

The Beston Wine Industry Trust

Capital Raising Issue



Lead Manager: Johnson Taylor Potter Corporate Finance Limited ABN 72 069 152 656
Issuer & Responsible Entity: Challenger Beston Limited ABN 94 055 293 644
Distributed by Challenger Securities Limited ABN 28 009 568 496

Johnson Taylor Potter
Stockbrokers & Wealth Managers



Challenger
INTERNATIONAL GROUP

Leading the way in financial services

You may obtain a copy of The Beston Wine Industry Trust prospectus dated 8 August 2001 ('Prospectus') by calling the Trust Information Centre on 1800 789 088 or by downloading the Prospectus and application form from this web page.

Please note: the offer made in the Beston Wine Industry Trust Prospectus is available only to persons receiving the Prospectus within Australia.

Applications for New Units in The Beston Wine Industry Trust can only be made on an application form attached to, or accompanying, the Prospectus.

The Beston Wine Industry Trust

ARSN 092 960 060

An offer of up to 10,497,500 New Units at \$0.88 each with a right to accept oversubscriptions for up to a further 3,499,167 New Units at \$0.88 each.

Key Dates for Investors

Offer Opens:	29 August 2001
Priority Entitlement for Existing Unitholders expires:	5.30pm AEST, 14 September 2001
Offer Closes:	5:30pm AEST, 5 October 2001
Expected date for dispatch of Unitholding Statements:	11 October 2001
Expected date for quotation of New Units on ASX:	16 October 2001

Performance & Forecast Summary

Year Ended 30 June	2000 Actual	2001 Forecast	2002 Forecast***
Revenue (\$000)	2,627	4,394	8,625
Profit (\$m)	1.42	1.99	2.84
Distribution per Unit (cents)	8.55	9.50	9.86**
Yield (%)	9.72*	10.80*	11.20*

* Yield calculated against the Application Price of \$0.88 per unit.

** The annualised distribution is calculated against the weighted average number of Units for the year (assuming that 10,497,500 New Units are allotted on 11 October 2001). See Section 3.

*** The forecast distribution that is expected to be paid on the New Units for the period from allotment to 30 June 2002 is approximately 7.1 cents per New Unit.

This is an important document and requires your immediate attention. If you are in any doubt as to your options under this document, you should consult your stockbroker, accountant, or other professional adviser without delay.

Important Notice

This Prospectus is dated 8 August 2001 and was lodged with ASIC on that date. Neither ASIC nor ASX take any responsibility for the contents of this Prospectus. No New Units will be issued on the basis of this Prospectus later than 23 November 2001.

A number of terms and abbreviations used in this Prospectus have defined meanings that are explained in the Glossary. Money as expressed in this Prospectus is in Australian dollars.

All dates are subject to change and accordingly are indicative only. In particular, Challenger Beston Limited, the responsible entity, and Johnson Taylor Potter have the right to vary the key dates stated above without prior notice. Investors are encouraged to submit their Application Forms as soon as possible.

This Prospectus does not constitute an offer or invitation in any place which, or to any person to whom, it may not be lawful to make such an offer or invitation.

Challenger Beston has authorised and caused the issue of this Prospectus. Neither Challenger Beston, nor any person named in this Prospectus, guarantees the performance of the Trust, the repayment of capital or the payment of a return on the New Units.

Please read this document carefully before you make a decision to invest. An investment in the Trust has specific risks that you should consider before making a decision to invest. See Section 2 for a discussion of risks.



Chairman's letter

8 August 2001

Dear Investor

It gives me great pleasure to offer you an opportunity to subscribe for New Units in The Beston Wine Industry Trust.

The Trust invests in vineyards and wine infrastructure assets and aims to provide its Unitholders with a regular income stream backed substantially by ten year property leases and the potential for capital growth over the medium to long term. The Trust, which was listed on the ASX in July 1999, currently owns a portfolio of sixteen vineyards in well regarded grape growing regions in Australia and New Zealand. In total, this portfolio is valued at over \$55 million.

The Trust has consistently generated strong earnings, and has paid distributions totalling 7.14 cents per Unit for the nine months to 31 March 2001, with a further distribution of approximately 2.36 cents per Unit forecast for the quarter ending 30 June 2001. Based on the Application Price of \$0.88 per New Unit, the Trust has forecast annualised distributions for the year ending 30 June 2002 representing an annualised yield of 11.2% against the weighted average number of Units for the year.

The proceeds of this Issue will be applied to finance the acquisition and development by the Trust of further wine industry infrastructure and vineyards and meet expenses associated with the upgrade of existing Trust assets. The funds raised will enable the Trust to negotiate potential opportunities in Australia, New Zealand, and the United States that are expected to enhance growth and profit performance in the future.

In particular, during the next phase of the Trust's expansion, focus will also be placed on providing capital to the wine industry to increase processing, storage and distribution capacity. These investments in wine infrastructure will complement the Trust's existing vineyard portfolio and reduce the Trust's investment risk through further portfolio diversification.

I believe that the Trust offers investors access to an investment differentiated from existing property trusts and wine companies. It is an ASX listed trust that specialises in investing in vineyards and wine infrastructure, and is well positioned to take advantage of future growth in the international market for wine.

A significant degree of support for this Offer has already been secured, with various parties, including Directors and three of the Trust's largest Unitholders having agreed to apply for New Units representing in total approximately 38% of the total number of New Units offered.

My fellow Directors and I commend this investment opportunity to you and urge you to read this Prospectus carefully. We are excited about the outlook for the Trust and hope that you will join existing Unitholders in this unique investment opportunity.

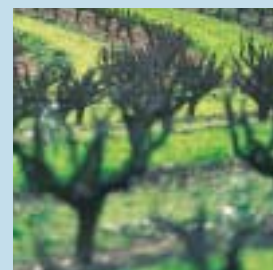
Yours faithfully

Stephen Gerlach, LLB FAICD
Chairman
Challenger Beston Limited

Investment summary

The information set out below is not intended to be comprehensive and should be read in conjunction with the full text of this Prospectus.

Offer Opens	29 August 2001.
Offer Closes	5 October 2001.
Offer Size	Up to 10,497,500 New Units at \$0.88 each with a right to accept oversubscriptions for up to a further 3,499,167 New Units at \$0.88 each.
Existing Unitholder Entitlements	Existing Unitholders have a Priority Entitlement to receive one New Unit for every two Units held on the Record Date. This Priority Entitlement expires on 14 September 2001 .
Confirmed Support	Challenger Beston has received undertakings from various parties agreeing to apply for New Units representing approximately 38% of the total number of New Units offered.
Minimum Application	2,000 New Units (\$1,760) and thereafter in multiples of 1,000 New Units (\$880) – excluding Applications made by Priority Entitlement.
Investment Style	An ASX listed unit trust, which invests in vineyards and processing, storage and distribution infrastructure assets, and which aims to provide Unitholders with a regular income stream.
Responsible Entity	Challenger Beston Limited.



Lead Manager	Johnson Taylor Potter Corporate Finance Limited.
Investment Manager	Beston Pacific Vineyard Management Limited.
Investment Strategy	To focus the Trust's investments on processing, storage and distribution infrastructure opportunities, completing existing projects and pursuing selective acquisitions of vineyards producing premium grapes.
Distributions	The forecast annualised distribution for the year ending 30 June 2002 is 9.86 cents per Unit, which represents a yield of 11.2% based on the Application Price and weighted average number of Units for the Forecast Period. See Section 3 for further details.
Risks	The Trust is subject to a number of risk factors that may impact on its future performance. See Section 2 for further details.
ASX Quotation	Quotation of the New Units is expected to commence on 16 October 2001.
Taxation	A summary of applicable Australian taxation considerations is set out in Section 5.
Fees and Expenses	For a summary of the fees and expenses payable in connection with the ongoing operations of the Trust, refer to Section 4. For a summary of fees and expenses of the Issue, refer to Section 6.

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Investment Overview



Investment overview

The Offer

The Offer comprises an offer of up to 10,497,500 New Units at a price of \$0.88 per New Unit with a right to accept oversubscriptions for up to a further 3,499,167 New Units at \$0.88 per New Unit.

The Offer is lead managed by Johnson Taylor Potter.

Under the Offer, Existing Unitholders have a Priority Entitlement to receive one New Unit for every two Units held by them as at the Record Date. Applications made under this Priority Entitlement must be received no later than 14 September 2001.

Purpose of the Offer

The Trust is a specialist investor in wine infrastructure assets and vineyards. It currently holds properties located in well regarded grape growing regions in Australia and New Zealand.

The majority of the proceeds of the Offer will be directed towards processing, storage and distribution infrastructure acquisitions, with the balance directed towards further vineyard acquisitions and the payment of expenses associated with the upgrade of certain of

the Trust's existing assets. Some of the opportunities to be examined are in the United States and New Zealand.

These investments in processing, storage and distribution infrastructure will complement the Trust's existing vineyard portfolio and reduce the Trust's investment risk through further portfolio diversification.

In keeping with the Trust's past practices, any vineyards acquired will be planted with premium grape varieties and leased to experienced wine industry participants.

Further details of the intended application of the proceeds of this Offer are set out in Section 2.

Historical & Forecast Distribution

The Directors aim to provide Unitholders with a consistent and strong income yield.

The actual quarterly distributions of the Trust since listing on the ASX, together with the distribution forecast for the quarter ending 30 June 2001, are set out in the following table:

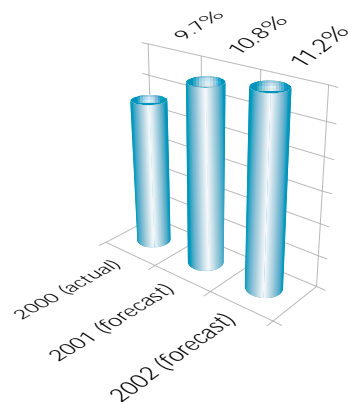


Quarter ending	2000 (cents)	2001 (cents)
30 September	1.55	2.27
31 December	2.30	2.43
31 March	2.31	2.44
30 June	2.39	2.36(F)
Total	8.55	9.50(F)

As can be seen from the above table, for the quarter ending 30 June 2001, Challenger Beston forecasts a distribution of approximately 2.36 cents per Unit. If this forecast is met, the total distribution of the Trust for the year ending 30 June 2001 will be 9.50 cents per Unit.

For the 12 months ending 30 June 2002, based on the weighted average number of Units on issue, Challenger Beston forecasts an annualised distribution of approximately 9.86 cents per Unit. (assuming that the New Units are allotted on 11 October 2001 and the Trust performs in line with the assumptions in Section 3). This forecast represents a yield of approximately 11.2% against the Application Price.

The yield of the Trust for the years 2000 to 2002 (including the above forecasts) is represented in the following table:



Note:

- 1) The yields depicted above are calculated against the Application Price of \$0.88 per New Unit.

The above forecasts need to be read in conjunction with the more detailed commentary contained in Section 3 below.

Ranking for Distribution

The New Units, from the date of their issue, will rank equally in all respects with existing Units and will participate in distributions on the same basis as existing Units. For further details as to the rights attaching to the New Units, see Section 6.

The New Units will not participate in the September distribution.

The New Units will be entitled to a distribution for the December quarter from the date of their allotment. This distribution will be payable on or about 15 February 2002.

Lead Manager

This Offer is not underwritten, but is lead managed by Johnson Taylor Potter. The placement agreement between Challenger Beston and Johnson Taylor Potter is summarised in Section 6.

Confirmed Support

Challenger Beston has secured a significant degree of support for this Offer and has received undertakings from various parties intending to apply for approximately four million New Units. These commitments amount to approximately 38% of the total number of New Units offered (excluding oversubscriptions).

ASX Quotation

Application will be made within seven days of this Prospectus for quotation of the New Units on the ASX. Quotation of the New Units is expected to commence on 16 October 2001.

Issued Capital

The effect of the Offer (if fully subscribed) on the Trust's issued capital will be as follows:

	Issued Units	Issued PICE Units
As at		
30 June 2001	20,995,000	1,123,300
New Units	10,497,500	
Placement of new		
PICE Units (see Section 6)		376,700
On Completion		
of the Offer	31,492,500	1,500,000

The effect of the Offer (if fully oversubscribed) on the Trust's issued capital will be as follows:

	Issued Units	Issued PICE Units
As at 30 June 2001	20,995,000	1,123,300
New Units	13,996,667	
Placement of new		
PICE Units (see Section 6)		376,700
On Completion		
of the Offer	34,991,667	1,500,000

PICE Placement

In addition to seeking to raise funds through this Offer, and also through new borrowings, a meeting of Unitholders to be held on 23 August 2001 will also consider, and if thought fit, pass resolutions authorising the placement of 376,700 new PICE Units to Commonwealth Investment Management, or its nominee, at a price of \$10.00 each.

In order to make the PICE Units more attractive to future institutional investors, Unitholders have also been asked to vary the terms of issue applicable to the existing PICE Units and any further PICE Units issued by the Trust. See Section 6 for more details.

This Prospectus includes forecasts and other statements prepared on the basis that such Unitholder approval will be granted. However, the Offer is not conditional upon such Unitholder approval.

Net Asset Backing

Following the Offer (whether fully subscribed or oversubscribed), the Trust's net asset backing (fully diluted) will be approximately \$0.83 per Unit.

The above figure assumes that each issued PICE Unit is converted into 11.36 Units (based on the issue price of the PICE Units divided by the Application Price).

However, a PICE Unit is a class of unit in the capital of the Trust that is convertible into Units only in specified circumstances. Challenger Beston believes that these circumstances are unlikely to arise before March 2006 – being the fifth anniversary of the issue of the first tranche of PICE Units.

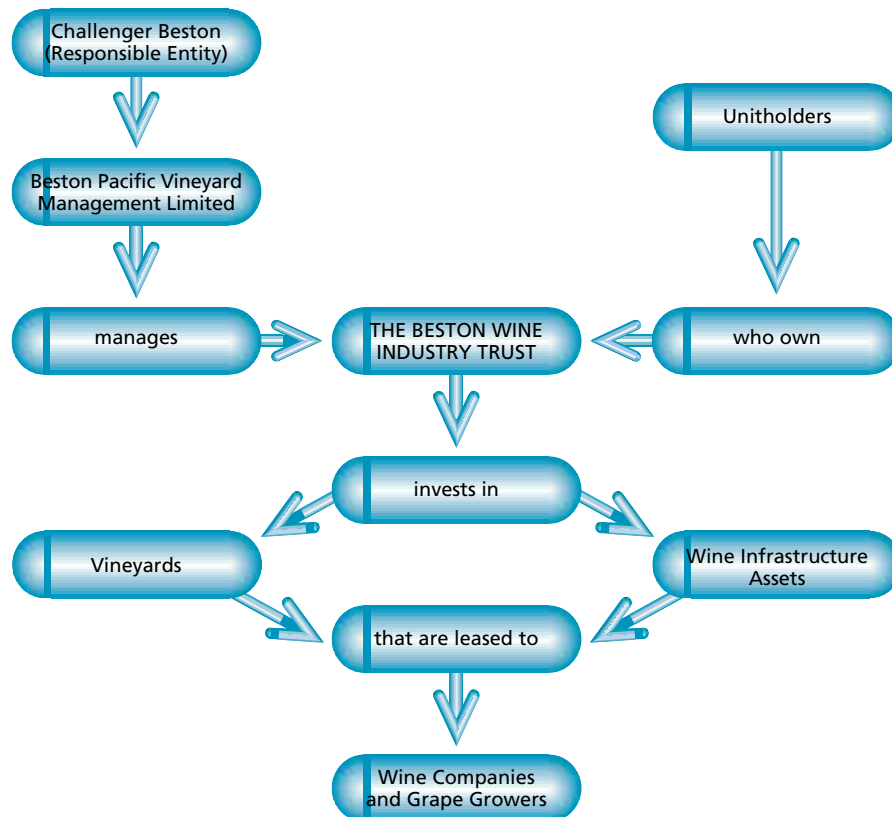
The assumed conversion of the PICE Units does not reflect any increase in the value of

a Unit in that period, and therefore overstates the likely actual Unit:PICE Unit conversion ratio. However, whilst Challenger Beston believes that it is unlikely that conversion of the PICE Units will occur before March 2006, it is considered that an undiluted estimate would overstate the Trust's actual net asset backing per Unit.

