PETER LEHMANN WINES LIMITED

2007
ANNUAL REPORT

Peter
LEHMANN
of the Barossa

The PEOPLE, STORIES & WINES
THAT MAKE *the* BAROSSA FAMOUS

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MANAGING DIRECTOR'S REPORT

Company Overview

Peter Lehmann Wines Limited (PLW) recorded total revenue of $63.4M (2006: $57.4M) and an after tax profit of $5.9M (2006: $5.7M) for the year ended 30 June 2007.

The directors have declared a fully franked dividend of 8.6 cents per share (2006: 8.3 cents) to be paid on 8 November 2007.

Trading

Difficult trading conditions persisted throughout the year with total branded domestic sales down 2% in volume compared with the previous year.

While the much smaller vintage experienced in 2007 will see a considerable reduction in most wineries' stock holdings it is not expected that this will start to impact until late 2007 and into 2008 when retail prices generally are expected to increase. Despite this, competition will remain fierce with growth remaining around 3-4% in what is now a very mature wine market.

PLW total branded export sales were steady with volume and value increasing by 3% and 9% respectively.

All global markets remain incredibly competitive and the cost to take our wine to market continues to increase yearly, impacting on contribution and ultimately profitability.

PLW successfully operated its own distribution company in the United Kingdom for the last 15 years. However, over the past few years it became apparent that market conditions had changed considerably and the company needed to find a new avenue to sell and market its wine in the UK. This market is especially important as historically it accounted for around 50% of the total volume of PLW export sales and the volume was falling quite rapidly.

In May PLW announced that it was entering into a joint venture arrangement with the London based distributor Enotria Winecellars Limited.

Enotria has selling expertise in all segments of the market with a particular strength in the important restaurant and hotel sector, which PLW views as crucial to building the ongoing success of the brand in what remains an important export destination. The arrangement became effective from 1 July 2007.

Continental Europe continued its strong growth from the previous year with sales volumes increasing by 16% and revenue by 20%.

Sales to the majority of the region's countries continued to perform well, with Switzerland, Denmark and the Netherlands being the stand out markets. PLW has experienced sustained growth since it began exporting to this region some 10 years ago and further improvement is expected over the next financial year and beyond.

The Hess Collection Winery based in the Napa Valley has been representing PLW throughout the US market since January 2004. Over the past year, further gains have been made with volume increasing by 15%, and revenue increasing by 10%. The sales reflect the competitive conditions in the US market. Despite these competitive conditions, management is confident that increased growth will be achieved during the next financial year.

Over the past five years strong growth has been recorded in the Canadian markets and this continued in 2006/7, with volume increasing by 14% and revenue by 9%. Further growth is expected for the new financial year.

Sales to the Middle East, Asia and other small markets grew by 15% in volume with revenue increasing by a creditable 56% over the past year. While it will take some time, these emerging markets will become important consumers of Australian wine.

We continually monitor stock holdings and align these with bottled wine sales and forecasts. Wine identified as being surplus to requirements is sold on the spot market. This year revenue from bulk wines was a significant contributor with PLW recording sales of $5.1M (2006: $2.4M).

Wine Quality

PLW continued to perform extremely well in national and international wine shows over the past year and was awarded 9 trophies, 30 gold medals and numerous silver and bronze medals.

There were two significant highlights for the company over the past year. The first was being awarded International Winemaker of the Year at the *International Wine & Spirit Competition* in London. It was the second time that PLW received this coveted award, having previously won it in 2003. The second highlight was in June at the *International Wine Challenge London* where the company won the International Semillon Trophy, Australian Riesling Trophy and the Eden Valley Riesling Trophy. Congratulations must go to the growers, cellar staff and wine making team who continue to deliver internationally recognised wines of excellence.

2007 Vintage

The 2007 vintage was seriously affected by arguably the most severe drought experienced in Australia for a hundred years.

Virtually all wine growing districts throughout the country were impacted with the total national crush down to 1.34 million tonnes. This is 560,000 tonnes (29%) lower than last year's harvest of 1.9 million tonnes. The yield per hectare was the lowest since 1976 and the total vintage not much greater than 1999 and 2000.

We commenced the vintage around three weeks earlier than usual on 1st February and, with the exception of a small amount of Semillon left on our own vineyard to allow botrytis to develop, crushing was completed on 23rd March. The 1st February start and 23rd March finish were the earliest commencement and close ever experienced at PLW.

The current assessment of the wines produced from this difficult year is quite good with the whites, particularly Semillon and Riesling, showing above average quality. The red wines are of a good standard without being exceptional.

Wine Industry Outlook

There is concern for the 2008 vintage volume. Current industry investigation shows that the fruiting wood for next year has been affected by the harsh conditions experienced in 2007 and this will more than likely have a negative impact on the 2008 crop.

Even if we have normal to above normal rainfall the bunches produced are likely to be fewer and with fewer berries per bunch. It is also very doubtful that the bulk producing areas of the Murrumbidgee Irrigation Area, Sunraysia and South Australian Riverland will see a return to full water allocations. This will see significant reduction in tonnages in these large wine grape producing districts.

These factors, combined with the very short 2007 vintage will more than likely see a scarcity of wine and this in turn may see grape prices rise in all districts. Mother Nature will be the final arbitrator on this. PLW is estimating a vintage intake in 2008 of around 11,500 tonnes which is about 20% down on an "average year", on the expectation that the 2008 harvest will not be as low as 2007.

Environment

Media stories are dominated by concerns for climate change and its impact on the physical, social and economic interests of the world's citizens. We have always taken the view that PLW will use resources efficiently, minimise the effects of the winery operations on the environment, and recycle materials wherever possible. More details on PLW's activities and planned initiatives are contained in the environment section of the annual report.

Outlook

As previously stated the industry has been facing difficult challenges over the past few years and further grey clouds are on the horizon. The Australian dollar strengthened markedly over the past year but remains very volatile. Interest rates are on the rise and of course drought, particularly in the Murray Darling Systems appears to be far from over.

Despite all these difficulties we are cautiously optimistic that we can meet these challenges and move the company forward over the next twelve months.

I would like to take this opportunity to thank all the staff and the company directors for their efforts and expertise over the past year.

DOUG LEHMANN

PETER LEHMANN WINES WAS NAMED

IWSC International Winemaker of the Year – 2003 & 2006

IWSC Best Australian Producer – 2003 & 2006

IWC International White Wine Maker of the Year - 2006

DIRECTORS' REPORT

The directors present their report together with the consolidated financial report for the full year ended 30 June 2007 and the review report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

Name, Qualifications & Special Responsibilities	Age	Experience
Max LIENHARD PhD (Economics) Non-Executive Director Member of the Audit and Remuneration Committees	63	Dr Max Lienhard is Chairman & CEO of Hess Group AG. Prior to joining Hess he held positions in international marketing in the pharmaceuticals and food industries. Appointed Chairman and Director on 31 October 2003.
Paul Antony YOUNG MA (Cantab) ACA CF (ICAEW) FAICD Non-Executive Director Chairman of the Audit Committee Member of the Remuneration Committee	52	Paul Young is a director of Baron Partners Limited and has 23 years experience in corporate advisory work. Director of Thomas & Coffey Limited, Ambition Group Limited and Trent Capital Limited. Appointed as an Alternate Director for the Chairman on 31 October 2003. Appointed Deputy Chairman and Director 11 December 2003.
Roger Maxwell WILSON, LLB Non-Executive Director Chairman of the Remuneration Committee and Member of the Audit Committee	66	Roger Wilson has 45 years experience as a practicing solicitor specialising in commercial law. Director since March 1993. Designated as Peter Lehmann's representative in November 2002.
Kay Elaine CAREY, BCom Non-Executive Director Member of the Audit and Remuneration Committees	53	Kay Carey gained significant brand development and marketing skills internationally whilst employed by a multi-national consumer product company. Product portfolios included health and well being products and food, flavours and fragrances. Director of Australian Pork Limited. Appointed to the board in December 2004.
Douglas McCaig LEHMANN, FAICD Executive Director	55	Douglas Lehmann's formative experience in the wine industry was as a winemaker. Over the last 35 years he has developed skills in wine production, marketing and distribution as well as general management. Managing Director since March 1993.
Robert Victor EDWARDS, BCom Executive Director	61	Robert Edwards has over 23 years marketing and selling experience in the wine industry. He has been Marketing Manager with PLW since 1995. Appointed Marketing Director August 1999.
Andrew Douglas WIGAN, BSc (App Chem) Dip Oen Alternate Director	58	Chief Winemaker and leads the team of winemakers and technical staff. Appointed alternate for Robert Edwards August 1999.
Company Secretary Barbara Kay CLAPTON, BEd Grad Dip Acc FCA, FCIS	53	Chief Financial Officer & Company Secretary and leads the finance and administration team. Appointed Company Secretary 5 March 1993.

Corporate Governance Statement

The directors set out to develop a transparent and accountable framework from the time of the Company's formation in 1993. This direction and attitude have shaped the policies, practice and culture of Peter Lehmann Wines Limited (PLW).

The board was reconstituted following the takeover in October 2003 with many of the existing practices adopted by the current board of directors.

The Company requested removal from the Australian Securities Exchange (ASX) and this came into effect on 12 October 2004. Although PLW is no longer bound by the ASX Corporate Governance Guidelines many of the principles continue to be applied as they represent good practice and are relevant to an unlisted public company.

Board of directors & its committees

Role of the board
The directors have the overall obligation to act in the best interests of the shareholders and to protect the shareholders' investment. The board's charter is located on the Company's website.

Responsibilities of the board
The board is responsible for the strategic direction of the business, establishing goals for management and monitoring the achievement of goals directly and through its committees. Responsibility for the operation and administration is delegated to the managing director and executive management.

Matters considered by the board
The board charter defines the purpose, responsibilities and operation of the board. Issues of substance affecting PLW are considered by the full board of directors, with advice from appropriate committees and external advisers as required.

Specific matters reserved for the board -

- Review and approval of the business strategies developed by management
- Approval of financial and other reporting
- Review and approval of the operating budget and capital expenditure projects
- Monitoring the financial performance and capital management of the business
- Reviewing the risk management system and ensuring the integrity of internal controls and adherence to the codes of conduct and legal compliance program
- Monitoring senior management's performance and implementation of the business strategy
- Appointment and, where appropriate, removal of the managing director
- Ratifying the appointment and, where appropriate, the removal of the chief financial officer and the company secretary.

Composition of the board
The Constitution requires a minimum of three and a maximum of ten directors. Up to five directors may be executive directors. The board's policy is for the chairman to be a non-executive director and for there to be a majority of non-executive directors.

