

15 February 2008

**Challenger Listed Investments Limited**  
ABN 94 055 293 644 AFSL 236887  
as Responsible Entity for  
**Challenger Wine Trust**  
ARSN 092 960 060

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Dear unitholder,

I am pleased to be writing to you for the first time following my appointment as an independent director and Chair of Challenger Listed Investments Limited (CLIL), the responsible entity of the Challenger Wine Trust (CWT).

Since joining the board on 5 December 2007, I have witnessed first hand the high calibre of my fellow board members, who together provide many years of valuable experience, with skills spanning funds management, real estate, alternative investments, finance and accounting.

Along with your December 2007 quarterly distribution advice, please find enclosed CWT's half-yearly update, which outlines the Trust's strong first half-year performance and details the significant transaction and leasing activity undertaken over the past six months to renew the vineyard portfolio.

I am impressed by the skills and experience of the CWT management team and their commitment to building on investor returns through active management of the portfolio and prudent management of the Trust's finances.

In a period of significant volatility in the listed property trust sector, CWT is well placed to deliver on its recently announced distribution guidance for the 2008 financial year of 9.4 cents per unit. This represents growth of 3.3% on the distribution of 9.1 cents per unit paid by CWT for the 2007 financial year.

I would like to thank you for your continued support of the Challenger Wine Trust.

Yours sincerely,



Brenda Shanahan  
Chair  
Challenger Listed Investments Limited



# Challenger Wine Trust

Half-yearly Update 31 December 2007

**Challenger Wine Trust**  
ARSN 092 960 060

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### Important notice

Challenger Listed Investments Limited (ABN 94 055 293 644) (AFSL 236887) (CLIL) is the Responsible Entity of Challenger Wine Trust (ARSN 092 960 060) (CWT).

CLIL, as the Responsible Entity of CWT, has prepared this Half-yearly Update (Update) based on information available to it. The information in this Update should be regarded as general information only. Nothing contained in this Update constitutes investment, legal, tax or other advice. It has been prepared without taking account of any person's objectives, financial situation or needs. Recipients should, before acting on any such information, consider its appropriateness, having regard to their objectives, financial situation and needs, and seek the assistance of their financial or other licensed professional adviser before making any investment decision.

Any investment in CWT is subject to investment risk and other risks, including possible loss of income and principal invested. None of CLIL, Challenger Management Services Limited (ABN 29 092 382 842) (AFSL 234678) (CMSL), Challenger Financial Services Group Limited (ABN 85 106 842 371) (Challenger) or any other member of the Challenger Group gives any guarantee or assurance as to the performance of CWT or the repayment of capital.

Nothing in this Update should be considered a solicitation, offer or invitation to buy, subscribe for or sell any, or a recommendation of, financial products.

While all reasonable care has been taken to ensure that the facts stated and opinions given in this Update are fair and accurate at the date of this Update, no representation or warranty (express or implied) is made as to, and no member of the Challenger Group accepts any responsibility for, the accuracy or completeness of any recommendation, information or advice in this Update.

Any forward looking statements included in this Update involve subjective judgement and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, CLIL. In particular, they speak only as of the date of these materials, they assume the success of CWT's business strategies, and they are subject to significant regulatory, business, competitive and economic uncertainties and risks. Actual future events may vary materially from forward looking statements and assumptions on which those statements are based. Given these uncertainties, recipients are cautioned not to place undue reliance on such forward looking statements.

Any past performance information provided in this Update is not a reliable indication of future performance.

CLIL does not receive any specific remuneration for any general advice which may be provided to you in this Update. However, CLIL and CMSL receive trustee and management fees as Responsible Entity and Manager of CWT, respectively. For more details on fees, please refer to the CWT 2007 Annual Report and additional information on the Australian Securities Exchange (ASX) website, [www.asx.com.au](http://www.asx.com.au). Financial advisers (including some Challenger Group companies) may receive fees or commissions if they provide advice to you or arrange for you to invest in a Challenger product (including CWT). CLIL and its associates may have an interest in the financial products referred to in this Update and may earn fees or other benefits as a result of transactions in any such financial products.

Members of the Challenger Group and their officers and directors may hold securities in CWT from time to time.

# Fund Manager's report

The first six months of the 2008 financial year have been extremely active for CWT, with significant transaction and leasing activity strengthening portfolio quality and diversification and enhancing the Trust's track record of providing investors with long-term income security and predictability by investment in a high quality portfolio of vineyard assets.

