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Appendix 4D - Results for announcement to the market

Interim result for the period ended 31 December 2009

Challenger Wine Trust (CWT) ARSN 092 960 060

2.1/2.2/2.3 Revenue and profit from ordinary activities and net profit for the period attributable to members:

	Period ended 31-Dec-09 $'000	Period ended 31-Dec-08 $'000	Change $'000	Change %
Revenue from ordinary activities	15,689	17,161	(1,472)	(8.6%)
Net profit after tax attributable to members	2,369	2,872	(503)	(17.5%)
Add back: Net realised gains from sale of assets Fair value decrements in non-current assets	 (368) 5,297	 (10) 5,559	 (358) (262)	 3580.0% (4.7%)
Profit from operating activities after tax	7,298	8,421	(1,123)	(13.3%)

2.4/2.5 Amounts per security of all distributions paid/payable during the period from current period profits:

	Ordinary units (cents per unit)	Record date	Payment date
Interim distribution	3.25	31-Dec-09	9-Feb-2010

2.6 Explanation of figures in 2.1 to 2.4

For an explanation of the above result refer to the following attached documents:

- Half year results market release
- Half year financial report

3.0 Net tangible assets and net asset value per security:

	31-Dec-09 (cents per unit)	30-Jun-09 (cents per unit)	Change %
Net Tangible Assets (NTA) per unit	$0.47	$0.47	0.0%
Net Asset Value (NAV) per unit	$0.59	$0.60	(1.7%)
Net Independent Value (NIV) per unit	$0.66	$0.66	0.0%

4.0 No control has been gained or lost over another entity during the period.

5.0 Details of distribution:

	Ordinary units (cents per unit)	Payment date	Total distribution $'000
Interim distribution	3.25	9-Feb-2010	5,535

6.0 CWT announced a reactivation of its Distribution Reinvestment Plan (DRP) on 4 December 2009 for the distribution of the half year ending 31 December 2009. The last date for the receipt of an election notice for participation in the DRP was 5pm (Sydney, Australia time) on 31 December 2009. Under the terms of the DRP, eligible unitholders are able to elect to reinvest all or part of their distribution in additional units, free from any brokerage or other transaction costs, rather than being paid in cash.

Units are issued at a predetermined price, less any discount that the Directors may elect to apply from time to time. The DRP issue price for the December 2009 distribution is based on the volume weighted average price of CWT units traded on the Australian Securities Exchange during the period from 27 January 2010 to 2 February 2010 inclusive, less a 5% discount. The issue price is 27.07 cents per unit. The DRP has been underwritten to a maximum of $3,997,000 of the total distribution amount, being $5,535,000.

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7.0 No associates or joint venture transactions were entered into during the period.

8.0 Not applicable

9.0 Not applicable

Suzanne Koeppenkastrop

Suzie Koeppenkastrop
Company Secretary

3 February 2010

Date

MARKET RELEASE

CWT HALF YEAR OPERATING PROFIT AFTER TAX: $7.3 MILLION

FY10 DISTRIBUTION GUIDANCE OF 7.00 CPU[1]

Key points

- **Net property income in 1H10 $15.5 million; Operating profit after tax of $7.3 million**
- **Post DRP gearing reduced to 52.3% following debt repayment of $9.9 million since June 09**
- **Ongoing focus on capital management initiatives to further reduce gearing**
- **Eleven of 22 properties revalued (39% of portfolio by value) at 31 December 2009, resulting in 2.1% decrement across the whole portfolio. All properties revalued during the 2009 calendar year**
- **Sound property portfolio metrics continue – occupancy: 99.2% and WALE: 4.6 years**
- **Net Independent Value (NIV) 61 cents per unit, post DRP**
- **Operating within all bank covenants**
- **Interim distribution of 3.25 cents per unit for 1H10 payable 9 February 2010**
- **Full year (FY10) distribution guidance of 7.00 cents per unit[1] announced**

4 February 2010, Sydney – Challenger Wine Trust (ASX:CWT) today announced profit from operating activities after tax of $7.3 million for the six months ended 31 December 2009 (1H10), down 13% on 1H09 prior corresponding period (pcp). Net property income of $15.5 million was down 6.9% from pcp, due to the impact of a rent rebate granted to a major tenant, combined with the decrease in income from properties sold during 2009. Operating costs remained steady. Net profit after tax of $2.4 million was down from $2.9 million (pcp), after allowing for an unrealised property revaluation decrement of $5.3 million.

An interim distribution of 3.25 cents per unit (cpu) has been confirmed today and will be paid on 9 February 2010 to unit holders on the register at the record date of 31 December 2009. Distribution guidance for the full year ending 30 June 2010 is 7.00 cpu[1].

CWT's Fund Manager Nick Gill said: "In its 11th year, CWT has produced a solid result despite the challenging industry conditions. I am pleased today to be in a position to give full year distribution guidance. CWT's cash flow remains healthy and pleasingly the net liability of $21.7 million reported this time last year

[1] Assumes underwritten DRP

arising from the mark to market of interest rate swaps has reduced significantly to $6 million. CWT remains positioned to see through this difficult cycle, with sound portfolio metrics expected to continue throughout 2H10, supported by a diversified property portfolio with established wine company tenants and properties of a magnitude to provide economies of scale."

Industry conditions and outlook

The Australian wine industry faces three key challenges in the short term; wine stock over supply, excess vineyard capacity and a strong Australian dollar impacting exports particularly into USA and UK, all leading to lower grapes prices.

The industry in Australia has begun to address the significant imbalance in the supply of grapes and sales of wine. It is expected that while this transformation occurs the financial conditions for growers will remain challenging. Grape contracts have been cancelled or notice given to cancel, vines have been removed, grape prices have fallen and growers are leaving grapes unharvested. While difficult for growers these are all necessary moves to restore a future sustainable supply/demand balance.

The industry is suggesting circa 30,000 hectares of the estimated 157,000 hectares under vine are now surplus to current market requirements. It is expected uncontracted vines and some smaller less efficient vineyards will be removed over the next two to three years as wine companies buy less grapes. It will be these comprehensive actions which will restore the supply balance to ensure a thriving wine industry.

The New Zealand industry has been impacted by similar circumstances to Australia, an over supply of sauvignon blanc grapes, despite the considerable export success globally, in particular into Australia. Wine companies where possible are combating the issue by enforcing reduced yields on grape growers, thereby lifting quality and reducing excess bulk wine sales. Grape prices have reduced as much as 20%, which in combination with lower grape yields and less contracts, has placed pressure on the vineyard sector particularly in the Marlborough region.

Tenants

CWT owns and manages a portfolio of 22 vineyards (inclusive of two wineries). The asset base includes the land, vines, infrastructure and water rights on the individual properties. The properties are leased primarily to wine companies who are then responsible for the running of the vineyard and entitled to the grape production. As a result, while industry conditions are important for CWT's tenants, CWT's property income exposure to fluctuations in grape supply, prices and growing conditions is indirect in nature.

Approximately 95% of CWT's vineyards are leased to wine companies, who supply both domestic and global markets, with the balance leased to contract grape growers. The majority of these wine companies are stock exchange listed (or subsidiaries of) and include Australian Vintage (AVL), Delegat's Group, Pernod Ricard Pacific and Foster's Group.

