



**PETER LEHMANN WINES LIMITED
AND ITS SUBSIDIARIES
INTERIM FINANCIAL REPORT
31 DECEMBER 2008**

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 2008 and the 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 Dr Max Lienhard	Director and Chairman since 31 October 2003. Retired on 25 October 2008.
Mr Paul Young	Director and Deputy Chairman since 11 December 2003. Appointed Chairman 25 October 2008.
Mr Roger Wilson	Director since 5 March 1993
Mrs Kay Carey	Director since 12 December 2004
Mr Robert Edwards	Director since 2 August 1999
Executive Mr Douglas Lehmann	Managing Director since 5 March 1993

Review of Operations

Market Conditions

Economic conditions deteriorated rapidly during the six months to 31 December 2008 as the global financial crisis spread through financial institutions which responded by reducing interbank lending and hoarding cash. This credit tightening affected the corporate world, particularly those companies with high gearing. Many companies sought to free up cash by converting inventory but at the same time faced falling demand. Production and workforce levels were reduced and this action is continuing in 2009. The threat of job loss weighs heavily on consumer confidence with many retailers experiencing lower sales and reduced inventory turnover.

Governments in many countries have introduced measures to stabilise the financial sector and stimulate their economies. In Australia we have seen the official interest rate fall by 3% to 4.25% over the six months to 31 December 2008. The rate of inflation fell during the second quarter largely as a result of lower petrol prices as global demand for oil falls. On 3 February 2009 the official interest rate was lowered by a further 1% to 3.25%.

Over the six months to 31 December 2008 the Australian dollar has weakened against those of the Company's major export markets – US dollar down 28% to USD0.69; Euro down 19% to €0.49; Canadian dollar down 13% to CAD0.84 and the UK pound remaining fairly constant by finishing the six months at £0.47.

The Australian wine industry is experiencing a slow down in exports as other wine producing countries compete rigorously in established and emerging markets. Exports of Australian wine in volume and value fell by 11% and 18% respectively in calendar 2008 from the levels of the previous year. At the same time domestic consumption of Australian wine is flat although the market is being eroded by imports, particularly NZ Sauvignon Blanc. The combination of slowing export sales and a higher than anticipated 2008 grape harvest resulted in many wineries being overstocked. Estimates of the size of the 2009 harvest have been greatly reduced by the prolonged hot weather experienced in late January and early February from last year's 1.8M tonnes to about 1.5M tonnes. However, it is clear that Australia's production base is out of step with demand and this will see further pressure on wineries already struggling with global economic factors.

Operating Profit

Revenue decreased by 21% to \$27.6M as sales slowed in both export and domestic bottled wine markets when trading conditions deteriorated and customers ran down inventory. Uncertainty in the outlook for the wine industry resulted in sales of bulk wine dropping by 81% from the \$3.1M sold in the first half of 2007/08.

Countering the lower bottled and bulk wines sales the Company recorded strong exchange rate gains of \$1.8M (2007: \$0.3M gain).

Inventory has been reviewed for slow moving items and an additional provision for write-down of \$99,000 made. Debt collection is being monitored even more closely in these difficult economic circumstances.

The Company's \$20.4M debt at 31 December 2008 represented 31% of shareholders' equity. Marking the swap interest rate bills of \$12.9M to market values resulted in a loss of \$0.7M as bank interest rates fell rapidly during the six months to 31 December 2008. Interest rate swaps have since been reduced to \$8.6M with further charges from marking to market values expected in the second six months as official interest rates are predicted to fall further. This markdown in swap interest rate bills should be countered somewhat by lower rates on the variable interest rate bills.

Compared with the previous corresponding period the after tax profit decreased by 12% to \$4.9M.

Trading

- Total branded sales decreased by 21% and 13% in volume and revenue respectively over the previous corresponding period.
- Trading conditions in the key Australian market remain difficult with branded wine volume decreasing by 16% and revenue by 10% compared with the previous corresponding period. The consumer preference for Sauvignon Blanc continues to impact on sales of Semillon, the company's white wine mainstay. The Company has responded by introducing Clancy's Semillon Sauvignon Blanc into the range during the six months.
- Shipments to the UK joint venture decreased in volume and value by 45% and 44% respectively. The previous corresponding period included start up stock for the joint venture and a large, one-off order to a retailer. The UK market continues to be fiercely competitive and price driven.
- Sales to Europe decreased by 12% and 11% in volume and revenue respectively. Although importers have tightened control over inventory, depletion data indicators are sound.
- Shipments to the North American markets grew by 7% in volume and by 10% in revenue terms over the corresponding previous six month period.

Strategy and future performance

The economic forecasts predict contraction in the global economy during 2009 with recovery not likely before 2010-11. Although wine consumption generally continues during difficult economic times many consumers trade down and stay at home rather than visiting restaurants, bistros and hotels.