However, if the PICE Units were converted at \$1.00 each (i.e. into 10 Units) the Trust's net asset backing (fully diluted) would be approximately \$0.86 per Unit.

For further details as to the rights attaching to the PICE Units, refer to Note 15 of Section 4.

Investment Structure



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The Beston Wine Industry Trust



The Beston Wine Industry Trust

Investment Strategy

The Trust was established in February 1998 by Beston Pacific Vineyard Management Limited, the Investment Manager.

Listed on the Australian Stock Exchange on 2 July 1999, the Trust currently owns a portfolio of vineyards and wine infrastructure assets valued in excess of \$55 million. Challenger Beston has sought to diversify the portfolio by acquiring vineyards from a number of different regions in Australia and New Zealand.

Challenger Beston is now seeking by way of the Offer to raise up to \$9.2 million (with an allowance for oversubscriptions representing a further \$3.0 million). Together with a placement of new PICE Units, new debt and cash at bank, these funds will enable the Trust to purchase and develop further processing, storage and distribution infrastructure assets and vineyards, and to meet expenses associated with the upgrade of existing Trust assets. Some of the opportunities to be examined are in the United States and New Zealand.

Through these investments Challenger Beston aims to provide Unitholders with high income yields and long-term capital growth underpinned by secure long-term leases.

The wine industry is capital intensive by nature. Accordingly, industry participants are required to commit large amounts of capital into land and infrastructure rather than using this capital to fund the further growth of their operations.

By investing directly in these assets and leasing them back to the wine company or grower, the Trust enables the wine company or grower to access capital in order to upgrade and enhance their marketing and sales operations.

The next phase of the Trust's expansion will focus on providing capital to the wine industry to increase processing, storage, and distribution capacity. These infrastructure investments will complement the Trust's existing vineyard portfolio, and provide increased portfolio diversification.

Investment Portfolio

The Trust currently has a portfolio of 16 vineyards in South Australia, New South Wales and New Zealand. In each case, the vineyards acquired by the Trust have been leased to quality tenants for an initial term of generally at least ten years, and are planted to produce premium grape varieties.

At the end of the lease term, the tenant has the right to acquire the vineyard (at market value), extend the lease (in which



case the rental payable will be adjusted to market value) or allow the lease to lapse.

The Trust also owns an investment interest in a partnership that operates a wine grape crushing and storage facility at Langhorne Creek, South Australia. Ninety percent of the annual crush of that facility is sold to an ASX listed wine company.

The Trust has also contracted to purchase a property comprising a winery, restaurant and cellar door facility at Pokolbin, New South Wales (see Section 6 for further details).

The vineyards and wine infrastructure assets owned by the Trust as at 30 June 2001 are set out in the following table:

Property & Investment Interest	Lessee	Region	Location	Price (\$) Purchase	% of total Portfolio
Gundagai Vineyard	P Bunn	Gundagai	New South Wales	8,114,756	14.63%
Cowra Station Vineyard	Vineyards of NSW Pty Ltd ⁽¹⁾	Cowra	New South Wales	3,633,122	6.55%
Sandy Hollow Vineyard	Brian McGuigan Wines Ltd	Hunter Valley	New South Wales	4,714,268	8.50%
Inglewood Vineyard	Inglewood Vineyards Pty Ltd	Hunter Valley	New South Wales	1,407,436	2.55%
Dalswinton Vineyard	Inglewood Vineyards Pty Ltd	Hunter Valley	New South Wales	4,963,580	8.95%
Gimblett Rd Vineyard ⁽²⁾	Delegat's Wine Estate Ltd	Hawkes Bay	New Zealand	2,001,243	3.61%
Highway 50 Vineyard ⁽²⁾	Delegat's Wine Estate Ltd	Hawkes Bay	New Zealand	1,936,054	3.49%
Crownthorpe Vineyard Development ⁽²⁾	Delegat's Wine Estate Ltd	Hawkes Bay	New Zealand	4,205,978	7.58%
Summers Hill Vineyard	Burge Corp Pty Ltd	Eden Valley	South Australia	1,413,591	2.55%
Corryton Park Vineyard	Burge Corp Pty Ltd	Eden Valley	South Australia	2,680,325	4.83%
Bethany Creek & Vine Vale Vineyards	Brian McGuigan Wines Ltd	Barossa Valley	South Australia	1,557,110	2.81%
Schubert's Vineyard	Brian McGuigan Wines Ltd	Adelaide Hills	South Australia	4,238,883	7.64%
Waikerie Vineyard	Brian McGuigan Wines Ltd	Riverland	South Australia	2,154,157	3.88%
Thomson Vineyard	Thomson Fruitgrowers Pty Ltd	Riverland	South Australia	3,727,742	6.72%
Boh River Vineyard	BH & SE Booth and Auction Services Pty Ltd	Riverland	South Australia	8,355,193	15.07%
Investment Interest ⁽³⁾		Langhorne Creek	South Australia	357,093	0.64%
Total portfolio				55,460,531	100%

1) Affiliate of Brian McGuigan Wines Limited.

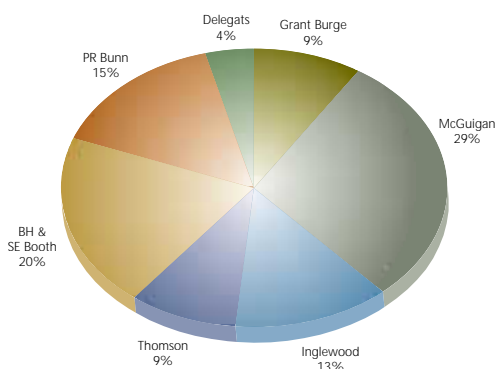
2) These properties are owned through the Beston Delegat's Wine Trust, a unit trust wholly owned by the Trust. The value of these assets were converted to Australian dollars at a rate of AUD \$0.7899 per \$NZ (as at 30 June 2001).

3) Of this amount, \$315,000 is a Loan Receivable.

This information is based upon the current investment and property position (excluding the Pokolbin property). The financial information in Section 4 represents the property held at 30 June 2001 with any material movements included as if they occurred at that date.

Lessee Profile

The proportion of the Trust's income derived from each of its lessees during the year ended 30 June 2001 is depicted in the following table:



The Trust's lessees are as follows:

Grant Burge Wines Pty Ltd: A private company that leases 75 hectares of Trust vineyards in the Barossa Valley, South Australia. The Company uses all grapes grown on the properties for its own wine making.

Brian McGuigan Wines Ltd: An ASX listed company with a market capitalisation of approximately \$152 million as at 30 June 2001. The Company leases six vineyards from the Trust and uses all grapes grown on the properties for its own winemaking.

Inglewood Vineyards Pty Ltd: A private company established in 1988 that produces wines under the Two Rivers and Inglewood Reserve labels. The Company has a ten-year grape supply agreement with a major wine company.

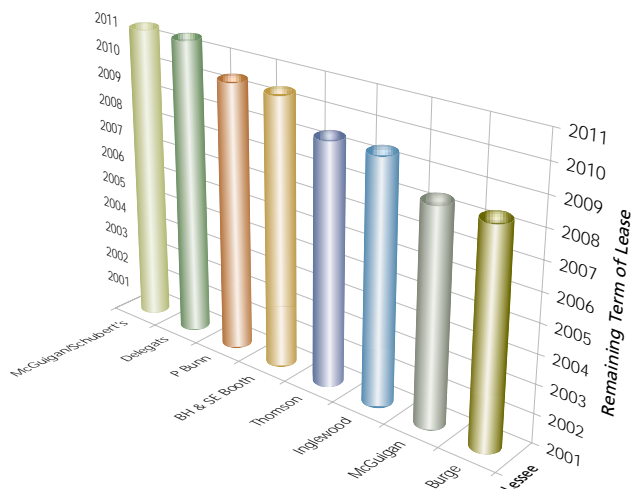
Thomson Fruitgrowers Pty Ltd: A private company that is a major grower and exporter to the UK of wine under the Thomson and Woolpunda labels. The Company leases over 100 hectares of Trust vineyards.

BH & SE Booth and Auction Services Pty Ltd: A private company that leases 190 hectares of Trust vineyards. All grapes from the vineyards are fully contracted to an ASX listed wine company.

Peter Bunn Group: Leases a 300 hectare vineyard development property from the Trust. All grapes grown on the property are contracted to an ASX listed wine company.

Delegat's Wine Estate Ltd: A leading New Zealand wine company established in 1947 and a renowned producer of super premium, award-winning wines. The Company holds a significant shareholding in Oyster Bay Marlborough Vineyards Limited. The Company leases three vineyards from the Trust. When fully developed there will be 320 planted hectares.

The maturity profile of the Trust's leases as at 30 June 2001 is depicted in the following chart:



The Investment Manager

Challenger Beston has entered into an agreement with the Investment Manager to manage the day to day operations of the Trust.

The Investment Manager specialises in the identification, acquisition and ongoing management of vineyard and wine infrastructure assets, and undertakes all steps of the Trust's investment selection process on behalf of Challenger Beston.

The Investment Manager addresses vineyard and infrastructure management issues, liaises with lessees, records vineyard plantings, monitors water adequacy, monitors all asset developments, and manages lease renewals, rent reviews and reporting obligations. The Investment Manager also attends annual inspections of the Trust's vineyard properties with an external viticultural adviser to ensure that they are being maintained in accordance with modern agricultural standards and the lease agreements.

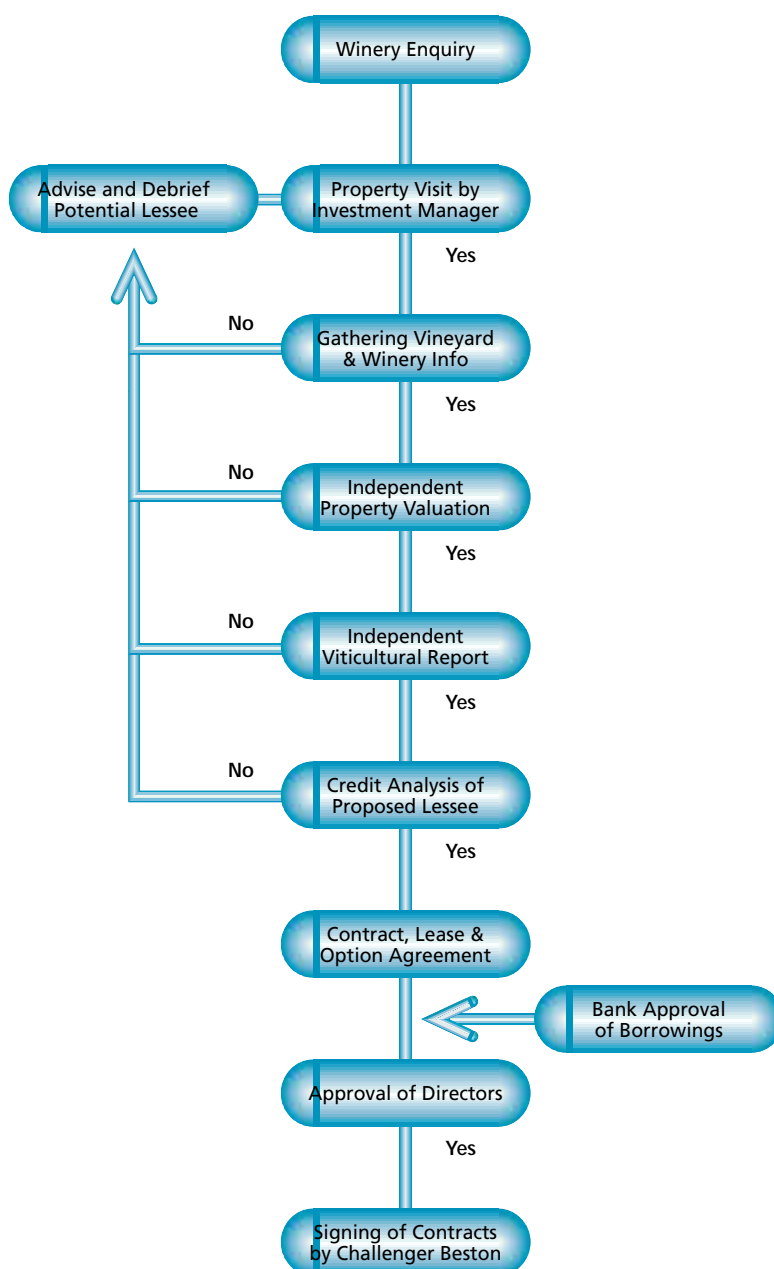
The Investment Selection Process

The Investment Manager's decision to invest (or otherwise) is made after detailed analysis and a thorough due diligence process. Within this investment selection process, the Investment Manager obtains an independent expert's valuation and viticultural report for established vineyards and developments. In addition, each proposed lessee

is approved by the credit and risk management committee.

In summary, the investment selection process of the Trust is depicted in the following diagram.

Investment Selection Process



Directors of the Investment Manager



Stephen Gerlach

Chairman

Mr Gerlach is a corporate adviser, company director and Chairman of Challenger Beston. He holds positions on the boards of several public companies including Santos Limited (Chairman), Southcorp Holdings Limited, Futuris Corporation Limited, Riverland Water Group (Deputy Chairman), Elders Rural Bank Limited, Equatorial Mining Limited (Chairman), Elders Australia Limited (Chairman) and Amdel Limited (Chairman).



Roger Sexton

Deputy Chairman

Dr Sexton is the Chief Executive of Challenger Beston and holds positions on the boards of several other public and private companies including Chairman of Motor Accident Commission of South Australia and Deputy Chairman, IOOF Limited. He has specialist qualifications and experience in investment banking, agricultural economics and the wine industry and has over fifteen years' experience in funds management.



Christopher Atkins

Managing Director

Mr Atkins is a Chartered Accountant and a director of Challenger Beston and has been involved in advisory work for a number of major co-operative wineries including Renmark Co-operative (which became Renmano Limited and then BRL Hardy Limited) and Kaiser Stuhl Co-operative (purchased by Penfolds and now part of Southcorp Wines Ltd).



Ian Martens

Non Executive Director

Mr Martens is a Chartered Accountant and until December 1999, was senior partner at BDO Chartered Accountants where he is now a consultant. He is an adviser to the Petaluma Group of Companies both in Australia and overseas and several other wine companies and vineyard owners and operators.



David Hall

Non Executive Director

Mr Hall is a chartered accountant and company director, is currently the Managing Director of Roche Group Pty Limited, which is the third largest Unitholder of the Trust, and is on the board of the public company Pacific Strategic Investments Limited and other companies. He has extensive experience in corporate management finance, acquisitions and dispositions over 20 years.



William Ireland

Non Executive Director

Mr Ireland is the Chairman and Managing Director of Challenger International Limited. He has extensive experience in stock and option broking, project development, and financing and marketing new business ventures.



Rodger Bacon

Non Executive Director

Mr Bacon is a director of Challenger International Limited and has been involved in investment banking activities for more than 30 years. He has extensive experience in all aspects of investment management both in Australia and overseas, money market dealing and corporate finance advisory work.



John Barry

Non Executive Director

Mr Barry is a director of Challenger International Limited and has been involved in funds management, finance and investment banking for over 25 years.



Robin Tedder

Non Executive Director

Mr Tedder has over 20 years experience in financial markets and has served on the boards of three merchant banks and a stockbroking firm. He established the Glenguin Wine Company, which grows grapes, produces wine and markets branded wine in Australia, New Zealand, the UK and US. He is one of Australia's thirteen qualified Masters of Wine and advises several leading wine producers on corporate finance and strategy.

Australian Wine Industry

At the forefront of technology in both viticulture and winemaking practices, the Australian wine industry produces consistently high quality wines. It is internationally regarded as one of the leaders of the “new world” wine producing countries, competing successfully with the major “old world” producers of France, Italy and Spain.

Australia’s grape growing industry is cost competitive by world standards, due in part to lower land costs; and achieves above average grape yields reflecting the use of advanced viticulture techniques. Grape quality is critical to determining the quality of wine produced, particularly for premium wines.