CWT's largest tenant is ASX-listed Australian Vintage Ltd with its leases accounting for circa 35% of portfolio value. AVL is one of Australia's largest listed wine companies and has been a core tenant of CWT's over the past decade. As previously advised, CWT has agreed to provide a rent rebate to AVL of $1.36 million in FY10 for three vineyards[2] where rental increases had exceeded market rents, in exchange for certain improved lessor terms. The rent rebate represents approximately 11% of AVL's total annual rent payable to CWT. Further AVL recently announced[3] that it is in discussions with Constellation Brands Inc. (CBI) which may result in a possible combining of part of CBI's Australian and UK wine operations with AVL, potentially creating synergies between the two companies and better positioning both for success in the current challenging operating environment.

Portfolio and property valuations

CWT's properties are geographically diversified across Australia (75%) and New Zealand (25%) and cover both warm (49%) and cool climate (51%) grape growing regions. Circa 94% are greater than 50 hectares, substantially greater than the average vineyard size and provide tenants with the opportunity to generate significant economies of scale.

CWT's portfolio metrics remain sound with occupancy at 99.2% and a weighted average lease expiry (WALE) of 4.6 years.

In the 12 months to 31 December 2009, all of the 22 properties were revalued. Eleven of these were revalued as at 31 December 2009 (39% of the portfolio by value), with a decrement to fair value of $5.3 million or 2.1% across the entire portfolio.

During 1H10 the sales of Dalswinton vineyard in the Hunter Valley and Bethany Creek and Vine Vale vineyards in the Barossa Valley were settled with gross proceeds of $2.1 million.

Capital management

On 30 November 2009 CWT announced an underwritten Dividend Reinvestment Plan (DRP) for the 1H10 distribution. CWT's largest unit holder, Challenger Financial Services Group which owns 27.7% of CWT units, committed to participate in the DRP for the whole of its holding and stockbroker Bell Potter underwrote the balance.

[2] Schubert's, Waikerie and Whitton vineyards
[3] AVL company announcements 2 November 2009

The participation in the DRP was 43% and combined with the underwriting raised $5.5 million. Capital raised was used to strengthen CWT's balance sheet. Combined with the proceeds of asset sales and surplus cash, $9.9 million of debt has been repaid since 30 June 2009, reducing gearing to 52.3%. CWT has now reduced debt for two consecutive periods, total debt is down circa $19 million from a height of $159 million in

December 2008. CWT will continue to pay down debt, strengthening its balance sheet, by pursuing various capital management initiatives going forward.

Post the underwritten DRP, CWT's total drawn borrowings are now $140 million, with a weighted average cost of borrowings (including margins) of 8.04%, flat for the period.

Asset value per unit

As at 31 December 2009 Net Independent Value (NIV) was unchanged from 30 June 2009 at 66 cpu. As a result of the DRP dilution the NIV will reduce to 61 cpu as at 9 February 2010 on the issue of new units. NIV represents the Net Assets of the fund plus the fair value increment of water rights as assessed by independent valuers. Management believes NIV represents the intrinsic value of CWT, the price a purchaser would pay for the assets of the business net of liabilities. Under accounting principles NAV only includes water rights at their historical cost, as they are classified as intangible assets. NAV does not include the fair value of CWT's water rights which are a strategic asset of CWT given the scarcity of the resource.

Summary

"Despite the difficulties confronting the wine industry, the quality of CWT's property portfolio with its large scale vineyards leased primarily to wine companies, continues to underpin CWT's sound cash flow. Our ongoing focus continues to be on capital management initiatives to lower gearing and further strengthen CWT's balance sheet.

"The movement towards sustainable supply and demand for the wine industry has commenced, with experts predicting this process to last several years. Once supply has stabilised we can expect to see a more vibrant wine sector in which CWT will continue to be a key participant providing valuable vineyard resources to the major wine-producing companies."

ENDS

Further enquiry: Investor Relations, Luke Keighery, Challenger Financial Services Group, 02 9994 7633
Media Relations, Stuart Barton, Challenger Financial Services Group, 02 9994 7008

Challenger Wine Trust

(ARSN 092 960 060)

Half Year Financial Report

For the half year ended 31 December 2009

Responsible Entity - Challenger Listed Investments Limited (ABN 94 055 293 644)

Table of contents

Directors' report

The Directors of Challenger Listed Investments Limited (CLIL) (ABN 94 055 293 644), the Responsible Entity of the Challenger Wine Trust (CWT) (ARSN 092 960 060), submit their report together with the consolidated financial report of CWT, for the half year ended 31 December 2009.

Principal activities

CWT invests in a portfolio of high quality, strategically located vineyards and wineries that are leased primarily to wine companies. The vineyards are located across Australia and New Zealand.

Trust information

The Responsible Entity is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at Level 15, 255 Pitt Street, Sydney, NSW 2000.

Directors' summary

The following persons held office as Directors of the Responsible Entity during the period and up to the date of this report:

- Brenda Shanahan – *Chair*
- Michael Cole
- Ian Martens
- Geoff McWilliam
- Ian Moore
- Brendan O'Connor
- Robert Woods

Review and results of operations

Consolidated profit from operating activities before fair value movements and tax for the half year ended 31 December 2009 was $7.4 million (2008: $8.7 million). The consolidated net profit after tax for the half year ended 31 December 2009 attributable to unitholders of CWT was $2.4 million (2008: $2.9 million). The following table provides an analysis of the result:

	Consolidated 1 Jul 2009 - 31 Dec 2009 $'000	Consolidated 1 Jul 2008 - 31 Dec 2008 $'000
Revenue from operating activities	15,689	17,161
Profit from operating activities (before fair value movements and tax)	7,439	8,667
Net fair value movement in non-current assets held at the end of the half year[(i)]	(5,297)	(5,559)
Net profit attributable to unitholders of CWT	2,369	2,872
Undistributed operating income	1,087	416
Interim distribution(s) (cents per unit)	**3.25**	**4.70**

(i) The net fair value movement in non-current assets for the half year consists of:

	Consolidated 31 Dec 2009 $'000	Consolidated 31 Dec 2008 $'000
(Decrease) from revaluation of non-current assets	(5,160)	(4,743)
(Decrease) in carrying value due to recognising intangible assets at cost	(137)	(816)
Net fair value movement in non-current assets held at the end of the half year	**(5,297)**	**(5,559)**

Directors' report (continued)

Distributions

On 4 December 2009, CWT announced an estimated interim distribution to the ASX of 3.25 cents per unit (2008: 4.700 cents per unit). The distribution amount of $5.5 million (2008: $8.0 million) will be paid to unitholders on or about 9 February 2010.

CWT reactivated its Distribution Reinvestment Plan (DRP) on 30 November 2009. Under the terms of the DRP, eligible unitholders are able to elect to reinvest all or part of their distribution in additional units, free from any brokerage or other transaction costs, rather than being paid in cash. The issue price will be 27.07 cents, a 5% discount to the five-day volume weighted average price between 27 January 2010 and 2 February 2010.

The DRP has been underwritten to an amount equal to the distribution less the Challenger Financial Services Group (CSFG) committed amount of 27.74%, up to a maximum of $3,997,000.

Units on issue

170,312,633 (30 June 2009: 170,312,633) ordinary units were on issue at 31 December 2009. No additional units were issued or withdrawn during the period.

