

PETER LEHMANN WINES LIMITED

2009 ANNUAL REPORT

Peter
LEHMANN
of the Barossa

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

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MANAGING DIRECTOR'S REPORT

Company Overview

Peter Lehmann Wines Limited (PLW) recorded total revenue of \$52.6M (2008 \$61.8M) and an after tax profit of \$5.7M (2008 \$9.6M) for the year ended 30 June 2009.

The Company paid a fully franked interim dividend of 3.5 cents per share on 8 May 2009 and the directors have declared a fully franked final dividend of 4.8 cents per share payable on 6 November 2009.

Australian Wine Industry

The industry remains massively oversupplied with a national production potential in excess of 2M tonnes and a current sales requirement of around 1.5M tonnes. To bring the supply-to-sales ratio into some form of balance, approximately 35,000 hectares of vineyard needs to be removed.

Further compounding the oversupply situation is a huge increase in imports of New Zealand Sauvignon Blanc. These imports are having an extremely detrimental effect on the volume and value of all Australian produced white wines. The national oversupply situation is expected to put further downward pressure on grape prices, particularly white varieties, in most districts for the 2010 vintage.

Trading

Over the past year the Company experienced the most difficult trading conditions in its last fifteen years of operation. The global financial crisis created great uncertainty for trading as distributors and retailers sought to minimise stock levels whilst consumers reduced spending. Compared with the previous record year, total branded sales were down 19% in volume and 13% in value.

Trading was tough in Australia and our branded domestic sales were down 20% in volume and 16% in value compared with the previous year. Although the decline in sales is predominantly attributable to lower sales of the Peter Lehmann Semillon this decline seems to have slowed.

PLW total branded export sales were also adversely affected by the global downturn with volume and value down, 19% and 11% respectively.

Historically the overseas wine markets have been incredibly competitive and the troubled economic times has made it more so.

Unfortunately customers require more advertising and promotional support which in turn affects profitability. These difficulties and the global oversupply of wine are not expected to ease in the short term or probably not even in the medium term future.

The various countries in continental Europe have collectively become the Company's largest export market with sales volumes mirroring domestic sales volume. The year's sales were down 8% and 6% in volume and value respectively compared with the previous twelve months sales. Germany and Switzerland were the strongest markets, with Sweden and the Netherlands also performing creditably.

In the UK, our joint venture with the large London based wholesaler Enotria Winecellars Ltd completed its second year of successful trading. While total sales volume has fallen over that of the previous year due to a strong downturn in sales to the supermarkets, our volumes in the on-trade increased by 50% which was very heartening. The on-trade segment comprises restaurants, hotels and clubs and we believe distribution in this segment is critical to the ongoing building and health of the brand.

Economic uncertainty in the United States saw sales volume fall 17% over that of the previous year, with revenue, which was held up by the favourable exchange rate, declining by only 1%. Our sister winery, the Hess Collection Winery, has represented PLW across this market since 2004. We believe that the good work that has been undertaken over the last 5 years places our brand in a sound position to capitalise on opportunities as the US economy improves over the next year and beyond.

The Canadian market stood up well and defied the downward trends of all other markets. Sales by volume and value mirrored that of the previous year. PLW has particularly good distribution in Western Canada and we are also starting to see further market growth in Ontario, Quebec and the smaller markets to the east. If we see an economic improvement over the next twelve months, PLW is well placed to move forward across all Canadian markets.

The economic slowdown also took its toll on the Asian, Middle East and other small overseas markets, with sales volume down 25% and value 28% over that of the previous year. It is expected that growth will recur in these markets once the global economic engine picks up momentum.

Wine, surplus to bottled wine requirements, is sold on the bulk wine market. With the Australian wine industry in a serious oversupply situation, particularly with white wine, the glut is pushing prices and demand to the lowest levels experienced over the last 15 years. PLW's bulk wine sales were down 46% and 49% in volume and value respectively over that of the previous corresponding period. Sales of Semillon, Semillon/Chardonnay and Riesling have been decimated and this has necessitated a write down of a number of white wines from the 2008 vintage. The value written down is \$992,000 and this impacted negatively on the year's result. Other than this white wine surplus from 2008 vintage, the remaining stocks are in balance with our projected rate of sales.

Wine Quality

Over the past twelve months the Company performed extremely well in national and international wine shows wine shows being awarded 22 trophies and 44 gold medals, along with numerous silver and bronze medals. These awards were given to all wine styles and are positive testimony to PLW as a quality wine producer, the Barossa Valley as a quality grape producing district and the versatility and talent of the wine making team.

In the recently released *James Halliday 2010 Wine Companion* the renowned wine journalist awarded 5 stars to the winery with 10 of our wines rated 95 points or higher. A further 10 wines were rated in the 90 to 94 points range.

Vintage

PLW commenced vintage on 30 January and this eclipsed the previous earliest start set in 2008 by one day. The lead up to harvest, whilst quite dry was relatively cool, apart from a burst of hot weather in late January and early February. Fortunately the weather then settled to warm days and cool nights allowing the vineyards to recover and the majority of the grapes to ripen slowly, producing wines with excellent colour and flavour. The total crush was 14,829 tonnes (2008: 18,141) and 10,992 tonnes (2008:14,150) for our own use.

It is an outstanding red wine year, with the wines exhibiting strong varietal characters accompanied by incredible depths of colour.

Shiraz is the strongest we have seen since 1998 and many other varieties such as Grenache, Mourvedre and Tempranillo are also exceptional. We are very excited with the quality as the white wines are showing well, with Riesling and Semillon being the stand out varieties. All in all we believe that 2009 will be regarded as a vintage of great quality.

Environment

PLW has always taken the view that it will use its resources efficiently, minimise the effects of the winery operations on the environment and recycle materials where ever possible.

Along with these ongoing commitments the company made two major capital expenditure commitments in pursuit of sustainable environmental development. We commenced the relocation of the southern tankfarm to alongside the winery complex and expect to complete the project in early 2009/10. As well as providing substantial operational efficiencies the relocation will reduce the amount of water and electricity used in the movement of wine during the winemaking process.

We have installed a pipeline between PLW and the nearby North Para Environmental Control (NPEC) waste water treatment plant. The objective is to process treated winery wastewater further at NPEC, return it to PLW for irrigating the lawns and gardens at Cellar Door, Old Redemption Cellars and the corporate guest house. Further applications for use within the winery are also being investigated.

Recently PLW took steps to reduce the glass weight of our proprietary bottle used for the Peter Lehmann Art Series and Clancy's ranges by nearly 15%. Also, we have embarked on a project for a significant weight reduction of the bottles used for our Weighbridge and Wildcard ranges which are exported predominantly to the UK and continental Europe. When the weight reductions for the Weighbridge/ Wildcard bottles and the Art Series/Clancy's proprietary bottles are combined, we expect annual savings of 800 tonnes of glass and to be able to eliminate about 190 tonnes of carbon dioxide emissions from shipping and road transport.

More details on PLW activities and planned initiatives are contained in the environment section of the annual report.

2009 International Wine Challenge Award

On 2 September 2009 Peter Lehmann personally received a Lifetime Achievement Award at the prestigious *2009 International Wine Challenge Awards* held in London. Peter was honored to accept the award for his great contribution to the Australian wine industry over the past 62 years. In 1947 Peter started work in the laboratory at Yalumba Wines and after 13 years moved to Saltram where he thought he would see out his winemaking career. However, the plight of the independent Barossa Valley growers supplying Saltrams saw him take on the challenge of setting up a new winery. No wonder he chose the Queen of Clubs, the gambler's card, as his label. Congratulations to Peter from all the team at Peter Lehmann Wines.

