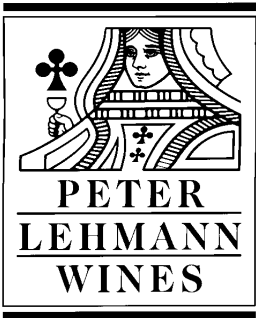


PETER LEHMANN WINES LIMITED



**2005
ANNUAL REPORT**

PETER LEHMANN WINES LIMITED

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APOLOGY

When Peter Lehmann Wines Limited (PLW) delisted from the ASX we believed the Company's status changed from a "disclosing entity" to a "reporting entity".

Since raising equity pursuant to a prospectus in 1993 more than 100 investors have held shares in PLW. We currently have 463 shareholders and meet the conditions under Section 111AF of the *Corporations Act 2001* to be classified as a disclosing entity.

A disclosing entity is required to lodge half year financial statements with the Australian Securities and Investment Commission (ASIC). PLW did not prepare or lodge half year financial statements to 31 December 2004 and ASIC has been advised of this omission. In future PLW will be preparing and lodging half year financial statements with ASIC.

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MANAGING DIRECTOR'S REPORT

Company overview

The Company performed creditably in a very competitive market.

We recorded an after tax profit of \$6.4M, an increase of 68% over the previous year which was significantly affected by \$2.8M of takeover costs.

The directors have declared a dividend of 9.3 cents per share and this represents a pay out rate of 55% of after tax profit. The fully franked dividend will be paid on 8 November 2005.

Trading

Total domestic branded bottle sales grew by 6% in volume over the previous year, which is slightly over double that of the current growth being experienced by the industry.

Revenue also grew by 6%. Samuel Smith & Son, the company's national distributor, continued to perform strongly despite fierce industry competition, increased retail consolidation and the current oversupply of wine.

PLW's total export sales increased by 8% in volume and 9% in revenue over the 2003/04 financial year. Export sales accounted for 62% of the brand's total case sales and this remains unchanged from the previous year.

PLW operates its own distribution company in the United Kingdom which is the Company's largest export market and accounts for 50% of branded export sales. Sales grew strongly over the past year with both volume and revenue recording an 18% increase. The growth has been achieved by better penetration with regional wholesalers and increased distribution opportunities in Scotland and Ireland. Both on premise and off trade sectors of the markets added to the improved performance. While this remains a very competitive market, growth is expected over the coming financial year.

Sales to Continental Europe were 9% and 7% below the previous year for volume and value respectively. This reduction was caused primarily by the poor economic performance and changing business conditions within some major markets. A number of strategies have been put in place and the Company is confident that it will return to positive growth during the next year and beyond.

The Hess Collection Winery based in the Napa Valley has been representing Peter Lehmann wines throughout the US market since January 2004. Over the past twelve months they have made further gains with sales increasing in volume by 23% with revenue up 26%. PLW is pleased with this growth and is building its base by working closely with The Hess Collection Winery management and sales team together with their quality distributors throughout the United States. Increased growth is budgeted over the next financial year.

Strong growth has been recorded in the Canadian market and follows the pattern of increases recorded over the past four years since the Company entered this market. Over the financial year sales grew a creditable 37% by volume and 33% by revenue. This market is also expected to grow quite significantly over the coming year, and with the United States, the Americas will become a key sales destination for the Company. Currently the combined US and Canadian markets account for 21% of the volume of PLW's export sales.

Wine Quality

The Company has continued to perform well in national and international wine shows during the year with a total of 9 trophies and 31 gold medals awarded along with numerous silver and bronze medals. These were awarded to wines across all wine styles with Riesling receiving particular acclaim. These and the awards won by other Barossa Valley wineries confirm the Barossa district as a world class producer of top quality fruit. The well established ability of the PLW winemaking team capitalises on this.