Significant events after the balance date

On 3 February 2010 all required conditions to the underwriting of the DRP were met, enabling it to proceed as proposed on 4 December 2009. 20.45 million units will be issued under the DRP, on or about 9 February 2009.

The dilutionary impact of the DRP will be minimal, as highlighted by the reduction in net asset value (NAV) per unit from $0.59 at 31 December 2009 to $0.56, and earnings per unit from 1.39 cents at 31 December 2009 to approximately 1.36 cents following corresponding interest savings.

As a result of the successful underwriting, $3,000,000 of reserved cash has been released to reduce gearing on one of CWT's debt facilities.

Other than those items discussed above, there has been no matter or circumstance that has arisen since the end of the interim period that has significantly affected, or may significantly affect:

- CWT's operations in future financial years;
- the results of those operations; or
- CWT's state of affairs in future financial years.

Likely developments and expected results

Further information on likely developments on the operation of CWT and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to CWT.

Directors' report (continued)

Rounding of amounts in the Directors' report and the financial report

CWT is a registered scheme that is of a kind referred to in Class Order 98/100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Auditor's independence declaration

We have obtained an independence declaration from our auditor, Ernst & Young, as set out on page 6.

This report is made in accordance with a resolution of the Directors of Challenger Listed Investments Limited.

Brenda Shanahan
Chair

Sydney
3 February 2010

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Auditor's Independence Declaration to the Directors of Challenger Wine Trust

In relation to our review of the financial report of Challenger Wine Trust for the half-year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Elliott Shadforth
Partner
3 February 2010

Income statement

For the half year ended 31 December 2009

	Note	Consolidated 1 Jul 2009 - 31 Dec 2009 $'000	Consolidated 1 Jul 2008 - 31 Dec 2008 $'000
Property income			
Rental income		15,572	16,685
Less: Property related expenses		(92)	(50)
Net property income		**15,480**	**16,635**
Other income		117	476
Other expenses			
Finance costs		(6,185)	(6,627)
Responsible Entity and Manager's fees		(1,023)	(1,211)
Operating expenses		(950)	(606)
Profit from operating activities before tax		**7,439**	**8,667**
Income tax expense		(141)	(246)
Profit from operating activities after tax		**7,298**	**8,421**
Net fair value movement of non-current assets sold during the period		368	10
Net fair value movement of non-current assets held at the end of the period	10	(5,297)	(5,559)
Net profit		**2,369**	**2,872**
Basic and diluted earnings per ordinary unit (cents)		1.39	1.69

The income statement should be read in conjunction with the accompanying notes.

Statement of comprehensive income

For the half year ended 31 December 2009

	Consolidated 1 Jul 2009 - 31 Dec 2009 $'000	Consolidated 1 Jul 2008 - 31 Dec 2008 $'000
Net profit	**2,369**	**2,872**
Other comprehensive income		
Currency translation differences	53	423
Fair value movements in derivative financial instruments	2,191	(23,868)
Total other comprehensive income for the period, net of tax	**2,244**	**(23,445)**
Total comprehensive income for the period	**4,613**	**(20,573)**

The statement of comprehensive income should be read in conjunction with the accompanying notes.

Distribution statement

For the half year ended 31 December 2009

	Note	Consolidated 1 Jul 2009 - 31 Dec 2009 $'000	Consolidated 1 Jul 2008 - 31 Dec 2008 $'000
Net profit attributable to unitholders of CWT		**2,369**	**2,872**
Earnings per unit (cents)		*1.39*	*1.69*
Adjusted for non operating and non cash items :			
Net fair value movement in non-current assets	10	5,297	5,559
Amortisation of fair value of derivatives on closed hedge positions		124	-
Deferred leasing incentives		(447)	-
Maintenance capital expenditure		(353)	-
Total income available for distribution		6,990	8,431
Less:			
Net fair value movement of non-current assets sold during the period - carried forward		(368)	(10)
Undistributed operating income carried forward		(1,087)	(416)
Distribution to unitholders	5	**5,535**	**8,005**
Distribution per unit (cents)		*3.25*	*4.70*

The distribution statement should be read in conjunction with the accompanying notes.

Balance sheet

As at 31 December 2009

	Note	Consolidated 31 Dec 2009 $'000	Consolidated 30 Jun 2009 $'000
Assets			
Current assets			
Cash and cash equivalents	4	6,242	5,841
Trade and other receivables		1,076	1,897
Prepayments		401	495
Derivative financial instruments		451	159
Total current assets		**8,170**	**8,392**
Non-current assets			
Investment properties	6	130,968	132,146
Vines	7	93,199	97,201
Intangible assets	8	21,533	21,786
Plant and equipment	9	5,827	5,978
Derivative financial instruments		93	69
Total non-current assets		**251,620**	**257,180**
Total assets		**259,790**	**265,572**
Liabilities			
Current liabilities			
Trade and other payables		2,907	3,148
Rent received in advance		834	888
Provision for distribution	5b	5,535	2,044
Derivative financial instruments		1,251	1,378
Interest bearing liabilities	11	-	2,163
Total current liabilities		**10,527**	**9,621**
Non-current liabilities			
Derivative financial instruments		5,311	6,919
Interest bearing liabilities	11	142,943	147,101
Total non-current liabilities		**148,254**	**154,020**
Total liabilities		**158,781**	**163,641**
Net assets		**101,009**	**101,931**
Equity			
Contributed equity	12	145,644	145,644
Retained earnings		(35,230)	(32,064)
Reserves		(9,405)	(11,649)
Total equity		**101,009**	**101,931**

The balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the half year ended 31 December 2009

Consolidated	Note	Issued Capital $'000	Retained Earnings $'000	Reserves $'000	Total $'000
Balance as at 1 July 2009		**145,644**	**(32,064)**	**(11,649)**	**101,931**
Changes in equity for the half year to 31 December 2009					
Distribution to unitholders	5	-	(5,535)	-	(5,535)
Total comprehensive income for the period:					
Net profit		-	2,369	-	2,369
Currency translation differences		-	-	53	53
Fair value movements in derivative financial instruments		-	-	(345)	(345)
Amounts transferred to finance costs during the year		-	-	2,083	2,083
Amounts transferred to income statement during the year		-	-	453	453
Balance as at 31 December 2009		**145,644**	**(35,230)**	**(9,405)**	**101,009**
Balance as at 1 July 2008		**145,644**	**4,359**	**2,569**	**152,572**
Changes in equity for the half year to 31 December 2008					
Distribution to unitholders	5	-	(8,005)	-	(8,005)
Total comprehensive income for the period:					
Net profit		-	2,872	-	2,872
Currency transalation differences		-	-	423	423
Fair value movements in derivative financial instruments		-	-	(23,519)	(23,519)
Amounts transferred to finance costs during the period		-	-	(349)	(349)
Amounts transferred to income statement during the year		-	-	-	-
Balance as at 31 December 2008		**145,644**	**(774)**	**(20,876)**	**123,994**

The statement of changes in equity should be read in conjunction with the accompanying notes.

