



26 November 2010

Prince Hill Wines Limited 2010 Annual General Meeting – Chairman’s Address

Prince Hill Wines Limited will today address shareholders at its Annual General Meeting to be held in Adelaide, commencing at 12 Noon.

A copy of the Address to be delivered by Prince Hill Wines Limited Chairman, Paul Miller and Managing Director, Andrew Parkinson is attached.

Further information:

Andrew Parkinson
Tel: +61 8 8338 3200

Prince Hill Wines Limited 2010 Annual General Meeting Chairman's Address

Paul Miller

WELCOME

Good morning Ladies and Gentlemen and welcome to the 2010 Prince Hill Wines Annual General Meeting.

Together with Prince Hill Wines CEO, Andrew Parkinson, we will be updating you on the events of 2010 and the business challenges that lie ahead.

2010 IN REVIEW

The year to 30 June 2010 continued to be another difficult period for the company. The following major events occurred in the year to 30 June 2010:

The winery and vineyards at Mudgee, contract was terminated;

A new contract for the sale of the winery and vineyard was entered into for \$2.3m resulting in an impairment of the winery receivable of \$2,388,643 – this was settled on 12 August 2010 – with bank borrowings repaid in full and Coonawarra Australia Property Trust repaid \$1.3m

52 tonnes of grapes were grown on PHW's own vineyard;

A small crush of 79 tonnes occurred at the winery in Mudgee during the year;

Stock impairment of \$260,373.

We again faced many challenges in 2010 – in particular the termination of the contract for sale of the winery and vineyard at Mudgee and subsequent sale and write down of wine stocks on hand.

OVERVIEW OF RESULTS

Despite the difficult economic and industry conditions the Group has reduced the operating loss before tax, interest, depreciation, subsidiary disposals and impairments by \$556,029 to \$876,765 down from \$1,432,794.

THE FUTURE

The merger with the Watson Wine Group has gone ahead which has resulted in an improved financial performance with a small consolidated net profit after tax of \$40,485 for the 3 month period from 1 July 2010 to 30 September 2010.

Managing Director's and CEO's address: Andrew Parkinson

It has been another difficult year.

The company has continued to face various challenges over the last 12 months.

2010 IN REVIEW

While Paul has covered the financial highlights, I will to cover the business operations and strategy in more detail.

Revenue has decreased by \$1,014,831 as a result of the disposal of The Wine List February 2009; reduced sales of bulk and export wine sales and the failed winery sale.

Operating loss from ordinary activities after tax has improved as a result of the reduction in employee expenses and other operating costs.

The consolidated loss of the consolidated entity after providing for income tax and after minority interest amounted to \$3,743,152 (2009: \$1,561,986) after impairment losses of \$2,649,016 (2009: \$508,729) and finance costs of \$181,260 (2009: \$135,503).

The net assets of the Group have decreased by \$ 3,360,329 from 30 June 2009 to \$266,766 in 2010.

Other factors affecting the result are:

The board and management reviewed the carrying values of all assets of the business. Impairment losses of \$228,000 have been applied to bulk wine.

52 tonnes of grapes were harvested from the Mudgee vineyards in the 2010 vintage due to poor weather conditions.

Case sales (in 9 litre case equivalents) for the twelve months were 27,785 cases up 18.5% compared to 23,431 cases (2009).

Other negative impacts on the performance of the business included: an overall decline in the gross profit margin from packaged wines and the high exchange rates.

The international market has also been incredibly difficult and competitive and it is unlikely that a savior will be found in offshore markets.

At the last AGM I stated that the company must grow the Australian volume and edge away from lower margin products – we have been unable to achieve that goal.

2010 AND BEYOND

For personal use only

Our core focus is to ensure the merged group achieves a small profit for 2011 year and will strive to build on the small profit in the first quarter.

In closing I thank my fellow Board members for their commitment and support.

For personal use only