Annual Report 2004
Year ended 30 June 2004

Challenger Beston Wine Trust

Challenger Beston Wine Trust

Managed by Challenger Beston Limited ABN 94 055 293 644
The Beston Wine Industry Trust ARSN 092 960 060

Contents

Trust highlights, results and review

for the year ended 30 June 2004

Key financial results

Highlights of results		**30 June 2004**	**30 June 2003**	**Change**
Revenue from ordinary activities ($'000)		19,689	10,361	90.02%
Net profit from ordinary activities after tax attributable to unitholders – ($'000)		10,364	5,339	94.10%
Distribution to Unitholders – ($'000)		10,364	5,339	94.10%
Distributions for the year ending				
30 June 2004 – cents per Unit	1	9.01	9.16	-1.64%
Total Distributions – cents per Unit		**9.01**	**9.16**	**-1.64%**
Basic earnings – cents per Unit	2	9.00	9.20	-2.17%
Diluted earnings – cents per Unit	2	8.90	8.60	3.49%
Total Assets ($'000)		**254,722**	**131,567**	**93.61%**
Total borrowings ($'000)		113,252	60,326	87.73%
Unitholder's equity ($'000)		134,379	67,253	99.81%
Net tangible assets (NTA) $ per Unit (diluted)		0.92	0.84	9.52%
Unit price 30 June 2004		0.93	0.92	1.09%
Ordinary Units on issue ('000)		126,114	60,216	109.44%
Ordinary Unit Market Capitalisation ($'000)		**117,286**	**55,399**	**111.71%**
Preferred Indexed Convertible Equity Unit price		9.80	9.70	1.03%
Preferred Indexed Convertible Equity Units on issue ('000)		1,719	1,700	1.12%
PICE Unit Market Capitalisation ($'000)		**16,846**	**16,490**	**2.16%**

Record date	– September Quarter (Q1)	30 September 2003
	– December Quarter (Q2) – Interim	9 December 2003
	– December Quarter (Q2) – Final	31 December 2003
	– March Quarter (Q3)	31 March 2004
	– June Quarter (Q4)	30 June 2004
Payment date	– September Quarter (Q1)	14 November 2003
	– December Quarter (Q2) – Interim	23 January 2004
	– December Quarter (Q2) – Final	16 February 2004
	– March Quarter (Q3)	17 May 2004
	– June Quarter (Q4)	16 August 2004

Commentary of results

1. Rental revenue increased significantly during the year following the acquisition of properties totalling in excess of $85.5 million and development expenditures in excess of $24.1 million, however, the full impact of these rental incomes were not felt during the 2004 financial year since the property acquisitions occurred in December 2003 and June 2004 with rentals commencing from that date. The higher proportion of cash, term deposits and undrawn borrowings at balance date ($13.0 million) designated for vineyard and winery acquisitions than in the previous corresponding period contributed to the lower distribution. Timing differences were, however, partially offset by higher rental rates.
2. Diluted earnings increased due to a lower relative number of Preferred Indexed Convertible Equity (PICE) Units to ordinary Units in the Trust's equity capital base.

Trust highlights

- Total assets of the Trust increased 93.6% to $254.7 million.
- Record operating profit of $10.4 million, up 94.1%.
- The successful raising of $59.3 million in ordinary Units.
- Tax deferral of 25.65%, giving a grossed up yield of up to 12.4% for ordinary Unitholders. Based on an issue price of $0.90, and an investor on the highest marginal tax bracket.
- Six significant and strategic vineyard acquisitions totalling $85.5 million.
- Further vineyard development expenditure $24.1 million.
- Entered the Listed Property Trust sector of the Australian Stock Exchange (ASX).
- Increased market capitalisation of the Trust's ordinary Units over the critical $100 million mark.
- $9.0 million appreciation in the fair value of the Trust's property portfolio.
- Strong NTA increase of 8 cents to $0.92, an increase of 9.5%.
- Extended the weighted average lease maturity to 8 years and 8 months.

Trust strategy

The Trust's investment in vineyard properties and wine infrastructure assets provides the investors with a stable income stream that is derived from rental incomes backed by long-term leases and is not subject to fluctuations inherent in grape production. The Trust has a history of high and consistent yields, and acquisitions are aimed at maintaining or improving those returns. The Trust also continues to pursue its goal of being recognised as a leading provider of capital to the wine industry as the demand from major players continues to grow.

- The Trust currently owns 31 vineyards and three wineries in well-regarded grape growing regions of Australia and New Zealand that are leased to quality wine companies or grape growers with secure grape contracts.

Joint report of the Chairman and Managing Director

18 August 2004

Dear Unitholder

We have pleasure in presenting the 2004 Annual Report for the Challenger Beston Wine Trust (formerly known as the Beston Wine Industry Trust).

The Trust has continued its track record of profit growth and stable income with 2004 another strong result delivering Unitholders their fifth consecutive year of record profit since the Trust's inception.

Net profit after tax was $10,364,092 for the year to 30 June 2004, up 94% from the previous corresponding period figure of $5,339,444. Record revenue growth was also achieved, with a 90% increase in revenues to $19,688,853 for the year.

Profit growth was driven by the 94.1% increase in property assets from 30 June 2003 to reach $244,690,881 at year end. An 18% reduction of the Trust's Management Expense Ratio (MER) from 1.49% in the 2003 financial year to 1.26% for the 2004 financial year based on average total assets also contributed to profit growth.

This profit has been distributed to Unitholders in accordance with the Trust's present policy, on a quarterly basis as follows:

	Rate per Ordinary Unit	**Total Distribution (Including PICE Units)**
Three months ended 30 September 2003	2.287	1,799,229
Seventy days ended 9 December 2003	1.848	1,190,769
Balance of quarter ended 31 December 2003	0.456	982,213
Three months ended 31 March 2004	2.098	3,046,065
Three months ended 30 June 2004	2.321	3,345,816
	9.010	10,364,092

The distribution on ordinary Units for the full year ending 30 June 2004 represented an annualised running yield of 10.01% on the most recent issue price of $0.90 per Unit. A further benefit to the ordinary Unitholders is that 25.65% of the distribution is tax deferred, which represents a grossed up yield of 12.4% based upon an investor at the highest marginal tax bracket.

The Trust's 2004 financial year distribution was slightly down on last year's distribution of 9.2 cents due to the full impact of the increased rental income from the $85.5 million in property acquisitions being staggered across the year following the settlement of the property acquisitions in December 2003 and June 2004. The higher proportion in cash, term deposits and undrawn borrowings at balance date ($13.0 million) designated for vineyard and winery acquisitions than in the previous corresponding period also contributes to the lower distribution. Timing differences were, however, partially offset by the higher rental rates.

Preferred Indexed Convertible Equity (PICE) Unitholders received distributions totalling 95.9 cents per Unit for the financial year ending 30 June 2004, up 3.4 cents per Unit from the previous corresponding period. Following the annual CPI adjustment on 26 March, the PICE Units are currently yielding 9.8% based on the $10.00 issue price.

During the year the Trust also successfully passed the $100 million milestone in market capitalisation and achieved a reclassification of its ordinary Units on the ASX to have the Trust grouped with its more appropriate peers – listed property trusts.

As announced during the year, the Trust has been renamed to more closely align itself with the Challenger Financial Services Group Limited (ASX Code: CGF), the owner of the Responsible Entity and significant Unitholder of the Trust. The name has changed from the Beston Wine Industry Trust (former ASX Codes: BWI and BWIPA) to the Challenger Beston Wine Trust (current ASX codes: CWT and CWTPA).

Portfolio

Assets under management by the Trust increased from $131,566,588 to $254,721,552 during the year, an increase of 94.1%.

During the year, the Trust made the following acquisitions:

- The Cocoparra vineyard in Griffith, New South Wales for $8.5 million which has been leased to the ASX listed wine company Evans & Tate Limited (ASX Code: ETW) for 10 years with two rights of renewal of five years each;
- Nine of the 13 lots comprising the Balranald Vineyard in Balranald, New South Wales were purchased for $17.0 million and are leased to Australia's fourth largest pure wine company, McGuigan Simeon Wines Limited (ASX Code: MGW). [The remaining four lots are to be purchased by the Trust in the first half of the 2005 financial year];
- The Qualco East vineyard located close to Waikerie in the Riverland region of South Australia for $7.7 million which is to be leased to McGuigan Simeon Wines for 12 years with 2 rights of renewal of 5 years each;
- The Lawson's & Richmond Grove vineyards located in the Padthaway region of South Australia which are sub-leased to Orlando Wyndham from McGuigan Simeon Wines and were purchased for $44.9 million. The Trust has a lease with McGuigan Simeon Wines for 9.4 years which matches the duration of the sub-lease, plus three rights of renewal of five years each; and
- The Rarangi vineyard in the Marlborough region of New Zealand was purchased for $7.4 million and will be leased to New Zealand's fourth largest wine company, Delegat's Wine Estate Limited for 10 years with three rights of renewal of five years each.

Throughout the year the Trust also continued work on its development vineyards and general upgrade programs across the portfolio totalling $24.1 million.

This now places the Trust as the third largest vineyard owner in Australia with a total of 3,802.5 hectares (9,396.0 acres) under vine.

Across the Trust's portfolio, the weighted average lease rental rate is 9.7% while the weighted average lease maturity has increased from 8 years 3 months to 8 years 8 months. This demonstrates the Trust's long-dated income that also benefits from annual adjustments upwards to reflect CPI.

For the year ended 30 June 2004, the Trust has recorded Investment Properties, being land, vineyards and winery assets and other investments, at fair value, which has resulted in the creation of the $9,042,852 asset revaluation reserve. Previously, the Trust recorded all of its assets at historical cost which equated to acquisition cost plus all development and other incidental costs. This $9.0 million revaluation premium thus represents the fair value premium of the Trust's assets over their historical cost. With property acquisition costs such as stamp duty removed, the Trust's properties have appreciated in value by a portfolio average of 3.8% since their purchase.

NTA

The Trust's Net Tangible Asset backing on a fully diluted basis increased from $0.84 to $0.92 during the 2004 financial year.

This improvement in NTA is largely the result of the fair value of the Trust's assets being reflected in the asset base.

Capital structure

During the year, the Trust successfully raised $59,476,802 in new equity via the issue of 61,111,111 Ordinary Units at $0.90 pursuant to its fully oversubscribed prospectus capital raising, 3,974,605 Ordinary Units via an institutional private placement at $0.90 and 811,695 Ordinary and 18,442 Preferred Indexed Convertible Equity (PICE) Units under its Distribution Reinvestment Plan.

At 30 June 2004, there were 126,113,821 Ordinary Units on issue (an increase of 65,897,411 Units) of which the 20 largest investor held 64,227,877 Units or 50.96% of the Ordinary Units, and 1,718,557 PICE Units (an increase of 18,442 PICE Units) of which the 20 largest investor held 1,697,054, or 98.74% of the total. As at 30 June 2004, the Trust had 3,821 Ordinary Unitholders and 74 PICE Unitholders.

Joint report of the Chairman and Managing Director (continued)

Further details of the Trust's capital may be found at Note 13.

Total Unitholders' equity increased 99.8% during the year, from $67.3 million to $134.4 million.

Following the Trust's successful capital raisings, additional debt totalling $52.93 million was secured from the major banks in order to gear the equity used to fund property acquisitions and expenditure completed during the year. This took total debt of the Trust to $113.25 million as at 30 June 2004.

The Trust's gearing as at 30 June 2004 was 44.61%, down from 45.85% at 30 June 2003 and is set at a weighted average debt rate including all margins of 7.28%.

100% of the Trust's interest bearing liabilities are hedged and are duration matched to the initial terms of the Trust's leases.

Unit price movement

The price of Ordinary Units at 30 June 2004 was in line with the 2003 financial year, closing at $0.93 as compared to the 30 June 2003 price of $0.92.

The price of the PICE Units was also stable, closing the financial year at $9.80, compared to $9.70 at 30 June 2003.

Outlook

Challenger Beston Limited, the Responsible Entity for the Trust, has identified a number of investment opportunities that it believes complements the Trust's growth strategy and is continuing due diligence on these assets. Expenditure on the Trust's development properties continues, as do upgrades to the Trust's existing vineyards to ensure they are maintained in accordance with best viticultural practices. In total at 30 June 2004, the Trust has the capacity to fund acquisitions and/or developments totalling approximately $24.1 million (including gearing) which it currently has fully allocated. The Trust envisages that it may also undertake further capital raising for transactions complementary to the Trust's strategy during the next financial year.

This year the Australian wine industry continued its success, with export sales exceeding $2.5 billion, and market share increasing in many international markets. The competitive environment within the wine industry has driven many wine companies to review their operations in an attempt to lower their overall cost of production. This shift has seen the Trust's leasing model become increasingly relevant as it allows wine companies to extract considerable cost savings over traditional fruit sourcing models.

New Zealand wine companies are also facing a similar need for efficiencies in their cost of production as their wine industry matures further. The New Zealand industry has predicted that production could be trebled by 2010, while export sales currently exceed NZ$284 million, demonstrating the success of the New Zealand product in achieving commercial and critical acclaim.

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Challenger Beston Limited support and have adhered to the principles of good corporate governance. The entity's corporate governance statement is contained in the Corporate Governance section of this annual report.

The Challenger Beston Wine Trust is now positioned to partner with the wine industry to meet these challenges as an established and significant contributor to the development of additional vineyard properties in Australia and New Zealand. The Trust's sale and leaseback product assists wine companies to improve their cost and capital management practices and allows them to keep pace with the demands of the domestic and international marketplaces.

Unitholders in the Trust are well placed to enjoy the benefits of an expanding and dynamic wine industry, both here in Australia and abroad.