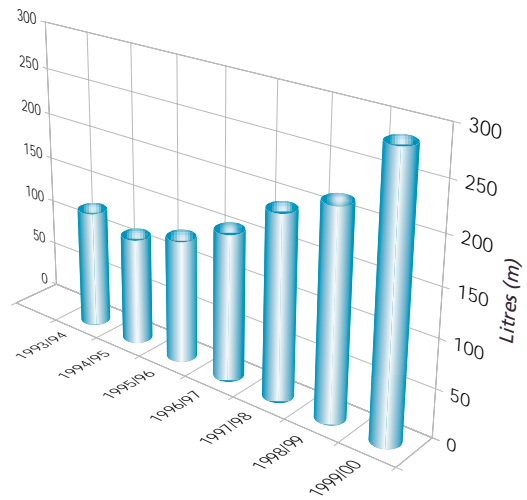
Exports of Australian wine have more than doubled over the last four years, from 130 million litres in 1995-1996 to 285 million litres in 1999-2000. The value of wine exported reached a record high of \$1.3 billion in 1999-2000.

New Zealand Wine Industry

Over the last decade, an ongoing investment in wine quality, marketing and sales has secured growing international acclaim and respect for New Zealand wine. Record sales have been achieved, driven by higher exports and a rapidly expanding vineyard area. New Zealand wineries are now well positioned to take advantage of greater international opportunities in the years ahead.

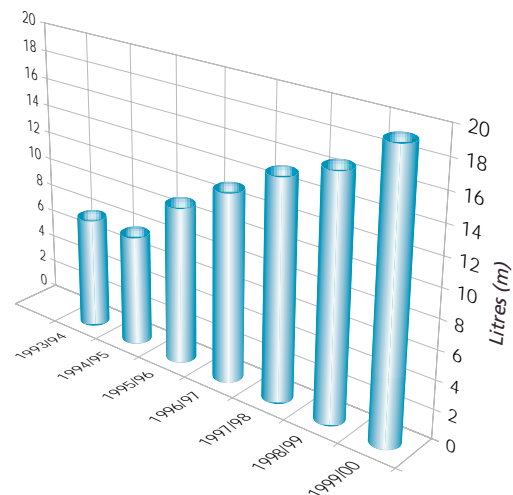
Exports of New Zealand wine reached a record NZ\$169 million and 19.2 million litres in 2000 and now accounts for 32% of total New Zealand wine sales. The area of vineyards planted in New Zealand increased to a total of 13,637 hectares following the 2000 planting season and the number of wine producers increased by 51 per cent from the previous year.

Exports of Australian Wine



Source of figures (not graph): ABS, Australian Wine and Grape Industry 2000, Catalogue 1329.0

Exports of New Zealand Wine



Source of figures (not graph): Winetitles 2001. The Australian & New Zealand Wine Industry Directory. 19th ed. p.28.

United States Wine Industry

Continuing a long term trend, wine exports from the US have increased dramatically over the last 14 years, growing from US\$35 million in 1986 to US\$560 million in 2000.

Export sales to the UK and Canada remain strong and Californian wines continue to drive sales in all foreign markets.

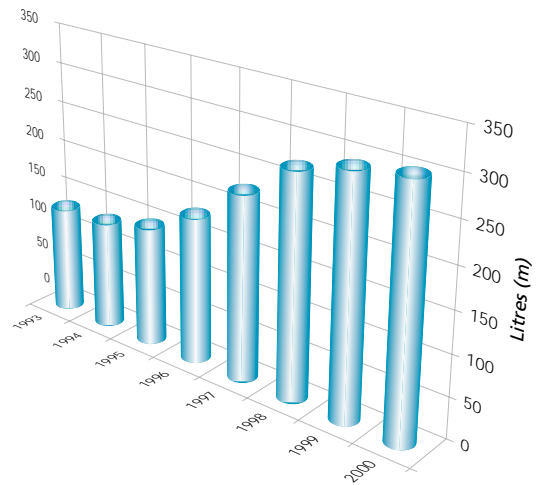
Approximately 90% of all US wine export sales emanate from California. Despite the robust US export market, the US holds only a 4% share of the world export market.

Summary

The outlook for the global wine market can be summarised as follows:

- Wine sales are expected to grow in value over the next few years;
- Export markets for Australia, New Zealand and the US are expected to provide strong growth opportunities for market participants; and
- Consumer sentiment appears to be shifting toward purchasing premium quality wines, while the demand for poorer quality wines has been falling in recent years.

Exports of U.S. Wine

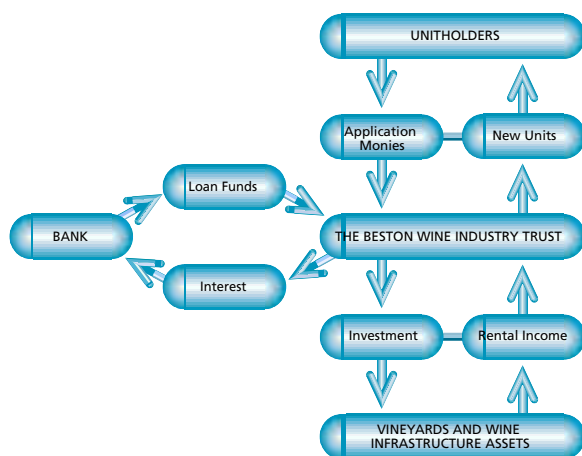


Source: U.S. Dept. of Commerce, National Trade Data Bank.

Application of Proceeds

Challenger Beston and the Investment Manager have identified a number of investment opportunities that they believe to be complementary to the Trust's growth strategy. These opportunities are located in regions including the Coonawarra, Barossa Valley and the Hunter Valley, as well as in California and New Zealand.

The intended application of the proceeds of the Offer, together with funds raised by the placement of PICE Units, is as depicted in the following diagram:



The majority of the funds available for investment will be targeted towards processing, storage and distribution infrastructure acquisitions, with the balance of the funds to be applied towards the acquisition of further vineyards and the payment of expenses associated with the upgrade of existing Trust assets.

Within the Coonawarra and Hunter Valley, the Trust has identified, and is in confidential negotiations regarding two wine infrastructure investment opportunities. These proposed facilities will process 12,200 tonnes and 6,000 tonnes of grapes

per annum respectively. Should these investments proceed, their cost will be in excess of \$11 million.

The vineyards targeted for acquisition are or will be (when developed) planted to produce premium grape varieties including Chardonnay and Cabernet Sauvignon. The Trust is conducting further viticultural investigations in relation to those vineyards.

Debt is used to assist in the funding of all new investments and to reduce the Trust's average cost of funds. Debt is drawn for a fixed term and at a fixed interest rate.

The Trust will maintain a conservative gearing ratio at all times, and intends to adopt a funding mix of approximately 50% equity and 50% debt for all investments funded using the proceeds of this Issue.

The Trust typically structures its leases so as to generate net annual returns (after management fees and charges) to Unitholders at least 3.0% above the Commonwealth Bond 10-year indicator rate, indexed annually so as to match increases in CPI or a similar inflation indicator.

The Trust intends to continue to apply the strategy outlined above in undertaking future acquisitions. However, in appropriate circumstances, the Directors will also consider entering into joint venture arrangements or strategic alliances with other entities, particularly where there are opportunities to pool resources and/or minimise risk in the acquisition of assets, or to work with entities on a preferred basis to enhance returns for those entities and thereby earn additional revenues from the Trust's portfolio.

The amount of proceeds available for investment from this Offer will depend on whether the Offer is completed and whether any over-subscriptions are received.

The analysis is summarised below:

	Assuming completion of the Offer only with no over- subscriptions	Assuming the Offer is completed with full over- subscriptions
Offer Proceeds	\$9,237,800	\$12,317,067
Issue Costs	(\$782,589)	(\$937,481)
Amount Available for Investment	\$8,455,211	\$11,379,586
Potential Borrowings	\$9,237,800	\$12,317,067
Total Potential Investment	\$17,693,011	\$23,696,653

Risks

Investors should recognise that the Trust is subject to a number of risks that may impact on its future performance. Some of these risks are outside the control of the Trust and cannot be mitigated. The New Units therefore carry no guarantee with respect to the payment of distributions or return of capital.

The principal risks associated with investment in the Trust include, but are not limited to, the following:

General Share Market Risk

Movements in local and international share markets, inflation and inflationary expectations and investor sentiment could all affect the market value of the Units. Therefore, the price at which the Units trade on the ASX can fall as well as rise.

Investment Specific Risks

There is a risk that the forecasts prepared by Challenger Beston will not be met, resulting in distributions being lower than forecast.

Other factors that may have an effect on the value of the Trust's assets, the financial performance of the Trust and the price at which the Units trade on the ASX include:

Vineyard Values

Future vineyard valuations impact on rent reviews and the sale of assets. The value of vineyards may be influenced by a number of factors including:

- a contraction in the Australian or world economy, which could impact on the demand for grapes;

- an appreciation of the Australian dollar, which could affect the competitiveness of exports;
-

- over-planting of grapes in Australia and New Zealand, which could result in an oversupply of grapes;
-

- changing consumer attitudes to Australian wine, which could impact on the demand for grapes; and
-

- competition from other wine producing countries.
-

Interest Rates

Movements in interest rates may impact on borrowing or other costs that are not fixed, and on the relative attractiveness of the Units as compared to other types of investments.

Foreign Exchange

Due to the investment in New Zealand, and in the event that the Trust invests in the United States, some exposure to the risk of currency exchange variations will be incurred. These risks are mitigated by ensuring borrowings related to the investments are denominated in the respective local currency.

Insurance

Where commercially practicable insurance will be entered into. There are a number of risks, such as agricultural disease and fire, for which the cost of premiums is either prohibitive or commercially unrealistic.

Contractual Failure and Non-Renewal

Persons with whom the Trust has contractual relationships may default in the performance of their obligations. Any such default may have an adverse affect on the Trust, particularly if the Trust is unable to find, or is delayed in finding, appropriate substitute counterparties.

Any non-renewal of the Trust's leases or leasing of assets on less favourable terms, or later, than forecast, and any abatement of rent or termination of leases due to inadequate performance or partial or full destruction of the relevant assets may also impact on the Trust's performance.

Government Policy

Changes in laws and government policies in Australia and overseas may adversely affect the financial performance of the Trust and the value of the Units.

Foreign government trade protection policies may also affect the financial performance and value of the Units.

Weather, Pests, Diseases and Natural Disasters

Adverse climatic conditions and pests, disease, land damage and natural disasters, may diminish a lessee's ability to meet it's lease obligations. Although the Trust generally passes agricultural and other operational risk to the lessee, the lessee may be able to terminate the lease in certain circumstances.

Water Quality and Quantity

The quality and quantity of water used in the irrigation of vineyards may decline due to increasing levels of salinity. Access to water is also subject to legislation, and the amount of water available to be used under a water licence may be increased or decreased from time to time.

Land Clearing

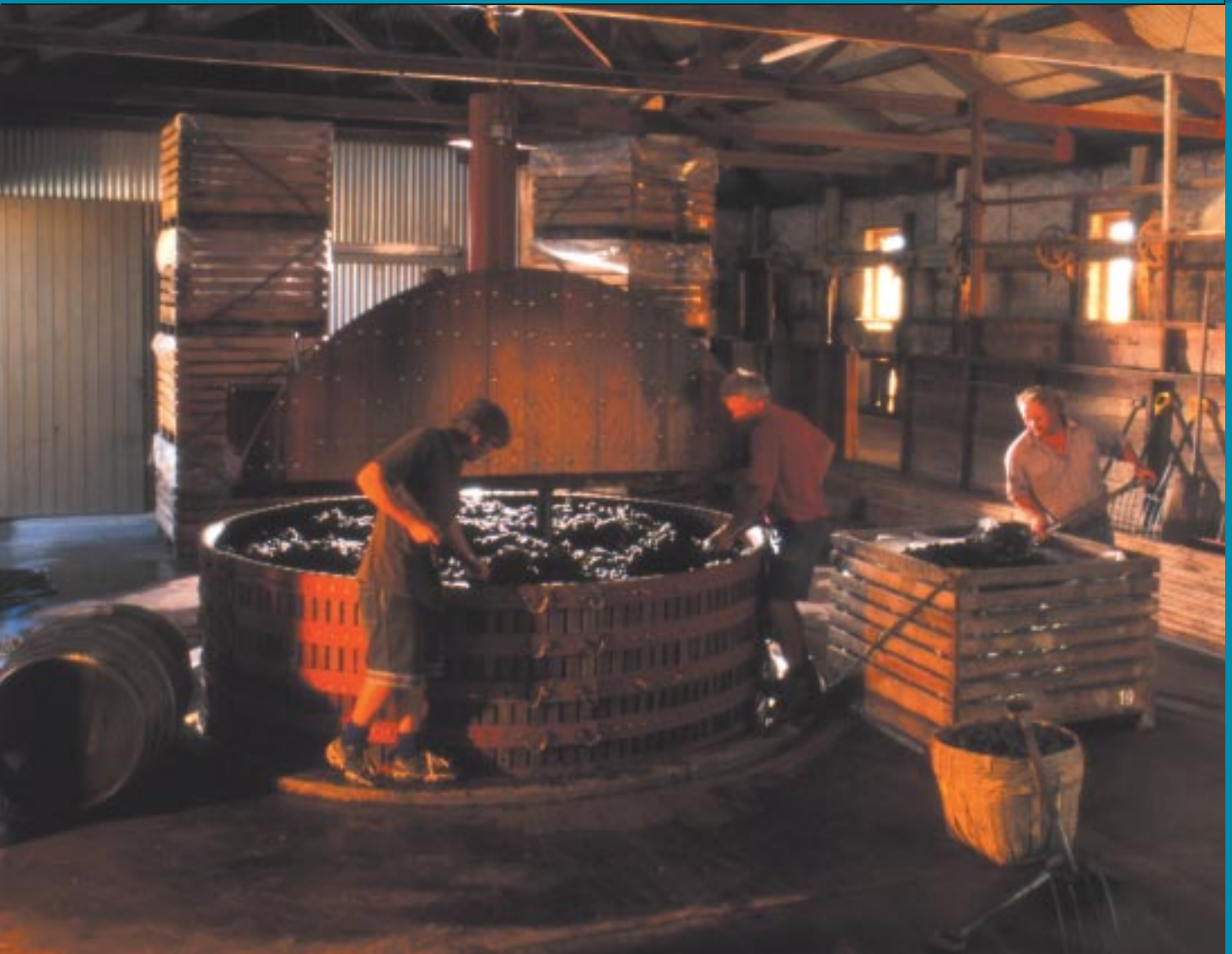
The clearing of land for vineyards is subject to various government regulations and policies. Any proposal to develop or expand the Trust's vineyards may be restricted by such policies.

Changes in Tax Laws

Changes in taxation laws affecting trusts and/or the wine industry may adversely affect the financial performance of the Trust and the value of the Units.

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Financial Forecasts



Financial Forecasts

Performance Forecast

Year Ended 30 June	2001 Forecast	2002*** Forecast
Revenue (\$000)	4,394	8,625
Profit (\$m)	1.99	2.84
Distribution per Unit (cents)	9.50	9.86**
Yield (%)	10.80*	11.20*

*Yield calculated against the Application Price of \$0.88 per Unit.

**The annualised distribution is calculated against the annualised weighted average number of Units for the year (assuming that 10,497,500 New Units are allotted on 11 October 2001).

***The forecast distribution that is expected to be paid on the New Units for the period from allotment to 30 June 2002 is approximately 7.1 cents per New Unit.

Financial Forecast

Challenger Beston has paid distributions totalling 7.14 cents per Unit for the nine months ended 31 March 2001, and forecasts a distribution of 2.36 cents per Unit for the quarter ended 30 June 2001.

If this forecast is met, the total distribution of the Trust for the year ending 30 June 2001 will be 9.50 cents, which represents a yield of 10.8% against the Application Price.

For the year ending 30 June 2002, Challenger Beston forecasts an annualised

distribution of 9.86 cents per Unit. This forecast represents an annualised income yield of approximately 11.2% against the Application Price.

