



**PETER LEHMANN WINES LIMITED
AND ITS SUBSIDIARIES
FULL YEAR FINANCIAL STATEMENTS
TO 30 JUNE 2007**

PETER LEHMANN WINES LIMITED AND ITS SUBSIDIARIES

DIRECTORS' REPORT

The directors present their report together with the financial report of Peter Lehmann Wines Limited (the Company) and of the Group, being the Company and its subsidiaries for the financial year ended 30 June 2007 and the auditor's report thereon.

Directors

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

<i>Name, Qualifications & Special Responsibilities</i>	<i>Age</i>	<i>Experience and other directorships</i>
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, Tidewater Investments Limited (Chairman) and Sapex 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. Chairman of Sapex Limited. 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 the 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. Marketing Manager 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 the 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 entitlements, 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 prepares an annual report which contains the concise financial report and it is available in the latter part of 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 \$000	Franked/ Unfranked	Date of payment
<i>Paid and declared during the year 2007</i>				
- 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.				
<i>Declared after end of year</i>				
- 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 with Enotria Winecellars Ltd arrangement 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.

Directors' and executive officers' remuneration (Company and Consolidated)

Details of the nature and amount of each major element of remuneration of each non-executive director of the Company, each of the five named Group executives who receive the highest remuneration and other key management personnel are:

		Short-term			Post Employment	Total	
		Salary & Fees	Increment in Annual & Long Service Leave Entitlements	Non-Monetary Benefits	Super-annuation Contributions		Proportion of remuneration performance related
		\$	\$	\$	\$	\$	%
Directors							
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 personnel (Consolidated)	2007	1,502,652	78,507	332,220	164,026	2,077,405	-
	2006	1,507,107	98,451	348,774	163,927	2,118,259	-
Total compensation: key management personnel (Company)	2007	1,251,434	78,507	311,115	138,904	1,779,960	-
	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.

<i>In thousands of AUD</i>	Consolidated	
	2007	2006
Audit services:		
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 compliance services (KPMG Australia)	19	23

Lead auditors independence declaration

The Lead auditor's independence declaration is set out on page 13 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 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



KPMG, an Australian partnership, is a member of KPMG International, a Swiss non-operating association.

PETER LEHMANN WINES LIMITED
BALANCE SHEETS
As at 30 June 2007

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated		Company	
		2007	2006	2007	2006
Assets					
Cash and cash equivalents	19	3,314	1,040	1,769	143
Trade and other receivables	18	17,208	14,416	15,588	12,383
Inventories	17	46,877	54,490	46,749	54,233
Total current assets		67,399	69,946	64,106	66,759
Investments	15	-	-	81	81
Property, plant and equipment	12	32,330	31,022	32,297	30,970
Intangible assets	13	24	68	24	48
Biological assets	14	483	493	483	493
Total non-current assets		32,837	31,583	32,885	31,592
Total assets		100,236	101,529	96,991	98,351
Liabilities					
Bank overdraft	21	149	-	149	-
Trade and other payables	23	8,846	8,767	8,984	8,210
Loans and borrowings	21	-	4,176	-	4,176
Employee benefits	22	1,695	1,555	1,695	1,555
Current tax payable	16	934	600	621	600
Total current liabilities		11,624	15,098	11,449	14,541
Loans and borrowings	21	27,243	27,701	27,243	27,701
Deferred tax liabilities	16	571	736	571	736
Employee benefits	22	100	70	100	70
Total non-current liabilities		27,914	28,507	27,914	28,507
Total liabilities		39,538	43,605	39,363	43,048
Net assets		60,698	57,924	57,628	55,303
Equity					
Share capital	20	30,624	30,624	30,624	30,624
Reserves	20	(53)	(3)	-	-
Retained earnings	20	30,127	27,303	27,004	24,679
Total equity		60,698	57,924	57,628	55,303

The notes on pages 20 to 46 are an integral part of these consolidated financial statements.

PETER LEHMANN WINES LIMITED
INCOME STATEMENTS
For the year ended 30 June 2007

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated		Company	
		2007	2006	2007	2006
Revenue	5	63,487	57,592	55,421	53,075
Cost of sales		(36,401)	(33,053)	(30,287)	(30,730)
Gross profit		27,086	24,539	25,134	22,345
Other income	5	121	316	118	316
Administration expenses		(2,522)	(2,478)	(2,470)	(2,314)
Marketing and public relations expenses		(1,582)	(1,581)	(1,582)	(1,534)
Selling and distribution expenses		(11,725)	(10,063)	(10,614)	(8,549)
Other expenses	6	(904)	(643)	(904)	(643)
Results from operating activities		10,474	10,090	9,682	9,621
Financial income	8	163	210	143	3,693
Financial expenses	8	(1,900)	(1,889)	(1,900)	(1,889)
Net financing (costs)/income		(1,737)	(1,679)	(1,757)	1,804
Profit before tax		8,737	8,411	7,925	11,425
Income tax expense		(2,762)	(2,663)	(2,449)	(2,403)
Profit for the year		5,975	5,748	5,476	9,022

The notes on pages 20 to 46 are an integral part of these consolidated financial statements.

PETER LEHMANN WINES LIMITED
STATEMENTS OF RECOGNISED INCOME & EXPENSE
For the year ended 30 June 2007

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated		Company	
		2007	2006	2007	2006
Foreign exchange translation differences	20	<u>(50)</u>	28	-	-
Income and expenses recognised directly in equity		(50)	28	-	-
Profit for the year	20	<u>5,975</u>	5,748	<u>5,476</u>	9,022
Total recognised income and expense for the year	20	<u>5,925</u>	5,776	<u>5,476</u>	9,022

The notes on pages 20 to 46 are an integral part of these consolidated financial statements.

