



**PETER LEHMANN WINES LIMITED
AND ITS SUBSIDIARIES
INTERIM FINANCIAL REPORT
31 DECEMBER 2009**

PETER LEHMANN WINES LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

The directors present their report together with the consolidated financial report for the six months ended 31 December 2009 and the auditor's review report thereon.

Directors

The directors of the Company at any time during or since the end of the half year are:

Name	Period of directorship
Non-executive	
Paul Young	Director and Deputy Chairman since 11 December 2003. Appointed Chairman 25 October 2008.
Roger Wilson	Director since 5 March 1993 and Deputy Chairman since 12 March 2009
Kay Carey	Director since 12 December 2004
Robert Edwards	Director since 2 August 1999
Martin Kronenberg	Director since 12 March 2009
Executive	
Douglas Lehmann	Managing Director since 5 March 1993

Review of Operations

Australian Wine Industry

In November 2009 in a joint statement the wine industry bodies stated the stark reality facing the industry as "structural surpluses of grapes and wine are now so large that they are causing long-term damage to our industry by devaluing the Australian brand, entrenching discounting, undermining profitability, and hampering our ability to pursue the vision and activities set out in the *Directions to 2025* industry strategy".

Structural changes are required urgently as at least 20% of bearing vines are surplus to requirements, sales of higher value exports have declined and domestic sales of Australian wine have fallen. The importation of NZ Sauvignon Blanc continues unabated and is decimating sales of Australian made white wines. The problems in the industry are being compounded by an Australian dollar which has strengthened against the currencies of importing countries and made our wines less competitive.

Trading for the 6 months to 31 December 2009 compared with the previous corresponding period

- Total branded sales decreased by 7% and 9% in volume and revenue respectively.
- Although the Australian market remains difficult as competitors actively promote wines with the retailers to shift volume, the Company's efforts to hold on to market share without damaging the brand image resulted in decreases of 4% and 3% in volume and revenue respectively.
- Conditions in the UK market tightened further and management decided to stay out of the higher volume, no margin sales activity. As a result sales through the UK joint venture arrangement to the "off trade" (supermarkets and high street stores) have declined with the focus shifting to the higher margin "on trade" (pubs, bistros, restaurants).
- Sales to the important continental European market slowed by 26% and 29% in volume and revenue respectively. It has been a mixed performance with the Scandinavian markets proving to be fairly resilient and sales activity in Germany, The Netherlands and Switzerland being quite subdued.
- Volume shipped to North America increased by 20% although the stronger currency meant that revenue only increased by 10% on translation of the revenue into Australian dollars.
- Sales to the emerging markets of Asia, India and the Middle East have been mixed and overall the Company recorded a decline of 40% and 35% for volume and value respectively, albeit off a small base.

Operating Profit

Revenue decreased by 4% to \$26.4M and reflects the difficult trading conditions in all markets where customers continue to keep a tight reign on inventory levels.

Over the 6 month reporting period the Australian dollar appreciated by 15% against the UK pound, 11% against the US dollar, 10% against the euro and 2% against the Canadian dollar. This is in stark contrast to the previous corresponding period when the Australian dollar depreciated 28% against the US dollar, 20% against the euro and 13% against the Canadian dollar. As a result of the exchange rate volatility the Company recorded exchange rate losses of \$0.4M (2008: \$1.8M gain).

In December 2009 the Company renewed its banking facility albeit at a lower level in line with business expectations. At 31 December 2009 the Company had commercial bills of \$19.4M (2008: \$20.4M) drawn against the bill facility of \$29M with \$11.6M swapped from variable rates to fixed interest rate terms. Marking the swap interest rate bills to market value resulted in a gain of \$0.2M (2008: \$0.7M loss).

Compared with the previous corresponding period the after tax profit decreased by 54% to \$2.3M.

Strategy and future performance

The Company is expecting difficult trading conditions to continue as the Australian wine industry comes to grips with its oversupply situation, recovery from the global financial crisis in export markets proceeds at a subdued rate, the domestic market remains fiercely competitive and the Australian dollar continues to perform strongly because of the demand for Australia's resources.

Lead Auditor's Independence Declaration

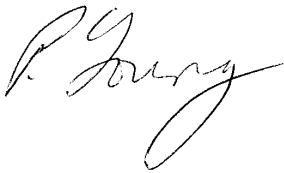
The lead auditor's independence declaration is set out on page 4 and forms part of the directors' report for the six months ended 31 December 2009.

Rounding off

The Company is of a kind referred to in ASIC Class order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Tanunda, this 4th day of March 2010

Signed in accordance with a resolution of the directors:



P A Young
Chairman



D McC Lehmann
Managing Director

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the directors of Peter Lehmann Wines Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the six month period ended 31 December 2009 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.