Yours sincerely

Stephen Gerlach Chairman	Christopher Atkins Managing Director

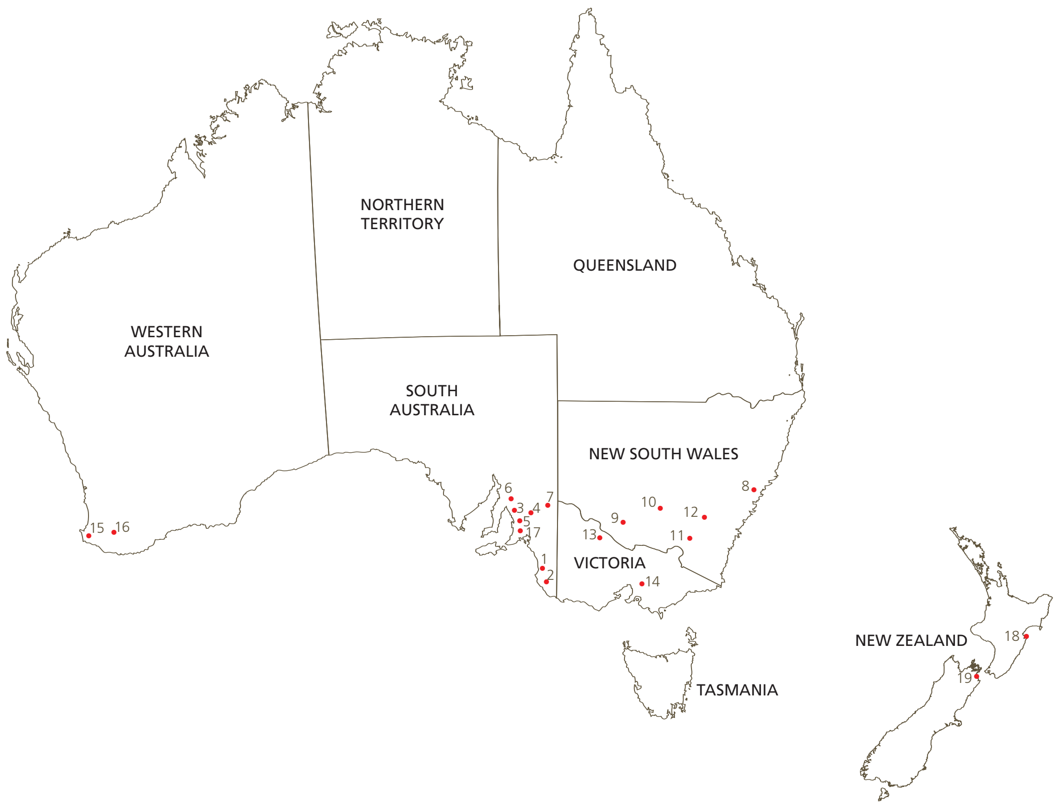
Property portfolio summary

as at 30 June 2004

Property and investment interest	Lessee	Location	% of portfolio	Date of latest independent valuation (a)	Fair value	Planted hectares
Lawson's and Richmond Grove Vineyards (e)	McGuigan Simeon Wines Ltd	Padthaway, SA	18.37%	Jun 2003	$44,940,464	484.0
Chapel Vineyard	NVFA	Coonawarra, SA	1.20%	Dec 2001	$2,930,718	30.4
Bethany Creek and Vine Vale Vineyards	McGuigan Simeon Wines Ltd	Barossa Valley, SA	0.73%	Oct 2001	$1,775,000	18.6
Summers Hill Vineyard	Burge Corp Pty Ltd	Barossa Valley, SA	0.61%	Oct 2001	$1,500,000	18.1
Corryton Park Vineyard	Burge Corp Pty Ltd	Eden Valley, SA	1.29%	Oct 2001	$3,150,000	38.8
Schubert's Vineyard	McGuigan Simeon Wines Ltd	Adelaide Hills, SA	2.04%	Mar 2004	$5,000,000	76.9
Trillian's Hill Vineyard	Trillian's Hill Vineyard Pty Ltd	Clare, SA	0.43%	Apr 2002	$1,047,413	19.5
Boh River Vineyard	BH & SE Booth and Auction Services Pty Ltd	Waikerie, SA	4.01%	Jul 2003	$9,800,000	192.7
Qualco East Vineyard	McGuigan Simeon Wines Ltd	Waikerie, SA	3.13%	Jun 2003	$7,670,513	168.9
Thomson Vineyard	Thomson Fruitgrowers Pty Ltd	Riverland, SA	1.68%	Aug 2003	$4,100,000	103.4
Waikerie Vineyard	McGuigan Simeon Wines Ltd	Riverland, SA	0.86%	Oct 2001	$2,100,000	40.0
Inglewood Vineyard	Inglewood Vineyards Pty Ltd	Hunter Valley, NSW	0.51%	Jul 2003	$1,250,000	20.1
Dalswinton Vineyard	Inglewood Vineyards Pty Ltd	Hunter Valley, NSW	1.88%	Jul 2003	$4,600,000	75.5
Sandy Hollow Vineyard	McGuigan Simeon Wines Ltd	Hunter Valley, NSW	1.94%	Oct 2001	$4,750,000	105.3
Yarraman Vineyard and Winery		Hunter Valley, NSW	0.57%	Aug 2001	$1,400,000	18.9
Hunter Valley Winery	McGuigan Simeon Wines Ltd	Hunter Valley, NSW	1.88%	Dec 2003	$4,600,000	N/A
Balranald Vineyard	McGuigan Simeon Wines Ltd	Balranald, NSW	6.96%	Jun 2003	$17,027,891	291.3
Cocoparra Vineyard	Evans & Tate Ltd	Griffith, NSW	3.46%	Feb 2003	$8,462,192	229.7
Woods Vineyard	Evans & Tate Ltd	Griffith, NSW	0.52%	Feb 2003	$1,270,266	36.4
Gundagai Vineyard	P Bunn	Gundagai, NSW	5.60%	Apr 2004	$13,700,000	200.3
Cowra Station Vineyard	Vineyards of NSW Pty Ltd (b)	Cowra, NSW	1.57%	Oct 2001	$3,850,000	58.5
Two Rivers Vineyard Development (e)	McGuigan Simeon Wines Ltd	Swan Hill, Vic	14.29%	May 2003	$34,965,965	945.0
Oakridge Estate Vineyard and Winery	Evans & Tate Ltd	Yarra Valley, Vic	1.02%	Feb 2003	$2,490,975	11.2
Sirens Vineyard (d)	Southcorp Ltd	Margaret River, WA	1.10%	Oct 2002	$2,696,859	27.3
Gnangara Vineyard Development	Evans & Tate Ltd	Manjimup, WA	2.50%	Dec 2002	$6,113,399	101.0
Investment Interest (f)		Langhorne Creek, SA	0.39%	Jun 2003	$945,727	N/A
New Zealand						
Dashwood Vineyard Development (c)	Delegat's Wine Estate Ltd	Marlborough, NZ	7.24%	Aug 2002	$17,717,918	168.0
Rarangi Vineyard Development (c)	Delegat's Wine Estate Ltd	Marlborough, NZ	3.03%	Jun 2004	$7,404,867	0.0
Crownthorpe Vineyard Development (c)	Delegat's Wine Estate Ltd	Hawkes Bay, NZ	8.49%	Apr 2004	$20,767,401	283.0
Gimblett Rd Vineyard (c)	Delegat's Wine Estate Ltd	Hawkes Bay, NZ	1.39%	Apr 2004	$3,411,689	20.8
Highway 50 Vineyard (c)	Delegat's Wine Estate Ltd	Hawkes Bay, NZ	1.33%	Apr 2004	$3,251,624	18.9
		TOTAL:	100%		$244,690,881	3,802.5

(a) Refer to Note 6(b) for details of the independent valuers and their qualifications.
(b) Affiliate of McGuigan Simeon Wines Limited.
(c) These properties are owned through the Beston Delegat's Wine Trust, a unit trust wholly owned by the Trust. The value of these assets were converted to Australian dollars at a rate of AUD 1.0933 per NZD (as at 30 June 2004).
(d) This property is owned through the Beston Southcorp Vineyard Trust, a unit trust wholly owned by the Trust.
(e) These properties are owned through the McGuigan Simeon Wines Wholesale Trust, a unit trust wholly owned by the Trust.
(f) Of this amount, $445,727 is a Loan Receivable.

Property portfolio summary (continued)



Map legend

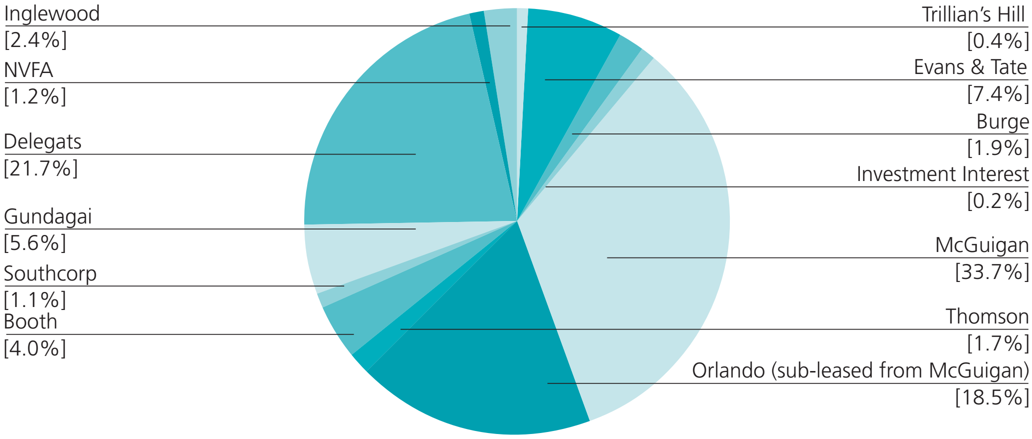
Australia

1. Padthaway – Richmond Grove and Lawson's
2. Coonawarra – Chapel
3. Barossa Valley – Bethany Creek and Vine Vale
4. Eden Valley – Summers Hill and Corryton Park
5. Adelaide Hills – Schubert's
6. Clare Valley – Trillian's Hill
7. Riverland – Waikerie, Thomson, Boh River and Qualco East
8. Hunter Valley – Sandy Hollow, Inglewood, Dalswinton, Yarraman, Hermitage Road
9. Balranald – Balranald
10. Griffith – Woods and Cocoparra
11. Gundagai – Gundagai
12. Cowra – Cowra
13. Swan Hill – Two Rivers
14. Yarra Valley – Oakridge
15. Margaret River – Sirens
16. Manjimup – Gnangara
17. Langhorne Creek – Investment Interest

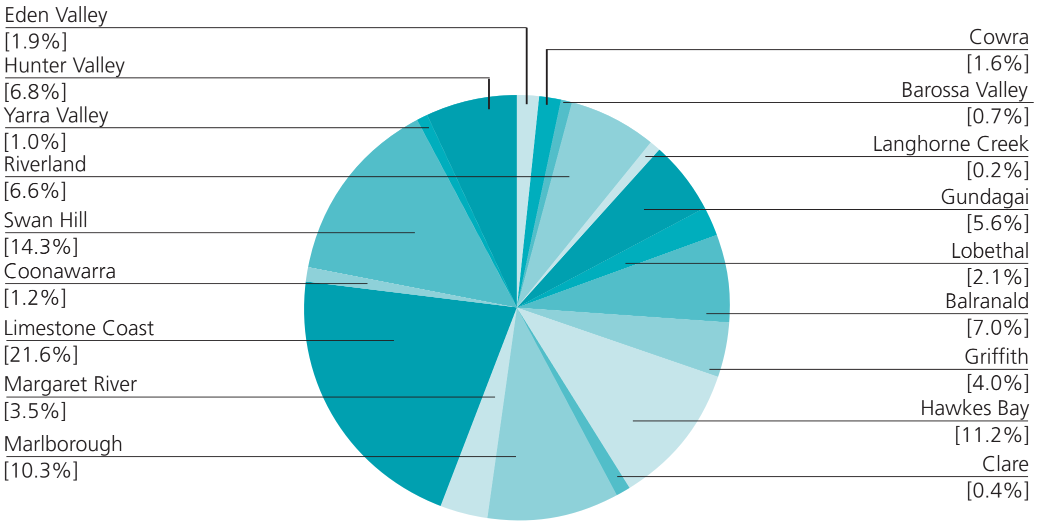
New Zealand

18. Hawkes Bay – Gimblett Road, Highway 50 and Crownthorpe
19. Marlborough – Dashwood and Rarangi

Lessee diversification as at 30 June 2004

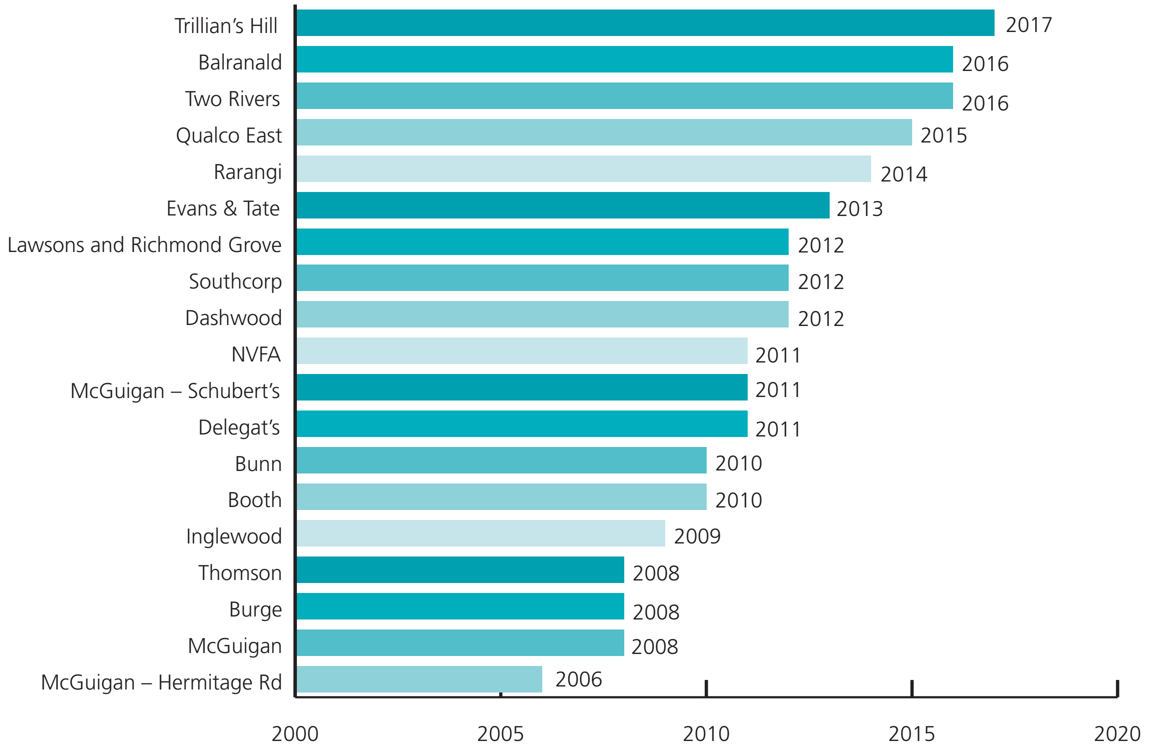


Portfolio diversification by region as at 30 June 2004

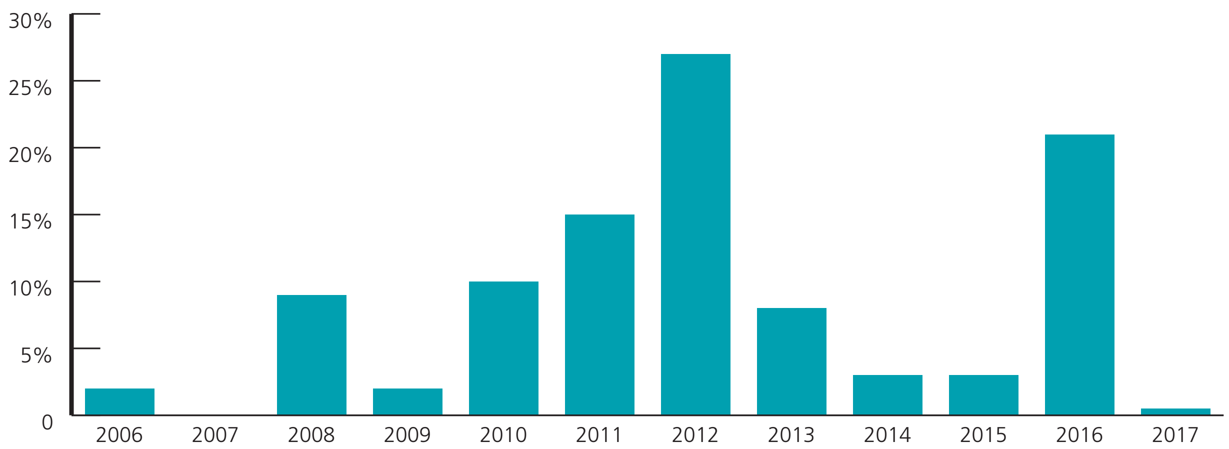


Property portfolio summary (continued)

Maturity profile as at 30 June 2004



Weighted maturity profile as at 30 June 2004



Property portfolio

as at 30 June 2004

The following is a sample of the Trust's properties held as at 30 June 2004.

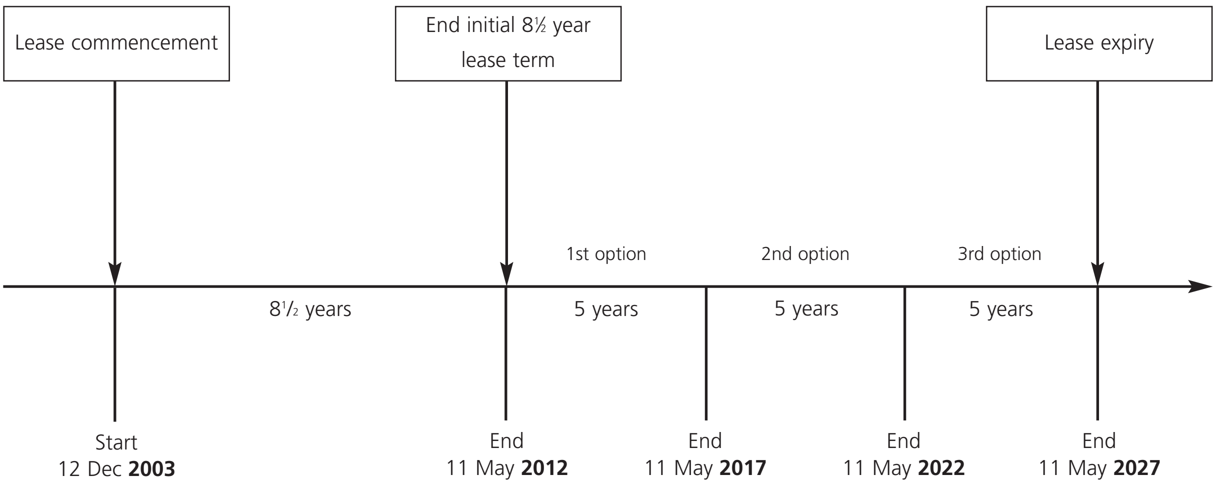
Lawson's Vineyard

Location (GI):	Padthaway, South Australia (Padthaway)
Lessee:	Orlando Wyndham Group (sub-leased from McGuigan Simeon Wines Ltd)
Value:	$44,940,464 (incl. Richmond Grove)
Planted Hectares (Total Property Size):	168.22 (205.45)
Major Varietals:	Shiraz, Cabernet Sauvignon, Merlot, Shiraz, Chardonnay

Lawson's vineyard is leased to McGuigan Simeon Wines which sub-leases the vineyard to Orlando Wyndham, the makers of Jacobs Creek and a subsidiary of the global beverage company Pernod Ricard. The vineyard is located along the Riddoch Highway and was developed in the early 1990s to produce premium fruit which is being used in a number of Orlando's key brands including Lawson's Padthaway Shiraz and St Hillary Padthaway Chardonnay.

Viticultural summary

The vineyard had 165.44 hectares of vines planted in the early 1990s and 2.78 hectares of Shiraz planted in 1968. Planted predominantly to red varietal grapes, there are also 32.98 hectares of Chardonnay and Sauvignon Blanc grapes. The Trust recently approved the removal of 27.8 hectares of Malbec, Cabernet Franc and Cabernet Sauvignon which will be replanted to Shiraz and Merlot. Planting is to begin in spring 2004 and has been forecast to cost $950,000 over three financial years.