PETER LEHMANN WINES LIMITED
STATEMENTS OF CASH FLOWS
For the year ended 30 June 2007

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated		Company	
		2007	2006	2007	2006
Cash flows from operating activities					
Cash receipts from customers		64,439	62,637	57,468	56,989
Cash paid to suppliers and employees		(46,503)	(48,325)	(40,200)	(43,092)
Cash generated from operations		17,936	14,312	17,268	13,897
Interest received		107	101	87	84
Interest paid		(2,139)	(2,313)	(2,139)	(2,313)
Income taxes paid		(2,592)	(2,550)	(2,592)	(2,296)
Net cash from operating activities	19	13,312	9,550	12,624	9,372
Cash flows from investing activities					
Proceeds from sale of property, plant & equipment		54	42	27	42
Proceeds from sale of investment		-	15	-	15
Acquisition of property, plant & equipment	12	(3,339)	(2,904)	(3,300)	(2,846)
Acquisition of intangibles	13	(23)	(59)	(23)	(41)
Net cash from investing activities		(3,308)	(2,906)	(3,296)	(2,830)
Cash flows from financing activities					
Repayment of borrowings		(4,700)	(3,600)	(4,700)	(3,600)
Dividends paid	20	(3,151)	(3,531)	(3,151)	(3,531)
Net cash from financing activities		(7,851)	(7,131)	(7,851)	(7,131)
Net increase (decrease) in cash and cash Equivalents		2,153	(487)	1,477	(589)
Effect of exchange rate fluctuations on cash held		(28)	(18)	-	-
Cash and cash equivalents at 1 July		1,040	1,545	143	732
Cash and cash equivalents at 30 June	19	3,165	1,040	1,620	143

The notes on pages 20 to 46 are an integral part of these consolidated financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

1 Reporting Entity

Peter Lehmann Wines Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Off Para Road, Tanunda, South Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2007 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group primarily is in the manufacture of wine for sale.

2 Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors on 3 September 2007.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following;

- derivative financial instruments are measured at fair value
- biological assets are measured at fair value less point-of-sale costs

The methods used to measure fair values are discussed further in Note 4.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Group. The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) 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:

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

3 Significant accounting policies

The accounting policies have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

The entity has elected to early adopt the following accounting standards

- AASB 8 *Operating Segments*

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

In the Company's financial statements, investments in subsidiaries are carried at cost.

(ii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period and the amortised cost in the foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign exchange differences are recognised directly in equity within the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the assets. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed at note 3(m).

All non-derivative financial instruments are measured at cost using the effective interest rate method, less any impairment changes.

(ii) Derivative financial instruments

The Group holds derivative financial instruments to reduce its foreign exchange and interest rate risk exposure. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. The Group does not apply hedge accounting, and therefore derivatives are accounted for as trading instruments.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(iii) Share capital

Ordinary shares

Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity, net of any related income tax benefit.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Costs includes expenditures that are directly attributable to the acquisition of the asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of such an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives in the current and comparative periods are as follows:

- buildings 50 years
- plant and equipment 3 to 50 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(e) Intangible assets

(i) Intangible assets

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The estimated useful lives in the current and comparative periods are as follows:

computer software 3 years

(f) Biological assets

Biological assets are measured at fair value less estimated point-of-sale costs, with any change therein recognised in profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets.

Vines

The net market value of grape vines has been determined as the difference between the vineyard values and the values of land and other vineyard improvements thereon. In determining the net market values certain assumptions have been made about the yields and market prices of grapes in future vintages, the cost of running the vineyards and quality of the grapes grown. These assumptions and estimates have been provided to the independent valuer to assist with the valuation of the vines.

(g) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

The Group adopted Interpretation 4 *Determining whether an Arrangement Contains a Lease*, which is mandatory for annual periods beginning on or after 1 January 2006, in its 2006 consolidated financial statements.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of harvested grapes is its fair value less estimated point-of-sale costs at the date of harvest.

The cost of inventory items that are not interchangeable is assigned based on specific identification.

All items of inventory that are deemed to be held for trading purposes have been classified as current.

(i) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar risk characteristics.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or its cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Employee benefits

(i) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on Commonwealth Government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

(iv) Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

A provision is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(k) Revenue and other income

(i) Revenue from sale of wine

Revenue from the sale of wine is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the wine.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For bottled and bulk wine, transfer usually occurs when the wine is received at the customer's warehouse; however, for most international shipments transfers occurs upon loading the wine onto the relevant carrier.

(ii) Services

Contract revenue earned from winery processing activity and laboratory analysis is recognised in profit or loss when the service is provided.

(l) Lease payments

Payment made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

(m) Finance income and expenses

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

(n) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax Consolidation

The Company and its wholly-owned Australian resident entity have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Peter Lehmann Wines Limited.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with the other member of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with the other member of the tax-consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(o) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of the GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability on the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(p) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing this financial report.

- *AASB 7 Financial Instruments: Disclosures* (August 2005) replaces the presentation requirement of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the Group's financial instruments and share capital.

- AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 117 *Leases*, AASB 133 *Earnings Per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting period beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the consolidated financial report.
- Interpretation 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. Interpretation 10 will become mandatory for the Group's 2008 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Group first applied the measurement criteria of AASB 136 and AASB 139 respectively (ie, 1 July 2004 and 1 July 2005, respectively).
- AASB 2007-2 Amendments to Australian Accounting Standards also amends references to "UIG Interpretation" to interpretations. This amending standard is applicable to annual reporting periods ending on or after 28 February 2007.
- AASB 123 (revised) *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards* [arising from revised AASB 123]. These do not commence until 1 January 2009. It requires interest to be capitalised to all qualifying assets. It is not expected to have an impact on the Group.
- AASB 101 (revised October 2006) *Presentation of Financial Statements* makes presentation and disclosure changes to financial statements. This new standard is only expected to impact the Group's disclosures.
- AASB 2007-4 Amendments to Australian Accounting Standards [arising from AASB 2007-4] and AASB 2007-4 Amendments to Australian Accounting Standards [arising from ED 151 Australian Addition to, and Deletions from, IFRS]. This standard is to make the Australian requirements the same as IFRS in respect of for-profit entities. All options that currently exist under IFRSs have been included in the AASBs and Additional Australian disclosures have been eliminated, other than those considered particularly relevant in the Australian reporting environment. The Group is assessing whether the amendments will impact disclosure relating to AASB 112 *Income Taxes*, AASB 119 *Employee Benefits*, AASB 121 *The Effects of Changes in Foreign Exchange Rates*, AASB 132 *Financial Instruments: Presentation and Disclosure*, AASB 134 *Interim Financial Reporting* and, AASB 141 *Agriculture*.

4 **Determination of fair values**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) **Biological assets**

Grapes and Vines

The fair value of grape vines has been determined as the difference between the vineyard values and the values of land and other vineyard improvements thereon. In determining the fair values certain assumptions have been made about the yields and market prices of grapes in future vintages, the cost of running the vineyards and quality of the grapes grown. These assumptions and estimates have been provided to the external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the property being valued, to assist with the annual valuation of the vines. The valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from the production of grapes from the vines. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the valuation of the vines.

(ii) **Derivatives**

The fair value of forward exchange contracts is based on their listed market prices.

The fair value of interest rate swaps is based on broker quotes.

5 Revenue and other income

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated		Company	
		2007	2006	2007	2006
Revenue from customers – wine sales		62,598	56,596	54,532	52,245
Revenue from customers – service provision		889	996	889	830
Total revenue		63,487	57,592	55,421	53,075
Release of unused provisions		5	122	5	122
Gains from change in fair value of biological assets – crop		-	65	-	65
Gains from change in fair value of biological assets - vines		-	-	-	-
Net gain on disposal of property, plant and equipment	19	11	32	8	32
Other		105	97	105	97
Total other income		121	316	118	316
Total revenue and other income		63,608	57,908	55,539	53,391

6 Other expenses

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated		Company	
		2007	2006	2007	2006
Losses from change in fair value of biological assets – crop		159	-	159	-
Losses from change in fair value of biological assets - vines	19	10	82	10	82
Licence Fee paid to ultimate parent Company		551	506	551	506
Net loss on sale of property, plant and Equipment		-	-	-	-
Other		184	55	184	55
		904	643	904	643

7 Personnel expenses

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated		Company	
		2007	2006	2007	2006
Wages & salaries		6,346	6,162	5,394	5,220
Other associated personnel expenses		771	719	668	610
Contributions to defined contribution superannuation funds		833	749	759	669
Increase in liability for annual leave		361	369	361	369
Increase in liability for long service leave		98	80	98	80
Termination benefit		43	-	-	-
		8,452	8,079	7,280	6,948

Personnel expenses are included within the income statement within administration \$1,957,000 (2006: \$1,610,000), marketing and public relations \$725,000 (2006: \$740,000), selling and distribution \$2,878,000 (2006: \$2,967,000). Personnel expenses for the winery of \$2,891,000 (2006: \$2,762,000) are included in inventory and released through the income statement when the wine is sold.

8 Finance income and expense

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated		Company	
		2007	2006	2007	2006
Interest income on bank deposits		(107)	(101)	(87)	(84)
Dividend income – controlled entity		-	-	-	(3,500)
Net change in fair value of financial assets Designated at fair value through profit or loss		(56)	(109)	(56)	(109)
Financial income		(163)	(210)	(143)	(3,693)
Interest expense		2,149	2,313	2,149	2,313
Interest capitalised to maturing Inventory		(249)	(424)	(249)	(424)
Net interest expense		1,900	1,889	1,900	1,889
Financial expenses		1,900	1,889	1,900	1,889
Net financing costs/(income)		1,737	1,679	1,757	(1,804)

The carrying value of inventories includes wine held for maturation and \$249,000 (2006: \$424,000) of borrowing costs have been capitalised using the weighted average cost of capital rate of 2.11% (2006: 2.36%) to the maturing wines.

9 Foreign exchange gains and losses relating to operating activities

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated		Company	
		2007	2006	2007	2006
Foreign exchange gain		-	(316)	-	(316)
Foreign exchange loss		511	-	480	-
Net foreign exchange loss (gain)		511	(316)	480	(316)

Net foreign exchange gains/losses are included in selling and distribution expenses on the income statements.

10 Depreciation and amortisation costs

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated		Company	
		2007	2006	2007	2006
Depreciation of property, plant and Equipment					
Property	12	181	176	181	176
Plant and equipment	12	1,828	1,762	1,772	1,728
Less capitalised depreciation expense		(1,870)	(1,821)	(1,870)	(1,821)
		139	117	83	83
Amortisation of intangibles					
Computer software	13	67	75	47	68
Total amortisation and depreciation		188	192	130	152

Net depreciation and amortisation costs are included within the following expense categories on the income statements: administration \$120,000 (2006: \$149,000), marketing and public relations \$30,000 (2006: \$33,000) and selling and distribution \$56,000 (2006: \$10,000).