Winemaking

The Company processed a record total crush of 21,079 tonnes for 2005, up 11% on the previous largest crush of 18,948 tonnes undertaken in 2004. The PLW intake was 17,308 tonnes (2004: 14,588 tonnes) with contract crushing at 3,771 tonnes (2004: 4,360 tonnes).

The 2005 summer was one of the coolest on record with mild day and cool evening temperatures. These cool ripening conditions resulted in a vintage of very high quality, contributing elegance and subtle flavours to the white wines.

The reds have retained good acidity and achieved optimum ripeness easily, despite the high crop levels, across most varieties. The colours and fruit flavours are excellent.

At this stage of its development it is felt that the 2005 vintage is showing the potential to become another classic year, in the mould of 2002.

The Company is planning to process 14,900 tonnes in 2006 for its own needs, and approximately 4,000 tonnes on contract for other wineries.

Wine Industry

The 2005 vintage set a new national record with slightly in excess of 1.9 million tonnes of grapes processed. This was 12% up on the previous record of 1.7 million tonnes set in 2004. Despite the industry being in an oversupply situation, exacerbated by the three well above average vintages of 2002, 2004 and 2005, it is expected that grape pricing will remain similar in 2006 to that of the 2005 year. This over supply is predominately with red varieties with white varieties being in near balance.

The Business

I am frequently asked how things have turned out since the Swiss based Hess Group AG became the major shareholder in October 2003. It is with great pleasure I can report that they are a very supportive group and there have been no changes in the business operation or staffing because of the change in the ownership structure.

Following last year's inaugural and very successful Shareholders and Friends luncheon, I am pleased to announce that this year's function will be held on Saturday 12 November in the Old Redemption Cellars at the winery. An invitation for this great day will be sent to you separately.

In conclusion I would like to thank my fellow Directors and all the staff for their expertise, enthusiasm and drive which has made the year so successful.

DOUG LEHMANN

DIRECTORS' REPORT

The directors present their report together with the concise financial report of the consolidated entity, being Peter Lehmann Wines Limited ("the Company") and its controlled entities, for the year ended 30 June 2005 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
Max LIENHARD PhD (Economics) Non-Executive Director Member of the Audit and Remuneration Committees	61	Dr Max Lienhard is Chairman & CEO of Hess Group AG. Prior to joining Hess he held positions in international marketing in the pharmaceuticals and food industries. Appointed Chairman and Director on 31 October 2003.
Paul Antony YOUNG MA (Cantab) ACA (ICAEW) FAICD Non-Executive Director Chairman of the Audit Committee Member of the Remuneration Committee	50	Paul Young is a director of Baron Partners Limited and has 21 years' experience in corporate advisory work. Director of Cordukes Limited, Ambition Group Limited, Trent Capital Limited. Appointed as an Alternate Director for the Chairman on 31 October 2003. Appointed Deputy Chairman and Director 11 December 2003.
Roger Maxwell WILSON, LLB Non-Executive Director Chairman of the Remuneration Committee and Member of the Audit Committee	64	Roger Wilson has 43 years experience as a practicing solicitor specialising in commercial law. Director since March 1993. Designated as Peter Lehmann's representative in November 2002.
Kay Elaine CAREY, BCom Non-Executive Director Member of the Remuneration and Audit Committees	51	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. Appointed to the board in December 2004.
Douglas McCaig LEHMANN, FAICD Executive Director	53	Douglas Lehmann's formative experience in the wine industry was as a winemaker. Over the last 33 years he has developed skills in wine production, marketing and distribution as well as general management. Managing Director since March 1993.
Robert Victor EDWARDS, BCom Executive Director	59	Robert Edwards has over 21 years marketing and selling experience in the wine industry. He has been Marketing Manager with PLW since 1995. Appointed Marketing Director August 1999.
Andrew Douglas WIGAN, BSc (App Chem) Dip Oen Alternate Director	56	Chief Winemaker and leads the team of winemakers and technical staff. Appointed alternate for Robert Edwards August 1999.
Company Secretary Barbara Kay CLAPTON, B Ed Grad Dip Acc FCA, FCIS	51	Chief Financial Officer & Company Secretary and leads the finance and administration team. Appointed Company Secretary 5 March 1993.

