challenger

Appendix 4E - Results for announcement to the market

Annual results for the year ended 30 June 2010

Challenger Wine Trust (CWT) ARSN 092 960 060

Results for announcement to the market

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

	Year ended 30-Jun-10 $'000	Year ended 30-Jun-09 $'000	Change $'000	Change %
Revenue from ordinary activities	31,324	33,495	(2,171)	(6.5%)
Net (loss) / profit after tax attributable to members	(14,709)	(24,331)	9,622	(39.5%)
Add back:				
Net realised gains from sale of assets	(117)	(60)	57	
Impairment of non-current assets	4,118	813	(3,305)	
Fair value decrements in non-current assets	26,179	39,715	13,536	
Foreign exchange gain	(305)	-	305	
Profit from operating activities after tax	15,166	16,137	(971)	(6.0%)

2.4/2.5 Amounts per security of all distributions paid/payable during the year:

	Ordinary units (cents per unit)	Record date	Payment date
Interim distribution	3.25	31-Dec-09	9-Feb-2010
Final distribution	1.00	30-June-10	30-Aug-2010
Total distribution	4.25		

2.6 Explanation of figures in 2.1 to 2.4

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

- Annual results market release
- Annual Financial Report

3/4/5. For a statement of financial performance, financial position and cash flows together with notes to the statements refer to attached annual Financial Report.

6. Details of distribution:

	Ordinary units (cents per unit)	Payment date	Total distribution $'000
Interim distribution	3.25	9-Feb-2010	5,535
Final distribution	1.00	30-Aug-2010	1,908
Total distribution	4.25		7,443

7. For a statement of retained earnings refer to attached annual Financial Report.

8. Net tangible assets and net asset value per security:

	30-Jun-10 (cents per unit)	30-Jun-09 (cents per unit)	Change %
Net Tangible Assets (NTA) per unit	$0.33	$0.47	(29.8%)
Net Asset Value (NAV) per unit	$0.44	$0.60	(26.7%)
Net Independent Value (NIV) per unit	$0.49	$0.66	(25.8%)

9. No control has been gained or lost over another entity during the year.

10. No associates or joint venture transactions were entered into during the year.

11. All significant information has been released to the market.

12. Not applicable.

13. For commentary on the results for the year refer to the attached annual results market release.

14/15/16. Refer to attached audited annual Financial Report.

Suzanne Koppenkastrop

Suzie Koeppenkastrop
Company Secretary

27 August 2010
Date

MARKET RELEASE

CWT FY10 OPERATING PROFIT AFTER TAX: $15.2 MILLION

Key points

- Profit from operating activities after tax of $15.2 million or 8.5 cent per unit (cpu)
- FY10 distribution of 4.25 cpu; 2H10 distribution of 1.0 cpu
- Industry conditions remain challenging, impacting property valuations and LVRs
- 17 properties (85%) independently valued as at 30 June 2010 with 10.2% devaluation across the portfolio; remainder revalued as at 31 December 2009. Total FY10 property decrement: $30.3 million
- Net Independent Value (NIV) 49 cpu as at 30 June 2010
- Occupancy: 99.4%; weighted average lease term to expiry (WALE): 4.1 years
- Covenant gearing at 57.0%[1]; operating within all bank covenants with reduced LVR headroom
- Capital management alternatives under review

27 August 2010, Sydney – Challenger Wine Trust (ASX:CWT) today announced profit from operating activities after tax of $15.2 million for the twelve months ended 30 June 2010 (FY10), down 6.0% on prior year (FY09). Net property income of $30.9 million was down 5.2% from FY09, primarily due to the impact of a one-off rent rebate, combined with a reduction of income from properties sold. Operating costs remained steady. Statutory net profit after tax was a loss of $14.7 million after allowing for an unrealised property revaluation decrement of $30.3 million.

CWT Fund Manager Nick Gill said: “CWT has produced another strong cashflow result in FY10 with $15.2 million operating profit, equivalent to 8.5 cpu. Notwithstanding this result, ongoing adverse macro conditions for the wine industry continue to impact grape prices and therefore the underlying value of vineyard assets. CWT’s property revaluations reflect this deterioration, and property write-downs have again negatively impacted LVRs and reduced CWT’s banking covenant headroom.”

A final distribution of 1.0 cpu will be paid on 30 August 2010 to unitholders on the register at the record date of 30 June 2010, bringing total distributions for FY10 to 4.25 cpu.

Industry conditions

The vineyard sectors in Australia and New Zealand are progressing remedial actions to counter the over supply of wine grapes. In Australia, approximately 8%[2] of vines have already been removed from an

[1] Weighted average; includes $7.2 million term deposit set-off account applied against debt
[2] CWT estimate

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

estimated 157,000 hectares, with more expected to be removed. In New Zealand lower yield limits have been imposed to reduce volumes and vineyard removals are expected to commence.

This year's Australian grape intake of 1.53 million tonnes was down 12% on 2009. Grape harvest prices have fallen by 35% over the past two years. In New Zealand the 2010 vintage was down by around 8% easing excess stock levels, while grape prices have fallen by 40% over the past two years.

Stronger Australian and New Zealand currencies in major export markets have further impacted wine company profitability. Australia exports around 63% of its wine production; export volume was up 3% year-on-year to June 2010, while the average price was down 14%. New Zealand exports around 65% of its production with year-on-year volume up 26% and price down 17%.

The above issues continue to adversely impact vineyard valuations across the industry.

Portfolio and property valuations

CWT property values fell by $25.1 million in the second half of FY10, driven by a devaluation in CWT's New Zealand properties, and the Gundagai (NSW) property. Including the $5.2 million decrement to carrying value in the first half of the year, the FY10 portfolio decrement totals $30.3 million. Seventeen properties, representing 85% of the portfolio by value, were independently valued at 30 June 2010 and all properties have been independently valued in the past eight months.

CWT's underlying portfolio metrics remain relatively well placed with occupancy at 99.4% and a WALE of 4.1 years. The next lease expiries occur in April 2011 on two of the four New Zealand properties. These properties – Crownthorpe and Gimblet Gravels – represent 9% of portfolio income and are tenanted by Delegat's Group; re-lease negotiations will commence shortly. Delegat's is one of the largest producers of wines in New Zealand and their Oyster Bay brand is one of the largest selling NZ wines in the UK, Australia and Canada.

Capital management

CWT has borrowings of $134.7[3] million from two domestic banks. Debt has reduced by $17.2 million over the past year on the back of capital management initiatives including property sales, retention of distributions, and an underwritten DRP.

Notwithstanding a strong operating profit of $15.2 million in FY10, available headroom against LVR banking covenants remains tight as a consequence of declining property valuations. Weighted average covenant gearing as at 30 June 2010 was 57.0% compared to 54.0% at 31 December 2009.

[3] For the purpose of banking covenants as at 30 June 2010; includes out of the money derivatives where applicable

In light of the narrowed headroom, the potential for vineyard values to fall further, and the next debt maturity in May 2011, CWT is conducting a review of capital management alternatives to ensure ongoing compliance with banking covenants and to position CWT to secure refinancing. To this end, advisors have been appointed to assist with the review and CWT is in active discussions with various parties in relation to these alternatives.

Property sales

CWT has continued to sell down properties as a part of its capital management program. During the first half of FY10 the sales of Dalswinton vineyard in the Hunter Valley and Bethany Creek and Vine Vale vineyards in the Barossa Valley were settled with net proceeds of $2.0 million. During the second half of the year, CWT sold the Cowra Vineyard (NSW) for $0.5 million and recently terms have been agreed on the sale of Gundagai land and improvements for $1.0 million, excluding the high security water rights.

Outlook

CWT Fund manager Nick Gill said: “The challenges for the industry will continue into FY11 as it moves to rebalance supply and demand, which will lead to further removals of vines in Australia. The wine companies appear to be responding to the new market dynamics. Our largest tenant - Australian Vintage Limited - recently reported improved profit and cashflow, stating that it has transformed its asset and cost base by exiting grape contracts and implementing other initiatives.

“CWT’s wine company tenancies and WALE of 4.1 years continues to provide security of cashflow during this period of adjustment for the industry.”

ENDS

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.

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)

Financial Report

For the year ended 30 June 2010

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 financial report for CWT, for the year ended 30 June 2010.

Principal activities

Challenger Wine Trust 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

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

Directors' summary

The following persons held office as Directors of CLIL during the year and up to the date of this report:

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

Qualifications, experience and special responsibilities of Directors and Key Management Personnel

Directors

Brenda Shanahan
B Comm AICD
Chair
Non-Executive Director Independent

Ms Shanahan is a Graduate of Melbourne University in Economics and Commerce and a Fellow of the Institute of Directors. She has a research and institutional background in finance in Australia and overseas economies and sharemarkets. She has held executive positions in stock broking, investment management and an actuarial firm.

Ms Shanahan is a Non-Executive Director of JM Financial Group Limited and Non-Executive Chairman of Clinuvel Pharmaceuticals Ltd. Ms Shanahan is a former director of Challenger Financial Services Group Limited. Ms Shanahan is currently Chair of St Vincent's Medical Research Institute in Melbourne.

Ms Shanahan is a member of the CLIL Audit and Compliance Committee.

Directors' report (cont.)

Directors (cont.)

Michael Cole
B.Ec M.Ec F Fin
Non-executive Director Independent

Mr Cole is a Graduate of the University of Sydney in Economics and possesses a Master of Economics. He is also a Fellow of the Financial Services Institute of Australia. Mr Cole has over 30 years experience in the investment banking and funds management industry. He was an Executive Director at Bankers Trust Australia for over a decade. Mr Cole is currently Chair of Platinum Asset Management Ltd, Ironbark Capital Limited, and IMB Ltd (Illawarra Mutual Building Society). As well, Mr Cole is a director of NSW Treasury Corporation. In 2007 Mr Cole retired as Chair of SAS Trustee Corporation, a position he held from 2000.

Mr Cole is a member of the CLIL Infrastructure Investment Committee

Ian Martens
FCA, FAICD
Non-executive Director Independent

Mr Martens is a chartered accountant and was senior partner at BDO Chartered Accountants (SA), where he is now a consultant. Throughout his career Mr Martens has advised a broad range of public and private companies on financial measurement and reporting, strategy development and evaluation and merger and acquisitions activities.

Mr Martens retired as Chairman of RAA Insurance Ltd in March 2008 and as a Director of the Royal Automobile Association of SA Inc in February 2009. He was appointed the Chairman of The Creeks Pipeline Company Ltd in January 2009.

Mr Martens is Chairman of the CLIL Audit and Compliance Committee and member of the CLIL Property Investment Committee

Geoff McWilliam
BE (Civil)
Non-executive Director Independent

Mr McWilliam has had an extensive career in the Australian property investment industry. Mr McWilliam spent 10 years to 2005 building the Commonwealth Bank's property funds management and corporate real estate division, Colonial First State Property. As head of this business, he was responsible for the management and performance of over $16 billion in listed and unlisted property funds. Prior to this, Mr McWilliam spent 23 years with Lend Lease Corporation in a variety of senior management roles including international postings. Over the last five years Mr McWilliam has been appointed to various property groups as an independent director.