11 Income tax expense

	<i>Note</i>	Consolidated		Company	
		2007	2006	2007	2006
Current tax expense					
Current period		2,920	2,415	2,607	2,155
Adjustment to prior periods		5	(40)	5	(40)
		2,925	2,375	2,612	2,115
Deferred tax expense					
Origination and reversal of temporary differences		(152)	288	(152)	288
Adjustment to prior periods		(13)	-	(13)	-
		(165)	288	(165)	288
Total income tax expense		2,762	2,663	2,449	2,403
Numerical reconciliation between tax expense and pre-tax net profit					
<i>In thousands of AUD</i>	<i>Note</i>	Consolidated		Company	
		2007	2006	2007	2006
Profit for the period		8,737	8,411	7,925	11,425
Income tax using the domestic corporation tax rate of 30% (2006: 30%)		2,621	2,523	2,378	3,428
Increase in income tax expense due to:					
Non-deductible expenses/(income)		86	64	79	65
Overseas subsidiary loss		63	134	-	-
Utilisation of overseas subsidiary loss		-	(13)	-	-
Decrease in income tax expense due to:					
Non-assessable income		-	(5)	-	(1,050)
		2,770	2,703	2,457	2,443
Under/(over) provided in prior years		(8)	(40)	(8)	(40)
Income tax expense on pre-tax net profit		2,762	2,663	2,449	2,403

12 Property, plant and equipment

<i>In thousands of AUD</i>	Note	Freehold Land & Improvement	Buildings	Plant & Equipment	Capital Works in Progress	Total
Cost						
Consolidated						
Balance at 1 July 2005		3,012	7,853	29,911	154	40,930
Acquisitions		-	-	405	2,499	2,904
Transfer of capital works		-	157	2,210	(2,367)	-
Disposals		-	-	(527)	-	(527)
Balance at 30 June 2006		<u>3,012</u>	<u>8,010</u>	<u>31,999</u>	<u>286</u>	<u>43,307</u>
Cost						
Consolidated						
Balance at 1 July 2006		3,012	8,010	31,999	286	43,307
Acquisitions		-	16	149	3,174	3,339
Transfer of capital works		-	41	1,890	(1,931)	-
Disposals		-	-	(623)	-	(623)
Balance at 30 June 2007		<u>3,012</u>	<u>8,067</u>	<u>33,415</u>	<u>1,529</u>	<u>46,023</u>
Cost						
Company						
Balance at 1 July 2005		3,012	7,853	29,842	154	40,861
Acquisitions		-	-	347	2,499	2,846
Transfer of capital works		-	157	2,210	(2,367)	-
Disposals		-	-	(527)	-	(527)
Balance at 30 June 2006		<u>3,012</u>	<u>8,010</u>	<u>31,872</u>	<u>286</u>	<u>43,180</u>
Cost						
Company						
Balance at 1 July 2006		3,012	8,010	31,872	286	43,180
Acquisitions		-	16	110	3,174	3,300
Transfer of capital works		-	41	1,890	(1,931)	-
Disposals		-	-	(593)	-	(593)
Balance at 30 June 2007		<u>3,012</u>	<u>8,067</u>	<u>33,279</u>	<u>1,529</u>	<u>45,887</u>
Depreciation and impairment losses						
Consolidated						
Balance at 1 July 2005		32	956	9,880	-	10,868
Depreciation charge for the year		1	175	1,762	-	1,938
Disposals		-	-	(521)	-	(521)
Balance at 30 June 2006		<u>33</u>	<u>1,131</u>	<u>11,121</u>	<u>-</u>	<u>12,285</u>
Depreciation and impairment losses						
Consolidated						
Balance at 1 July 2006		33	1,131	11,121	-	12,285
Depreciation charge for the year		1	180	1,828	-	2,009
Disposals		-	-	(601)	-	(601)
Balance at 30 June 2007		<u>34</u>	<u>1,311</u>	<u>12,348</u>	<u>-</u>	<u>13,693</u>

12 Property, plant and equipment continued

<i>In thousands of AUD</i>	<i>Note</i>	Freehold Land & Improvement	Buildings	Plant & Equipment	Capital Works in Progress	Total
Depreciation and impairment losses						
Company						
Balance at 1 July 2005		32	956	9,839	-	10,827
Depreciation charge for the year		1	175	1,728	-	1,904
Disposals				(521)	-	(521)
Balance at 30 June 2006		33	1,131	11,046	-	12,210
Depreciation and impairment losses						
Company						
Balance at 1 July 2006		33	1,131	11,046	-	12,210
Depreciation charge for the year		1	180	1,772	-	1,953
Disposals		-	-	(573)	-	(573)
Balance at 30 June 2007		34	1,311	12,245	-	13,590
Carrying amounts						
Consolidated						
At 1 July 2005		2,980	6,897	20,031	154	30,062
At 30 June 2006		2,979	6,879	20,878	286	31,022
At 1 July 2006		2,979	6,879	20,878	286	31,022
At 30 June 2007		2,978	6,756	21,067	1,529	32,330
Company						
At 1 July 2005		2,980	6,897	20,003	154	30,034
At 30 June 2006		2,979	6,879	20,826	286	30,970
At 1 July 2006		2,979	6,879	20,826	286	30,970
At 30 June 2007		2,978	6,756	21,034	1,529	32,297

Security

The bank holds a first ranking mortgage debenture charge over all the assets and undertakings of the Group.

Contractual commitments for the acquisition of property, plant and equipment

At 30 June 2007 the Company has commitments for plant and equipment of \$350,000 (2006: \$88,000).

13 Intangible assets

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated	Company
Cost			
Balance at 1 July 2005		227	215
Acquisitions		59	41
Disposals		(22)	(22)
Balance at 30 June 2006		264	234
Balance at 1 July 2006		264	234
Acquisitions		23	23
Disposals		(79)	(79)
Balance at 30 June 2007		208	178
Amortisation and impairment losses			
Balance at 1 July 2005		144	141
Amortisation charge for the year		75	68
Disposals		(23)	(23)
Balance at 30 June 2006		196	186
Amortisation and impairment losses			
Balance at 1 July 2006		196	186
Amortisation charge for the year		67	47
Disposals		(79)	(79)
Balance at 30 June 2007		184	154
Carrying amounts			
At 1 July 2005		83	74
At 30 June 2006		68	48
At 1 July 2006		68	48
At 30 June 2007		24	24

The Group uses computer software in its operations and for financial reporting purposes. The software licences are capitalised and amortised over their expected useful lives.