Corporate Governance Report

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 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 Stock 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 obligations to act in the best interests of the shareholders and to protect the shareholders' investment.

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 day to day activities is delegated to the managing director.

Matters considered by the Board

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

Specific matters reserved for the board -

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

Composition

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

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

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

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

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

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

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

Process

The board generally schedules at least 7 meetings each year at the winery and this provides directors with the opportunity to visit the production facilities and for contact with a wide group of employees. Other meetings and any extraordinary meetings may be convened at shorter notice and held at other venues or conducted by conference calls.

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

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

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

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

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

To assist in the execution of its responsibilities the board has established an audit committee and a remuneration committee. Following each audit committee meeting the board is given a verbal report by the committee chairman.

Audit committee minutes are circulated to all board members.

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

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

Conflict of Interest

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

Audit Committee

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

The objectives of the committee include:

1. assessing the risk and control environment, reviewing accounting policies, internal controls, practices and disclosures to assist the board in making informed decisions
2. overseeing the financial reporting to ensure it is appropriate and of a high quality prior to recommending adoption of the financial statements by the board for release to shareholders
3. 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 statements of financial performance, financial position and 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 once 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 external audit firm was appointed in 1993 and the audit engagement partner was last rotated in 2004. In April 2002 the board formally advised the audit firm that PLW requires assurance and tax compliance services only.

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

The Company is subject to legal and regulatory compliance with the audit committee responsible for reviewing the legal compliance program regularly. Procedures are in place to ensure compliance with label integrity, export, trademarks, liquor licence and environment requirements. The Company is cognisant of its responsibilities in relation to food safety, 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 yearly intervals.

Remuneration Committee

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

The committee reviews and makes recommendations to the board on the remuneration packages of directors and senior executives. The non-executive directors form the committee with the managing director invited to attend at the discretion of the committee.

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. PLW has developed a risk management system to evaluate and control risks effectively to ensure opportunities are not lost, competitive advantage is enhanced, and management time is not spent reacting to issues or events. It is not intended to eliminate risk. The risk management system encompasses all financial, operational and compliance controls and risk management and is subject to regular review.

The managing director and the chief financial officer have declared, in writing to the board, that the financial reporting risk management and associated compliance and controls have been assessed to be operating effectively and efficiently.

Risk profile

PLW has a simple business model with these features:-

- a single processing site
- vineyard and packaging work outsourced
- wine is sold through independent distributors except for the UK subsidiary, an associated company in the USA and retail sales through the Cellar Door
- stable workforce

Major business risks have been identified as the sourcing of grapes, wine quality, accessing channels to markets, the impact of exchange rate movements on sales, interest rate variations, actions by competitors, environment regulation and government policy changes.

Grape intake

The Company has long-standing arrangements with 179 independent growers. Written contracts are available to these growers, with 82% of the 2005 grape intake received under formal agreement.

Wine Quality

Winemakers, laboratory, cellar and maintenance staff are trained to ensure PLW complies with the highest production standards. The hazard analysis critical control point program (HACCP program) has been implemented to ensure PLW addresses food safety issues. The contract bottler is HACCP and ISO 9001 accredited.

Channels to market

PLW has developed a network of quality distributors and works closely with them to promote wines with a range of buyers including wholesalers, retailers, mail order businesses, duty free operators and the restaurant trade.

Exchange rate movements

PLW transacts export sales in Australian dollars, Euros, US dollars and Canadian dollars and has developed a treasury management policy to ensure personnel do not engage in unauthorised trading positions.

Interest rate movements

Interest rate risk emanates from changes in market interest rates impacting on the Company's short and long term debt. This exposure is managed by combining interest rate swaps with floating rate arrangements.

