MARKET RELEASE

CWT FULL YEAR OPERATING PROFIT AFTER TAX: $16.1M

Key points

- **Net property income of $32.6 million – up 3% on prior year**
- **Profit from operating activities after tax of $16.1 million (FY08: $16.0m) or 9.5 cpu**
- **Distribution for 4Q09 of 1.2 cents per unit (cpu); FY09 distributions total 7.1 cpu**
- **Net Independent Value (NIV) of 66 cpu**
- **Net liability from interest rate swaps reduced to $8.1 million ($21.7m at 31 Dec 08)**
- **Operating within all banking covenants; Gearing (debt to total assets[1]) of 54.0%**
- **Property fundamentals remain sound – occupancy: 98.5% and WALE[1]: 5.0 years**
- **20 of 24 properties revalued as at 30 June resulting in a net $33.0m (12.1%) decrement[2] (full year net $40.5m)**
- **Distribution cycle to move from quarterly to half-yearly**

6 August 2009, Sydney – Challenger Wine Trust (ASX:CWT) today announced profit from operating activities after tax of $16.1 million for the financial year ended 30 June 2009 (FY09), up marginally on FY08. Net property income was $32.6 million, up 3% on prior year, while finance costs of $13.1 million were up 5%. Net profit after tax was negative $24.3 million, after accounting for a full-year unrealised decrement due to property revaluations of net $40.5 million. A final quarter distribution of 1.2 cents per unit (cpu) will be paid on 17 August 2009 to unitholders on the register at the record date of 30 June 2009.

CWT Fund Manager Nick Gill said “The past year has been challenging with the wine sector experiencing a reduction in export prices, an over-supply of wine grapes, softening grape prices, and continuing drought along the Murray River. The full year net $40.5 million decrement in CWT’s property valuations reflects these difficult conditions. Despite this CWT’s underlying fundamentals remain sound with occupancy at 98.5% and WALE at 5.0 years.”

CWT has reset some out-of-the-money interest rate swaps, and, in combination with an upward movement in longer-term interest rates the net liability for swaps at 30 June 2009 was $8.1 million. This was down significantly from $21.7 million reported at the half-year. While asset sales have been difficult to achieve in the current climate, CWT sold four smaller vineyards during 2009 and continues to pursue vineyard sales to assist in de-leveraging the balance sheet.

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[1] Weighted Average Lease Expiry
[2] To Fair Value

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Mr Gill further commented “We have made a decision to change the cycle for distributions from quarterly to half-yearly. This change we believe is in the best interests of unitholders as we continue to conservatively manage capital and increase financial flexibility.”

Portfolio and property valuations

CWT comprises a portfolio of 24 quality properties in Australia and New Zealand which are primarily leased to wine companies on long term leases with annual rental reviews. At 30 June 2009 CWT’s portfolio was 98.5% occupied with a long WALE of 5.0 years.

CWT revalued 20 of 24 properties as at 30 June 2009, representing 90% of the portfolio, resulting in a 12.1% ($33 million) net fall in the fair value of these vineyards.

CWT has completed the sale of Sandy Hollow Vineyard and Inglewood Vineyard in the Upper Hunter Valley, and Bethany Creek and Vine Vale Vineyards in the Barossa Valley for a total $3.4million. Contracts have been exchanged on the Dalswinton Vineyard also in the upper Hunter Valley for $1.3 million. CWT continues to pursue further asset sales with discussions ongoing with several parties.

Tenants

Ninety four percent of CWT’s tenants are long established wine companies. Importantly across CWT’s portfolio all rental income for the financial year has been collected.

CWT’s largest tenant is well established ASX-listed Australian Vintage Ltd (AVG) leasing around 34% of portfolio value. In light of difficult economic and market conditions CWT and AVG are presently reviewing rental support options.

Capital management

Capital management remains a key focal point for CWT with management closely monitoring current initiatives for their impact on gearing and loan-to-valuation ratios (LVRs).

At 30 June 2009, CWT had total drawn borrowings of $149 million, down from $155 million at 30 June 2008, due mainly to repaying $7.1 million from the proceeds of asset sales. The weighted average cost of borrowings (including margins) was 8.0% compared to 7.9% at 30 June 2008.

CWT enters into interest rate swaps to hedge against movements in interest rates. CWT’s net swap liability has reduced to $8.1 million. At 30 June 2009 the majority of CWT’s interest rate exposure is hedged until lease expiry.

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Gearing (debt to total assets at fair value) was 54.0% at 30 June 2009 compared to 47.9% at 30 June 2008. Loan-to-valuation ratio (LVR) covenants apply to CWT's borrowings, with CWT continuing to operate within all banking covenants.

Asset value per unit

As at 30 June 2009 Net Independent Value (NIV) was 66 cpu compared to 94 cpu at 30 June 2008 mainly due to property revaluations (22 cpu) and mark-to-market movement on interest rate swaps (8 cpu). NIV represents the Net Assets (NAV) of CWT plus the fair value increment of water rights as assessed by independent valuers. Under accounting principles, NAV includes water rights at their historical cost and does not include the fair value of CWT's water rights which are a strategic asset given the scarcity of the resource.

Industry conditions and outlook

The Australian wine and vineyard sectors are being impacted by a number of forces including a reduction in wine export prices, an over-supply of Australian cool-climate wine grapes (27% of CWT portfolio), softening grape prices, and continuing drought along the Murray River.

The 2009 grape harvest intake was 1.7 million tonnes, 7% lower than the prior corresponding period primarily due to water shortages and heatwave conditions in January. This has provided some short-term relief to the over-supply situation. With vineyard removals occurring, the sector is expected to move toward longer term supply/demand balance over the next two to three years. There is expected to be a shortage of warm climate vineyards (48% of CWT's portfolio) as a consequence of the current industry restructuring.

In New Zealand (25% of CWT's portfolio) the 2009 vintage of 285,000 tonnes was above pre-harvest expectation for a crop of 275,000 tonnes. Vineyard area has increased to 31,000 ha, an increase of 2,000 ha since 2008. The 2009 harvest follows a record vintage the previous year. While the record 2008 harvest drove export growth of 28% it also generated an over-supply, thus New Zealand grape growers have experienced downward pressure on grape prices in 2009, particularly in the sauvignon blanc variety.

Summary

In summary, while it is expected there will be ongoing pressure on the vineyard sector over the next two to three years the geographical diversity of the CWT portfolio in combination with long leases to wine companies should see CWT well positioned going into the next upturn.

CWT Fund Manager Nick Gill said: "While the past year has been difficult, CWT has continued to generate strong operating cash flows and despite downward property revaluations remains within its banking covenants. The final distribution of 1.2 cents per unit brings total distributions for the year ended 30 June 2009 to 7.1 cents per unit.

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"As we anticipate challenging and uncertain conditions in the coming year we will not be issuing distribution guidance for FY10. We will continue to monitor the sector conditions and priority will be to implement capital management initiatives to ensure the strength of CWT's balance sheet through the cycle."

ENDS

About Challenger Wine Trust (CWT):
CWT is the second largest vineyard owner in Australasia. CWT has total assets at fair value of $277 million (at 30 June 2009) and owns 22 vineyards and two wineries located across Australia and New Zealand. CWT's strategically located assets (including water rights) are mainly tenanted to wine companies. Further details are provided on CWT's website www.challenger.com.au/cwt

Important notice:
Any forward looking statements included in this document are by nature subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, Challenger, so that actual results or events may vary from those forward looking statements, and the assumptions on which they are based.

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