



**PETER LEHMANN WINES LIMITED
AND ITS SUBSIDIARIES
INTERIM FINANCIAL REPORT
31 DECEMBER 2007**

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 2007 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
Mr Robert Edwards	Director since 2 August 1999
Executive Mr Douglas Lehmann	Managing Director since 5 March 1993

Review of Operations

Company Overview

Peter Lehmann Wines Limited performed creditably as the wine industry continues to remain extremely competitive with the supply from the wine producing countries continuing to exceed global consumer demand. Although the drought in Australia has been prolonged and adversely affected many grape growers it has assisted in redressing the supply imbalance.

Sales revenue of \$34.9M for the six months increased 13% over the previous corresponding period. The company has been able to hold margins and contain costs with the resultant after tax profit increasing by 77% to \$5.7M.

Trading

- Total branded sales grew by 28% and 9% 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 6% and revenue by 2% compared with the previous corresponding period. The consumer preference for Sauvignon Blanc has impacted on sales of Semillon, the company's white wine mainstay.
- The timing of shipments to the UK market, the Company's largest export market, saw volume increase by 87%. The company commenced a joint venture operation with Enotria Winecellars Limited from 1 July 2007 and, although it is early days, indications are that the change will result in improved trading and profitability.
- Sales to Europe continue to build with increases of 35% and 34% in volume and revenue being recorded.
- Shipments to the North American markets grew by 20% in volume and by 9% in revenue terms over the corresponding previous 6 month period. The building of distribution in these vital markets remains a priority for the Company.
- The company has been in a position to sell wine at good prices on the bulk wine market as it realigns its inventory holdings with sales forecasts. Revenue from this activity increased by 35% over the previous corresponding period.

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. 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 under Section 307C of the Corporations Act 2001

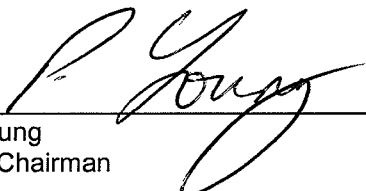
The lead auditor's independence declaration is set out on page 4 and forms part of the directors' report for the six months ended 31 December 2007.

Rounding off

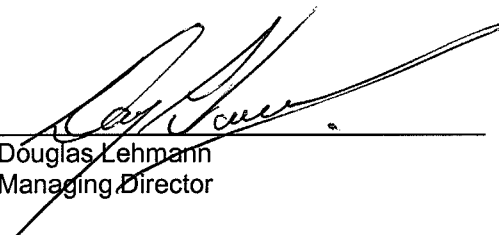
The Company is of a kind referred to in ASIC Class order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Tanunda, this 25th day of February 2008.

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 Ltd

I declare that, to the best of my knowledge and belief, in relation to the review for the six month period ended 31 December 2007 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.

G Drabsch
Partner

Adelaide

Dated this the 25th day of February 2008.

Consolidated interim income statement

For the six months ended 31 December 2007

<i>In thousands of AUD</i>	<i>Note</i>	31 Dec 2007	31 Dec 2006
Revenue		34,862	30,866
Cost of sales		(18,402)	(16,764)
Gross profit		16,460	14,102
Other income		259	92
Administration expenses		(1,217)	(1,499)
Marketing and public relations expenses		(858)	(881)
Selling and distribution expenses		(6,042)	(5,738)
Other expenses		(88)	(235)
Results from operating activities		8,514	5,841
Financial income		100	42
Financial expenses		(418)	(1,184)
Net finance costs		(318)	(1,142)
Profit before income tax		8,196	4,699
Income tax expense	7	(2,514)	(1,492)
Profit for the period		5,682	3,207

Consolidated interim statement of recognised income & expense

For the six months ended 31 December 2007

<i>In thousands of AUD</i>	<i>Note</i>	31 Dec 2007	31 Dec 2006
Foreign exchange translation differences		<u>(34)</u>	<u>(6)</u>
Income and expense recognised directly in equity		(34)	(6)
Profit for the period		<u>5,682</u>	<u>3,207</u>
Total recognised income and expense for the period	9	<u>5,648</u>	<u>3,201</u>