Mr McWilliam is a director of Lend Lease Funds Management Limited, Lend Lease Asian Retail Investments Limited, Lend Lease Real Estate Investments Limited, St Laurence Limited (NZ), the Gandel Group Limited, ProTen Limited, Trinity Funds Management Limited and the Dusseldorp Skills Forum Incorporated, and is a Fellow of the Australian Property Institute.

Mr McWilliam is Chairman of the CLIL Property Investment Committee.

Directors' report (cont.)

Directors (cont.)

Ian Moore
BA, FIA, FIAA
Non-executive Director Independent

Mr Moore has extensive experience in investment banking and structured finance. Mr Moore was Head of Corporate Finance at Bankers Trust Investment Bank where he was responsible for all forms of corporate debt, project debt and asset backed debt financings. Prior to that, Mr Moore was Head of Fixed Income at Bankers Trust where he was responsible for the trading and placement of all government, corporate and securitised debt. Mr Moore was a member of Bankers Trust's Investment Bank Management Committee and a partner of Bankers Trust globally. Mr Moore is currently a Fellow of the Institute of Actuaries of Australia and the Institute of Actuaries in London.

Mr Moore is a member of the CLIL Audit and Compliance Committee and Chairman of the CLIL Infrastructure Investment Committee.

Brendan O'Connor
B Bus, CA, GAICD
Executive Director

Mr O'Connor is the Chief Financial Officer for Challenger's Funds Management division. Mr O'Connor is responsible for the services that support the Funds Management business as well as the financial management and reporting for the Funds Management division's funds, including the Challenger Wine Trust.

Prior to joining Challenger in 2006, Mr O'Connor held several senior finance roles with Westpac Banking Corporation. Prior to this, Mr O'Connor spent over six years at KPMG.

Rob Woods
BCom
Executive Director

Mr Woods is Joint Chief Executive, Funds Management at Challenger. The Funds Management business manages $20.2 billion of property, infrastructure, fixed income, mortgages and equities for third party investors and Challenger Life Company.

Mr Woods joined Challenger in 2003 and was initially responsible for Challenger's Life business and the creation of Challenger's Asset Management business, before assuming his current role in 2008.

Prior to joining Challenger, Mr Woods held senior investment banking roles at Zurich Capital Markets and Bankers Trust.

Directors' report (cont.)

Key Management Personnel

Trent Alston
B Build (Hons), GMQ, AMP
Head of Real Estate

Mr Alston joined Challenger in February 2006. As Head of Real Estate, Mr Alston is responsible for Challenger's property funds management and investment strategy, and for the management and performance of all Challenger wholesale property vehicles.

Prior to joining Challenger, Mr Alston spent seven years at Colonial First State, most recently in the role of General Manager, Wholesale Funds in the property division. In this role, Mr Alston was responsible for the management and performance of a portfolio of unlisted funds and client mandates valued at in excess of $8.0 billion.

Mr Alston has over 20 years experience in the property investment industry, including roles in property funds management, corporate real estate, development and project management with Colonial First State and Lend Lease.

Nick Gill
B Ag Econ, MBA, FCIS
Fund Manager, Challenger Wine Trust (CWT)

Mr Gill joined Challenger in November 2006 in the role of Fund Manager and has specific responsibility for ongoing management of CWT. This includes responsibility for CWT strategy, financial and investment performance and transaction evaluation and execution.

Mr Gill has over 23 years experience in the corporate agribusiness and investment industries, including roles in corporate strategy, commercial management and investment with Macquarie Bank, SunRice Limited, Twynam Agricultural Group, Colly Cotton Limited and Rural Property Trust.

Company Secretary

Chris Robson
BA, LLB (Hons), LLM
General Counsel and Group Company Secretary

Mr Robson is a qualified solicitor and is the Group Company Secretary and General Counsel of the Challenger Financial Services Group Limited. He is also a non-independent director of certain subsidiaries of the Challenger Group. His responsibilities include leading the legal and company secretariat teams within the Business Services division of the Challenger Group.

Suzie Koeppenkastrop
B Comm, LLB, LLM
Company Secretary

Ms Koeppenkastrop is a qualified solicitor and Head of the Company Secretariat team at Challenger. Ms Koeppenkastrop has over 14 years experience in legal and company secretarial roles in the financial services industry.

Directors' report (cont.)

Review and results of operations

Consolidated profit from operating activities (before tax, impairments, asset sales, fair value movements, and foreign exchange) for the year ended 30 June 2010 was $15.3 million (2009: $16.5 million). The consolidated net loss after tax for the year ended 30 June 2010 attributable to unitholders of CWT was $14.7 million (2009: net loss $24.3 million). The following table provides an analysis of the result:

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Revenue from operating activities	31,324	33,495
Profit from operating activities before tax	15,286	16,504
Income tax expense	(120)	(367)
Net fair value movement in non-current assets held at the end of the year(i)	(26,179)	(39,715)
Net (loss) / profit attributable to unitholders of CWT	(14,709)	(24,331)
Distribution to unitholders 2010: 4.25 cents per unit (2009: 7.10 cents per unit)	7,443	12,092

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

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
(Decrease) / increase from revaluation of non-current assets	(28,062)	(36,950)
Increase / (decrease) in carrying value due to recognising intangible assets at cost	1,883	(2,765)
Net fair value movement in non-current assets held at the end of the year	**(26,179)**	**(39,715)**

Distributions

An interim distribution of 3.25 cents per unit equal to $5.5 million (2009: 5.90 cents per unit equal to $10.1 million) was paid to unitholders on 9 February 2010. On 10 June 2010 CWT announced an estimated final distribution of 1.00 cent per unit equal to $1.9 million (2009: 1.20 cents per unit equal to $2.0 million) to be paid on 30 August 2010.

CWT reactivated its Distribution Reinvestment Plan (DRP) on 30 November 2009. The issue price for the half year ended 31 December 2009 DRP was 27.07 cents. The interim DRP was underwritten to an amount equal to the distribution less the Challenger Financial Services Group (CSFG) committed amount of 27.74%.

The DRP was deactivated for the final distribution for the six months ended 30 June 2010.

An analysis of distributions is contained in the following table:

	Consolidated 30 June 2010 cents	Consolidated 30 June 2009 cents
(a) Distributions declared and paid during the year to unitholders		
Interim distributions in respect of the year ended 30 June 2010 paid on 9 February 2010 (2010: 170,312,633 units totalling $5.5m, 2009: 170,312,633 units totalling 10.1m)	3.25	5.90
(b) Distributions proposed and recognised as a liability		
Final distribution in respect of the year ended 30 June 2010 to be paid on 30 August 2010 (2010: 190,759,842 units totalling $1.9m, 2009: 170,312,633 units totalling 2.0m)	1.00	1.20
Total distribution in respect of the year ended 30 June 2010, $7.4m (2009: $12.1m)	4.25	7.10

Units on issue

190,759,842 (2009: 170,312,633) ordinary units were on issue at 30 June 2010. An additional 20,447,209 units were issued on 9 February 2010 under the interim DRP. No units were withdrawn during the year.

Directors' report (cont.)

Earnings per unit

Basic earnings per unit amounts are calculated by dividing the net (loss) / profit after tax attributable to ordinary unitholders by the weighted average number of securities outstanding during the year.

The below table reflects the income and security data used in the basic earnings per unit computations:

	Consolidated 30 June 2010	Consolidated 30 June 2009
Net (loss) / profit attributable to unitholders ($'000)	(14,709)	(24,331)
Time weighted average number of units for basic and diluted earnings per unit at year end (Number of units in thousands)	178,267	170,313
Basic and diluted earnings per unit for net (loss) / profit attributable to unitholders (cents per unit)	(8.25)	(14.29)

Trust assets

At 30 June 2010 CWT held assets to a total value of $240.1 million (2009: $265.6 million). The accounting policies surrounding the valuation of the assets are disclosed in Note 2 to the financial statements.

Fees paid to the Responsible Entity and associates

The following table discloses all fees paid by CWT to CLIL under the CWT Constitution and to Challenger Management Services Limited (CMSL) under the management agreement with CLIL:

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
a) Responsible Entity fees for the year paid or payable to CLIL	300	300
b) Management fees for the year paid or payable to CMSL	1,708	2,050
Total fees as per the income statement	**2,008**	**2,350**
c) Transaction fees for the year paid or payable to CMSL which have been capitalised to property acquisitions and developments	16	10
Total fees paid or payable for the year	**2,024**	**2,360**

Total expenses paid by CWT to reimburse CMSL in respect of costs paid on behalf of CWT for the year ended 30 June 2010 were $147,234 (2009: $105,104).

All transactions were in accordance with agreements.

Interests held in CWT by related entities

Challenger Life Company Limited (CLC), a related entity of CLIL, holds 52,922,555 ordinary units (28%) as at 30 June 2010 (2009: 47,249,788 ordinary units (28%)).

CLC and CLIL are wholly owned subsidiaries of Challenger Financial Services Group Limited (CFSG).

Directors' report (cont.)

Capital management

In light of the narrowed gearing covenant headroom at 30 June 2010, the potential for investment property values to further decline, and CWT's next debt maturity in May 2011, CWT is conducting a review of capital management alternatives to ensure ongoing compliance with banking covenants and to position itself to secure refinancing. Advisors have been appointed to assist with a review of capital management alternatives and CWT is in active discussions on recapitalisation alternatives.

CWT has a $58.2 million debt facility maturing in May 2011. As at 26 August 2010, no other debt facilities mature within twelve months. The expiration of this debt facility has contributed to current liabilities exceeding current assets, resulting in a net current liability of $60.2 million.

Significant changes in the state of affairs

There were no significant changes to the state of affairs of CWT during the year, other than those changes identified in the financial statements.

Significant events after the balance date

There has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect:

(a) CWT's operations in future financial years; or

(b) the results of those operations; or

(c) 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.

Environmental regulation and performance

CWT owns properties which are subject to environmental regulations under both Commonwealth and State legislation. The Directors are satisfied that adequate systems were in place for the management of the environmental responsibilities and the compliance with various legislative, regulatory and licence requirements. Further, the Directors are not aware of any breaches to these requirements and to the best of their knowledge all activities have been undertaken in compliance with environmental requirements.

Directors' report (cont.)

Indemnification and insurance of Directors and Officers

The Responsible Entity has insured the Directors and Officers against liabilities incurred in their role as Directors and Officers of the Responsible Entity. The Responsible Entity is prohibited by the insurance contract itself from disclosing the nature of the liabilities covered and the amount of the premium. The auditors of CWT are not indemnified out of the assets of CWT.

