

For personal use only

Prince Hill Wines



PRINCE HILL



CARD COLLECTION



ACROBAT



FIVE SHILLINGS

Prince Hill Wines Limited

ABN: 99 000 094 995

Interim Financial Statements

For the Half Year Ended 31 December 2009

Prince Hill Wines Limited

ABN: 99 000 094 995

For the Half Year Ended 31 December 2009

CONTENTS

	<u>Page</u>
Interim Financial Statements	
Corporate Information	
Australian Stock Exchange Disclosure Information	1
Directors' Report	2
Auditors Independence Declaration under Section 307C of the Corporations Act 2001	4
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Financial Position	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	8
Notes to the Financial Statements	9
Directors' Declaration	12
Independent Review Report	13

Corporate Information

ABN:	99 000 094 995
Directors:	Peter Cleaves (Non-executive Director) Rex Watson (Non-executive Director) Andrew Parkinson (Managing Director and Chief Executive Officer)
Company Secretary:	Conrad Guerra
Registered Office and Principal place of business:	235 Glen Osmond Road, Frewville, South Australia 5063 Postal address: PO Box 167 Fullarton, South Australia, 5064
Telephone:	+61 8 8338 3400
Facsimile:	+61 8 8338 3244
Email:	enquiries@princehillwines.com
ASX Code:	PHW
Wineries:	Prince Hill Winery: 1220 Castlereagh Highway, Mudgee, New South Wales, 2850 Tel: +61 2 6373 1245 Fax: +61 2 6373 1350
Share Registry:	Registries Limited, Level 7, 207 Kent Street, Sydney, New South Wales, 2000 Tel: +61 2 9290 9600 Fax: +61 2 9279 0664 Website: www.registriesltd.com.au
Auditor:	Grant Thornton, South Australian Partnership
Taxation Advisor:	Grant Thornton, South Australian Partnership
Bankers:	Commonwealth Bank of Australia, Adelaide, South Australia National Australia Bank, Sydney, New South Wales

Prince Hill Wines Limited

ABN: 99 000 094 995

Australian Stock Exchange Disclosure Information

Results for announcement to the market

		Percentage Change		Amount
Revenues from ordinary activities	down	24 %	to	783,479
Loss from ordinary activities after tax attributable to members	down	55 %	to	(746,118)
Net loss for the period attributable to members	down	55 %	to	(746,118)
		31 December 2009		30 June 2009
		cents		cents
Net tangible assets per security		2.3		2.9

Distributions

No dividends have been proposed or declared for the period ended 31 December 2009. No record date is required as no dividends have been proposed or declared for the period ended 31 December 2009

The Interim Report is to be read in conjunction with the 2009 Annual Report, the 2009 Interim Financial Report and Director's report.

Prince Hill Wines Limited

ABN: 99 000 094 995

Directors' Report

31 December 2009

Your directors submit the financial report of the Prince Hill Wine Group (The Group) for the half-year ended 31 December 2009 and the state of affairs of the Group at that date.

1. General information

(a) Directors

The names of the directors in office at any time during, or since the end of, the half year are:

Names	Position
-------	----------

Mr Peter Cleaves	Non-executive director
------------------	------------------------

Mr Rex Watson	Non-executive director
---------------	------------------------

Mr Andrew Parkinson	Managing director
---------------------	-------------------

Appointed/Resigned

Appointed 5 April 2007

Appointed 5 April 2007

Appointed managing director 5 April 2007 and Non executive Director 20 October 2006

2. Business review

Review of operations

A review of the operations of The Group during the financial half year and the results of those operations has resulted in significant improvements to the trading results with the loss attributable to members decreasing by 55 percent down to \$746,118. However, sales during the normally buoyant Christmas period were extremely disappointing necessitating a writedown of inventory of \$317,095 (2008: \$450,519).

The group has in the half year reduced its borrowings to the National Australia bank by \$275,000 (26 percent).

The vineyard, winery, function centre and cellar door located at 1220 Castlereagh Highway, Apple Tree Flat, Mudgee New South Wales are subject to a non-conditional contract for \$5.5m inclusive of GST.