Consolidated interim balance sheet

As at 31 December 2007

<i>In thousands of AUD</i>	<i>Note</i>	31 Dec 2007	30 June 2007
Current assets			
Cash and cash equivalents		4,501	3,314
Trade and other receivables		18,172	17,208
Inventories	6	38,522	46,877
Total current assets		61,195	67,399
NON-CURRENT ASSETS			
Property, plant and equipment	8	31,761	32,330
Biological assets		483	483
Intangible assets		293	24
Total non-current assets		32,537	32,837
Total assets		93,732	100,236
Current liabilities			
Bank overdraft		-	149
Trade and other payables		6,047	8,846
Loans and borrowings	10	-	-
Employee benefits		1,617	1,695
Current tax payable		1,682	934
Total current liabilities		9,346	11,624
Non-current liabilities			
Loans and borrowings	10	20,621	27,243
Deferred tax liabilities		571	571
Employee benefits		113	100
Total non-current liabilities		21,305	27,914
Total liabilities		30,651	39,538
Net assets		63,081	60,698
Equity			
Issued capital		30,624	30,624
Reserves		(87)	(53)
Retained earnings		32,544	30,127
Total equity	9	63,081	60,698

Consolidated interim statement of cash flows

For the six months ended 31 December 2007

<i>In thousands of AUD</i>	<i>Note</i>	31 Dec 2007	31 Dec 2006
Cash flows from operating activities			
Cash receipts from customers		36,065	31,854
Cash paid to suppliers and employees		(21,604)	(22,340)
Cash generated from operations		14,461	9,514
Interest paid		(803)	(1,064)
Income taxes paid		(1,765)	(1,332)
Interest received		100	42
Net cash (used in) from operating activities		11,993	7,160
Cash flows from investing activities			
Proceeds from sale of non-current assets		42	17
Acquisition of property, plant & equipment	8	(709)	(1,361)
Net cash from investing activities		(667)	(1,344)
Cash flows from financing activities			
Repayment of borrowings	10	(6,700)	(800)
Dividends paid	9	(3,265)	(3,151)
Net cash from (used in) financing activities		(9,965)	(3,951)
Net increase in cash and cash equivalents			
Cash and cash equivalents at 1 July		3,165	1,040
Effect of exchange rate fluctuations on cash held		-24	4
Cash and cash equivalents at 31 Dec		4,501	2,909

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 2007 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 2007 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 2007.

This consolidated interim financial report was approved by the Board of Directors on 25 February 2008.

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 2007.

The Company entered into a joint venture operation with Enotria Winecellars Ltd from 1 July 2007. The profit attributable to Peter Lehmann Wines Limited from the joint venture is being reported in Other Income.

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 2007.

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 2007.

6 Write down of inventory

During the six months ended 31 December 2007 the consolidated entity maintained a provision of \$64,000 for the write-down of finished goods inventory related to obsolete product. The provision for write-down of inventory for the year ended 30 June 2007 was \$34,000.

7 Income tax expense

The Group's consolidated effective tax rate for the six months ended 31 December 2007 was 31% (for the year ended 30 June 2007: 32%; for the six months ended 31 December 2006: 32%).

8 Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2007, the Group acquired assets with a cost of \$709,000 (six months ended 31 December 2006: \$1,361,000).

Assets with a carrying amount of \$49,000 were disposed of during the six months ended 31 December 2007 (six months ended 31 December 2006: nil) resulting in a loss on disposal of \$6,000 (six months ended 31 December 2006: gain of \$17,000).

Capital commitments

During the six months ended 31 December 2007, the consolidated entity entered into contracts to purchase property, plant and equipment for \$784,000 (six months ended 31 December 2006: \$1,560,000). Delivery is expected in March 2008.

9 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 2006		30,624	(3)	27,303	57,924
Total recognised income and expense		-	(6)	3,307	3,201
Dividends to equity holders		-	-	(3,151)	(3,151)
Balance at 31 December 2006		30,624	(9)	27,359	57,974
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

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
2007	8.6	3,265	Franked	8 November 2007
2006	8.3	3,151	Franked	8 November 2006

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

10 Loans and borrowings

During the six months ended 31 December 2007 \$6,700,000 of loans were repaid (2006: \$800,000).

11 Related parties

Parent and ultimate controlling party

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

Arrangements with related parties continue to be in place and are consistent with these at 30 June 2007. For details of these arrangements, refer to the 30 June 2007 annual financial report.

12 Subsequent events

There have been no events subsequent to balance date which would have a material effect on the Group's financial statements at 30 June 2007.

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 2007 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 25th day of February 2008

Signed in accordance with a resolution of the Directors:



P A Young (Deputy 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 2007, income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, a summary of accounting policies and other explanatory notes 1 to 12 and the directors' declaration set out on pages 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 half-year financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* 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 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 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 2007 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 2007 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.

G Dratsch
Partner

Adelaide

Dated this the 25th day of February 2008.