Against a backdrop of significant volatility in the broader listed property trust (LPT) market, CWT's defensive portfolio characteristics and simple business model, coupled with the improving agribusiness outlook, see it well positioned as it heads into the second half of the 2008 financial year.

## Financial results

### Financial performance

CWT generated profit from operating activities of \$8.8 million for the six months to 31 December 2007, up \$1.6 million or 22.4% on the six months to 31 December 2006 as a result of transactions completed during the period and solid underlying portfolio performance.

After adjusting for the one-off gain of \$0.9 million achieved on the sale of Gngangara and Boh River Vineyards in December 2007, the key contributor to this strong result was a 8.3% increase in net property income to \$15.8 million (from \$14.6 million). This increase reflected the additional income received from Miamba and Stephendale Vineyards which were acquired during the period, completed developments, as well as growth in underlying net property income from the stabilised portfolio, which was up 1.1% on the prior period. Partially offsetting the additional income received from increased transaction activity were higher operating and borrowing costs (due to higher debt balances), which contributed to an increase in trust expenses of \$0.5 million over the previous period.

Net profit, which includes profit from operating activities as well as the unrealised impact of net fair value movements in non-current assets of \$3.8 million, was \$12.7 million.

### Distributions to unitholders

CWT's total distributable income for the six months was \$8.8 million, of which \$8.0 million or 4.68 cents per unit (up 0.9% on the prior period) has been distributed to unitholders. A further \$0.9 million profit from sale of non-current assets has been retained as undistributed income.

## Net assets

As a result of property transactions completed during the period, CWT's total assets grew to \$335.7 million at 31 December 2007, reflecting growth of 12.9% since 30 June 2007. Importantly, net assets also increased, up 3.9% to \$162.3 million at 31 December 2007. This increase resulted in a \$0.03 uplift in net asset value (NAV) from \$0.92 to \$0.95 per unit and a \$0.01 uplift in net tangible assets (NTA) from \$0.82 to \$0.83 cents per unit.

## Borrowings

CWT's debt to total assets (gearing) ratio at 31 December 2007 was 49.3%, within the preferred range of 45-55%. Interest rates are effectively hedged for the duration of lease terms. At 31 December 2007, CWT's weighted average cost of borrowings was 7.7%.

CWT is currently in the process of consolidating its loan facilities of \$165.5 million into larger, more flexible facilities and to extend facility durations. CWT's treasury team has recently agreed terms for a new four year loan facility for \$96.9 million with the existing lender at the same margin and similar terms to those currently in place on existing facilities. Indicative offers have also been received from existing and new lenders on refinancing the remaining loan facilities on similar terms.

## Investment performance

The LPT sector experienced significant price volatility in the latter half of the period, driven by negative market sentiment towards securities which have a high proportion of corporate earnings, complex structures and low levels of transparency, high leverage and uncertainty associated with short term refinancing. In this environment, CWT has performed slightly better than the sector, recording a total return for the six months to 31 December 2007 of -7.5% vs the S&P/ASX 300 Property Index of -8.5%.

This negative sentiment has gained further momentum since the end of 2007, with CWT outperforming the total return from the S&P/ASX 300 Property Index by 3.5% for the month of January, benefiting from the increased focus on LPTs which operate under simple business models and offer a long-term track record of income security.

## Corporate governance

As part of Challenger Listed Investments Limited's (CLIL's) commitment to best practice corporate governance, the CLIL Board comprises a majority of independent directors.

In December 2007, Mr Stephen Gerlach, Independent Chairman of CLIL since its inception, resigned from his position as Chairman and director. Over the course of Mr Gerlach's stewardship CWT has benefited from his strong business acumen and wide reaching experience, both of which contributed to a strong and well functioning Board.

Following Mr Gerlach's resignation, Ms Brenda Shanahan has been appointed as a non-executive director and Chair of CLIL and replaced Mr Russell Hooper on the CLIL Audit and Compliance Committee. Ms Shanahan's extensive operational experience across the financial services industry will bring valuable insights to the Board and complement the skill set of existing Board members.

## Portfolio activity

CWT continues to focus on investment in vineyards which are able to support long-term sustainable operations. In cool climate regions (55% of the portfolio) this is achieved via investment in premium geographic locations which have global varietal presence and strong brand support. In warm climate regions (45% of the portfolio) it is undertaken via investment in large scale commercial vineyards with good water security which provide grapes for low cost wine producers.