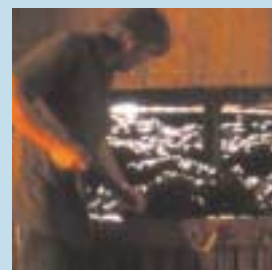
The net proceeds of the Offer, together with the net proceeds of the placement of PICE Units, new debt and existing financing capacity is summarised as follows:

Source of Funds	\$m
Proceeds of Issue (net, fully subscribed)	8.5
Proceeds of PICE Placement (net)	3.6
New Debt Capacity	13.0
Existing Financing Capacity	6.9
Total	32.0

Assumptions

Challenger Beston's forecasts for the Trust for the Forecast Period have been prepared on the basis of best-estimate and other hypothetical, assumptions made by Challenger Beston as at the date of the Prospectus.

These assumptions relate to future events or management actions that are expected to take place during that period. Challenger Beston believes that the assumptions made in preparing the forecast are appropriate and reasonable at the date of the Prospectus.



The material best-estimate assumptions are outlined below:

- The expenses of the Offer are \$0.78 million.

- 10,497,500 New Units are allotted at \$0.88 each on 11 October 2001 pursuant to this Prospectus. No further Units are issued in the Forecast Period.

- The Trust's debt capacity is increased by up to approximately \$13.0 million. Interest on this debt is fixed at 7.2% per annum payable in quarterly instalments and in advance.

- The interest on the Trust's New Zealand debt is fixed at 7.9% per annum payable in quarterly instalments and in advance.

- The Trust utilises available equity funds prior to drawing down new debt.

- All leases are entered into at a 4.5% margin over the Commonwealth Bond 10-year indicator rate.

- The net proceeds of the Offer, together with net proceeds of the placement of PICE Units, funds at bank, and new debt, are progressively invested

in new infrastructure and vineyard acquisitions and vineyard upgrades in the following amounts, and during the following periods:

Date	Amount
1 July – 30 September 2001	\$3.5 million
1 August – 31 December 2001	\$25.7 million
1 January – 31 March 2002	\$1.3 million
1 April – 30 June 2002	\$1.5 million
Total Invested	\$32.0 million

- Operating funds held on deposit by the Trust attract interest at a rate of 3.0% per annum.

- Acquisition costs incurred in relation to the investment of the proceeds of the Offer are borne by the Trust and capitalised into the carrying value of the relevant asset.

- New vineyard leases granted by the Trust provide for rental to be payable to the Trust at an initial rate equivalent to 10.33% per annum of the acquisition costs incurred in relation to that vineyard, payable in quarterly instalments and in advance. Rental rates do not decrease.

- Any necessary repair and maintenance expenses incurred in relation to the Trust's vineyards are borne by the Trust's lessees.
-

- All of the Trust's leases are enforceable and performed in accordance with their terms.
-

- The Trust incurs management and custodial expenses at a rate equivalent to 1.2% per annum of the greater of the net proceeds of this Issue or the total funds invested.
-

- The Trust maintains accounting practices consistent with those adopted in prior years and as described in Section 4.
-

The material hypothetical assumptions are outlined below:

- The Trust is not materially adversely affected by any of the risk factors set out in Section 2.
-

- Currency exchange rates between Australia and New Zealand do not vary significantly from those as at 30 April 2001.
-

Prospects Beyond Forecast Period

Challenger Beston aims to ensure that the Trust continues its strategy of investing in high quality assets that offer both strong income and capital growth opportunities. In this regard, it believes that the Trust's prospects beyond the Forecast Period will be influenced by a number of factors, including:

- continued consolidation, and outsourcing, within the increasingly globalised wine industry;
- an increasing requirement for wine industry participants to restructure their

balance sheets in order to improve their return on investment, and hence the returns to their stakeholders; and

- long-term appreciation in the value of vineyards producing premium grapes.
-

For this reason, Challenger Beston will:

- continue to ensure that all vineyards acquired are located within areas recognised as providing premium quality fruit, and that all non-wine company lessees achieve long-term sales contracts for the fruit produced, thereby providing Unitholders with both:
 - secure income streams;
 - the potential for capital growth – through the long-term appreciation in property values; and
-

- capitalise on outsourcing of capital intensive assets by investing in essential industry infrastructure – including processing, storage and distribution facilities.
-

Investors should note that the Trust's first two vineyard leases will not need to be renewed until February 2008.

The Trust's lease revenues are indexed annually to CPI (or other similar inflation indicators). Accordingly, Challenger Beston believes that revenues obtained from the Trust's investment portfolio will increase annually to the extent of this inflation impact.

As the Trust's debt is drawn for a fixed term and at a fixed interest rate, Challenger Beston expects that the increase in lease revenues will be translated to increased yields to Unitholders in future years.

Financial Information



Financial Information

This section should be read in conjunction with, and is qualified in its entirety by the information contained elsewhere in the Prospectus, including the Independent Accountants' Report set out in Section 5.

Historical and Proforma Financials

Balance Sheets

	Notes	Audited 31/12/00 \$	Audited 30/06/00 \$	Proforma Offer Fully Subscribed 10,497,500 New Units \$	Proforma Offer Fully Over-Subscribed 13,996,667 New Units \$
Current Assets					
Cash at Bank	3	78,723	516,968	8,451,484	11,375,859
Receivables	4	59,183	209,965	59,183	59,183
Prepayments		185,102	168,938	185,102	185,102
Total Current Assets		323,008	895,871	8,695,769	11,620,144
Non-Current Assets					
Receivables	4	665,000	665,000	665,000	665,000
Investments		42,093	42,093	42,093	42,093
Property	5	41,622,114	39,967,310	55,848,503	55,848,503
Other	6	58,688	26,675	58,688	58,688
Total Non-Current Assets		42,387,895	40,701,078	56,614,284	56,614,284
Total Assets		42,710,903	41,596,949	65,310,053	68,234,428
Current Liabilities					
Accounts Payable	7	1,005,952	659,305	1,005,952	1,005,952
Other	8	396,203	755,616	1,044,642	1,044,642
Total Current Liabilities		1,402,155	1,414,921	2,050,594	2,050,594
Non-Current Liabilities					
Bank Bills – secured		22,736,720	21,610,000	22,736,720	22,736,720
Total Non-Current Liabilities		22,736,720	21,610,000	22,736,720	22,736,720
Total Liabilities		24,138,875	23,024,921	24,787,314	24,787,314
Net Assets		18,572,028	18,572,028	40,522,739	43,447,114
Unitholders Equity					
Unit Capital	9	18,572,028	18,572,028	40,522,739	43,447,114
Total Unitholders Equity		18,572,028	18,572,028	40,522,739	43,447,114

*The property balances set out in the proforma balance sheets above have been compiled on the basis described in note 1 of this section, and this basis is consistent with the properties listed in the investment portfolio set out in section 2 of this Prospectus.



Profit and Loss Statements

	Notes	Audited Six Months Ended 31/12/00 \$	Audited Year Ended 30/06/00 \$
Rental revenue		1,994,674	2,419,004
Other revenue		40,962	208,352
Operating revenue		2,035,636	2,627,356
Operating profit before income tax	2	987,131	1,422,143
Income tax expense attributable to operating profit		–	–
Operating profit after income tax		987,131	1,422,143
Accumulated profit at the beginning of the period		–	–
Total available for distribution		987,131	1,422,143
Distribution to Unitholders		(987,131)	(1,422,143)
Accumulated profit at the end of the period		–	–

Statement of Cash Flows

Cash Flows from Operating Activities

Receipts from customers	2,144,526	2,867,739
Payments to suppliers and employees	(809,913)	(1,040,053)
Interest paid	(804,736)	(1,096,289)
Interest received	40,962	208,352
Net cash flows from operating activities	570,839	939,749

Cash Flows from Investing Activities

Acquisition of property	(1,660,165)	(25,153,515)
Proceeds from deposits	–	13,089,960
Net cash flows used in investing activities	(1,660,165)	(12,063,555)

Cash Flows from Financing Activities

Cash proceeds from the issue of Units	–	5,561,307
Proceeds from borrowings	1,126,720	7,251,043
Payment for capital raising	–	(173,471)
Distribution to Unitholders	(475,639)	(1,078,467)
Net cash flows from financing activities	651,081	11,560,412
Net (decrease)/increase in cash held	(438,245)	436,606
Add opening cash brought forward	516,968	80,362
Closing cash carried forward	78,723	516,968

Notes to the Financial Statements

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. These policies have been consistently applied.

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 Trust's Constitution.

- **Basis of Accounting**

The financial information presented in this section has been prepared in accordance with the Trust's Constitution and the Corporations Law, which includes applicable Accounting Standards. The financial information is presented in accordance with the measurement requirements (but not all the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements (Urgent Issues Group Consensus Views).

- **Compilation of Proforma Balance Sheets**

The Proforma Balance Sheets have been compiled for illustrative purposes to present the financial position of the Trust as at 31 December 2000 on the assumption that the Issue and any other material movements that occurred in the intervening period between 31 December 2000 and the lodgement of the Prospectus took place on 31 December 2000.

Proforma Balance Sheet assuming full subscription (excluding over-subscriptions) of the Offer:

- a) The Trust issues 10,497,500 New Units at \$0.88 each. This will raise \$9,237,800. The proceeds from the issue will be used as illustrated in the table below.
- b) Issue costs of \$782,589 in respect of a full subscription of the 10,497,500 New Units have been offset against the capital raised.

Issue of 10,497,500 New Units at \$0.88 each	<u>\$9,237,800</u>
Payment of costs associated with the Issue	<u>(\$782,589)</u>
Funds applied to cash at bank	<u>\$8,455,211</u>

Proforma Balance Sheet assuming full subscription of Offer plus over-subscriptions:

- a) The Trust issues 13,996,667 New Units at \$0.88 per Unit. This will raise \$12,317,067. The proceeds from the issue will be used as illustrated in the table below.
- b) Issue costs of \$937,481 in respect of subscription for 13,996,667 New Units have been offset against the capital raised.

Issue of 13,996,667 New Units at \$0.88 each	<u>\$12,317,067</u>
Payment of costs associated with the Issue	<u>(\$937,481)</u>
Funds applied to cash at bank	<u>\$11,379,586</u>

In compiling both Proforma Balance Sheets, it has been assumed that the following transactions and events occurred immediately following 31 December 2000:

- a) The Trust issued 1,123,300 PICE Units.
These PICE Units were issued at \$10 each and raised a total of \$11,233,000.
- b) In connection to this PICE Unit issue, costs of \$1,353,820 were incurred.
In accordance with the applicable Accounting Standards these costs have been offset against the capital raised.
- c) The Trust purchased further wine infrastructure and vineyards, which increased the property recorded in the Balance Sheet and decreased cash at bank by \$14,226,389.
- d) The Directors have proposed that a further placement of PICE Units will occur. The proposed placement will be 376,700 PICE Units issued at \$10 each which will raise \$3,767,000.
- e) In connection to the additional PICE Unit placement, costs of \$150,680 will be incurred. These costs will be offset against the capital raised.
- f) The Trust received rental income in advance of \$648,439. This receipt is treated as a liability in the Proforma Balance Sheets and is included in the revenue received in advance figure.

Potential additional borrowings as noted in Section 2 of this Prospectus have not been included in the Proforma Balance Sheets.

- **Property**

Property is brought to account at cost, including stamp duty and other transaction costs. The carrying amounts of non-current assets are reviewed at balance date to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current

asset exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts the relevant cash flows are discounted to their current value using market determined discount rates.

No depreciation charge is applied to the vineyard properties in these accounts as they are treated as investment properties.

- **Investments**

Non-current investments are carried at the lower of cost and recoverable amount.

- **Leases**

Lease agreements entered into with vineyard operators over vineyard properties are considered to be operating leases given that leases over vineyards 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.

- **Other Non-Current Assets**

Significant items of carry forward expenditure having a benefit or relationship to more than one period are written off over the periods to which such expenditure relates.

- **Revenue**

Rental revenue is brought to account in the Profit and Loss Statement on a monthly basis in line with the service provision of leased properties.

Interest revenue is recognised when the control of a right to receive consideration for the provision of, or investment in, assets has been attained.

- **Expenses**

Challenger Beston is entitled under the Trust's Constitution to be reimbursed for certain expenses incurred in administering the Trust. The basis on which the expenses are reimbursed are defined in the Trust's Constitution.

In accordance with the Trust Constitution, Challenger Beston's fee is 0.75% per annum of the total asset value of the Trust, assessed at the end of each month. Challenger Beston is also entitled to receive 2% per annum of the annual gross income for managing the investments of the Trust and may also be entitled to additional fees for providing additional services to the Trust. However, Challenger Beston has contracted to pay these fees to the Investment Manager, in accordance with certain agreements between these two parties (see the summary set out in Section 6).

The Trust incurs employee entitlement liabilities, however provisions were not raised in respect of these liabilities, as they were not considered material. Expenses are brought to account on an accruals basis as they are incurred.

- **Taxation**

Under existing legislation the Trust is taxed on a "flow through" basis. Unitholders are taxed on their share of the net income of the Trust to which they are presently entitled.

- **Cash**

For the purpose 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.

- **Self-Generating and Regenerating Assets**

The Trust has adopted AASB 1037 "Self-Generating and Regenerating Assets" (SGARA). The definition of SGARA in the standard captures the grape vines and requires that they are valued at net market value and any changes in that value are to be recognised in the profit and loss accounts in the current period.

The underlying value of the vineyards will be the value of the rental streams calculated on a discounted cash flow basis. All rental streams are indexed to CPI and have a term of 10 years. The ownership of the grapes remains with the wine-maker. As such they do not require revaluation, as they are not recognised in the Balance Sheet of the Trust.

2. Operating Profit

Operating Profit has been arrived at after charging the following items:

	Audited Six Months Ended 31/12/00 \$	Audited Year Ended 30/06/00 \$
Borrowing costs – interest expense	764,578	1,000,739
Management fees	156,861	139,569
Consultants' fees	15,650	1,800
Auditor's remuneration – Audit services	5,000	9,150
Auditor's remuneration – Other services	10,000	300
Amortisation of expenditure carried forward	5,362	4,992

3. Reconciliation of Cash to Proforma

	Proforma Offer Fully Subscribed 10,497,500 New Units \$	Proforma Offer Over-Subscribed 13,996,667 New Units \$
Opening cash before proforma adjustments	78,723	78,723
Proceeds from the Issue	9,237,800	12,317,067
Issue costs incurred	(782,589)	(937,481)
Proceeds from the PICE Unit issue of 26 March 2001	11,233,000	11,233,000
Proceeds from proposed PICE Unit placement	3,767,000	3,767,000
Issue costs incurred in relation to both PICE Unit issues	(1,504,500)	(1,504,500)
Consideration for the acquisition of further vineyards and wine infrastructure	(14,226,389)	(14,226,389)
Rental income received in advance	648,439	648,439
	8,451,484	11,375,859

	Audited 31/12/00 \$	Audited 30/06/00 \$	Proforma Offer Fully Subscribed 10,497,500 New Units \$	Proforma Offer Fully Over-Subscribed 13,996,667 New Units \$
4. Receivables				
Current				
Rent receivable	37,935	23,343	37,935	37,935
Other trade receivables	21,247	186,622	21,247	21,247
	59,182	209,965	59,182	59,182
Non-Current				
Loans receivable – secured	665,000	665,000	665,000	665,000
	665,000	665,000	665,000	665,000

The Trust has a registered charge over the assets and undertakings of the borrower in relation to secured loans receivable.

5. Property

Land – vineyards at cost	41,622,114	39,967,310	55,848,503	55,848,503
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All vineyards are leased to vineyard operators under ten year sale and leaseback contracts. Rentals are based on a premium over Government bond rates. Leases are renewable at the lessee's option after the expiration of the initial 10-year term, in renewal periods of five years.

The vineyard properties are subject to call options, which have been granted to the lessees. These options are exercisable upon expiry of the initial 10-year lease or each five year increment at varying dates between August 2007 and September 2029. The exercise price of the options is to be market value as agreed between lessee and lessor or by independent valuation if required.

As the properties are held under such contracts and given the manner in which revenue is derived, the land and vines are considered one asset for disclosure purposes.