Fund Manager and CFO declaration

The Fund Manager and Chief Financial Officer have given a declaration to the Board of Directors that in their opinion the financial records of CWT have been properly maintained in accordance with section 286 of the Corporations Act 2001, and the financial statements and notes for the financial year ended 30 June 2010 comply with accounting standards and give a true and fair view.

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 auditors, Ernst & Young as set out on page 11.

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

Brenda Shanahan
Chair

Sydney
26 August 2010

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

In relation to our audit of the financial report of Challenger Wine Trust for the financial year ended 30 June 2010, 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
Sydney

26 August 2010

Income Statement

For the year ended 30 June 2010

	Note	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Property income			
Rental income		31,075	32,783
Less: Property related expenses		(147)	(163)
Net property income		**30,928**	**32,620**
Interest income		249	712
Expenses			
Finance costs	4	(12,614)	(13,184)
Responsible Entity's and Manager's fees	24(f)	(2,008)	(2,350)
Operating expenses	5	(1,269)	(1,294)
Profit from operating activities before tax		**15,286**	**16,504**
Income tax expense	6	(120)	(367)
Profit from operating activities after tax		**15,166**	**16,137**
Impairment of non-current assets	5	(4,118)	(813)
Net fair value movement of non-current assets sold during the year		117	60
Net fair value movement of non-current assets held at the end of the year	16	(26,179)	(39,715)
Foreign exchange gain		305	-
Net (loss) / profit		**(14,709)**	**(24,331)**
Basic and diluted earnings per ordinary unit (cents)	8	(8.25)	(14.29)

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

Statement of Comprehensive Income

For the year ended 30 June 2010

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Net (loss) / profit after tax	**(14,709)**	**(24,331)**
Other comprehensive income		
Currency translation differences	(192)	135
Fair value movements in derivative financial instruments	(373)	(14,353)
Total other comprehensive income for the period	**(565)**	**(14,218)**
Total comprehensive income for the period	**(15,274)**	**(38,549)**

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

Distribution Statement

For the year ended 30 June 2010

	Note	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Net (loss) / profit attributable to unitholders of CWT		**(14,709)**	**(24,331)**
Earnings per unit (cents)		*(8.25)*	*(14.29)*
Adjusted for:			
Non cash items			
Impairment of non-current assets	5	4,118	813
Net fair value movement of non-current assets held at the end of the year	16	26,179	39,715
Amortisation of fair value of derivatives on reset hedge positions		536	62
Deferred leasing incentives		(886)	-
Other items			
Net fair value movement of non-current assets sold during the year - undistributed		(117)	-
Foreign exchange gain		(305)	-
Net income available for distribution		**14,816**	**16,259**
Less:			
Maintenance capital expenditure - paid from current year net income		(711)	-
Fair value movement of derivatives on reset hedged positions		(1,057)	(4,167)
Undistributed operating income used to pre-pay debt		(5,605)	-
Distribution to unitholders	7	**7,443**	**12,092**
Distribution per unit (cents)		*4.25*	*7.10*

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

Balance Sheet

As at 30 June 2010

	Note	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Assets			
Current assets			
Cash and cash equivalents	9	11,001	5,841
Trade and other receivables	10	1,469	1,897
Prepayments	11	357	495
Derivative financial instruments	23	280	159
Investment property - held for sale	12	1,000	-
Intangible assets - held for sale	14	208	-
Deferred tax asset		92	-
Total current assets		**14,407**	**8,392**
Non-current assets			
Investment properties	12	125,058	132,146
Vines	13	77,707	97,201
Intangible assets	14	20,700	21,786
Plant and equipment	15	2,175	5,978
Derivative financial instruments	23	-	69
Total non-current assets		**225,640**	**257,180**
Total assets		**240,047**	**265,572**
Liabilities			
Current liabilities			
Trade and other payables	17	3,819	3,148
Rent received in advance		1,326	888
Provision for distribution	7(b)	1,908	2,044
Derivative financial instruments	23	2,121	1,378
Interest bearing liabilities	18	65,379	2,163
Total current liabilities		**74,553**	**9,621**
Non-current liabilities			
Derivative financial instruments	23	6,089	6,919
Interest bearing liabilities	18	74,907	147,101
Total non-current liabilities		**80,996**	**154,020**
Total liabilities		**155,549**	**163,641**
Net assets		**84,498**	**101,931**
Equity			
Contributed equity	19	150,928	145,644
Retained earnings	20	(54,216)	(32,064)
Reserves	21	(12,214)	(11,649)
Total equity		**84,498**	**101,931**
Net asset value per unit ($)		**0.44**	**0.60**

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

Statement of Changes in Equity
For the year ended 30 June 2010

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 year ended 30 June 2010					
Distribution to unitholders	7	-	(7,443)	-	**(7,443)**
Total comprehensive income for the period		-	(14,709)	(565)	**(15,274)**
Units issued, net of transaction costs		5,284	-	-	**5,284**
Balance as at 30 June 2010		**150,928**	**(54,216)**	**(12,214)**	**84,498**
Balance as at 1 July 2008		**145,644**	**4,359**	**2,569**	**152,572**
Changes in equity for the year ended 30 June 2009					
Distribution to unitholders	7	-	(12,092)	-	**(12,092)**
Total comprehensive income for the period		-	(24,331)	(14,218)	**(38,549)**
Units issued, net of transaction costs		-	-	-	**-**
Balance as at 30 June 2009		**145,644**	**(32,064)**	**(11,649)**	**101,931**

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

Cash Flow Statement

For the year ended 30 June 2010

	Note	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Cash flows from operating activities			
Rental received		31,055	30,764
Interest received		249	712
Finance costs paid		(11,939)	(12,593)
Payments to suppliers		(2,531)	(3,643)
Derivative payments on closed hedge positions on debt repayment		(328)	(267)
Derivative payments on reset of hedge positions		(427)	(4,105)
Income tax paid		-	(290)
Net cash flows from operating activities	9(a)	**16,079**	**10,578**
Cash flows from investing activities			
Proceeds from disposal of property		2,434	2,662
Payment for maintenance capital expenditure, vines, investment properties and developments		(1,094)	(481)
Net cash flows from investing activities		**1,340**	**2,181**
Cash flows from financing activities			
Proceeds from borrowings		-	638
Repayment of borrowings		(9,980)	(7,088)
Derivative option fee paid		-	(120)
Distributions to unitholders		(2,044)	(14,074)
Equity raising costs		(252)	-
Net cash flows (used in) / from financing activities		**(12,276)**	**(20,644)**
Net increase / (decrease) in cash and cash equivalents		5,143	(7,885)
Effects of foreign exchange		17	36
Cash and cash equivalents at beginning of year		5,841	13,690
Cash and cash equivalents at end of year	9	**11,001**	**5,841**

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

Notes to the Financial Statements

1 Trust information

The financial report for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors dated 17 August 2010.

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

The principal activity of CWT during the year was to invest 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.

2 Summary of significant accounting policies

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

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Constitution, Corporations Act 2001, applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has also been prepared on an historical cost basis, except for investment properties, vines, winery land and buildings, and derivative financial instruments.

In light of the narrowed gearing covenant headroom at 30 June 2010, the potential for investment property values to further decline, and CWT's next debt maturity in May 2011, CWT is conducting a review of capital management alternatives to ensure ongoing compliance with banking covenants and to position itself to secure refinancing. Advisors have been appointed to assist with a review of capital management alternatives and CWT is in active discussions on recapitalisation alternatives.

CWT has a $58.2 million debt facility maturing in May 2011. As at 26 August 2010, no other debt facilities mature within twelve months. The expiration of this debt facility has contributed to current liabilities exceeding current assets, resulting in a net current liability of $60.2 million.

Based on the progress of the review of capital management alternatives by the Board, the Directors have concluded that there are reasonable grounds to believe that the going concern basis is appropriate.

The accounting policies adopted in preparing these consolidated financial statements have been consistently applied by CWT unless otherwise specified.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and Corporations Regulations 2001.

A summary of the significant accounting policies of CWT is disclosed at Note 2(b).

Notes to the Financial Statements (cont.)

2 Summary of significant accounting policies (cont.)

(b) New reporting standards

Accounting standards and interpretations issued and adopted

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.

Where necessary comparative figures have been reclassified to conform with changes in presentation in these financial statements. Comparative figures have also been reclassified in the note on segment information to correspond with the new format for that note.

CWT has early adopted the amendments to accounting standard AASB 101 *Presentation of Financial Statements* made by AASB Amendment 2010-4 *Amendments to Australian Accounting Standards* arising from the Annual Improvements project effective from 30 June 2010. Adoption of this Standard did not have a significant impact on the amounts recognised in this financial report.

The adoption of *AASB 2009-2: Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments* introduced into this financial report certain additional disclosures in respect of the source of inputs to the fair value measurement of financial instruments.

Accounting standards and interpretations issued but not yet effective

There are numerous amendments to Australian Accounting Standards that were available for early adoption but have not been applied in this financial report. Other than those arising from future changes to the accounting for financial instruments (described in more detail below), the application of amendments relevant to CWT would have only resulted in minor disclosure impacts if they had been adopted early.

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* was issued in December 2009 and provides revised guidance on the classification and measurement of financial instruments.

The new standard introduces a reduction in criteria for a financial instrument to be measured at amortised cost and requires all other financial instruments to be measured at fair value. The new standard also limits the ability to recognise fair value movements on financial assets directly in equity.

CWT is required to apply this standard for the first time in the 30 June 2014 financial report and is currently assessing the impact. The classification of financial instruments will be assessed on the facts at the date of initial application and it is possible that current classifications may change upon adoption of the new standard.

Notes to the Financial Statements (cont.)

2 Summary of significant accounting policies (cont.)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of CWT and its controlled entities.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Controlled entities are consolidated from the date on which the CWT parent obtains control and cease to be consolidated from the date on which control is transferred out of CWT. Where loss of control over an entity occurs, the consolidated financial statements include the results for the part of the reporting period during which the CWT parent had control.

(d) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to CWT and the revenue can be reliably measured. Revenue brought to account but not received at balance date is recognised as a receivable.

Rental income arising on investment properties is recognised in accordance with the provisions of the lease. The basic rent rate is increased annually in accordance with the terms of the lease. All rental income is recognised net of Goods and Services Tax (GST).

Interest income is recognised as interest accrues using the effective interest method.

(e) Depreciation

Investment properties and Vines (including integral infrastructure and water rights) are not required to be depreciated as per AASB 140 *Investment properties* and AASB 141 *Agriculture* respectively. Winery plant and equipment are depreciated on a straight-line basis over their expected useful life. Major depreciation periods are:

	30 June 2010	30 June 2009
Fermentation and storage	20-25 years	20-25 years
Winery buildings	40 years	40 years
Winery plant	7.5-15 years	7.5-15 years

(f) Income tax

(i) Eligible investment business

Under current legislation CWT undertakes activities of an 'eligible investment business' that is investing in land and vines for the purpose of, or primarily for the purpose of, deriving rent, and is therefore taxed as a pass through managed investment scheme.