Property portfolio (continued)

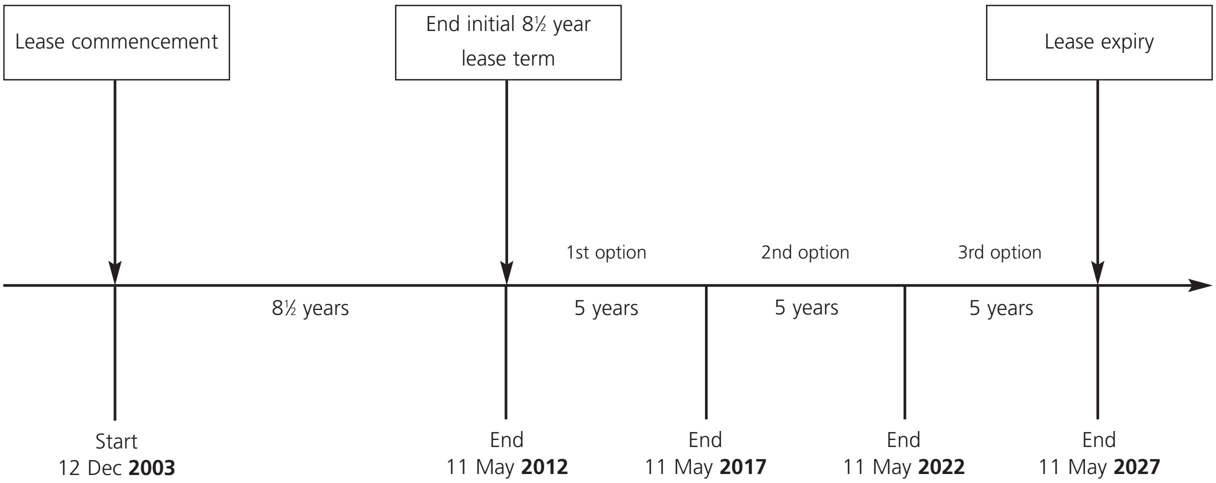
Richmond Grove

Location (GI):	Padthaway, South Australia (Padthaway)
Lessee:	Orlando Wyndham Group (sub-leased from McGuigan Simeon Wines Ltd
Value:	$44,940,464 (incl. Lawson's)
Planted Hectares (Total Property Size):	315.74 (368)
Major Varietals:	Shiraz, Cabernet Sauvignon, Chardonnay, Merlot

Also sub-leased to Orlando Wyndham by McGuigan Simeon Wines, Richmond Grove is located along the Riddoch Highway and approximately 11.5 kilometres south of the town of Padthaway and some 6 kilometres south of the Lawson's vineyard. The property comprises a large vineyard that is divided into three sections planted in three stages in 1994, 1995 and 1996 to Shiraz, Cabernet Sauvignon, Merlot and Chardonnay grapes.

Viticultural summary

The vineyard has been developed to a very high standard. Varietal selection, irrigation, trellis construction and training methods have all been designed to achieve acceptable yields of grapes of the sort of quality that is needed for a range of brands.



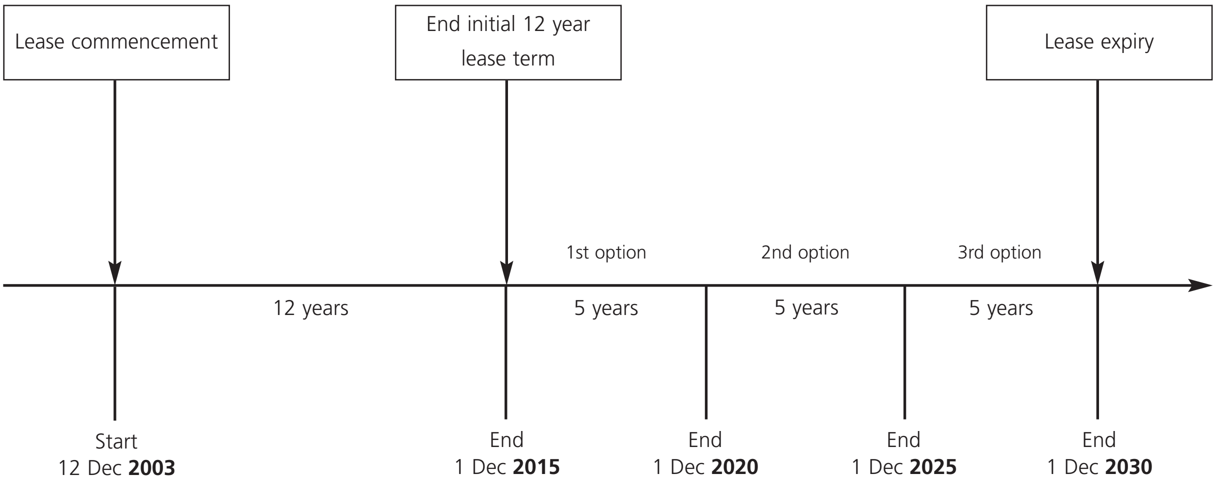
Qualco East Vineyard

Location (GI):	Waikerie, South Australia (Riverland)
Lessee:	McGuigan Simeon Wines Ltd
Value:	$7,670,513
Planted Hectares (Total Property Size):	168.91 (214.48)
Major Varietals:	Chardonnay, Semillion, Riesling, Cabernet Sauvignon, Merlot, Shiraz

This property is a large scale commercial vineyard originally established in 1960, the subsequent development spanning the decades to the early 1990s and with some new plantings in 2002. Located close to Waikerie in the Riverland region of South Australia it was purchased by the Trust in December 2003.

Viticultural summary

The vines are irrigated with water from the Murray River by private diverter pumps adjacent to the property. The variety mix is heavily weighted towards white varieties, particularly Chardonnay. The Trust has approved a refurbishment and replanting program proposed by McGuigan Simeon Wines, to replace 16 hectares of Cabernet Sauvignon with Chardonnay and change all existing Chardonnay from a t-trellis to a 2-wire vertical trellising system as well as convert the entire vineyard from overhead to drip irrigation. This will improve the vineyard's water efficiency which is very important with the current water restrictions on Qualco East's Murray River water licences.



Property portfolio (continued)

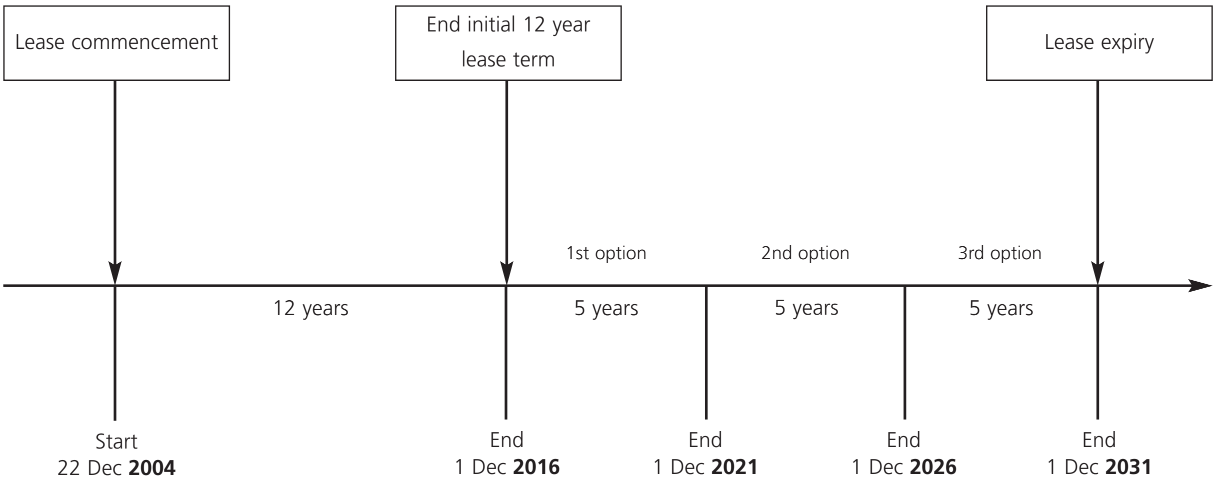
Balranald Vineyard

Location (GI):	Balranald, New South Wales (Western Plains)
Lessee:	McGuigan Simeon Wines Ltd
Value:	$17,027,891
Planted Hectares (Total Property Size):	291.30 (325.75)
Major Varietals:	Chardonnay, Cabernet Sauvignon, Colombard, Semillion, Shiraz, Merlot

During December 2003, the Trust purchased nine of the 13 lots comprising the Balranald Vineyard in Balranald, New South Wales which is run as one vineyard by McGuigan Simeon Wines. McGuigan Simeon has entered into long-term leases with the Trust for the lots acquired by the Trust and will also enter into long-term leases for the remaining lots that will be purchased by the Trust in October 2004 for $9.05 million.

Viticultural Summary

The vineyard is largely flat with some dunes running through the property. The vines are irrigated with water from the Murrumbidgee River, via a pipeline and channels linking the vineyard to the river. The vines on the property vary in age from three to eight year old. Balranald was recently upgraded with the conversion from overhead to drip irrigation systems. This will improve the vineyard's water efficiency which is very important with the current introduction of water restrictions on irrigators drawing water from the Murray Darling Basin.



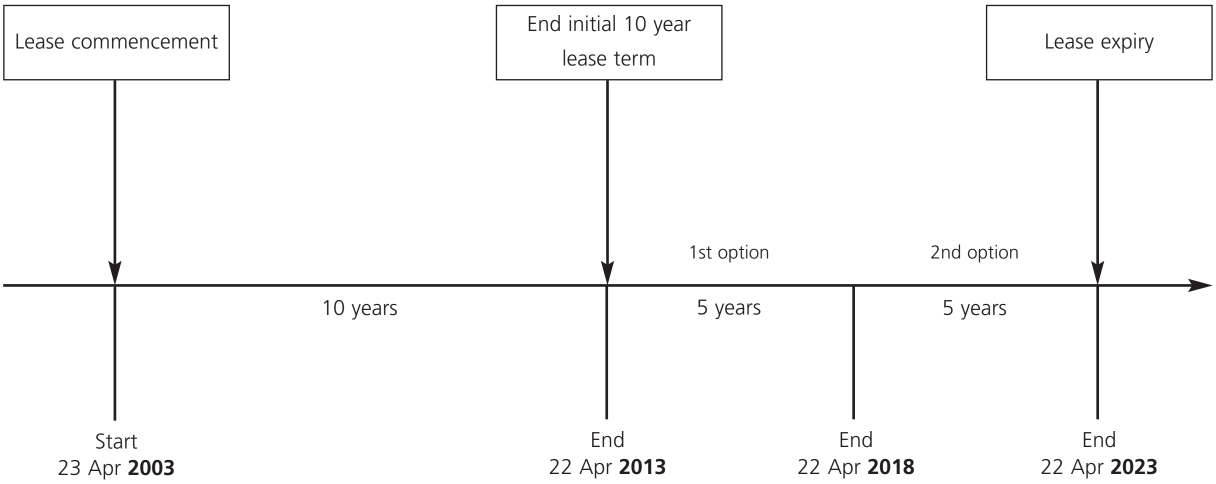
Cocoparra Vineyard

Location (GI):	Griffith, New South Wales (Riverina)
Lessee:	Evans & Tate Ltd
Value:	$8,462,192
Planted Hectares (Total Property Size):	229.70 (455.20)
Major Varietals:	Chardonnay, Shiraz, Cabernet Sauvignon, Merlot, Grenache

This property is located in Myall Park, approximately 30 kilometres north of Griffith in the Murrumbidgee Irrigation area of New South Wales. The vineyard was developed between 1994 and 1998 comprising a mixture of red and white grape varieties. The grapes from this property are predominantly used in Evans & Tate's export focussed brands.

Viticultural summary

This vineyard is relatively young with vines from four to eight years old. Evans & Tate put in a proposal to replace the Marsanne variety in 2005 with a preferred variety which the Trust has approved. The planted area is divided by a low range comprising a stony woodage which separates the vineyard into two distinct areas.



Property portfolio (continued)

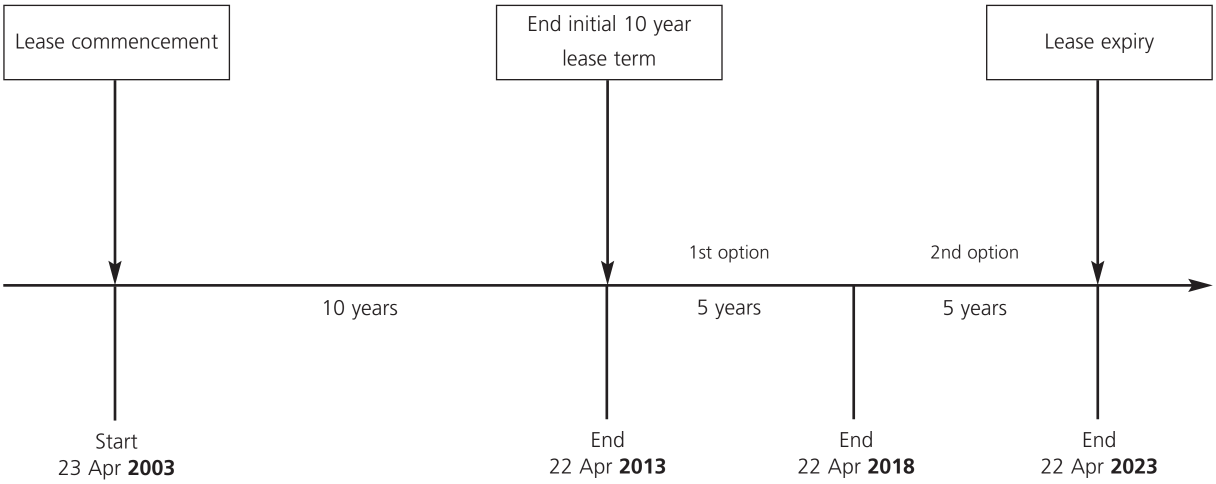
Woods Vineyard

Location (GI):	Griffith, New South Wales (Riverina)
Lessee:	Evans & Tate Ltd
Value:	$1,270,266
Planted Hectares (Total Property Size):	36.44 (40.87)
Major Varietals:	Semillion, Traminer, Colombard, Chardonnay, Shiraz, Pinot Gris, Cabernet Sauvignon

Woods vineyard began its development in 1969 but was predominantly developed between 1994 and 1999. The vineyard is drip irrigated with a mixture of white and red grape varieties. The property is located in the Nericon region approximately 10 kilometres north of Griffith. Fruit from this vineyard is used in Evans & Tate's export focussed Barramundi and Salisbury brands.

Viticultural summary

The vineyard is wholly planted to nematode resistant rootstocks as it has a history of grape and citrus production. Due to the varying age of the vineyard some ongoing redevelopment or reconstruction will be undertaken in the coming years as these blocks age.



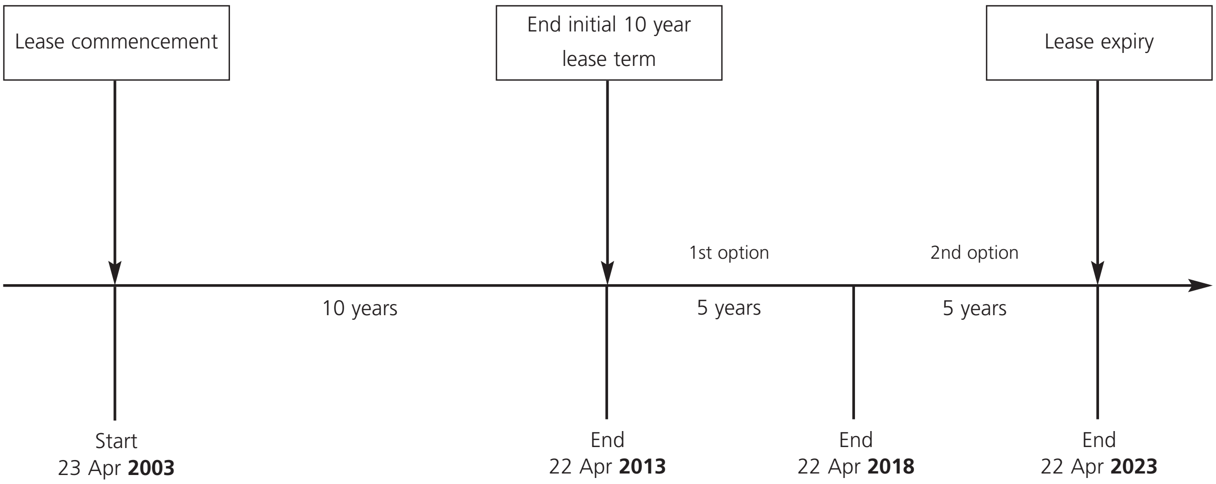
Oakridge Estate Vineyard and Winery

Location (GI):	Coldstream, Victoria (Yarra Valley)
Lessee:	Evans & Tate Ltd
Value:	$2,490,975
Planted Hectares (Total Property Size):	11.21 (16.98)
Major Varietals:	Shiraz, Cabernet Sauvignon, Semillion, Chardonnay, Sauvignon Blanc

Located in Coldstream along the main Maroondah Highway, Oakridge Estate is the prime location in the Yarra Valley. The property consists of a purpose-built 1,100 tonne winery and visitors' centre set on a 16.98 hectare property, of which 11.21 hectares is planted to vines. Oakridge Estate has achieved critical and commercial acclaim both for its magnificent wines and its café and cellar door facilities.

Viticultural summary

The vineyard is located in a cool climate district adjacent to vineyards that are reputed to produce some of Australia's finest cool climate wines. Irrigation is supplied from a dam which is located in the lowest part of the property adjacent to the Maroondah Highway.