30 Years Old

The excavation and building of the winery commenced in August 1979 and we are quietly pleased to be celebrating 30 years of operation. Engineer Mick Anderson and Chief Winemaker Andrew Wigan, who were both involved on the journey from the outset, are true stalwarts and continue working at PLW today.

Outlook

The Australian wine industry is facing a number of challenges. Not only is the global economic downturn dampening growth, there are a number of other issues which are putting the industry under extreme financial pressure - grape supply which requires structural changes in the vineyard sector, the allocation of water particularly in the Murray Darling basin, increasing competitiveness of other wine producing countries and volatile exchange rates. These issues have never presented themselves collectively before.

One cannot predict with any certainty how long it will take before the global downturn reverses itself and moves into recovery and the question may well be *"will the world of trade be the same as it was, when it does?"* Only time will answer that.

In these difficult times we have embarked on a program to contain costs but be ready for when economic conditions improve. We are keen to ensure that the workforce remains intact and for 2009/10 have instituted these employment measures - salaries frozen at the 2008/09 rates, an increase of 3% on 2008/09 rates approved for wage earners and no new positions to be established. As well, capital expenditure has been assessed to determine that the benefits of proceeding now outweigh the costs of deferment. We have deliberately decided to maintain the market visit regime to ensure the Peter Lehmann brand remains visible.

Above all it is imperative that we continue to produce quality wine and build on the close relationships that we have established around the world. Despite the many difficulties facing us, I believe PLW is well placed to meet these challenges over the next year and beyond.

I would like to thank all the staff and company directors for their hard work and dedication through these difficult times.



DOUG LEHMANN

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 2009 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:

Name, Qualifications & Special Responsibilities	Age	Experience and other directorships
Paul Antony YOUNG MA (Cantab) ACA CF (ICAEW) FAICD Non-Executive Director Chairman of the Audit Committee Member of the Remuneration Committee	54	Paul Young is a director of Baron Partners Limited and has 25 years experience in corporate advisory work. Chairman of Tidewater Investments Limited and director of Thomas & Coffey Limited and Ambition Group Limited. Appointed as an Alternate Director for the Chairman on 31 October 2003. Appointed Deputy Chairman and Director 11 December 2003. Appointed Chairman 25 October 2008.
Roger Maxwell WILSON, LLB Non-Executive Director Chairman of the Remuneration Committee and Member of the Audit Committee	68	Roger Wilson has 47 years experience as a practicing solicitor specialising in commercial law. Appointed as a Director in March 1993 and designated as Peter Lehmann's representative in November 2002. Appointed Deputy Chairman 12 March 2009.
Kay Elaine CAREY, BCom Non-Executive Director Member of the Audit & Remuneration Committees	55	Kay Carey gained significant brand development and marketing skills internationally whilst employed by a multi-national consumer product company. Product portfolios included health and well being products and food, flavours and fragrances. Director of Australian Pork Limited. Appointed to the board 12 December 2004.
Robert Victor EDWARDS, BCom Non-Executive Director Member of the Audit & Remuneration Committees	63	Robert Edwards has considerable wine industry marketing and selling experience and joined as Marketing Manager in 1995. He was appointed as an executive director 2 August 1999 and following retirement continues as a non-executive director.
Douglas McCaig LEHMANN Executive Director	57	Douglas Lehmann's formative experience in the wine industry was as a winemaker. Over the last 37 years he has developed skills in wine production, marketing and distribution as well as general management. Managing Director since March 1993.
Martin Robert KRONENBERG Non-Executive Director Member of the Audit & Remuneration Committees	44	Martin Kronenberg is a member of the Hess Family Estate AG Board and has previously held top management positions within the fast moving consumer goods business and an advertising corporation. He has interests in a family owned Italian winery and a wine import and distribution business in Switzerland. Appointed to the board on 12 March 2009.

Name, Qualifications & Special Responsibilities	Age	Experience and other directorships
Max LIENHARD PhD (Economics) Non-Executive Director Member of the Audit & Remuneration Committees	64	Dr Max Lienhard was 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. Retired 25 October 2008.
Andrew Douglas WIGAN, BSc (App Chem) Dip Oen Alternate Director	60	Chief Winemaker and leads the team of winemakers and technical staff. Appointed alternate for Robert Edwards 26 November 1999.
Robert Lee WILLIAMS, JD, LL.M (Tax) Alternate Director	66	Vice Chairman of Hess Family Estates AG Board and a former Ernst & Young International Tax Partner. Appointed alternate for Martin Kronenberg 30 July 2009.
Company Secretary Barbara Kay CLAPTON, BEd Grad Dip Acc FCA, FCIS	55	Chief Financial Officer & Company Secretary and leads the finance and administration team. Appointed Company Secretary 5 March 1993.

Corporate Governance Statement

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

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

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

Board of directors & its committees

Role of the board

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

Responsibilities of the board

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

Matters considered by the board

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

Specific matters reserved for the board -

- Review and approval of the business strategies and governance 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 management information systems including adherence to the codes of conduct and legal compliance program

- Monitoring senior management's performance and implementation of the business strategy
- Setting remuneration and appointing, removing and creating succession policies for directors and senior executives.

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 five non-executive directors, one of whom is the chairman, and one executive director. Four of the five non-executive directors are not considered to be independent as one is a director of a shareholder with more than 5% of the shares, one is associated with the holder of more than 5% of the shares, the third acted as a professional advisor to the Company's parent company during the year ended 30 June 2004 and the fourth was employed as an executive director within the last three years.

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 director.

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. The range of expertise covers both national and international markets.

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 wider 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.

Meeting agendas are prepared by the company secretary in conjunction with the 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 chairman's approval. A copy of the advice received by the director is made available to all other members of the board. The 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 material 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 complies with Australian Accounting Standards (AASBs), is of a high quality and appropriate 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 March 2009. 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 continuous disclosure, occupational health and safety, environment, label integrity, export, trademarks and liquor licence 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. The audit committee assesses management processes which support external reporting.

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 entitlement, 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 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:-

- sourcing of grapes from 153 independent growers who bear the agricultural risks
- a single processing site
- the winery operations are subject to South Australian Environment Protection Authority (EPA) requirements with regular monitoring of licence requirements are reported to the EPA as required
- stable workforce
- packaging work outsourced
- wine is sold through independent distributors in Australian and overseas markets except for the UK and USA

- distribution in the UK is through a joint venture
- wine is sold to a commonly controlled company in the USA
- retail sales through the Cellar Door
- operates in a market subject to rapid changes in consumer preferences
- potential government policy changes regarding the taxing and regulation of the alcohol industry

Major business risks include

- *Grape intake* - 87% of the 2009 grape intake was from contracted growers. Severe restrictions on water allocations have the potential to constrain crop levels.
- *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's operation has the potential to impose environmental risks through chemical storage and handling and winery wastewater. An onsite treatment plant has been constructed to process the wastewater. The Company reports its emissions to the National Pollutants Index and is a member of the National Packaging Covenant which seeks to reduce packaging materials entering the waste stream.
- *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.
- *Competitor activity* – the Australian wine industry is dominated by four large producers and their marketing and selling programs, particularly with large retail chains, influence trading conditions in many markets
- *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 fixed 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 grape intake, 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 – wine production, 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, published on the Company's website and sent to any shareholder who requests it.
- A summary of the half-year result is sent to all shareholders in March each year.
- The vintage outcome is communicated in May each year.
- PLW prepares full financial statements which are available in September each year from the Company's website and sent to any shareholder who requests a copy.
- The annual report and other relevant information about the operations of the Group during the financial year, changes in the state of affairs and details of future developments are made available on the Company's website.
- The annual report is 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, financial statements and other relevant reports are made available on the Company's website within a day of public release.
- Announcements, annual reports and financial statements are archived on the Company's website.