(ii) New Zealand tax payable

One of CWT's controlled entities, Delegats Trust, is treated as a company for New Zealand tax purposes as deriving rental income from New Zealand property is deemed to be taxable income of the trustee. As a result Delegats Trust is required to calculate and pay tax in New Zealand at the New Zealand company tax rate (2010: 30%; 2009: 30%). Deferred income tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilised.

Notes to the Financial Statements (cont.)

2 Summary of significant accounting policies (cont.)

(g) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand, short-term deposits, and term deposit set-off. Short-term deposits have an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Term deposit set-off relates to security taken by one of CWT's lenders for the purpose of applying against outstanding debt.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(h) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that CWT will not be able to collect the debt. Bad debts are written off when identified.

(i) 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 measured initially at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Independent valuations of investment properties are obtained at least once every 18 months from qualified valuers as per CWT policy, unless the directors determine that a valuation is to be obtained in the intervening period. At each reporting date between obtaining independent valuations, internal valuations are prepared. The valuations are completed in accordance with AASB 140 *Investment Property* and the fair value definitions, and the IFRS determination that fair value may be assessed utilising a discounted cash flow approach. The key valuation assumptions used by the independent valuers are outlined in Note 16(c). Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Water rights are included in investment properties when they are not legally separate from such properties and for which there is no market against which cost can be reliably determined.

The majority of CWT's leases include an option or right of first refusal for the lessee to purchase the property from CWT during the option term, which is generally at the end of the lease or, if at any time during the lease period if CWT wishes to dispose of the property. The option deed is integrally linked to the underlying lease of the property and therefore forms part of the fair value consideration supplied by the independent valuer. As a result, these options are not considered to be embedded derivatives and are not recognised separately from the properties.

(j) Vines

Vines are initially recorded at cost including transaction costs. Subsequent to initial recognition the vines are stated at fair value. Gains or losses arising from changes in the fair values of vines are recognised in profit or loss in the year in which they arise.

Independent valuations of vineyards are obtained at least once every 18 months from qualified valuers as per CWT policy, unless the directors determine that a valuation is to be obtained in the intervening period. At each reporting date between obtaining independent valuations, internal valuations are prepared. The valuations are completed in accordance with AASB 141 *Agriculture* and the fair value definitions, and the IFRS determination that fair value may be assessed utilising a discounted cash flow approach. The key valuation assumptions used by the independent valuers are outlined in Note 16(c).

Notes to the Financial Statements (cont.)

2 Summary of significant accounting policies (cont.)

(k) Plant and equipment

Winery plant and equipment is stated at historical cost, including relevant transactions costs, less accumulated depreciation and any accumulated impairment losses.

(l) Leases

Leases are classified as either operating leases or finance leases at the date of inception of the lease. A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all of the risks and benefits incidental to ownership of leased assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Lease agreements entered into with lessees over vineyard properties and wineries are considered to be operating leases given that CWT retains substantially all the risks and benefits of ownership of the leased assets. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset. 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.

Under the terms and conditions of the lease contract, lessees are responsible for the following:

- Payment of relevant rates, taxes and levies;
- Costs incurred to preserve and maintain the land and the vines growing in the land in accordance with best viticultural practice, including pruning, irrigation, fertilisation, etc;
- Expenditure on any additional plant that will remain the lessee's property;
- Maintenance, repair and replacement of items of a structural and/or capital nature; and
- All operational costs related to the growing of grapes.

CWT will reimburse the lessee for any agreed alterations and additions to the leased vineyards and wineries, with rental payments adjusted accordingly.

(m) Intangible assets

Separable and tradable water rights

Separable and tradable 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 tradable water rights are able to be legally separated from properties and are able to be traded.

Separable and tradable water rights are recognised at cost less any accumulated impairment losses. The cost is not amortised as the water licences 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.

Notes to the Financial Statements (cont.)

2 Summary of significant accounting policies (cont.)

(n) Trade and other payables

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to CWT prior to the end of the financial year that are unpaid and arise when CWT becomes obliged to make future payments in respect of the purchase of the goods and services.

(o) Goods and Services Tax

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

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(p) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless CWT has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Gains and losses are recognised in the income statement when the liabilities are derecognised.

Financing costs include both interest on borrowings and amortisation of fair value of derivatives on reset hedge positions. Interest on borrowings is recognised as an expense when incurred. The amortisation of fair value of derivatives on reset hedge positions is recognised as an expense over the life of the original hedge term unless the new hedge is deemed ineffective, in which case the entire expense is recognised at the date of becoming ineffective.

(q) Contributed equity

Ordinary units are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

(r) Earnings per unit

Basic earnings per unit (EPU) is calculated as net profit / (loss) attributable to ordinary unitholders of the CWT parent entity, divided by the time weighted average number of ordinary units. Diluted EPU is calculated as net profit / (loss) attributable to ordinary unitholders of the CWT parent entity divided by the time weighted average number of ordinary units adjusted for the effects of all dilutive potential ordinary units.

Notes to the Financial Statements (cont.)

2 Summary of significant accounting policies (cont.)

(s) Derivative financial instruments and hedging

CWT uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative, on a trade by trade basis.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to profit or loss for the year.

The fair value of interest rate swap contracts are determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction.

At the inception of a hedge relationship, CWT formally designates and documents the hedge relationship to which CWT wishes to apply hedge accounting and the risk management objectives and strategies for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

(i) Cash flow hedges

The effective portion of the gain or loss on the cash flow hedge is recognised directly in equity, while the ineffective portion is recognised in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

(t) Segment reporting

Operating segments have been determined based on the reports reviewed by CWT's Manager (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. CWT 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.

Notes to the Financial Statements (cont.)

2 Summary of significant accounting policies (cont.)

(u) Significant accounting judgements

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 and vines as described in Note 2(i) and 2(j) and derivative financial instruments in Note 2(s), there are no key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of CWT's assets and liabilities within the next annual reporting period.

(v) Foreign currency translation

Both the functional and presentation currency of CWT and its Australian controlled entities is Australian dollars. The functional currency of the New Zealand controlled entity (Delegats Trust) is New Zealand dollars and is reported in Australian dollars.

Transactions in foreign currencies are initially recorded by CWT in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency, are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of Delegats Trust are translated into the presentation currency of CWT at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the year.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Exchange rates used

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

	30 June 2010 NZD	30 June 2009 NZD
Weighted average exchange rate	1.2546	1.2311
Spot rate at the balance date	1.2283	1.2480

Notes to the Financial Statements (cont.)

2 Summary of significant accounting policies (cont.)

(w) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- CWT retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- CWT has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risk and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When CWT has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of CWT's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that CWT could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of CWT's continuing involvement is the amount of the transferred asset that CWT may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of CWT's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(x) Impairment of assets

At each reporting date CWT assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, CWT makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. Assets tested for impairment include plant & equipment and intangible assets.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

Notes to the Financial Statements (cont.)

2 Summary of significant accounting policies (cont.)

(x) Impairment of assets (cont.)

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(y) Distributions

In accordance the CWT constitution, the Responsible Entity must determine the distributable income of CWT for each financial year, which may include income and/or capital, with the Responsible Entity determining whether an amount is income or capital. The distribution may be paid in cash and/or units and must be made within 90 days after each balance date.

A provision for distribution is recognised where the distribution has been declared prior to the end of the balance date.

3 Financial risk management

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

- Market risk (including currency risk and interest rate risk);
- Credit risk; and
- Liquidity risk.

The Responsible Entity believes that the management of financial risks is fundamental to CWT'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 CWT's operations.

The Responsible Entity as a subsidiary of Challenger Financial Services Group (CFSG) is 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 risk (such as investor relations, media management).

Notes to the Financial Statements (cont.)

3 Financial risk management (cont.)

At the time of approving the financial statements 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 arises in the normal course of CWT's business. Derivative financial instruments are used to hedge exposures to fluctuations in interest rates. Instruments used include interest rate swap contracts.

All interest rate derivative financial instruments held within CWT are stated at fair value with any gains or losses arising from changes in fair value being taken directly to equity for the year. CWT has elected to undertake the hedge accounting treatment available under AASB 139 for its derivative financial instruments.

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

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial instruments are disclosed in Note 2.

(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 CWT'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 the different yield curves and the volatility of the interest rates.

Financial instruments with floating rate interest expose CWT to cash flow interest rate risk.

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

At 30 June 2010 CWT has entered into interest rate derivatives to hedge 64% (2009: 76%) of its exposure to movements in interest rates over the life of underlying leases and 83% (2009: 100%) of its 30 June 2010 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. CWT'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.

Notes to the Financial Statements (cont.)

3 Financial risk management (cont.)

(ii) Currency risk

CWT's exposure to foreign currency risk relates primarily to investment properties that are denominated in New Zealand dollars. CWT manages this exposure by borrowing in New Zealand dollars to provide a hedge against the 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 of CWT that is invested in foreign currency denominated assets. This is achieved by borrowing in the same foreign currency to insulate against movements in exchange rates, both favourable and unfavourable. At 30 June 2010 CWT has naturally hedged 114% (2009: 99%) of its foreign currency exposure.

(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 CWT's credit risks.

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

- independence from the fund manager;
- appropriate segregation practices 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 S&P 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 ensuring no more than 40% of the property portfolio shall be leased by one tenant 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 CWT'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; or a counterparty failing on repayment of a contractual obligation; or the inability to generate cash inflows as anticipated such as the raising of equity.

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 such as maturing debt. In summary CWT considers: minimum cash requirements; cash flow forecasts; acquisition and disposal pipeline; and cash mismatches by maturity.

Notes to the Financial Statements (cont.)

4 Finance costs

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Finance costs		
Amortisation of fair value of derivatives on reset hedge positions	536	62
Interest expense	12,078	13,122
	12,614	**13,184**

5 Operating expenses

	Note	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Operating expenses			
Custodian fees		32	72
Consultant fees		175	236
Auditor's remuneration	26	95	81
Depreciation		317	313
Net fair value of derivatives on closed hedge positions on debt repayment		328	205
Other costs		627	387
		1,269	**1,294**
Impairment of non-current assets			
Impairment of plant and equipment	15	3,493	813
Impairment of intangible assets	14	625	-
		4,118	**813**

Notes to the Financial Statements (cont.)