Critical to successful investment in both regions is strong ongoing relationships with existing tenants, as well as other vineyard owners and operators across Australia and New Zealand. These relationships ensure that CWT is able to access and capitalise on opportunities to bring attractive new vineyards and tenants into the portfolio.

Over the past six months this relationship focus has resulted in a number of transactions and new leasing deals which have enhanced portfolio quality and diversification whilst removing potential risks to future income. Following these transactions portfolio occupancy is again 100%, and the portfolio's weighted average lease term to expiry (by income) has been extended to 6.2 years.

Highlights for the period include:

- In August 2007, CWT acquired the Miamba Vineyards for \$11.5 million under a sale and leaseback arrangement with Grant Burge Wines.
- In September 2007, CWT acquired the Stephendale Vineyard for \$25 million under a sale and leaseback arrangement with Warburn Estate.

- In October 2007, CWT re-leased the Cocoparra and Woods Vineyards to Foster's Group on similar terms to those previously agreed with Evans and Tate.
- In December 2007, CWT sold the Gngangara Vineyard (formerly leased to Evans and Tate) for \$6.3 million. Under the terms of the sale, CWT also received payment for vineyard expenses incurred since Evans and Tate went into receivership in August 2007.
- In December 2007, CWT sold the Boh River Vineyard for \$9.95 million, reducing its exposure to warm climate vineyards drawing water from the Murray River to 19% and increasing the proportion of wine company tenants to 92%.
- In December 2007, Grant Burge Wines exercised its option to renew its lease at Corryton Park Vineyard for a further five years. Following this transaction, CWT now has only 4.9% of leases expiring prior to June 2009.
- In line with stated intentions, CWT also acquired the remaining lots at Balranald Vineyard for \$2.9 million and sold the remaining land at Grande Junction Vineyard for \$0.9 million and Trillians Hill Vineyard for \$1.1 million.

Over the next six months this transaction and leasing focus will continue, with negotiations underway with existing tenants on upcoming lease expiries, new investment opportunities currently being assessed and the sale of further assets which do not meet CWT's long-term investment criteria.

### Revaluations

Nine properties (representing 18.5% of the portfolio) were independently revalued during the period, resulting in a \$5.3 million increase in the fair value of the vineyard portfolio to \$319.2 million. A significant increase in valuation was recorded at Cocoparra and Woods Vineyards, which was up \$2.3 million, reflecting the new lease to Foster's Group and strengthening vineyard values in the region. Rarangi Vineyard in New Zealand also experienced a significant uplift of \$2.7 million, as a result of the completion of the vineyard development, combined with the ongoing strong performance of the New Zealand vineyard sector and the strength of the tenant covenant provided by the Delegat's Group (owner of the Oyster Bay brand).

Of this \$5.3 million increase in fair value, \$1.5 million relates to an uplift in the value of water rights at warm climate vineyards, which are recognised as intangible assets (and therefore carried at cost rather than fair value). After taking into account this impact, an uplift of \$3.8 million in portfolio carrying value was recorded.

## Vineyard sector conditions

Australian vineyard sector conditions have improved in the second half of the 2007 calendar year. Rainfalls across the Murray Darling Basin have resulted in increased water allocations across all warm climate regions. Predictions for the 2008 grape harvest of 1.4 million tonnes are significantly below the 2006 harvest peak of 1.9 million tonnes, resulting in an improvement in grape prices on the back of the supply/demand imbalance.

This is benefiting the harvest production outlook for CWT's tenants along the Murray and Murrumbidgee rivers, with tenants in those regions having access to sufficient water to undertake targeted production in 2008.

In New Zealand, growing international demand for their high quality wines coupled with limited supply of land available in key regions for future vineyard development is resulting in strong margins and ongoing demand for good quality vineyards.

## Outlook

As we embark on the second half of the 2008 financial year, CWT's strong portfolio base, coupled with the ongoing improvement in the outlook for the Australian vineyard sector, see it well placed to continue to deliver attractive portfolio returns.

On the back of the significant activity undertaken in the first half of the year, and solid performance from the portfolio, CWT has provided distribution guidance of 9.4 cents per unit for the 2008 financial year. This represents growth of 3.3% over the result for the 2007 financial year.