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
P A Young	7	7	2	2	1	2
R M Wilson	7	7	2	2	3	3
K E Carey	7	7	2	2	3	3
R V Edwards	6	7	1	2	3	3
D McC Lehmann	7	7	-	-	-	-
M R Kronenberg	1	1	-	-	-	-
M Lienhard	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.

Specific information relating to employment and occupational health and safety management, environment management, 10 year financial history, capital investment cycle and the review of operations and financial conditions for year ended 30 June 2009 are on the Company's website.

Shareholder returns

	2009	2008	2007	2006	2005
Net profit for the year	\$5,736,000	\$9,604,000	\$5,975,000	\$5,748,000	\$6,434,000
Basic EPS	15.1 cents	25.3 cents	15.7 cents	15.1 cents	16.9 cents
Dividends paid/payable	\$3,148,000	\$5,282,000	\$3,265,000	\$3,151,000	\$3,531,000
Dividends per share	8.3 cents	13.9 cents	8.6 cents	8.3 cents	9.3 cents
Return on capital employed	9%	14%	10%	10%	12%

Net profit amounts and earnings per share (EPS) for year 2005 was calculated in accordance with previous Australian GAAP. Net profit amounts for 2006 to 2009 have been calculated in accordance with Australian Accounting Standards (AASBs).

Returns to shareholders increase through both dividends and capital growth. Dividends for 2009 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
Declared and paid during the year 2009				
- Final 2008 ordinary	13.9 cents	5,282	franked	7 Nov 2008
- Interim 2009 ordinary	3.5 cents	1,325	franked	8 May 2009
Franked dividends declared as paid during the year were franked at the rate of 30 per cent.				
Declared after end of year				
- Final 2009 ordinary	4.8 cents	1,823	franked	6 Nov 2009

After the balance sheet date the final 2009 dividend was proposed by the directors. The dividends have not been provided and there are no income tax consequences included in the financial statements.

The financial effect of the 2009 dividend has not been brought to account in the financial statements for the year ended 30 June 2009 and will be recognised in subsequent financial reports.

Review of operations

Australian Wine Industry

The industry remains massively oversupplied with a national production potential in excess of 2M tonnes and a current sales requirement of around 1.5M tonnes. To bring the supply-to-sales ratio into some form of balance, approximately 35,000 hectares of vineyard needs to be removed.

Further compounding the oversupply situation is a large increase in imports of New Zealand Sauvignon Blanc. These imports are having an extremely detrimental effect on the volume and value of all Australian produced white wines.

Company overview

The Company continues to be heavily export orientated and this year the volume shipped overseas represented 74% (2008: 74%) of branded product sales. At the start of the financial year the Australian dollar was strong against the US dollar and then with the turmoil in the global capital markets declined rapidly

against the US dollar, euro and sterling.

Towards the end of the financial year the AU dollar recovered somewhat. A stronger dollar compared with the currencies of our trading partners puts increased pressure on margins.

Production

The Company's total crush from the 2009 harvest was 14,829 tonnes (2008: 18,141) with 10,992 tonnes (2008:14,150) for our own use.

Trading

Over the past year the Company experienced the most difficult trading conditions in its last fifteen years of operation. The global financial crisis created great uncertainty for trading as distributors and retailers sought to minimise stock levels whilst consumers reduced spending. Compared with the previous record year, total branded sales were down 19% in volume and 13% in value.

Trading was tough in Australia and our branded domestic sales were down 20% in volume and 16% in value compared with the

previous year. Although the decline in sales is predominantly attributable to lower sales of the Peter Lehmann Semillon, this decline seems to have slowed.

PLW total branded export sales were also adversely affected by the global downturn with volume and value down, 19% and 11% respectively.

Historically the overseas wine markets have been incredibly competitive and the troubled economic times has made them more so. Unfortunately customers require more advertising and promotional support which in turn affects profitability. These difficulties and the global oversupply of wine are not expected to ease in the short term or probably not even in the medium term future.

Foreign exchange and financing

Countering the lower bottled and bulk wines sales the Company recorded strong exchange rate gains of \$1M (2008: \$0.1M loss).

The Company was in the process of negotiating its bank facility when the global financial markets began to unravel in the last 3 months of 2008. The uncertainty in the financial markets resulted in higher borrowing costs for the facility which was renewed without change to previous terms and conditions.

The Company's \$20.1M debt at 30 June 2009 represented 32% of shareholders' equity. Marking the interest rate swap contracts (with face value \$11.6M) to market values resulted in a loss of \$0.6M as bank interest rates fell rapidly during the financial year.

Equity

There has been no change to the capital structure of the Company during the year and it remains an unlisted public company with 448 shareholders. Swiss based Hess Family Estate AG (formerly 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. 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.

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.

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 - audited

Remuneration policies

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

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the remuneration committee has regard to the following indices in respect of the current financial year and the previous four financial years.

	2009	2008	2007	2006	2005
Profit after tax	\$5,736,000	\$9,604,000	\$5,975,000	\$5,748,000	\$6,434,000
Basic EPS	15.1 cents	25.3 cents	15.7 cents	15.1 cents	16.9 cents
Dividends paid/payable	\$3,155,000	\$5,282,000	\$3,265,000	\$3,151,000	\$3,531,000
Dividends per share	8.3 cents	13.9 cents	8.6 cents	8.3 cents	9.3 cents
Return on capital employed	9%	14%	10%	10%	12%

'Profit after tax' is considered to be the key financial performance target in setting short term incentives for the Group's personnel. The 'profit after tax' determines the rate of dividend payments and the return on capital provided by shareholders.

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

It is the Group's policy that service contracts for key management personnel, excluding the

Short term incentive bonus

Each year the remuneration committee considers the key performance indicators (KPIs) for certain sales personnel. The KPIs generally include the financial performance measures relating to the relevant market and individual. The financial performance objectives are 'market contributions' compared to budgeted amounts as these directly align the individual's reward to the KPI's of the Group and to its strategy and performance. At the end of the financial year the remuneration committee assesses the actual performance of the Group, the relevant segment and individual against the KPI's set at the beginning of the financial year. No bonus is awarded where the performance falls below the minimum.

At the end of each financial year the remuneration committee assesses the actual financial performance of the Group and compares the 'profit after tax' against budget. The 'profit after tax' result for the 2007/08 year was exceptional and in recognition of the achievement a bonus and on-costs payment of \$288,000 to the Company's workforce was approved by the remuneration committee and recorded during the 2008 financial year. The underlying philosophy behind the rewarding of all personnel is that the Company's performance is dependent upon the collective efforts of the workforce.

Director of Sales in the UK and Ireland, be unlimited in term.

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. In the 2008/09 year the directors' remuneration totalled \$264,256 (2008: \$209,655). Directors' base fees were set at \$44,000 per annum. The Chairman's base fee was set at \$80,000 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 Group)

Details of the nature and amount of each major element of remuneration of each 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	Total	Proportion of remuneration performance related
		Salary & Fees	Cash Bonus	Increment in Annual & Long Service Leave Entitlements	Non-Monetary Benefits	Employment		
						Super-annuation Contributions		
\$	\$	\$	\$	\$	\$	%		
Directors								
Non-executive								
Dr M Lienhard	2009	26,667	-	-	-	-	26,667	-
(Chairman until 25 October 2008)	2008	70,000	-	-	-	-	70,000	-
P A Young	2009	68,000	-	-	2,000	6,800	76,800	-
(Chairman since 25 October 2009)	2008	39,000	-	-	2,567	-	45,467	-
R M Wilson	2009	44,000	-	-	2,612	4,400	51,012	-
	2008	39,000	-	-	2,628	3,900	45,528	-
Kay Carey	2009	44,000	-	-	2,713	4,400	51,113	-
	2008	34,000	-	-	2,694	3,400	42,094	-
R V Edwards	2009	44,000	-	-	2,751	4,400	51,151	-
	2008	5,666	-	-	333	567	6,566	-
M R Kronenberg (appointed 12 March 2009)	2009	7,513	-	-	-	-	7,513	-
	2008	-	-	-	-	-	-	-
Executive								
D Mc Lehmann Managing Director	2009	269,995	-	(41,342)	75,014	90,499	394,166	-
	2008	219,995	15,000	22,067	69,275	32,999	359,336	4.2%
R V Edwards Marketing Director (retired 30 April 2008)	2009	-	-	-	-	-	-	-
	2008	84,605	-	-	42,315	12,691	139,611	-