Under the original sale agreement exchanged on 30 September 2008 the deposit was intended to be paid in installments with the final settlement sum of \$4,950,000 inclusive of GST being originally due on the completion date of 31 May 2009. The parties extended the completion date to 18 February 2010 under a revised sale agreement dated 29 September 2009.

The purchaser (Great Southern Beverage Company Pty Ltd (ACN 132 761 392) failed to settle on the completion date of 18 February 2010. PHW Services has reserved all of its rights and will take all steps available to it to enforce the legal rights under the sale agreement and has issued a Notice to Complete requiring settlement by 8 March 2010.

Prince Hill Wines Limited

ABN: 99 000 094 995

Directors' Report

31 December 2009

3. Other items

Auditors Independence Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 4 for the half year ended 31 December 2009.

4. Sign off details

(a) Sign off information

Signed in accordance with a resolution of the Board of Directors:

Director:



Mr Andrew Parkinson

Dated 26 February 2010

For personal use only

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info@gtsa.com.au
W www.granthornton.com.au

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF PRINCE HILL WINES LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Prince Hill Wines Limited for the half-year ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON
South Australian Partnership
Chartered Accountants



S J Gray
Partner

Signed at Adelaide on this 26 day of February 2010

Grant Thornton South Australian Partnership ABN 27 244 906 724
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.

Liability limited by a scheme approved under Professional Standards Legislation

For personal use only

Prince Hill Wines Limited ABN: 99 000 094 995

Consolidated Statement of Comprehensive Income
For the Period Ended 31 December 2009

	31 December 2009	31 December 2008
	\$	\$
Sales revenue	783,479	1,030,060
Cost of sales	<u>(806,452)</u>	<u>(1,291,034)</u>
Gross profit	(22,973)	(260,974)
Other income	210,856	281,862
Marketing costs	(92,222)	(127,304)
Occupancy costs	(74,336)	(56,346)
Administrative costs	(222,925)	(214,745)
Vineyard management expenses	(13,404)	(107,980)
Management Expenses	(114,000)	(256,595)
Impairment losses - trade debtors	-	(4,313)
Joint Venture Operation Costs	-	(340,084)
Impairment losses - property, plant, equipment and biological assets	-	(50,000)
Impairment losses - inventories	(317,095)	(450,519)
Other expenses	(16,797)	(2,143)
Finance costs	<u>(83,222)</u>	<u>(80,464)</u>
Loss before income tax	(746,118)	(1,669,605)
Income tax expense	-	(161)
Loss from continuing operations	<u>(746,118)</u>	<u>(1,669,766)</u>
Loss for the period	<u>(746,118)</u>	<u>(1,669,766)</u>
Other comprehensive income		
Other comprehensive income for the period, net of tax	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>(746,118)</u>	<u>(1,669,766)</u>
Earnings per share		
From continuing operations:		
Basic earnings per share (cents)	(0.59)	(1.34)
Diluted earnings per share (cents)	(0.59)	(1.34)

The accompanying notes form part of these financial statements.

Prince Hill Wines Limited

ABN: 99 000 094 995

Consolidated Statement of Financial Position
As At 31 December 2009

	31 December 2009 \$	30 June 2009 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	99,420	112,688
Trade and other receivables	151,227	120,331
Inventories	588,124	834,888
Other assets	26,790	5,540
Winery sale receivable	4,692,208	4,620,000
TOTAL CURRENT ASSETS	5,557,769	5,693,447
NON-CURRENT ASSETS		
Financial assets	60,000	-
Property, plant and equipment	130,381	148,679
TOTAL NON-CURRENT ASSETS	190,381	148,679
TOTAL ASSETS	5,748,150	5,842,126
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	598,318	398,954
Borrowings	2,193,431	1,754,475
Short-term provisions	19,845	28,409
TOTAL CURRENT LIABILITIES	2,811,594	2,181,838
NON-CURRENT LIABILITIES		
Borrowings	15,868	17,501
Other long-term provisions	39,711	15,692
TOTAL NON-CURRENT LIABILITIES	55,579	33,193
TOTAL LIABILITIES	2,867,173	2,215,031
NET ASSETS	2,880,977	3,627,095
EQUITY		
Issued capital	36,089,103	36,089,103
Reserves	15,000	15,000
Retained earnings	(33,223,126)	(32,477,008)
TOTAL EQUITY	2,880,977	3,627,095

The accompanying notes form part of these financial statements.