All directors, with the exception of the managing director, are subject to election by shareholders at the first opportunity after their appointment. With the exception of the managing director, by rotation one third of the directors are required to be re-elected at each annual general meeting. New directors appointed by the board are required to seek election at the first general meeting of shareholders following their appointment.

The board presently comprises four non-executive directors, one of whom is the chairman, and two executive directors. Three of the four non-executive directors are not considered to be independent as one is an officer of a shareholder with more than 5% of the shares, one is associated with the holder of more than 5% of the shares and the third acted as a professional advisor to the Company's parent company during the year ended 30 June 2004.

The ownership of the Company whereby two shareholders control 96% of the issued shares has determined the board structure. It is not considered appropriate to set a maximum term of office for individual directors.

The composition of the board is reviewed regularly to ensure it meets its responsibilities. The board has determined that a broad portfolio of skills and experience are required to complement the specific wine industry experience of the executive directors.

All the directors are involved in the process of appointing new directors by firstly defining the characteristics required and then deciding whether the prospective appointee is best secured by way of consultancy advice or by the board's own research. A nominations committee is not considered to be appropriate given the size and culture of the business.

The board has a portfolio of skills including CEO experience, marketing, finance and capital markets, and commercial law.

Process
The board generally schedules at least 6 meetings each year at the winery and this provides directors with the opportunity to visit the production facilities and for contact with a wide group of employees. Other meetings and any extraordinary meetings may be convened at shorter notice and held at other venues or conducted by conference calls.

The chairman of the Company resides in Switzerland and in his absence some of his authority has been delegated to the deputy chairman. The deputy chairman's responsibilities include –

- leading the board, including ensuring meetings are conducted in an open and professional manner so that matters discussed are debated and analysed objectively
- providing effective leadership on formulating the board's strategy
- representing the views of the board to shareholders and the public
- conducting shareholder meetings in an open and democratic manner for shareholders to express their views and to ask questions of the board, management and external auditors
- ensuring new directors are properly briefed on the terms of their appointment and their rights, duties and responsibilities
- setting an example of the culture and values for which PLW stands.

Meeting agendas are prepared by the company secretary in conjunction with the deputy chairman and managing director. Standing items include the managing director's report, finance report, strategic matters, sales and marketing reports, governance and compliance. Board papers are circulated in sufficient time to allow effective preparation. All directors have access to the company secretary.

Each director enters into an Access and Indemnity Deed with PLW to ensure ten year access to documents after retirement from the board.

The Company has induction procedures designed to allow new board appointees to participate fully and actively in board decision-making at the earliest opportunity.

To assist in the execution of its responsibilities the board has established an audit committee and a remuneration committee. Following each audit committee meeting the board is given a verbal report by the committee chairman. Audit committee minutes are circulated to all board members.

Each director has the right to seek independent professional advice at the Company's expense after first obtaining the deputy chairman's approval. The deputy chairman has the discretion to approve expenditure without prior reference to the board or to refer the request to the board.

Board members are expected to devote sufficient time to prepare for meetings and contribute to the governance of the business.

Conflict of interest
Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the board believes a significant conflict of interest exists, the director concerned does not receive the relevant board papers and does not attend the meeting whilst the item is considered.

Audit committee
A documented charter detailing the role, membership, responsibilities and reporting has been determined and is available on the Company's website. The role of the audit committee is to oversee and enhance the credibility of the financial reporting process of PLW.

The objectives of the committee include:

- assessing the risk and control environment, reviewing accounting policies, internal controls, practices and disclosures to assist the board in making informed decisions
- overseeing the financial reporting to ensure it is appropriate and of a high quality prior to recommending adoption of the financial statements by the board for release to shareholders
- evaluating the audit process, particularly the scope, effectiveness and outcome.

The audit committee is comprised of non-executive directors. Committee members are financially literate, that is, have the ability to read and understand financial reports including income statements, balance sheets and statements of cash flow. The committee chairman has accounting and financial experience, is knowledgeable about financial and auditing processes and is responsible for the planning and conduct of meetings and overseeing the reporting to the board.

The audit committee meets at least twice a year to coincide with the production of published financial statements and the assessment of external audit reports. The external auditor, the managing director and chief financial officer & company secretary are invited to audit committee meetings. The committee members consult directly with the external auditor as required. This consultation may be independent of management in order to provide an opportunity for the auditor to discuss any contentious issues or raise concerns.

The audit committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year to discuss the external audit, identify any significant changes which are likely to impact on the financial statements and review the fees proposed for the audit work to be performed. The audit committee provides advice to the board in respect of whether the provision of non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001.

The external audit firm was appointed in 1993 and the audit engagement partner was last rotated in 2004. Each reporting period the external auditor provides an independence declaration in relation to the audit or review.

The audit committee addresses any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission and the Company's bank.

The Company is subject to legal and regulatory compliance with the audit committee responsible for reviewing the legal compliance program regularly. Procedures are in place to ensure compliance with label integrity, export, trademarks, liquor licence and environment requirements. The Company is cognisant of its responsibilities in relation to food safety, efficient use of resources, effective lifecycle management of packaging and paper products, and the hazard analysis critical control point methodology as applied to the wine industry.

The managing director and chief financial officer complete a detailed questionnaire regarding the financial reports and underlying internal controls and risk management system. They provide a written statement that, in all material respects, the financial reports present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is made at half yearly intervals.

Remuneration committee
A documented charter detailing the role, membership, responsibilities and reporting has been determined and is available on the Company's website.

The committee reviews and makes recommendations to the board on the remuneration packages of directors and senior executives. It is also responsible for incentive performance policies, superannuation, retirement and termination entitlements and fringe benefits policies.
The non-executive directors form the committee with the managing director invited to attend at the discretion of the committee. The remuneration committee meets once a year and as required.

Ethical standards
All directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. PLW has codes of conduct for directors and staff and finance officers and these codes are available on the Company's website.

Risk management
Oversight of the risk management system
The board as a whole considers the major risks affecting the business. It is not intended to eliminate risk. The risk management system encompasses all financial, operational and compliance controls and risk management and is subject to regular review.

The managing director and the chief financial officer have declared, in writing to the board, that the financial reporting risk management and associated compliance and controls have been assessed to be operating effectively and efficiently. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Group and joint ventures.

Risk profile

PLW has a simple business model with these features:-

- a single processing site
- vineyard and packaging work outsourced
- wine is sold through independent distributors in Australian and overseas markets except for the UK and USA
- distribution in the UK has been through a subsidiary company and from 1 July 2007 this will be through a joint venture
- wine is sold to a commonly controlled company in the USA
- retail sales through the Cellar Door
- stable workforce

Major business risks include

- *Grape intake* - The Company has long-standing arrangements with 170 independent growers.
- *Occupational health and safety* - Occupational health and safety standards and management systems are monitored and reviewed by the board to assess performance and compliance with regulations. The Company has not had any health and safety prosecutions.
- *Environmental impact* - The Company is involved in an industry which has the potential to impose environmental risks through chemical storage and handling and winery wastewater.
- *Wine Quality* - Winemakers, laboratory, cellar and maintenance staff are trained to ensure PLW complies with the highest production standards. The hazard analysis critical control point program (HACCP program) has been implemented to ensure PLW addresses food safety issues. The contract bottler is HACCP and ISO 9001 accredited.
- *Channels to market* – PLW has developed a network of quality distributors and works closely with them to promote wines with a range of buyers including wholesalers, retailers, mail order businesses, duty free operators and the restaurant trade.
- *Exchange rate movements* - PLW transacts export sales in Australian dollars, Euros, US dollars and Canadian dollars and has developed a treasury management policy to ensure personnel do not engage in unauthorised trading positions.
- *Interest rate movements* - Interest rate risk emanates from changes in market interest rates impacting on the Company's short and long term debt. This exposure is managed by combining interest rate swaps with floating rate arrangements.

Risk management and compliance and control

The board is responsible for the overall internal control framework but recognises that no cost effective internal control system will preclude all errors and irregularities. The system is based upon written procedures, policies and codes, division of responsibility, and the careful selection and training of qualified personnel.

The system provides the structure for controlling the business – planning, running the operation and monitoring activities to assess progress on achieving defined business objectives.

Key areas subject to regular reporting to the board include occupational health and safety performance, treasury operations, credit risk, insurance, legal matters and environment performance.

There are a number of committees established to oversee matters relating to operational activities - occupational health and safety, environment and enterprise conditions. These committees meet regularly with senior management who report to the board.

Financial controls and procedures are clearly defined with the operating and capital budgets used as key controls for business operations. Management regularly report monthly actual results against budgets approved by the board. Rolling forecasts for the year are regularly prepared in line with market conditions and expectations.

Assessment of the effectiveness of risk management

The managing director and chief financial officer monitor compliance and control systems and report to the audit committee on weaknesses identified and remedial actions undertaken.

Communication with shareholders

The directors ensure shareholders are informed of all major developments affecting the Company.

- The half yearly report contains summarised financial information about the operations of the Group during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investments Commission and sent to any shareholder who requests it. A summary of the half-year result is sent to all shareholders in February each year.

- The vintage outcome is communicated in May each year.

- PLW distributes the annual report which contains the concise report and notice of annual general meeting (AGM) in late September each year. The concise report includes relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments.

- The concise and full financial reports are lodged with the Australian Securities and Investments Commission and sent to any shareholder who requests a copy.

- The Managing Director's address to the AGM and outcome of the AGM are sent to all shareholders in November each year.

- Shareholders, who elect to do so, receive promotional information in the form of newsletters which are usually circulated twice a year.

- Shareholders may also join the electronic mailing list and receive notices of the winery's activities and promotional information.

- All announcements to the market, concise and full financial reports and annual reports are made available on the Company's website within a day of public release.

The board encourages full participation of shareholders at the annual general meeting. The shareholders are requested to vote on the appointment and aggregate remuneration of directors and changes to the Constitution. The audit engagement partner attends the AGM and is available to answer questions about the conduct of the audit and the preparation and content of the auditor's report.

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
M Lienhard	1	1	-	-	-	-
P A Young	6	6	2	2	1	1
D McC Lehmann	6	6	-	-	-	-
R M Wilson	6	6	2	2	1	1
R V Edwards	5	6	-	-	-	-
K E Carey	6	6	2	2	1	1

A – Number of meetings attended
B – Number of meetings held in which the overseas director could participate or during the time the director held office during the year.

Principal activities

The principal activities of the Group during the course of the financial year were the manufacturing and sale of wine. The wine is sold in bottle and in bulk. Bottled wine is exported as well as being sold domestically.