Property portfolio (continued)

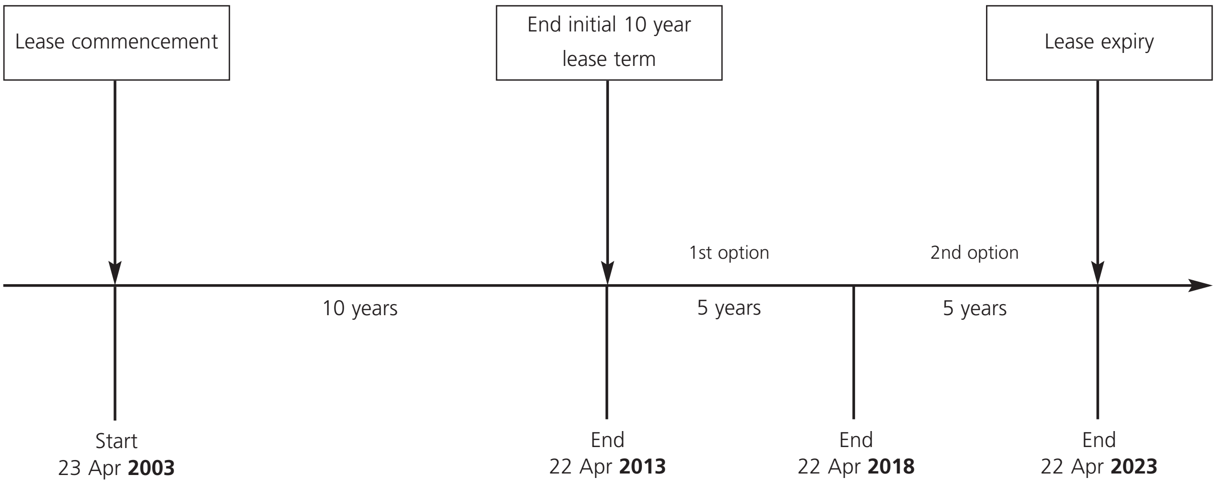
Gangara Vineyard

Location (GI):	Manjimup, Western Australia (Manjimup)
Lessee:	Evans & Tate Ltd
Value:	$6,113,399
Planted Hectares (Total Property Size):	101.00 (257.27)
Major Varietals:	Chardonnay, Sauvignon Blanc, Shiraz

Named after an Aboriginal word describing the underground spring that nourishes much of the fertile region surrounding the original Evans & Tate winery, the Gnangara vineyard has a total area of 257 hectares. The property comprises a large undulating holding of cleared farming land with a good water supply. Selwyn Viticultural Services owned by Evan and Tate has been responsible for the vineyard's development, which remains on budget and on schedule to be completed by December 2004.

Viticultural summary

The development is well underway with 101 hectares planted. The vineyard is expected to reach full maturity in 2007/2008 with progress of the vineyard to date being generally in line or better than industry standards and at a standard of best viticultural practice. The fruit has been earmarked to go into the Evans & Tate Gnangara range of products.



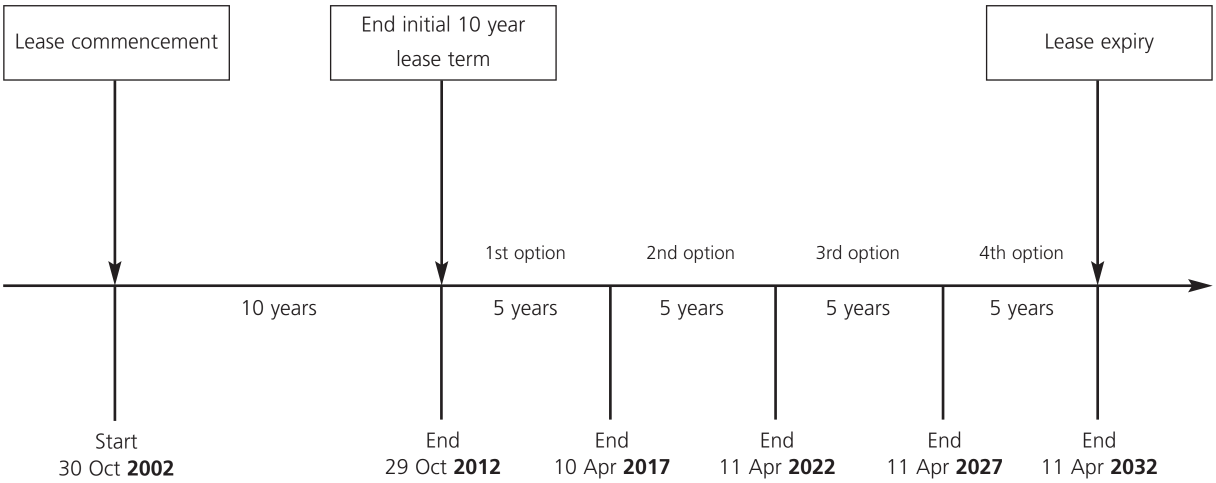
Dashwood Vineyard

Location (GI):	Awatere Valley, New Zealand (Marlborough)
Lessee:	Delegat's Wine Estate Ltd
Value:	$17,717,918
Planted Hectares (Total Property Size):	168.00 (200.5)
Major Varietals:	Sauvignon Blanc, Chardonnay, Pinot Noir

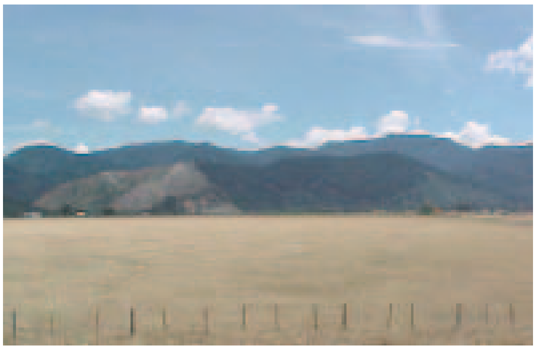
The Dashwood vineyard development of 168 hectares began in spring 2002. It is the Trust's second vineyard development with Delegat's in New Zealand and the first in the Marlborough region. It has been planted to Sauvignon Blanc, Chardonnay and Pinot Noir as the Marlborough region in New Zealand is famous for its premium wines, especially Sauvignon Blanc.

Viticultural summary

The development remains on budget and on schedule with vines in the second season of growth. The majority of infrastructure is now installed with only final trellis work to be completed. Irrigation equipment is operational and performing its task well. The vineyard will reach full maturity in 2007.



Property portfolio (continued)



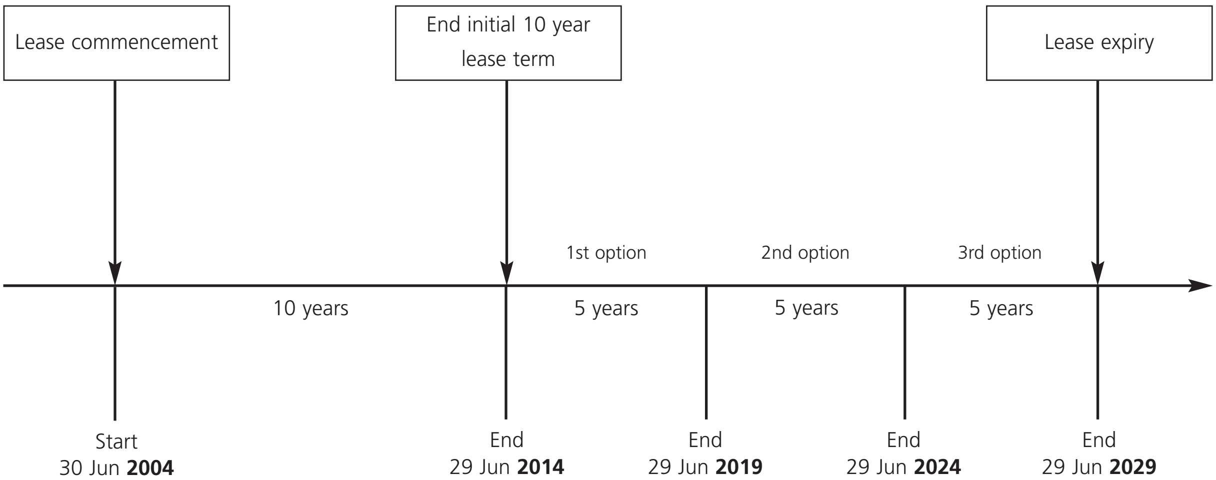
Rarangi Vineyard Development

Location (GI):	Marlborough, New Zealand (Marlborough)
Lessee:	Delegat's Wine Estate Ltd
Value:	$7,404,867
Planted Hectares (Total Property Size):	0.00 (129.25)
Major Varietals:	Sauvignon Blanc, Pinot Noir

Rarangi is the third vineyard development the Trust has undertaken with Delegat's in New Zealand and the second in the Marlborough region which produces cool climate white wines, including Sauvignon Blanc. The property is immediately to the north of the Wairau River diversion channel and about 300 metres from the coastline of Cloudy Bay. Once planted the Trust will own approximately 300 hectares of vines in the Marlborough region.

Viticultural summary

The flat nature of the property will simplify the development, ongoing management and operation of the vineyard. The soils are gravelly and sandy loams. Both Sauvignon Blanc and Pinot Noir are suited to the site and reflect the varieties in demand from this region. The close proximity and moderating influence of the coastline ensures the risk of frost is low based on experience of other vineyards in the area.



Crownthorpe Vineyard

Location (GI):	Matapiro, New Zealand (Hawkes Bay)
Lessee:	Delegat's Wine Estate Ltd
Value:	$20,767,401
Planted Hectares (Total Property Size):	283.00 (360.79)
Major Varietals:	Chardonnay, Merlot

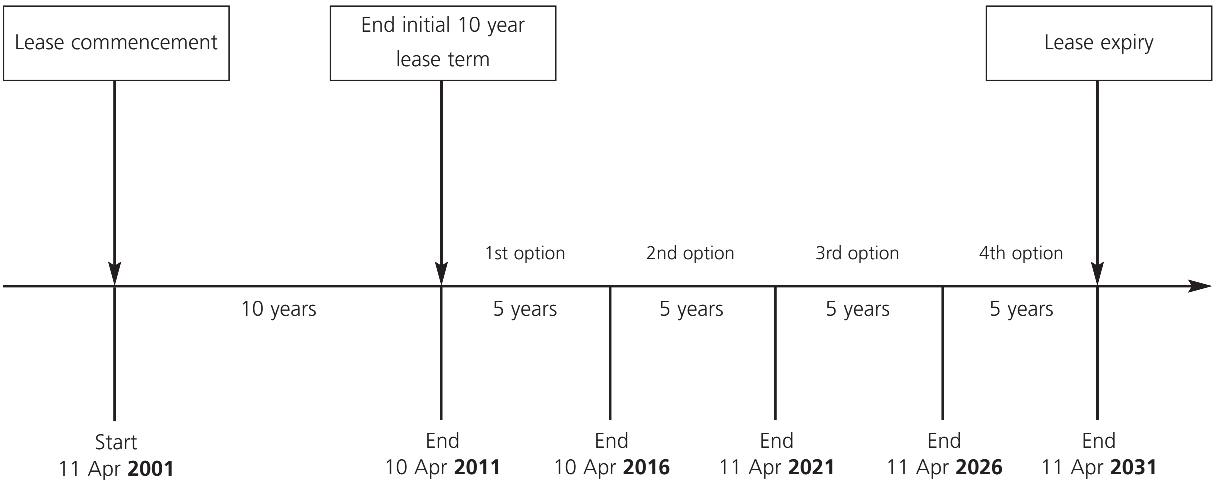
With planting started in 2001, Crownthorpe is now Delegat's largest vineyard and the largest single vineyard planting in the Hawkes Bay wine region.

It is situated about 30 kilometres west (inland) from Hastings city on a prime terrace site above the Ngaruroro River – just before the river finally breaks out of the foothills of the Ruahine Ranges to cross the Heretaunga Plains.

Crownthorpe is distinguished for its alluvial loam/shingle soil base and excellent drainage. It is almost a cross section of all the diverse Hawkes Bay soils, all on one individual site. This will allow the Crownthorpe grapes to capture and express much of the special character and harmony of the entire Hawkes Bay region.

Viticultural summary

The development at Crownthorpe has been split into three stages of plantings. All plantings have now been completed with frost protection still to be completed on the third stage. This season has resulted in the harvesting of excellent quality fruit for commercial use in the Delegat's range of wines. The vineyard remains on budget and on schedule, and will reach full maturity in 2007.



Directors' report

Challenger Beston Limited, the Responsible Entity of the Challenger Beston Wine Trust (formerly known as the Beston Wine Industry Trust) ('the Trust'), presents its report together with the financial report of the Trust and the independent auditors' report thereon for the year ended 30 June 2004.

The Responsible Entity of the Challenger Beston Wine Trust is Challenger Beston Limited ('the Responsible Entity'), which has been the Responsible Entity since registration of the Trust on 8 June 2000.

Challenger Beston Limited holds an Australian Financial Services Licence.

Directors

Challenger Beston Limited has considerable expertise in the wine, property and funds management industries as illustrated by the experience of its directors.

The directors of Challenger Beston Limited during or since the end of the financial year are:

Stephen Gerlach
LLB, FAICD
Chairman
Independent, non-executive director

Mr Gerlach is a company director and corporate advisor, holding positions on the boards of several public companies including: Santos Limited (Chairman); Southcorp Limited; Futuris Corporation Limited (Chairman); Riverland Water Group (Chairman); Elders Rural Bank Limited and Elders Australia Limited (Chairman).

Roger N Sexton
B Ec (Hons), M Ec, PhD (Econ), FAICD, FAIM
Deputy Chairman
Independent, non-executive director

Dr Sexton holds positions on the boards of several other public and private companies including IOOF Holdings Limited (Deputy Chairman) and Perennial Investment Partners Limited. He has specialist qualifications and experience in investment banking, agricultural economics and the wine industry and has over 15 years experience in funds management. Dr Sexton is Chairman of the Audit & Compliance Committee and is a member of the Credit & Risk Committee.

Christopher J Atkins
FCA
Managing Director
Non-independent, executive director

Mr Atkins is a Chartered Accountant and a director of Challenger Beston Limited and has been involved in advisory work for a number of major wineries over the last 30 years. He has been Managing Director of the Responsible Entity since the Trust's inception, growing the assets under management to over $250 million. Mr Atkins is a member of the Credit & Risk Committee.

Ian M Martens
FCA, FAICD
Independent, non-executive director

Mr Martens is a Chartered Accountant and a consultant with BDO Chartered Accountants. His advisory work has included the Petaluma Group prior to its takeover by Lion Nathan, as a director to several other wine companies, vineyard owners and operators both in Australia and overseas. Mr Martens is the Chairman of the Credit & Risk Committee and is a member of the Audit & Compliance Committee.

David Hall
FCA, FAICD
Independent, non-executive director

Mr Hall is a Chartered Accountant and Managing Director of Roche Group Pty Limited that has vineyards, winery and distribution based in the Hunter Valley NSW, together with investments in companies undertaking similar activities and is on the board of the public companies Brickworks Investment Co. Limited, Pacific Strategic Investments Limited and other companies. Mr Hall is a member of the Audit & Compliance Committee.

Tim Foster
FCA, BA (Dual Hons)
Non-independent, executive director

Mr Foster is a Chartered Accountant and is Chief Financial Officer of Challenger Financial Services Group Limited and its subsidiaries. His responsibilities include leading the Finance, Legal and Compliance Divisions within the Challenger Group. He is also a member of the Compliance Committees for two other Responsible Entities of managed investment schemes within the Challenger Group. Mr Foster is a member of the Audit & Compliance Committee.

Robert Woods
BCom
Non-independent, executive director

Mr Woods is Chief Executive, Challenger Life at Challenger Financial Services Group. His responsibilities include the management of the Life Company, Property and Alternative Asset Management businesses within the Challenger Group. Prior to joining Challenger he was a founder of Zurich Capital Markets Asia, where he provided various structures to enhance investments into the alternative asset sector. Prior to Zurich, Mr Woods spent 11 years with Bankers Trust in Investment Banking.

Directors' report (continued)

The attendance at Board and committee meetings during the year was as follows:

Director	Notes	Board		Audit & Compliance Committee		Credit & Risk Committee	
		Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
S Gerlach		8	7				
RN Sexton		8	6	3	3	4	3
CJ Atkins		8	8			4	4
IM Martens	1	8	7	3	3	4	3
DC Hall	2	8	8	3	3		
BW Beaton	3	7	5				
TH Foster	4	5	5	1	1		
RJ Woods	5	3	3				
BR Benari	6	2	2				
SJ Gilsenan	7	1	1				
WEB Ireland	8						

Notes:
1. Ian Martens was appointed to the Board, Audit & Compliance Committee and as Chairman of the Credit & Risk Committee on 11 July 2003.
2. David Hall was appointed to the Board and Audit & Compliance Committee on 11 July 2003.
3. Blair Beaton retired from the Board on 2 April 2004.
4. Tim Foster was appointed to the Board on 11 September 2003 and was appointed to the Audit & Compliance Committee on the 2 April 2004.
5. Robert Woods was appointed to the Board on 5 February 2004.
6. Brian Benari was appointed to the Board on 11 September 2003 and retired from the Board on 5 February 2004.
7. Stephen Gilsenan retired from the Board on 31 July 2003.
8. Bill Ireland retired from the Board on 11 July 2003.