Executives								
H T Astrom ⁽¹⁾ VP - EU & USA Brand Development	2009	286,417	-	33,255	93,235	35,802	448,709	-
	2008	246,900	57,500	25,245	83,819	24,690	438,154	13.1%
T M Brown Operations Manager	2009	127,773	-	14,143	28,172	12,777	182,865	-
	2008	115,268	8,000	9,533	27,727	11,527	172,055	4.6%
B K Clapton CFO & Company Secretary	2009	187,066	-	16,514	42,062	18,707	264,349	-
	2008	157,066	15,000	8,302	38,241	15,707	234,316	6.4%
P S Turale Marketing Manager (appointed 21 Jan 2008)	2009	188,700	-	16,704	54,428	18,870	278,702	-
	2008	84,096	4,000	8,440	15,239	8,410	120,185	3.3%
W I Whigham ⁽¹⁾ Director of Sales – UK & Ireland	2009	226,556	-	(5,997)	18,301	22,656	261,515	-
	2008	220,944	-	28,698	18,562	22,094	290,298	-
A D Wigan Chief Winemaker	2009	199,679	-	7,313	33,585	19,968	260,545	-
	2008	184,888	15,000	11,653	34,209	18,489	264,239	5.7%
Total compensation: key management personnel	2009	1,720,336	-	40,590	354,873	239,279	2,335,108	-
	2008	1,501,428	114,500	113,938	339,600	158,373	2,227,848	5.1%

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

Notes in relation to the table of directors' and executive officers' remuneration – audited

The short-term incentive bonus is for performance during the respective financial year using the criteria set out on page 10. It was clear that the criteria for bonus payments would not be met when the board considered internal financial reports on 30 July 2009.

The reasons for the decision to award bonus payments for the year ending 30 June 2008 are described on page 10.

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	
	2009	2008
Audit services:		
Audit and review of the financial reports (KPMG Australia)	86	84
Audit of the financial reports (KPMG UK)	7	7
	93	91
Services other than statutory audits:		
Taxation compliance services (KPMG Australia)	19	19

Lead auditors independence declaration

The Lead auditor's independence declaration is set out on page 14 and forms part of the directors' report for the financial year ended 30 June 2009.

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 (Chairman)



D McC Lehmann (Managing Director)

Tanunda, South Australia
3 September 2009



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 2009 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

N T Faulkner
Partner

Adelaide
3 September 2009



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

PLW CAPITAL INVESTMENT CYCLE

The significant capital expenditure undertaken during 2002 and 2003 to improve and enlarge the winemaking capacity has enabled the company to increase its production in line with forecasts.

Apart from purchases of new oak barrels, the major movements in capital expenditure items over the last 15 years include:-

Year	Project	\$000's	Year	Project	\$000's
1993/94	Winery extension	400	2002/03	Red wine fermentation	3,955
1994/95	Stonewell vineyard	325		Tankfarm	2,019
1995/96	Crossing vineyard	725		Barrel fermentation warehouse	482
	Red wine fermentation	580		Water treatment plant additions	112
1996/97	1 st Barrel warehouse	490	2003/04	Stainless steel tanks	336
	Refrigeration upgrade	295		Information Technology	119
	Stainless steel tanks	250		Wastewater irrigation	38
1997/98	Trillians Hill vineyard	980	2003/04	Sale of the Crossing vineyard	-1,100
1998/99	Red wine fermentation	1,758		Stainless steel tanks, insulation & fittings	327
1999/00	2 nd Barrel warehouse	459	2004/05	Stainless steel tanks, insulation & fittings	653
	Stainless steel tanks, insulation fittings	272	2005/06	Stainless steel tanks, insulation & fittings	872
2002/01	Finished goods warehouse	444		Winery equipment	279
	Stainless steel tanks	487	2006/07	Stainless steel tanks, insulation & fittings	719
2001/02	Land including the Andriske vineyard	2,073		Winery equipment	344
	Land acquisition	161	2007/08	ERP software – stage 1	267
	Stainless steel tanks	716		Winery equipment	127
	Water treatment plant	321		Cellar Door extension (leased premises)	1,450
	Winery plant	40	2008/09	Refrigeration upgrade	287
	Processed water dam	141		Winery equipment	378

COMMUNITY INVOLVEMENT

Supporting regional South Australia

As well as paying relevant taxes PLW provides both direct and indirect employment in a regional area. PLW paid \$7M (2007: \$6.3M) in wages and salaries with the majority of this being paid to employees located in South Australia.

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

As the largest producer of Barossa wine we are very supportive of the formation of the Barossa Grape & Wine Association to interact with local councils to improve infrastructure and to promote the Barossa region domestically and internationally.

Involvement in regional events

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

Transition from school and further education to the workplace

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

Over the last 20 years PLW has been the official wine sponsor for the awards dinner for the CSCC Graduate Cooks Awards for students graduating from the Certificate 111 commercial cookery course in Canberra and the surrounding area.

Community groups

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

Support for Charities

PLW is a partner with South Australian Club *Variety – The Children’s Charity* which through entertainment, sporting and business people devoting their time, talent and skills raises funds to assist children who are sick, disabled or otherwise disadvantaged. In 2008 the Variety Club Bash raised \$2M and these funds will be spent in South Australia on a number of projects. PLW Managing Director Doug Lehmann is a long term Bash participant and committed supporter.

For 10 years PLW has been the major wine sponsor for the Abel Australia Charity Wine Auction which raises about \$100,000 each year for deaf and blind people. PLW is also proud to have been involved over the last 5 years as the official wine sponsor for the RSPCS (ACT) charity Ball.

Employees from PLW have formed a touch footy team to compete in the annual *Portavin Touch Wine* competition. The wine industry and a group of sponsors got behind UK wine writer Matthew Jukes’ idea for a national touch football tournament to raise funds. The South Australian event is a fundraiser for the Hutt Street Centre which is a frontline agency for homeless and disadvantaged people. The 2007 touch footy event raised \$100,000 with funds used to assist the Centre’s mental health services.

EMPLOYMENT

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

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

Workforce

Australia, UK & Continental Europe

Males: 42 & Females: 44

Average age: 42 years

Staff turnover: 9%

Supplemented by 23 casuals in the cellar and 2 casual in the laboratory during vintage

Working Conditions

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

Training - employees are encouraged to improve their skills and qualifications

- PLW regularly provides OHSW and Environment Awareness training as well as support for individuals to qualify for truck and forklift driver's licences, first aid and fire warden certification.
- Administration staff are encouraged to undertake accounting, computing, export documentation and office management courses.
- The local technical and further education college offers a course designed specifically for people employed in a cellar. A number of the cellar workers have completed this course successfully.
- The cellar door staff regularly meet with the winemakers to discuss and taste the range of wines. They have been trained in the responsible serving of alcohol to the public and in customer service also.
- The maintenance team participates in winery engineer conferences.
- The winemakers, grower liaison officer and laboratory technicians participate in wine industry technical sessions and seminars.
- Marketing staff attend wine industry marketing conferences.
- Finance staff attend seminars to maintain professional expertise.
- Personal development through study is encouraged and currently the IT Manager is undertaking study leading to a MBA qualification, an Office Worker is undertaking a degree in International Business and a Cellarhand is studying Wine Marketing.