The Company has two subsidiaries, Peter Lehmann Wines (UK) Ltd and Austral Wines Pty Ltd. These companies sell wine in the UK and buyers own brand wine respectively.

In May 2007 PLW advised the market that from 1 July 2007 it will distribute its wines in the UK and Ireland through a joint venture arrangement with UK based Enotria Winecellars Ltd. Business conditions have changed substantially in this market and the joint venture will replace the activities of Peter Lehmann Wines (UK) Ltd, a subsidiary set up in 1992.

Shareholder returns

	2007	2006	2005	2004	2003
Net profit for the year	$5,975,000	$5,748,000	$6,434,000	$3,830,000	$5,419,000
Basic EPS	15.7 cents	15.1 cents	16.9 cents	10.1 cents	14.5 cents
Dividends paid/payable	$3,265,000	$3,151,000	$3,531,000	$2,088,000	$4,095,000
Dividends per share	8.6 cents	8.3 cents	9.3 cents	5.5 cents	9.0 cents
Return on capital employed	10%	10%	12%	7%	11%

Net profit amounts and earnings per share (EPS) for years 2003 to 2005 were calculated in accordance with previous Australian GAAP. Net profit amounts for 2006 to 2007 have been calculated in accordance with Australian Accounting Standards (AASBs).

Returns to shareholders increase through both dividends and capital growth. Dividends for 2007 were fully franked and it is expected that dividends in future years will continue to be fully franked.

Dividends

Dividends paid or declared by the Company since the end of the previous financial year were:

	Cents per share	Total amount	Franked/ Unfranked	Date of payment
Paid and declared during the year 2007				
- Final 2006 ordinary	8.3 cents	3,151	franked	8 Nov 2006

Franked dividends declared as paid during the year were franked at the rate of 30 per cent.

	Cents per share	Total amount	Franked/ Unfranked	Date of payment
Declared after end of year				
- Final 2007 ordinary	8.6 cents	3,265	franked	8 Nov 2007

After the balance sheet date the 2007 dividend was proposed by the directors. The dividends have not been provided and there are no income tax consequences.

The financial effect of the 2007 dividend has not been brought to account in the financial statements for the year ended 30 June 2007 and will be recognised in subsequent financial reports.

Review of operations

Company overview

The global wine oversupply industry continued to affect local producers who are facing stiff competition from other wine producing countries. Domestic market continues to be challenging also with the sector dominated by the retail chains.

The Company continues to be heavily export orientated and this year the volume shipped overseas represented 70% (2006: 70%) of sales of branded product. During the year the Australian dollar strengthened against the currencies of our trading partners and this increased pressure on margins.

Over the last few years it became apparent that UK market conditions had changed considerably, sales volumes were declining and the Company needed to find a new avenue to sell and market its wines. This is especially important as historically the UK market has accounted for around 50% of the total volume of the Company's export sales. From 1 July 2007 the Company will be working with the London based distributor Enotria Winecellars Ltd to build brand awareness and sales. Enotria has selling expertise in all segments of the market with a particular strength in the important restaurant and hotel sector which is crucial to building the ongoing success of the brand in what has and will remain an important export destination.

Trading

Difficult trading conditions persisted throughout the year with total branded domestic sales down 2% in volume compared with the previous year.

Total export sales volumes of branded wine were steady and increased by 3% over that of the previous year. Importantly revenue was up 9% reflecting better product mix. The Company succeeded in increasing sales of bottled wine although it is costing more in advertising and promotional support to gain access to retail shelf space.

PLW continually monitors stock holdings and aligns these with bottled wine sales and forecasts. Wine identified as being surplus to requirements is sold on the spot market. This year revenue from bulk wines was a significant contributor with PLW recording sales of $5.1M (2006: $2.4M).

Production

PLW crushed 8,021 tonnes for our own use (2006: 13,643) and 3,634 tonnes under contract (2006: 3,752). PLW's total crush of 11,655 tonnes is a decrease of 33% on the previous year's crush of 17,395 tonnes. Frost and drought conditions saw the grape crop decline by 29% nationally.

Equity

There has been no change to the capital structure of the Company during the year and it remains an unlisted public company with 453 shareholders. Swiss based Hess Group AG and founder Peter Lehmann hold 85.67% and 10.37% of the issued shares respectively.

Strategy and future performance

The global wine industry is currently experiencing very difficult times. The Company's outstanding quality wines, successful track record and strong backing places PLW well to ride through these difficulties and progress positively.

Likely developments

The Group will continue to pursue its strategy of increasing the profitability and market share of its major business sectors during the next financial year.

The joint venture arrangement with Enotria Winecellars Ltd is a profit sharing one and does not involve an investment in a joint venture entity. The interest of the Group will be brought to account by recognising its share of the joint venture profit as other revenue in its financial statements. The Company plans to discontinue the Peter Lehmann Wines (UK) Ltd operation in the financial year ending 30 June 2008.

Further information about likely developments in the operations of the Group and the expected results of these operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Remuneration report

Remuneration policies

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and executives for the Company and the Group including the five most highly remunerated S300A executives.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. Remuneration packages may include a mix of fixed and performance based remuneration. Equity based remuneration has not been included since 1998.

The remuneration structures took into account:

- the overall level of remuneration for each director and executive
- the executive's ability to control performance
- the amount of incentives within each executive's remuneration

Fixed remuneration

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the remuneration committee through a process that considers individual, segment and overall performance of the Group.

Performance linked remuneration

The Remuneration Committee may structure packages for executive directors and senior executives to receive performance linked remuneration based on the achievement of specific performance objectives. The performance objectives are designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short term incentive is an 'at risk' bonus provided in the form of cash.

Other benefits

Non-executive directors and senior executives may receive additional benefits as non-cash benefits. Non-cash benefits typically include wine allowances and motor vehicles and the Company pays fringe benefits tax on these benefits.

Service contracts

Mr Ian Whigham, Director of Sales in the UK and Ireland, has a contract of employment dated 29 June 2007 with the Company. The contract specifies the duties and obligations to be fulfilled by him and provides that the Managing Director will, early in each financial year, consult and agree objectives for achievement during that year. This contract is for a fixed term and is capable of termination on 45 days' notice. The Company retains the right to terminate the contract immediately, by making payment equal to 45 days' pay in lieu of notice plus a termination payment of £70,000. There is no entitlement to termination payment in the event of removal for misconduct.

Non-executive directors

Total remuneration for all non-executive directors, last voted upon by shareholders at the 2001 AGM, is not to exceed $300,000 per annum. Currently the directors base fees total $182,000. Directors' base fees are presently $34,000 per annum with an additional $5,000 per annum paid to directors who chair board committees. The Chairman's fees are $70,000 per annum. Non-executive directors do not receive any performance related remuneration.

The retirement scheme has been discontinued from 31 October 2003 and is not available to directors first appointed after that date. Upon retirement, Mr Roger Wilson is entitled to $113,667.

Individual directors and executives compensation disclosures

		Short-term			Post Employment	Total	
Directors		Salary & Fees $	Increment in Annual & Long Service Leave Entitlements $	Non-Monetary Benefits $	Super-annuation Contributions $	 $	Proportion of remuneration performance related %
Non-executive							
Dr M Lienhard	2007	70,000	-	-	-	70,000	-
Chairman	2006	70,000	-	-	-	70,000	-
P A Young	2007	39,000	-	3,969	3,900	46,869	-
Deputy Chairman	2006	39,000	-	3,393	3,900	46,293	-
R M Wilson	2007	39,000	-	3,696	3,900	46,596	-
	2006	39,000	-	4,070	3,900	46,970	-
Kay Carey	2007	34,000	-	2,697	3,400	40,097	-
	2006	34,000	-	1,531	3,400	38,931	-
Executive							
D Mc Lehmann	2007	213,587	15,372	71,509	32,038	332,506	-
Managing Director	2006	207,366	3,230	74,117	31,105	315,818	-
R V Edwards	2007	203,089	2,045	49,927	30,463	285,524	-
Marketing Director	2006	197,174	19,146	51,450	29,576	297,346	-

Executives							
H T Astrom[1]	2007	224,885	46,001	78,822	22,416	372,124	-
VP - EU & USA Brand Development	2006	248,469	55,023	87,231	24,835	415,558	-
T M Brown	2007	102,202	(404)	28,222	10,220	140,240	-
Operations Manager	2006	99,225	6,041	29,338	9,923	144,527	-
B K Clapton	2007	149,587	(1,291)	37,212	14,959	200,467	-
CFO & Company Secretary	2006	145,230	15,729	40,052	14,523	215,534	-
W I Whigham[1]	2007	251,217	-	21,105	25,122	297,444	-
Managing Director Peter Lehmann Wines (UK) Ltd	2006	256,688	-	22,127	25,669	304,484	-
A D Wigan	2007	176,084	16,784	35,061	17,608	245,537	-
Chief Winemaker	2006	170,955	(718)	35,465	17,096	222,798	-
Total compensation: key management	2007	1,502,651	78,507	332,220	164,026	2,077,404	-
personnel (Consolidated)	2006	1,507,107	98,451	348,774	163,927	2,118,259	-
Total compensation: key management	2007	1,251,434	78,507	311,115	138,904	1,779,960	-
personnel (Company)	2006	1,250,419	98,451	326,647	138,258	1,813,775	-

[1] Salary packages of the EU and UK executives have been converted to Australian dollars at the balance date exchange rates.

Environmental regulation & management

The Company's operations are subject to licence requirements under the South Australian Environment Protection Act 1993. This requires the Company to dispose of winery waste water in a manner which does not adversely impact on the surrounding land, underground water or nearby water course. The Company regularly monitors its licence requirements, with performance reported to the state regulator on a periodic basis. There have been no instances of non-compliance in relation to these licence requirements during the financial year.

Indemnification and insurance of officers

Indemnification
The Company has agreed to indemnify the current, alternate and former directors of the Company, against all liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has also agreed to indemnify the current directors of its controlled entities and an officer of the Company for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance premiums
The directors have not included details of the nature of liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' Liability insurance contracts, as such disclosure is prohibited under the terms of the insurance contract.

Non-audit services

During the year, KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor.
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the years are set out below.

	Consolidated	
In thousands of AUD	**2007**	2006
Statutory audit:		
Audit and review of the financial reports (KPMG Australia)	**72**	87
Audit of the financial reports (KPMG UK)	**33**	28
	105	115
Services other than statutory audits:		
Taxation services (KPMG Australia)	**19**	23

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 16 and forms part of the directors' report for the financial year ended 30 June 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 the Class Order, amounts in the financial report and the directors' report thereon have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors.