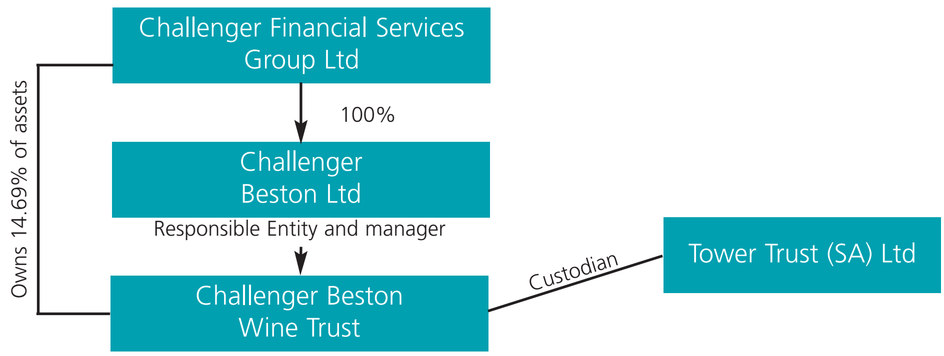
Management

Challenger Beston Limited has been responsible for the Trust since 19 February 1998. Challenger Beston Limited is a wholly owned subsidiary of Challenger Financial Services Group Limited (ASX Code: CGF). Challenger Financial Services Group Limited is also a substantial Unitholder of the Trust.

Tower Trust (SA) Limited is custodian of the Trust property as set out in the property summary.

Structure

The following structure details the roles of the entities.



Principal activities

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

Investment and borrowing policies

The Trust is a specialised wine industry trust investing in well located vineyards and other strategic assets such as crushing, processing and storage facilities leased to quality tenants. It aims to achieve competitive income returns to investors with the opportunity for capital growth from the vineyards.

The Trust has a $37,718,500 borrowing facility with National Australia Bank, a $2,151,850 borrowing facility with Bank SA, a $16,623,982 borrowing facility with Bank of NZ and $56,757,374 with ANZ Bank, representing net debt of 45.0%, of the total tangible assets of the Trust. Swap contracts are entered into on floating rate facilities for the duration of the corresponding leases.

Fees and charges paid to the Responsible Entity

The Trust was registered as a Managed Investment Scheme under the Corporations Act with effect from 8 June 2000. During the year Challenger Beston Limited received $1,619,065 (2003: $933,711) for the management of the Trust in accordance with the Constitution.

Financial results

The operating profit after income tax for the Trust was $10,364,092 (2003: $5,339,444).

Responsible Entity's interest in the Trust

Neither the Responsible Entity nor any of its associates has had an interest in any of the Trust's property held or disposed of by the Trust.

The Responsible Entity and its associates held the following interests in the Trust:

Entity/Director	PICE Units		Ordinary Units	
	30 June 2004	30 June 2003	30 June 2004	30 June 2003
Challenger Life No.2 Limited	641,807	575,700	18,966,377	9,722,277
S Gerlach	–	–	151,600	101,600
RN Sexton	200	200	209,261	209,261
CJ Atkins	237	215	42,931	38,978
IM Martens	200	200	242,647	204,541
DC Hall	–	–	–	–
BW Beaton	–	–	–	–
TH Foster	–	–	–	–
RJ Woods	–	–	–	–
BR Benari	–	–	–	–
SJ Gilsenan	–	–	–	–
WEB Ireland	–	200	–	–

Further information regarding Unit capital is in Note 13 to the Financial Report.

Directors' report (continued)

Distributions

The following distributions were paid or are payable during the period covered by the attached financial statements:

Date Declared	30 Sep '03	9 Dec '03	31 Dec '03	31 Mar '04	30 Jun '04	Total
Total Distribution ($)	1,799,229	1,190,769	982,213	3,046,065	3,345,816	10,364,092

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Trust that occurred during the year not otherwise disclosed in this report or the financial statements.

Significant events after balance 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 significantly affect the operation of the Trust, the results of those operations, or the state of affairs of the Trust in subsequent financial years.

Insurance and indemnification

No insurance premiums are paid for out of the assets of the Trust in regard to insurance cover provided to either the Responsible Entity or its agent, or the auditors of the Trust. So long as the officers of both the Responsible Entity and its agent act in accordance with the Constitution and the Law, both parties remain fully indemnified out of the assets of the Trust against any losses incurred while acting on behalf of the Trust.

Corporate governance

In recognising the need for the highest standards in corporate behaviour and accountability, the directors support and have adhered to the principles of corporate governance.

The corporate governance statement is contained in the Corporate Governance section of this report.

Likely developments and expected results

In the opinion of the directors it would prejudice the Trust's interests if any information on specific forecasts or likely developments as they relate to specific forecasts in the operations of the company and expected results of operations were included in this report.

Signed in accordance with a resolution of the directors.

Christopher J Atkins
Managing Director

Dated this 18 August 2004

Corporate governance statement

Introduction

The Board of the Responsible Entity of the Challenger Beston Wine Trust ('the Trust'), Challenger Beston Limited (CBL), is committed to the highest standards in corporate governance which it believe is fundamental to the success of the Trust's operations. Throughout the reporting period, CBL has undertaken a review of the Trust's compliance with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ('Guidelines'). This report provides details of the Trust's compliance with those recommendations or, where appropriate, indicates a departure from the Guidelines and CBL's explanation as to why.

Throughout the reporting period the Board's review of the Trust's compliance with the Guidelines has meant the progressive implementation of measures to ensure it meets its objectives of having in place a robust corporate governance framework.

Where it is indicated a policy is available on the Trust's website, such availability has occurred since the financial year end. For further information on corporate governance policies adopted by the Trust, refer to our website:
www.challengerbestonwinetrust.com.au

The Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report on page 22.

Role of the Board and Board delegations

The Board of CBL, as a responsible entity, is principally accountable to Unitholders of the Trust for the activities and performance of the Trust by overseeing the development of sustainable Unitholder value within an appropriate framework of risk.

As CBL is a subsidiary of the Challenger Group, the Board has identified the key functions which it has reserved for itself and those which are delegated to management within the Group. In relation to the Trust, the Board retains responsibility for:

- approval of business plans, budgets and financial policies;
- approval of all material transactions;
- approval of all equity raising and capital management decisions;
- consideration of management recommendations on strategic business matters;
- establishment, promotion and maintenance of proper processes and controls to maintain the integrity of accounting and financial records and reporting;
- adoption and oversight of implementation of appropriate corporate governance practices;
- oversight of the establishment, promotion and maintenance of effective risk management policies and processes;
- determination and adoption of the Trust's distribution policy in accordance with the Constitution;

The Board has delegated to the CBL Managing Director (Chief Executive Officer equivalent CEO) the authority and powers necessary to implement the strategies approved by the Board for the Trust and to manage the business affairs of the Trust within the policies and specific delegation limits specified by the Board from time to time.

Corporate governance statement (continued)

The Board

CBL's constitution provides for a minimum of three directors. Following considerable development work during the 2004 financial year to ensure the Board's Charter is appropriate for the effective management of the Trust, the Charter was adopted in August 2004. This Board Charter provides for a majority of independent non-executive directors where possible.

At the date of this report there are four non-executive directors who are independent, and three executive directors.

The Chairman is selected by the Board from the non-executive directors.

The members of the Board, including their experience, independent status and membership of committees are set out above.

A summary of the Board's Charter is available on the Trust's website.

Independence

The Board does have a specific policy in respect of independence and has considered the independence of each director on a case by case basis relative to the criteria set out in the Board Charter. The Board believes that those directors identified as independent are free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the directors' ability to act in the best interests of the Trust or their ability to bring an independent judgement to bear in considering matters brought to the Board.

Conflicts of interest

In accordance with the Board Charter and the Corporations Act 2001 (Cth) any director with a material personal interest in a matter being considered by the Board may not be present when the matter is being considered and may not vote on the matter.

Meetings of the Board

The Board generally meets formally six times a year. In addition, it may meet whenever necessary to deal with specific matters needing attention between scheduled meetings. The CEO, in consultation with the Chairman, establishes the meetings' agendas to ensure adequate coverage of strategic, financial and material risk areas throughout the year. Members of CBL's management team are invited to attend Board meetings and are available for contact by non-executive directors between meetings. The non-executive directors also meet without any executive involvement from time to time.

Succession planning

The Board considers the succession of its members and the CEO.

Review of Board performance

The Board has undertaken to perform a formal review of the Board's performance at least every two years. As part of the overall review of the governance structure for the Board, informal reviews of the Board's composition and performance were undertaken during the 2004 financial year. A formal methodology for review is currently being considered and will be implemented prior to 30 June 2005.

Nominations and appointment of new directors

The Board has not appointed a formal Nominations Committee as the Board is able to effectively manage the selection and appointment of new directors using its own resources. However, as CBL is a subsidiary of the Challenger Group, it may also draw upon the Group's Nomination Committee recommendations for nominations of new directors. Such recommendations are referred to the Board of CBL for approval prior to any appointment. All new directors are provided with an appropriate induction into CBL and the Trust's business.

Retirement and re-election of directors

In accordance with the Corporations Act, the directors of CBL are not required to be re-elected at annual general meetings. CBL does not intend to hold set annual general meetings of the Trust. However, CBL generally convenes meetings of Unitholders where considered appropriate to approve significant proposals for the Trust and those meetings also embody general presentations on the affairs of the Trust.

Board access to information and advice

All directors have unrestricted access to CBL and Trust records and information. The Company Secretary provides directors with guidance on corporate governance issues and developments and on all other matters reasonably requested by the directors. The Board or each individual director has the right to seek independent professional advice at CBL's expense to assist them to discharge their duties.

Board committees

To assist it in undertaking its duties, the Board has established the following committees:

- the Audit & Compliance Committee;
- the Credit & Risk Committee.

Each committee has its own Charter that specifies the composition, responsibilities, duties, reporting obligations, meeting arrangements, authority and resources available to the committee and the provisions for review of the Charter. Details of directors' membership of each committee and their attendance at meetings throughout the period is set out below.

Director	Notes	Board		Audit & Compliance Committee		Credit & Risk Committee	
		Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
S Gerlach		8	7				
RN Sexton		8	6	3	3	4	3
CJ Atkins		8	8			4	4
IM Martens	1	8	7	3	3	4	3
DC Hall	2	8	8	3	3		
BW Beaton	3	7	5				
TH Foster	4	5	5	1	1		
RJ Woods	5	3	3				
BR Benari	6	2	2				
SJ Gilsenan	7	1	1				
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Notes:

1. Ian Martens was appointed to the Board, Audit & Compliance Committee and as Chairman of the Credit & Risk Committee on 11 July 2003.
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Corporate governance statement (continued)

Integrity of the Trust's financial reporting

A principal aim of the Audit & Compliance Committee is to assist the Board in overseeing the integrity of the Trust's financial reporting. The committee makes recommendations to the Board in relation to the appointment, review and removal of an external auditor, assessment of the external auditor's independence and the appropriateness of non-audit services that the external auditor may provide.

CBL requires its independent audits to:

- provide stakeholders with true and fair financial reports; and
- ensure accounting practices comply with applicable accounting rules and policies.

CBL's independent external auditor is Ernst & Young (E&Y). E&Y was first appointed as auditor of the Trust for the year ended 30 June 2000. In accordance with the Guidelines, CBL has determined that the lead signing and review audit partner's responsibilities may be performed by the same person for no longer than five years. However, this period is to be extended by two years, making the total period seven years, in recognition of the transitional provisions of CLERP 9. These provisions become effective for reporting periods commencing on or after 1 July 2004.

The present lead E&Y partner is Alan Herald who was first appointed on for the year ended 30 June 2000. The review partner was also appointed at this time. Based on the criteria established above, the last audit in this rotation for both Alan Herald and the review partner will be the year ended 30 June 2006.

E&Y has attended all of the Trust's meetings of unit holders.

Risk management and compliance

The management of risks is fundamental to the Trust's operations and to building Unitholder value. The Board recognises the broad range of risks which apply to the Trust. These risks include, but are not limited to, market risk, liquidity risk, credit risk, legal risk, operational risk and reputational risk. The Board is responsible for the Trust's risk management strategy and management is responsible for implementing the Board's strategy and for developing policies and procedures to identify, manage and mitigate risks across all of the Trust's operations.

Management has adopted the Challenger Financial Services Group Limited's (the Group) Operational Risk Framework and formal policies in respect of Compliance and Operational Risk Management and processes were developed, approved by management, reviewed by the Audit & Compliance Committee and made available to all staff of CBL. The Credit & Risk Committee of CBL is responsible for monitoring implementation of an appropriate risk management framework and policy and regularly considers the adequacy and effectiveness of management controls for risk. The committee reports regularly to the Board on compliance with the framework and policy.

The CEO and CFO bi-annually provide formal assurance statements to the Board that:

- the Trust's financial statements present a true and fair view of the Trust's financial condition and operational results; and
- the risk management and internal compliance and control systems that relate to financial reporting are sound, appropriate and operating efficiently and effectively.

Code of Conduct

The CBL Board adopted the Group's Code of Conduct which was approved in May 2004 and applies to all directors, executives, management and employees of the Group and its subsidiaries. The Code articulates the standards of honest, ethical and law-abiding behaviours expected by CBL. Employees are actively encouraged to bring any problems to the attention of management or the Board, including activities or behaviour which may not comply with the Code of Conduct, other policies and procedures in place, or other regulatory requirements or laws.

A copy of the Group's Code of Conduct is available on the Trust's website.

Staff trading policy

The CBL Board has had a staff trading policy in place since the Trust's inception. However, the Board has adopted the Group Staff Trading Policy approved in February 2004. Directors and staff are subject to restrictions under the law relating to dealing in securities, including the securities issued by the Trust if they are in possession of insider information. The policy applies to all directors and staff and places restrictions and reporting requirements on staff, including limiting trading in units in the Trust (or Challenger shares) to specific trading windows and in a specified manner and requiring those staff designated as potentially having access to insider information to seek prior approval to trades in other securities.

A summary of the Group's Staff Trading Policy is available on the Trust's website.

Continuous Disclosure Policy and shareholder communication processes

CBL is committed to providing to all Unitholders relevant information about the operations of the Trust and to fulfil its duties to comply with its continuous disclosure obligations to the market generally.

The Board has had a Continuous Disclosure Policy in place since the inception of the Trust. The policy is designed to ensure compliance with ASX Listing Rules continuous disclosure requirements.

CBL has a Continuous Disclosure Committee which is responsible for:

- making decisions on what should be disclosed publicly under the Continuous Disclosure Policy;
- maintaining a watching brief on information; and
- ensuring disclosure is made in a timely and efficient manner.

A summary of CBL's Continuous Disclosure Policy is available on the Trust's website.

CBL also publishes the Trust's annual and half yearly results, announcements, media releases and other relevant information on the Trust's website. CBL is also intending to encourage greater use of electronic media by providing shareholders with electronic access to records and receipt of reports and the facility to ask questions about the Trust and have them answered directly.