14 Biological assets

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated		Company	
		2007	2006	2007	2006
Balance 1 July 2006		493	575	493	575
Increase/(decrease) in fair value		(10)	(82)	(10)	(82)
Balance at 30 June 2007		483	493	483	493

The Company has 41 hectares planted to grape vines in the premium grape growing areas of the Barossa and Clare Valleys. The vineyards yielded 121 tonnes (2006: 290 tonnes) at a market value of \$138,000 (2006: \$326,000). The crops represent 1.5% of the total intake of 8,021 tonnes (2006: 13,643 tonnes).

The values of the vineyards were determined by Taylor Brooke Pty Ltd, an independent valuation company, as at 30 June 2007 and 30 June 2006 based on the discounted net present value of expected future cash flows. The net market value of grapes vines has been determined as the difference between the vineyard values and the values of land and other vineyards improvements thereon. In determining the net market values certain assumptions have been made about the yields and market prices of grapes in future vintages, the cost of running the vineyards and quality of grapes grown.

Climate and other risks

The Group's own vineyards are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has processes in place aimed at monitoring and mitigating these risks, including regular vineyard inspections for pests and disease.

15 Other investments

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated		Company	
		2007	2006	2007	2006
Non-current investments					
Investments in subsidiaries		-	-	81	81

16 Tax assets and liabilities

Current tax assets and liabilities

The current tax liability for the Group of \$934,000 (2006: \$600,000) and for the Company of \$621,000 (2006: \$600,000) represent the amount of income taxes payable in respect of current and prior financial periods. In accordance with tax consolidation legislation, the Company as the head entity of the Australian tax-consolidated group has assumed the current tax liability initially recognised by the members in the tax-consolidated group.

All movements in deferred tax assets and liabilities are recognised in income.

Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated <i>In thousands of AUD</i>	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
Property, plant and equipment	-	-	1,524	1,564	1,524	1,564
Biological assets	-	-	(14)	87	(14)	87
Employee benefits	(539)	(487)	-	-	(539)	(487)
Provisions	(25)	(14)	-	-	(25)	(14)
Other items	(392)	(449)	17	35	(375)	(414)
Net tax (assets)/liabilities	(956)	(950)	1,527	1,686	571	736

Company <i>In thousands of AUD</i>	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
Property, plant and equipment	-	-	1,524	1,564	1,524	1,564
Biological assets	-	-	(14)	87	(14)	87
Employee benefits	(539)	(487)	-	-	(539)	(487)
Provisions	(25)	(14)	-	-	(25)	(14)
Other items	(392)	(449)	17	35	(375)	(414)
Net tax (assets)/liabilities	(956)	(950)	1,527	1,686	571	736

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following item:

<i>In thousands of AUD</i>	Consolidated		Company	
	2007	2006	2007	2006
Capital loss	8	8	8	8
Overseas subsidiary tax loss	183	134	-	-
	191	142	8	8

The deductible capital loss does not expire under current tax legislation. A deferred tax asset has not been recognised in respect of this item as it is dependent upon the ability to offset against future capital gains.

The overseas subsidiary sustained a tax loss of \$57,000 for the year ended 30 June 2007 (2006: \$134,000). A deferred tax asset has not been recognised as it is not probable that future taxable profit will be available to utilise the tax loss.

17 Inventories

<i>In thousands of AUD</i>	Consolidated		Company	
	2007	2006	2007	2006
Packaging materials and souvenirs	384	395	384	395
Finished goods	46,493	54,095	46,365	53,838
Inventories stated at lower of cost and net realisable Value	46,877	54,490	46,749	54,233

The carrying amounts of inventories are stated at net realisable value. Inventories are shown net of provisions for write-downs of \$29,000 (2006: \$34,000) recognised in the current year. The carrying value of inventories includes wine held for maturation and \$249,000 (2006: \$424,000) of borrowing costs have been capitalised using the weighted average cost of capital rate of 2.11% (2006: 2.36%) to the maturing wines.

The carrying value of inventories held and expected to be realised within the next twelve months is estimated at \$20,450,000 (2006: \$19,500,000).

18 Trade and other receivables

<i>In thousands of AUD</i>	Note	Consolidated		Company	
		2007	2006	2007	2006
Current					
Trade receivables due from subsidiaries		-	-	3,149	1,597
Trade receivables due from commonly controlled entities		1,118	460	1,118	443
Other trade receivables and prepayments		15,908	13,852	11,139	10,239
Receivables due from the ultimate parent entity		2	5	2	5
Receivables due from commonly controlled Entities		70	40	70	40
Fair value derivatives		110	59	110	59
		17,208	14,416	15,588	12,383

At 30 June 2007 trade receivables are shown net of an allowance for doubtful debts of \$54,000 (2006: \$12,000) arising from the likely non-payment from a customer.

Trade and other receivables denominated in currencies other than the functional currency comprise:
 \$1,114,000 US Dollar (2006: \$404,000)
 \$1,575,000 Euros (2006: \$1,051,000)
 \$1,357,000 Canadian Dollars (2006: \$937,000)
 \$451,000 British Pounds (2006: Nil).

19 Cash and cash equivalents

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated		Company	
		2007	2006	2007	2006
Bank balances		3,314	1,040	1,769	143
Bank overdrafts used for cash management purposes		(149)	-	(149)	-
Cash and cash equivalents in the statements of cash flows		3,165	1,040	1,620	143

The effective interest rate on call deposits in 2007 was 5.56% (2006: 2.34%).