Supplier Ethical Data Exchange (SEDEX)

PLW has joined SEDEX which connects wholesalers and retailers to their global suppliers to share ethical data and enable continuous improvement in ethical performance. The thrust of the SEDEX initiative is to monitor compliance with labour laws and OHSW policies and procedures.

OCCUPATIONAL HEALTH & SAFETY MANAGEMENT

Management Commitment

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

Consultation

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

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

Training

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

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

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

Perlite Bulk Handling System

In 2008/09 PLW will improve its systems by installing equipment to better control the dust particles in the atmosphere when using the rotary drum vacuum filters. The system will handle bulk bags and this will also reduce manual handling risks.

Performance

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

Rates per 1M hours worked	PLW 2004	PLW 2005	PLW 2006	PLW 2007	PLW 2008	SAWIA 2008
Injury incidence	11.69	12.99	4.88	4.84	7.05	4.56
Lost time injury frequency	77.48	64.01	24.05	23.95	34.88	23.51
Days lost time during year	15.67	45.2	72.5	11.25	7.5	26.17

Serious Injury Report 1/7/93 to 30/6/09

Year	Injury
93/94	▪ Repetitive strain
94/95	▪ Nil
95/96	▪ Repetitive strain ▪ Severed tendons
96/97	▪ Broken leg
97/98	▪ Fractured hip ▪ Broken wrist
98/99	▪ Repetitive strain
99/00	▪ Nil
00/01	▪ Manual handling strain
01/02	▪ Manual handling strain x 2
02/03	▪ Manual handling strain x 2 ▪ Recurring injury from 2001 incident ▪ Knee injury
03/04	▪ Manual handling strain x 3
04/05	▪ Degenerative back condition ▪ Knee injury
05/06	▪ Nil
06/07	▪ Broken wrist and ribs
07/08	▪ Nil
08/09	▪ Nil

10 YEARS OF FINANCIAL HISTORY

KEY RATIO ANALYSIS

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

Profitability

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

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

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

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

Financial stability

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

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

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

PROFIT & LOSS (\$000's)

Revenue from operating activities

Depreciation & amortisation

Earnings before interest & tax (EBIT)

Interest paid (net)

Operating profit before tax

Income tax expense

Operating profit after tax

Dividends paid/payable

BALANCE SHEET (AU\$000's)

Receivables

Total inventory

Depreciated property, plant & equipment

Total assets

Accounts payable

Total borrowings

Total liabilities

Shareholders' equity

STATISTICS

Number of shares at year end (000's)

Earnings per share

Dividend per share

Asset backing per share

Dividend as % of after tax profit

Franking for future dividends (AU\$000's)

EBIT as % of sales

After tax profit as % of sales (%)

Return on shareholders' equity (%)

Return on assets %

Current assets/current liabilities (times)

Debt to equity (%)

Interest cover at 30 June (times)

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

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
36,492	45,152	45,179	46,639	52,298	55,797	57,592	63,487	61,999	52,598
864	1,042	1,291	1,465	1,709	1,839	2,013	2,076	2,055	2,320
8,275	9,829	10,654	9,093	7,234	11,065	10,090	10,474	14,823	9,754
657	723	787	1,420	1,624	1,952	1,679	1,737	974	1,562
7,618	9,160	9,867	7,673	5,610	9,113	8,411	8,737	13,849	8,192
2,609	2,911	2,952	2,254	1,780	2,679	2,663	2,762	4,245	2,456
5,009	6,195	6,915	5,419	3,830	6,434	5,748	5,975	9,604	5,736
2,743	3,492	4,088	4,095	2,088	3,531	3,151	3,265	5,282	6,607
9,149	10,621	14,423	13,765	15,148	15,809	14,416	17,208	14,530	12,622
27,741	37,331	46,028	49,362	53,591	56,310	54,490	46,877	49,245	49,849
16,726	16,909	22,099	28,970	29,066	30,148	31,583	32,837	32,356	33,168
55,008	66,947	85,606	96,234	101,626	106,538	101,529	100,236	98,532	97,345
7,523	11,905	13,867	13,601	12,398	11,568	8,767	8,846	11,247	8,083
12,935	14,874	21,410	31,800	34,200	35,700	31,877	27,392	15,834	20,139
25,109	32,252	41,356	47,784	50,045	50,741	43,605	39,538	31,616	31,126
29,899	34,695	44,250	48,450	51,581	55,797	57,924	60,698	66,916	66,219
33,260	34,924	37,148	37,311	37,969	37,969	37,969	37,969	37,969	37,969
15.1c	18.1c	19.0c	14.5c	10.1c	16.9c	15.1c	15.7c	25.3c	15.1c
8.25c	10c	11c	9c	5.5c	9.3c	8.3c	8.6c	13.9c	8.3c
90c	99c	119c	130c	136c	146c	152c	160c	176c	174c
55%	56%	59%	62%	54%	55%	55%	55%	55%	55%
7,569	11,692	11,995	7,894	8,511	10,272	11,792	13,230	14,444	15,467
23%	23%	24%	19%	14%	20%	19%	16%	24%	19%
14%	15%	15%	12%	7%	12%	10%	9%	15%	11%
17%	15%	18%	11%	7%	12%	10%	10%	14%	9%
9%	9%	8%	6%	4%	6%	6%	6%	10%	6%
1.4	1.8	2.2	2.9	2.8	3.5	4.6	5.8	4.4	5.9
43%	43%	48%	66%	66%	64%	55%	45%	24%	30%
11	10	11	5	3.5	5.7	6.0	5.9	15.2	6.2

ENVIRONMENT REPORT

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

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

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

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

The weather conditions and tonnes processed impact on water and electricity usage.

Year	Tonnes Crushed	Weather Conditions leading up to and during vintage
2000	10,914	Cool, wet spring and wet Jan, Feb & March
2001	15,371	Good winter rain, very hot Jan & Feb
2002	17,070	Good winter rain, cool summer
2003	14,302	Prolonged dry conditions
2004	18,948	Good winter rain, hot December, cool January and 2 week heatwave in Feb
2005	21,079	Good winter & spring rain; mild summer
2006	17,395	Good winter & spring rain; heavy rain in late Feb & Mar; warm at the end
2007	11,655	Frost damage and prolonged dry conditions during the growing season
2008	18,141	Earlier ripening & PLW crushed during the height of the summer
2009	14,829	Early heat moderated for the steady ripening of fruit

Water is used in the vineyards to enhance grape quality. To conserve water we use drip irrigation systems in the Company owned vineyards to control the amount of water used for irrigation. These systems supplement the natural rainfall of the region. Sources for supplementary irrigation include piped river water, dams and bores. Grape growers who supply 98% of PLW's fruit also use drip irrigation systems.

Water is used in the winery to wash down plant and machinery as well as to clean barrels and tanks. PLW was successful between 2002 and 2005 in reducing the volume of water used. Usage in 2007 rose to just below the industry average of 2,000 litres per tonne as even though the tonnage was reduced a similar amount of water is required for cleaning.

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

Year	KLs per tonne crushed
2000	1.99
2001	1.52
2002	1.20
2003	1.30
2004	1.20
2005	1.21
2006	1.53
2007	1.98
2008	1.32
2009	1.43

The disposal of winery wastewater is a critical issue and PLW has installed a winery wastewater treatment plant which uses a system of screening, aeration and solids removal. The winery wastewater is pumped through a series of tanks and ponds.

	Per tonne crushed					
	2004	2005	2006	2007	2008	2009
PLW waste processed						
Wastewater processed KL	1.45	1.52	1.8	2.12	1.46	1.32
Solid pressings Kg	11.6	14.2	15.2	20.9	12.2	13.9

PLW is becoming increasingly efficient in the capture and processing of wastewater and also the extraction of solid pressings. The by-product of solid pressings is deposited on vacant land to dry and then used as nutrients in the vineyard.