P A Young (Deputy Chairman)

D McC Lehmann (Managing Director)

Tanunda, South Australia
6 September 2007

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, in relation to the audit for the for the financial year ended 30 June 2007 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Grant Drabsch
Partner
Adelaide
6 September 2007

CAPITAL INVESTMENT CYCLE

The significant capital expenditure undertaken during 2002 and 2003 to improve and enlarge the winemaking capacity has enabled the Company to increase its production in line with forecasts, without necessitating any major capital works to the winemaking plant for the next three to four years. Apart from purchases of new oak barrels, the major movements in capital expenditure items over the last 13 years include:-

Year	Project	$000's
1993/94	Winery extension	400
1994/95	Stonewell vineyard	325
1995/96	Crossing vineyard	725
	Red wine fermentation	580
1996/97	1st Barrel warehouse	490
	Refrigeration upgrade	295
	Stainless steel tanks	250
1997/98	Trillians Hill vineyard	980
1998/99	Red wine fermentation	1,758
1999/00	2nd Barrel warehouse	459
	Stainless steel tanks, insulation fittings	272
2002/01	Finished goods warehouse	444
	Stainless steel tanks	487
2001/02	Land including the Andriske vineyard	2,073
	Land acquisition	161
	Stainless steel tanks	716
	Water treatment plant	321
	Winery plant	409
	Processed water dam	141

Year	Project	$000's
2002/03	Red wine fermentation	3,955
	Tankfarm	2,019
	Barrel fermentation warehouse	482
	Water treatment plant additions	112
2003/04	Stainless steel tanks	336
	Information Technology	119
	Wastewater irrigation	38
2003/04	Sale of the Crossing vineyard	-1,100
	Stainless steel tanks, insulation & fittings	327
2004/05	Stainless steel tanks, insulation & fittings	653
2005/06	Stainless steel tanks, insulation & fittings	872
	Winery equipment	279
2006/07	Stainless steel tanks, insulation & fittings	719
	Winery equipment	344

COMMUNITY INVOLVEMENT

Supporting regional South Australia
As well as paying relevant taxes PLW provides both direct and indirect employment in a regional area. PLW paid $6.3M (2006: $6.2M) in wages and salaries with the majority of this being paid to employees located in South Australia.

Although PLW employs only about 100 people the business generates a certain cash flow on effect as we buy fruit from about 170 independent grape growers and the services of Barossa Valley based bottlers and printers are used. PLW supports the region by buying other goods and services from local business wherever possible.

As the largest producer of Barossa wine we are very supportive of the recent formation of an entity by local growers and winemakers. The entity will interact with local councils to improve infrastructure and to promote the Barossa region domestically and internationally.

Involvement in regional events
PLW is committed to the region as well as providing a memorable experience for visitors. We host the Barossa stop of the *Classic Car Rally* and the *Day on the Green* concert and participate in the biennial Vintage Festival, Gourmet Weekend, Para Road Wine Path event and Barossa Slow food and wine celebration.

Transition from school to the workplace
PLW hosts visits from local school students interested in the winemaking process and job opportunities. If it is possible, on request we also provide work experience for students.

Community groups
The Barossa Valley district has a rich heritage, diverse interests and strong community spirit. PLW actively supports the many activities which make the Barossa such a great place to live and to visit. We sponsor a range of sporting teams and community groups.

EMPLOYMENT

The wine industry employs people directly in winemaking activities and creates demand for the suppliers of grapes, cardboard and glass containers and services of wholesale traders, freight companies and marketing firms. It also has flow on effects to the accommodation, café and restaurant sector.

PLW has a small workforce relative to turnover as it purchases 98% of its grape intake and has outsourced its packaging and almost all its distribution activities. During vintage more staff are employed to cope with the peak workload in the cellar and laboratory.

Workforce
Australia & Continental Europe
Males: 42 Females: 41
Average age: 41 years
Staff turnover: 19%
Supplemented by 22 casuals in the cellar and 1 casual in the laboratory during vintage

UK
The change in distribution arrangements to London based Enotria Winecellars will result in the cessation of employment for sales and administration staff. It was a very difficult decision to make as the UK staff were very loyal to the business. The transition will occur over the May to September 2007 period and of the 8 employees: 4 transferred to the new distributor, 3 became redundant and 1 will continue with PLW.

Working Conditions

- Appointments to new positions, together with the engagement of staff to replace people who have left PLW employment, exposes the Company to new ideas, broader experience & additional expertise.
- Temporary staff are not used to avoid our employer obligations. We engage labour hire company staff for work which is subject to unpredictable timing such as the packing of containers for the export markets.
- Balancing work responsibilities with family and community interests - vintage is a particularly busy time when employees work long hours and we strive to provide a family friendly work environment.
- Employees who take parental leave may be offered part time work if they choose not to return to work full time when the 12 month period following the birth of the child expires.

Training - employees are encouraged to improve their skills and qualifications

- Administration staff are encouraged to undertake accounting, computing, export documentation and office management courses.
- The local technical and further education college offers a course designed specifically for people employed in a cellar. A number of the cellar workers have completed this course successfully.
- The cellar door staff regularly meet with the winemakers to discuss and taste the range of wines. They have been trained in the responsible serving of alcohol to the public and in customer service also.
- The maintenance team participates in winery engineer conferences.
- The winemakers, grower liaison officer and laboratory technicians participate in wine industry technical sessions and seminars.
- Marketing staff attend wine industry marketing conferences.
- Finance staff attend seminars to maintain professional expertise.
- One cellar worker is undertaking external tertiary study leading to a winemaking qualification.
- The IT Manager is undertaking study leading to a MBA qualification.
- One of the Australian brand managers is undertaking study leading to a MBA qualification.

OCCUPATIONAL HEALTH & SAFETY MANAGEMENT

Management Commitment

The Managing Director is the Responsible Officer with day to day obligations delegated to the Chief Winemaker. The CFO & Company Secretary represents PLW on the OHSW committee of the South Australian Wine Industry Association (SAWIA) and oversees the claims management process.

Consultation

Consultation between the employees and management is the basis for developing and maintaining appropriate policies and procedures. The safety committee, which has both employee and management representation and encompasses all on-site work areas, provides the primary consultative forum and meets at least every three months.

The safety committee is proactive in seeking alternatives to eliminate risks. Individual members of the safety committee assess work areas for risks regularly by completing audit check lists which are used as the basis for correctional measures.

Training

Training requirements are assessed regularly to ensure all staff undertake regular and topical OHSW education. PLW is very mindful of the need to train and supervise the casuals who are engaged to operate winery plant and handle chemicals during the intense vintage period.

Contractor safety is addressed by the Company also. Contractors are required to provide evidence of safe working procedures, workers compensation cover and public liability cover as well as comply with the PLW safety rules and practices.

The Company engages the services of labour hire companies periodically and it ensures that the appropriate personnel are assigned for the specific tasks and that training is provided.

Performance

Management provides reports, outlining safety issues, initiatives, injury statistics and comparisons of PLW's performance with other wineries, to the board regularly. PLW has not had any health and safety prosecutions.

Rates per 1M hours worked	PLW 2003	PLW 2004	PLW 2005	PLW 2006	PLW 2007	SAWIA 2007
Injury incident	5.52	11.69	12.99	4.88	4.84	5
Lost time injury frequence	27.34	77.48	64.01	24.05	23.95	27.16
Days lost time during year	21	15.67	45.2	72.5	11.25	16.84

Serious Injury Report 1/7/93 to 30/6/07

Year	Injury
93/94	■ Repetitive strain
94/95	■ Nil
95/96	■ Repetitive strain
	■ Severed tendons
96/97	■ Broken leg
97/98	■ Fractured hip
	■ Broken wrist
98/99	■ Repetitive strain
99/00	■ Nil
00/01	■ Manual handling strain
01/02	■ Manual handling strain x 2
02/03	■ Manual handling strain x 2
	■ Recurring injury from 2001 incident
	■ Knee injury
03/04	■ Manual handling strain x 3
04/05	■ Degenerative back condition
	■ Knee injury
05/06	■ Nil
06/07	■ Broken wrist and ribs

KEY RATIO ANALYSIS

Ratio analysis is one tool for evaluating the performance of a company. It is useful to put the ratios in context by comparing the Company's ratios between years and to other companies in the same industry.

Profitability

EBIT as % of sales – this ratio is influenced by the Company's ability to increase/maintain selling prices, hold costs and/or alter its product mix to more profitable lines.

PLW incurred substantial costs during the takeover in 2003 and this affected the Company's profitability.

After tax profit as % of sales – this ratio includes interest and tax expense and indicates the company's effectiveness in using its resources.

Return on equity (after tax profit as % of net assets) – measures the Company's ability to generate profits from its assets. The wine industry requires substantial investment in assets to generate profits.

Financial stability

Current ratio (current assets divided by current liabilities) – measures the Company's ability to repay short-term debts quickly if it is in trouble. Generally a ratio of two to one is considered to be very comfortable. PLW operates in an industry where some of its inventory is held for maturation and this traditional measure is distorted. This ratio should be used in conjunction with other measures.

Debt to equity ratio (interest bearing debt as % of equity) – measures the extent of a company's debt exposure.

Interest cover (EBIT divided by net interest payments) – measures the margin of profit to protect the Company against a business downturn or a sharp rise in interest rates.

10 YEARS OF FINANCIAL HISTORY

PROFIT & LOSS ($000's)
Revenue from operating activities
Depreciation & amortisation
Earnings before interest & tax (EBIT)
Interest paid (net)
Operating profit before tax
Income tax expense
Operating profit after tax
Dividends paid/payable
BALANCE SHEET (AU$000's)
Receivables
Total inventory
Depreciated property, plant & equipment
Total assets
Accounts payable
Total borrowings
Total liabilities
Shareholders' equity
STATISTICS
Number of shares at year end (000's)
Earnings per share
Dividend per share
Asset backing per share
Dividend as % of after tax profit
Franking for future dividends (AU$000's)
EBIT as % of sales
After tax profit as % of sales (%)
Return on shareholders' equity (%)
Return on assets %
Current assets/current liabilities (times)
Debt to equity (%)
Interest cover at 30 June (times)

NOTE: 2006 and 2007 prepared using the Australian equivalents of International Financial Reporting Standards.