KPMG



N T Faulkner
Partner
Adelaide
4 March 2010

Condensed consolidated statement of financial position

As at 31 December 2009

<i>In thousands of AUD</i>	<i>Note</i>	31 Dec 2009	30 June 2009
Assets			
Property, plant and equipment	9	32,306	32,333
Intangible assets		247	351
Biological assets		469	469
Deferred tax assets		15	15
Total non-current assets		33,037	33,168
Inventories	6	44,612	49,849
Trade and other receivables		13,339	12,622
Cash and cash equivalents		1,595	1,706
Total current assets		59,546	64,177
Total assets		92,583	97,345
Equity			
Share capital		30,624	30,624
Retained earnings		36,072	35,595
Total equity		66,696	66,219
Liabilities			
Loans and borrowings	11	19,362	20,139
Employee benefits		107	134
Total non-current liabilities		19,469	20,273
Trade and other payables, including derivatives		4,722	8,083
Employee benefits		1,696	1,729
Current tax payable		-	1,041
Total current liabilities		6,418	10,853
Total liabilities		25,887	31,126
Total equity and liabilities		92,583	97,345

The condensed notes on pages 9 to 11 are an integral part of these consolidated financial statements.

Condensed consolidated statement of comprehensive income

For the six months ended 31 December 2009

<i>In thousands of AUD</i>	<i>Note</i>	31 Dec 2009	31 Dec 2008
Continuing operations			
Revenue		26,444	27,576
Cost of sales		(13,898)	(12,776)
Gross profit		12,546	14,800
Other income		193	444
Administrative expenses		(1,417)	(1,375)
Marketing and public relations expenses		(1,122)	(1,016)
Selling and distribution expenses		(5,838)	(6,146)
Other expenses		(149)	(131)
Results from operating activities		4,213	6,576
Finance income		230	1,872
Finance costs		(1,158)	(1,242)
Net finance (costs)/income	7	(928)	630
Profit before income tax		3,285	7,206
Income tax expense	8	(985)	(2,220)
Profit from continuing operations		2,300	4,986
Other comprehensive income			
Foreign currency translation differences for foreign operations		-	10
Total comprehensive income for the period		2,300	4,996

The condensed notes on pages 9 to 11 are an integral part of these consolidated financial statements.

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2008

Attributable to equity holders of the Company

<i>In thousands of AUD</i>	<i>Note</i>	Share capital	Translation reserve	Retained earnings	Total
Balance at 1 July 2008		30,624	(174)	36,466	66,916
Total comprehensive income for the period					
Profit or loss		-	-	4,986	4,986
Other comprehensive income					
Foreign currency translation differences		-	10	-	10
Total comprehensive income for the period		-	10	-	4,996
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Dividends to equity holders		-	-	(5,278)	(5,278)
Balance at 31 December 2008		30,624	(164)	36,174	66,634

For the six months ended 31 December 2009

Attributable to equity holders of the Company

<i>In thousands of AUD</i>	<i>Note</i>	Share capital	Translation reserve	Retained earnings	Total
Balance at 1 July 2009		30,624	-	35,595	66,219
Total comprehensive income for the period					
Profit or loss		-	-	2,300	2,300
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Dividends to equity holders		-	-	(1,823)	(1,823)
Balance at 31 December 2009		30,624	-	36,072	66,696

The condensed notes on pages 9 to 11 are an integral part of these consolidated financial statements.

Condensed consolidated interim statement of cash flows

For the six months ended 31 December 2009

<i>In thousands of AUD</i>	<i>Note</i>	31 Dec 2009	31 Dec 2008
Cash flows from operating activities			
Cash receipts from customers		27,061	28,353
Cash paid to suppliers and employees		(20,588)	(22,559)
Cash generated from operations		6,473	5,794
Interest paid		(784)	(621)
Income taxes paid		(2,060)	(2,488)
Interest received		8	51
Net cash (used in) from operating activities		3,637	2,736
Cash flows from investing activities			
Proceeds from sale of non-current assets		32	19
Acquisition of property, plant & equipment	9	(1,117)	(1,592)
Net cash from investing activities		(1,085)	(1,573)
Cash flows from financing activities			
Proceeds from borrowings		-	4,500
Repayment of borrowings	11	(800)	-
Dividends paid	10	(1,823)	(5,278)
Net cash from (used in) financing activities		(2,623)	(778)
Net increase in cash and cash equivalents		(71)	385
Cash and cash equivalents at 1 July		1,706	2,109
Effect of exchange rate fluctuations on cash held		(40)	194
Cash and cash equivalents at 31 Dec		1,595	2,688

The condensed notes on pages 9 to 11 are an integral part of these consolidated financial statements.