We continue to remove caustic washings from the wastewater treatment process. The reduction in the sodium level in the recovered water benefits the soil when the water is used for irrigation. The caustic washings are sent offsite where the processor recovers the tartrates.

The standard required for the treatment of wastewater for reuse is getting harder to achieve though as reduced water usage results in more concentrated wastewater. Also the stored water is subject to evaporation and the remaining water becomes more saline. We have installed a pipeline to nearby North Para Environment Control (NPEC) where the processed water is further treated and returned to PLW to irrigate the lawns and gardens.

In 2007/08 PLW planted 1.5 hectares of vacant winery land with sugar gums (*Eucalyptus cladocalyx*). The small to medium tree is endemic to South Australia and is quite hardy and useful for windbreaks and wood production.

Over the last 18 months we relocated the southern tankfarm to alongside the northern tankfarm near the winery complex. As well as reducing the volume of water required to clean the wine lines between operations the change will also boost productivity and in a small way reduce electricity consumption as the need to pump wine between the two locations will be eliminated.

PLW also changed the layout of the laboratory to have all the lab condensers used to measure Sulphur Dioxide and Volatile Acid levels plumbed to a recirculating water cooler system. Previously, the water used in the condensers was drawn from the mains water taps with the outgoing heated water going down a drain. This capital project will save approximately 150,000 litres of water annually.

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

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

Refrigeration plays an important part in the winemaking process as it is used to control the temperature of wine/juice during production.

We are continuing the project whereby energy usage for different processes and particular equipment is monitored to determine actions to reduce energy consumption and expenditure. Turbidity controllers were fitted to the centrifuges to reduce solids output which will result in a reduction in power and water usage and improve wine quality.

Information technology is also playing its part, with the continued installation of low energy, low heat 'diskless' desktop computers and energy efficient, low heat servers. The move to diskless workstations, which have a lifespan double that of a standard PC will also result in reduced consumption of manufactured goods, indirectly reducing CO₂ emissions.

Greenhouse emissions

Electricity and LPG consumption, wine fermentation and transport are the major sources of PLW emissions. The chemical process of converting the sugar in grapes to ethanol releases CO₂. PLW uses ammonia as the refrigerant and consequently the technology does not require the use of CFC's and their emission into the atmosphere.

The composition of the PLW car fleet has been reviewed and we are changing to more energy efficient vehicles with lower emissions. PLW is a member of *Greenfleet* which promotes fuel efficient technologies to reduce emissions. It maintains a tree planting and carbon program to sequester the CO₂ greenhouse emissions from the transport sector.



PLW has reported its emissions to the National Pollutant Index (NPI) since 2003. The NPI database at www.npi.gov.au and www.epa.gov.au contains information on the types and quantities of pollutants being emitted from a range of industrial, commercial, transport and household activities.

The collection of NPI emission information is designed to:

- help in environmental planning and management
- promote waste minimisation and cleaner production by industry and business, leading to energy and resource savings
- satisfy community demand for accessible information on pollutant emissions to the environment
- increase community awareness of the contribution to pollution from many different sources.

PLW emissions are **ethanol** (C₂H₅OH): an alcohol with low enough toxicity for (moderate) human consumption and **volatile organic compounds**: a general term which refers to a large and diverse group of substances, including hydrocarbons, oxygenates and halocarbons that readily evaporate at room temperature. Emissions relate to fermentation of the wine and bottling activities. PLW's emissions are comparable to those of other similar sized wineries.

Emission	2003	2004	2005	2006	2007	2008	2009	Reporting threshold
Ethanol kg	4,500	6,000	6,600	5,500	3,400	5,960	4,779	10 tonnes per annum
Volatile organic compounds kg	4,700	6,200	6,900	5,800	3,600	6,270	4,927	25 tonnes per annum

Carbon Footprint

Extensive media coverage has heightened awareness of the need for us all to reduce consumption and use alternatives with a lower impact on the environment.

PLW is endeavouring to measure its carbon footprint by using the internationally recognised *Greenhouse Gas Protocol* defined by the World Resource Institute and the World Business Council for Sustainable Development. The *Greenhouse Gas Protocol* is the basis for reporting emissions under Australia's National Greenhouse & Energy Reporting Act and PLW falls below the reporting thresholds. Although fermentation of wine is a direct emission source, resultant CO₂ is not reported as it is categorised as part of the short term carbon cycle whereby there is a rapid exchange of carbon between plants and animals through respiration and photosynthesis. It is assumed that the emissions from fermentation are in balance with the vineyard sequestration even though the vineyards may be separate enterprises to the winery enterprises.

The *Greenhouse Gas Protocol* separates the source of greenhouse emissions under three scopes to ensure there is no double counting between enterprises.

A partnership of wine industry bodies formed by the Winemakers' Federation of Australia; Wine Institute, California; California Sustainable Winegrowing Alliance; New Zealand Wine Growers and Integrated production of Wine in South Africa commissioned an Australian company Provisor Pty Ltd to develop an International Wine Carbon Calculator. To date Provisor has released several versions and updated versions will be released as the calculating tool is developed further.

FIVS, an international trade federation committed to the promotion of a successful global alcohol beverage industry, operating on the principles of corporate social responsibility, sustainability, and focused on consumer interests, in an environment free from trade distorting factors of all kinds, has endorsed the Provisor project.

An analysis of the process inputs, manufacturing, distribution, use and disposal for a winery is given below.

PLW is working through the Calculator guidelines with the focus on scope 1 direct emissions and scope 2 indirect emissions. We are assessing requirements for the scope 3 indirect emissions which emanate from the extraction and production of purchased materials, transport and offsite waste disposal.

Some overseas consumers are expressing concern about the carbon emissions from the transport of wine across vast distances. Provisor provides the following as guidance to calculate transport GHG emissions = freight weight (tonnes) x freight distance (kms) x emission factor (truck/train/ship/air)

	Road Heavy/articulated truck	Train Average Locomotive	Air Long Haul Over 500 Km	Ship Container
Emission Factor (kgCO ₂ /tonne Km)	0.115	0.0264	0.57	0.014

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

PLW requires the independent grape growers to use specified pesticides and herbicides responsibly in the vineyards. The spray regimes for each vineyard are monitored to ensure compliance with relevant government and export regulations. We are fortunate to grow grapes in a district which is not prone to disease and thus sprays are not used extensively.

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

PLW aims to provide an **aesthetically pleasing environment** for visitors to the Cellar Door outlet and its surrounding grounds. A computerised watering system, which operates at night when losses from evaporation are lower, has been installed to minimise water usage. The treated winery wastewater will be used to irrigate the area. Mulch is used on the garden beds to reduce weeds and thus minimise the use of herbicides and watering.