Statement of financial performance and distribution

for the year ended 30 June 2004

	Notes	Consolidated 30 June 2004 $	Consolidated 30 June 2003 $	Parent entity 30 June 2004 $	Parent entity 30 June 2003 $
Revenue and expenses from ordinary activities					
Revenue from ordinary activities	2	19,688,853	10,361,355	14,652,036	9,153,846
Borrowing costs expense	2	6,834,079	3,145,736	2,930,894	2,263,366
Depreciation and amortisation expense	2	52,366	305,088	52,366	295,880
Other expenses from ordinary activities	2	2,438,316	1,571,087	1,304,684	1,255,156
		9,324,761	5,021,911	4,287,944	3,814,402
Profit from ordinary activities before income tax expense		**10,364,092**	**5,339,444**	**10,364,092**	**5,339,444**
Income tax attributable to ordinary activities					
Profit from ordinary activities after income tax expense		**10,364,092**	**5,339,444**	**10,364,092**	**5,339,444**
Net increases in asset revaluation reserve	14	9,042,852	–	474,257	–
Net exchange difference on translation of financial report of foreign controlled entity	14	1,014,941	(117,888)	–	–
Issue costs from capital raising	13	(2,408,221)	(970,381)	(2,408,221)	(970,381)
Total changes in equity other than those resulting from transactions with owners as owners		**18,013,664**	**4,251,175**	**8,430,128**	**4,369,063**
Reconciliation of distributions					
Profit from ordinary activities available for distribution		10,364,092	5,339,444	10,364,092	5,339,444
Distributions paid and payable		(10,364,092)	(5,339,444)	(10,364,092)	(5,339,444)
Balance at year end		–	–	–	–

	30 June 2004 Cents per unit	30 June 2003 Cents per unit
Distribution per Unit	9.0	9.2
Diluted distribution per Unit	8.9	8.6

Statement of financial position

as at 30 June 2004

		Consolidated		Parent entity	
	Notes	**30 June 2004 $**	**30 June 2003 $**	**30 June 2004 $**	**30 June 2003 $**
Current assets					
Cash	15(b)	568,319	1,363,808	39,652	619,857
Receivables	3	2,591,897	497,725	3,540,995	587,760
Investments	5	5,885,177	3,185,234	5,885,177	3,185,234
Other	4	606,612	416,623	404,912	373,117
Total current assets		**9,652,005**	**5,463,390**	**9,870,736**	**4,765,968**
Non-current assets					
Receivables	3	445,727	401,864	445,727	401,864
Investments	5	500,000	47,125	73,142,203	25,822,508
Property, plant and equipment	6	243,745,154	125,586,831	83,889,963	70,486,612
Other	7	378,666	67,378	75,753	48,443
Total non-current assets		**245,069,547**	**126,103,198**	**157,553,646**	**96,759,427**
Total assets		**254,721,552**	**131,566,588**	**167,424,382**	**101,525,395**
Current liabilities					
Payables	8	2,149,540	1,093,216	357,091	520,220
Provisions	9	16,109	9,507	16,109	9,507
Distributions payable	10	3,345,817	1,641,463	3,345,817	1,641,463
Other	11	1,579,375	1,244,178	112,689	775,611
Total current liabilities		**7,090,841**	**3,988,364**	**3,831,706**	**2,946,801**
Non-current liabilities					
Interest-bearing liabilities	12	113,251,707	60,325,598	38,933,350	31,462,110
Total non-current liabilities		**113,251,707**	**60,325,598**	**38,933,350**	**31,462,110**
Total liabilities		**120,342,548**	**64,313,962**	**42,765,056**	**34,408,911**
Net assets		**134,379,004**	**67,252,626**	**124,659,326**	**67,116,484**
Unitholders' funds					
Units on issue	13	124,185,069	67,116,484	124,185,069	67,116,484
Reserves	14	10,193,935	136,142	474,257	–
Total Unitholders' equity		**134,379,004**	**67,252,626**	**124,659,326**	**67,116,484**

Statement of cash flows

for the year ended 30 June 2004

		Consolidated		Parent entity	
	Notes	30 June 2004 $	30 June 2003 $	30 June 2004 $	30 June 2003 $
Cash flows from operating activities					
Receipts from customers		17,225,019	10,511,096	5,140,704	7,018,575
Payments to suppliers and employees		(2,038,830)	(919,301)	(1,478,741)	(950,501)
Borrowing costs		(6,848,540)	(3,183,869)	(2,945,356)	(2,292,290)
Interest received		864,544	234,595	2,362,490	1,290,820
Dividends received		22,708	10,737	22,708	10,737
Distributions received		–	–	3,488,633	407,579
Net cash flows from operating activities	15 (a)	**9,224,901**	**6,653,258**	**6,590,438**	**5,484,920**
Cash flows from investing activities					
Acquisition of property		(109,620,713)	(49,547,750)	(13,434,335)	(8,490,650)
Payments for deposits		(43,863)	(21,622,031)	(21,579,030)	(21,622,031)
Payments to subsidiary		–	–	–	4,574,098
(Repayment)/proceeds from deposits		(2,699,943)	18,705,861	18,835,224	18,705,861
Payments for purchase of securities		–	(712)	(46,866,820)	(20,776,085)
Net cash flows used in investing activities		**(112,364,519)**	**(52,464,632)**	**(63,044,961)**	**(27,608,807)**
Cash flows from financing activities					
Cash proceeds from the issue of Units		59,476,808	24,436,441	59,476,808	24,436,441
Proceeds from borrowings		52,926,110	27,739,074	7,471,240	3,285,701
Payment for capital raising		(2,408,221)	(970,383)	(2,408,221)	(970,381)
Distribution to Unitholders		(8,665,509)	(4,852,450)	(8,665,509)	(4,852,450)
Net cash flows from financing activities		**101,329,188**	**46,352,682**	**55,874,318**	**21,899,311**
Net increase in cash held		(1,810,430)	541,308	(580,205)	(224,576)
Add opening cash brought forward		1,363,808	940,387	619,857	844,433
Effect of exchange rate changes on cash		1,014,941	(117,887)	–	–
Closing cash carried forward	15 (b)	**568,319**	**1,363,808**	**39,652**	**619,857**

Notes to and forming part of the financial statements

Note 1. Summary of significant accounting policies

The principal accounting policies adopted by the Trust are stated to assist in the general understanding of the financial information.

The Trust was constituted on 19 February 1998 and will operate for a term of 80 years from the date of its execution subject to earlier termination in accordance with the provisions of the Constitution.

(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 and the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention, except for vineyards, which are measured at fair value.

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year with the exception of a change in the method of measuring the value of vineyards.

AASB 1041 'Revaluation of Non-Current Assets' allows the selection of either cost or revaluation bases of measuring non-current assets class by class. For the year ended 30 June 2004, the Trust changed the method of recording the class of non-current assets 'Investment Properties' from cost to fair value. This change in accounting policy is considered appropriate in light of AASB 1001 'Accounting Policies' as the change will result in an overall improvement in the relevance and reliability of financial information.

A consolidated asset revaluation reserve of $9,042,852 has been created as a result of the change to the fair value basis of measuring investment property.

All other classes of non-current assets are still recorded at cost.

Refer to Notes 1(g), 1(j), 5, 6 and 14 for further information.

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the Challenger Beston Wine Trust (the parent entity) and all entities that the Challenger Beston Wine Trust controlled from time to time during the year and at reporting date.

Information from the financial statements of subsidiaries is included from the date the parent entity obtained control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent entity has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial year of the subsidiaries is consistent with that of the parent entity.

All intercompany balances and transactions, including unrealised profits or losses arising from intra-group transactions, have been eliminated in full.

Notes to and forming part of the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(d) Foreign currencies

Translation of foreign currency transactions

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

A monetary item arising under a foreign currency contract outstanding at the reporting date where the exchange rate for the monetary item is fixed in the contract is translated at the exchange rate fixed in the contract.

Except for certain specific hedges, all resulting exchange differences arising on settlement or restatement are recognised as revenues and expenses for the financial year. Any gains or costs on entering a hedge are deferred and amortised over the life of the contract.

Translation of financial reports of overseas operations

All overseas operations are deemed self-sustaining, as each is financially and operationally independent of the Challenger Beston Wine Trust. The financial reports of overseas operations are translated using the current rate method which applies the same exchange rate to all assets and liabilities, and which translates items in the profit and loss account or its equivalent at the rates current when those items were recognised in the accounts. Any exchange differences are taken directly to the foreign currency translation reserve.

(e) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is recognised as an expense as it is charged.

(f) Receivables

Trade receivables are recognised and carried at original invoice amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

(g) Investments

Investments in associates are carried at the lower of the equity-accounted amount and recoverable amount in the consolidated financial report.

All other non-current investments are carried at the lower of cost or directors' valuation and recoverable amount, with the exception of shares in unlisted companies, which are recorded at fair value.

(h) Self-generating and regenerating assets (SGARAs)

Although the SGARA standard would suggest that any portion of the valuation that is made up of changes in the valuation of the vine (as a 'living asset') should be taken to Net Profit, we believe that to try to allocate value down to the level of the vines (as opposed to the vineyards) would be unreliable. The reasons for this unreliability are:

- the Trust does not have access to the grapes produced from the vines, and therefore the direct cash flow forecasts of such sales cannot be used in a discounted cash flow model. Although the Trust does have access to the rental streams derived from them, as well as the sale value of the land and vineyards, should the Trust be required to dispose of the property at the end of the lease, such cash flows are not separately identified in the rentals or sale price, and again discounted cash flows for the 'live' vines determined;

- the valuation does not split the value of the component assets from the total valuation; and
- the vines would be calculated as a residual from the valuation after first deducting an assumed value for land, then deducting an assumed value for buildings and vineyard improvements. Each of these deductions is subject to estimation and error. The resulting residual is not considerred to be a reliable measure of the valuation of the vines, and would be subject to significant volatility due to minor changes in estimates of the items deducted from the valuation of the vineyard as a whole. In reality the vines have a long life, and the fair value of the vines, particularly those for well established vineyards, is not likely to change significantly.

(i) Recoverable amount

Non-current assets measured using the cost basis are not carried above their recoverable amount. The expected net cash flows have not been discounted in determining recoverable amount.

(j) Property, plant and equipment

Cost and valuation

Vineyards consist of land, vines and vineyard infrastructure. Vineyards are treated as investment properties and carried at fair value. Independent valuations of investment properties are obtained at intervals of not more than three years from suitably qualified property valuers. Such valuations are reflected in the financial statements of the Trust. Notwithstanding, the directors of the Responsible Entity assess the carrying value of each investment property at each reporting period to ensure its carrying value does not materially differ from its fair value. Where carrying values differ from the fair value, those assets are adjusted to their fair value as assessed by the directors.

Revaluation increments and decrements arising from recognising investment properties at their fair values are offset against one another within the class of asset. Net revaluation increments in the carrying amounts of investment properties are recognised directly in the asset revaluation reserve, except to the extent that the increment reverses a decrement that was previously recognised as an expense in net profit or loss in respect of the same class of asset, in which case the increment is recognised as revenue in net profit or loss. Net revaluation decrements in the carrying amounts of investment properties are recognised as an expense in net profit or loss, except to the extent that the decrement reverses a previous revaluation increment in respect of the same class of assets credited directly to the asset revaluation reserve, in which case the decrement is debited directly to the reserve to the extent that a credit exists in respect of the same class of asset.

Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount because the Trust does not expect to be ultimately liable for CGT in respect of the assets.

Expenditure capitalised to vineyards includes the cost of acquisition, capital and refurbishment additions, and during development includes financing charges and related professional fees incurred.

All other classes of property, plant and equipment are measured at cost.

Depreciation

Land and buildings are considered to have the function of an investment and are therefore regarded as a composite asset. Accounting Standard AASB 1021 'Depreciation' does not require investment properties to be depreciated. Accordingly, no depreciation charge is applied to the vineyard properties in the financial statements. Winery assets acquired during the period are depreciated, on a straight-line basis, over their expected useful life. Major depreciation periods are:

	2004	**2003**
Winery buildings	50 years	50 years
Grape processing plant	30 years	30 years
Storage	50 years	50 years
Winery plant	20 years	20 years

Notes to and forming part of the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(k) 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 regularly, generally monthly or quarterly, initially based on a premium over bond rates, are escalated by a CPI factor and can not decline within the lease period. Leases are renewable at the Lessee's option after the expiration of the initial lease term, in renewal periods of not less than five 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 in the supply of utilities to the lease property;
- costs incurred to preserve and maintain the land and the vines growing on the land in accordance with Best Viticultural Practice, including pruning, irrigation, fertilisation, etc;
- expenditure on any additional plant that will remain the Lessee's property; and
- maintenance, repair and replacement of items of a structural and/or capital nature.

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 vineyard operators. These options are exercisable upon expiry of the initial lease term or each five year increment at varying dates between October 2006 and June 2032. The exercise price of the options is generally the higher of cost or market value as determined by an independent valuation if required.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Lease agreements entered into with vineyard operators over vineyard properties are considered to be operating leases given that leases over vineyards generally expire after 10 years of the initial term, with vineyard operators holding call options to purchase back the properties at market value after this term.

(l) Other non-current assets

The other non-current assets amount is comprised of prepaid borrowing costs. Borrowing costs are capitalised when incurred and amortised on a straight-line basis over a five year period.

(m) Payables

Trade payables and other accounts payable are recognised when the economic entity becomes obliged to make future payments resulting from the purchase of goods and services.

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

(n) Interest-bearing liabilities

Bills of exchange are recorded at an amount equal to the gross proceeds received, with the premium or discount amortised over the period until maturity. Interest expense is recognised on an effective yield basis.

Debentures, bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

(o) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for distribution is recognised in accordance with the requirements of the Trust Constitution.

(p) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Trust.

Any transaction costs arising on the issue of Units are recognised directly in equity as a reduction of the unit proceeds received.

(q) Preferred Indexed Convertible Equity Unit

A Preferred Indexed Convertible Equity (PICE) Unit is a class of unit in the capital of the Trust that is convertible into Units only in specific circumstances.

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 Unitholders will be entitled to income in preference to ordinary Unitholder distributions.

Refer to the 'International Financial Reporting Standards Review' for a discussion on how the PICE Units may be affected by the 2005 harmonisation of international financial reporting standards.

(r) Distribution per Unit

Basic distribution per Unit (DPU) is calculated as net profit attributable to Unitholders adjusted to exclude costs of servicing equity (excluding distributions) and preference distributions, divided by the weighted average number of Ordinary Units on issue during the year adjusted for any bonus element.

Diluted DPU is calculated as the net profit attributable to members adjusted for:

- costs of servicing equity (other than distributions) and preference 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 revenue and expenses during the period that would result from the dilution of potential Ordinary Units; divided by the weighted average number or Ordinary Units and dilutive potential Ordinary Units, adjusted for any bonus element.

Notes to and forming part of the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(s) Revenue recognition

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

Rentals

On a monthly basis in line with the service provision of leased properties.

Interest

Control of the right to receive the interest payment.

Distributions and dividends

Control of the right to receive the distributions or dividends payment.

(t) Taxes

Eligible Investment Business

Under current legislation the Trust undertakes activities of an 'eligible investment business' that is investing in land 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 the scope of an eligible investment business during the financial year ended 30 June 2004.

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

Goods and Services Tax (GST)

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

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised a part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables 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 Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows 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.

(u) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries and annual leave.

Liabilities arising in respect of wages and salaries and annual leave expected to be settled within 12 months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.
In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits; and

- other types of employee benefits

are recognised against profits on a net basis in their respective categories.

At the reporting date there were four employees of the Trust.

From 1 July 2004 these employees ceased employment with the Trust and became employees of Challenger Group Services Pty Ltd.

(v) Derivative financial instruments

Interest rate swaps

Challenger Beston Wine Trust enters into interest rate swap agreements on borrowing facilities that coincide with part or all of the initial corresponding lease term, thereby fixing the interest rate of each facility. The swaps are entered into with the objective of reducing the risk of rising interest rates.

It is the Trust's policy not to recognise interest rate swaps in the financial statements. Any interest payable in respect of swaps is brought to account on an accrual basis.

(w) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

Notes to and forming part of the financial statements (continued)

Note 2. Profit from ordinary activities

	Consolidated		Parent entity	
	30 June 2004 $	**30 June 2003 $**	**30 June 2004 $**	**30 June 2003 $**
Included in the profit from ordinary activities are the following items of revenue:				
Revenue from operating activities				
Rental revenue	18,801,600	10,116,023	8,778,204	7,281,991
	18,801,600	**10,116,023**	**8,778,204**	**7,281,991**
Revenue from non-operating activities				
Distributions from subsidiaries	–	–	3,488,633	761,491
Interest received	864,545	234,595	813,171	224,387
Interest revenues – wholly owned group entities	–	–	1,549,320	875,240
Dividend received	22,708	10,737	22,708	10,737
	887,253	**245,332**	**5,873,832**	**1,871,855**
Revenue from ordinary activities	**19,688,853**	**10,361,355**	**14,652,036**	**9,153,846**
Profit from ordinary activities has been arrived at after charging the following items:				
Borrowing costs – interest expense	**6,834,079**	**3,145,736**	**2,930,894**	**2,263,366**
Other expenses				
Management and custodial fees	1,680,155	996,441	826,987	719,755
Consultant fee	127,215	138,071	40,930	106,721
Auditors remuneration – audit services	35,000	33,000	35,000	33,000
Auditors remuneration – other services	72,355	40,667	45,708	33,497
Other costs	523,591	362,908	356,059	362,183
	2,438,316	**1,571,087**	**1,304,684**	**1,255,156**
Amortisation of expenditure carried forward	–	38,133	–	28,925
Depreciation of winery assets	52,366	266,955	52,366	266,955
Total depreciation and amortisation expense	**52,366**	**305,088**	**52,366**	**295,880**

Note 3. Receivables

Current				
Sundry receivables	50,631	1,397	50,631	1,160
Accrued rental revenue	2,541,266	496,328	329,772	474,628
Receivables from subsidiaries	–	–	3,160,592	111,972
	2,591,897	**497,725**	**3,540,995**	**587,760**
Non-current				
Loans – secured	445,727	401,864	445,727	401,864
	445,727	**401,864**	**445,727**	**401,864**

The Trust has a registered charge over the assets and undertakings of the borrower.

Note 4. Other current assets

	Consolidated		Parent entity	
	30 June 2004 $	30 June 2003 $	30 June 2004 $	30 June 2003 $
Prepaid interest and borrowing costs	606,612	416,623	404,912	373,117
	606,612	**416,623**	**404,912**	**373,117**

Note 5. Investments

	Consolidated		Parent entity	
	30 June 2004 $	30 June 2003 $	30 June 2004 $	30 June 2003 $
Current				
Term deposits	5,885,177	3,185,234	5,885,177	3,185,234
	5,885,177	**3,185,234**	**5,885,177**	**3,185,234**
Non-current				
Units in controlled entities – at cost	–	–	20,692,873	13,900,010
Shares in unlisted companies – at cost	–	47,125	–	47,125
Shares in unlisted companies – at fair value	500,000	–	500,000	–
Convertible notes in controlled entities – at cost	–	–	51,949,330	11,875,373
	500,000	**47,125**	**73,142,203**	**25,822,508**
Reconciliation of carrying amounts				
Shares in unlisted companies				
Opening balances at cost	47,125	47,125	47,125	47,125
Net increment from accounting policy change	452,875	–	452,875	–
	500,000	**47,125**	**500,000**	**47,125**

Note 6. Property, plant and equipment

	Consolidated		Parent entity	
	30 June 2004 $	30 June 2003 $	30 June 2004 $	30 June 2003 $
Vineyards at fair value*				
At cost 2003	–	120,364,323	–	65,264,104
At fair value	238,505,881	–	78,650,690	–
Balance at the end of the financial year	238,505,881	120,364,323	78,650,690	65,264,104
Winery plant and equipment				
At cost less provision for amortisation	5,239,273	5,222,508	5,239,273	5,222,508
	243,745,154	125,586,831	83,889,963	70,486,612

*Includes land, vines and vineyard infrastructure.