Cash flow statement

For the half year ended 31 December 2009

	Note	Consolidated 1 Jul 2009 - 31 Dec 2009 $'000	Consolidated 1 Jul 2008 - 31 Dec 2008 $'000
Cash flows from operating activities			
Rental received		15,805	16,721
Interest received		117	476
Finance costs paid		(6,055)	(5,389)
Payments to suppliers		(1,929)	(1,814)
Income tax refund		-	25
Net cash flows from operating activities		**7,938**	**10,019**
Cash flows from investing activities			
Proceeds from disposal of property		1,945	150
Payment for vines, investment properties and developments		(353)	(481)
Net cash flows from / (used in) investing activities		**1,592**	**(331)**
Cash flows from financing activities			
Proceeds from borrowings		-	453
Repayment of borrowings		(6,912)	-
Derivative option fee paid		-	(120)
Derivative break costs paid		(162)	-
Distributions to unitholders		(2,044)	(8,114)
Net cash flows (used in) financing activities		**(9,118)**	**(7,781)**
Net increase in cash and cash equivalents		**412**	**1,907**
Translation difference arising on cash balances held in foreign currencies		(11)	66
Cash and cash equivalents at the beginning of the period		**5,841**	**13,690**
Cash and cash equivalents at the end of the period	4	**6,242**	**15,663**

The cash flow statement should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the half year ended 31 December 2009

1 Trust information

The consolidated financial report for the half year ended 31 December 2009 was authorised for issue in accordance with a resolution of the Directors of the Responsible Entity dated 3 February 2010.

Challenger Wine Trust (CWT) is an Australian registered managed investment scheme and is publicly traded on the Australian Securities Exchange (ASX).

The principal activity of the Trust during the period was to invest in a portfolio of high quality, strategically located vineyards and wineries that are leased primarily to wine companies. The vineyards and wineries are located across Australia and New Zealand.

2 Summary of significant accounting policies

The significant accounting policies which have been adopted in the preparation of the half year financial report are stated to assist in a general understanding of this report.

(a) Basis of preparation

The half year financial report has been prepared in accordance with the requirements of the Constitution, *Corporations Act 2001*, AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements.

For the purposes of statutory reporting the parent entity is CWT. The consolidated balance sheet and consolidated income statement comprises the financial position and performance of CWT and its controlled entities, collectively known as 'the Group'.

The half year financial report has been prepared on an historical cost basis, except for investment properties, vines, winery land and buildings, derivative financial instruments and available-for-sale financial assets, which have been measured at fair value.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half year financial report be read in conjunction with the annual report for the year ended 30 June 2009 and considered together with any public announcements made by CWT during the half year ended 31 December 2009 in accordance with the continuous disclosure obligations of the ASX listing rules.

Except for the matter referred to in Note 2(b) & 2(d) below, the accounting policies and methods of computation are the same as those adopted in the annual report for the period ended 30 June 2009.

(b) Application of new and revised accounting standards

Since 1 July 2009 CWT has adopted AASB 8 *Operating Segments*, AASB 101 (Revised) *Presentation of Financial Statements* and amendments to AASB 140 *Investment Property,* which are mandatory for annual reporting periods beginning on or after 1 January 2009. Adoption of these Standards did not have a significant impact on the amounts recognised in this financial report.

(c) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. Other than the process for determining fair value of investment properties, vines and derivative financial instruments, there are no key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next semi-annual reporting period.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

(d) Leases

Lease agreements entered into with lessees over vineyard properties and wineries are considered to be operating leases given that the Group retains substantially all the risks and benefits of ownership of the leased assets. Under certain circumstances, incentives such as rent-free periods may be offered to tenants. Such an incentive is amortised over the term of the lease as a reduction in rental income. The unamortised carrying amount of the incentive is reflected in the carrying value of the investment property and vines.

(e) Exchange rates used for foreign investments

The following exchange rates are used in translating foreign currency transactions, balances and financial statements:

	Half Year Ended 31 Dec 2009 AUD / NZD	Year Ended 30 Jun 2009 AUD / NZD	Half Year Ended 31 Dec 2008 AUD / NZD
Weighted average exchange rate	1.2466	1.2311	1.2096
Spot rate at the balance date	1.2360	1.2480	1.1930

3 Financial risk management

The Group's activities expose it to a variety of financial risks:

- market risk (including interest rate risk and currency risk);
- credit risk; and
- liquidity risk.

The Responsible Entity believes that the management of financial risks is fundamental to the Group's operations and to building unitholder value. The Board is responsible for CWT's risk management strategy and management is responsible for implementing the Board's strategy and for developing policies and procedures to identify, manage and mitigate risks across the Group's operations.

The Responsible Entity and CWT's manager (Challenger Management Investments Limited (CMSL)), as subsidiaries of Challenger Financial Services Group (CFSG) are subject to periodic review by the CFSG internal audit function.

The Board has adopted the CFSG Operational Risk Framework and formal policies in respect of compliance and operational risk management. Risks at both the Responsible Entity and CWT level are managed through the CFSG Operational Risk framework and include:

- regulatory and reporting risks;
- financial risks (such as liquidity, interest rate, currency and investment);
- legal risks (such as contract enforceability, covenants);
- operational risks (such as people, processes, infrastructure, technology); and
- reputation risks (such as investor relations, media management).

At the time of approving the half year consolidated financial report of CWT, the Board requires representation letters from management addressing risk management and internal compliance and controls relevant to risk.

Exposure to credit, liquidity, interest rate and currency risks arise in the normal course of the Group's business. Derivative financial instruments are used to hedge exposures to fluctuations in interest rates. Instruments used are interest rate swap contracts.

Notes to the financial statements (continued)

3 Financial risk management (continued)

All derivative financial instruments held within the Group are stated at fair value with any gains or losses arising from changes in fair value being taken directly to equity for the period. CWT has elected to undertake the hedge accounting treatment available under AASB 139 *Financial Instruments - Recognition and Measurement* for its derivative financial instruments. CWT has also adopted hedge accounting for foreign currency borrowings that provide a hedge against assets purchased and denominated in the foreign currency.

Financial risks impact the financial assets and liabilities of the Group. The Group's principal financial instruments, other than derivatives, comprise cash and cash equivalents, receivables, payables and interest bearing liabilities.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk comprises (amongst others) various types of risk including interest rate risk (due to fluctuations in interest rates) and currency risk (due to fluctuations in foreign exchange rates).

(i) Interest rate risk

Interest rate risk is the risk to the Group's earnings arising from movements in the interest rates, including changes in the absolute levels of interest rates, the shape of the yield curve, the margin between different yield curves and the volatility of interest rates. Financial instruments with floating rate interest expose the Group to cash flow interest rate risk.

It is CWT policy to manage the impact of interest rate movements on its debt servicing capacity, profitability and business requirements by entering into interest rate derivatives.

The purpose of using derivative financial instruments is to minimise financial risk from movements in interest rates. The Group's exposure to interest rate risk arises predominantly from liabilities bearing variable interest rates.

Hedging activity is performed using interest rate swaps. A swap transaction obliges the two parties to the contract to exchange a series of cash flows at specified intervals known as payment or settlement dates.

CWT policy is to enter into interest rate derivatives to effectively hedge a minimum of 60% of its borrowings over the life of the underlying lease from exposure to movements in interest rates.

At 31 December 2009, the Group has entered into interest rate derivatives to effectively hedge 71% (30 June 2009: 76%) of its exposure to movements in interest rates over the life of the underlying lease and 100% (30 June 2009: 100%) of its 31 December 2009 borrowing levels. The contracts require settlement of net interest receivable or payable on a quarterly basis. These derivative instruments have been designated as effective hedges and formal documentation of the hedging relationship has been maintained. The Group's derivative instruments are assessed on an ongoing basis and have been determined to be highly effective throughout the reporting periods for which they have been designated as effective. As a result of being an effective hedge any gains or losses from the changes in fair value of these derivative instruments are recognised directly in equity.