Prince Hill Wines Limited

ABN: 99 000 094 995

Consolidated Statement of Changes in Equity For the Half Year Ended 31 December 2009

31 December
2009

	Ordinary Shares	Retained Earnings	Option Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2009	36,089,103	(32,477,008)	15,000	3,627,095
Total comprehensive income	-	(746,118)	-	(746,118)
Sub-total	-	(746,118)	-	(746,118)
Balance at 31 December 2009	36,089,103	(33,223,126)	15,000	2,880,977

31 December
2008

	Ordinary Shares	Retained Earnings	Option Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2008	36,094,103	(30,915,022)	15,000	5,194,081
Total comprehensive income	-	(1,669,766)	-	(1,669,766)
Transaction costs	(5,000)	-	-	(5,000)
Sub-total	(5,000)	(1,669,766)	-	(1,674,766)
Balance at 31 December 2008	36,089,103	(32,584,788)	15,000	3,519,315

The accompanying notes form part of these financial statements.

Prince Hill Wines Limited

ABN: 99 000 094 995

Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2009

	31 December 2009	31 December 2008
	\$	\$
Cash from operating activities:		
Receipts from customers	801,392	2,107,800
Payments to suppliers and employees	(1,343,411)	(2,858,963)
Interest received	30	6,301
Finance costs	(83,222)	(52,033)
Net cash provided by (used in) operating activities	(625,211)	(796,895)
Cash flows from investing activities:		
Proceeds from sale of plant and equipment	110,000	275,000
Purchase of property, plant and equipment	-	(10,850)
Loans to related parties - payments made	-	(114,257)
Loans from related parties - proceeds received	780,952	-
Net cash provided by (used in) investing activities	890,952	149,893
Cash flows from financing activities:		
Repayment of borrowings	(279,009)	(21,530)
Payment of transaction costs	-	(5,000)
Net cash provided by (used in) financing activities	(279,009)	(26,530)
Net increase (decreases) in cash held	(13,268)	(673,532)
Cash and cash equivalents at beginning of the half year	112,688	827,419
Cash at end of the half year	99,420	153,887

The accompanying notes form part of these financial statements.

Prince Hill Wines Limited

ABN: 99 000 094 995

Notes to the Financial Statements

For the Half Year Ended 31 December 2009

1 Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ending 31 December 2009 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Prince Hill Wines Limited and controlled entities (The Group). As such it does not contain information that represents relatively insignificant changes occurring during the half-year within The Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of The Group for the year ended 30 June 2009, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

Accounting Standards not Previously Applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity.
- the adoption of the separate income statement approach to the presentation of the Statement of Comprehensive Income
- other financial statements are renamed in accordance with the Standard
- presentation of a third Statement of Financial Position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

Operating Segments

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, The Group's chief operating decision maker which, for The Group, is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the

Prince Hill Wines Limited

ABN: 99 000 094 995

Notes to the Financial Statements

For the Half Year Ended 31 December 2009

1 Basis of Preparation continued

interim financial report have been included.

As a result of the adoption of the revised AASB 8, certain cash generating units have been redefined having regard to the requirements of AASB 136 'Impairment of Assets'.

Business Combinations and Consolidation Procedures

Revised AASB 3 is applicable prospectively from 1 July 2008. Changes introduced by this Standard, or as a consequence of the amendments of other Standards relating to business combinations which are expected to affect The Group, include the following:

- All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method which prohibits the recognition of contingent liabilities of the acquiree at acquisition date that do not meet the definition of a liability. Costs incurred that relate to the business combination are expensed instead of comprising part of the goodwill acquired on consolidation. Changes in the fair value of contingent consideration payable are not regarded as measurement period adjustments and are recognised through profit and loss unless the change relates to circumstances which existed at acquisition date.
- Unrecognised deferred tax assets of the acquiree may be subsequently realised within 12 months of acquisition date on the basis of facts and circumstances existing at acquisition date with a consequential reduction in goodwill. All other deferred tax assets subsequently recognised are accounted for through profit or loss.
- The proportionate interest in losses attributable to non-controlling interests is assigned to non-controlling interests irrespective of whether this result is a deficit balance. Previously, losses causing a deficit to non-controlling interests were allocated to the parent entity.
- Where control of a subsidiary is lost, the balance of the remaining investment account shall be measured at fair value at the date that control was lost.