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

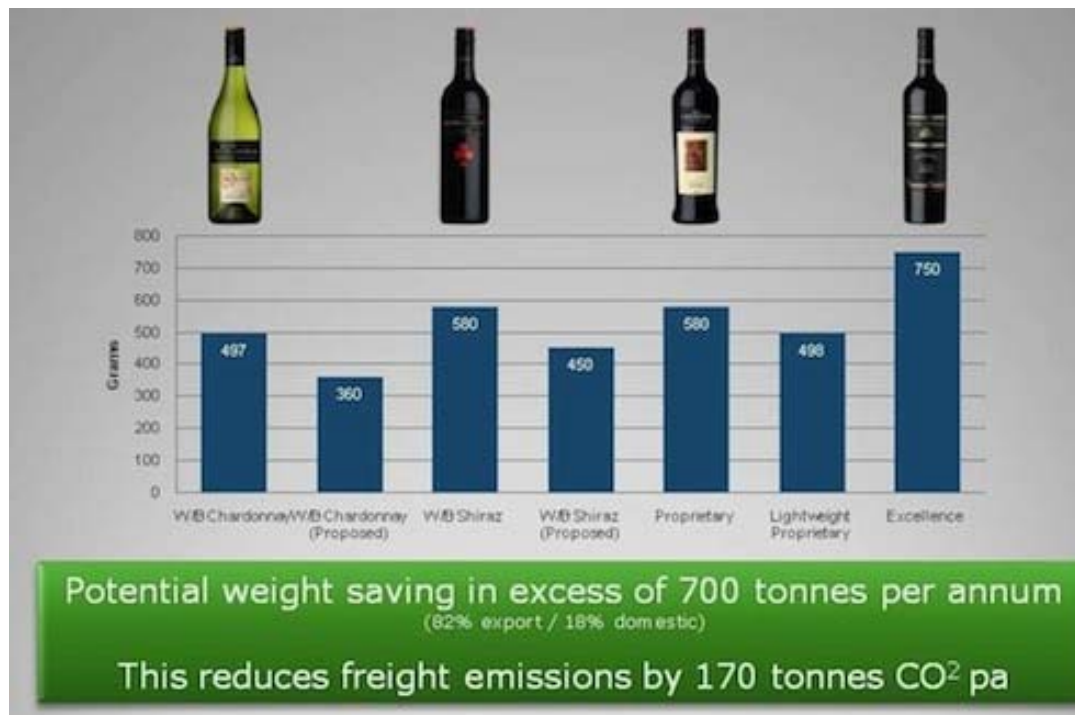
In cooler months **wood fires** warm the Cellar Door building. A 2003 CSIRO study for the Australian Greenhouse Office reported "sustainable firewood production systems have the potential to reduce carbon dioxide emissions". In future PLW will be able to harvest wood from its sugar gum plantation for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

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

An amendment to the Corporations Law now allows companies to **disseminate their financial annual reports electronically**. PLW will provide information on its website or hard copies on request.

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

- Bottle Weight – we have moved to lighter weight bottles for the Art Series and Clancy's wines. Encouraged by this success, we have embarked on a project to reduce the bottle weight for the Weighbridge and Wildcard wines which are exported predominantly to the UK and EU.



- Bottles – as part of the kerbside recycling programs used bottles are returned to the manufacturer where they are broken down with the resultant material returned to the furnace and used again to manufacture glass. PLW is investigating the use of lower weight glass which will assist in lowering the weight of freight movements.
- Corks – a renewable resource and collected by the Australia Girl Guide Association for recycling
- Aluminium closures – these are being used increasingly instead of corks and are recyclable
- PVC capsules – are non-recyclable with usage reducing as we move to aluminium closures on our wines
- Labels – PLW purchases 98% of the labels from a local printing company which uses waterless inks and new technology to reduce paper wastage, toxic by-products and volatile organic compound emissions
- Cartons – approximately 95% of the cardboard purchased by PLW for use as cartons to package wines is manufactured from recycled material

- Stretchwrap is used to protect cartons of wines shipped on pallets. It is non-recyclable and we are looking at alternatives.
- Recyclable materials are used to package visitors' purchases from PLW's Cellar Door.

PLW is a member of an industry group which provides data on how much material enters the packaging waste stream from the distribution and sale of its wine to the National Packaging Covenant.

DISCUSSION AND ANALYSIS OF THE 2008/09 RESULT – See separate document PLW Full Financials under www.peterlehmannwines.com/investors/annualreport

REVIEW OF OPERATIONS

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

Grape Intake – The Company sources 98% of the grapes from the independent growers with the balance being harvested from the Company’s own vineyards. The resultant wine from the “own use” is used for sale under the Peter Lehmann brand, for sale in bulk to other wineries and under buyers’ own brand labels.

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

	Vintage – Tonnes		
	Crushed – own use	Crushed – contract	Total Crushed
1994	6,493	5,410	11,903
1995	4,991	5,031	10,022
1996	8,326	5,876	14,202
1997	7,309	5,211	12,520
1998	7,608	6,261	13,869
1999	7,760	6,422	14,182
2000	5,991	4,923	10,914
2001	10,157	5,214	15,371
2002	11,561	5,509	17,070
2003	9,506	4,796	14,302
2004	14,588	4,360	18,948
2005	17,308	3,771	21,079
2006	13,643	3,752	17,395
2007	8,021	3,634	11,655
2008	14,150	3,991	18,141
2009	10,992	3,837	14,829

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

Vineyard Hectares			
	Total Hectares Planted		Total Hectares Planted
1994	-	2002	71
1995	18	2003	71
1996	18	2004	41
1997	36	2005	41
1998	36	2006	41
1999	57	2007	41
2000	57	2008	41
2001	57	2009	41

Sales Revenue –

PLW continually monitors stock holdings and aligns these with bottled wine sales and forecasts. Wine identified as being surplus to requirements is made available for sale on the spot market which has been affected by the general slowdown in Australian wine sales. Export sales accounted for 73% (2008: 52%) of sales volume.

	Sales Revenue by Volume					
	Bottled – domestic market	Bottled – UK market	Bottled – export markets excl UK market	Bulk – current vintage	Bulk – prior vintages	Total revenue by volume
1994	16%	15%	4%	44%	21%	100%
1995	15%	17%	4%	37%	27%	100%
1996	15%	18%	5%	44%	18%	100%
1997	16%	21%	4%	36%	23%	100%
1998	21%	33%	5%	27%	14%	100%
1999	27%	34%	6%	21%	12%	100%
2000	36%	33%	11%	8%	12%	100%
2001	33%	32%	17%	8%	10%	100%
2002	37%	28%	17%	10%	8%	100%
2003	43%	24%	22%	8%	3%	100%
2004	37%	25%	26%	7%	5%	100%
2005	37%	26%	25%	4%	8%	100%
2006	32%	27%	29%	5%	7%	100%
2007	28%	20%	28%	2%	22%	100%
2008	29%	19%	33%	6%	13%	100%
2009	33%	16%	38%	7%	6%	100%

	Sales Revenue by Dollars						
	Bottled – domestic	Bottled – UK	Bottled – export excl UK	Bulk – current vintage	Bulk – prior vintages	Contract services	Sales Revenue by \$000's
1994	32%	26%	6%	24%	12%	0%	12,979
1995	31%	33%	7%	18%	11%	0%	13,662
1996	31%	27%	7%	22%	8%	5%	17,167
1997	31%	30%	8%	16%	11%	4%	22,113
1998	32%	43%	7%	10%	5%	3%	31,243
1999	39%	39%	9%	7%	3%	3%	35,146
2000	46%	31%	16%	2%	3%	2%	36,406
2001	38%	31%	24%	2%	2%	3%	41,696
2002	41%	27%	25%	3%	2%	2%	44,762
2003	43%	23%	29%	2%	1%	2%	46,091
2004	38%	23%	33%	2%	2%	2%	51,250
2005	37%	24%	32%	1%	4%	2%	55,543
2006	34%	24%	37%	1%	3%	1%	57,592
2007	31%	21%	39%	1%	7%	1%	63,487
2008	33%	11%	45%	3%	6%	2%	61,999
2009	34%	8%	51%	2%	3%	2%	52,598

Branded domestic sales were down 20% in volume and 16% in value compared with the previous year. Although the decline in sales is predominantly attributable to lower sales of the Peter Lehmann Semillon, this decline appears to have slowed.

In the UK, sales volume has fallen over that of the previous year due to a strong downturn in sales to the supermarkets, although volumes in the restaurant, hotel and club segment increased by 50% which was very heartening.