Reconciliation of cash flows from operating activities

<i>In thousands AUD</i>	<i>Note</i>	Consolidated		Company	
		2007	2006	2007	2006
Cash flows from operating activities					
Operating profit after income tax		5,975	5,748	5,476	9,022
Add/(less) items classified as investing/financing activities:					
(Profit)/loss on sale of non-current assets	5	(11)	(32)	(8)	(32)
Add/(less) non-cash items:					
Amounts set aside to provisions		494	315	494	315
Depreciation and amortisation expense	10	188	192	130	152
Decrease/(increase) in fair value of derivatives		(56)	(109)	(56)	(109)
SGARA (income)/loss capitalised to vines	6	10	82	10	82
(Decrease)/increase in income taxes payable		333	(64)	21	(64)
Net cash provided by operating activities before change in assets and liabilities		6,933	6,132	6,067	9,366
Change in assets and liabilities during the financial year:					
(Increase)/decrease in inventories		9,488	3,643	9,360	3,699
(Increase)/decrease in prepayments and other debtors		(1)	113	(47)	(712)
(Increase)/decrease in trade receivables		(2,024)	2,149	(828)	1,282
(Increase)/decrease in loans to related entities		(356)	1,032	(1,026)	(1,837)
(Decrease)/increase in trade payables		(276)	(3,500)	(450)	(2,407)
(Decrease)/increase in provisions		(287)	(246)	(287)	(246)
(Decrease)/increase in deferred taxes		(165)	227	(165)	227
Net cash provided by operating activities		13,312	9,550	12,624	9,372

20 Capital and reserves

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

Consolidated

<i>In thousands of AUD</i>	<i>Note</i>	Share capital	Translation reserve	Retained earnings	Total equity
Balance at 1 July 2005		30,624	(31)	25,086	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

Company

<i>In thousands of AUD</i>	<i>Note</i>	Share capital	Translation reserve	Retained earnings	Total equity
Balance at 1 July 2005		30,624	-	19,188	49,812
Total recognised income and expense		-	-	9,022	9,022
Dividends to shareholders		-	-	(3,531)	(3,531)
Balance at 30 June 2006		30,624	-	24,679	55,303
Balance at 1 July 2006		30,624	-	24,679	55,303
Total recognised income and expense		-	-	5,476	5,476
Dividends to shareholders		-	-	(3,151)	(3,151)
Balance at 30 June 2007		30,624	-	27,004	57,628

Share capital

<i>In thousands of shares</i>	Company	
	2007	2006
Ordinary shares on issue at 30 June – fully paid	37,969	37,969

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the foreign operation where its functional currency is different to the presentation currency of the reporting entity.

Dividends

Dividends recognised in the current year by the Company are:

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

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.

<i>In thousands of AUD</i>	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

<i>In thousands of AUD</i>	Company	
	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.

21 Loans and borrowings

This note provides information about the contractual terms of the Company's and Group's interest-bearing borrowings. For more information about the Company's and Group's exposure to interest rate and foreign currency risk, see note 24.

<i>In thousands of AUD</i>	Note	Consolidated		Company	
		2007	2006	2007	2006
Non-current liabilities					
Bank bills		27,243	27,701	27,243	27,701
Current liabilities					
Bank overdraft		149	-	149	-
Multi option facility		-	4,176	-	4,176
		149	4,176	149	4,176
Financing facilities					
Multi option facility		7,000	7,000	7,000	7,000
Bank loans/leases		550	550	550	550
Bill acceptance facility		31,700	31,700	31,700	31,700
		39,250	39,250	39,250	39,250
Facilities utilised at reporting date					
Multi option facility		149	4,176	149	4,176
Bank loans/leases		-	-	-	-
Bill acceptance facility		27,343	27,701	27,343	27,701
		27,492	31,877	27,492	31,877
Facilities not utilised at reporting date					
Multi option facility		6,851	2,824	6,851	2,824
Bank loans/leases		550	550	550	550
Bill acceptance facility		4,357	3,999	4,357	3,999
		11,758	7,373	11,758	7,373

Terms and debt repayment schedule

Multi Option Facility

The \$7,000,000 line incorporates an overdraft and commercial bill facility. The facility is subject to annual review. Interest is charged at prevailing market rates. The weighted average overdraft interest rate as at 30 June 2007 was 10.95% (2006: 9.95%).

Bill Acceptance Facility and Bank Leases

The facility is reviewed annually and is on a rolling two year term.

The Company and Group have entered into interest rate swaps for \$12,900,000 with a weighted average interest rate at 30 June 2007 of 6.06% (2006: 5.84%). The weighted average interest rate for the other bills subject to prevailing market rates at 30 June 2007 was 6.51% (2006: 5.95%). The resultant rate when the effect of the interest rate swaps is incorporated into the total weighted average interest rate as at 30 June 2007 was 6.53% (2006: 5.85%), for the Company and Group.

The current lease facility was unused at 30 June 2007 (2006: nil).

Security

Registered first ranking mortgage debenture over all the assets and undertakings of Peter Lehmann Wines Limited up to \$41,650,000 (2006: \$41,650,000).

In addition, the Company and its controlled entities are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the others.

22 Employee benefits

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated		Company	
		2007	2006	2007	2006
Current					
Liability for annual leave		770	625	770	625
Liability for long service leave		925	930	925	930
		1,695	1,555	1,695	1,555
Non Current					
Liability for long service leave		100	70	100	70
Total employee benefits		1,795	1,625	1,795	1,625

23 Trade and other payables

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated		Company	
		2007	2006	2007	2006
Trade payables and accrued expenses		7,882	8,128	6,695	7,145
Fair value derivatives		-	5	-	5
Accrued expenses due to ultimate parent entity		551	506	551	506
Accrued expenses owing to subsidiaries		-	-	1,496	497
Accrued expenses due to commonly controlled entities		413	128	242	57
		8,846	8,767	8,984	8,210

Payments owing to commonly controlled entities denominated in currencies other than the functional currency comprise:

\$260,000 US Dollars (2006: \$18,000)

\$87,000 Pounds Sterling (2006: \$71,000)

\$16,000 Swiss Francs (2006: \$10,000)

\$29,000 Euros (2006: \$29,000).