The Company is expecting sales to fall during calendar 2009. Peter Lehmann Wines Limited continues its strategy of building its presence in the domestic and export markets with efforts focused on lifting brand awareness through marketing initiatives.

Lead Auditor's Independence Declaration

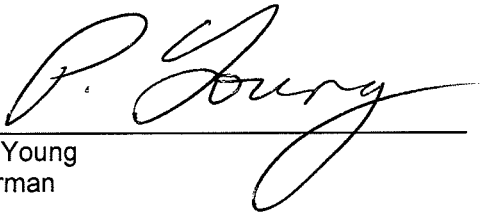
The lead auditor's independence declaration is set out on page 4 and forms part of the directors' report for the six months ended 31 December 2008.

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 twelfth day of March 2009.

Signed in accordance with a resolution of the directors:



Paul Young
Chairman



Douglas Lehmann
Managing Director

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

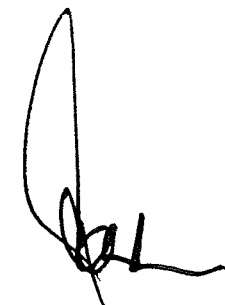
To: the directors of Peter Lehmann Wines Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the six month period ended 31 December 2008 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



Grant Drabsch
Partner
Adelaide
12 March 2009

Consolidated interim income statement

For the six months ended 31 December 2008

<i>In thousands of AUD</i>	<i>Note</i>	31 Dec 2008	31 Dec 2007
Revenue		27,576	34,862
Cost of sales		(12,776)	(18,402)
Gross profit		14,800	16,460
Other income		444	259
Administration expenses		(1,375)	(1,217)
Marketing and public relations expenses		(1,016)	(858)
Selling and distribution expenses		(6,146)	(6,042)
Other expenses		(131)	(88)
Results from operating activities		6,576	8,514
Financial income		1,872	433
Financial expenses		(1,242)	(751)
Net financial income/(expense)	7	630	(318)
Profit before income tax		7,206	8,196
Income tax expense	8	(2,220)	(2,514)
Profit for the period		4,986	5,682

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

Consolidated interim statement of recognised income & expense

For the six months ended 31 December 2008

<i>In thousands of AUD</i>	<i>Note</i>	31 Dec 2008	31 Dec 2007
Foreign exchange translation differences		10	(34)
Income and expense recognised directly in equity		10	(34)
Profit for the period		4,986	5,682
Total recognised income and expense for the period	10	4,996	5,648

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

Consolidated interim balance sheet

As at 31 December 2008

<i>In thousands of AUD</i>	<i>Note</i>	31 Dec 2008	30 June 2008
Current assets			
Cash and cash equivalents		2,688	2,401
Trade and other receivables		15,039	14,530
Inventories	6	45,857	49,245
Total current assets		63,584	66,176
NON-CURRENT ASSETS			
Property, plant and equipment	9	32,067	31,547
Biological assets		471	471
Intangible assets		246	338
Total non-current assets		32,784	32,356
Total assets		96,368	98,532
Current liabilities			
Bank overdraft		-	291
Trade and other payables		5,441	11,247
Employee benefits		1,660	1,677
Current tax payable		1,448	1,716
Total current liabilities		8,549	14,931
Non-current liabilities			
Loans and borrowings	11	20,356	15,834
Deferred tax liabilities		709	709
Employee benefits		120	142
Total non-current liabilities		21,185	16,685
Total liabilities		29,734	31,616
Net assets		66,634	66,196
Equity			
Issued capital		30,624	30,624
Reserves		(164)	(174)
Retained earnings		36,174	36,466
Total equity	10	66,634	66,916

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

Consolidated interim statement of cash flows

For the six months ended 31 December 2008

<i>In thousands of AUD</i>	<i>Note</i>	31 Dec 2008	31 Dec 2007
Cash flows from operating activities			
Cash receipts from customers		28,353	36,065
Cash paid to suppliers and employees		(22,559)	(21,604)
Cash generated from operations		5,794	14,461
Interest paid		(621)	(803)
Income taxes paid		(2,488)	(1,765)
Interest received		51	100
Net cash (used in) from operating activities		2,736	11,993
Cash flows from investing activities			
Proceeds from sale of non-current assets		19	42
Acquisition of property, plant & equipment	8	(1,592)	(709)
Net cash from investing activities		(1,573)	(667)
Cash flows from financing activities			
Proceeds from borrowings		4,500	-
Repayment of borrowings	10	-	(6,700)
Dividends paid	9	(5,278)	(3,265)
Net cash from (used in) financing activities		(778)	(9,965)
Net increase in cash and cash equivalents		385	1,360
Cash and cash equivalents at 1 July		2,109	3,165
Effect of exchange rate fluctuations on cash held		194	(24)
Cash and cash equivalents at 31 Dec		2,688	4,501

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 consolidated interim financial report of the Company as at and for the six months ended 31 December 2008 comprises the Company and its subsidiaries (together referred to as the "Group").