Various countries in continental Europe have collectively become the Company's largest export market with sales volumes mirroring domestic sales volume. Although the volume to the USA market was lower, the favourable exchange rate boosted sales revenue compared with the previous corresponding period. Sales to the Canadian market remained approximately at the same level as the previous year in both volume and value terms.

Bulk wine sales slowed considerably compared with the previous year as the Australian wine industry is an oversupply position.

The Barossa district is highly regarded as a world class producer of top quality fruit and PLW has sufficient volumes of high quality wine available which will greatly assist in meeting future sales aspirations. The outlook for the national 2010 vintage is quite uncertain as the industry faces difficult decisions regarding the required structural change to bring supply back into balance with demand.

Profitability – Management is cognisant of the need to balance volume growth aspirations with profitability targets. Funds for advertising and promotional support provided to gain access to retail shelf space are monitored carefully to avoid the trap of pursuing profitless volume.

Although the Group is fully cognisant of the need to carefully monitor inventory levels the imports of NZ Sauvignon Blanc has severely destabilised the white wine market and resulted in an oversupply situation. Although the Company continues to explore avenues to sell white wine stocks it made the prudent decision to make a provision for write-down of \$992,000 for this inventory.

The reporting of certain assets and liabilities at fair value at reporting date introduced more volatility into the measurement of profit. This principle applies to biological assets - grape vines and their crops, as well as financial derivatives such as interest rate swaps and forward exchange contracts.

A measure of trading profitability EBIT expressed as a percentage of sales. The outcome is determined by the mix of revenue activities and their respective margins as well as PLW's ability to contain costs and expenses. The 2004 EBIT % has been calculated exclusive of the takeover costs in order to compare the performance with prior years.

	EBIT as % of sales revenue		EBIT as % of sales revenue
1994	17%	2002	24%
1995	16%	2003	20%
1996	19%	2004	19%
1997	20%	2005	20%
1998	18%	2006	19%
1999	21%	2007	16%
2000	23%	2008	24%
2001	23%	2009	19%

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

	After Tax Profit \$000's	Basic Earnings per share - cents	No of Shares at balance date 000's
1994	1,352	7.1c	18,930
1995	1,296	6.8c	18,930
1996	1,807	9.4c	19,170
1997	2,589	11.9c	25,371
1998	3,464	12.2c	30,946
1999	4,475	13.9c	33,235
2000	5,009	15.1c	33,260
2001	6,195	18.1c	34,147
2002	6,915	19.0c	36,359
2003	5,419	14.5c	37,311
2004	3,830	10.1c	37,969
2005	6,317	16.6c	37,969
2006	5,748	15.1c	37,969
2007	5,975	15.7c	37,969
2008	9,604	25.3c	37,969
2009	5,736	15.1c	37,969

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

Return on Equity	ATP as a % of equity	Return on Equity	ATP as a % of equity
1994	14%	2002	16%
1995	13%	2003	11%
1996	16%	2004	7%
1997	17%	2005	12%
1998	17%	2006	10%
1999	16%	2007	10%
2000	17%	2008	14%
2001	18%	2009	9%

REVIEW OF FINANCIAL CONDITION

Capital Investment and Structure

Contributed equity remained constant at \$30.6M with the use of debt facilities increasing from \$16.1M at 30 June 2008 to \$20.1M at 30 June 2009.

At 30 June 2009 gearing (interest bearing debt as a percentage of capital employed) was 30% (2008: 24%). Interest cover (the number of times operating profit before interest and tax is greater than the total interest charge) moved to 6 times, from 15.2 times last year. This rate is comfortably ahead of the financial covenant level.

The nature of the industry requires the maturation of red and fortified wines beyond a 12 month period. The lower 2009 grape crop volume has offset the slowdown in sales and as a result the value of inventory holdings at 30 June 2009 of \$49.8 is 1% higher than the 2008 level of \$49.2M. The Group is aware of the need to balance the volumes of wines held for future sales.

Capital projects and working capital requirements have been funded by funds generated by operating activities. The relocation of the southern tankfarm to alongside the winery complex has almost been completed at an estimated total cost of \$1.2M. The relocation is expected to improve productivity, reduce the use of water required to clean the wine lines and reduce electricity currently required to pump wine between the two separate locations.

Company tax for the Group of \$2.5M at an effective rate of 30% has been provided on the operating profit before tax and compares with the company tax rate of 30%.

The Company has declared a final dividend of 4.8 cents and combined with the interim dividend of 3.5 cents totals 8.3 cents per share. It is in keeping with the board's policy of dividends moving broadly in line with underlying earnings per share.

SHAREHOLDER INFORMATION

20 LARGEST HOLDERS AT 15 AUGUST 2009

	No	% of Total Shares
Hess Group Australia Pty Ltd	32,527,594	85.67
Peter Leon Lehmann	3,935,499	10.37
Joan Isabel Hopkins	132,400	0.35
Margaret Elizabeth Lehmann	113,400	0.30
Brian Francis Charles Kearns	55,066	0.15
Philip Edward Lehmann	50,000	0.13
Ann Elizabeth Robson	41,813	0.11
Tevrama Pty Ltd	40,000	0.11
Barry & Marlene Moore	36,436	0.10
Logela Pty Ltd	35,000	0.09
Roger Maxwell Wilson	21,415	0.06
Chummy Nominees Pty Ltd	20,000	0.05
Thomas & Elsie Gleghorn	16,500	0.04
ANZ Nominees Limited	15,520	0.04
Zandane Pty Ltd Hinzack Super Fund	15,000	0.04
John Cochrane	14,500	0.04
T M Stevenson Holdings Pty Ltd	14,236	0.04
Haererage Pty Ltd	13,585	0.04
Invia Custodian Pty Limited	12,915	0.03
Drury Lane Investments Pty Ltd	12,400	0.03

SIZE OF HOLDINGS AT 15 AUGUST 2009

Range	Holders	Shares	%
1 – 1,000	237	117,088	0.31
1,001 – 5,000	145	384,705	1.01
5,001 – 10,000	43	301,206	0.79
10,001 – 100,000	20	457,014	1.20
100,001 – OVER	4	36,708,893	96.68
	449	37,968,933	100.00

SUBSTANTIAL SHAREHOLDERS

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

Annual General Meeting (AGM)

The AGM will be held at the Peter Lehmann Winery, Tanunda, South Australia on Saturday 10 October 2009 at 11 am.

Dividends

The final dividend of 4.8 cents per share is payable on 6 November 2009. The final dividend will be 100% franked at the 30% rate.

Dividend Policy

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

Payment Dividends

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

Dividend History

Year	Full Year
1993/94	3.5 cents
1994/95	3.75 cents
1995/96	4.75 cents
1996/97	5.5 cents
1997/98	6.25 cents
1998/99	7.5 cents
1999/00	8.25 cents
2000/01	10 cents
2001/02	11 cents
2002/03	9 cents
2003/04	5.5 cents
2004/05	9.3 cents
2005/06	8.3 cents
2006/07	8.6 cents
2007/08	13.9 cents
2008/09	8.3 cents

Information for Capital Gains Tax Purposes

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

Trading in PLW Shares

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

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

Company publications

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

- Report on the half year to December
- Report on the outcome of the vintage
- Report on the full financial year & Notice of AGM
- Outcome of the AGM.

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

PLW maintains a mailing list for shareholders and friends who are interested in receiving news of the winery. Wine offers are also included. To join the mailing list please contact the PLW Cellar Door staff –

PO Box 315

Tanunda SA 5352

Telephone: +61 8 8563 2100

Facsimile: +61 8 8563 3920

Email: cellar.door@peterlehmannwines.com

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

Share Register

Computershare Investor Services Pty Ltd

GPO Box 1903, Adelaide SA 5001

Information Matching Service –

Telephone: +61 8236 2355

Facsimile: +61 8236 2305

Website: www.computershare.com