The ongoing focus on building strong relationships with established industry operators should also see new opportunities arise to facilitate the expansion of their operations whilst further enhancing CWT's portfolio quality, diversification and investment returns over the long term.

Yours sincerely,



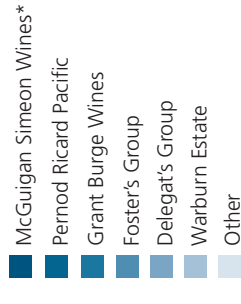
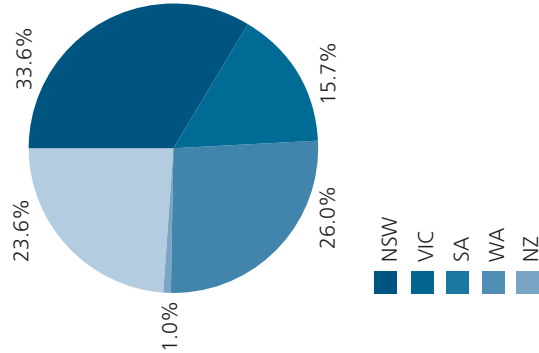
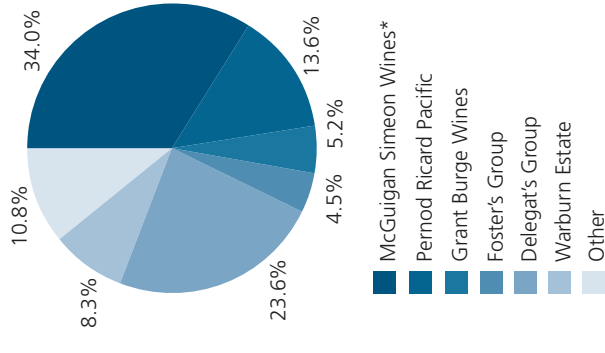
**Nick Gill**

Fund Manager

# Portfolio summary

Property	Location	Tenant	Total area planted ha	Occupancy at 31-Dec-07 %	Term to expiry (years)	Valuation date	Fair value 31-Dec-07 \$m	Carrying value 31-Dec-07 \$m
<b>Australian portfolio</b>								
<b>Cool climate vineyards</b>								
Richmond Grove and Lawsons Vineyards	Padthaway, SA	Pernod Ricard Pacific	483	100	5.5	Jun-07	43.5	43.5
Mlamba Vineyards	Barossa Valley, SA	Grant Burge Wines	118	100	7.6	Aug-07	12.5	12.5
Pooles Rock Vineyard and Winery	Hunter Valley, NSW	Pooles Rock Wines	9	100	6.8	Dec-07	7.4	7.4
Schubert's Vineyard	Lobethal, SA	McGuigan Simeon Wines*	76	100	3.5	Dec-07	6.6	6.6
Dalswinton and Inglewood Vineyards	Hunter Valley, NSW	Inglewood Vineyards	96	100	1.6	Dec-06	5.7	5.7
Hermitage Road Winery	Hunter Valley, NSW	McGuigan Simeon Wines*		100	0.5	Jun-07	3.9	3.9
Cowra Station Vineyard	Cowra, NSW	McGuigan Simeon Wines*	58	100	1.3	Dec-06	3.5	3.5
Sirens Estate Vineyard	Margaret River, WA	Foster's Group	44	100	4.4	Dec-07	3.3	3.3
Corryton Park Vineyard	Eden Valley, SA	Grant Burge Wines	42	100	5.1	Dec-06	3.1	3.1
Chapel Vineyard	Coonawarra, SA	NVFA	30	100	4.0	Dec-07	2.6	2.6
Sandy Hollow Vineyard	Hunter Valley, NSW	McGuigan Simeon Wines*	105	100	1.3	Dec-06	2.8	2.8
Bethany Creek and Vine Vale Vineyards	Barossa Valley, SA	McGuigan Simeon Wines*	19	100	0.8	Dec-06	1.7	1.7
Trillians Hill Vineyard	Clare, SA	Trillians Hill	24	100	9.5	Apr-05	1.1	1.1
Summers Hill Vineyard	Eden Valley, SA	Grant Burge Wines	18	100	5.1	Dec-07	1.5	1.5
<b>Cool climate vineyards total/average</b>			<b>1,122</b>	<b>100</b>	<b>4.1</b>	<b>-</b>	<b>99.1</b>	<b>99.1</b>
<b>Warm climate vineyards</b>								
Del Rios Vineyard	Swan Hill, VIC	McGuigan Simeon Wines*	932	100	8.5	Jun-07	50.0	50.0
Stephendale Vineyard	Griffith, NSW	Warburn Estate	631	100	9.7	Sep-07	26.5	26.5
Bairnald Vineyard	Bairnald, NSW	McGuigan Simeon Wines*	466	100	8.9	Jun-07	25.7	24.3
Gundagai Vineyard	Gundagai, NSW	Green Valley Properties	239	100	2.7	Dec-06	16.0	15.6
Cocoparra and Woods Vineyards	Griffith, NSW	Foster's Group	266	100	4.8	Dec-07	12.0	11.0
Qualco East Vineyard	Waikerie, SA	McGuigan Simeon Wines*	171	100	8.0	Dec-07	8.6	6.8
Whitton Vineyard	Griffith, NSW	McGuigan Simeon Wines*	98	100	7.3	Dec-07	3.9	3.6
Waikerie Vineyard	Waikerie, SA	McGuigan Simeon Wines*	38	100	5.3	Dec-07	2.0	1.8
<b>Warm climate vineyards total/average</b>			<b>2,841</b>	<b>100</b>	<b>6.9</b>	<b>-</b>	<b>144.7</b>	<b>139.5</b>
<b>Australian portfolio total/average</b>								
			<b>3,963</b>	<b>100</b>	<b>6.6</b>	<b>-</b>	<b>243.7</b>	<b>238.6</b>
<b>New Zealand portfolio</b>								
<b>Cool climate vineyards</b>								
Crownthorpe Vineyard	Hawkes Bay	Delegat's Group	291	100	3.3	Jun-07	26.7	26.7
Dashwood Vineyard	Marlborough	Delegat's Group	167	100	4.8	Dec-06	22.5	22.5
Rarangi Vineyard	Marlborough	Delegat's Group	129	100	6.5	Dec-07	19.8	19.8
Gimblett Gravel Vineyards	Hawkes Bay	Delegat's Group	40	100	3.3	Jun-07	6.5	6.5
<b>New Zealand portfolio total/average</b>			<b>627</b>	<b>100</b>	<b>4.4</b>	<b>-</b>	<b>75.4</b>	<b>75.4</b>
<b>Total/average</b>			<b>4,590</b>	<b>100</b>	<b>6.2</b>	<b>-</b>	<b>319.2</b>	<b>314.0</b>

