



**PETER LEHMANN WINES LIMITED
AND ITS SUBSIDIARIES
INTERIM FINANCIAL REPORT
31 DECEMBER 2010**

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 2010 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 Eveline Saupper	Director since 16 August 2010. Appointed Chairwoman 25 January 2010.
Douglas Lehmann	Managing Director since 5 March 1993. Appointed Deputy Chairman on 1 July 2010.
Donald Hess	Director since 4 March 2010.
Robert Lee Williams	Alternate Director for Martin Kronenberg since 30 July 2009. Appointed to the board on 4 March 2010.
Roger Wilson	Director since 5 March 1993.
Martin Kronenberg	Director since 12 March 2009. Appointed Chairman 12 March 2010. Resigned on 10 January 2010.

Review of Operations

Trading for the 6 months to 31 December 2010 compared with the previous period:

- Total branded sales decreased by 5% in both volume and value terms versus the previous year.
- The export markets performed strongly over the period and increased 4% and 5% in volume and revenue respectively.
- The key driver of this growth has been Mainland Europe, which has reversed the declines from the same time last year, growing 35% and 24% in volume and revenue respectively. Strong sales results have been recorded in our major markets, Switzerland, Sweden, and Germany.
- The US market has remained resilient and continues to grow (+15% growth in volume terms), however, the stronger Australian dollar has meant revenue growth has been more subdued at 5%.
- Asia continues to develop, and recorded an exceptional 122% revenue growth compared with the previous 6 months, recording a total branded revenue of \$1.2M for the 6 months
- The key issue is the domestic market, which has deteriorated significantly on the prior period – volume is down by 25%, and revenue is down by 21%. Most of the decline is attributed to lower sales to the retail chains (Coles & Woolworths), as a result of reduced promotional slots, continued aggressive price activity by all major wine competitors, and across the board de-stocking from retailers.

Operating Profit:

- Overall revenue declined 5% to \$25M, reflecting poor trading within the domestic market.
- Over the 6 month period the Australian dollar appreciated by 19.5% against the US dollar, 16% against the UK pound, 13% against the Canadian Dollar, and 10% against the Euro. To date, for the first 6 months the Company recorded an exchange rate loss of \$0.6M (2009: \$04M).

At 31 December 2010 the Company had commercial bills of \$16.7M (2009: \$19.4M) drawn against the bill facility of \$29M with \$7.3M swapped from variable rates to fixed interest rate terms. Marking the swap interest rate bills to market value resulted in a gain of \$0.09M (2009: \$0.2M gain).

Strategy and future Performance:

The Company is expecting the tough trading conditions in the domestic market to remain for the remainder of the financial year. However, we are currently developing plans to address the key fundamental issues which are not anticipated to have any material impact in the current financial year.

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 2010.


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 Adelaide, this 10th day of March 2011

Signed in accordance with a resolution of the directors:


E M Saupper
Chairwoman


D McC Lehmann
Deputy Chairman



Lead Auditor's Independence Declaration under Section 307C of the Corporation Act 2001

To: the directors of Peter Lehmann Wines Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2010 there have been:

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

A handwritten signature in blue ink, appearing to read 'N T Faulkner', written in a cursive style.

N T Faulkner
Partner

Adelaide

10 March 2011

Condensed consolidated statement of financial position

As at 31 December 2010

<i>In thousands of AUD</i>	<i>Note</i>	31 Dec 2010	30 June 2010
Assets			
Cash and cash equivalents		264	596
Trade and other receivables		11,777	13,036
Inventories		43,363	48,270
Current tax asset		2,494	1,521
Total current assets		57,898	63,423
Property, plant and equipment		31,276	32,019
Intangible assets		178	222
Biological assets		470	469
Total non-current assets		31,924	32,710
Total assets		89,822	96,133
Liabilities			
Trade and other payables		4,011	6,860
Loans and borrowings		16,700	-
Employee benefits		1,681	1,759
Total current liabilities		22,392	8,619
Loans and borrowings		-	18,750
Employee benefits		103	125
Deferred tax liability		358	448
Total non-current liabilities		461	19,323
Total liabilities		22,853	27,942
Net assets		66,969	68,191
Equity			
Share capital		30,624	30,624
Retained earnings		36,345	37,567
Total equity		66,969	68,191

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 2010

<i>In thousands of AUD</i>	<i>Note</i>	31 Dec 2010	31 Dec 2009
Continuing operations			
Revenue		25,058	26,444
Cost of sales		<u>(13,539)</u>	<u>(13,898)</u>
Gross profit		11,519	12,546
Other income		71	193
Administrative expenses		<u>(2,066)</u>	<u>(1,417)</u>
Marketing and public relations expenses		<u>(923)</u>	<u>(1,122)</u>
Selling and distribution expenses		<u>(5,865)</u>	<u>(5,838)</u>
Other expenses		<u>(292)</u>	<u>(149)</u>
Results from operating activities		2,444	4,213
Finance income		99	230
Finance costs		<u>(1,306)</u>	<u>(1,158)</u>
Net finance (costs)/income	7	<u>(1,207)</u>	<u>(928)</u>
Profit before income tax		<u>1,237</u>	<u>3,285</u>
Income tax expense	8	<u>(371)</u>	<u>(985)</u>
Profit from continuing operations		<u>866</u>	<u>2,300</u>
Other comprehensive income			
Foreign currency translation differences for foreign operations		-	-
Total comprehensive income for the period		<u>866</u>	<u>2,300</u>

