



**PETER LEHMANN WINES LIMITED
AND ITS CONTROLLED ENTITIES
HALF YEAR FINANCIAL STATEMENTS
TO 31 DECEMBER 2006**

PETER LEHMANN WINES LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

The directors present their report together with the consolidated financial report for the half year ended 31 December 2006 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
Mr Paul Young	Director and Deputy Chairman since 11 December 2003. (Appointed Alternate Director for Dr Max Lienhard on 31 October 2003)
Mr Roger Wilson	Director since 5 March 1993
Mrs Kay Carey	Director since 12 December 2004
Executive	
Mr Douglas Lehmann	Managing Director since 5 March 1993
Mr Robert Edwards	Director since 2 August 1999

Review of Operations

Company Overview

The industry remains extremely competitive as the balance between supply from the wine producing countries continues to exceed global consumer demand. The supply imbalance combined with the increasing influence of large retailers has put pressure on margins.

Sales revenue of \$30.9M for the period remained at a similar level as recorded for the previous corresponding period. Improved margins resulted in an after tax profit of \$3.2M compared with the previous corresponding period's \$3M.

Trading

Total branded sales grew by 8% and 10% in volume and revenue respectively over the previous corresponding period.

- Trading conditions improved in the key Australian market with volume increasing by 14% and revenue by 17%.
- The timing of shipments to the UK market, the Company's largest export market, saw volume and revenue decrease by 56% and 46% respectively. The large UK supermarkets dominate the market and it is extremely price sensitive.
- Sales to Europe continue to build with increases of 16% and 18% in volume and revenue being recorded.
- Shipments to the North American markets fell by 14% in both volume and revenue terms over the corresponding previous 6 month period. The building of distribution in these vital markets remains a priority for the Company.

Strategy and future performance

The Company is expecting to sustain sales growth over the coming years as it has good volumes of higher quality wine available. Continued pressure on margins over the next 2 years is anticipated as producers compete to get their wines to consumers.

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

The lead auditor's independence declaration is set out on page 4 and forms part of the directors' report for the half year ended 31 December 2006.

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 9th day of March 2007.

Signed in accordance with a resolution of the directors:



Paul Young
Deputy 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, during the half-year ended 31 December 2006 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.



KPMG



Grant Drabsch
Partner
Adelaide
9 March 2007

Consolidated interim income statement

For the six months ended 31 December 2006

In thousands of AUD

	<i>Note</i>	31 Dec 2006	31 Dec 2005
Revenue		30,866	31,096
Cost of sales		(16,764)	(17,518)
Gross profit		14,102	13,578
Other income		92	56
Administration expenses		(1,499)	(1,534)
Marketing and public relations expenses		(881)	(998)
Selling and distribution expenses		(5,738)	(5,443)
Other expenses		(235)	(332)
Results from operating activities		5,841	5,327
Financial income		42	247
Financial expenses		(1,184)	(1,208)
Net finance costs		(1,142)	(961)
Profit before income tax		4,699	4,366
Income tax expense	8	(1,492)	(1,344)
Profit for the period		3,207	3,022

Consolidated interim statement of recognised income & expense

For the six months ended 31 December 2006

<i>In thousands of AUD</i>	<i>Note</i>	31 Dec 2006	31 Dec 2005
Foreign exchange translation differences		<u>(6)</u>	<u>(63)</u>
Income and expense recognised directly in equity		(6)	(63)
Profit for the period		<u>3,207</u>	<u>3,022</u>
Total recognised income and expense for the period		<u>3,201</u>	<u>2,959</u>

Consolidated interim balance sheet

As at 31 December 2006

<i>In thousands of AUD</i>	<i>Note</i>	31 Dec 2006	30 June 2006
Current assets			
Cash and cash equivalents		2,909	1,040
Trade and other receivables		16,435	14,416
Inventories	7	47,863	54,490
Total current assets		67,207	69,946
NON-CURRENT ASSETS			
Property, plant and equipment	9	31,424	31,022
Biological assets		493	493
Intangible assets		45	68
Total non-current assets		31,962	31,583
Total assets		99,169	101,529
Current liabilities			
Trade and other payables		6,919	8,767
Loans and borrowings	11	1,198	4,176
Employee benefits		1,590	1,555
Income tax payable		760	600
Total current liabilities		10,467	15,098
Non-current liabilities			
Loans and borrowings	11	29,922	27,701
Deferred tax liabilities		736	736
Employee benefits		70	70
Total non-current liabilities		30,728	28,507
Total liabilities		41,195	43,605
Net assets		57,974	57,924
Equity			
Issued capital		30,624	30,624
Reserves		(9)	(3)
Retained earnings		27,359	27,303
Total equity	10	57,974	57,924

Consolidated interim statement of cash flows

For the six months ended 31 December 2006

<i>In thousands of AUD</i>	<i>Note</i>	31 Dec 2006	31 Dec 2005
Cash flows from operating activities			
Cash receipts from customers		31,854	33,468
Cash paid to suppliers and employees		(22,340)	(25,451)
Cash generated from operations		9,514	8,017
Interest paid		(1,064)	(1,212)
Income taxes paid		(1,332)	(1,205)
Interest received		42	53
Net cash (used in) from operating activities		7,160	5,653
Cash flows from investing activities			
Proceeds from sale of non-current assets		17	22
Acquisition of property, plant & equipment	9	(1,361)	(1,115)
Net cash from investing activities		(1,344)	(1,093)
Cash flows from financing activities			
Repayment of borrowings	11	(800)	(500)
Dividends paid	10	(3,151)	(3,531)
Net cash from (used in) financing activities		(3,951)	(4,031)
Net increase in cash and cash equivalents			
Cash and cash equivalents at 1 July		1,040	1,545
Effect of exchange rate fluctuations on cash held		4	(15)
Cash and cash equivalents at 31 Dec		2,909	2,059

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 2006 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2006 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 consolidated entity as at and for the year ended 30 June 2006.