6 Income tax expense

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Income tax expense		
New Zealand income tax expense	120	367
	120	**367**

New Zealand tax payable
One of CWT's controlled entities (Delegats Trust), is treated as a company for New Zealand tax purposes, as deriving rental income from New Zealand property is deemed to be taxable income of the trustee. A reconciliation of the New Zealand income tax expense is provided in the table below:

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
(a) Reconciliation of New Zealand income tax expense		
Consolidated operating profit before tax for the year ended 30 June 2010	15,286	16,504
Operating profit not attributable to Delegats Trust	(13,530)	(14,593)
Delegats operating profit before tax for the year ended 30 June 2010	**1,756**	**1,911**
Net timing adjustments relating to difference in reporting and tax years (i)	(18)	(22)
Delegats operating profit before tax for the year ended 31 March 2010	**1,738**	**1,889**
At the NZ statutory company tax rate of 30% (2009: 30%)	**521**	**567**
Adjustments for (tax effect of):		
Amortisation of facility establishment costs	-	1
Depreciation of investment properties	(227)	(244)
Australian sourced interest income	(4)	(10)
Add: tax (loss) / provision for the period 1 April 2010 to 30 June 2010 (i)	(93)	77
Less: tax expense for the period 1 April 2009 to 30 June 2009 (i)	(77)	-
Income tax refund relating to prior years	-	(24)
New Zealand income tax expense	**120**	**367**

(i) New Zealand has a tax year ending 31 March. Accordingly, a timing adjustment is required when reconciling from CWT's 30 June reporting year end.

Notes to the Financial Statements (cont.)

7 Distributions paid and proposed

The following distributions were paid or payable during the year ended 30 June 2010:

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
(a) Distributions declared and paid during the year to unitholders		
Interim distribution: 3.25 cents per unit (2009: 5.90 cents per unit)	5,535	10,048
(b) Distributions proposed and recognised as a liability		
Final distribution: 1.00 cents per unit (2009: 1.20 cents per unit)	1,908	2,044
Total distributions 4.25 cents per unit (2009: 7.10 cents per unit)	**7,443**	**12,092**

An underwritten DRP was in place for the 31 December 2009 interim distribution. The DRP was deactivated for the 30 June 2010 final distribution.

8 Earnings per unit

	Consolidated 30 June 2010	Consolidated 30 June 2009
Basic and diluted earnings per ordinary unit (cents)	(8.25)	(14.29)

The diluted earnings per unit are the same as the basic earnings per unit as no dilutionary potential ordinary units have been issued. The following table reflects the income and unit data used in the basic and diluted earnings per unit computations.

	Consolidated 30 June 2010	Consolidated 30 June 2009
Net (loss) / profit attributable to unitholders ($'000)	(14,709)	(24,331)
Weighted average number of ordinary units for basic and diluted earnings per unit (thousands)	178,267	170,313

There have been no other transactions involving ordinary units or potential ordinary units between the reporting date and the date of completion of these financial statements.

Notes to the Financial Statements (cont.)

9 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following at year end:

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Cash at bank and in hand	3,796	3,474
Term deposits	5	2,367
Term deposit set-off	7,200	-
Total cash and cash equivalents	**11,001**	**5,841**

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Term deposits are made for varying periods of between seven days and three months, depending on the immediate cash requirements of CWT and earn interest at the respective short-term deposit rates.

Term deposit set off relates to security taken by one of CWT's lenders for the purpose of applying against outstanding debt.

(a) Reconciliation of net profit to net cash flows from operations

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Net (loss) / profit	**(14,709)**	**(24,331)**
Non-cash items or items not included in the income statement:		
Depreciation of non-current assets	317	313
Amortisation of facility establishment costs	48	48
positions	536	62
Impairment of non-current assets	4,118	813
Net fair value movement of non-current assets sold during the year	(117)	(60)
Net fair value movement of non-current assets held at the end of the year	26,179	39,715
Deferred leasing incentives	(886)	-
Net unamortised fair value of derivatives paid on reset hedge positions	(427)	(4,167)
Classified as financing activities:		
Foreign exchange gain	(305)	-
Changes in assets and liabilities		
Decrease / (increase) in trade and other receivables	428	(1,491)
Decrease / (increase) in prepayments	138	(396)
Increase / (decrease) in trade creditors and other payables	201	583
Increase / (decrease) in income tax payable	120	-
Increase / (decrease) in unearned income	438	(511)
Net cash flows from operating activities	**16,079**	**10,578**

Notes to the Financial Statements (cont.)

10 Trade and other receivables

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Trade receivables[(i)]	876	1,654
Accrued rental income	231	228
Receivable on sale of non-current asset [(ii)]	362	-
Other receivables	-	15
Total trade and other receivables	**1,469**	**1,897**

(i) Trade receivables are non-interest bearing and generally 30 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. No allowances for doubtful debts have been recognised in the current year.

(ii) The receivable on sale of non-current asset relates to the settlement balance on the Cowra vineyard which is due on 24 September 2010.

11 Prepayments

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Prepaid interest	328	436
Other prepayments	29	59
Total prepayments	**357**	**495**

Notes to the Financial Statements (cont.)

12 Investment properties

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Investment properties		
Opening fair value	132,146	137,603
Transfer to investment property held for sale	(1,000)	-
Maintenance capital expenditure	687	413
Disposals	(1,635)	(442)
Deferred leasing incentives	331	-
Foreign currency fluctuations	664	506
Net fair value movement	(6,135)	(5,934)
Carrying amount at the end of the year	**125,058**	**132,146**
Current asset - investment property held for sale	1,000	-
Total investment properties at fair value	**126,058**	**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 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.

13 Vines

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Vines		
Opening fair value	97,201	130,319
Maintenance capital expenditure	24	-
Disposals	(430)	-
Deferred leasing incentives	555	-
Foreign currency fluctuations	401	263
Net fair value movement	(20,044)	(33,381)
Total vines at fair value	**77,707**	**97,201**

Revaluation of vines

Vines 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 assets. Valuations of vines are determined by discounting the expected future cash flows from the vines.

Notes to the Financial Statements (cont.)

14 Intangible assets

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Intangible assets (separable and tradable water rights)		
Beginning of the year at cost less impairment losses	21,786	21,836
Transfer to intangible assets held for sale	(208)	-
Disposals	(253)	(50)
Impairment loss [(i)]	(625)	-
End of the year at cost less impairment losses	**20,700**	**21,786**
Current asset - intangible asset held for sale	208	-
Total intangible assets at cost less impairment losses	**20,908**	**21,786**

(i) During the current year the recoverable amount was estimated for certain water right entitlements. The recoverable amount estimation was based on the fair value as assessed by independent valuations. As a result, an impairment loss of $0.6 million (2009: Nil) was recognised to reduce the carrying amount of intangible assets to their recoverable amount.

Separable and tradable water rights

Separable and tradable 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 tradable water rights are able to be legally separated from properties and are able to be traded. Separable and tradable 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.

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

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Intangible assets (separable and tradable water rights)		
Water rights at fair value (as assessed by independent valuations)	29,638	32,822
Fair value movements not recognised due to carrying water rights at cost	(8,730)	(11,036)
Water rights at cost less impairment losses	**20,908**	**21,786**

Notes to the Financial Statements (cont.)

14 Intangible assets (cont.)

The below table provides a summary of CWT's tradable water right entitlements:

Valley	Licence Category	Entitlement (Megalitres)
30 June 2010		
Murrumbidgee River	River - High Security	9,182
Murray River Victoria	River - General Security	5,178
Murray River SA	River - General Security	1,642
Hunter River , NSW	River - Industrial and High	20
Padthaway , SA	Bore - General Security	598
Cowra, NSW	Bore - General Security	-
Total		**16,620**
30 June 2009		
Murrumbidgee River	River - High Security	9,182
Murray River Victoria	River - General Security	5,178
Murray River SA	River - General Security	1,642
Hunter River , NSW	River - Industrial and High	20
Padthaway , SA	Bore - General Security	598
Cowra, NSW	Bore - General Security	240
Total		**16,860**

15 Plant and equipment

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Winery plant and equipment		
Beginning of the year at net carrying value	5,978	6,743
Additions (at cost)	7	520
Disposals (WDV)	-	(159)
Depreciation for the year	(317)	(313)
Allowances for impairment losses(i)	(3,493)	(813)
End of the year at net carrying value	**2,175**	**5,978**

(ii) During the current year the recoverable amount was estimated for certain items of plant and equipment. The recoverable amount estimation was based on the fair value less costs to sell as assessed by independent valuations. As a result, an impairment loss of $3.5 million (2009: $0.8 million) was recognised to reduce the carrying amount of plant and equipment to its recoverable amount.

Winery plant and equipment	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Cost	9,980	9,973
Less: Accumulated impairment write-downs	(5,744)	(2,251)
Less: Accumulated depreciation	(2,061)	(1,744)
Net carrying amount	**2,175**	**5,978**

Notes to the Financial Statements (cont.)

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

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

Property	Acquisition date	Country	Date of latest independent valuation	30 June 2010 Fair value $'000	30 June 2009 Fair value $'000	30 June 2010 Carrying value $'000	30 June 2009 Carrying value $'000
Corryton Park Vineyard (v)	Feb 1998	Australia	Jun 2010	2,500	2,500	2,500	2,500
Summers Hill Vineyard (vi)	Feb 1998	Australia	Jun 2010	1,150	1,400	1,150	1,400
Bethany Creek & Vine Vale Vineyards (x)	Oct 1998	Australia	Sold Aug 2009	-	750	-	750
Cowra Station Vineyard (xiii)	Oct 1998	Australia	Sold Mar 2010	-	1,000	-	1,000
Waikerie Vineyard (i)	Oct 1998	Australia	Dec 2009	1,526	1,500	1,218	1,329
Dalswinton Vineyard (xi)	Jul 1999	Australia	Sold Sep 2009	-	1,250	-	827
Schubert's Vineyard (i)	Jul 2001	Australia	Dec 2009	5,562	6,100	5,562	6,100
Hermitage Road Winery (ii)	Oct 2001	Australia	Jun 2010	1,500	2,220	1,500	2,220
Chapel Vineyard (i)	Dec 2001	Australia	Dec 2009	1,270	1,900	1,270	1,900
Sirens Estate Vineyard (vii)	Oct 2002	Australia	Jun 2010	2,060	3,325	2,060	3,325
Cocoparra & Woods Vineyards (vi)	Apr 2003	Australia	Jun 2010	10,700	12,000	10,032	10,516
Del Rios Vineyard (i)	Jun 2003	Australia	Jun 2010	43,600	46,500	40,480	43,380
Balranald Vineyard (vi)	Dec 2003	Australia	Jun 2010	23,750	25,000	21,594	22,004
Qualco East Vineyard (i)	Dec 2003	Australia	Jun 2010	6,500	7,100	5,785	6,060
Richmond Grove & Lawsons Vineyards (vi)	Dec 2003	Australia	Dec 2009	32,000	33,500	32,000	33,500
Poole's Rock Vineyard & Winery (xii)	Nov 2004	Australia	Jun 2010	5,700	7,377	5,700	7,377
Whitton Vineyard (iv)	Apr 2005	Australia	Jun 2010	4,200	4,600	3,600	4,000
Miamba Vineyards (v)	Aug 2007	Australia	Jun 2010	10,601	11,250	10,601	11,250
Stephendale Vineyard (vi)	Sep 2007	Australia	Jun 2010	23,750	24,000	23,750	24,000
Crownthorpe Vineyard (viii)	Apr 2001	New Zealand	Jun 2010	19,565	24,817	19,564	24,817
Gimblett Vineyards (viii)	Apr 2001	New Zealand	Jun 2010	4,709	6,471	4,709	6,471
Dashwood Vineyard (ix)	Oct 2002	New Zealand	Jun 2010	17,911	19,712	17,911	19,712
Rarangi Vineyard (ix)	Jun 2004	New Zealand	Jun 2010	14,654	15,625	14,654	15,625
Total non-current				**233,208**	**259,897**	**225,640**	**250,063**
Gundagai Vineyard (iii)	Sep 2000	Australia	Jun 2010	2,370	8,250	1,208	7,048
Total current - held for sale				**2,370**	**8,250**	**1,208**	**7,048**
Total consolidated				**235,578**	**268,147**	**226,848**	**257,111**
Variance between carrying value and fair value at period end (xiv)						**(8,730)**	**(11,036)**