\*On 31 January 2008, McGuigan Simeon Wines shareholders passed a resolution to change its name to Australian Vintage Limited.



# Unitholder information

## ASX listing

Challenger Wine Trust (CWT) is listed on the Australian Securities Exchange (ASX). The Trust's units trade under the code 'CWT'. Unit prices are published daily in major Australian metropolitan newspapers, and are also accessible from the CWT website.

## The CWT website

The CWT website, [www.challenger.com.au/cwt](http://www.challenger.com.au/cwt), contains important information about the Trust, including unit prices, announcements, annual reports and an overview of each asset in the CWT portfolio.

## Unitholder enquiries

If you have queries relating to your unitholding or wish to provide a change of address, Tax File Number, instructions for payment of distributions or annual report elections, please contact the Registry, Computershare Investor Services Pty Ltd, using the contact details located on the inside back cover.

If you have any questions relating to the management of CWT, please contact Challenger on +61 2 9994 7000, or send an email to [cwt@challenger.com.au](mailto:cwt@challenger.com.au).

## Distributions

CWT pays distributions quarterly for the periods ending 31 March, 30 June, 30 September and 31 December. Distributions are typically paid to unitholders six weeks after quarter end. Distribution payments can be paid by:

- direct credit to a nominated Australian financial institution account; or
- a cheque mailed to your registered unitholding address.

An Annual Taxation Statement is sent to unitholders in August each year. This statement includes important taxation information and should be retained by unitholders to assist in the completion of their taxation return.

# Directory

## Challenger Wine Trust

ARSN 092 960 060

## Australian Securities Exchange (ASX) code

CWT

## Responsible Entity

Challenger Listed Investments Limited

ABN 94 055 293 644

AFSL 236887

## Directors of Responsible Entity

B Shanahan (Chair)

R Hooper

I Martens

G McWilliam

I Moore

R Woods

P Brook

## Company Secretary

C Robson

S Koeppenkastrop

## Manager

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