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
31,275	**35,266**	**36,492**	**45,152**	**45,179**	**46,639**	**52,298**	**55,797**	**57,592**	**63,487**
757	879	864	1,042	1,291	1,465	1,709	1,839	2,013	**2,076**
5,771	7,499	8,275	9,829	10,654	9,093	7,234	11,065	10,090	**10,474**
402	540	657	723	787	1,420	1,624	1,952	1,679	**1,737**
5,369	6,959	7,618	9,160	9,867	7,673	5,610	9,113	8,411	**8,737**
1,905	2,484	2,609	2,911	2,952	2,254	1,780	2,679	2,663	**2,762**
3,464	**4,475**	**5,009**	**6,195**	**6,915**	**5,419**	**3,830**	**6,434**	**5,748**	**5,975**
1,934	2,493	2,743	3,492	4,088	4,095	2,088	3,531	3,151	**3,265**
7,829	9,582	9,149	10,621	14,423	13,765	15,148	15,809	14,416	**17,208**
19,658	25,095	27,741	37,331	46,028	49,362	53,591	56,310	54,490	**46,877**
10,805	14,781	16,726	16,909	22,099	28,970	29,066	30,148	31,583	**32,837**
39,182	**51,181**	**55,008**	**66,947**	**85,606**	**96,234**	**101,626**	**106,538**	**101,529**	**100,236**
6,332	8,709	7,523	11,905	13,867	13,601	12,398	11,568	8,767	**8,846**
9,449	10,465	12,935	14,874	21,410	31,800	34,200	35,700	31,877	**27,392**
19,215	23,660	25,109	32,252	41,356	47,784	50,045	50,741	43,605	**39,538**
19,967	**27,521**	**29,899**	**34,695**	**44,250**	**48,450**	**51,581**	**55,797**	**57,924**	**60,698**
30,946	33,235	33,260	34,924	37,148	37,311	37,969	37,969	37,969	37,969
12.2c	13.9c	15.1c	18.1c	19.0c	14.5c	10.1c	16.9c	15.1c	**15.7c**
6.25c	**7.5c**	**8.25c**	**10c**	**11c**	**9c**	**5.5c**	**9.3c**	**8.3c**	**8.6c**
65c	83c	90c	99c	119c	130c	136c	146c	152c	**160c**
56%	56%	55%	56%	59%	62%	54%	55%	55%	**55%**
4,412	5,555	7,569	11,692	11,995	7,894	8,511	10,272	11,792	**13,230**
18%	21%	23%	23%	24%	19%	14%	20%	19%	**16%**
11%	13%	14%	15%	15%	12%	7%	12%	10%	**9%**
17%	16%	17%	15%	18%	11%	7%	12%	10%	**10%**
9%	9%	9%	9%	8%	6%	4%	6%	6%	**6%**
1.3	1.4	1.4	1.8	2.2	2.9	2.8	3.5	4.6	**5.8**
47%	38%	43%	43%	48%	66%	66%	64%	55%	**45%**
14	11	11	10	11	5	3.5	5.7	6.0	**5.9**

ENVIRONMENT REPORT

We believe it is our responsibility to ensure available resources are used efficiently, the effects of the winery operations on the environment are minimised, and materials are recycled wherever possible. PLW regularly conducts awareness seminars for staff to reinforce procedures designed to reduce the Company's impact on the environment.

A study of 135 sectors making up the Australian economy prepared jointly by the CSIRO Sustainable Ecosystems and the University of Sydney indicated the wine industry rates 15% below average on greenhouse emissions; 65% below average for land disturbance; and uses water at twelve times the economy wide average. The study estimates process water, mainly used to wash down equipment, at 2,000 litres per tonne of grapes crushed.

The major effects of the PLW operation on the environment have been analysed as –

- Use of water
- Disposal of winery wastewater
- Energy use
- Greenhouse emissions
- Storage of chemicals
- Use of packaging materials and their recycling/disposal
- Effect on neighbours – odour, noise, dust and activity
- Aesthetics and biodiversity

Water is used in the vineyards to enhance grape quality. To conserve water we use drip irrigation systems in the Company owned vineyards to control the amount of water used for irrigation. These systems supplement the natural rainfall of the region. Sources for supplementary irrigation include piped river water, dams and bores.

Water is used in the winery to wash down plant and machinery as well as to clean barrels and tanks. As the table indicates we were successful between 2002 and 2005 in reducing the volume of water used. However, usage in both 2006 and 2007 rose although we are now just below the industry average of 2,000 litres per tonne. PLW is investigating the reasons for the rise in water usage.

Year	KLs per tonne crushed
1997	1.36
1998	1.46
1999	1.79
2000	1.99
2001	1.52
2002	1.20
2003	1.30
2004	1.20
2005	1.21
2006	1.53
2007	1.98

Wastewater is made up of washings, stormwater from designated areas and some waste processing.

The disposal of winery wastewater is a critical issue and PLW has installed a winery wastewater treatment plant which uses a system of screening, aeration and solids removal. The winery wastewater is pumped through a series of tanks and ponds. At the end of processing the reclaimed water is suitable for vineyard irrigation.

	Per tonne crushed			
PLW waste processed	2004	2005	2006	2007
Wastewater processed KL	1.45	1.52	1.80	2.12
Solid Pressings kg	11.6	14.2	15.2	20.9

PLW is becoming increasingly efficient in the capture and processing of wastewater and also the extraction of solid pressings.

The by-product of solid pressings is deposited on vacant land to dry and then used as nutrients in the vineyard.

We have recently started removing caustic washings from the wastewater treatment process. The reduction in the sodium level in the recovered water will benefit the soil when the water is used for irrigation. The caustic washings are sent offsite where the processor recovers the tartrates.

PLW is planting 1.5 hectares with sugar gums (Eucalyptus cladocalyx) on the winery site and the trees will be irrigated with recovered water. A small to medium tree endemic to South Australia it is quite hardy and useful for windbreaks and wood production.

Good energy management seeks to reduce energy consumption, reduce energy-related emissions, alleviate overload on electrical transformers and circuits and lower expenditure.

Electricity is the major source of energy used with the remainder derived from the combustion of fossil fuels such as natural gas, LPG and diesel.

Refrigeration plays an important part in the winemaking process as it is used to control the temperature of wine/juice during production. Peak usage occurs during the vintage period. We are continuing the project whereby energy usage for different processes and particular equipment is monitored to determine actions to reduce energy consumption and expenditure.

Plans are in place to trial alternate processes to earth filtration during vintage. The benefits would be the reductions in water used, diatomaceous earth, processing of wastewater and power consumption.

Information technology is also playing its part, with the installation this year of low energy, low heat 'diskless' desktop computers and energy efficient, low heat servers. The move to diskless workstations, which have a lifespan double that of a standard PC will also result in reduced consumption of manufactured goods, indirectly reducing CO_2 emissions.

Greenhouse emissions

Electricity and LPG consumption, wine fermentation and transport are the major sources of PLW emissions. PLW uses ammonia as the refrigerant and consequently the technology does not require the use of CFC's and their emission into the atmosphere.

The composition of the PLW car fleet has been reviewed and we are changing to more energy efficient vehicles with lower emissions. PLW is a member of Green*fleet* which promotes fuel efficient technologies to reduce emissions. It maintains a tree planting and carbon program to sequester the CO_2 greenhouse emissions from the transport sector.

Chemicals are stored securely in the winery and there are dedicated areas for mixing. There are operating procedures for the use of chemicals and the recovery/disposal of spilt chemicals has been addressed in PLW's environment contingency plan. There are separate chemical storage sheds and chemical spray pads on the Company owned vineyards.

PLW requires the independent grape growers to use specified pesticides and herbicides responsibly in the vineyards. The spray regimes for each vineyard are monitored to ensure compliance with relevant government and export regulations.

Packaging is made up of a number of components including bottles, corks, closures, capsules, labels and cartons.

- Bottles – as part of the kerbside recycling programs used bottles are returned to the manufacturer where they are broken down with the resultant material returned to the furnace and used again to manufacture glass
- Corks – a renewable resource and collected by the Australia Girl Guide Association for recycling
- Aluminium closures – these are being used increasingly instead of corks and are recyclable
- PVC capsules – are non-recyclable with usage reducing as we move to aluminium closures on our wines
- Labels – PLW purchases 95% of the labels from a local printing company which uses waterless inks and new technology to reduce paper wastage, toxic by-products and volatile organic compound emissions
- Cartons – approximately 95% of the cardboard purchased by PLW for use as cartons to package wines is manufactured from recycled material
- Stretchwrap is used to protect cartons of wines shipped on pallets. It is non-cyclable and we are looking at alternatives.
- Recyclable materials are used to package visitors' purchases from PLW's Cellar Door.

Odour minimisation - During vintage PLW uses a bioremediation product in the waste water treatment plant to reduce algae growth caused by high levels of nutrients. By removing algae, the water quality improves significantly and odour emission is reduced.

PLW plants shrubs and trees on the winery land to provide windbreaks, prevent soil erosion, provide habitat suitable for birds, and reduce the obtrusiveness of the building structures on the landscape. Since 1980 PLW has planted 7,491 trees and shrubs.

PLW aims to provide an **aesthetically pleasing environment** for visitors to the Cellar Door outlet and its surrounding grounds. A computerised watering system, which operates at night when losses from evaporation are lower, has been installed to minimise water usage. The system is used in accordance with the South Australian water restrictions regime. Mulch is used on the garden beds to reduce weeds and thus minimise the use of herbicides and watering.

Environmentally friendly features such as the collection of rainwater for water use and the installation of a solar powered hot water system are being incorporated into the extension on the western end of the Cellar Door building.

In cooler months **wood fires** warm the Cellar Door building. A 2003 CSIRO study for the Australian Greenhouse Office reported "sustainable firewood production systems have the potential to reduce carbon dioxide emissions". In future PLW will be able to harvest wood from its sugar gum plantation for use at Cellar Door.

To protect the nearby watercourse PLW participates in the local water resources board's initiative to remove exotic trees and shrubs and re-establish indigenous plants along the North Para River bank side. Further along the river, a bush garden has been established to provide a reliable source of seed for revegetation projects and the preservation of the Barossa Valley's environmental heritage.

A recent amendment to the Corporations Law now allows companies to **disseminate their annual reports electronically.** PLW will print a 2007 annual report for distribution to shareholders. Thereafter annual reports will be available from our website or on request.

CONCISE REPORT

The Company has elected to present a concise financial report to members in order to better communicate the financial result clearly and in a way which is easily understood by the majority of shareholders. The concise financial report does not provide the technical detail of the full financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity. The concise financial report has been derived from the full financial report and other information included is consistent with the consolidated entity's full financial report.