	Consolidated 1 Jul 2009 - 30 Jun 2010 $'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	107
Increase / (decrease) in carrying value during the year due to recognising intangible assets at cost	1,883	(2,765)
Closing variance between carrying value and fair value of investment properties	**(8,730)**	**(11,036)**

The Directors have assessed fair value by reference to the following valuers' valuations as described in Notes 2(i) and 2(j):

(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 Valuations SA.
(ii) As valued by Robin Gardner, F.A.P.I., Certified Practising Valuer of Herron Todd White.
(iii) Gundagai fair value consists of $1.00m in investment property (as per a negotiated sales contract) and $1.37m in water rights as valued by Adrian Pearce, A.A.P.I., Certified Practising Valuer of Herron Todd White.
(iv) As valued by John Carbone, A.A.P.I., Certified Practising Valuer of MIA Valuers Pty Ltd.
(v) As valued by Nicholas Cranna, B. Bus. Prop. (Val), A.A.P.I., Certified Practising Valuer, of Colliers International Consultancy and Valuation Pty Ltd.
(vi) As valued by Angus Barrington-Case, B. Bus (Prop), A.A.P.I., Certified Practising Valuer of Colliers International Consultancy and Valuation Pty Ltd.
(vii) As valued by Rod Davidson, A.A.P.I., Certified Practising Valuer of Hegney Property Valuations
(viii) As valued by Boyd Gross, B. Agr. (Rural Val), Dip. Bus. Std., F.N.Z.I.V., F.P.I.N.Z., of Crighton Stone Ltd.
(ix) As valued by Michael Penrose, F.N.Z.I.V., F.P.I.N.Z., Registered Valuer of TelferYoung (Hawkes Bay) Ltd.
(x) Bethany Creek and Vine Vale Vineyards sold for $0.75 million (net proceeds) on 4 August 2009.
(xi) Dalswinton Vineyard sold for $1.25 million (net proceeds) on 4 September 2009.
(xii) As valued by Ian Britton, BA App. Sci. (Agr), Adv. Dip. Prop. (Val), A.A.P.I., Certified Practising Valuer of Benchmark Property Advisory
(xiii) Cowra Station Vineyard sold for $0.50m (net proceeds) on 29 March 2010.
(xiv) 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 16(a).

Notes to the Financial Statements (cont.)

16 Investment properties, vines, intangible assets and plant and equipment (cont.)

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

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Carrying value at the beginning of the year	257,111	298,851
Maintenance capital expenditure	711	413
Additions (at cost)	7	520
Disposals	(2,318)	(2,601)
Deferred leasing incentives	886	-
Depreciation for the year	(317)	(313)
Foreign currency fluctuations	1,065	769
Impairment of non-current assets	(4,118)	(813)
Net fair value movement [i]	(26,179)	(39,715)
Carrying value at the end of the year	**226,848**	**257,111**
(i) Net fair value movement for the year consists of:		
(Decrease) / increase from revaluation of non-current assets	(28,062)	(36,950)
Increase/(decrease) in carrying value due to recognising intangible assets at cost	1,883	(2,765)
	(26,179)	**(39,715)**

(a) Definition of fair value and carrying value of CWT properties

(i) Fair Value

The fair value of CWT's properties represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing 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 have reviewed comparable sales as well as 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 30 June 2010 is $235.6 million (2009: $268.1 million) which includes intangible assets (separable and tradable water rights) carried at fair value.

(ii) Carrying Value

The carrying value of CWT's assets is determined as the fair value of the property as described in Note 16(a)(i) adjusted for any fair value movements in intangible assets (separable and tradable water rights), which are carried at cost. The carrying value of CWT's properties at 30 June 2010 is $226.8 million (2009: $257.1 million) which includes intangible assets (separable and tradable water rights) carried at cost.

The variance between the fair value and the carrying value of CWT's properties at 30 June 2010 is $8.7 million (2009: $11.0 million). This variance is the gain in the fair value of CWT's separable and tradable water rights which has not been recognised in the income statement due to carrying intangible assets at cost.

Notes to the Financial Statements (cont.)

16 Investment properties, vines, intangible assets and plant and equipment (cont.)

(b) Assets pledged as security

First mortgages have been granted as security for bank loans (Note 18) over all investment properties, vines, intangible assets and plant & 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.

(c) Key valuation assumptions

The fair value of CWT's investment properties are determined based on independent valuations from accredited industry valuers who are specialists in valuing such investment properties. The independent valuations are obtained from qualified valuers at least once every 18 months per CWT policy, unless the directors determine that a valuation is to be obtained in the intervening period. Management have exercised their discretion to independently value all properties in the past twelve months. The Directors of the Responsible Entity make reference to these independent valuations when assessing the fair value of investment properties at each reporting date.

The key valuation assumptions used by the independent valuers when determining a property's fair value are set out below:

	30 June 2010				30 June 2009			
		Assumptions				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	$55,685	12.00%	2,500	DCF	$60,000	12.25%	2,500
Summers Hill Vineyard	DCF	$51,850	11.00%	1,150	DCF	$80,000	11.50%	1,400
Bethany Creek & Vine Vale Vineyards (iii)	-	-	-	-	N/A	-	-	750
Cowra Station Vineyard (iv)	-	-	-	-	Summation	$15,000	-	1,000
Waikerie Vineyard	Summation	$32,500	N/A	1,526	DCF	$35,000	13.50%	1,500
Dalswinton Vineyard (v)	-	-	-	-	N/A	-	-	1,250
Schubert's Vineyard	Summation	$70,000	N/A	5,562	DCF	$80,000	12.25%	6,100
Hermitage Road Winery (vi)	Summation	$20,000	N/A	1,500	Summation	-	-	2,220
Chapel Vineyard	Summation	$45,000	N/A	1,270	Summation	$55,000	-	1,900
Sirens Estate Vineyard	Summation	$28,000	N/A	2,060	DCF	$59,239	10.50%	3,325
Cocoparra & Woods Vineyards	DCF	$37,222	11.00%	10,700	DCF	$42,000	12.00%	12,000
Del Rios Vineyard	DCF	$40,000	13.25%	43,600	DCF	$45,000	13.50%	46,500
Balranald Vineyard	DCF	$40,738	12.00%	23,750	DCF	$50,000	12.00%	25,000
Qualco East Vineyard	DCF	$32,500	13.25%	6,500	DCF	$37,500	13.50%	7,100
Richmond Grove & Lawsons Vineyards	DCF	$56,642	11.50%	32,000	DCF	$62,160	12.00%	33,500
Poole's Rock Vineyard & Winery (vi)	Summation	$68,851	N/A	5,700	Summation	-	-	7,377
Whitton Vineyard	DCF	$35,000	12.00%	4,200	DCF	$41,000	10.25%	4,600
Miamba Vineyards	DCF	$66,037	12.50%	10,601	DCF	$73,719	12.00%	11,250
Stephendale Vineyard	DCF	$35,498	12.50%	23,750	DCF	$38,427	11.50%	24,000
Crownthorpe Vineyard (viii)	DCF	$66,161	10.50%	19,565	DCF	$79,862	10.50%	24,817
Gimblett Vineyards (viii)	DCF	$116,402	11.60%	4,709	DCF	$137,316	11.50%	6,471
Dashwood Vineyard (viii)	DCF	$120,089	11.00%	17,911	DCF	$133,932	10.50%	19,712
Rarangi Vineyard (viii)	DCF	$133,910	11.00%	14,654	DCF	$160,269	10.50%	15,625
Total non-current				**233,208**				**259,897**
Gundagai Vineyard (vii)	N/A	-	-	2,370	Summation	$25,951	-	8,250
Total current - held for sale				**2,370**				**8,250**
Total consolidated				**235,578**				**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.
N/A - not applicable

(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) Cowra Station Vineyard sold for $0.5m (net proceeds) on 29 March 2010.

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

(vi) 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.

(vii) Gundagai fair value consists of $1.00m in investment property (as per a negotiated sales contract) and $1.37m in water rights as per the most recent independent valuation.

(viii) NZD rates per hectare converted at the 30 June 2010 AUD / NZD spot rate of 1.2283 (2009: 1.2480).

Notes to the Financial Statements (cont.)

17 Trade and other payables

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Current		
Trade creditors and accruals	742	578
Interest payable	1,806	1,824
Provision for New Zealand tax payable	293	77
Derivative payables on reset of hedge positions	631	-
Maintenance capital expenditure and development payables	77	453
Other payables	270	216
Total trade and other payables	**3,819**	**3,148**

18 Interest-bearing liabilities

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Current		
Bank bill facilities	65,401	2,163
Less: unamortised borrowing costs	(22)	-
Total current interest-bearing liabilities	**65,379**	**2,163**
Non-current		
Bank bill facilities	74,953	147,217
Less: unamortised borrowing costs	(46)	(116)
Total non-current interest-bearing liabilities	**74,907**	**147,101**
Total interest-bearing liabilities	**140,286**	**149,264**
Interest-bearing loans and borrowings by currency:		
AUD borrowings	75,798	83,679
NZD borrowings (i)	64,556	65,701
Less: unamortised borrowing costs	(68)	(116)
Total interest-bearing loans and borrowings	**140,286**	**149,264**

(i) NZD interest bearing loans and borrowings converted at the 30 June 2010 AUD / NZD spot rate of 1.2283 (2009: 1.2480).

Current bank bill facilities consists of a $58.2m debt facility maturing in May 2011 and a $7.2m portion of debt expected to be pre-paid in the first quarter of 2011.

Refer Note 19 Contributed Equity regarding CWTs review of capital management alternatives in connection with the current $58.2 million bank bill facility.

The $7.2m pre-payment will be made using cash set aside in a term deposit set-off account at 30 June 2010 and has been applied against debt for the purpose of the 30 June 2010 ‘loan-to-value’ covenant calculation.

The non current facility has a maturity date of May 2012.

Notes to the Financial Statements (cont.)