(ii) Currency risk

The consolidated entity's exposure to foreign currency risk relates primarily to investment properties that are denominated in New Zealand dollars. CWT manages these exposures by borrowing in foreign currency to provide a hedge against a net investment in a foreign entity.

Capital hedge

CWT has a policy to implement a natural capital hedge of a minimum of 90% of the total equity it has invested in foreign currency denominated assets by borrowing in the same foreign currency to insulate against movements in exchange rates, both favourable and unfavourable. At 31 December 2009, CWT has naturally hedged 96% (30 June 2009: 99%) of its foreign currency exposure.

Notes to the financial statements (continued)

3 Financial risk management (continued)

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. CWT aims to ensure that at all times it has appropriate credit risk management in place and that the Board and senior management are appropriately informed of the Group's credit risks.

CWT's approach to credit management utilises a credit risk framework to ensure that the following principles are adhered to:

- independence from the fund manager;
- appropriate segregation practices are in place to avoid conflicts of interest;
- credit exposures are systematically controlled and monitored;
- credit exposures are regularly reviewed in accordance with existing credit procedures;
- credit personnel are appropriately qualified and experienced; and
- credit exposures include such exposures arising from derivative transactions.

CWT makes primary use of both external and internal ratings. Internal ratings are expressed on the basis of Standard & Poor's rating definitions. Where an external rating is available (predominantly from Standard & Poor's, Moody's or Fitch), the internal rating will ordinarily be no greater than the lowest external rating assigned.

The credit risk in respect of derivative transactions is mitigated by entering into trades with counterparties with an A rating or above.

CWT minimises concentration of credit risk in relation to trade receivables by targeting that no more than 40% of the property portfolio shall be let by one tenant (largest tenant 38% (2009: 34%)) and providing leases only to tenants who are considered creditworthy third parties. It is CWT's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, rent receivable balances are monitored on an ongoing basis to ensure the Group's exposure to bad debts is managed through normal payment terms and review of any rental in arrears.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. This may result from either the inability to recover or settle financial assets at their face values or at all, a counterparty failing on repayment of a contractual obligation or the inability to generate cash inflows as anticipated.

CWT aims to ensure that it has sufficient liquidity to meet its obligations on a short-term and medium-term basis. In setting the level of sufficient liquidity, CWT considers new asset purchases and equity origination in addition to current contracted obligations. In summary, CWT considers minimum cash requirements, cash flow forecasts, acquisition and disposal pipeline and cash mismatches by maturity.

Notes to the financial statements (continued)

4 Cash and cash equivalents

	Consolidated 31 Dec 2009 $'000	Consolidated 30 June 2009 $'000
Cash at bank and in hand	3,005	3,474
Term deposit	237	2,367
Term deposit set off[i]	3,000	-
Total cash and cash equivalents	**6,242**	**5,841**

[i] Term deposit set off consists of $3,000,000 cash taken as security by one of CWT's lenders specifically for the purpose of applying against outstanding debt. Upon the successful underwriting of the Distribution Reinvestment Plan subsequent to period end, the cash has been applied by the counterparty and treated as a permanent reduction in the facility.

5 Distributions paid and declared

The following distributions are paid or payable for the period ended 31 December 2009:

	Consolidated 1 Jul 2009 - 31 Dec 2009 $'000	Consolidated 1 Jul 2008 - 31 Dec 2008 $'000
(a) Distributions declared and paid during the period to unitholders		
2009: Nil[i] (2008: Interim distribution for the quarter ended 30 September 2008 paid on 17 November 2008: 2.400 cents per unit)	-	4,088
(b) Distributions declared and recognised as a liability		
Interim distribution for the period ended 31 December 2009 payable on or about 9 February 2010: 3.25 cents per unit (2008: Interim distribution for the quarter ended 31 December 2008 paid on 16 February 2009: 2.300 cents per unit)	5,535	3,917
Total distributions (2009: 3.25 cents per unit; 2008: 4.70 cents per unit)	**5,535**	**8,005**
Prior period distributions paid during the period from prior period profits	2,044	4,026

[i] As announced on 6 August 2009, CWT has moved from quarterly to half yearly distributions for the 30 June 2009 distribution onwards.

6 Investment properties

	Consolidated 31 Dec 2009 $'000	Consolidated 30 Jun 2009 $'000
Investment properties	**130,968**	**132,146**

Revaluation of investment properties

Investment properties, which include land, buildings, integral infrastructure and water rights that are not able to be separately identified from properties and with no market defined cost base are stated at fair value which has been determined based on independent valuations from accredited industry valuers who are specialists in valuing these types of investment properties. The independent valuations are obtained from qualified valuers at least once every 18 months. In some cases, fair value is based on Directors' valuations which use guidance from internal valuation methods and discussions with external valuers.

Notes to the financial statements (continued)

7 Vines

	Consolidated 31 Dec 2009 $'000	Consolidated 30 Jun 2009 $'000
Vines	**93,199**	**97,201**

Revaluation of vines

Valuations of vineyard properties are obtained at least once every 18 months from suitably qualified valuers. The valuation of vines is determined by discounting the expected future cash flows from the vines.

8 Intangible assets

	Consolidated 31 Dec 2009 $'000	Consolidated 30 Jun 2009 $'000
Intangible assets (separable and tradeable water rights) at cost	**21,533**	**21,786**

Separable and tradeable water rights

Separable and tradeable water rights, which are included in intangible assets, provide the owner with an allocation of irrigation water for as long as the rights are held. Separable and tradeable water rights are able to be legally separated from properties and are able to be traded. Separable and tradeable water rights are recognised at cost less impairment losses. The cost is not amortised as the water licences are considered to have indefinite useful lives.

Due to the water rights being used for the provision of permanent planting of crops (vines) these water rights are held to support the vines and not for regular trading purposes.

The below table provides a summary of the fair value and carrying value of water rights owned by the Group:

	Consolidated 31 Dec 2009 $'000	Consolidated 30 Jun 2009 $'000
Intangible assets (separable and tradeable water rights)		
Water rights at fair value (as assessed by independent & Directors' valuations)	32,283	32,822
Fair value movements not recognised due to carrying water rights at cost	(10,750)	(11,036)
Total intangible assets (separable and tradeable water rights) at cost	**21,533**	**21,786**

9 Plant and equipment

	Consolidated 31 Dec 2009 $'000	Consolidated 30 Jun 2009 $'000
Winery plant and equipment	**5,827**	**5,978**

	Consolidated Winery P&E 31 Dec 2009 $'000	Consolidated Winery P&E 30 Jun 2009 $'000
Cost	9,980	9,973
Less: Accumulated impairment write-downs	(2,251)	(2,251)
Less: Accumulated depreciation	(1,902)	(1,744)
Net carrying amount	**5,827**	**5,978**

Notes to the financial statements (continued)

10 Investment properties, vines, intangible assets and plant and equipment

Details of the investment properties, vines, intangible assets and plant and equipment are presented below:

Property	Acquisition date	Country	Date of latest external/Directors' valuation	31 Dec 2009 Fair value $'000	30 Jun 2009 Fair value $'000	31 Dec 2009 Carrying value $'000	30 Jun 2009 Carrying value $'000
Corryton Park Vineyard (i)	Feb 1998	Australia	Jun 2009	2,500	2,500	2,500	2,500
Summers Hill Vineyard (ii)	Feb 1998	Australia	Dec 2009	1,200	1,400	1,200	1,400
Bethany Creek & Vine Vale Vineyards (i) (iii)	Oct 1998	Australia	Sold Aug 2009	-	750	-	750
Cowra Station Vineyard (iv)	Oct 1998	Australia	Dec 2009	740	1,000	740	1,000
Waikerie Vineyard (i)	Oct 1998	Australia	Dec 2009	1,435	1,500	1,127	1,329
Dalswinton Vineyard (v) (vi)	Jul 1999	Australia	Sold Sep 2009	-	1,250	-	827
Gundagai Vineyard (vii)	Sep 2000	Australia	Jun 2009	8,250	8,250	7,048	7,048
Schubert's Vineyard (i)	Jul 2001	Australia	Dec 2009	5,350	6,100	5,350	6,100
Hermitage Road Winery (v)	Oct 2001	Australia	Jun 2009	2,188	2,220	2,188	2,220
Chapel Vineyard (i)	Dec 2001	Australia	Dec 2009	1,270	1,900	1,270	1,900
Cocoparra & Woods Vineyards (viii)	Apr 2003	Australia	Jun 2009	12,027	12,000	10,543	10,516
Poole's Rock Vineyard & Winery (ix)	Nov 2004	Australia	Dec 2009	7,000	7,377	7,000	7,377
Whitton Vineyard (x)	Apr 2005	Australia	Dec 2009	4,300	4,600	3,700	4,000
Miamba Vineyards (xi)	Aug 2007	Australia	Jun 2009	11,397	11,250	11,397	11,250
Stephendale Vineyard (xii)	Sep 2007	Australia	Jun 2009	24,000	24,000	24,000	24,000
Total held by parent entity				**81,657**	**86,097**	**78,063**	**82,217**
Crownthorpe Vineyard (xiii)	Apr 2001	New Zealand	Dec 2009	25,255	24,817	25,255	24,817
Gimblett Vineyards (xiii)	Apr 2001	New Zealand	Dec 2009	6,290	6,471	6,290	6,471
Sirens Estate Vineyard (xiv)	Oct 2002	Australia	Jun 2009	3,325	3,325	3,325	3,325
Dashwood Vineyard (xv)	Oct 2002	New Zealand	Jun 2009	19,903	19,712	19,903	19,712
Del Rios Vineyard (i)	Jun 2003	Australia	Jun 2009	46,597	46,500	43,477	43,380
Balranald Vineyard (viii)	Dec 2003	Australia	Jun 2009	25,019	25,000	22,023	22,004
Qualco East Vineyard (i)	Dec 2003	Australia	Jun 2009	7,100	7,100	6,060	6,060
Richmond Grove & Lawsons Vineyards (xii)	Dec 2003	Australia	Dec 2009	32,000	33,500	32,000	33,500
Rarangi Vineyard (xvi)	Jun 2004	New Zealand	Dec 2009	15,131	15,625	15,131	15,625
Total held by controlled entities				**180,620**	**182,050**	**173,464**	**174,894**
Total consolidated				**262,277**	**268,147**	**251,527**	**257,111**
Variance between carrying value and fair value at period end (xvii)						**(10,750)**	**(11,036)**

	Consolidated 1 Jul 2009 - 31 Dec 2009 $'000	Consolidated 1 Jul 2008 - 30 Jun 2009 $'000
Reconciliation of the movement in the variance between carrying value and fair value for the year:		
Opening variance at beginning of the year	(11,036)	(8,378)
Disposal of Dalswinton Vineyard	423	-
Disposal of Inglewood Vineyard	-	107
(Decrease) in carrying value during the year due to recognising intangible assets at cost	(137)	(2,765)
Closing variance between carrying value and fair value of investment properties	**(10,750)**	**(11,036)**

The Directors have assessed fair value by reference to the following valuers' valuations and in accordance with CWT's valuation policy

(i) As valued by Jason Oster, B. Bus. Prop. (Val.), A.A.P.I., Dip. App. Sc. (Farm Management), Certified Practising Valuer of Knight Frank.
(ii) Held at Directors' valuation. Previous independent valuation by Jason Oster, B. Bus. Prop. (Val.), A.A.P.I., Dip. App. Sc. (Farm Management), Certified Practising Valuer of Knight Frank.
(iii) Bethany Creek and Vine Vale Vineyards sold for $0.75 million (net proceeds) on 4 August 2009.
(iv) As valued by David Sullivan, A.A.P.I., Certified Practising Valuer of Herron Todd White.
(v) As valued by Robin Gardner, F.A.P.I., Certified Practising Valuer of Herron Todd White.
(vi) Dalswinton Vineyard sold for $1.25 million (net proceeds) on 4 September 2009.
(vii) As valued by Adrian Pearce, A.A.P.I., Certified Practising Valuer of Herron Todd White.
(viii) As valued by John Carbone, Certified Practising Valuer of MIA Valuers Pty Ltd.
(ix) Held at Directors' valuation. Previous independent valuation by Angus Barrinton-Case, B. Bus. Prop (Val.), A.A.P.I., Certified Practising Valuer of Colliers International Consultancy and Valuation Pty Ltd.
(x) Held at Directors' valuation. Previous independent valuation by John Carbone, Certified Practising Valuer of MIA Valuers Pty Ltd.
(xi) As valued by Nicholas Cranna, B. Bus. Prop. (Val), A.A.P.I., Certified Practising Valuer of Colliers International Consultancy and Valuation Pty Ltd.
(xii) As valued by Angus Barrinton-Case, B. Bus. Prop. (Val.), A.A.P.I., Certified Practising Valuer of Colliers International Consultancy and Valuation Pty Ltd.
(xiii) As valued by Boyd Gross, B. Agr. (Rural Val), Dip. Bus. Std., A.N.Z.I.V., of Logan Stone.
(xiv) As valued by Alex Thamm, A.A.P.I., Certified Practising Valuer of Colliers International Consultancy and Valuation Pty Ltd.
(xv) As valued by Michael Penrose, F.N.Z.I.V., F.N.Z.P.I., Registered Valuer of TelferYoung (Hawkes Bay) Ltd.
(xvi) Held at Directors' valuation. Previous independent valuation by Michael Penrose, F.N.Z.I.V., F.N.Z.P.I., Registered Valuer of TelferYoung (Hawkes Bay) Ltd.
(xvii) Variance between carrying value and fair value at year end relates to intangible assets (water rights) carried at cost. Refer to further discussion in Note 10(a).