DISCUSSION AND ANALYSIS OF THE 2006/07 RESULT

REVIEW OF OPERATIONS

Vintage is fundamental to the business as it determines the quality and quantity of wine available for future sales in all markets.

Grape Intake – The Company sources 98% of the grapes from the independent growers with the balance being harvested from the Company's own vineyards. The resultant wine from the "own use" is used for sale under the Peter Lehmann brand, for sale in bulk to other wineries and under buyers' own brand labels. Adverse weather conditions resulted in a low volume crop with the "own use" grape intake being down 41%.

Contract Crushing – Work is actively sought from other wineries as a means of securing overhead recoveries. The harvesting times for grape growing districts and grape varieties differ and this allows PLW to spread the crushing activities over the vintage period.

Year	Vintage – Tonnes		
	Crushed – own use	Crushed – contract	Total Crushed
1994	6,493	5,410	11,903
1995	4,991	5,031	10,022
1996	8,326	5,876	14,202
1997	7,309	5,211	12,520
1998	7,608	6,261	13,869
1999	7,760	6,422	14,182
2000	5,991	4,923	10,914
2001	10,157	5,214	15,371
2002	11,561	5,509	17,070
2003	9,506	4,796	14,302
2004	14,588	4,360	18,948
2005	17,308	3,771	21,079
2006	13,643	3,752	17,395
2007	8,021	3,634	11,655

PLW Vineyards – The Company has three vineyards located in the Barossa Valley and a fourth located in the Clare Valley. Having vineyards under its own control provides PLW winemakers with flexibility in securing fruit grown under specific viticulture management regimes. The area planted is given in the table below.

Year	Vineyard Hectares		
	Total Hectares Planted		Total Hectares Planted
1994	-	2001	57
1995	18	2002	71
1996	18	2003	71
1997	36	2004	41
1998	36	2005	41
1999	57	2005	41
2000	57	2006	41
		2007	41

Sales Revenue –

PLW continually monitors stock holdings and aligns these with bottled wine sales and forecasts. Wine identified as being surplus to requirements is sold on the spot market. Revenue from bulk wines sales this year was significant. Export sales accounted for 60% (2006: 60%) of sales revenue.

Year	Sales Revenue by Volume					
	Bottled – domestic market	Bottled – UK market	Bottled – export markets excl Uk market	Bulk – current vintage	Bulk – prior vintages	Total revenue by volume
1994	16%	15%	4%	44%	21%	100%
1995	15%	17%	4%	37%	27%	100%
1996	15%	18%	5%	44%	18%	100%
1997	16%	21%	4%	36%	23%	100%
1998	21%	33%	5%	27%	14%	100%
1999	27%	34%	6%	21%	12%	100%
2000	36%	33%	11%	8%	12%	100%
2001	33%	32%	17%	8%	10%	100%
2002	37%	28%	17%	10%	8%	100%
2003	43%	24%	22%	8%	3%	100%
2004	37%	25%	26%	7%	5%	100%
2005	37%	26%	25%	4%	8%	100%
2006	32%	27%	29%	5%	7%	100%
2007	28%	20%	28%	2%	22%	100%

Year	Sales Revenue by Dollars						
	Bottled – domestic	Bottled – UK	Bottled – export excel UK	Bulk – current vintage	Bulk – prior vintages	Contract services	Sales Revenue by $000's
1994	32%	26%	6%	24%	12%	0%	12,979
1995	31%	33%	7%	18%	11%	0%	13,662
1996	31%	27%	7%	22%	8%	5%	17,167
1997	31%	30%	8%	16%	11%	4%	22,113
1998	32%	43%	7%	10%	5%	3%	31,243
1999	39%	39%	9%	7%	3%	3%	35,146
2000	46%	31%	16%	2%	3%	2%	36,406
2001	38%	31%	24%	2%	2%	3%	41,696
2002	41%	27%	25%	3%	2%	2%	44,762
2003	43%	23%	29%	2%	1%	2%	46,091
2004	38%	23%	33%	2%	2%	2%	51,250
2005	37%	24%	32%	1%	4%	2%	55,543
2006	34%	24%	37%	1%	3%	1%	57,592
2007	31%	21%	39%	1%	7%	1%	63,487

PLW achieved 1% volume growth for the brand in what continues to be very difficult trading environment. Domestic sales have been affected by the oversupplied market and the dominance of the two retail chains with revenue increasing by 1% and volume decreasing by 2%. The higher revenue compared with lower volume reflects product mix.

Total export sales volumes of branded wines grew by 3% with revenue increasing by 9%. Again PLW achieved better product mix.

The Group is expecting to sustain growth in sales volumes over the coming years. The Barossa district is highly regarded as a world class producer of top quality fruit. PLW has sufficient volumes of high quality wine available which will greatly assist in meeting future sales aspirations. The outlook for the national 2008 vintage is quite uncertain as water allocation restrictions are in place in many grape growing areas.

Profitability – Overall sales volumes of bottled wine remained steady although it is costing more in advertising and promotional support to gain access to retail shelf space.

The Group has been vigilant in monitoring inventory levels and has been successful in securing sales for surplus material on the bulk wine market. Bulk wine sales generate a lower gross margin as they do not have the added value of the brand but they also do not incur the cost of advertising and promotional support.

Australian equivalents of the International Financial Reporting Standards (AIFRS) have introduced more volatility into the measurement of profit. AIFRS requires companies to measure certain assets and liabilities at the fair value at reporting date. This applies to biological assets - grape vines and their crops, as well as financial derivatives such as interest rate swaps and forward exchange contracts.

A measure of trading profitability is Earnings Before Interest & Tax (EBIT) expressed as a percentage of sales. The outcome is determined by the mix of revenue activities and their respective margins as well as PLW's ability to contain costs and expenses. The 2004 EBIT % has been calculated exclusive of the takeover costs in order to compare the performance with prior years. The higher proportion of bulk wine sales impacting on overall margins combined with higher selling costs and adverse exchange rate movements has resulted in a lower 2007 EBIT as a % of sales. The Australian dollar strengthened appreciably during the year and events in the first two months of 2007/08 indicate its volatility when global economic conditions are turbulent.

Year	EBIT as % of sales revenue	Year	EBIT as % of sales revenue
1994	17%	2001	23%
1995	16%	2002	24%
1996	19%	2003	20%
1997	20%	2004	19%
1998	18%	2005	20%
1999	21%	2006	19%
2000	23%	2007	16%

After tax profit and earnings per share are other indicators of profitability. The 2004 result was affected adversely by the takeover costs.

Year	After Tax Profit $000's	Basic Earnings per share Cents	No of Shares at balance date 000's
1994	1,352	7.1c	18,930
1995	1,296	6.8c	18,930
1996	1,807	9.4c	19,170
1997	2,589	11.9c	25,371
1998	3,464	12.2c	30,946
1999	4,475	13.9c	33,235
2000	5,009	15.1c	33,260
2001	6,195	18.1c	34,147
2002	6,915	19.0c	36,359
2003	5,419	14.5c	37,311
2004	3,830	10.1c	37,969
2005	6,317	16.6c	37,969
2006	5,748	15.1c	37,969
2007	5,975	15.7c	37,969

Another measure of profitability is the return on shareholders' equity. This is measured as the after tax profit (ATP) expressed as a percentage of shareholders' equity. The 2004 return on shareholders' equity was affected by the takeover costs.

Return on Equity			
Year	ATP as a % of equity	Year	ATP as a % of equity
1994	14%	2001	18%
1995	13%	2002	16%
1996	16%	2003	11%
1997	17%	2004	7%
1998	17%	2005	12%
1999	16%	2006	10%
2000	17%	2007	10%

REVIEW OF FINANCIAL CONDITION

Capital Investment and Structure

Contributed equity remained constant at $30.6M with the use of debt facilities reducing from $31.9M at 30 June 2006 to $27.4M at 30 June 2007.

At 30 June 2007 gearing (interest bearing debt as a percentage of capital employed) was 45% (2006: 55%). Interest cover (the number of times operating profit before interest and tax is greater than the total interest charge) moved to 5.9 times, from 6 times last year. This rate is comfortably ahead of the financial covenant level.

The nature of the industry requires the maturation of red and fortified wines beyond a 12 month period. The 2007 grape crop volume was adversely affected by frost and drought. The Group has also reduced inventory holdings of bulk wines and PLW's total inventory at 30 June 2007 of $46.9M is 14% lower than the 2006 level of $54.5M. The Group is comfortable with the volumes of wines held for future sales.

Capital projects and working capital requirements have been funded by bank finance and funds generated by operating activities. At 30 June 2007 PLW's net borrowings were $4.5M lower than at 30 June 2006.

Company tax of $2.8M at an effective rate of 32% has been provided on the operating profit before tax and compares with the company tax rate of 30%.

The Company has declared a full year dividend of 8.6 cents per share. It is in keeping with the board's policy of dividends moving broadly in line with underlying earnings per share.

FULL FINANCIAL REPORT
A full financial report will be sent to members free of charge on request. Alternatively readers may access the full financial report from the investment section of the Company's website at www.peterlehmannwines.com

PETER LEHMANN WINES LIMITED AND ITS CONTROLLED ENTITIES
CONCISE FINANCIAL REPORT
INCOME STATEMENT
For the year ended 30 June 2007

		Consolidated	
In thousands of AUD	***Note***	**2007**	2006
Revenue	3	**63,487**	57,592
Cost of sales		**(36,401)**	(33,053)
Gross profit		**27,086**	24,539
Other income		**121**	316
Administration expenses		**(2,522)**	(2,478)
Marketing and public relations expenses		**(1,582)**	(1,581)
Selling and distribution expenses		**(11,725)**	(10,063)
Other expenses	4	**(904)**	(643)
Results from operating activities		**10,474**	10,090
Financial income		**163**	210
Financial expenses		**(1,900)**	(1,889)
Net financing (costs)/income		**(1,737)**	(1,679)
Profit before tax		**8,737**	8,411
Income tax expense		**(2,762)**	(2,663)
Profit for the year	5	**5,975**	5,748

STATEMENT OF RECOGNISED INCOME & EXPENSE
For the year ended 30 June 2007

		Consolidated	
In thousands of AUD	***Note***	**2007**	2006
Foreign exchange translation differences	5	**(50)**	28
Income and expenses recognised directly in equity		**(50)**	28
Profit for the year		**5,975**	5,748
Total recognised income and expense for the year		**5,925**	5,776

The notes on pages 32 to 35 are an integral part of these consolidated financial statements.