18 Interest-bearing liabilities (cont.)

Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Total facilities:		
Secured bank bills	141,242	161,724
	141,242	**161,724**
Facilities used at reporting date:		
Secured bank bills	140,354	149,380
	140,354	**149,380**
Facilities unused at reporting date:		
Secured bank bills	888	12,344
	888	**12,344**

During the current and prior year, there were no defaults or breaches on any of the loans.

Financing facilities maturity dates

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

Year ended 30 June 2010	<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								
Facilities covered by interest rate swaps	58,201	58,853	-	-	-	-	117,054	8.45%
Facilities not covered by interest rate swaps	7,200	16,100	-	-	-	-	23,300	7.83%
Total utilised facilities	**65,401**	**74,953**	**-**	**-**	**-**	**-**	**140,354**	**8.35%**
Weighted average effective interest rate	8.76%	8.00%	-	-	-	-		
Facilities unused at reporting date	-	888	-	-	-	-	888	
Total Facilities	**65,401**	**75,841**	**-**	**-**	**-**	**-**	**141,242**	

Year ended 30 June 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								
Facilities covered by interest rate swaps	2,163	60,013	87,204	-	-	-	149,380	8.04%
Facilities not covered by interest rate swaps	-	-	-	-	-	-	-	-
Total utilised facilities	**2,163**	**60,013**	**87,204**	**-**	**-**	**-**	**149,380**	**8.04%**
Weighted average effective interest rate	9.60%	8.86%	7.43%	-	-	-		
Facilities unused at reporting date	-	11,737	607	-	-	-	12,344	
Total Facilities	**2,163**	**71,750**	**87,811**	**-**	**-**	**-**	**161,724**	

Notes to the Financial Statements (cont.)

19 Contributed equity

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Ordinary units		
Equity balance at the beginning of the year	145,644	145,644
Equity issued under the 31 December 2009 interim DRP	5,536	-
Transaction costs	(252)	-
Equity balance at the end of the year	**150,928**	**145,644**
	Units '000	**Units '000**
Ordinary units on issue at the beginning of the year	170,313	170,313
Ordinary units issued under interim DRP	20,447	-
Total units on issue at the end of the year	**190,760**	**170,313**

CWT reactivated its Distribution Reinvestment Plan (DRP) on 30 November 2009. The issue price for the total 31 December 2009 interim DRP was 27.07 cents. The interim DRP was underwritten to an amount equal to the total distribution less the Challenger Financial Services Group (CSFG) committed amount of 27.74%.
The DRP was deactivated for the 30 June 2010 final distribution.

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 entity.

The capital structure of CWT consists of debt which includes borrowings disclosed in Note 18, cash and cash equivalents disclosed in Note 9, issued capital disclosed above and retained earnings and reserves disclosed in Note 20 and 21. CWT's management reviews the capital structure regularly and balances its overall capital structure through payment of distributions, new unit issues as well as the drawing of new debt or repayment of existing debt. Hedging is utilised to minimise risk exposure. Details of hedges are contained in Note 23.

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

	CWT Policy	30 June 2010	30 June 2009
Gearing	Targeted gearing limit of 45% - 55%(i)	55%	54%
Interest rate risk	To effectively hedge the interest on greater than 60% of drawn debt over the life of the underlying lease	64%	76%
Foreign currency risk	Capital hedging - To maintain a natural capital hedge against a minimum of 90% of the total value of assets invested offshore (ii)	114%	99%

(i) CWT's targeted gearing limit is calculated as: debt less cash in term deposit set-off accounts / total assets (with assets recognised at fair value as disclosed in Note 16) less cash in term deposit set-off accounts.
(ii) CWT remains temporarily over hedged in regard to its NZD assets. It is anticipated CWT will move to within its preferred hedging range on completion of its debt refinancing due by May 2011.

During the year ended 30 June 2010 and 30 June 2009, the financial covenants under the borrowing facilities were complied with.

Notes to the Financial Statements (cont.)

Capital management (cont.)

In light of the narrowed gearing covenant headroom at 30 June 2010, the potential for investment property values to further decline, and CWT's next debt maturity in May 2011, CWT is conducting a review of capital management alternatives to ensure ongoing compliance with banking covenants and to position itself to secure refinancing. Advisors have been appointed to assist with a review of capital management alternatives and CWT is in active discussions on recapitalisation alternatives.

20 Retained earnings

Movements in retained earnings were as follows:

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Reconciliation of retained earnings:		
Opening balance at beginning of the year	(32,064)	4,359
Impairment of non-current assets	(4,118)	(813)
Net fair value movement of non-current assets held at year end	(26,179)	(39,715)
Amortisation of fair value of derivatives on reset hedge positions	(536)	(62)
Deferred leasing incentives	886	-
Net fair value movement of non-current assets sold during the year - undistributed	117	-
Foreign exchange gain	305	-
Maintenance capital expenditure - paid from current year net income	711	-
Fair value movement of derivatives on reset hedged positions	1,057	4,167
Undistributed operating income used to pre-pay debt	5,605	-
Balance at end of the year	**(54,216)**	**(32,064)**

21 Reserves

Movements in reserves were as follows:

Consolidated	Foreign currency translation $'000	Cash flow hedge $'000	Total $'000
At 1 July 2008	**511**	**2,058**	**2,569**
Currency translation movements	135	-	135
Amounts transferred to finance costs during the year	-	1,951	1,951
Amounts transferred to the income statement during the year	-	267	267
Fair value movements in derivative financial instruments	-	(16,571)	(16,571)
At 30 June 2009	**646**	**(12,295)**	**(11,649)**
Currency translation movements	(192)	-	(192)
Amounts transferred to finance costs during the year	-	3,631	3,631
Amounts transferred to the income statement during the year	-	864	864
Fair value movements in derivative financial instruments	-	(4,868)	(4,868)
At 30 June 2010	**454**	**(12,668)**	**(12,214)**

Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the foreign controlled entity and the hedge of the net investment in the foreign controlled entity.

Cash flow hedge reserve

The cash flow hedge reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Notes to the Financial Statements (cont.)

22 Segment information

Identification of reportable segments

Operating segments have been determined based on reports reviewed by CWT's Manager, 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. CWT 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 tenants. Rental income from external tenants by geographic locations is detailed below:

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Rental income		
Australia	25,259	26,842
New Zealand	5,816	5,778
Total rental income	**31,075**	**32,620**

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

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Non-current assets excluding financial instruments		
Australia	168,802	190,486
New Zealand	56,838	66,625
Total non-current assets excluding financial instruments	**225,640**	**257,111**

Major tenants

CWT has three major tenants who individually amount to 15% or more of the rental income of CWT. These three tenants represent 72% (2009: 71%) of total rental income for the year ended 30 June 2010.

Notes to the Financial Statements (cont.)

23 Financial instruments

Derivative financial instruments

The following table sets out CWT's outstanding derivative financial instruments as at the balance date:

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Current assets		
Interest rate swaps at fair value	280	159
	280	**159**
Non-current assets		
Interest rate swaps at fair value	-	69
	-	**69**
Total assets	**280**	**228**
Current liabilities		
Interest rate swaps at fair value	2,121	1,378
	2,121	**1,378**
Non-current liabilities		
Interest rate swaps at fair value	6,089	6,919
	6,089	**6,919**
Total liabilities	**8,210**	**8,297**
Net derivative financial instruments	**(7,930)**	**(8,069)**

Financial instruments measured at fair value are categorised under a three level hierarchy, reflecting the availability of observable market inputs when estimating the fair value. If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The three levels are:

- **Level 1** - valued by reference to quoted prices in active markets for identical assets or liabilities;
- **Level 2** - valued using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or
- **Level 3** - valued using valuation techniques or models that are based on unobservable inputs.

CWT's financial instruments held at fair value, comprising of interest rate swaps, use valuation techniques with only observable market inputs and have therefore been classified as level 2 on the fair value hierarchy.

Notes to the Financial Statements (cont.)

23 Financial instruments (cont.)

Interest rate risk

As at the reporting date CWT had the following interest rate swaps:

Year	Notional contract value $'000	Fair value movements $'000	Net fair value $'000	Weighted average interest rate %	Maturity profile <1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	>5 years $'000
Consolidated										
30 June 2010	117,874	(4,868)	(7,930)	8.45%	34,632	-	22,223	6,778	2,121	52,120
30 June 2009	149,919	(16,571)	(8,069)	8.04%	28,400	34,548	-	23,063	8,226	55,682

Sensitivity analysis

CWT's sensitivity to movements in interest rates in relation to the value of financial instruments and assets is shown in the table below:

	Movement in variable %	P&L 2010 $'000	Equity 2010 $'000	P&L 2009 $'000	Equity 2009 $'000
Consolidated					
AUD					
Interest rate movement - financial instruments	+1.00%	(142)	1,112	27	1,852
	-1.00%	142	(1,141)	(27)	(1,904)
NZD					
Interest rate movement - financial instruments	+1.00%	19	2,818	11	3,280
	-1.00%	(19)	(2,927)	(11)	(3,400)

At 30 June 2010 CWT has entered into interest rate derivatives to hedge 64% (2009: 76%) of its exposure to movements in interest rates over the life of the underlying leases and 83% (2009: 100%) of its 30 June 2010 borrowing levels. CWT's profit and loss exposure to interest rate movements is in respect to interest income earned on surplus cash and the un-hedged portion of its interest bearing liabilities.

Notes to the Financial Statements (cont.)

23 Financial instruments (cont.)

Currency risk

Consolidated entity

CWT manages its exposure to currency risk by maintaining a foreign exchange hedge between New Zealand dollar denominated assets and New Zealand dollar borrowings.

Sensitivity analysis

The analysis below shows the impact on profit and equity of a movement in foreign currency exchange rates against the Australian dollar on the New Zealand dollar foreign currency exposure at the balance date:

	Movement in variable against AUD %	P&L 2010 $'000	Equity 2010 $'000	P&L 2009 $'000	Equity 2009 $'000
Consolidated					
NZD	+5%	-	649	-	276
	-5%	-	(704)	-	(298)

Credit Risk

CWT's approach to credit management utilises a credit risk framework as referred to in Note 3(b).

Owing to the specialised and sometimes smaller scale nature of the tenants' operations within CWT, assigning external ratings nomenclature is not considered appropriate. New tenants are subject to a detailed credit assessment and thereafter their credit quality is regularly monitored

Credit support (such as bank or personal guarantees) is obtained where necessary.

The credit risk in respect of derivative transactions is spread among two counterparties, each with a S&P rating of AA.

Impairment

The following table provides an ageing analysis of CWT's financial assets at the balance date:

	Neither past due nor impaired $'000	Not past due but impaired	Past due but not impaired 0-3 months $'000	Past due but not impaired >3 months $'000	Past due and impaired $'000	Total $'000
Consolidated						
30 June 2010						
Trade and other receivables	593	-	876	-	-	1,469
30 June 2009						
Trade and other receivables	243	-	1,654	-	-	1,897

All trade receivables outstanding at 30 June 2010 have been collected subsequent to year end.