6. Other Non-Current Assets

Expenditure carried forward	69,041	31,667	69,041	69,041
Provision for amortisation	(10,353)	(4,992)	(10,353)	(10,353)
	58,688	26,675	58,688	58,688

	Audited 31/12/00 \$	Audited 30/06/00 \$	Proforma Offer Fully Subscribed 10,497,500 New Units \$	Proforma Offer Fully Over-Subscribed 13,996,667 New Units \$
7. Accounts Payable				
Trade creditors and accruals	366,454	156,526	366,454	366,454
Distributions payable	511,492	502,779	511,492	511,492
GST payable	128,006	–	128,006	128,006
	1,005,952	659,305	1,005,952	1,005,952
8. Other Current Liabilities				
Revenue received in advance	396,203	755,616	1,044,642	1,044,642
9. Unit Capital				
Issued and paid up capital:				
– 2,950,001 fully paid Units issued at \$0.95 cents each	2,802,501	2,802,501	2,802,501	2,802,501
– 12,000,100 fully paid Units to issued at \$1.00 each	12,000,100	12,000,100	12,000,100	12,000,100
– 6,044,899 fully paid Units issued at \$0.92 cents each	5,561,307	5,561,307	5,561,307	5,561,307
– 1,500,000 PICE Units at \$10 each	–	–	15,000,000	15,000,000
– 13,996,667 fully paid New Units at \$0.88 cents each	–	–	–	\$12,317,067
– 10,497,500 fully paid New Units issued at \$0.88 cents each	–	–	\$9,237,800	
Cumulative Issue costs written off	(1,791,880)	(1,791,880)	(4,078,969)	(4,233,861)
	18,572,028	18,572,028	40,522,739	43,447,114
Total PICE Units on issue	–	–	1,500,000	1,500,000
Total Units on issue	20,995,000	20,995,000	31,492,500	34,991,667

Audited
31/12/00
\$

Audited
30/06/00
\$

10. Cash Flow Statement

- a) Reconciliation of the operating profit after tax to the net cash flows from operations:

Operating profit after tax	987,131	1,422,143
Amortisation of non-current assets	5,362	4,992
Changes in Assets and Liabilities		
Trade Receivables	149,852	(208,688)
Prepayments	(16,164)	(64,055)
Trade Creditors	(163,917)	(872,066)
Rental received in advance	(359,411)	657,423
Other	(32,014)	-
Net Cash flow from Operations	570,839	939,749

- b) Reconciliation of cash balance comprises:

Cash	78,723	516,968
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- c) Available facilities:

As at 31 December 2000 the Trust had \$1,448,281 of undrawn Bank Bills available

11. Contingent Liabilities

There are no contingent liabilities significant enough to warrant disclosure.

12. Related Parties

- **Responsible Entity**

On 8 June 2000, Challenger Beston became the responsible entity for the Trust and appointed the Investment Manager as its agent to manage the day to day operations of the Trust. Both Challenger Beston and the Investment Manager are entities wholly owned within the Challenger International Limited Group.

- **Management**

Challenger Beston has appointed the Investment Manager to carry out many of the obligations of the responsible entity under the Trust's Constitution and Compliance Plan. In addition, Challenger Beston has appointed Tower Trust (SA) Limited (formerly IOOF Australia Trustees Limited) as custodian of the Trust's property.

- **Directors**

The Directors of Challenger Beston as at 31 December 2000 were:

Mr S Gerlach Mr WEB Ireland
Dr RN Sexton Mr JC Barry
Mr CJ Atkins Mr RI Bacon
Mr KA Weir (resigned 22 February 2001)

No remuneration is paid to the Directors by Challenger Beston and its related parties in connection with their responsibilities associated with the Trust.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Trust.

- **Other Transactions with the Trust**

As disclosed in Note 2, the Investment Manager, a director related entity, received management fees for the period of \$156,861 (2000 full year \$139,569).

- **Equity Instruments of Related Parties**

Interests in equity held by Directors of Challenger Beston and their director related entities as at the balance date were:

	PICE Units		Units	
	30/06/01	30/06/00	30/06/01	30/06/00
Challenger Life No. 2 Limited	999,000	–	4,178,116	4,178,116
Beston Pacific Australia Limited	–	–	50	50
Mr CJ Atkins	200	–	24,000	21,000
Dr RN Sexton	400	–	143,432	127,432
Mr W Ireland	200	–	–	–
Mr S Gerlach	–	–	54,400	–
Total	999,800	–	4,399,998	4,326,598

13. Capital Commitments

Estimated capital expenditure contracted for as at the date of this Prospectus, but not provided for, payable:

	31 December 2000
	\$
– not later than one year	17,341,924
– later than one year and not later than five years	11,518,859
	<u>28,860,783</u>

These commitments represent:

- Certain finance facilities that the Trust, as at the date of this Prospectus, is contractually obligated to make available to lessees in order for further development of various vineyards to proceed. These commitments will be secured by the Trust and the Trust will earn lease rental on these developments at the ten-year bond rate plus not less than 4.5 per cent per annum.
- Further property acquisitions subsequent to 31 December 2000, in addition to those adjusted for in the pro forma balance sheet. The Trust will earn lease rental on these property acquisitions at the ten-year bond rate plus not less than 4.5 per cent per annum.

14. Segment Information

The Trust operates within Australia and New Zealand, investing in wine industry infrastructure assets and vineyard properties for lease to vineyard operators.

15. 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	Notes	Accounting Policies	Terms and Conditions
i) Financial Assets			
Receivables	4	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. Other loans are carried at the principal amount. Interest is recognised in the profit and loss when earned.	Trade receivables are on 30 day terms. Other loans are secured loans to unrelated parties. Interest is calculated daily at 6.23 per cent per annum for one facility and 10.5 per cent for the other. \$350,000 is receivable on 31 July 2002. \$315,000 is receivable on 30 April 2009.
ii) Financial Liabilities			
Accounts payable	7	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.
Bank bills		Bank bills are carried at the principal amount plus deferred interest.	The Trust currently has a \$22,736,720 borrowing facility with National Australia Bank. These Bank Bills are secured as registered mortgage debentures over the properties disclosed in Note 5. Interest rates range from 6.21% to 6.94% and terms to maturity range from 40 to 181 days.

Recognised**Financial****Instruments** **Notes****Accounting Policies****Terms and Conditions****iii) Equity**

Units on issue	9	Units on issue are recognised at the amount to which they are paid-up.	<p>Subject to Challenger Beston obtaining any required Unitholder approvals, there are no restrictions on the number of Units that can be issued in the capital of the Trust. The rights attaching to Units are described in Section 6.</p> <p>As at the date of this Prospectus, the rights attaching to PICE Units include the right to a fixed income distribution equating to a 9% yield (indexed to match CPI). Such distributions are paid in priority to distributions to Unitholders. PICE Units are convertible to Units at the holder's option following the 5th and 10th anniversaries of the date of their issue. The applicable conversion ratio is calculated against the weighted average ASX sale price of Units in the 21 trading days immediately preceding the relevant conversion date and a discount applies on conversion.</p> <p>Meetings of Unitholders have been convened on 23 August 2001 to consider and, if thought fit, approve, among other things, certain variations to the rights attaching to the PICE Units. The proposed variations include allowance for conversion following each of the 5th, 6th, 7th, 8th, 9th and 10th anniversaries of the date of issue of the original PICE Units (26 March 2001), the removal of the discount applicable on conversion and the imposition of minimum and maximum conversion ratios.</p>
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b) 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 Balance Sheet			
	Audited	Audited	Proforma	Proforma
	31/12/00	30/06/00	Offer Fully	Offer Fully
	\$	\$	Subscribed	Over-Subscribed
			10,497,500	13,996,667
			New Units \$	New Units \$
Financial assets				
Cash	78,723	516,968	8,451,484	11,375,859
Receivables	724,183	688,343	724,183	724,183
Total financial assets	802,906	1,205,311	9,175,667	12,100,042
Financial liabilities				
Accounts payable	1,005,952	156,526	1,005,952	1,005,952
Bank bills	22,736,720	21,610,000	22,736,720	22,736,720
Total financial liabilities	23,742,672	21,766,526	23,742,672	23,742,672

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

- **Recognised financial instruments**

Cash: The carrying amount approximates fair value because of their short-term to maturity.

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

Bank bills: The carrying amount approximates fair value.

- **Unrecognised financial instruments**

Interest Rate Swap: The Trust has entered into two interest rate swaps. The first is over an amount of \$2,900,000 with a maturity date of 6 September 2010 and the second is over an amount of \$14,000,000 with a maturity date of 24 July 2008. As these instruments are a hedges against interest rate movements they are not recognised in the Balance Sheet.

However the fair value at 31 December 2000 was a liability of \$137,291 and \$849,892

respectively. Net receipts and payments are recognised as an adjustment to interest expense.

There were no other unrecognised financial instruments as at 31 December 2000.

c) Credit risk exposure

The economic entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Balance Sheet. Credit reviews of all vineyard lessees are completed prior to the acquisition of any vineyard property.

16. Subsequent Events

There have been no subsequent events in the period between 31 December 2000 and the date of issue of this Prospectus that require adjustment or disclosure to the Financial Report with the exception of the adjustments made to the Proforma, as detailed in Note 1.

Ernst & Young Reports



Ernst & Young Reports

8 August 2001

The Directors
Challenger Beston Limited
Level 9, T&G Building
82 King William Street
ADELAIDE SA 5000

Dear Sirs

Independent Accountants' Report

1. Introduction

This Independent Accountants' Report (the "Report") on the historical financial information and proforma Balance Sheets of the Beston Wine Industry Trust (the "Trust") has been prepared at your request for inclusion in a Prospectus (the "Prospectus") relating to the issue of 10,497,500 fully paid ordinary units at a price of \$0.88 each with a right to accept oversubscriptions of a further 3,499,167 fully paid ordinary units at a price of \$0.88 each.

In accordance with our terms of engagement this report does not address the future prospects of the Trust or the risks associated with an investment in the Trust.

2. Background

The Trust is a publicly listed unit trust, which 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 Trust Constitution.

3. Scope of the Report

As the Trust is a managed investment scheme the Directors of the Trust's responsible entity are responsible for the preparation and presentation of the financial information and have determined that the basis of accounting used is appropriate.

For the purposes of the Report, we have audited the historical financial information and reviewed the proforma financial information of the Trust as set out in Section 4 of the Prospectus.

The financial information includes:

i) Historical financial information

The audited Balance Sheets as at 31 December 2000 and 30 June 2000, the Profit and Loss Statements and the Statement of Cash Flows for the six months ended 31 December 2000, the Profit and Loss Statement and the Statement of Cash Flows for the year ended 30 June 2000 and applicable notes. The audited Balance Sheets, Profit and Loss Statements and Statements of Cash Flows contained in Section 4 have been audited by Ernst & Young in accordance with Australian Auditing Standards to provide reasonable assurance whether the historical financial information is free of

material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosure in the historical financial information, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the historical information is presented fairly in accordance with the measurement requirements (but not all the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements in Australia to the extent in which they are relevant to the information presented, so as to present a view that is consistent with our understanding the Trust's financial position as at 31 December 2000 and 30 June 2000 and the results of its operations and its cash flows for the period ended 31 December 2000 and the year ended 30 June 2000. The audit reports on these accounts were not made subject to any qualifications.

ii) Proforma financial information

The Proforma Balance Sheets and applicable notes showing the financial position of the Trust after including the financial effects of the proposed issue of ordinary units under the Offer as if it took place on 31 December 2000 and the proceeds were applied in accordance with the transactions detailed in Note 1 to the financial information.

Our review of the proforma financial information was performed in order to state whether, on the basis of the procedures described below, anything has come to our attention that would indicate that the proforma financial information is not presented fairly in accordance with the measurement requirements (but not all the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia, as if the transactions set out in Note 1 of Section 4 of the Prospectus had occurred at 31 December 2000. Our review also determined whether the proforma transactions formed a reasonable basis for the preparation of the proforma financial information.

Our review was principally limited to:

- inquiries of the Directors of Challenger Beston;
- inquiries of Trust personnel and the Secretary of the Investment Manager;
- review of contracts and other documents;
- analytical review procedures applied to the financial information;
- inspection of the financial records of the Trust; and
- other verification procedures as considered necessary.

These review procedures are less in scope than an audit examination conducted in accordance with Australian Auditing Standards and thus they do not provide the assurance an audit would provide. We have not performed an audit of the proforma financial information and thus we do not express an audit opinion.

iii) Compilation of Proforma Balance Sheets

The Proforma Balance Sheets have, as set out in the financial statements, been compiled for illustrative purposes to present the financial position of the Trust as at 31 December 2000 on the assumption that the Issue and any other material movements that occurred in the intervening period between 31 December 2000 and the lodgement of the Prospectus took place on 31 December 2000.

Proforma Balance Sheet assuming full subscription (excluding over-subscriptions) of the Offer:

- a) The Trust issues 10,497,500 New Units at \$0.88 each. This will raise \$9,237,800. The proceeds from the issue will be used as illustrated in the table below.
- b) Issue costs of \$782,589 in respect of a full subscription of the 10,497,500 New Units have been offset against the capital raised.

Issue of 10,497,500 New Units at \$0.88 each	\$9,237,800
Payment of costs associated with the Issue	(\$782,589)
Funds applied to cash at bank	\$8,455,211

Proforma Balance Sheet assuming full subscription of Offer plus over-subscriptions:

- a) The Trust issues 13,996,667 New Units at \$0.88 per Unit. This will raise \$12,317,067. The proceeds from the issue will be used as illustrated in the table below
- b) Issue costs of \$937,481 in respect of subscription for 13,996,667 New Units have been offset against the capital raised.

Issue of 13,996,667 New Units at \$0.88 each	\$12,317,067
Payment of costs associated with the Issue	(\$937,481)
Funds applied to cash at bank	\$11,379,586

In compiling both Proforma Balance Sheets, it has been assumed that the following transactions and events occurred immediately following 31 December 2000:

- a) The Trust issued 1,123,300 PICE Units. These PICE Units were issued at \$10 each and raised a total of \$11,233,000.
- b) In connection to this PICE Unit issue, costs of \$1,353,820 were incurred. In accordance with the applicable Accounting Standards these costs have been offset against the capital raised.
- c) The Trust purchased further wine infrastructure and vineyards, which increased the property recorded in the Balance Sheet and decreased cash at bank by \$14,226,389.
- d) The Directors have proposed that a further placement of PICE Units will occur. The proposed placement will be 376,700 PICE Units issued at \$10 each which will raise \$3,767,000.
- e) In connection to the additional PICE Unit placement, costs of \$150,680 will be incurred. These costs will be offset against the capital raised.

- f) The Trust received rental income in advance of \$648,439. This receipt is treated as a liability in the Proforma Balance Sheets and is included in the revenue received in advance balance.

Potential additional borrowings as noted in Section 2 of this Prospectus have not been included in the Proforma Balance Sheets.

4. Statements

i) Historical Financial Information

Based on our audit, in our opinion, the historical financial information of the Trust comprising the:

- historical Profit and Loss Statements for the six months ended 31 December 2000 and the year ended 30 June 2000;
- historical Balance Sheets as at 31 December 2000 and 30 June 2000;
- historical Statement of Cash Flow for the period ended 31 December 2000 and year ended 30 June 2000; and
- notes to the historical financial information,

presents fairly, in accordance with the measurement requirements (but not all the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements in Australia, the state of affairs of the Trust at 31 December 2000 and 30 June 2000 and the results of its operations and its cash flows.

i) Proforma Financial Information

As a result of our review, nothing has come to our attention that would indicate that the proforma financial information, comprising the:

- proforma Balance Sheets as at 31 December 2000; and
- notes to the proforma Balance Sheets,

does not present fairly in accordance with the measurement requirements (but not all the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia the financial position of the Trust as at 31 December 2000 as if the material transactions described in Note 1 of the Financial Information in Section 4, had occurred on 31 December 2000.

5. Subsequent Events

At the date of this report to the best of our knowledge and belief and as advised to us by the directors of the Trust there have been no material items, transactions or events subsequent to 31 December 2000, other than disclosed in the financial information, which require further comment or adjustment to the content of this Report or which could cause the information to which this report relates to be misleading.