Notes to and forming part of the financial statements (continued)

Note 6. Property, plant and equipment (continued)

(a) Reconciliation of carrying amounts

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the financial year are set out below:

	Consolidated		Parent entity	
	30 June 2004 $	**30 June 2003 $**	**30 June 2004 $**	**30 June 2003 $**
Land – vineyards				
Opening balance at cost	120,364,323	72,129,058	65,264,104	58,085,939
Acquisitions of vineyard properties and additions during the year	109,551,581	48,235,265	13,365,204	7,178,165
Net increment from accounting policy change	8,589,977	–	21,382	–
Balance at the end of the financial year	238,505,881	120,364,323	78,650,690	65,264,104
Winery plant and equipment				
Opening balance at cost	5,524,150	4,247,600	5,524,150	4,247,600
Acquisitions of winery plant and equipment during the year	69,131	1,276,550	69,131	1,276,550
Accumulated amortisation	(354,008)	(301,642)	(354,008)	(301,642)
Balance at the end of the financial year	5,239,273	5,222,508	5,239,273	5,222,508
Total property, plant and equipment	**243,745,154**	**125,586,831**	**83,889,963**	**70,486,612**

Vineyards and wineries are leased to vineyard operators and/or wine companies under long-term lease contracts, typically for 10 year terms. Rentals are based upon a premium over bond rates, and cannot decline. Leases are renewable at the lessee's option after the expiration of the initial lease term, in renewal periods typically of not less than five years.

The vineyard properties are subject to call options which have been granted to the vineyard operators. These options are exercisable upon expiry of the initial lease term or each five year or 10 year increment at varying dates between October 2006 and June 2032. The exercise price of the options is to be market value as determined by an Independent Valuation if required, at not less than cost.

Assets pledged as security

First mortgages have been granted as security for bank loans (see Note 12) over all vineyard properties, winery plant and equipment. 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. The mortgage also requires buildings that form part of the security to be fully insured at all times.

Assets under lease are pledged as security for the associated lease liabilities.

Valuations

The fair values of investment properties have been determined by reference to directors' valuations, based upon independent valuations previously obtained. Such valuations are performed on a open market basis, being the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date.

(b) Details of property, plant and equipment

Description	Acquisition date $	Original acquisition cost $	Total cost including additions $	Date of latest independent valuation $	Fair value $
Schubert's Vineyard [ii]	Nov 2001	4,209,067	4,904,139	Mar 2004	5,000,000
Summer's Hill Vineyard [i]	Feb 1998	1,358,040	1,533,600	Oct 2001	1,500,000
Corryton Park Vineyard [ii]	Feb 1998	1,043,051	3,124,489	Oct 2001	3,150,000
Sandy Hollow Vineyard [i]	Nov 1998	4,416,550	4,878,198	Oct 2001	4,750,000
Cowra Station Vineyard [i]	Oct 1998	3,572,550	3,686,759	Oct 2001	3,850,000
Waikerie Vineyard [i]	Oct 1998	1,935,322	2,185,020	Oct 2001	2,100,000
Bethany Creek and Vine Vale Vineyards [i]	Oct 1998	1,515,522	1,711,650	Oct 2001	1,775,000
Hermitage Road Winery [i]	Oct 2001	1,404,244	4,662,122	Dec 2003	4,600,000
Inglewood Vineyard [i]	Jul 1999	1,336,422	1,412,745	Jul 2003	1,250,000
Dalswinton Vineyard [i]	Jul 1999	4,849,909	4,973,308	Jul 2003	4,600,000
Thomson Vineyard [ii]	Oct 1999	3,618,324	4,100,542	Aug 2003	4,100,000
Boh River Vineyard [ii]	Jun 2000	8,733,922	10,036,382	Jul 2003	9,800,000
Gundagai Vineyard [i]	Sep 2000	6,104,548	12,608,337	Apr 2004	13,700,000
Chapel Vineyard [iii]	Dec 2001	2,869,525	2,930,718	Dec 2001	2,930,718
Yarraman Winery and Vineyard [i]	Sep 2001	1,171,349	2,036,330	Aug 2001	1,400,000
Trillian's Hill Vineyard [i]	Jun 2002	888,575	1,047,414	Apr 2002	1,047,413
Woods Vineyard [iii]	Apr 2003	1,251,552	1,270,266	Feb 2003	1,270,266
Cocoparra Vineyard [iii]	Apr 2003	8,526,360	8,462,191	Feb 2003	8,462,192
Oakridge Estate Vineyard and Winery [iii]	Apr 2003	1,105,030	2,490,975	Feb 2003	2,490,975
Gnangara Vineyard [i]	Apr 2003	1,652,654	5,813,398	Dec 2002	6,113,399
Total held by parent entity		61,562,516	83,868,582		83,889,963
Gimblett Road Vineyard [iv]	Apr 2001	2,606,787	2,697,030	Apr 2004	3,411,689
Highway 50 Vineyard [iv]	Apr 2001	2,561,054	2,642,422	Apr 2004	3,251,624
Crownthorpe Vineyard [iv]	Apr 2001	3,486,447	17,075,717	Apr 2004	20,767,401
Dashwood Vineyard [v]	Oct 2002	8,003,293	14,641,146	Aug 2002	17,717,918
Rarangi [v]	Jun 2004	6,494,100	7,404,867	Jun 2004	7,404,867
Sirens Estate Vineyard [i]	Oct 2002	1,897,395	2,220,582	Oct 2002	2,696,859
Richmond Grove and Lawson's Vineyard [i]	Dec 2003	44,947,105	44,940,463	Jun 2003	44,940,464
Qualco East Vineyard [i]	Dec 2003	7,420,513	7,670,513	Jun 2003	7,670,513
Balranald Vineyard [i]	Dec 2003	15,572,729	17,027,891	Jun 2003	17,027,891
Two Rivers Vineyard [ii]	Jun 2003	17,484,327	34,965,965	May 2003	34,965,965
Total held by controlled entities		110,473,750	151,286,596		159,855,191
Total property, plant and equipment		172,036,266	235,155,178		243,745,154

(i) As valued by Colin Gaetjens, F.A.P.I. (Val, P & M), R.E.I.V. (Aust), A.R.E.I., of Colin Gaetjens & Co.
(ii) As valued by Colin Pickett, A.A.P.I., Certified Practising Valuer, of Colin Gaetjens & Co.
(iii) As valued by Ron Aschberger, F.A.P.I., Certified Practising Valuer, of FPDSavills.
(iv) As valued by Boyd Gross, B. Agr. (Rural Va), 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.

Notes to and forming part of the financial statements (continued)

Note 7. Other non-current assets

	Consolidated		Parent entity	
	30 June 2004 $	30 June 2003 $	30 June 2004 $	30 June 2003 $
Prepaid borrowing cost	378,666	67,378	75,753	48,443
	378,666	**67,378**	**75,753**	**48,443**

Note 8. Payables

Trade creditors and accruals	2,149,540	1,093,216	357,091	520,220
	2,149,540	**1,093,216**	**357,091**	**520,220**

Note 9. Provisions

Employee benefits	16,109	9,507	16,109	9,507
	16,109	**9,507**	**16,109**	**9,507**

Note 10. Distributions payable

Distributions payable	3,345,817	1,641,463	3,345,817	1,641,463
	3,345,817	**1,641,463**	**3,345,817**	**1,641,463**

Note 11. Other current liabilities

Revenue received in advance	1,579,375	1,244,178	112,689	775,611

Note 12. Interest-bearing liabilities

Bank bills – secured	113,251,707	60,325,598	38,933,350	31,462,110

The bank bills are secured as registered mortgage debentures over the properties disclosed in Note 6.

Note 13. Units on issue

	30 June 2004		30 June 2003	
	Number of units	$	Number units	$
Ordinary Units				
Beginning of the financial year	60,216,410	55,116,322	34,991,667	32,680,975
Issued during the year				
– Distribution Reinvestment Plan	811,695	728,657	386,139	339,329
– Public equity raising	61,111,111	55,000,001	23,804,604	21,186,098
– Private placements	3,974,605	3,577,144	1,034,000	909,920
Balance at the end of the year	**126,113,821**	**114,422,124**	**60,216,410**	**55,116,322**
PICE Units				
Beginning of the financial year	1,700,115	17,001,094	1,500,000	15,000,000
Issued during the year				
– Distribution Reinvestment Plan	18,442	171,005	115	1,094
– Private placements	–	–	200,000	2,000,000
Balance at the end of the year	**1,718,557**	**17,172,099**	**1,700,115**	**17,001,094**
Less issue costs				
Beginning of the financial year		(5,000,932)		(4,030,551)
Incurred during the year		(2,408,222)		(970,381)
Balance at the end of the year		**(7,409,154)**		**(5,000,932)**
Equity balance at the end of the year		**124,185,069**		**67,116,484**

Units issued during the year

18,442 Preferred Indexed Convertible Equity (PICE) Units were issued during the year through the Distribution Reinvestment Plan on prices between $9.26 and $9.60. 61,111,111 Units were issued at $0.90 by public equity raising, 811,695 Units were issued through the Distribution Reinvestment Plan at prices between $0.88 and $0.90. A further 3,974,605 Units were issued at $0.90 by private placement.

Terms and conditions of Units

Ordinary Units have the right to receive distributions as declared and, in the event of winding up the Trust, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on the Units held.

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 Unitholders will be entitled to income in preference to ordinary Unitholder distributions.

Notes to and forming part of the financial statements (continued)

Note 14. Reserves

	Consolidated		Parent entity	
	30 June 2004 $	30 June 2003 $	30 June 2004 $	30 June 2003 $
Foreign currency translation	1,151,083	136,142	–	–
Asset revaluation	9,042,852	–	474,257	–
	10,193,935	**136,142**	**474,257**	**–**
Foreign currency translation				
Balance at beginning of year	136,142	254,030	–	–
Gain (loss) in translation of overseas controlled entities	1,014,941	(117,888)	–	–
Balance at end of year	**1,151,083**	**136,142**	**–**	**–**
Asset revaluation				
Balance at beginning of year	–	–	–	–
Gain (loss) in revaluation of non-current assets	8,589,977	–	21,382	–
Gain (loss) in revaluation of unlisted shares	452,875		452,875	–
Balance at end of year	**9,042,852**	**–**	**474,257**	**–**

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self-sustaining foreign operations.

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets. The reserve can only be used to pay distributions in limited circumstances.

Note 15. Cash flow statement

	Consolidated		Parent entity	
	30 June 2004 $	30 June 2003 $	30 June 2004 $	30 June 2003 $
a) Reconciliation of the operating profit after tax to the net cash flows from operations.				
Operating profit after tax	10,364,092	5,339,444	10,364,092	5,339,444
Amortisation of non-current assets	52,366	266,955	52,366	266,955
Amortisation of borrowing costs	144,235	38,133	39,218	28,925
Changes in assets and liabilities:				
Trade receivables and prepayments	(2,238,407)	(289,666)	(2,992,452)	(267,731)
Unearned income	335,197	459,359	(662,922)	(9,209)
Trade creditors	567,418	839,033	(209,864)	126,536
Net cash flow from operating activities	**9,224,901**	**6,653,258**	**6,590,438**	**5,484,920**
b) Reconciliation of cash				
Cash balance comprises				
– Cash	**568,319**	**1,363,808**	**39,652**	**619,857**

Note 16. Controlled entities

Subsidiary	**Beston Delegat's Wine Trust**
Country of Incorporation	New Zealand
Percentage owned:	100%
Subsidiary	**Beston Southcorp Vineyard Trust**
Country of Incorporation	Australia
Percentage owned:	100%
Subsidiary	**McGuigan Simeon Wholesale Trust**
Country of Incorporation	Australia
Percentage owned:	100%

Note 17. Director and executive disclosures

(a) Details of directors

S Gerlach	Chairman (non-executive)
RN Sexton	Deputy Chairman (non-executive)
CJ Atkins	Managing Director
IM Martens	Director (non-executive) – appointed 11 July 2003
DC Hall	Director (non-executive) – appointed 11 July 2003
BW Beaton	Director (non-executive) – resigned 2 April 2004
TH Foster	Director (non-executive) – appointed 11 September 2003
RJ Woods	Director (non-executive) – appointed 5 February 2004
BR Benari	Director (non-executive) – appointed 11 September 2003 resigned 5 February 2004
SJ Gilsenan	Director (non-executive) – resigned 31 July 2003
WEB Ireland	Director (non-executive) – resigned 11 July 2003

No director has entered into a material contract with the Trust.

(b) Remuneration of directors

	2004	2003
Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each of the Responsible Entity and the Manager, paid by the Responsible Entity from management fees received.	$469,444	$252,000

Notes to and forming part of the financial statements (continued)

Note 17. Director and executive disclosures (continued)

The number of directors of Challenger Beston Wine Trust whose income (including superannuation contributions) falls within the following bands is:

	2004	2003
$0 – $9,999	5	1
$10,000 – $19,999	1	–
$20,000 – $29,999	–	1
$30,000 – $39,999	1	–
$40,000 – $49,999	–	2
$50,000 – $59,999	2	1
$80,000 – $89,999	1	1
$210,000 – $219,999	1	–

Includes only remuneration in respect of the management of the affairs of the Responsible Entity and the Trust and their respective controlled entities for the period of the financial year that the individuals were directors of the Responsible Entity of the Trust.

(c) Unitholdings of specified directors

Interests in equity held by directors of Challenger Beston Limited and their director related entities at balance date:

	PICE Units fully paid		Ordinary Units fully paid	
	30 June 2004 $	30 June 2003 $	30 June 2004 $	30 June 2003 $
Challenger Life No.2 Limited	641,807	595,700	18,966,377	9,722,277
S Gerlach	–	–	151,600	101,600
RN Sexton	200	200	209,261	209,261
CJ Atkins	237	215	42,931	38,978
IM Martens	200	200	242,647	204,541
WEB Ireland	–	200	–	–
Total	642,444	596,515	19,612,816	10,276,657

(d) Loans to specified directors

The Trust has not made, guaranteed or secured, directly or indirectly, any loans to the directors or their personally-related entities at any time during the reporting period.

Note 18. Related parties

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 are defined in the Constitution. In accordance with the Constitution, the Responsible Entity's fee is limited to 0.75% per annum of the total asset value of the Trust, assessed at the end of each month.

The Responsible Entity is entitled to receive an amount not exceeding 2% 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.

Single Responsible Entity

Challenger Beston Limited is the Responsible Entity for the Trust and is wholly owned by Challenger Financial Services Group.

Wholly-owned group transactions

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

Other related party transactions

As disclosed in Note 2, Challenger Beston Limited, a related entity, received management fees during the year of $1,619,065 (2003 $933,711).

At 30 June 2004 the balance of the amount payable between the Trust and Challenger Beston Limited was $96,215 (2003 $200,091).

Convertible notes

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

Note 19. Capital commitments

Finance facilities which total $51,490,883 (2003 $19,448,205) have been made available by the Trust for further development of various vineyards. These commitments will be secured by the Trust and the Trust will earn lease rental on these developments at the applicable bond rate plus up to 4.5% per annum.

	Consolidated		Parent entity	
	30 June 2004 $	30 June 2003 $	30 June 2004 $	30 June 2003 $
Estimated capital expenditure contracted for at balance date but not provided for				
– payable not later than one year	38,293,974	15,210,168	9,257,050	5,606,508
– later than one year and not later than two years	11,544,496	2,981,835	205,068	–
– later than two years and not later than five years	1,652,413	1,256,202	–	–
	51,490,883	**19,448,205**	**9,462,118**	**5,606,508**

Note 20. Segment information

The Trust operates entirely within Australasia, investing in vineyard properties for lease to vineyard operators and wine industry infrastructure assets. Please refer to the map of Australasia in the Property Portfolio Summary for further details.

Notes to and forming part of the financial statements (continued)

Note 21. Financial instruments

Terms, conditions and accounting policies

The Trust's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity, both recognised and unrecognised at the balance date are as follows:

Recognised financial instruments	Balance sheet notes	Accounting policies	Terms and conditions	Weighted average interest rate
(i) Financial Assets				
Receivables – sundry	3	Trade receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.	Trade receivables are on 30 day terms.	N/A
Receivables – loan	3	Other loans are carried at the principal amount. Interest is recognised in the statement of financial performance when earned.	Other loans relates to a secured loan to an unrelated party. Interest is calculated daily at 10.75% per annum.	10.75%
Short term deposits	5	Short term deposits are carried at the principal amount. Interest is recognised as income when earned.	Interest is charged at the bank's benchmark rate.	5.33%
(ii) Financial Liabilities				
Trade creditors and accruals	8	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Trust.	Trade liabilities are normally settled in 30 days.	N/A
Accounts payable – related party/entity	8	Loans from related parties are carried at the principal amount. Interest (when charged by the lender) is taken up as an expense on an accrual basis.	Related party liabilities are normally settled in 30 days.	N/A
Bank bills	12	Bank bills are carried at the principal amount plus deferred interest.	Details of the terms and conditions are set out in Note 12.	7.28%
Interest rate swaps		Interest rate swaps are not recognised in the financial statements, however, any interest payable in respect of swaps is brought to account on an accrual basis. At year end the consolidated market-to-market value of the interest rate swaps was ($1,447,314)	Trade receivables are on 30 day terms.	*
(iii) Equity				
Units on issue	13	Units on issue are recognised at the par value of the amount paid-up.	There are no restrictions on the number of Units that can be issued by the Trust. Refer to Note 13 for details of the terms and conditions of the Units.	N/A

* The disclosure of effective interest rates is not applicable to derivative financial instruments.