This consolidated interim financial report was approved by the Board of Directors on 6 March 2007.

The consolidated entity 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 consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2006.

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 consolidated entity'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 2006.

5 Financial risk management

The consolidated entity'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 2006.

6 Segment reporting

Segment information is presented in the condensed consolidated interim financial statements in respect of the consolidated entity's geographical segments, which are the primary basis of segment reporting. The business segment reporting format reflects the consolidated entity's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets.

The consolidated entity's business segments operate geographically as follows:

- | | |
|---------------|--|
| Australasia | <ul style="list-style-type: none"> ▪ Vineyards in the Barossa and Clare Valleys of South Australia ▪ Winemaking and storage facilities in the Barossa Valley, South Australia ▪ Brand management representation in the capital cities of New South Wales, Victoria, Queensland and South Australia ▪ Customers in Australia and New Zealand with selling performed by distributors |
| Europe | <ul style="list-style-type: none"> ▪ Distribution company located in Kent, UK to service the UK and Irish markets ▪ Brand management representation in Continental Europe ▪ Distributors sell wines to customers in Ireland, Germany, Switzerland, Austria, Scandinavia and other European countries |
| North America | <ul style="list-style-type: none"> ▪ Distributors and agents sell wine to customers in the USA and Canada. |
| Other | <ul style="list-style-type: none"> ▪ Distributors sell wines to customers in Asia, the Pacific, Middle East, India, Mexico, Central and South America. |

<i>In thousands of AUD</i>	Australasia		Europe		North America		Other		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Segment Revenue	14,797	11,923	10,540	13,304	4,527	5,231	1,002	638	30,866	31,096
Segment Result	3,719	3,037	1,745	1,964	1,782	1,979	338	178	7,584	7,158
Unallocated Expenses									(1,743)	(1,831)
Results from operating activities									5,841	5,327
Net financing costs									(1,142)	(961)
Income tax Expense									(1,492)	(1,344)
Profit for the period									3,207	3,022

7 Write down of inventory

During the six months ended 31 December 2006 the consolidated entity maintained a provision of \$34,000 for the write-down of finished goods inventory related to obsolete product. The provision for write-down of inventory for the six months ended 31 December 2005 was \$84,000.

8 Income tax expense

The consolidated entity's consolidated effective tax rate for the six months ended 31 December 2006 was 32% (for the year ended 30 June 2006: 32%; for the six months ended 31 December 2005: 31%).

9 Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2006, the consolidated entity acquired assets with a cost of \$1,361,000 (six months ended 31 December 2005: \$1,115,000).

Assets with a carrying amount of \$nil were disposed of during the six months ended 31 December 2006 (six months ended 31 December 2005: nil) resulting in a gain on disposal of \$17,000 (six months ended 31 December 2005: gain of \$22,000).

Capital commitments

During the six months ended 31 December 2006, the consolidated entity entered into contracts to purchase property, plant and equipment for \$1,560,000 (six months ended 31 December 2005: \$165,000). Delivery is expected in March 2007 and installation by June 2007.

10 Capital and reserves

Reconciliation of movements in equity

Consolidated

<i>In thousands of AUD</i>	<i>Note</i>	Share capital	Translation reserve	Retained earnings	Total equity
Balance at 1 July 2005		30,624	(31)	25,309	55,902
Total recognised income and expense		-	(63)	3,022	2,959
Dividends to shareholders		-	-	(3,531)	(3,531)
Balance at 31 December 2005		<u>30,624</u>	<u>(94)</u>	<u>24,800</u>	<u>55,330</u>
Balance at 1 July 2006		30,624	(3)	27,303	57,924
Total recognised income and expense		-	(6)	3,207	3,201
Dividends to shareholders		-	-	(3,151)	(3,151)
Balance at 31 December 2006		<u>30,624</u>	<u>(9)</u>	<u>27,359</u>	<u>57,974</u>

Dividends

The following dividends were declared and paid by the consolidated entity:

<i>In thousands of AUD</i>	Cents per Share	Total amount	Franked/unfranked	Date of Payment
2006	8.3	3,151	Franked	8 November 2006
2005	9.3	3,531	Franked	8 November 2005

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

11 Loans and borrowings

During the period for the six months ended 31 December 2006 \$800,000 of loans were repaid (2005: \$500,000).

12 Contingencies

As at 30 June 2006 the consolidated entity disclosed a contingent liability of \$46,000 for a possible settlement of a dispute. During the six months ended 31 December 2006 the Company settled the dispute for \$46,000.

13 Related parties

Parent and ultimate controlling party

The ultimate controlling party of the consolidated entity is Hess Group AG.

Arrangements with related parties continue to be in place. For details of these arrangements, refer to the 30 June 2006 annual financial report.

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 12, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2006 and of its performance, as represented by the results of its operations and its cash flows, for the half year 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 9th day of March 2007

Signed in accordance with a resolution of the Directors:



P A Young (Deputy Chairman)



D McC Lehmann (Managing Director)

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

Report on the Financial Report

We have reviewed the accompanying interim financial report of Peter Lehmann Wines Limited, which comprises the consolidated interim balance sheet as at 31 December 2006, income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes (1 to 13) and the directors' declaration set out on pages 5 to 13 of the consolidated entity 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 Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes designing, implementing 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 an opinion 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 an Interim 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 interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2006 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.

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 consolidated entity's financial position as at 31 December 2006 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



Grant Drabsch
Partner
Adelaide
9 March 2007