Revenue recognition

Dividends received from a subsidiary, joint venture or associate shall be recognised as dividend revenue in the profit or loss irrespective of whether such dividends may have been paid out of pre-acquisition profits. Previously, such dividends were treated as a return of capital invested. Such dividends may be an indicator of impairment where the carrying amount of the investment exceeds the consolidated net assets relating to that investment or where the dividend exceeds the total comprehensive income of the respective investee in the period the dividend is declared.

Prince Hill Wines Limited

ABN: 99 000 094 995

Notes to the Financial Statements

For the Half Year Ended 31 December 2009

2 Dividends

(a) Dividends - Interim

There has been no provision raised for dividend payments.

3 Segment information

(a) Identification of reportable segments

The Directors have considered the requirements of AASB 8 Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded that at this time there are no separately identifiable segments. The group remains focused on ensuring the results of the wine business continue to improve.

4 Contingent Liabilities and Contingent Assets

There has been no change in contingent liabilities since the last annual reporting date.

5 Events After the Balance Sheet Date

Further to various announcements by Prince Hill Wines Limited regarding the sale of the vineyard, winery, function centre and cellar door located at 1220 Castlereagh Highway, Apple Tree Flat, Mudgee New South Wales by its wholly owned subsidiary, Prince Hill Wine Services Pty Ltd (ABN 40 062 979 588), the purchaser (Great Southern Beverage Company Pty Ltd (ACN 132 761 392) failed to settle on the completion date of 18 February 2010.

Under the original sale agreement exchanged on 30 September 2008, the deposit was intended to be paid in instalments with the final settlement sum of \$4,950,000 inclusive of GST being originally due on the completion date of 31 May 2009. The parties extended the completion date to 18 February 2010 under a revised sale agreement dated 29 September 2009.

Prince Hill Wine Services has reserved all of its rights and will take all steps available to it to enforce the legal rights under the sale agreement and has issued a Notice to Complete requiring settlement by 8 March 2010.

The Directors have prepared the financial statements on the basis that the sale transaction detailed above will occur as contemplated. If settlement does not occur the assets may not realise the values described in the financial statements and as a consequence the going concern basis may not be appropriate and the entity may have to realise its assets and discharge its liabilities, other than in the ordinary course of business and for amounts different from those stated in this financial report.

- (a) The financial report was authorised for issue on 26 February 2010 by the board of directors.

Prince Hill Wines Limited

ABN: 99 000 094 995

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 11 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the consolidated group's financial position as at 31 December 2009 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director 

Dated 26 February 2010



For personal use only

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info@gtsa.com.au
W www.granthornton.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PRINCE HILL WINES LIMITED

We have reviewed the accompanying half-year financial report of Prince Hill Wines Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2009, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both 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 controls 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 consolidated 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 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 financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Grant Thornton South Australian Partnership ABN 27 244 906 724
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.

Liability limited by a scheme approved under Professional Standards Legislation



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PRINCE HILL WINES LIMITED Cont

Auditor's responsibility Cont

As the auditor of Prince Hill 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 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 Prince Hill 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 2009 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Significant uncertainty regarding

Winery sale receivable

Without qualification to the audit opinion expressed above, attention is drawn to Note 5 in the financial statements. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the carrying value of the winery sale receivable. The financial report has been prepared on the basis that the sale agreement will be completed as contemplated. If the sale is not completed the Company may not be able to realise the receivable at the current carrying value.

For personal use only

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF PRINCE HILL WINES LIMITED**

Significant uncertainty regarding

Going Concern

The company and consolidated entity's ability to continue as a going concern is contingent upon the settlement of the sale of the winery assets. If the sale is not completed, the going concern basis may not be appropriate, with the result that the company and the consolidated entity may have to realise its assets and discharge its liabilities, other than in the ordinary course of business and for amounts different from those stated in the financial report. No allowance has been made for such circumstances in the preparation of this financial report.

GRANT THORNTON
South Australian Partnership
Chartered Accountants



S J Gray
Partner

Signed at Adelaide on this 26 day of February 2010

For personal use only