(a) Net fair values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at the balance date are as follows:

	Total carrying amount as per the Statement of Financial Position		Aggregate net fair value	
	30 June 2004 $	30 June 2003 $	30 June 2004 $	30 June 2003 $
Financial assets				
Cash	568,319	1,363,808	568,319	1,363,808
Short term deposits	5,885,177	3,185,234	5,885,177	3,185,234
Receivables – loan	445,727	401,864	445,727	401,864
Receivables – sundry	3,293,881	597,715	3,293,881	597,715
Total financial assets	**10,193,104**	**5,548,621**	**10,193,104**	**5,548,621**
Financial liabilities				
Trade creditors and accruals	3,021,890	1,099,654	3,021,890	1,099,654
Bank bills	113,251,707	60,325,598	113,251,707	60,325,598
Total financial liabilities	**116,273,597**	**61,425,252**	**116,273,597**	**61,425,252**

The following methods and assumptions are used to determine the net fair value of financial assets and liabilities.

(b) Recognised financial instruments

Cash, cash equivalent and short-term investments: the carrying amount approximates fair value because of their short term to maturity.

Trade receivables and payables: the carrying amount approximates fair value.

Other loans: the carrying amount approximates fair value.

Long-term borrowings: the carrying amount approximates fair value.

(c) Credit risk exposure

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.

Note 22. Auditor's remuneration

	Consolidated		Parent entity	
	30 June 2004 $	30 June 2003 $	30 June 2004 $	30 June 2003 $
Amounts received or due and receivable by the auditor of the Trust for:				
Audit of the financial statements of the entity	35,000	33,000	35,000	33,000
Tax compliance	72,355	40,667	45,708	33,497
	107,355	73,667	80,708	66,497
Capital raising (included in issue costs)	57,977	24,500	57,977	24,500
	165,332	**98,167**	**138,685**	**90,997**

Notes to and forming part of the financial statements (continued)

Note 23. Operating leases

	Consolidated		Parent entity	
	30 June 2004 $	30 June 2003 $	30 June 2004 $	30 June 2003 $
The Trust leases all of its properties under operating leases.				
Minimum lease receipts				
– not later than one year	26,096,193	14,968,171	10,041,604	9,983,903
– later than one year and not later than five years	114,063,610	72,389,118	39,780,206	44,931,813
– later than five years	113,568,126	33,666,448	20,088,268	15,981,864
	253,727,929	121,023,737	69,910,078	70,897,580

Note 24. Distribution per Unit

The following reflects the income and share data used in the calculation of basic and diluted distributions per Unit:

	Consolidated	
	30 June 2004 $	30 June 2003 $
Net Profit	10,364,092	5,339,444
Adjustments:		
Net profit attributable to preference Units	(1,642,948)	(1,526,250)
Earnings used in calculation of basic distributions per Unit	**8,721,144**	**3,813,194**
Weighted average number of Units used in calculating basic distributions per Unit	97,708,168	42,467,650
Effect of dilutive Units – weighted average conversion of PICE Units at the market value of ordinary Units for each PICE Unit convertible at the end of a five year term from the date of issue	18,479,108	19,452,117
Adjusted weighted average number of ordinary Units used in calculating diluted distributions per Unit	**116,187,276**	**61,919,767**

Note 25. Subsequent events

No events of a material nature have arisen since the end of the year which will have an effect on the Statement of Financial Performance or the Statement of Financial Position in this report.

Note 26. International Financial Reporting Standards

Challenger Beston Wine Trust is required to comply with the Australian equivalents of the International Financial Reporting Standards (IFRS) issued by the Australian Accounting Standards Board for the year ending 30 June 2006.

AASB 1 'First Time Adoption of Australian Financial Reporting Pronouncements' requires that entities presenting first time financial reports in accordance with Australian Equivalents of IFRS must also restate their comparative financial statements using all Australian Equivalents of IFRS, except for AASB 132 'Financial Instruments: Disclosure and Presentation', AASB 139 'Financial Instruments: Recognition and Measurement', and AASB 4 'Insurance Contracts'.

In accordance with AASB 1047 'Disclosing the Impact of Adoption of the Australian Equivalents to International Financial Reporting Standards', the Trust is required to disclose the transitional impact of adopting the Australian Equivalents of IFRS on its reported financial position as at 1 July 2004. Most adjustments required on transition to the Australian Equivalents of IFRS will be made, retrospectively, against opening retained earnings on 1 July 2004; however, transitional adjustments relating to those standards where comparatives are not required will only be made at 1 July 2005.

The Trust has established a separate project to assess the impact of the IFRS.

Whilst this project is currently in progress, the following areas have been identified as having a significant impact on the accounting policies of the Trust:

- PICE Units;
- investment property;
- interest rate swaps; and
- agriculture

At this stage the Trust has not been able to reliably measure the impacts of these items on the financial report. The impact of the above noted significant areas are summarised as follows:

Classification of PICE Units
In accordance with the definition outlined in AASB 132 'Financial Instruments: Disclosure and Presentation', the PICE Units, or some portion of them, may be classified as a financial liability, rather than as equity. If it is determined that they should be classified as a liability, under the PICE Terms of Issue the directors of the Trust may resolve to trigger the conversion of the PICE Units to ordinary Units.

Investment property
Under current AASB 1041 'Revaluation of Non-current Assets', increases in the fair value of investment properties are reflected through the asset revaluation reserve. Decreases are also reflected through the asset revaluation reserve to the extent they reduce previously recognised increments and otherwise are charged to the operating result in the Statement of Financial Performance.

Under AASB 140 'Investment Properties', changes in the fair value of investment properties are recorded through the operating results in the Statement of Financial Performance. If this policy was to be applied in the current financial year, this would result in an increase in reported net profit for the period ended 30 June 2004.

Interest rate swaps
The Trust enters into interest rate swap agreements on borrowing facilities that coincide with part or all of the initial corresponding lease term, thereby fixing the interest rate of each facility. The swaps are not currently recognised. However, the swaps will be classified as a financial liability under AASB 132 'Financial Instruments: Disclosure and Presentation' and recognised on the Trust's Statement of Financial Position.

Agriculture
The Trust will adopt AASB 141 'Agriculture' for the first time for the year ended 30 June 2005. AASB 141 requires biological assets to be measured at fair value, other than when fair value cannot be measured reliably on initial recognition. The standard also requires changes in fair value to be included in profit or loss for the period in which it arises. In accordance with the adoption of AASB 141, land, vineyards, wines and winery assets will be separately valued and disclosed.

Directors' declaration

In accordance with a resolution of the directors of Challenger Beston Limited, I state that:

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 financial position as at 30 June 2004 and of its performance, as represented by the results of its operations and its cash flows for the year ended; and

  (ii) complying with Accounting Standards and Corporations Regulations 2001;

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

On behalf of the Board

Christopher J Atkins
Director
Dated this 18 August 2004

Ernst & Young

Santos House
91 King William Street
Adelaide SA 5000
Australia

GPO Box 1271
Adelaide SA 5001

Tel 61 8 8233 7111
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DX 155 Adelaide

Independent audit report to members of the Challenger Beston Wine Trust

Scope

The financial report and directors responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Challenger Beston Wine Trust (formerly the Beston Wine Industry Trust) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the Challenger Beston Wine Trust (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 on it to the members 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 its performance as represented by the results of its 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 judgment 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 have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. 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, the financial report of the Challenger Beston Wine Trust is in accordance with:

(a) the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the financial position of the Trust and the consolidated entity at 30 June 2004 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
18 August 2004

ERNST & YOUNG

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INDEPENDENT AUDIT REPORT

To the Directors of Challenger Beston Limited:

Scope

We have audited the compliance plan of the Challenger Beston Wine Trust (formerly the Beston Wine Industry Trust) which was established by Challenger Beston Limited as the responsible entity for the scheme for the financial year ended 30 June 2004. As directors of the responsible entity you are responsible for the design, documentation, operation and monitoring of the compliance plan and the adequacy of compliance measures contained in the plan, including the relevant internal control systems, policies and procedures, and compliance therewith. These responsibilities are set out in Part 5C.2 of the *Corporations Act 2001* applicable in Australia. We have conducted an independent audit of the compliance plan in order to express an opinion on it to the responsible entity.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance regarding the compliance plan. Accordingly, we have performed such tests and procedures as we considered necessary in the circumstances. Our procedures included obtaining an understanding of the compliance plan and the compliance measures which it contains and examining, on a test basis, evidence supporting the operation of these compliance measures. These procedures have been undertaken to form an opinion whether, in all material respects, the responsible entity has complied with the compliance plan during the financial year ended 30 June 2004, and the compliance plan continue to meet the requirements of Part 5C.4 of the *Corporations Act 2001* as at that date.

This audit report has been prepared for Challenger Beston Limited as the responsible entity of Challenger Beston Wine Trust in accordance with section 601HG of the *Corporations Act 2001*. We disclaim any assumption of responsibility for any reliance on this report to any person other than the responsible entity, or for any purpose other than that for which it was prepared.

Inherent Limitations

Because of the inherent limitations of any compliance plan, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. An audit is not designed to detect all weaknesses in a compliance plan and the compliance measures in the plan as an audit is not performed continuously throughout the financial year and the audit procedures performed on the compliance plan and compliance measures are undertaken on a test basis.

Any projection of the evaluation of the compliance plan to future periods is subject to the risk that the compliance measures in the plan may become inadequate because of changes in conditions or circumstances, or that the degree of compliance with them may deteriorate.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, in all material respects:

(a) Challenger Beston Limited has complied with the compliance plan of Challenger Beston Wine Trust for the financial year ended 30 June 2004; and

(b) the plan continues to meet the requirements of Part 5C.4 of the *Corporations Act 2001* as at that date.

Ernst + Young

Ernst & Young

Allan Potter
Partner
Adelaide

5 August 2004

Unitholder information

Distribution of Unitholders

As at 30 June 2004 the distribution of Unitholders was:

Range of holding	Ordinary	PICE
1 – 1,000	47,726	19,558
1,001 – 5,000	2,742,462	41,949
5,001 – 10,000	7,745,093	17,469
10,001 – 100,000	46,342,501	99,999
100,001 – over	69,236,039	1,539,582
	126,113,821	**1,718,557**

Ordinary Units

As at 30 June 2004 the total number of Ordinary Units on issue was 126,113,821 of which the top 20 largest holders held 64,227,877 Units representing 50.96%.

Top 20 Unitholders (as per register)	Number of Units held at 30/06/04	% held
Westpac Custodian Nominees Ltd	24,283,705	19.26
JP Morgan Nominees Australia Ltd	7,255,515	5.75
Crownace Pty Ltd	6,263,000	4.97
HSBC Custody Nominees	5,026,478	3.99
Invia Custodian Pty Ltd	3,602,249	2.86
Citicorp Nominees Pty Ltd	3,240,558	2.57
National Nominees Ltd	2,599,210	2.06
Cogent Nominees Pty Ltd	2,252,907	1.79
Sandhurst Trustees Ltd	1,293,100	1.03
Permanent Trustee Australia	1,290,308	1.02
ANZ Nominees Ltd	1,156,268	0.92
RBC Global Services Australia	1,103,991	0.88
Catholic Church Insurances Ltd	947,349	0.75
Victorian Workcover Authority	888,004	0.70
Bond Street Custodians Ltd	882,377	0.70
Health Super Pty Ltd	550,828	0.44
Washington H Soul Pattinson & Company Ltd	500,000	0.40
HCF Life Insurance Company Pty Ltd	380,000	0.30
Equity Trustees Ltd	360,923	0.29
ANZ Nominees Ltd	351,107	0.28
	64,227,877	**50.96**

Unitholder information (continued)

PICE Units

As at 30 June 2004 the total number of PICE Units on issue was 1,718,557 of which the 20 largest holders held 1,697,054 Units representing 98.74%.

Top 20 Unitholders (as per register)	Number of Units held at 30/06/04	% held
Westpac Custodian Nominees	693,097	40.33
Citicorp Nominees Pty Ltd	446,585	25.99
Mr Alan Segel	400,000	23.28
JP Morgan Nominees Australia Ltd	99,999	5.82
Magnus Donners Pty Ltd	10,000	0.58
Miss Samantha Orgill	7,469	0.43
St Francis Veterinary Hospital Pty Ltd	4,500	0.26
Mr John Edward Barbera	4,348	0.25
S & O M Investments Pty Ltd	4,000	0.23
Dr Ronald Leslie Dolton & Mrs Ann Dolton	3,943	0.23
Mrs Julie Ann Orgill	3,753	0.22
Mr Danny Stojic	3,500	0.20
Mr Alan Robert Mitchelson	3,050	0.18
Mr Bruce Llewellyn Jones	3,000	0.17
Mr Ivan Laszlo Zaar	2,100	0.12
Mr John Dring & Mrs Yvonne Dring	2,000	0.12
Ms Carmen Susan Padiglione & Mr Alexander Angelo Padiglione	1,600	0.09
Mr Harold Douglas McCormick & Ms Marlene Jean Dodge	1,537	0.09
Ling Nominees Pty Ltd	1,500	0.09
Mr Kelvin Bertram Miller	1,073	0.06
	1,697,054	98.74

Investor information

Stock exchange listing

The Trust is currently listed on the Australian Stock Exchange (ASX). The ASX code for Ordinary Units of the Trust is CWT and for the Preferred Indexed Convertible Equity Units is CWPTA.

Trading and pricing information

Units in the Trust trade in the same manner as shares in a listed public company. Trading takes place between 10:00 am and 4:00 pm (AEST) each business day. All major Australian newspapers publish trading prices for securities listed on the ASX on the day following each trading day.

The Unit price of the Units in the Trust can be accessed via our website **www.challengerbestonwinetrust.com.au**.

Distributions

Income is distributed quarterly, 45 days (or the next working day) after the end of each quarter, in August, November, February and May. Unitholders may elect to either have their distribution paid directly into a nominated bank account or receive a cheque.

Unitholders may also elect to participate in the Trust's Distribution Reinvestment Plan. Election notices may be obtained from the Trust's Investor Centre.

Electronic Funds Transfer (EFT) allows both Ordinary and PICE Unitholders to have their cash distributions paid into a nominated bank, building society or credit union account on the day the distribution is payable. Application forms for direct credit of distributions can be obtained from the Trust's Investor Centre or Computershare Investor Services. Contract details are listed in the corporate directory.

Distribution payments

Distributions are paid at the end of each trading quarter and the Manager expects that the distribution payments for the next financial year will be paid on the following dates:

Quarter	Record date	Expected payment date
September 2004	30 September 2004	15 November 2004
December 2004	31 December 2004	14 February 2004
March 2005	31 March 2005	16 May 2005
June 2005	30 June 2005	15 August 2005

If you have recently changed your address, altered or changed your bank account to which distributions are directed, or wish to advise your tax file number to ensure tax is not withheld from your distributions, you should advise the Unit registry in writing of the details prior to the record date for each quarter.

Contact details for the Unit registry can be founds in the corporate directory at the end of this report.

Annual taxation statement

An annual taxation statement was issued in August 2003 for the taxation year ending 30 June 2004. This statement advised taxable income for the period 1 July 2003 to 30 June 2004 assessable on the distributions paid in November 2003, February 2004, May 2004 and August 2004.

Investor information (continued)

2004/2005 calendar

November 2004	September 2004 quarter income distribution
February 2005	December 2004 quarter income distribution
February 2005	Half year results for six months ended 31 December 2004 released to ASX
March 2005	Half year report for six months ended 31 December 2004 available
May 2005	March 2005 quarter income distribution
August 2005	June 2005 quarter income distribution
August 2005	Annual taxation statement dispatched to Unitholders
August 2005	Annual results for year to 30 June 2005 released to ASX
September 2005	Annual report for year ended 30 June 2005 available

Directory

Australian Stock Exchange Code	CWT (Ordinary Units) CWTPA (PICE Units)
Custodian of the Fund	Tower Trust (SA) Limited 44 Pirie Street Adelaide, South Australia 5000
Responsible Entity	Challenger Beston Limited Level 9, T & G Building 82 King William Street Adelaide, South Australia 5000
Board of Directors of Responsible Entity	S Gerlach (Chairman) RN Sexton (Deputy Chairman) CJ Atkins (Managing Director) IM Martens DC Hall R Woods T Foster
Secretary of the Responsible Entity	Anne Gardiner
Auditor	Ernst & Young Santos House, 91 King William Street Adelaide, South Australia 5000
Legal Advisors	Finlaysons Level 8, 81 Flinders Street Adelaide, South Australia 5000
Registry	Computershare Investor Service Pty Ltd Level 5, 115 Grenfell Street Adelaide, South Australia 5000
Trust Investor Centre	Challenger Beston Wine Trust Level 9, T & G Building 82 King William Street Adelaide, South Australia 5000 Tel: +61 08 8211 7777 Fax: +61 08 8212 1661

Office address
Level 9, T & G Building
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Tel: 08 8211 7777
Fax: 08 8212 1661

Investor services: 08 8211 7777

Website: www.challengerbestonwinetrust.com.au

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