24 Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Company's and the Group's business. Derivative financial instruments are used to hedge exposure in fluctuations in foreign exchange rates and interest rates.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

Concentration of credit risk on trade receivables exists in respect of the Company. As at 30 June 2007, 61% (2006: 72%) of the Company's trade receivables (excluding subsidiaries and associated entities) was owed by 6 customers (2006: 6).

The Group trades with some large Australian wineries and UK retailers that represent material exposure. However the long term associations and close trading relationships provide an acceptable level of comfort.

The Company takes out trade credit insurance on certain overseas debts to reduce its risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Interest rate risk

The Company and Group adopts a policy of ensuring that up to 50 percent of its exposure to changes in interest rates on borrowings is on a fixed rate basis. The length of time commercial bills subject to variable interest rates are generally held ranges between 30 and 120 days. Interest rate swaps, denominated in Australian dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure in accordance with the Group's policy. The swaps mature over the next 3 years and the fixed rate swap rates range between 5.82% to 6.74%. At 30 June 2007, the Company and Group had interest rate swaps with a notional contract amount of \$12,900,000 (30 June 2006: \$12,900,000).

The Company and Group classifies interest rate swaps as derivatives held for trading and states them at fair value. The net fair value of swaps for both the Company and Group at 30 June 2007 was \$99,000 (30 June 2006: \$54,000) comprising assets of \$99,000 (30 June 2006: \$59,000) and liabilities of \$Nil (30 June 2006: \$5,000). These amounts were recognised as fair value derivatives.

Foreign currency risk

The Company and Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than Australian dollars. The currencies giving rise to the risk are: Pounds Sterling, Euro, US Dollars and Canadian Dollars.

The Company and Group may use forward exchange contracts to minimise the foreign currency risk arising from trade sale transactions. The forward exchange contracts have maturities of less than one year after the balance sheet date.

In respect of other monetary assets held in currencies other than Australian dollars, the Group ensures that the net exposure is kept to an acceptable level, by selling foreign currencies at spot rates where necessary to address short-term imbalances.

Recognised assets and liabilities

The fair value of forward exchange contracts used as economic hedges of monetary assets and liabilities in foreign currencies at 30 June 2007 was \$10,000 (2006: \$Nil) for the Group and the Company recognised in fair value derivatives.

Derivatives

All derivatives are recognised at their fair value at reporting date. Forward exchange contracts are marked to market using listed market prices. For interest rate swaps broker quotes are used.

Receivables and Payables

Receivables and payables have a remaining life of less than one year and the notional amount is deemed to reflect the fair value. All other receivables and payables are discounted to determine their fair value.

Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

25 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

<i>In thousands of AUD</i>	Consolidated		Company	
	2007	2006	2007	2006
Less than one year	460	526	415	484
Between one and five years	165	578	143	536
More than five years	-	-	-	-
	625	1,104	558	1,020

The Group leases motor vehicles and computer equipment under operating leases. The leases typically run for a period of three years. Lease payments remain constant throughout the term of the lease.

The Company leases the Cellar Door facility with a five year lease term, with an option to renew the lease after date. Lease payments are increased annually in line with the consumer price index.

The Group has a lease agreement for the office in Kent until 31 December 2008 with a right to sublease. Notice has been given to the landlord that the premises will no longer be required after 30 September 2007 and provision for lease payments until that date has been made. Lease payments remain constant throughout the lease.

During the financial year ended 30 June 2007, \$589,000 was recognised as an expense in the income statement in respect of operating leases (2006: \$558,000).

26 Capital and other commitments

<i>In thousands of AUD</i>	Consolidated		Company	
	2007	2006	2007	2006
Capital expenditure commitments payable within one year				
<i>Plant and equipment</i>	350	88	350	88

27 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.

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 Company's operations are subject to rapidly changing environmental legislation.

28 Related parties

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Non-executive directors

M Lienhard (Chairman)
P A Young (Deputy Chairman)
R M Wilson
K E Carey

Executive directors

D McC Lehmann (Managing Director)
R V Edwards (Marketing Director)

Executives

A D Wigan (Chief Winemaker)
B K Clapton (Chief Financial Officer)
W I Whigham (Director of Sales in the UK and Ireland)
H T Astrom (Vice President – European Brand Development)
T M Brown (Operations Manager)

The key management personnel compensation included in 'personnel expenses' (see note 7) is as follows:

<i>In AUD</i>	<i>Note</i>	Consolidated		Company	
		2007	2006	2007	2006
Short-term employee benefits		1,913,379	1,954,332	1,641,056	1,675,517
Post employment benefits		164,026	163,927	138,904	138,258
		2,077,405	2,118,259	1,779,960	1,813,775

The key management personnel receive no compensation in relation to the management of the Company. The compensation disclosed above represents an allocation of the key management personnel's estimated compensation from the Group in relation to their services rendered to the Company.

