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MARKET RELEASE

CWT ANNOUNCES SOLID 2007 FINANCIAL RESULTS

22 August 2007, Sydney – Challenger Wine Trust (ASX: CWT) has today announced net operating income of $14.3 million for the 2007 financial year, up 8.8% on the 2006 result.

CWT's Fund Manager, Mr Nick Gill said: "CWT's 2007 financial performance has been positive, reflecting 100% occupancy of the portfolio, as well as the progression of vineyard development projects and lower borrowing costs.

"This is a strong result in what has been a difficult period for the vineyard industry, with weather conditions significantly reducing the size of the 2007 harvest and uncertainty over water availability forecast to impact future production. In this environment, we have worked closely with our impacted tenants to ensure that any impacts to portfolio income and long-term vineyard values are minimised."

Solid financial results

- **Net operating income $14.3 million, 8.8% higher than FY06**
- **Net property income $28.9 million, 2.8% higher than FY06**
- **Distributable income $14.3 million, 8.8% higher than FY06**
- **Distribution per unit 9.10 cents, 0.4% higher than FY06**
- **NTA per unit $0.82 (2006 restated: $0.84)**
- **NAV per unit $0.92 (2006 restated: $0.94)**

CWT delivered net operating income of $14.3 million for the year, up 8.8% on a comparable basis against the 2006 result. The key driver of this stronger performance was growth in net property income, up 2.8% from $28.1 million in 2006 to $28.9 million. This growth was the result of new income from development projects nearing completion, as well as the net uplift from annual rental reviews across the portfolio. Lower borrowing costs following the conversion of PICE units (which were recognised as debt) to ordinary units in April 2007 also contributed to this positive result.

After inclusion of the unrealised impact of the negative movement in the fair value of non-current assets of $6.4 million, CWT's net profit for the period was $7.9 million.

CWT's distributable income for the year was $14.3 million, up from $13.2 million in 2006. After taking into account new units issued during the year under the DRP and PICE unit conversion, this equated to 9.10 cents per unit, reflecting growth of 0.4% over the 9.06 cents per unit distribution for the 2006 financial year.

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Change to accounting treatment of water rights

Following discussions and agreement with ASIC as to the appropriate treatment of water rights under AIFRS, CWT has determined to treat water rights associated with its warm climate vineyards as intangible assets recorded at cost. This change was reflected in both 2007 asset values and prior period comparatives.

Recognising water rights at cost rather than fair value has resulted in a write down of 30 June 2006 asset values of $2.3 million, with the restated 30 June 2006 Net Asset Value (NAV) per unit now $0.94 (previously $0.96). In addition, the recognition of $15.8 million as intangible assets at 30 June 2006 resulted in Net Tangible Assets (NTA) per unit being restated to $0.84 (previously $0.96).

For the year ended 30 June 2007 a further write down of $1.9 million was recorded due to recognising intangible assets at cost. This change in accounting treatment has no impact on the underlying economic value of CWT's properties.

Valuation of properties

Annual independent valuations, which take into consideration the value of the land, vines, infrastructure and water rights which collectively reflect the underlying economic value of the properties, remain the most appropriate reflection of the market value of the vineyards.

In the year to 30 June 2007, a net downward movement of $4.5 million over previous asset valuations was recorded. This fall was largely driven by the impacts of the current drought and uncertainty over future water availability on vineyard profitability forecasts at Australian warm climate vineyards located along the Murray River.

NAV/NTA per unit

At 30 June 2007, CWT's NAV and NTA per unit reflected the negative impact of asset revaluations ($4.5 million), the write downs due to recognition of water rights at cost ($1.9 million) and additional units issued following the PICE unit conversion in April 2007. These factors were partially offset by fair value increments in interest rate cash flow hedges and other movements, resulting in NAV per unit and NTA per unit both falling $0.02 to $0.92 and $0.82 per unit respectively.

Capital management

At 30 June 2007, CWT had total borrowings of $134.4 million, and a gearing ratio of 45.2% (increasing to 47.4% following acquisition of Miamba vineyards). All of the Trust's borrowings are at fixed rates, either directly or through the overlay of interest rate hedges. At 30 June 2007, CWT's weighted average cost of borrowing was 7.7%.

Portfolio update

The CWT portfolio is 100% occupied, has a long weighted average lease term of 5.9 years and is well diversified by region, tenant and grape variety.

During the year, lease extensions were negotiated with McGuigan Simeon Wines at Hermitage Road Winery and Sandy Hollow, Cowra and Waikerie vineyards for varying periods. In addition, Grant Burge Wines has also agreed to an extension of its lease at Summer’s Hill vineyard for a further five years. After excluding assets planned for sale, portfolio expiries in the next two years are limited to Grant Burge Wines’ tenancy at Corryton Park and McGuigan Simeon Wines tenancies at Cowra, Bethany Creek and Vine Vale vineyards, which together account for only 3.3% of portfolio income.