PETER LEHMANN WINES LIMITED AND ITS SUBSIDIARIES
CONCISE FINANCIAL REPORT
BALANCE SHEET
As at 30 June 2007

		Consolidated	
In thousands of AUD	***Note***	**2007**	2006
Assets			
Cash and cash equivalents		**3,314**	1,040
Trade and other receivables		**17,208**	14,416
Inventories		**46,877**	54,490
Total current assets		**67,399**	69,946
Property, plant and equipment		**32,330**	31,022
Intangible assets		**24**	68
Biological assets		**483**	493
Total non-current assets		**32,837**	31,583
Total assets		**100,236**	101,529
Liabilities			
Bank overdraft		**149**	-
Trade and other payables		**8,846**	8,767
Loans and borrowings		**-**	4,176
Employee benefits		**1,695**	1,555
Current tax payable		**934**	600
Total current liabilities		**11,624**	15,098
Loans and borrowings		**27,243**	27,701
Deferred tax liabilities		**571**	736
Employee benefits		**100**	70
Total non-current liabilities		**27,914**	28,507
Total liabilities		**39,538**	43,605
Net assets		**60,698**	57,924
Equity			
Share capital	5	**30,624**	30,624
Reserves	5	**(53)**	(3)
Retained earnings	5	**30,127**	27,303
Total equity		**60,698**	57,924

The notes on pages 32 to 35 are an integral part of these consolidated financial statements.

PETER LEHMANN WINES LIMITED AND ITS SUBSIDIARIES
STATEMENT OF CASH FLOWS
For the year ended 30 June 2007

		Consolidated	
In thousands of AUD	***Note***	**2007**	2006
Cash flows from operating activities			
Cash receipts from customers		**64,439**	62,637
Cash paid to suppliers and employees		**(46,503)**	(48,325)
Cash generated from operations		**17,936**	14,312
Interest received		**107**	101
Interest paid		**(2,139)**	(2,313)
Income taxes paid		**(2,592)**	(2,550)
Net cash from operating activities		**13,312**	9,550
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment		**54**	42
Proceeds from sale of investment		**-**	15
Acquisition of property, plant & equipment		**(3,339)**	(2,904)
Acquisition of intangibles		**(23)**	(59)
Net cash from investing activities		**(3,308)**	(2,906)
Cash flows from financing activities			
Repayment of borrowings		**(4,700)**	(3,600)
Dividends paid	5	**(3,151)**	(3,531)
Net cash from financing activities		**(7,851)**	(7,131)
Net increase (decrease) in cash and cash Equivalents		**2,153**	(487)
Effect of exchange rate fluctuations on cash held		**(28)**	(18)
Cash and cash equivalents at 1 July		**1,040**	1,545
Cash and cash equivalents at 30 June		**3,165**	1,040

The notes on pages 32 to 35 are an integral part of these consolidated financial statements.

1 BASIS OF PREPARATION OF CONCISE FINANCIAL REPORT

The concise financial report has been prepared in accordance with the Corporations Act 2001, Accounting Standard AASB 1039 *Concise Financial Reports* (AASB 1039). The financial statements and specific disclosures required by AASB 1039 have been derived from the Group's full financial report for the financial year. Other information included in the concise financial report is consistent with the Group's full financial report. The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivatives financial instruments, financial instruments held for trading and biological assets (less point-of-sale costs).

A full description of the accounting policies adopted by the Group may be found in the Group's full financial report.

These accounting policies have been consistently applied by each entity in the Group and, except for the early adoption of AASB 8 *Operating Segments*, are consistent with those of the previous year.

The presentation currency is Australian dollars.

2 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes of the full financial statements:

- Note 27 – provisions and contingencies
- Note 24 – valuation of financial instruments

3 REVENUE AND OTHER INCOME

In thousands of AUD	Consolidated **2007**	2006
Revenue from customers – wine sales	**62,598**	56,596
Revenue from customers – service provision	**889**	996
Total revenue	**63,487**	57,592
Release of unused provisions	**5**	122
Gains from change in fair value of biological assets – crop	**-**	65
Net gain on disposal of property, plant and equipment	**11**	32
Other	**105**	97
Total other income	**121**	316
Total revenue and other income	**63,608**	57,908

4 OTHER EXPENSES

In thousands of AUD	Consolidated **2007**	2006
Losses from change in fair value of biological assets – crop	**159**	-
Losses from change in fair value of biological assets - vines	**10**	82
Licence Fee paid to ultimate parent company	**551**	506
Other	**184**	55
	904	643

5 CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves attributable to equity holders of the parent

In thousands of AUD	**Share capital**	**Translation reserve**	**Retained earnings**	**Total equity**
Balance at 1 July 2005	30,624	(31)	25,086	55,679
Total recognised income and expense	-	28	5,748	5,776
Dividends to shareholders	-	-	(3,531)	(3,531)
Balance at 30 June 2006	30,624	(3)	27,303	57,924
Balance at 1 July 2006	30,624	(3)	27,303	57,924
Total recognised income and expense	-	(50)	5,975	5,925
Dividends to shareholders	-	-	(3,151)	(3,151)
Balance at 30 June 2007	30,624	(53)	30,127	60,698

6 DIVIDENDS

Dividends
Dividends recognised in the current year by the Company are:

In thousands of AUD	**Cents per Share**	**Total amount**	**Franked unfranked**	**Date of payment**
2006	8.3 cents	3,151	Franked	8 November 2006

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

After the balance sheet date the following dividends were proposed by the directors. The dividends have not been provided. The declaration and subsequent payment of dividends has no income tax consequences.

In thousands of AUD	**Cents per Share**	**Total amount**	**Franked/ unfranked**	**Date of payment**
2007	8.6 cents	3,265	Franked	8 November 2007

The financial effect of these dividends has not been brought to account in the financial statements for the financial year ended 30 June 2007 and will be recognised in subsequent financial reports.

Dividends

	Company	
In thousands of AUD	**2007**	2006
30 per cent franking credits available to shareholders of Peter Lehmann Wines Limited for subsequent financial years.	13,230	11,792

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for franking credits that will arise from the payment of current tax liabilities.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by $1,399,000 (2006: $1,351,000). In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated Group has also assumed the benefit of $313,000 (2006: $280,000) franking credits.

7 CONTINGENCIES

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Deed of Cross Guarantee
Under the terms of the Deed of Cross guarantee the Company has guaranteed the debts of all subsidiaries. No deficiencies in net assets for these subsidiaries existed at reporting date. Refer also to Note 32 in the Group's full financial statements.

Environment
The Company is involved in an industry which has the potential to impose environmental risks through chemical storage and handling and winery wastewater. Strict controls are in place to ensure that chemicals are stored and handled carefully, hazardous by-products are disposed of safely and winery wastewater is managed in accordance with the South Australian Environment Protection Act. However, the Group's operations are subject to rapidly changing environmental legislation.

8 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 accompanying concise financial report of the Group, comprising Peter Lehmann Wines Limited and its subsidiaries for the financial year ended 30 June 2007, set out on pages 25 to 35

(a) has been derived from or is consistent with the full financial report for the financial year; and

(b) complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports.*

Signed in accordance with a resolution of the Directors:

P A Young (Deputy Chairman)

D McC Lehmann (Managing Director)

Tanunda, South Australia
6 September 2007

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PETER LEHMANN WINES LIMITED

The accompanying concise financial report of the Group comprising Peter Lehmann Wines Limited (the Company) and its controlled entities comprises the balance sheet as at 30 June 2007, income statement, statement of changes in equity and cash flow statement for the year then ended and related notes 1 to 8, derived from the audited financial report of Peter Lehmann Wines Limited for the year ended 30 June 2007 and the discussion and analysis. The concise financial report does not contain all the disclosures required by Australian Accounting Standards .

Directors' responsibility for the concise financial report

The directors of Peter Lehmann Wines Limited are responsible for preparing and presenting the concise financial report in accordance with Australian Accounting Standard AASB 1039 *Concise Financial Reports* and the *Corporations Act 2001.* This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; 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 concise financial report based on our audit procedures. We conducted an independent audit in accordance with Australian Auditing Standards, of the financial report of Peter Lehmann Wines Limited for the year ended 30 June 2007. Our audit report on the financial report for the year was signed on 6 September 2007 and was not subject to any modification. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free of material misstatement.

Our procedures in respect of the concise financial report include testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports* and whether the discussion and analysis complies with the requirements laid down in Australian Accounting Standard AASB 1039 *Concise Financial Reports.*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion

In our opinion, the concise financial report, including the discussion and analysis, of Peter Lehmann Wines Limited and its controlled entities for the year ended 30 June 2007 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports.*

KPMG

Grant Drabsch
Partner

Adelaide
6 September 2007

SHAREHOLDER INFORMATION

20 LARGEST HOLDERS AT 31 AUGUST 2007

	No	% of Total Shares
Hess Group Australia Pty Ltd	32,527,594	85.67
Peter Leon Lehmann	3,935,499	10.37
Joan Isabel Hopkins	132,400	0.35
Margaret Elizabeth Lehmann	100,000	0.26
Brian Francis Charles Kearns	55,066	0.15
Philip Edward Lehmann	50,000	0.13
Robert John Coleman	41,813	0.11
Tevrama Pty Ltd	40,000	0.11
Logela Pty Ltd	35,000	0.09
Barry & Marlene Moore	25,036	0.07
Roger Maxwell Wilson	21,415	0.06
Chummy Nominees Pty Ltd	20,000	0.05
Thomas & Elsie Gleghorn	16,500	0.04
ANZ Nominees Limited	15,520	0.04
Zandane Pty Ltd Hinzack Super Fund	15,000	0.04
John Cochrane	14,500	0.04
T M Stevenson Holdings Pty Ltd	14,236	0.04
Haererage Pty Ltd	13,585	0.04
Invia Custodian Pty Limited	12,915	0.03
Drury Lane Investments Pty Ltd	12,400	0.03

SIZE OF HOLDINGS AT 31 AUGUST 2007

Range	Holders	Shares	%
1 – 1,000	238	117,388	0.31
1,001 – 5,000	145	385,105	1.01
5,001 – 10,000	46	325,306	0.86
10,001 – 100,000	21	545,641	1.44
100,001 – OVER	3	36,595,493	96.38
	453	37,968,933	100.00

SUBSTANTIAL SHAREHOLDERS

- Hess Group Australia Pty Ltd holds 85.67% of the issued capital
- Peter Lehmann holds 10.37% of the issued capital

Annual General Meeting (AGM)
The AGM will be held at the Peter Lehmann Winery, Tanunda, South Australia on
Saturday 27 October 2007 at 11.30am.