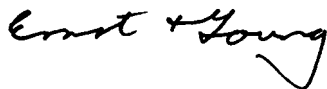
6. Disclosure

Ernst & Young has been requested to report on the results, assets and liabilities and the financial position of the Trust and to provide a tax opinion on the implications for investors. Ernst & Young has not been requested to consider the prospects of the Trust, nor the merits and risks associated with participation in the Offer and has not done so. The approval of Ernst & Young's consent to the inclusion of this Report in the Prospectus should not be taken as an endorsement of the Offer or a recommendation by Ernst & Young of any promotion of the Prospectus.

Ernst & Young does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to this matter. Ernst & Young has provided tax, advisory and audit services and will receive a professional fee for the preparation of this report. The Partners of Ernst & Young do not hold nor have any interest in any Units or PICE Units of the Trust. Ernst & Young are the auditors of the Trust.

Consent to the inclusion of the Report in this Prospectus in the form and context in which it appears has been given. At the date of this report consent has not been withdrawn.

Yours faithfully



Ernst & Young

8 August 2001

The Directors
Challenger Beston Limited
Level 9, T&G Building
82 King William Street
ADELAIDE SA 5000

Dear Sirs

Offer of units – Taxation Opinion

We have been instructed to give an opinion on the broad tax implications of the Offer of New Units in the Beston Wine Industry Trust (the “Trust”). This opinion provides a general outline of taxation consequences for investors acquiring New Units under this Offer based on the taxation law as at the date of this letter.

Whilst this opinion is to be included in the Prospectus for potential investors, Unitholders should obtain their own independent advice on the income tax consequences associated with the investment in the Trust.

This opinion discusses the tax implications for Australian resident Unitholders and the tax implications for the Trust where it makes distributions to non-resident Unitholders. This opinion does not address the tax implications for non-resident Unitholders.

Our comments on the tax implications of the Offer of New Units in the Trust are in the areas of:

Taxation of the Trust

- i) Taxation Reform;
- ii) Taxation of Trust Income; and
- iii) Trust Losses.

Taxation of Unitholders

- iv) Taxation of Distributions;
- v) Taxation on Disposal of the Units.

Other Tax Comments

- vi) Tax File Numbers
- vii) Goods and Services Tax

Taxation of the Trust

Taxation Reform

This taxation opinion is based on legislation in force as at the date of this report. However, investors should be aware that there are a large number of proposed changes that may impact upon both the taxation of the Trust and Unitholders.

A full opinion in regard to many of these proposed changes cannot be provided at this time, as much of the legislation is yet to be debated and passed by Parliament, and may be subject to significant changes.

The Treasurer previously announced the intention to change the taxation treatment of trusts and to tax certain trusts as if they were companies. These measures were reflected in draft legislation (known as Entity Tax) that was due to apply from 1 July 2001.

The Treasurer has recently announced the withdrawal of the current draft Entity Tax legislation. The Government is now looking at alternative approaches for the taxation of trusts. There has been no announcement as to when the Government will begin further consultations in relation to the taxation of trusts or the details of the new measures.

Taxation of Trust Income

Under existing legislation, tax is generally not payable by the Trust provided that all taxable income is distributed to Australian resident Unitholders. The Trust is currently taxed on a “flow through” basis. Unitholders are taxed on their share of the net income of the Trust to which they are presently entitled.

Certain public trusts may be taxed as companies, unless they only carry on “eligible investment business”. An eligible investment business means investing in land for the purpose of earning rental income and investing or trading in shares in companies, units in trusts, and secured or unsecured loans including deposits with banks or other financial institutions, and other similar financial instruments. This condition must be satisfied every year. It is our understanding that the Trust will continue to only carry on eligible investment business and therefore will continue to be taxed on a flow through basis.

Trust Losses

Tax losses incurred by the Trust are not passed on to Unitholders, but are retained and carried forward in the Trust to offset against income in future years.

Safeguarding rules prevent the Trust from claiming deductions for carry forward losses in future years if:

- there has been abnormal trading in the units of the Trust, and
- there has been a change in the majority underlying ownership of the Trust, and
- the Trust is not carrying on the same business it carried on before the change in majority underlying ownership.

Taxation of Unitholders

Taxation of Distributions

Resident Unitholders

Unitholders will be taxable on their share of the net taxable income of the trust to which they are presently entitled. A Unitholder’s present entitlement to trust income will generally occur in the same tax year as the Trust cash distribution. Distributions made after year end, typically in August, that are in respect of the year ended 30 June, represent amounts to which the Unitholders are presently entitled at 30 June. To the extent that the Unitholder is presently entitled to a share of the net taxable income of the Trust for that period, it will be included in the Unitholder’s assessable income for the year ending 30 June, even though the cash distribution is received in the next year.

Non Resident Unitholders

Where a non-resident Unitholder is presently entitled to a share of the net taxable income of the Trust, the trustee of the Trust may have obligations to pay tax in respect of, or withhold tax on behalf of, the non-resident Unitholder. The rate of tax to be paid on, or withheld from, this income depends upon the nature of the income and the country of residence of the Unitholder.

Non-residents may also be liable to pay tax on gains calculated on disposal of the Units, depending on their percentage Unitholding in the Trust.

Differences Between the Taxable Amount & the Cash Amount of Distributions

Differences may arise between the cash amount of distributions received by a Unitholder and the taxable amount to be included in their assessable income. This occurs where the net taxable income of the Trust is different to the cash distributions it makes to Unitholders. These differences may be due to, for example:

- Different depreciation expenses for tax and accounting purposes,
- Capital gains tax concessions applying to discount capital gains derived by the Trust,
- Other amounts that are deductible or assessable in the Trust in a year of income that are not included in the Trust's accounting profit in that year, or are never included in the Trust's accounting profit,
- Other amounts that are not-deductible or are non-assessable and are included in the Trust's accounting profit, and
- The trustee determines to distribute capital or corpus of the Trust.

Generally, where the amount of the cash distribution exceeds the taxable amount to the Unitholder, the excess is not included in the Unitholder's assessable income in the year of receipt (or present entitlement).

However this excess, referred to as the non-assessable amount, will generally give rise to a reduction in the cost base of the Unitholder's Units for capital gains tax ("CGT") purposes. If the cumulative total of the non-assessable amounts received by the Unitholder exceeds the cost base of the Unitholder's Units, then the difference is a capital gain. The taxable amount of this capital gain may be reduced by 50% if the Unit holder is an individual or by $\frac{1}{3}$ if the Unitholder is a complying superannuation fund and they have held the Units for at least 12 months. This non-assessable amount is sometimes called a tax-deferred component of the distribution.

The exception to this is where the non-assessable amount represents special building allowances that are deductible for tax purposes. In this case, this amount will only reduce the cost base of the Units for the purposes of calculating a capital loss on the disposal of the Units and cannot give rise to or increase a capital gain in respect of the Units. This amount is sometimes referred to as the tax-free component of the distribution.

Specific rules apply to calculate the adjustment to cost base where the non-assessable amount is due to special capital gains tax concessions, and the Unitholder has capital losses or is entitled to any capital gains concessions.

However, it should be noted that the Treasurer announced, in his Press Release No 16 on 22 March 2001, that there would be changes to the above position.

The first change advised was that the capital gains tax provisions would be amended for beneficiaries with fixed interests in a trust with effect from 1 July 2001 so that cost base adjustments would not be required

for distributions from the 50% capital gains tax discount. The second change was that although cost base adjustments were previously not required where part of a non-assessable distribution represented special building allowances, such cost base adjustments would be required for the purpose of calculating a capital gain from 1 July 2001.

At the time of writing, these amendments have not yet been passed or released as draft legislation.

Taxation on Disposal of the Units

Where a Unitholder disposes of their Units in the Trust, they may realise a capital gain or capital loss for tax purposes.

A capital gain is generally calculated as the proceeds on disposal of the Units less the CGT cost base. The cost base is typically the cost of acquisition of the units, in this case the application price, plus any incidental costs such as stamp duty, less any cost base adjustments for non-assessable amounts, as described above, excluding the special building allowance component.

A capital loss is generally calculated as the reduced cost base of the Units less the proceeds on disposal. The reduced cost base is typically the cost of acquisition of the Units, in this case the application price, plus any incidental costs such as stamp duty, less any cost base adjustments for non-assessable amounts, as described above, including the special building allowance component.

A capital loss can only be used to offset a capital gain or it may be carried forward to offset capital gains in future years. A capital gain or loss realised by the Unitholder will be used to calculate their net capital gain or loss for the year.

Individuals and complying superannuation fund Unitholders may be entitled to CGT concessions. This applies where they hold the units for more than 12 months. A 50% discount is available for individual investors and a $\frac{1}{3}$ discount is available for superannuation funds. Companies are not entitled to these CGT concessions. Where the Unitholder is a trust or partnership, the above CGT concessions may flow through to individuals and complying superannuation funds that are beneficiaries or partners in that trust or partnership.

Not all Unitholders will acquire these New Units as a long term investment. There will be different tax implications where a Unitholder acquires the New Units for the purpose of selling them for a profit or in the course of carrying on a business of trading in securities.

Other Tax Comments

Tax File Numbers

A Unitholder need not quote a Tax File Number (“TFN”) when applying for units. However, if a TFN is not quoted, or no appropriate TFN exemption information is provided, tax is required to be withheld from any income distribution entitlement at the highest marginal rate plus Medicare levy (currently 48.5%).

Under the new Pay As You Go (“PAYG”) regime, investors that hold their Units as part of a business may quote their Australian Business Number instead of their TFN.

Goods and Services Tax (“GST”)

On 1 July 2000 the Federal Government introduced the GST, a tax levied on the final consumption of a good, service or other supply.

The transactions undertaken by Unitholders, such as distributions and purchases and sales of units, are financial supplies and should not be subject to the GST. We note in relation to the purchase and sale of units, Unitholders will often incur brokerage or similar fees, most of which will have GST included in the price. Generally, it is unlikely a Unitholder will be eligible to claim this GST back as an input tax credit, meaning the cost of brokerage will directly increase as a result of the GST.

Disclaimer

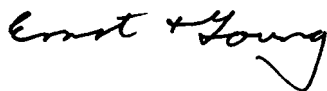
The advice contained in this opinion is of a general nature only and the taxation implications associated with an investment in the Trust will depend upon the tax profile of each investor. Investors should therefore obtain independent taxation advice before investing in New Units in the Trust.

Ernst & Young has been requested to report on the results, assets and liabilities and the financial position of the Trust and to provide a tax opinion on the implications for investors. Ernst & Young has not been requested to consider the prospects of the Trust, nor the merits and risks associated with participation in the Offer and has not done so. The approval of Ernst & Young's consent to the inclusion of this opinion in the Prospectus should not be taken as an endorsement of the Offer or a recommendation by Ernst & Young of any promotion of the Prospectus.

Ernst & Young does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to this matter. Ernst & Young has provided tax, advisory and audit services and will receive a professional fee for the preparation of this report. The Partners of Ernst & Young do not hold nor have any interest in any Units or PICE Units of the Trust. Ernst & Young are the auditors of the Trust.

Consent to the inclusion of this tax opinion in this Prospectus in the form and context in which it appears has been given. At the date of this report consent has not been withdrawn.

Yours faithfully



Ernst & Young

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Additional Information



Additional Information

Governing Law

The law applicable in South Australia governs this Prospectus and the contracts that arise on acceptance by the Trust of Application Forms and each Applicant submits to the exclusive jurisdiction of the courts of South Australia.

Directors' Consent

Each director of Challenger Beston has consented to the lodgment of this Prospectus with the ASX and its issue.

Regular Reporting and Disclosure Obligations

As the Trust is a disclosing entity under the Corporations Law, it is subject to regular reporting and disclosure obligations.

Copies of documents lodged with ASIC in relation to the Trust may be obtained from, or inspected at, an office of ASIC.

Copies of Documents

Challenger Beston will provide a copy of each of the following documents, free of charge, to a person who asks for it prior to the Closing Date:

- The financial statements of the Trust for the year ended 30 June 2000; and
- Any other financial statements, and a copy of any documents used to notify ASX of information relating to the Trust under ASX's continuous or periodic reporting rules, during the period starting after the lodgment of the Trust's financial statements under the above paragraph and ending before the date of this Prospectus, being:

5 July 2000	Purchase of vineyards
6 July 2000	Director's interests
28 July 2000	Director's interests
14 August 2000	Fourth quarter distribution details (30 June 2000)
6 September 2000	Purchase of vineyards
11 September 2000	Preliminary Final Report and Appendix 4B



21 September 2000	Annual Audited Accounts
22 September 2000	First quarter distribution (record date and payment date)
14 November 2000	First quarter results and distribution details
30 November 2000	Notice of meeting of Unitholders
1 December 2000	Announcement regarding PICE Units
15 December 2000	Transfer of unit registers
20 December 2000	Second quarter distribution (record date and payment date)
20 December 2000	Second quarter distribution (correct payment date)
22 December 2000	Director's interests
9 February 2001	Trading result for quarter ended 31 December 2000 and distribution
22 February 2001	Director's interests
26 February 2001	Half yearly report and Appendix 4B
2 March 2001	Appendix 3B and Top 20 Unitholders
8 March 2001	Financial Statements – Half year ended 31 December 2000
13 March 2001	Director's interests
13 March 2001	Results of extraordinary general meeting
22 March 2001	Appendix 3B
23 March 2001	Third quarter distribution (record date and payment date)
26 March 2001	ASX waiver in relation to Rule 14.7
20 April 2001	Purchase of vineyards
10 May 2001	Trading result for quarter ended 31 March 2001
17 May 2001	Purchase of vineyards
20 June 2001	Quarterly Distribution Details
27 July 2001	Capital Raising Initiatives (A-G)

The above documents are not included in, or attached to, this Prospectus.

Rights Attaching to the New Units

The Trust's Constitution was made on 19 February 1998 and has been amended by supplemental deeds made on 18 May 1998, 30 October 1998, 1 April 1999, 7 April 2000, 14 April 2000 and 22 December 2000. In accordance with the Corporations Law, it has been lodged with ASIC. It represents the primary source of the duties, obligations and rights of Challenger Beston as responsible entity.

The following information is a summary of the Trust's Constitution in order to incorporate it by reference into this Prospectus. Unitholders have the right to acquire a copy of the Trust's Constitution, free of charge, from Challenger Beston until the expiry of this Prospectus.

Right to Transfer Units

Unitholders may transfer Units except where the Listing Rules apply so as to require that restricted securities not be transferred during an applicable escrow period.

Right to Distributions

Unitholders who are on the register at the close of business of the last business day of a Trust distribution period are entitled to a distribution of income from the Trust for that period after taking into account Challenger Beston's remuneration, tax liabilities and other charges. Distributions are made on a pro rata per day basis. Distributions must be made within three months of the end of the distribution period, currently every three calendar months (if not reinvested).

Challenger Beston has the power to offer Unitholders the right to reinvest income in further Units. The procedure is set out in the Constitution.

In order to ensure that the Trust's income for the quarter 1 October 2001 to 31 December 2001 is distributed between Unitholders on a fair and equitable basis, Challenger Beston will declare that each of the following periods are separate Trust distribution periods:

- the period from 1 October 2001 to the day prior to the date on which the New Units are allotted (the "First Period");

- the period from the date on which the New Units are allotted to 31 December 2001 (the "Second Period").
-

None of the New Units will participate in the distribution for the First Period. The New Units will participate in the distributions for the Second Period and subsequent periods.

Challenger Beston's Remuneration

The Constitution sets out Challenger Beston's right to remuneration. Challenger Beston is also entitled to be reimbursed for expenses incurred in relation to the proper performance of its duties in respect of the Trust. See Section 4 for further details.

Right to Redemption

The Constitution sets out procedures for Unitholders to withdraw from the Trust. However, these withdrawal procedures do not apply while Units are officially quoted on the ASX (including a suspension for less than 60 days).

Right to Vote and to Call and Attend Meetings

Unitholders have a right to vote (on a one-vote per one-Unit basis) at, and call and attend, meetings as set out in Corporations Law and the Constitution.

Rights on Winding Up

The Constitution sets out the procedures to be followed on winding up of the Trust and Unitholders' entitlements in that event.