As advised yesterday, Evans and Tate Limited, which is a tenant at CWT’s Cocoparra, Woods and Gnangara Vineyards, has announced the appointment of an Administrator and Receiver and Manager. In the year to 30 June 2007, rent on these properties totalled $1.7 million, equivalent to 5.8% of CWT’s net property income. CWT is awaiting contact from the Administrator and Receiver and Manager in relation to their intentions regarding Evans and Tate Limited’s leases with CWT.

Acquisitions

In August, CWT announced the acquisition of the Miamba vineyards from Grant Burge Wines for $11.5 million (plus costs). The properties were acquired under a sale and lease back arrangement with Grant Burge Wines, at a rental equivalent to a 9.8% yield on purchase price. The acquisition was fully debt funded and will be accretive to distributions from FY08 onwards.

Mr Gill said: “A core focus for the CWT management team has been sourcing new opportunities. The recent acquisition of the Miamba vineyards met all of CWT’s investment criteria - delivering distribution growth to unitholders whilst also maintaining income security and enhancing portfolio diversification.”

The Miamba vineyards add to CWT’s growing portfolio of premium brand cool climate vineyards in Australia. Located in the southern end of the Barossa Valley, South Australia’s premium wine growing region, the Miamba vineyards comprise an aggregation of five vineyards which together provide grapes for many of Grant Burge Wines’ premium wines.

Planned disposals

Three properties currently leased to McGuigan Simeon Wines have been identified for sale in the year ahead. The first of these is the Grande Junction development vineyard, which was discontinued in February 2007, with McGuigan Simeon Wines reimbursing CWT for all development costs incurred to date (totalling $6.0 million). A further $0.9 million will be paid by McGuigan Simeon Wines in September to purchase the land.

The Hermitage Road Winery and Sandy Hollow Vineyards, which have leases to McGuigan Simeon Wines expiring in June 2008 and April 2009 respectively, are currently being marketed for sale. The proposed sale of these assets, which are both smaller, older style properties, will minimise any risk to income that may arise during the re-leasing period and enhance the quality of the CWT portfolio.

CWT has also contracted to sell Trillian’s Hill vineyard to the current tenant for $1.1 million by December 2007.

Australian industry conditions[1]

The 2007 grape harvest is forecast to have been 1.35 million tonnes, the smallest since 2000. This was primarily due to weather conditions, including frost in the cooler climate regions of South Australia, Victoria and Western Australia, and drought in warm climate regions, particularly the Murray Darling Basin.

The reduction in 2007 supply has significantly lowered the existing wine surplus, with wine companies reducing inventory to meet current demand. Industry organisations are predicting supply-demand balance could occur with the 2008 harvest, with the impact of the 2007 season frosts on vine development and reduced water availability likely to again reduce production. The current industry forecast for the 2008 harvest is 1.5 million tonnes, significantly below the 1.9 million tonnes produced in 2006.

The reduced supply outlook coupled with steady growth in demand is starting to have a positive impact on grape prices, following increases in prices for both bulk and bottled wines for both domestic and export markets.

Water availability for the 2008 harvest remains a critical issue, particularly for warm climate regions dependent on water allocations from the Murray River. Some vines in these regions are being pruned back in order to reduce water use. This may have a short term negative impact on valuations, but the vines should not suffer any long term impact to productivity in future years.

CWT's rental income stream is backed by long term leases with fixed rental structures and is therefore not directly impacted by current industry conditions. However, valuations of CWT's vineyards dependent on the Murray River have experienced downward movements as a result of the uncertainty regarding water allocations impacting forecast vineyard profitability.

Outlook

In order to generate and maintain attractive, predictable income returns to investors, CWT focuses on vineyards which are able to support long-term sustainable operations. This continues to be achieved via the investment in a blend of both large scale commercial vineyards in warm climate regions which provide grapes for low cost wine producers, and vineyards in cool climate premium geographic regions which have global varietal presence and strong brand support.

Mr Gill said: "Throughout the 2007 financial year CWT has continued to deliver a stable and predictable income return to unitholders. This is expected to continue into the 2008 financial year, with the recent acquisition and the planned sale of non-core assets.

"The impact of irrigation water availability on the Murray River may remain a key issue for the Australian vineyard sector into 2008. CWT will continue to work with its tenants in these regions to ensure rental income remains secure and the capital value of the portfolio is not impacted over the longer term."

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[1] *Forecast grape harvest figures in this section have been sourced from "The Australian Winegrape Outlook 2007-2011"*

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