Notes to the financial statements (continued)

10 Investment properties, vines, intangible assets and plant and equipment (continued)

The reconciliation of the consolidated carrying values for the combined investment properties, vines, intangible assets and plant and equipment is detailed below:

	Consolidated 1 Jul 2009 - 31 Dec 2009 $'000	Consolidated 1 Jul 2008 - 30 Jun 2009 $'000
Carrying value at the beginning of the period	257,111	298,851
Capital expenditure	353	933
Disposals	(1,577)	(2,601)
Depreciation for the period	(158)	(313)
Foreign currency fluctuations	648	769
Impairment of non-current assets	-	(813)
Deferred leasing incentives	447	-
Net fair value movement(i)	(5,297)	(39,715)
Carrying value at the end of the period	**251,527**	**257,111**
(i) Net fair value movement for the period consists of:		
(Decrease) from revaluation of non-current assets	(5,160)	(36,950)
(Decrease) in carrying value due to recognising intangible assets at cost	(137)	(2,765)
Total net fair value movement for the period	**(5,297)**	**(39,715)**

(a) Definition of fair value and carrying value of the Group's properties

(i) Fair value

The fair value of the Group's properties represents the amount at which the assets could be exchanged between a knowledgeable willing (but not anxious) buyer and a knowledgeable willing (but not anxious) seller in an arm's length transaction at the date of valuation, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. In determining fair value, the independent valuers or the Directors have reviewed comparable sales or discounted the expected net cash flows applicable to each property to their present value using a market determined, risk-adjusted discount rate applicable to the respective asset.

The fair value of CWT's properties at 31 December 2009 is $262.3 million (30 June 2009: $268.1 million) which includes intangible assets (separable and tradeable water rights) carried at fair value.

(ii) Carrying Value

The carrying value of the Group's property is determined as the fair value, as described in Note 10(a)(i), adjusted for any fair value movements in intangible assets (separable and tradeable water rights), which are carried at cost. The carrying value of the Group's properties at 31 December 2009 is $251.5 million (30 June 2009: $257.1 million) which includes intangible assets (separable and tradeable water rights) carried at cost.

The variance between the fair value and the carrying value of the Group's properties at 31 December 2009 is $10.8 million (30 June 2009: $11.0 million). This variance is the gain in the fair value of the Group's separable and tradeable water rights which has not been recognised in the income statement due to carrying intangible assets at cost.

(b) Assets pledged as security

First mortgages have been granted as security for bank loans (Note 11) over all investment properties, vines, intangible assets and plant and equipment. The terms of the first mortgages preclude the assets being sold or being used as security for further mortgages without the permission of the first mortgage holder.

Notes to the financial statements (continued)

10 Investment properties, vines, intangible assets and plant and equipment (continued)

(c) Key valuation assumptions

The fair value of the Group's property is determined based on independent valuations from accredited industry valuers who are specialists in valuing these types property. The independent valuations are obtained from qualified valuers at least once every 18 months. The Directors of the Responsible Entity make reference to these independent valuations when assessing the fair value of property at each reporting date. In some cases, fair value is based on Directors' valuations which use guidance from internal valuation methods and discussions with external valuers.

The key valuation assumptions used when determining a properties fair value is set out below:

	31 Dec 2009				30 Jun 2009			
		Key Valuation Assumptions				Key Valuation Assumptions		
Property	Valuation Method[(i)]	Rate per hectare[(ii)]	Discount rate	Fair value $'000	Valuation Method[(i)]	Rate per hectare[(ii)]	Discount rate	Fair value $'000
Corryton Park Vineyard	DCF	$60,000/ha	12.25%	2,500	DCF	$60,000/ha	12.25%	2,500
Summers Hill Vineyard	Summation	$62,500/ha	-	1,200	DCF	$80,000/ha	11.50%	1,400
Bethany Creek & Vine Vale Vineyards (iii)	-	-	-	-	N/A	-	-	750
Cowra Station Vineyard	Summation	$12,000/ha	-	740	Summation	$15,000/ha	-	1,000
Waikerie Vineyard	Summation	$32,500/ha	-	1,435	DCF	$35,000/ha	13.50%	1,500
Dalswinton Vineyard (iv)	-	-	-	-	N/A	-	-	1,250
Gundagai Vineyard	Summation	$25,951/ha	-	8,250	Summation	$25,951/ha	-	8,250
Schubert's Vineyard	Summation	$70,000/ha	-	5,350	DCF	$80,000/ha	12.25%	6,100
Hermitage Road Winery (v)	Summation	-	-	2,188	Summation	-	-	2,220
Chapel Vineyard	Summation	$45,000/ha	-	1,270	Summation	$55,000/ha	-	1,900
Cocoparra & Woods Vineyards	DCF	$42,000/ha	12.00%	12,027	DCF	$42,000/ha	12.00%	12,000
Poole's Rock Vineyard & Winery (v)	Summation	$45,000/ha	-	7,000	Summation	-	-	7,377
Whitton Vineyard	DCF	$36,000/ha	12.00%	4,300	DCF	$41,000/ha	10.25%	4,600
Miamba Vineyards	DCF	$73,719/ha	12.00%	11,397	DCF	$73,719/ha	12.00%	11,250
Stephendale Vineyard	DCF	$38,427/ha	11.50%	24,000	DCF	$38,427/ha	11.50%	24,000
Total held by parent entity				**81,657**				**86,097**
Crownthorpe Vineyard (vi)	DCF	$77,386/ha	10.60%	25,255	DCF	$79,862/ha	10.50%	24,817
Gimblett Vineyards (vi)	DCF	$124,007/ha	11.60%	6,290	DCF	$137,316/ha	11.50%	6,471
Sirens Estate Vineyard	DCF	$59,239/ha	10.50%	3,325	DCF	$59,239/ha	10.50%	3,325
Dashwood Vineyard (vi)	DCF	$133,932/ha	10.50%	19,903	DCF	$133,932/ha	10.50%	19,712
Del Rios Vineyard	DCF	$45,000/ha	13.50%	46,597	DCF	$45,000/ha	13.50%	46,500
Balranald Vineyard	DCF	$50,000/ha	12.00%	25,019	DCF	$50,000/ha	12.00%	25,000
Qualco East Vineyard	DCF	$37,500/ha	13.50%	7,100	DCF	$37,500/ha	13.50%	7,100
Richmond Grove & Lawsons Vineyards	DCF	$56,642/ha	11.50%	32,000	DCF	$62,160/ha	12.00%	33,500
Rarangi Vineyard (vi)	DCF	$137,544/ha	11.00%	15,131	DCF	$160,269/ha	10.50%	15,625
Total held by controlled entities				**180,620**				**182,050**
Total consolidated				**262,277**				**268,147**

Notes:

(i) DCF - a Discounted Cash Flow approach has been used to determine the fair value of the subject property. Summation - includes a direct comparison of comparable sales to determine the fair value of the subject property.

(ii) Rate per hectare is the rate per planted hectare of vines including fair value of water rights as determined by an external valuer.

(iii) Bethany Creek and Vine Vale Vineyards sold for $0.75 million (net proceeds) on 4 August 2009.

(iv) Dalswinton Vineyard sold for $1.25 million (net proceeds) on 4 September 2009.

(v) For winery properties the external valuers use a summation approach to determine the value of the winery buildings, vineyard, land and plant and equipment. The value of each individual component of the property is determined using either the direct comparison or capitalisation method. The values for each part are then added together to determine the overall value of the property.

(vi) NZD rates per hectare converted at the 31 Dec 2009 AUD / NZD spot rate of 1.2360 (30 Jun 2009: 1.2480).