Notes to the Financial Statements (cont.)

23 Financial instruments (cont.)

Liquidity risk

The following table summarises the contractual maturity profile of CWT's financial assets and liabilities:

Year Ended 30 June 2010

Consolidated	Note	Carrying amount as per balance sheet $'000	Contractual amount $'000	<1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	>5 years $'000
Financial assets									
Non derivative financial assets									
Cash and cash equivalents	9	11,001	11,001	11,001	-	-	-	-	-
Trade and other receivables	10	1,469	1,469	1,469	-	-	-	-	-
Derivative financial assets									
Interest rate swaps	23	280	296	296	-	-	-	-	-
Total financial assets		**12,750**	**12,766**	**12,766**	**-**	**-**	**-**	**-**	**-**
Financial liabilities									
Non derivative financial liabilities									
Trade and other payables	17	3,819	3,819	3,819	-	-	-	-	-
Rent received in advance		1,326	1,326	1,326	-	-	-	-	-
Interest bearing liabilities (i)	18	140,286	159,023	77,189	81,834	-	-	-	-
Derivative financial liabilities									
Interest rate swaps	23	8,210	15,654	3,191	3,051	2,839	2,093	1,978	2,502
Total financial liabilities		**153,641**	**179,822**	**85,525**	**84,885**	**2,839**	**2,093**	**1,978**	**2,502**
Net financial (liabilities) / assets		**(140,891)**	**(167,056)**	**(72,759)**	**(84,885)**	**(2,839)**	**(2,093)**	**(1,978)**	**(2,502)**

Year Ended 30 June 2009

Consolidated	Note	Carrying amount as per balance sheet $'000	Contractual amount $'000	<1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	>5 years $'000
Financial assets									
Non derivative financial assets									
Cash and cash equivalents	9	5,841	5,841	5,841	-	-	-	-	-
Trade and other receivables	10	1,897	1,897	1,897	-	-	-	-	-
Derivative financial assets									
Interest rate swaps	23	228	380	200	180	-	-	-	-
Total financial assets		**7,966**	**8,118**	**7,938**	**180**	**-**	**-**	**-**	**-**
Financial liabilities									
Non derivative financial liabilities									
Trade and other payables	17	3,148	3,148	3,148	-	-	-	-	-
Rent received in advance		888	888	888	-	-	-	-	-
Interest bearing liabilities (i)	18	149,264	170,106	9,915	67,553	92,638	-	-	-
Derivative financial liabilities									
Interest rate swaps	23	8,297	24,660	4,082	4,202	3,958	3,845	2,805	5,768
Total financial liabilities		**161,597**	**198,802**	**18,033**	**71,755**	**96,596**	**3,845**	**2,805**	**5,768**
Net financial (liabilities) / assets		**(153,631)**	**(190,684)**	**(10,095)**	**(71,575)**	**(96,596)**	**(3,845)**	**(2,805)**	**(5,768)**

(i) The contractual amount of interest bearing liabilities at the year end represents the undiscounted future principal and interest payments until expiry of the facility terms. Future interest payments are calculated using the floating interest rate and bank margin at the year end.

Fair Values

All assets and liabilities recognised in the balance sheet, whether they are carried at cost or at fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

Notes to the Financial Statements (cont.)

24 Related party disclosure

(a) Responsible Entity

The Responsible Entity of CWT is CLIL, a wholly owned subsidiary of Challenger Life Holdings Pty Limited.

(b) Controlled entities

The consolidated financial statements include the financial statements of Challenger Wine Trust and the controlled entities listed in the following table:

Name	Country of incorporation	% Equity interest	
		30 June 2010	30 June 2009
Delegats Trust	New Zealand	100	100
Southcorp Trust	Australia	100	100
McGuigan Simeon Trust	Australia	100	100

(c) Details of Key Management Personnel

(i) Directors

The Directors of CLIL, the Responsible Entity of CWT, are considered to be Key Management Personnel.

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

During the year ended 30 June 2010, Directors were paid $676,410 (2009: $663,671) in respect of their directorship of the Responsible Entity. This amount includes all fees paid to the Directors of CLIL in respect of their Responsible Entity Board and Committee duties for all Funds, including CWT and three other funds (Challenger Diversified Property Trust, Challenger Infrastructure Fund and Challenger Kenedix Japan Trust (Challenger Kenedix Japan Trust was privatised during the year and CLIL subsequently resigned as its Responsible Entity).

(ii) Key Management Personnel

In addition to the Directors noted above, the following were considered Key Management Personnel during the period with the authority for the strategic direction and management of CWT:

- Trent Alston (Head of Real Estate)
- Nick Gill (Fund Manager, CWT)

(iii) Compensation of the Key Management Personnel of CWT

No amounts are paid by CWT directly to the Key Management Personnel individuals of the Trust.

Compensation paid directly to CLIL in the form of fees is disclosed in Note 24(f).

Notes to the Financial Statements (cont.)

24 Related party disclosure (cont.)

(d) Management fees

The Responsible Entity is entitled under the Constitution to be reimbursed for certain expenses incurred in administering the Trust. The basis on which the expenses are reimbursed is defined in the Constitution.

Management fees policy

In accordance with the Constitution, the Responsible Entity is entitled to a fee equal to 0.65% per annum of the total asset value of CWT up to and including $1 billion (plus 0.45% of the total asset value in excess of $1 billion), and 1.5% on capital acquisitions, assessed at the end of each month.

The Responsible Entity is also entitled to receive up to 1% per annum of the properties' annual gross income for managing the vineyards, payable monthly.

Management fee expenses are recognised on an accruals basis as they are incurred.

The Responsible Entity has delegated certain of its management activities to CMSL.

(e) Custodian

The Custodian of the Parent (CWT) is Australian Executor Trustees Limited.

(f) Related party transactions

The following table discloses all fees paid by CWT to CLIL under the Trust Constitution and to CMSL under the management agreement with CLIL:

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
a) Responsible Entity fees for the year paid or payable to CLIL	300	300
b) Management fees for the year paid or payable to CMSL	1,708	2,050
Total fees as per the income statement	**2,008**	**2,350**
c) Transaction fees for the year paid or payable to CMSL which have been capitalised to property acquisitions and developments	16	10
Total fees paid or payable for the year	**2,024**	**2,360**

Total expenses paid by CWT to reimburse CMSL in respect of costs paid on behalf of CWT for the year ended 30 June 2010 were $147,234 (2009: $105,104).

All transactions were in accordance with agreements.

Notes to the Financial Statements (cont.)

24 Related party disclosure (cont.)

(g) Units held in CWT by Directors and Key Management Personnel

As at the balance date, the interests of the following related parties in units of CWT were:

	Balance at beginning of the year 30 June 2009 No. of units	Change during the year No. of units	Balance at end of the year 30 June 2010 No. of units
Related Entities			
Challenger Life Company Limited	47,249,788	5,672,767	52,922,555
CLIL Directors			
B Shanahan	400,000	-	400,000
IM Martens	256,148	6,464	262,612
I Moore	480,000	57,628	537,628
G McWilliam	130,000	-	130,000
B O'Connor	6,000	(6,000)	-
R Woods	233,812	28,071	261,883
Key Management Personnel			
T Alston	221,684	(109,679)	112,005
N Gill	194,458	(511)	193,947
Total	**49,171,890**	**5,648,740**	**54,820,630**

25 Parent Entity Information

	Parent 30 June 2010 $'000	Parent 30 June 2009 $'000
Information relating to Challenger Wine Trust (Parent)		
Current assets	15,063	5,701
Total assets	**155,799**	**171,534**
Current liabilities	10,295	5,540
Total liabilities	**63,380**	**71,466**
Issued capital	150,928	145,644
Retained earnings	(54,723)	(41,330)
Cash flow hedge reserve	(3,786)	(4,246)
Total equity	**92,419**	**100,068**
Profit from operating activities after tax	15,471	16,137
Net (loss) / profit after tax	(5,643)	(13,277)
Fair value movements in derivative financial instruments	460	(6,854)
Total comprehensive income of the parent entity	**(5,183)**	**(20,131)**
Capital expenditure commitments		
Total capital expenditure commitments for maintenance and further development of various vineyards	192	506

Notes to the Financial Statements (cont.)

26 Auditor's remuneration

The auditor of CWT is Ernst & Young.

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Amounts received or due and receivable by Ernst & Young for:		
An audit or review of the financial report of the entity and any other entity in the consolidated group	95	81
	95	**81**

27 Commitments and contingencies

Operating lease commitments – CWT as lessor

CWT has entered into commercial property leases on its investment property portfolio. These non-cancellable leases have remaining terms of between three months and seven years. The rates are based on predetermined formulae in each lease.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Within one year	30,090	31,812
After one year but not more than five years	88,561	100,314
More than five years	19,724	36,591
	138,375	**168,717**

Capital expenditure commitments

Capital expenditure commitments of $276,338 (2009: $673,147) have been made by CWT for maintenance and further development of various vineyards. These commitments will be secured by CWT and financed using cash on hand.

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Within one year	262	532
After one year but not more than five years	14	141
More than five years	-	-
	276	**673**

Notes to the Financial Statements (cont.)

28 Events subsequent to the balance sheet date

There has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect:

(a) CWT's operations in future financial years; or

(b) the results of those operations; or

(c) CWT's state of affairs in future financial years.

Statement by the Directors of the Responsible Entity of CWT

On the 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:

1. In the opinion of the Directors:

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

      (i) giving a true and fair view of CWT as at 30 June 2010 and of its performance for the period ended on that date;

      (ii) complying with Australian Accounting Standards as issued by the Australian Accounting Standards Board, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board 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.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial period ending 30 June 2010.

On behalf of the Board

Brenda Shanahan
Chair

Sydney
26 August 2010

ERNST & YOUNG

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Independent auditor's report to the unitholders of Challenger Wine Trust

We have audited the accompanying financial report of Challenger Wine Trust (the 'Trust'), which comprises the balance sheet as at 30 June 2010, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of Challenger Listed Investment Limited, the Responsible entity of the Trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity of CWT are responsible for the preparation and fair presentation of the financial report in accordance with the 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 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. In Note 2(a), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met 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.

Auditor's Opinion

In our opinion:

1. the financial report of Challenger Wine Trust is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position at 30 June 2010 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter - Significant Uncertainty as to Going Concern

Without qualifying our opinion, we draw attention to Note (2a) in the financial report which states that the Trust's current liabilities exceed current assets by $60.2m and that the Trust needs to refinance $58.2m of its secured bank debt within 12 months. These factors cast doubt over whether the Trust will realise its assets and extinguish its liabilities in the normal course of the business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Trust not continue as a going concern.

Ernst & Young

Elliott Shadforth
Partner
Sydney
26 August 2010

Responsible Entity
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