Individual directors and executives compensation disclosures

Details of the nature and amount of each major element of remuneration of each non-executive director of the Company, each of the five named Group executives who receive the highest remuneration and other key management personnel are:

		Short-term			Post Employment	Total	
		Salary & Fees	Increment in Annual & Long Service Leave Entitlements	Non-Monetary Benefits	Super-annuation Contributions		Proportion of remuneration performance related
		\$	\$	\$	\$	\$	%
Directors							
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 personnel (Consolidated)	2007	1,502,652	78,507	332,220	164,026	2,077,405	-
	2006	1,507,107	98,451	348,774	163,927	2,118,259	-
Total compensation: key management personnel (Company)	2007	1,251,434	78,507	311,115	138,904	1,779,960	-
	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.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Other key management personnel transactions with the Company or its subsidiaries

From time to time directors and executives of the Company and its subsidiaries, purchase wine from the Group. These purchases are on the same terms and conditions as those entered into by employees.

Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares of Peter Lehmann Wines Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2006	Purchases	Sales	Held at 30 June 2007 Direct
Director				
M Lienhard	-	-	-	-
P A Young	-	-	-	-
R M Wilson	35,000	-	-	35,000
K E Carey	-	-	-	-
D Mc Lehmann	-	-	-	-
R V Edwards	-	-	-	-
	Held at 1 July 2006	Purchases	Sales	Held at 30 June 2007 Direct
Executive				
H T Astrom	-	-	-	-
T M Brown	-	-	-	-
B K Clapton	-	-	-	-
W I Whigham	-	-	-	-
A D Wigan	10,000	-	-	10,000

Non-key management personnel disclosures

Other related party transactions

The Group has a related party relationship with the ultimate parent entity and its subsidiaries.

Ultimate parent entity

Hess Group AG provides trade mark and know how expertise in the normal course of business and on normal terms and conditions. A licence fee is payable for the use of the trade mark.

Subsidiaries

The Company sold wine to Peter Lehmann Wines (UK) Ltd for distribution in the UK market. The Company also sold wine to Austral Wines Pty Ltd for sale to customers who distribute the wine under their own label. The financial effect of these transactions has been eliminated on consolidation.

Peter Lehmann Wines (UK) Ltd distributed wines for other members of the controlling entity's group in the UK in the normal course of business and on normal terms and conditions. The other entities are Hess Collection Wines, Glen Carlou Wines and Bodega Colomé.

Commonly Controlled Entities

The Company sold wine to Hess Collection Wines, an entity also controlled by Hess Group AG, for distribution in the USA in the normal course of business and on normal terms and conditions.

The Company provided representation services for Hess Collection Wines, Glen Carlou Wines and Bodega Colomé in Europe. Service fees are earned on a usage basis from Hess Collection Wines, Glen Carlou and Bodega Colomé. Services are provided in the normal course of business and the fees charged are on normal terms and conditions.

Hess AG, a subsidiary of the controlling entity, provided administrative support and this is charged to the Company on normal terms and conditions.

The aggregate amounts included in the profit before income tax expense that resulted from transactions with other related parties are:

<i>In thousands of AUD</i>	Consolidated		Company	
	2007	2006	2007	2006
Revenue from sale of goods – subsidiaries	-	-	8,859	8,719
Revenue from sale of goods – commonly controlled entity	5,479	4,975	4,783	4,349
Revenue from service fees – commonly controlled entities	318	292	318	292
Licence fee paid – controlling entity	551	506	551	506
Service fee paid – commonly controlled entity	402	291	402	291
Commission fee paid – subsidiary	-	-	200	164
Dividend from wholly owned subsidiary	-	-	-	3,500

Amounts owing to or by other related parties are:

<i>In thousands of AUD</i>	Consolidated		Company	
	2007	2006	2007	2006
Receivables – Current				
Controlling entity	2	5	2	5
Subsidiaries	-	-	3,149	1,597
Commonly controlled entities	1,188	500	1,188	483
	1,190	505	4,339	2,085
Payables – Current				
Ultimate parent entity	551	506	551	506
Subsidiaries	-	-	1,496	497
Commonly controlled entities	242	128	242	57
	793	634	2,289	1,060

29 Group entities

	Country of incorporation	Ownership interest	
		2007	2006
Ultimate parent entity			
Hess Group AG	Switzerland	100%	100%
Immediate parent entity			
Hess Group Australia Pty Ltd	Australia	85.67%	85.67%
Parent entity of the Group			
Peter Lehmann Wines Limited	Australia		
Subsidiaries			
Austral Wines Pty Ltd	Australia	100%	100%
Peter Lehmann Wines (UK) Ltd	United Kingdom	100%	100%

30 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.

31 Auditors' remuneration

<i>In thousands of AUD</i>	Note	Consolidated		Company	
		2007	2006	2007	2006
Audit services					
<i>KPMG Australia</i>					
Audit and review of financial reports		72	87	72	87
<i>Overseas KPMG Firms</i>					
Audit of financial reports		33	28	-	-
		105	115	72	87
Other services					
<i>KPMG Australia</i>					
Taxation services		19	23	19	23

32 Deed of cross guarantee

Pursuant to ASIC class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiary Austral Wines Pty Ltd is relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and directors' report.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up. The subsidiaries subject to the Deed are:

- Austral Wines Pty Ltd
- Peter Lehmann Wines (UK) Ltd (formerly Peter Lehmann Wines (Europe) Ltd)

The closed group of entities subject to the Deed of Cross Guarantee is the same as the consolidated Group.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Peter Lehmann Wines Limited ("the Company"):
 - (a) the financial statements and notes set out on pages 14 to 46, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and Group as at 30 June 2007 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) the financial report also complies with IFRS as disclosed in note 2(a).
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the controlled entities identified in Note 32 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.

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 Lehman Wines Limited

Report on the financial report

We have audited the accompanying financial report of Peter Lehmann Wines Limited (the Company), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 32 and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

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

Audit opinion

In our opinion:

- (a) the financial report of Peter Lehmann Wines Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).



KPMG



G Drabsch
Partner

Adelaide
6 September 2007



KPMG, an Australian partnership, is a member of KPMG International, a Swiss non-operating association.