The consolidated annual financial report of the Group as at and for the year ended 30 June 2008 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 consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting*, and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2008.

This consolidated interim financial report was approved by the Board of Directors on 12 March 2009.

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

3 Significant accounting policies

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2008.

4 Estimates

The preparation of the interim financial report 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 this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial report as at and for the year ended 30 June 2008.

5 Financial risk management

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 2008.

6 Write down of inventory

During the six months ended 31 December 2008 the Group recognised a write-down of finished goods inventory of \$99,000 related to slow moving stock and this compares with \$30,000 for the previous corresponding period. The provision for write-down of inventory for the year ended 30 June 2008 was \$200,000. The total provision for the write-down of finished goods inventory at 31 December 2008 stands at \$299,000.

7 Finance Income and expense

<i>In thousands of AUD</i>	31 Dec 2008	31 Dec 2007
Interest income on bank deposits	51	100
Net foreign exchange gain	<u>1,821</u>	<u>333</u>
Financial income	<u>1,872</u>	<u>433</u>
Interest expense	628	893
Interest capitalised to maturing inventory	(103)	(81)
Net change in fair value of financial assets at fair value through profit or loss (gain)/loss	<u>717</u>	<u>(61)</u>
Financial expense	<u>1,242</u>	<u>751</u>
Net financial income/(expense)	<u>630</u>	<u>(318)</u>

8 Income tax expense

The Group's consolidated effective tax rate for the six months ended 31 December 2008 was 31% (for the year ended 30 June 2008: 31%; for the six months ended 31 December 2007: 31%).

9 Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2008, the Group acquired assets with a cost of \$1,592,000 (six months ended 31 December 2007: \$709,000).

Assets with a carrying amount of \$54,000 were disposed of during the six months ended 31 December 2008 (six months ended 31 December 2007: \$49,000) resulting in a loss on disposal of \$36,000 (six months ended 31 December 2007: loss of \$6,000).

Capital commitments

During the six months ended 31 December 2008, the Group entity entered into contracts to purchase property, plant and equipment for \$1,395,000 (six months ended 31 December 2007: \$784,000). Delivery is expected in March 2009.

10 Capital and reserves
Reconciliation of movements in equity

Consolidated

<i>In thousands of AUD</i>	Share capital	Translation reserve	Retained earnings	Total equity
Balance at 1 July 2007	30,624	(53)	30,127	60,698
Total recognised income and expense	-	(34)	5,682	5,648
Dividends to equity holders	-	-	(3,265)	(3,265)
Balance at 31 December 2007	30,624	(87)	32,544	63,081
Balance at 1 January 2008	30,624	(87)	32,544	63,081
Total recognised income and expense	-	(87)	3,922	3,835
Balance at 30 June 2008	30,624	(174)	36,466	66,916
Balance at 1 July 2008	30,624	(174)	36,466	66,916
Total recognised income and expense	-	10	4,986	4,996
Dividends to equity holders	-	-	(5,278)	(5,278)
Balance at 31 December 2008	30,624	(164)	36,174	66,634

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
2008	13.9	5,278	Franked	7 November 2008
2007	8.6	3,265	Franked	8 November 2007

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 2008 an additional amount of \$4,500,000 was borrowed (2007: repaid \$6,700,000).

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 2008. For details of these arrangements, refer to the 30 June 2008 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 2008.

DIRECTORS' DECLARATION

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

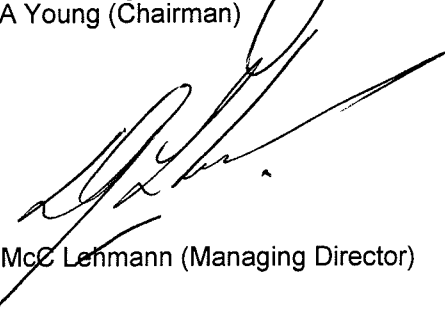
1. the financial statements and notes, set out on pages 5 to 11, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the Group's financial position as at 31 December 2008 and its performance for the six month period ended on that 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 twelfth day of March 2009

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

Report on the financial report

We have reviewed the accompanying half-year financial report of Peter Lehmann Wines Limited, which comprises the consolidated interim Balance Sheet as at 31 December 2008, Income Statement, Statement of Recognised Income and Expense and Cash Flow Statement for the half-year ended on that date, a description of accounting policies and other explanatory notes 1 to 13 and the Directors' Declaration 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 half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year 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 2008 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 a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of 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 2008 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*.

A handwritten signature in black ink, appearing to read 'Grant Drabsch', written over a printed 'KPMG' logo.

Grant Drabsch
Partner

Adelaide

Dated this the 12th day of March 2009.