Notes to the financial statements (continued)

11 Interest bearing liabilities

	Consolidated 31 Dec 2009 $'000	Consolidated 30 Jun 2009 $'000
Current		
Bank bill facilities	-	2,163
Total current interest bearing liabilities	**-**	**2,163**
Non-current		
Bank bill facilities	143,035	147,217
Less: Unamortised borrowing costs	(92)	(116)
Total non-current interest bearing liabilities	**142,943**	**147,101**
Total interest bearing liabilities	**142,943**	**149,264**
Interest bearing loans and borrowings by currency:		
AUD borrowings	78,879	83,679
NZD borrowings[(i)]	64,156	65,701
Less: Unamortised borrowing costs	(92)	(116)
Total interest bearing loans and borrowings	**142,943**	**149,264**

(i): NZD interest bearing loans and borrowings converted at the 31 December 2009 AUD / NZD spot rate of 1.2360 (30 June 2009: 1.2480).

Interest bearing liabilities maturity profile:

The following table sets out the carrying amount, by maturity, of the Group's financing facilities as at the balance date:

Period ended 31 December 2009	<1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	>5 years $'000	Total $'000	Weighted average effective interest rate %
Consolidated								
Bank bill facilities	-	57,931	85,104	-	-	-	143,035	8.04%
Facilities unused at reporting date	-	11,319	607	-	-	-	11,926	
Total facilities	-	69,250	85,711	-	-	-	154,961	
Year ended 30 June 2009								
Consolidated								
Bank bill facilities	2,163	60,013	87,204	-	-	-	149,380	8.04%
Facilities unused at reporting date	-	11,737	607	-	-	-	12,344	
Total facilities	2,163	71,750	87,811	-	-	-	161,724	

The total combined Australian and New Zealand dollar borrowing facilities available at balance date were $155.0 million (30 June 2009: $161.7 million). The facilities have maturity dates staggered between May 2011 and May 2012. Unless otherwise disclosed, the carrying amount of the Group's current and non-current borrowings approximate their fair value. During the current period and prior year, there were no defaults or breaches on any of the loans.

Notes to the financial statements (continued)

12 Contributed equity

	Consolidated 1 Jul 2009 - 31 Dec 2009 $'000	Consolidated 1 Jul 2008 - 31 Dec 2008 $'000
Ordinary units		
Equity balance at the beginning of the period	145,644	145,644
Equity balance at the end of the period	**145,644**	**145,644**
	Units '000	**Units '000**
Ordinary units on issue at the beginning of the period	170,313	170,313
Total units on issue at the end of the period	**170,313**	**170,313**

Capital management

CWT manages its capital to ensure it will be able to continue as a going concern while maximising optimal returns to unitholders through the optimisation of debt and equity balances. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the Group.

The capital structure of the Group consists of debt, cash and cash equivalents, issued capital and reserves and retained earnings. CWT's management reviews the capital structure regularly and balances its overall capital structure through payment of distributions, new unit issues (including Distribution Reinvestment Plan (DRP)) and unit buy-backs as well as the drawing of new debt or repayment of existing debt.

Hedging is utilised to minimise interest rate and foreign exchange risk exposure.

Capital risk is monitored against policies, guidelines and externally imposed covenants:

	CWT policy	31 Dec 2009	30 Jun 2009
Gearing	Targeted gearing limit of 45% - 55%(i)	53%	54%
Interest rate risk	To effectively hedge the interest on greater than 60% of drawn debt over the life of the underlying lease	71%	76%
Foreign currency risk	Capital hedging - Maintain a natural capital hedge against a minimum of 90% of the total value of assets invested offshore	96%	99%

(i) CWT's targeted gearing limit is calculated as debt / total assets (with assets recognised at fair value as disclosed in Note 10).

During the current and prior year, the financial covenants under the borrowing facilities were complied with.

CWT reactivated its Distribution Reinvestment Plan (DRP) on 30 November 2009 for the 31 December 2009 half-year unitholder distribution, which is to be paid on or about 9 February 2010. Elections to participate were required to be received by 31 December 2009.

Under the terms of the DRP, eligible unitholders are able to elect to reinvest all or part of their distribution in additional units, free from any brokerage or other transaction costs, rather than being paid in cash. The issue price will be 27.07 cents, a 5% discount to the five-day volume weighted average price between 27 January 2010 and 2 February 2010.

The DRP has been underwritten to an amount equal to the distribution less the Challenger Financial Services Group (CSFG) committed amount of 27.74%, up to a maximum of $3,997,000.

Notes to the financial statements (continued)

13 Segment information

Identification of reportable segments

Operating segments have been determined based on reports reviewed by CWT's Manager (Challenger Management Services Limited (CMSL) represented by the CWT Fund Manager and Head of Real Estate) that are used to make strategic decisions. Based on these reports it has been determined that CWT has a single operating segment. The Group operates entirely within Australasia, investing in vineyard properties and wine infrastructure assets for lease to vineyard and winery operators with similar characteristics, risks and returns.

Information about geographic areas

Revenue is attributable to geographic locations based on the location of the customers. Rental income from external customers by geographic locations is detailed below:

	Consolidated 1 Jul 2009 - 31 Dec 2009 $'000	Consolidated 1 Jul 2008 - 31 Dec 2008 $'000
Rental income		
Australia	12,640	13,755
New Zealand	2,932	2,930
Total rental income	**15,572**	**16,685**

The geographic location of non-current assets other than financial instruments is as follows:

	Consolidated 31 Dec 2009 $'000	Consolidated 30 Jun 2009 $'000
Non-current assets excluding financial instruments		
Australia	184,948	190,486
New Zealand	66,579	66,625
Total non-current assets excluding financial instruments	**251,527**	**257,111**

Major tenants

The Group has a number of tenants to which it leases its vineyard properties. The Group has three major tenants who individually amount to 10% or more of the rental income of the Trust. These three tenants represent 72% (2008: 71%) of total rental income for the half-year ended 31 December 2009.

14 Contingent assets and liabilities

As at balance date there are no material contingent liabilities or contingent assets.

15 Events subsequent to the balance sheet date

On 3 February 2010 all required conditions to the underwriting of the DRP were met, enabling it to proceed as proposed on 4 December 2009. 20.45 million units will be issued under the DRP, on or about 9 February 2009.

As a result of the successful underwriting, $3,000,000 of reserved cash has been released to reduce gearing on one of CWT's debt facilities.

Other than those items discussed above, there has been no matter or circumstance that has arisen since the end of the interim period that has significantly affected, or may significantly affect the Group's operations in future financial years, the results of those operations, or the Group's state of affairs in future financial years.

Statement by the Directors of the Responsible Entity of CWT

On the half year financial report of the Challenger Wine Trust

In accordance with a resolution of the Directors of Challenger Listed Investments Limited (the Responsible Entity of the Challenger Wine Trust (herein known by its ASX code "CWT")), I state that:

In the opinion of the Directors:

(a) The consolidated financial statements and notes of CWT are in accordance with the CWT Constitution and the *Corporations Act 2001*, including:

(i) giving a true and fair view of CWT as at 31 December 2009 and of its performance for the half year ended on that date; and

(ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*; and

(b) There are reasonable grounds to believe that CWT will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Brenda Shanahan
Chair

Sydney
3 February 2010

Ernst & Young

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To the unitholders of Challenger Wine Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Challenger Wine Trust ("Trust"), which comprises the balance sheet as at 31 December 2009, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the Trust and the entities it controlled at the half-year end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Trust are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Challenger Wine Trust and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is attached to the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Challenger Wine Trust is not in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half year ended on that date; and

ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Elliott Shadforth
Partner
Sydney
3 February 2010

Directory

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ARSN 092 960 060

Australian Securities Exchange (ASX) code
CWT

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