable up to the 31 December 2005***

In accordance with the Constitution, the Responsible Entity was entitled to a fee up to 0.75% per annum of the total asset value of the Trust, assessed at the end of each month.

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

***(ii) Management fees policy applicable after 1 January 2006***

In accordance with changes to the Constitution, the Responsible Entity is entitled to a fee up to 0.65% per annum of the total asset value of the Trust and 1.5% on capital acquisitions, assessed at the end of each month.

The Responsible Entity is entitled to receive up to 1% 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.

On the 31 January 2006 the Responsible Entity delegated certain of its management activities to Challenger Management Services Limited (CMSL) as is permitted following changes to the constitution.

***(e) Custodian***

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

***(f) Wholly-owned group transactions***

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

***(g) Related party transactions***

During the year, fees amounting to \$2,581,742 were paid to CLIL as responsible entity. In accordance with the CWT constitution and the management agreement entered into by CLIL with Challenger Management Services Limited ("CMSL") the following fees were paid by CWT out of scheme property:

- Responsible Entity fees for the financial year paid to CLIL in accordance with the Scheme Constitution: \$1,524,329
- Management fees for the financial year paid to CMSL under the Management Agreement: \$1,057,413

Of the above fees \$161,197 has been capitalised to property acquisitions and developments.

#### (h) Convertible Notes

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

#### (i) Interests in the shares and options of the company and related bodies corporate

As at the balance date, the following related parties held the following interests in CWT:

	PICE Units fully paid		Ordinary Units fully paid	
	2006 # of units	2005 # of units	2006 # of units	2005 # of units
<b>Related Entities</b>				
Challenger Life No 2 Limited	783,052	691,590	36,251,019	21,335,460
<b>CLIL Directors</b>				
S Gerlach	-	-	151,600	151,600
IM Martens	200	200	252,123	246,913
PL Polson	-	-	68,000	-
R Woods	10,530	-	105,656	-
<b>Key Management Personnel</b>				
CJ Atkins	290	262	77,470	47,226
<b>Total</b>	<b>794,072</b>	<b>692,052</b>	<b>36,905,868</b>	<b>21,781,199</b>

## Note 25. Commitments and contingencies

### Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio.

These non-cancellable leases have remaining terms between 1 and 14 years. The rates are based on predetermined formulae in each lease.

Future minimum rentals receivables under non-cancellable operating leases as at 30 June are as follows:

	CONSOLIDATED		PARENT	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Within one year	30,042	25,842	11,568	9,666
After one year but not more than five years	154,193	137,537	71,197	45,929
More than five years	173,504	134,809	88,410	14,152
	<b>357,739</b>	<b>298,188</b>	<b>171,175</b>	<b>69,747</b>

### Capital expenditure commitments

Finance facilities which total \$30,930,764 (2005:\$43,614,969) have been made available to the Group for further development of various vineyards. These commitments will be secured by the Group and the Group will earn lease rentals on these developments at rates based on predetermined formulae in each lease.

	CONSOLIDATED		PARENT	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<i>Investment property</i>				
Within one year	12,250	29,791	8,358	13,572
After one year but not more than five years	18,144	7,341	14,875	7,323
More than five years	-	6,483	-	6,103
	<u>30,394</u>	<u>43,615</u>	<u>23,233</u>	<u>26,998</u>

## **Note 26. Events after the balance sheet 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 Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

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## Director's 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:

1. 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 and consolidated entity's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
    - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
  - (b) There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.
2. 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 2006.

On behalf of the Board



**Ian M Martens**

Director

Dated this 14th day of August 2006

Location: Sydney, Australia

## Independent audit report to unit holders of Challenger Wine Trust

### Scope

#### *The financial report and directors' responsibility*

The financial report comprises the balance sheet, income statement, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Challenger Wine Trust (the Trust) and the consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises both the Trust and the entities it controlled during that year.

The directors of the Trust are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the Trust and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Audit approach*

We conducted an independent audit of the financial report in order to express an opinion to the unit holders of the Trust. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Trust's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

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

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

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

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

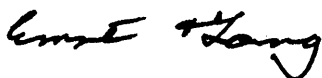
### Independence

We are independent of the Trust and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the Trust 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:

1. the financial report of 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 Challenger Wine Trust and the consolidated entity at 30 June 2006 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  
14 August 2006