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 2009

Attributable to equity holders of the Company

<i>In thousands of AUD</i>	<i>Note</i>	Share capital	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

For the six months ended 31 December 2010

Attributable to equity holders of the Company

<i>In thousands of AUD</i>	<i>Note</i>	Share capital	Retained earnings	Total
Balance at 1 July 2010		30,624	37,567	68,191
Total comprehensive income for the period				
Profit or loss		-	866	866
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Dividends to equity holders		-	(2,088)	(2,088)
Balance at 31 December 2010		30,624	36,345	66,969

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 2010

<i>In thousands of AUD</i>	<i>Note</i>	31 Dec 2010	31 Dec 2009
Cash flows from operating activities			
Cash receipts from customers		28,041	27,061
Cash paid to suppliers and employees		(21,459)	(20,588)
Cash generated from operations		<u>6,582</u>	<u>6,473</u>
Interest paid		(727)	(784)
Income taxes paid		(1,434)	(2,060)
Interest received		13	8
Net cash (used in) from operating activities		<u>4,434</u>	<u>3,637</u>
Cash flows from investing activities			
Proceeds from sale of non-current assets		22	32
Acquisition of property, plant & equipment	9	(553)	(1,117)
Net cash from investing activities		<u>(531)</u>	<u>(1,085)</u>
Cash flows from financing activities			
Repayment of borrowings	11	(2,100)	(800)
Dividends paid	10	(2,088)	(1,823)
Net cash from (used in) financing activities		<u>(4,188)</u>	<u>(2,623)</u>
Net increase in cash and cash equivalents		<u>(285)</u>	<u>(71)</u>
Cash and cash equivalents at 1 July		596	1,706
Effect of exchange rate fluctuations on cash held		(47)	(40)
Cash and cash equivalents at 31 Dec		<u>264</u>	<u>1,595</u>

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 report of the Company as at and for the six months ended 31 December 2010 comprise 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 2010 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 2010.

This consolidated interim financial report was approved by the Board of Directors on 10 March 2011.

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 consolidated interim financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

3 Significant accounting policies

Except as described below, the accounting policies applied by the Group in the 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 2010.

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.

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 2010.

6 Write down of inventory

For the year ended 30 June 2010 the Group provided \$199,000 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 \$199,000. (2009: \$175,000).

7 Finance income and expense

<i>In thousands of AUD</i>	31 Dec 2010	31 Dec 2009
Interest income on bank deposits	13	8
Net gain in value of financial asset at fair value through profit or loss	86	222
Financial income	99	230
Interest expense	778	807
Interest capitalised to maturing inventory	(98)	(75)
Net loss in value of financial asset at fair value through profit or loss	626	426
Financial expense	1,306	1,158
Net financial income/(expense)	(1,207)	(928)

8 Income tax expense

The Group's consolidated effective tax rate for the six months ended 31 December 2010 was 30% (for the year ended 30 June 2010: 30%; for the six months ended 31 December 2009: 30%).

9 Property, plant and equipment Acquisitions and disposals

During the six months ended 31 December 2010, the Group acquired assets with a cost of \$553,000 (six months ended 31 December 2009: \$1,117,000).

Assets with a carrying amount of \$144,000 were disposed of during the six months ended 31 December 2010 (six months ended 31 December 2009: \$98,000) resulting in a loss on disposal of \$122,000 (six months ended 31 December 2009: loss of \$66,000).

Capital commitments

During the six months ended 31 December 2010, the Group entered into contracts to purchase property, plant and equipment for \$1,245,000 (six months ended 31 December 2009: \$746,000).

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
2010 – full year	5.5	2,088	Franked	5 November 2010
2009 – full year	4.8	1,823	Franked	6 November 2009

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 2010 an amount of \$2,100,000 was repaid (2009: \$800,000 borrowed).

The Company has successfully extended its facilities with the bank to 31 January 2012.

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 2010. For details of these arrangements, refer to the 30 June 2010 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 2010.

DIRECTORS' DECLARATION

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

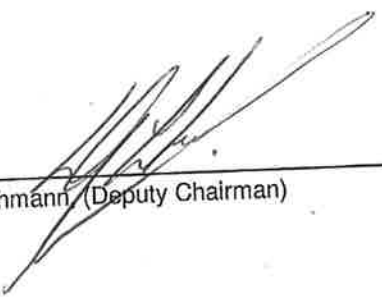
1. the financial statements and notes, set out on pages 5 to 11, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the Group's financial position as at 31 December 2010 and its performance for the six month period ended on that 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 Adelaide this 10th day of March 2011

Signed in accordance with a resolution of the Directors:



E M Saupper (Chairwoman)



D McC Lehmann (Deputy Chairman)



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 statement of financial position as at 31 December 2010, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information 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 of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report 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 2010 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.

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 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 2010 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

10 March 2011