Other Provisions

The Constitution also contains provisions in relation to the following:

- The nature of the Units;
-

- Partly-paid Units;

- Maintaining a register of Unitholders;

- What happens in the case of a Unitholder's death or legal disability;

- Procedures for the issue and pricing of Units;

- When and how Trust Property is to be valued;

- How income is calculated and distributions of both income and capital;

- The way in which payments are to be made and notices are to be given to Challenger Beston and Unitholders;

- The powers and rights of Challenger Beston;

- Indemnities and the scope of Challenger Beston's responsibilities and duties;

- The principal investment policy of the Trust;

- Retirement or removal of Challenger Beston;

- Procedures for conducting Unitholder meetings;

- Auditing the Trust;

- The taxation liability of Challenger Beston;

- Duration and termination of the Trust;

- How the Constitution may be amended;

- How Unitholder complaints are to be dealt with; and

- Dispute resolution procedures.

Placement Agreement

A placement agreement dated 8 August 2001 has been entered into between Challenger Beston and Johnson Taylor Potter (**Placement Agreement**).

Pursuant to the Placement Agreement, subject to certain conditions, Johnson Taylor Potter has agreed to lead manage the Offer and thereby use its best endeavours to place or procure the placement of the New Units. In consideration for its agreement to do so, Johnson Taylor Potter will receive, exclusive of GST:

- a placement arrangement fee equal to 3.5% of the proceeds of the Issue – this fee is limited to a maximum of \$323,323 (if not more than 10,497,500 New Units are issued) or \$431,097 (if the maximum 13,996,667 New Units are issued); and
- a placement management fee equal to 1.5% of the proceeds of the Issue – this fee is limited to a maximum of \$138,567 (if not more than 10,497,500 New Units are issued) or \$184,756 (if the maximum 13,996,667 New Units are issued).

From the placement management fee, an amount equal to 0.5% of the proceeds of the Issue is payable by Johnson Taylor Potter to Challenger Securities Limited.

In addition to these fees, Challenger Beston must reimburse Johnson Taylor Potter for all reasonable costs and expenses (including legal costs up to \$20,000) and any GST liability that it incurs in relation to the Placement Agreement, subject to certain constraints.

If the placement agreement is terminated by Challenger Beston (other than due to Johnson Taylor Potter's default) or if the unitholders do not approve the issue, Challenge Beston will be liable to pay Johnson Taylor Potter \$100,000. However, the amount of any fees paid to Johnson Taylor Potter at the relevant time will be offset against this termination fee.

All the above fees and costs are payable out of the income and assets of the Trust.

There are a range of usual representations and warranties and undertakings to be given by Challenger Beston under the Placement Agreement. These include representations and warranties and undertakings in relation to:

- compliance by the Trust with all relevant disclosure obligations under applicable laws and regulations;

- necessary approvals for acceptance of the Offer and for the issue, allotment and official quotation of the New Units having been obtained;

- (once official quotation by the ASX is obtained) the New Units being freely tradeable and the purchasers acquiring good and marketable title to them, free from encumbrances (other than any qualification accepted by the ASX for the purposes of quotation); and

- this Prospectus complying with the Corporations Law and the ASX Listing Rules, not containing a material statement which is misleading or deceptive nor having a material omission.

Challenger Beston must also certify to Johnson Taylor Potter immediately prior to the allotment of the New Units that it has complied with all obligations under the Placement Agreement and the continuous disclosure requirements of the Corporations Law and the ASX Listing Rules, that each of the warranties and representations made in the Placement Agreement and this Prospectus is completely true and correct and not misleading in any way, that no information it or its agents have provided to Johnson Taylor Potter is or has become misleading or deceptive, whether by omission or otherwise, and that there has been no material adverse change in the Trust's assets, liabilities, financial position and performance, profits and losses, business or prospects.

Challenger Beston has also indemnified Johnson Taylor Potter, its associates, directors, employees and all employees, directors, agents, advisers and contractors of Johnson Taylor Potter Limited against any claim, judgement, damage, loss, expense or liability incurred or suffered by or brought, made or recovered against any of those parties in connection with:

- this Prospectus or its publication or issue;

- any statement or announcement made by Challenger Beston in relation to this Prospectus or the offer described herein or made or distributed by Johnson Taylor Potter with its consent, including any non-compliance with the Corporations Law or any other legal obligation in relation to the Issue or this Prospectus and any breach by Challenger Beston of the Placement Agreement;

- any conduct by Challenger Beston in connection with the Placement that is

misleading or deceptive or alleged to be deceptive or likely to mislead or deceive;

-
- any non-compliance by Challenger Beston with the Corporations Law, the Listing Rules or any other legal obligation in relation to the Placement;
-
- any breach by Challenger Beston of its representations, warranties and undertakings under the Placement Agreement; and
-
- any investigations, enquiries, legal proceedings or review of the Offer undertaken by ASIC, ASX or any other regulatory body.
-

Other Material Contracts

Acquisition Agreement

On 29 June 2001, Challenger Beston exchanged unconditional contracts with an existing Trust lessee (the "Vendor") to purchase for the Trust certain land situated in Pokolbin, New South Wales. Challenger Beston has agreed to keep the Vendor's identity confidential until the acquisition is completed on or about 30 September 2001.

The acquisition includes a winery and restaurant/cellar door facilities, and associated plant and equipment and infrastructure (the "Winery")

The total purchase price is \$4.6 million. Challenger Beston has agreed to invest a further \$5 million to fund future expansion of the Winery if required by the Vendor.

The Trust will lease the Winery (the restaurant and cellar door facilities are separately leased) back to the Vendor for

a term of five years. The Vendor will have an option to extend the lease for a further five years. The rental will be set at 4.5% above the 10-year Commonwealth Bond rate with annual increases linked to CPI.

The acquisition of the Winery involves an assignment to the Trust of certain easements and water supply agreements. These impose obligations on the Trust to supply water and treated wastewater of a quality fit for human consumption to neighbouring properties. They also impose obligations on the Trust to maintain a pipeline on the property and the supply of water from that pipeline to neighbouring businesses. The responsibility for performing these obligations will be assigned to the Vendor (during the term of the lease), but ultimately remains with the Trust.

Property Management Agreement

The Investment Manager manages the property portfolio of the Trust pursuant to an agreement made on 18 May 1998 between the Investment Manager in its capacity as the (then) trustee of the Trust and in its personal capacity (the "Property Management Agreement").

The basic terms of the Property Management Agreement are as follows:

- the Investment Manager agrees to act as manager of the properties for a term of 5 years.
-
- the services that the Investment Manager will provide include dealing with vineyard management issues, liaising with lessees in relation to such matters, recording of vineyard plantings, monitoring water adequacy and vineyard development and reporting obligations.

- the Investment Manager must perform its duties in accordance with the law and with due care and diligence; in a proper, businesslike and commercially reasonable manner; in accordance with the requirements of Challenger Beston; and in accordance with the policies and directions agreed from time to time between the Investment Manager and Challenger Beston.

The Investment Manager is entitled to receive the following fees for services provided by it under the Property Management Agreement:

- A base property management fee of 2% of the gross annual income of the properties held by the Trust; and
- Fees for additional services required by Challenger Beston from time to time, in such amount as may be agreed between the Investment Manager and Challenger Beston.

Challenger Beston can terminate the Investment Manager's appointment under the Property Management Agreement by giving the Investment Manager 20 business days' written notice of the Investment Manager's breach of the agreement and that breach not being remedied within that notice period. The Investment Manager's appointment can also be terminated upon its insolvency.

Administration Agreement

Challenger Beston has also appointed the Investment Manager to perform its other investment management and administration functions pursuant to terms and conditions confirmed in a memorandum of agreement (the "Administration Agreement") entered into on 1 July 2000 between those parties.

The basic terms of the Administration Agreement are as follows:

- The Investment Manager agrees to perform the specified services until the earlier of the date of termination of the agreement or the date of termination of the Trust in accordance with its Constitution.

-
- The services that the Investment Manager will provide are those described in paragraphs 7 to 25 (inclusive) of the Trust's compliance plan, and relate to management of the day to day activities of the Trust.

-
- The Investment Manager must perform its duties in good faith; in accordance with the law; and in a timely, efficient and commercial manner, and in accordance with any written directions given to it by Challenger Beston.

In consideration of the services provided by it under the Administration Agreement, the Investment Manager is entitled to be paid an amount equal to any fees paid to Challenger Beston under the Trust's Constitution (less any fees paid to the Investment Manager under the Property Management Agreement). The Investment Manager must pay from such fees all disbursements and out of pocket expenses incurred by it in performing the services.

Challenger Beston can terminate the Investment Manager's appointment under the Administration Agreement at any time on 90 days' written notice. The Investment Manager's appointment can also be terminated upon its insolvency.

Disclosure of Interests

The following people or entities hold interests directly or indirectly in the following number of Units and PICE Units, and are entitled to participate in the Offer on the same basis as other Existing Unitholders:

	Ordinary Units	PICE Units
Roger Sexton (Director of Challenger Beston and the Investment Manager)	143,432	400
Stephen Gerlach (Director of Challenger Beston and the Investment Manager)	54,400	–
Ian Martens (Director of the Investment Manager)	125,789	200
Christopher Atkins (Director of Challenger Beston and the Investment Manager)	24,000	200
William Ireland (Director of Challenger Beston and the Investment Manager)	–	200
Challenger Life No 2 Ltd (a related party of Challenger Beston)	4,178,116	999,000
David Hall (Director of the Investment Manager)	2,328,790	–
Beston Pacific Australia Limited	50	–

Challenger Beston has received fees of \$666,436 for services provided by it under the Trust's Constitution in the previous two years. Challenger Beston has paid those fees to the Investment Manager in accordance with an agreement between those parties. No remuneration is paid by Challenger Beston to the Directors. However, certain of the Directors are remunerated by the Investment Manager in their capacity as directors of the Investment Manager.

Challenger Beston has also received fees of \$300,000 for procuring acquisitions of Units and PICE Units in the previous two years.

If the Offer proceeds, the total expenses incurred by Challenger Beston in connection with the Issue (which include lead managing, advisory, legal, accounting, tax, listing and administrative fees, as well as printing and advertising) are estimated to be approximately \$937,481 (exclusive of GST) and are payable out of the income and assets of the Trust. This figure includes the following individual expenses:

- Johnson Taylor Potter has received or will receive fees of up to \$615,853 in

connection with this Prospectus and the issue of the New Units, depending on the number of New Units for which it procures valid Applications. Johnson Taylor Potter will pay all selling and handling fees out of this amount. Further details as to these fees are provided in the summary of the placement agreement (see above).

- Finlaysons Lawyers has received or will receive fees of \$120,000 for legal services provided by it in connection with this Prospectus and the issue of the New Units.

- Ernst & Young has received or will receive fees of \$50,000 for professional services provided by it in connection with this Prospectus and the issue of the New Units.

- Challenger Securities Limited has received or will receive fees of up to \$61,585 for services provided by it in connection with the distribution of this Prospectus.

Other Related Party Disclosures

Each of Challenger Beston and the Investment Manager is entitled to receive fees in return for due diligence services it provides to the Trust in relation to asset acquisitions. On the basis of the intended application of the proceeds of this Issue, it is estimated that in total approximately \$220,000 (exclusive of GST) will be payable to Challenger Beston and the Investment Manager in this respect.

Challenger Securities Limited, a related body corporate of Challenger Beston, is entitled to receive a handling fee equivalent to those applicable to third parties based on the timing of applications and the amount of the Application Monies paid on Application Forms validly received.

Unitholder approval and ASX waivers

A meeting of Unitholders will be held on 23 August 2001 to consider, and if thought fit, approve the issue of New Units pursuant to this Offer. ASX has granted Challenger Beston a waiver from Listing Rule 10.13 to permit the notice of the above meeting not to state the number of New Units to be issued to related parties of Challenger Beston and not to state that any New Units issued to related parties of Challenger Beston would be issued within one month of the date of the meeting, on condition that the notice states that the number of New Units to be issued to related parties of Challenger Beston is limited to the higher of five percent of the total number of New Units being offered and the number that the relevant party would be entitled under a pro-rata issue of those New Units, and that the New Units will be issued at the same time as other New Units issued under this Prospectus. This Prospectus will

not be issued unless Unitholder approval is granted. If you have received a copy of this Prospectus, you may assume that Unitholder approval has been granted.

Placement of PICE Units

The meeting of Unitholders to be held on 23 August 2001 will also consider, and if thought fit, pass resolutions authorising the placement of 376,700 new PICE Units to Commonwealth Investment Management or its nominees at a price of \$10.00 each. This Prospectus includes forecasts and other statements prepared on the basis that such Unitholder approval will be granted. However, the Offer is not conditional upon such Unitholder approval.

Challenger Intermediary Loyalty Program

Under the Challenger Intermediary Loyalty Program, a financial adviser that procures a subscription under this Offer may be entitled to receive up to 300 options over Challenger International Limited shares (exercisable at \$3.19 each) for every \$100,000 subscribed. Such options have an exercise date of 31 July 2003. However, such options do not represent an additional cost to Unitholders, and the Challenger Intermediary Loyalty Program does not constitute part of the Offer by the Trust.

Litigation

The Trust is not involved in any actual or threatened litigation or administrative action which could have a material effect on the Trust.

CHES

The Trust participates in the CHES. CHES is operated by the ASX's Securities Clearing House ("SCH") in accordance with the Listing Rules and the SCH Business Rules. Under CHES, Challenger Beston will not be issuing certificates to Applicants that elect to hold their New Units on the CHES sub-register. After allotment of New Units, Applicants will receive a CHES statement.

The CHES statements, which are similar in style to bank account statements, will set out the number of New Units allotted to each Applicant pursuant to this Prospectus. The statement will also advise holders of their holder identification number and explain for future reference the sale and purchase procedures under CHES. Further statements will be provided to Unitholders that reflect any changes in their Unitholding in the Trust during a particular month.

Consents

Finlaysons Lawyers has given, and has not withdrawn, its written consent to be named in this Prospectus as solicitors to the Trust. Finlaysons Lawyers is not making any statements in this Prospectus and no statements in this Prospectus are based on statements made by Finlaysons Lawyers. Finlaysons Lawyers has not authorised or caused the issue of this Prospectus.

Johnson Taylor Potter Corporate Finance Limited has given, and has not withdrawn, its written consent to be named in this Prospectus as Lead Manager of the Offer. Johnson Taylor Potter Corporate Finance Limited has not authorised or caused the issue of this Prospectus.

Ernst & Young has given, and has not withdrawn, its written consent to be named in this Prospectus as Auditors, Independent Accountants' and Taxation Advisers to the Trust and to the issue of this Prospectus with its Independent Accountant's Report and Taxation Report included in the form and context in which they appear. Otherwise, Ernst & Young is not making any statements in this Prospectus and no statements in this Prospectus are based on statements made by Ernst & Young. Ernst & Young has not authorised or caused the issue of this Prospectus.

Beston Pacific Vineyard Management Limited has given, and has not withdrawn, its written consent to be named in this Prospectus as Investment Manager and the provider of due diligence services to the Trust. Beston Pacific Vineyard Management Limited is not making any statements in this Prospectus and no statements in this Prospectus are based on statements made by Beston Pacific Vineyard Management Limited. Beston Pacific Vineyard Management Limited has not authorised or caused the issue of this Prospectus.

Challenger Securities Limited has given, and has not withdrawn, its written consent to be named in this Prospectus as distributor of this Prospectus. Challenger Securities Limited is not making any statements in this Prospectus and no statements in this Prospectus are based on statements made by Challenger Securities Limited. Challenger Securities Limited has not authorised or caused the issue of this Prospectus.

How to Invest

The Offer

The Offer comprises an offer of up to 10,497,500 New Units at a price of \$0.88 per New Unit with a right to accept oversubscriptions for up to a further 3,499,167 New Units at a price of \$0.88 per New Unit.

Existing Unitholders

Under the Offer, each Existing Unitholder that applies for New Units is entitled to be allocated one New Unit for each two Units held by them on the Record Date in priority to other Applicants. However, this Priority Entitlement expires at 5.30 pm AEST on 14 September 2001. An Existing Unitholder that allows its Priority Entitlement to lapse may still apply for New Units under the Offer, but will receive no priority allocation.