Dividends
The final dividend of 8.6 cents per share is payable on 8 November 2007. The final dividend will be 100% franked at the 30% rate. The record date is 26 October 2007.

Dividend Policy
The directors expect to pay approximately 55% of after tax profit out as dividends. The board's policy remains to increase dividends broadly in line with growth in underlying earnings per share.

Payment Dividends
Dividends may be paid directly to a shareholder's nominated Australian bank, building society or credit union account.

Dividend History

Year	Full Year
1993/94	3.5 cents
1994/95	3.75 cents
1995/96	4.75 cents
1996/97	5.5 cents
1997/98	6.25 cents
1998/99	7.5 cents
1999/00	8.25 cents
2000/01	10 cents
2001/02	11 cents
2002/03	9 cents
2003/04	5.5 cents
2004/05	9.3 cents
2005/06	8.3 cents
2006/07	8.6 cents

Information for Capital Gains Tax Purposes

- PLW allotted 18,400,000 shares to subscribers on 29 July 1993. The price was 50 cents per share. These shares were listed for trading on the ASX on 5 August 1993.
- PLW issued 7,360,000 options exercisable at 50 cents each during the months of November 1995, November 1996 or November 1997. The options were listed for trading on the ASX on 5 August 1993.
- PLW issued 2,289,483 shares at $1.85 each under a share purchase plan. These shares were listed for trading on the ASX on 15 December 1998.
- PLW issued 1,663,634 shares at $2.12 each under a share purchase plan. These shares were listed for trading on the ASX on 14 December 2000.
- PLW issued 1,750,000 shares at $3.10 each under a share placement. These shares were listed for trading on the ASX on 1 November 2001.
- PLW issued 450,000 shares at $3.10 each under a share placement. These shares were listed for trading on the ASX on 20 December 2001.
- Following their on-market bid in September 2003 Allied Domecq plc offered to pay $4 per share.
- Hess Group Australia Pty Ltd paid $4 per share for shares sold in October/November 2003.

Trading in PLW Shares

Peter Lehmann Wines Limited requested to be removed from the Australian Stock Exchange (ASX) Official List as there was very little trading in the shares following the takeover. The Company was removed from the ASX on 12 October 2004.

To assist investors who wish to trade shares PLW has engaged Computershare Investor Services Pty Ltd to provide a matching service whereby buyers and sellers may register their intentions. Contact details are provided to each party who then negotiate the share price between themselves.

Company publications

Shareholders receive the following publications throughout the year to inform them of the Company's operations and results:

- Report on the half year to December
- Report on the outcome of the vintage
- Annual Report and Notice of AGM
- Outcome of the AGM.

It is important that shareholders immediately notify the share registry in writing of any change of address.

PLW maintains a mailing list for shareholders and friends who are interested in receiving news of the winery. Wine offers are also included. To join the mailing list please contact the PLW Cellar Door staff –
PO Box 315
Tanunda SA 5352
Telephone: +61 8 8563 2100
Facsimile: +61 8 8563 3920
Email: cellar.door@peterlehmannnwines.com

Full and concise financial statements together with the annual report are posted to www.peterlehmannwines.com. Financial statements will be sent to shareholders on request.

Share Register

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GPO Box 1903, Adelaide SA 5001
Information Matching Service –
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Facsimile: +61 8236 2305
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CONTACTS FOR WINE

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Samuel Smith & Son Pty Ltd
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ANGASTON SOUTH AUSTRALIA 5353
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Facsimile: +61 8 85 613411
Email: info@yalumba.com

EUROPE
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Hess AG
Steinhoelzli
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SWITZERLAND
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Facsimile: +41 31 9703232
Email: welcome@hess-group.ch

UNITED KINGDOM & IRELAND
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UNITED KINGDOM
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Facsimile: +44 20 8961 8773
Email: info@enotria.co.uk

USA
The Hess Collection Winery
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NAPA CA 94558
UNITED STATES OF AMERICA
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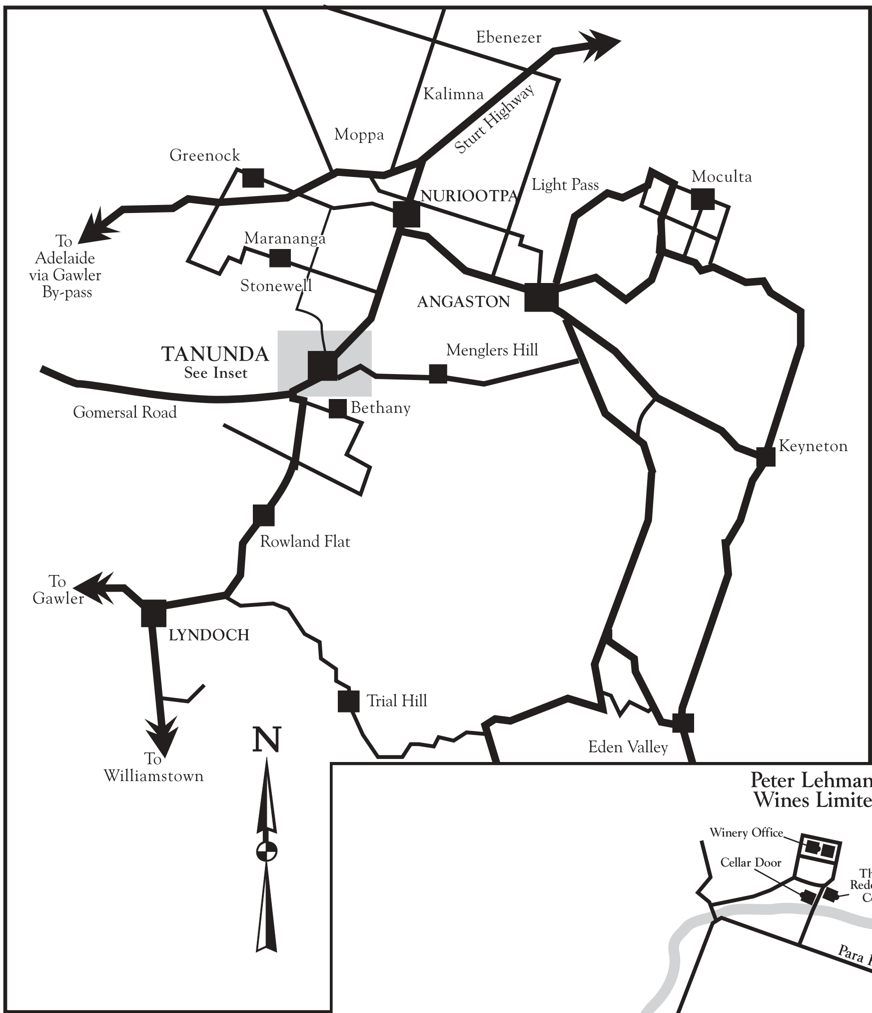
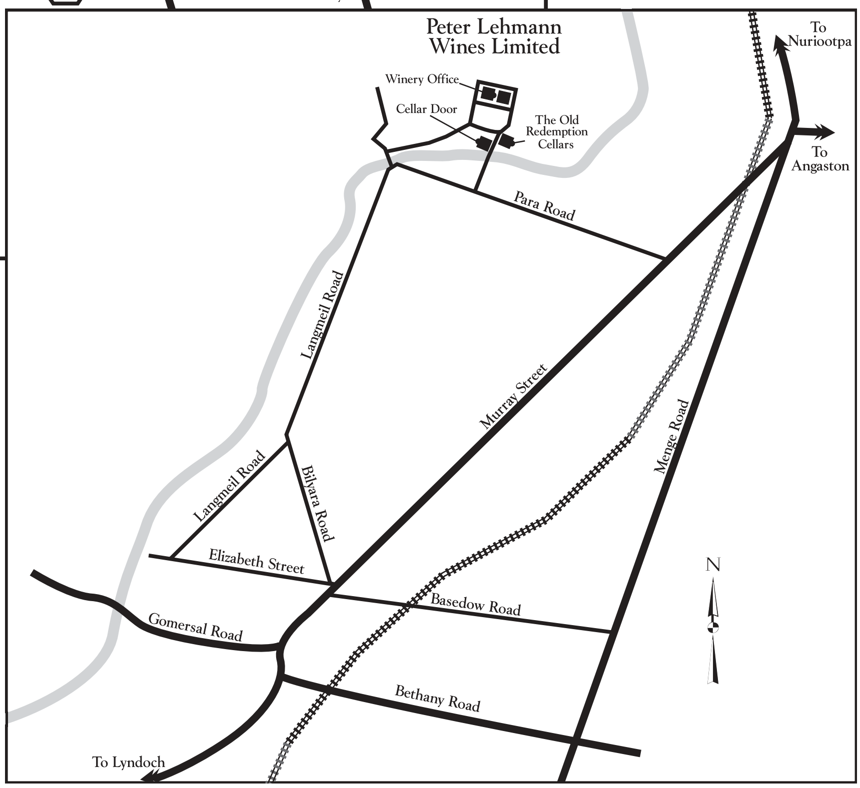
Facsimile: +1 707 2531682
Email: info@hesscollection.com

CANADA
C/- Peter Lehmann Wines

ASIA PACIFIC
C/- Peter Lehmann Wines

NEW ZEALAND
Negociants NZ
Grafton Mews
Level 1
56-58 Grafton Road
Grafton
AUCKLAND, NEW ZEALAND
Telephone: +64 9 3661140
Facsimile: +64 9 3661141
Email: negnnz@negociants.com


Ebenezer
Kalimna
Sturt Highway
Moppa
Greenock
NURIOOTPA
Light Pass
Moculta
To
Adelaide
via Gawler
By-pass
Marananga
Stonewell
ANGASTON
TANUNDA
See Inset
Menglers Hill
Gomersal Road
Bethany
Keyneton
Rowland Flat
To
Gawler
LYNDOCH
Trial Hill
Eden Valley
To
Williamstown
N


Peter Lehmann
Wines Limited
Winery Office
Cellar Door
The Old
Redemption
Cellars
To
Nuriootpa
To
Angaston
Para Road
Langmeil Road
Murray Street
Menge Road
Langmeil Road
Bilyara Road
Elizabeth Street
Basedow Road
Gomersal Road
Bethany Road
To Lyndoch
N

— 2003 & 2006 —

INTERNATIONAL
WINE AND SPIRIT
COMPETITION

WINNER

INTERNATIONAL
WINEMAKER OF
THE YEAR

— & —

AUSTRALIAN
PRODUCER OF
THE YEAR

www.peterlehmannwines.com