Condensed notes to the consolidated interim financial report

1 Reporting entity

Peter Lehmann Wines Limited (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements of the Group as at and for the year ended 30 June 2009 is available upon request from the Company's registered office at Off Para Road, Tanunda SA 5352 or at www.peterlehmannwines.com

2 Statement of Compliance

The condensed consolidated interim financial statements have been prepared in accordance with AASB 134: *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2009.

These condensed consolidated interim financial statements were approved by the Board of Directors on 4 March 2010.

3 Significant accounting policies

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2009.

Change in accounting policy - Presentation of financial statements

The Group applies revised IAS 1 *Presentation of financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these condensed interim financial statements as of and for the six months period ended 31 December 2009.

Comparative information has been represented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings.

4 Estimates

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 30 June 2009.

5 Financial risk management

As a result of the deteriorating economic circumstances in 2008 and 2009, trade credit insurance has become difficult to obtain. Accordingly the Group has redefined certain purchase limits and heightened levels of scrutiny for credit approvals and monitoring of debt collection.

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2009.

6 Write down of inventory

For the year ended 30 June 2009 the Group provided \$1,237,000 for a write-down of finished goods inventory relating to slow moving stock. Since that date the Company has been successful in moving a large proportion of this stock. Stock items have been reviewed at the half year and the Group has maintained a provision of \$175,000 (2008: \$299,000).

7 Finance Income and expense

In thousands of AUD

	31 Dec 2009	31 Dec 2008
Interest income on bank deposits	8	51
Net foreign exchange gain	-	1,821
Financial income	8	1,872
Interest expense	807	628
Interest capitalised to maturing inventory	(75)	(103)
Net change in fair value of financial asset at value through profit or loss (gain)/loss	204	717
Financial expense	936	1,242
Net financial income/(expense)	(928)	630

8 Income tax expense

The Group's consolidated effective tax rate for the six months ended 31 December 2009 was 30% (for the year ended 30 June 2009: 30%; for the six months ended 31 December 2008: 31%).

9 Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2009, the Group acquired assets with a cost of \$1,117,000 (six months ended 31 December 2008: \$1,592,000).

Assets with a carrying amount of \$98,000 were disposed of during the six months ended 31 December 2009 (six months ended 31 December 2008: \$54,000) resulting in a loss on disposal of \$66,000 (six months ended 31 December 2008: loss of \$36,000).

Capital commitments

During the six months ended 31 December 2009, the Group entered into contracts to purchase property, plant and equipment for \$746,000 (six months ended 31 December 2008: \$1,395,000).

10 Dividends

The following dividends were declared and paid by the Group:

<i>In thousands of AUD</i>	Cents per Share	Total amount	Franked/ unfranked	Date of Payment
2009 - final	4.8	1,823	Franked	6 November 2009
2009 - interim	3.5	1,325	Franked	8 May 2009
2008 – full year	13.9	5,282	Franked	7 November 2008

Franked dividends paid during the period were franked at the tax rate of 30%.

11 Loans and borrowings

During the six months ended 31 December 2009 an amount of \$800,000 was repaid (2008: \$4,500,000 borrowed).

12 Related parties

Parent and ultimate controlling party

The ultimate controlling party of the Group is Hess Family Estates AG (formerly Hess Group AG).

Arrangements with related parties continue to be in place and are consistent with these at 30 June 2009. For details of these arrangements, refer to the 30 June 2009 annual financial report.

13 Subsequent events

There have been no events subsequent to balance date which would have a material effect on the Group's interim financial statements at 31 December 2009.

DIRECTORS' DECLARATION

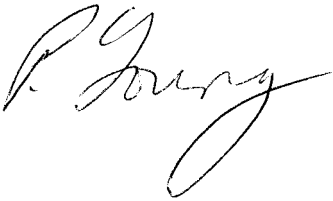
In the opinion of the directors of Peter Lehmann Wines Limited ("the Company"):

1. the financial statements and notes, set out on pages 5 to 11, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the Group's financial position as at 31 December 2009 and its performance for the six month period ended on that date; and
 - (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when become due and payable.

Dated at Tanunda this 4th day of March 2010

Signed in accordance with a resolution of the Directors:



P A Young (Chairman)



D McC Lehmann (Managing Director)

Independent auditor's review report to the members of Peter Lehmann Wines Limited

We have reviewed the accompanying interim financial report of Peter Lehmann Wines Limited, which comprises the consolidated statement of financial position as at 31 December 2009, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated interim statement of cash flows for the half-year ended on that date, a description of accounting policies and other explanatory notes [1 to 13] and the Directors' declaration [set out on page 5 to 12] of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Peter Lehmann Wines Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



KPMG



N T Faulkner
Partner
Adelaide
4 March 2009