If you are an Existing Unitholder, you will have been provided with a Priority Entitlement Form. This form states the number of New Units to which you have a Priority Entitlement, and includes instructions on how to exercise your Priority Entitlement. If you wish to exercise your Priority Entitlement, your Priority Entitlement Form must be received no later than 5.30 AEST on 14 September 2001.

Other Applicants

If you are not an Existing Unitholder and you wish to participate in the Offer, you must apply for New Units by using the Public Application Form accompanying this Prospectus.

Instructions as to Completion of the Application Form

In each case, an Application Form must be completed in accordance with the instructions set out on its reverse side.

Minimum and Maximum Subscription

All Applications, other than an Application made by an Existing Unitholder exercising its Priority Entitlement, must be made for a minimum of 2,000 New Units (\$1,760). Applications may be made for additional New Units in multiples of 1,000 New Units (\$880) thereafter.

An Existing Unitholder may apply for the number of New Units to which it has a Priority Entitlement, or a lower or higher number. However, an Existing Unitholder that applies for a lower or higher number must apply for not less than 2,000 New Units and in multiples of 1,000 New Units thereafter. Further, the maximum number of New Units that an Existing Unitholder may receive is limited to the higher of 699,833 and the number of New Units that it would have received under a pro rata issue of the New Units (approximately two-thirds of the number of Units it holds on the Record Date).

Allocation and Allotment

Challenger Beston will proceed to allocate New Units as soon as possible after the Offer closes and it receives the ASX's permission for official quotation of the New Units. Challenger Beston reserves the right, in consultation with Johnson Taylor Potter, to allocate to any Applicant a lesser number of New Units than that applied for, or to decline any Application, other than an Application made under the Priority

Entitlement. If no allocation is made to a particular Applicant or the number of New Units allocated is less than the number applied for by an Applicant, surplus Application Monies will be returned to that Applicant within 30 days of the Closing Date. No interest will be paid on refunded Application Monies.

Successful Applicants will be notified in writing of the number of New Units allocated to them as soon as possible following the allocation being made.

It is the responsibility of Applicants to confirm the number of New Units allocated to them prior to trading in New Units. Applicants who sell New Units before they receive notice of the number of New Units allocated to them do so at their own risk. No New Units will be allotted or issued on the basis of this Prospectus later than 23 November 2001.

Pending the allotment of the New Units, Challenger Beston will deposit all Application Monies received in a separate Trust account for so long as those Applications, or any of them, are liable to be repaid in accordance with this Prospectus and the Law.

Electronic Prospectus

This Prospectus may be accessed on the Internet at www.bestonwine.com. Any person may obtain a Hard Copy Prospectus on request and without charge by contacting the Trust's Information Centre on 1800 789 088 or Johnson Taylor Potter on 133 788. Applications will not be accepted by email or any other electronic means.

Investor Information

If you are unclear about any matter in relation to whether the New Units are a suitable investment for you, you should consult your financial adviser.

If you have any questions regarding this Prospectus, please contact the Trust Information Centre on **1800 789 088**.

Glossary

Terms and abbreviations used in this Prospectus have the following meaning:

ABS Australian Bureau of Statistics.

AEST Australian Eastern Standard Time.

Applicant a person who submits an Application.

Application an application for New Units under this Prospectus.

Application Form a Priority Entitlement Form or a Public Application Form, as relevant.

Application Monies the Application Price multiplied by the number of New Units for which an Application is made.

Application Price \$0.88 per New Unit.

ASIC Australian Securities and Investments Commission.

ASX Australian Stock Exchange Ltd.

ASX Quotation Quotation on the official list of entities that ASX has admitted and not removed.

Challenger Beston Challenger Beston Ltd ABN 94 055 293 644, in its capacity as responsible entity of the Trust.

CHESS Clearing House Electronic Sub-register System.

Closing Date Expected to be 5.30pm AEST 5 October 2001.

CPI The National Consumer Price Index as published by the ABS.

Directors the directors of Challenger Beston.

Existing Unitholders Holder(s) of Units who are registered as at the Record Date with registered addresses in Australia or New Zealand.

Forecast Period the period from 1 July 2001 to 30 June 2002.

GST Australian Goods and Services Tax of 10%.

Hard Copy Prospectus Paper version of this Prospectus.

Investment Manager Beston Pacific Vineyard Management Limited
ABN 35 079 882 161.

Issue the issue of New Units pursuant to this Prospectus.

Johnson Taylor Potter Johnson Taylor Potter Corporate Finance Limited
ABN 72 069 152 656

Listing Rules Official Listing Rules of the ASX.

Minimum Application 2,000 New Units, excluding Applications made under a Priority Entitlement.

New Unit(s) Ordinary Unit(s) issued pursuant to this Prospectus.

Offer The Offer to Existing Unitholders and the public of up to 10,497,500 New Units at a price of \$0.88 with a right to accept oversubscriptions for up to a further 3,499,167 New Units at a price of \$0.88 each that is lead managed by Johnson Taylor Potter as described in this Prospectus.

Online Application Form the electronic version of the Application Form that can be viewed at <http://www.bestonwine.com>.

Online Prospectus the electronic version of this Prospectus that can be viewed at <http://www.bestonwine.com>.

Opening Date Expected to be 29 August 2001.

PICE Units the fully paid preferred indexed convertible equity units of \$10.00 each in the capital of the Trust.

Priority Entitlement the right of each Existing Unitholder to receive a priority allocation of one New Unit for each two Units they hold as at the Record Date. This right will expire at 5.30pm AEST on 14 September 2001.

Prospectus this prospectus dated 8 August 2001 as modified or varied by any supplementary prospectus made by Challenger Beston and lodged with the ASIC from time to time and including any electronic copies thereof.

Record Date 5.30pm AEST on 27 July 2001.

Registry Computershare Investor Services Pty Ltd
ABN 48 078 279 277

Trust The Beston Wine Industry Trust
ARSN 092 960 060

Trust Constitution the Constitution establishing the Trust dated 19 February 1998, as amended.

Unit(s) Ordinary Unit(s) in the Trust.

Unitholder The registered holder of a Unit in the Trust.

How to Complete the Application Form

This Application Form is important. If you are in doubt as to how to complete the form, please contact your stockbroker or professional adviser without delay.

Please complete all relevant white sections of the Application Form in **BLOCK LETTERS**, using black or blue ink. These instructions are cross-referenced to each section of the Application Form.

A	Write the number of New Units that you wish to apply for in Box A. Your Application must be for a minimum of 10,000 New Units and a multiple of 1,000 New Units.
B	Calculate your Application Money by multiplying the number of New Units by \$0.88 being the price per New Unit. Write this amount in Box B. Your Application must be for a minimum of \$8,800 and a multiple of \$880.
C	<p>Write the Full Name you wish to appear on your Unitholder Certificate. This must be either your own name or the name of a company. Up to two additional Joint Applicants may register. You should refer to the back of the Application Form for the correct forms of name which can be registered. Applications using the wrong form of name may be rejected.</p> <p>Applications in the name of a minor, a trust or estate, business, firm or partnership, club, association or other unincorporated body cannot be accepted. Applications made in the individual name(s) of the person(s) who is (are) the legal guardian(s), trustee(s), proprietor(s), partner(s) or office bearer(s) (as applicable) of those entities will be accepted.</p> <p>Enter your Postal Address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applications, only one address can be entered. Only Australian addresses will be accepted.</p>
D	Enter your Tax File Number (TFN) or exemption category or Australian Business Number (ABN). Where applicable, please enter the TFN for each joint applicant. Collection of TFNs and ABNs is authorised by taxation laws. Quotation of your TFN and ABN is not compulsory and will not affect your Application. However, if no TFN is quoted your distribution may be taxed at the highest marginal tax rate plus Medicare Levy.
E	Please write your telephone number(s) including STD area code and contact name in case we need to contact you about your Application. This should contain details of the person responsible for making the investment decision.
F	<ul style="list-style-type: none">• Make your cheque(s) or bank draft(s) payable to "Beston Wine Industry Trust" in Australian currency and cross it "Not Negotiable". Your cheque(s) or bank draft(s) must be drawn on an Australian bank.• Complete the details of your cheque(s) or bank draft(s) in this section.• The amount should be equal to the amount shown in B.• PIN (do not staple) your cheque(s) or bank draft(s) to the Application Form where indicated.• Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.
	<p>LODGEMENT OF APPLICATION FORMS</p> <p>Return your Application Form(s) with cheque(s) or bank draft(s) attached to:</p> <p>MAILING ADDRESS: Beston Wine Industry Trust Level 9, T & G Building 82 King William Street ADELAIDE SA 5000</p>

Further Information for Applicants

TREATMENT OF APPLICATION

The return of an Application Form with your cheque(s) or bank draft(s) will constitute your offer to subscribe for New Units. If your Application Form is not completed correctly, or if the cheque(s) or bank draft(s) is for the wrong amount, it may still be treated as valid.

The decision of Challenger Beston as to whether to treat your Application as valid, and how to construe, amend or complete it, shall be final. Challenger Beston's decision on the number of New Units to be allocated to you shall also be final. You will not however, be treated as having offered to subscribe for more New Units than is indicated by the amount of your cheque(s) or bank draft(s).

DECLARATION

1. I/We apply for the number of New Units specified in the Application Form or such lesser number as may be allocated by Challenger Beston;
2. I/We authorise Challenger Beston to complete or amend this Application Form where necessary to correct any errors or omissions;
3. I/We acknowledge that, where I/we have lodged this Application Form on a print out of an electronic Application Form;
4. All details and statements made by me/us are complete and accurate;
5. I/We represent that I am/we are not, as a result of the law of any place, a person to whom the units should not be given, and acknowledge that:
 - i) Challenger Beston does not guarantee the performance of the Trust or the repayment of capital invested in the Trust; and
 - ii) my/our investment in the Trust carries various investment risks.

CORRECT FORMS OF REGISTERABLE NAMES

Note that ONLY legal entities are allowed to hold units. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registerable name may be included by way of an account designated if completed exactly as described in the examples of correct forms below.

<i>Individual</i> (use name in full not initials)	C	E L I Z A B E T H J O S E P H I N E M O N T G O M E R Y	D	
			E	
<i>Joint with one or two others</i> (represents one application)	C	J O H N P E T E R S M I T H	D	M A R Y H E L E N S M I T H
			E	F R E D E R I C K J A M E S S M I T H
<i>Company</i> (use full company name)	C	J O H N S M I T H F R E S H F O O D S	D	T R A N S P O R T P T Y L T D
			E	

Examples of use of <Account Name>

<i>Superannuation Fund</i> (use trustee(s) name(s) in C and/or D and an account name as shown in E)	C	J O H N S M I T H F R E S H F O O D S	D	P T Y L T D
			E	< S U P E R F U N D >
<i>Trust</i> (use trustee(s) name(s) in C and/or D and an account name as shown in E)	C	J O H N P E T E R S M I T H	D	
			E	< S M I T H F A M I L Y A C C O U N T >
<i>Deceased Estate</i> (use executor(s) name(s) in C and/or D and an account name as shown in E)	C	C A R O L I N E V A N D E R H E L D E R	D	
			E	< E S T J O H N S M I T H A / C >
<i>Partnership</i> (use partner(s) name(s) in C and/or D and an account name as shown in E)	C	M A R G A R E T B R O W N	D	J O H N P E T E R S M I T H
			E	< B R O W N S M I T H P A R T N E R S A / C >
<i>Clubs/Unincorporated Body</i> (use office bearer(s) full name(s) in C and/or D and an account name as shown in E)	C	J O H N P E T E R S M I T H	D	
			E	< X Y Z T E N N I S A S S O C I A T I O N A / C >
<i>Persons under the age of 18</i> (use parent(s)/guardian(s) full name(s) in C and/or D and an account name as shown in E)	C	M I C H A E L J O H N W I L S O N	D	S A R A H J A N E W I L S O N
			E	< A N D R E W W I L S O N A / C >

Application Instructions

IMPORTANT INFORMATION

Complete one of the original Application Forms on the following pages. Photocopied Application Forms cannot be accepted.

Please follow the guidelines on the next page to ensure that you submit a valid Application.

Applications must be to apply for a minimum of 10,000 New Units or a higher number of New Units in multiples of 1,000.

Your Application constitutes an offer to subscribe for New Units on the terms set out in the Prospectus. Acceptance of your offer is at the absolute discretion of Challenger Beston.

Challenger Beston reserves the right to reject any Application or to allocate to any Applicant a lower number of New Units than applied for, subject to the allocation being not less than the Minimum Application.

PAYMENT

Your Application Form must be accompanied by Application Money in the form of a cheque or bank draft drawn on an Australian bank, crossed "Not Negotiable". All applicants should make their cheque(s) or bank draft(s) payable to "Beston Wine Industry Trust" in Australian dollars.

Cash cannot be accepted.

Application Money will be held in a Trust bank account until the New Units are allotted.

Cheques or bank drafts will be deposited on day of receipt. Sufficient cleared funds should be held in your account as your Application may be rejected if your cheque is dishonoured.

OVERSEAS

The Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

HOW TO LODGE YOUR APPLICATION

Return your Application Form(s) with cheque(s) or bank draft(s) attached to:

MAILING ADDRESS:

Beston Wine Industry Trust

Level 9, 82 King William Street
ADELAIDE SA 5000

Your Application must be received at either the Mailing Address or Delivery Address set out above by 5.30pm (AEST) on Friday 5 October 2001 (unless this date is changed by Challenger Beston).

ENQUIRIES

If you have any questions as to how to complete this Application Form, please call the Trust on 08 8211 7777.

Directory

Responsible Entity

Challenger Beston Limited
ABN 94 055 293 644
Level 9, T & G Building
82 King William Street
Adelaide SA 5000
Tel: (618) 8211 7777
Fax: (618) 8212 1661
Website: www.bestonwine.com

Investment Manager

Beston Pacific Vineyard Management Limited
ABN 35 079 882 161
Level 9, T & G Building
82 King William Street
Adelaide SA 5000

Auditors, Independent Accountants and Taxation Advisers

Ernst & Young
Santos House
91 King William Street
Adelaide SA 5000

Legal Advisers

Finlaysons Lawyers
Level 8, 81 Flinders Street
Adelaide SA 5000

Registry

Computershare Investor Services Pty Ltd
ABN 48 078 279 277
Level 5, 115 Grenfell Street
Adelaide SA 5000

Lead Manager

Johnson Taylor Potter Corporate Finance Limited
ABN 72 069 152 656
Level 3, 7 Macquarie Place
Sydney NSW 2000
Level 28, 80 Collins Street
Melbourne VIC 3000
Tel: (61) 133 788
Website: www.jtpgroup.com.au

Level 23 Central Plaza 1
345 Queen Street
Brisbane QLD 4000

Level 37 Exchange Plaza
2 The Esplanade
Perth WA 6000

To arrange change of address, or changes in registration of Units, please contact the Registry at the address or telephone number as listed above.

If you have any questions concerning the Offer please contact your stockbroker, accountant, or professional adviser, or call the Trust Information Centre on 1800 789 088.



Office Addresses

Level 41, Aurora Place
88 Phillip Street
Sydney NSW 2000
Tel: 02 9994 7000
Fax: 02 9994 7777

Level 41, 101 Collins Street
Melbourne VIC 3000
Tel: 03 9654 7744
Fax: 03 9654 1212

Level 34, Central Plaza One
345 Queen Street
Brisbane QLD 4000
Tel: 07 3218 8000
Fax: 07 3220 3132

Level 2, 141 St Georges Terrace
Perth WA 6000
Tel: 08 9480 2800
Fax: 08 9322 9289

Level 9, T&G Building
82 King William Street
Adelaide SA 5000
Tel: 08 8211 7777
Fax: 08 8212 1661

Level 15, ASB Bank Centre
Cnr Albert and Wellesley Streets
Auckland New Zealand
Tel: 649 309 0474
Fax: 649 355 7359

No. 1 Cornhill
London EC3V 3ND
United Kingdom
Tel: 44 (0)207 743 6530
Fax: 44 (0)207 743 6531

Investor Enquiries: 1800 789 088

Website: www.bestonwine.com

Challenger General Enquiries: 13 35 66

Website: www.challengergroup.com