Environment regulation

The Company is involved in an industry which has the potential to impose environmental risks through chemical storage and handling and winery wastewater. PLW's operations are subject to South Australian environment legislation and compliance with the specific licence requirements was achieved.

Risk management and compliance and control

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

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

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

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

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

Finance staff have undertaken training for the transition to Australian International Financial Reporting Standards (AIFRS). The transition requires the Company to assess its accounting policies and evaluate the impact of changes resulting from the adoption of AIFRS. To facilitate the first reporting under AIFRS the Company is required to calculate its opening AIFRS statement of financial position as at 1 July 2004 and to calculate its statement of financial performance for the 2004-05 year on a Australian Accounting Standard basis and an AIFRS basis.

Assessment of the effectiveness of risk management

In August 2003 the external auditors were engaged to provide an objective evaluation of some of the Company's internal controls which are not in the scope of the external audit.

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.

Shareholder Involvement

The directors aim to ensure the shareholders are informed of all major developments affecting the Company. The vintage outcome is communicated in May each year and PLW distributes the annual report, notice of annual general meeting (AGM), Managing Director's address to the AGM and outcome of the AGM to all shareholders. Shareholders, who elect to do so, receive promotional information in the form of newsletters which are usually circulated twice a year.

The board encourages full participation of shareholders at the annual general meeting to ensure a high level of accountability and identification with PLW's strategy and goals. 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.

Principal Activities

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

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

Consolidated Result

The consolidated operating profit after tax for the year was \$6,434,000 (2004: \$3,830,000).

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 wastewater 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.

Review of Operations

Company overview

The global wine industry is very competitive as supply from the wine producing countries exceeds demand from consumers. At the same time there is a considerable amount of consolidation activity among retailers with the large supermarket chains increasing their market share and influence. The Australian dollar has strengthened over the last 2 years and this has placed further pressure on Australian exporters.

The Company has performed creditably in these circumstances.

Trading

Total branded bottle sales grew by 8% and 9% in volume and revenue respectively over the previous year. Strong performances were recorded in Australia with revenue up by 6% on 2003/04, the UK which lifted sales by 18% over the previous year and the North American markets where sales increased by 29% over the previous year. Sales in Europe were down by 9% and 7% in volume and revenue respectively and reflect the economic conditions in the dominant EU countries and changing buying patterns within some markets.

Production

PLW processed a record total crush of 21,079 tonnes, up 11% on the 2004 crush of 18,948 tonnes. The PLW intake was 17,308 tonnes (2004: 14,588 tonnes) with contract crushing at 3,771 tonnes (2004: 4,360 tonnes).

Equity

PLW was removed from the ASX Official List on 12 October 2004 and now operates as an unlisted public company.

Strategy and future performance

The Company is expecting to sustain the growth in sales over the coming years. The Barossa district is highly regarded as a world class producer of top quality fruit. PLW has good volumes of high quality wine available from outstanding vintages which will greatly assist in meeting future sales aspirations.

Dividends

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

	Cents per share	Total amount \$000	Franked/ Unfranked	Date of payment
<i>Paid or declared during the year</i>				
- Final 2004 ordinary	5.5 cents	2,088	franked	8 November 2004
Declared after end of year				
- Final 2005 ordinary	9.3 cents	3,539	franked	8 November 2005
Dealt with in the financial report as:				
- Dividends	5.5 cents	2,088		
- Noted as a subsequent event	9.3 cents	<u>3,539</u>		
		<u>5,627</u>		

The franked dividends paid by the Company since the end of the previous financial year were franked at 30%.

Events Subsequent to Balance Date

For reporting periods beginning on or after 1 July 2005, the consolidated entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board. The implementation and potential impact of adopting AIFRS are detailed in note 11 to the financial statements.

Apart from the item above 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Likely Developments

The consolidated entity 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 consolidated entity 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 consolidated entity.

Directors' Meetings

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

	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
M Lienhard	3	3	-	-	-	-
P A Young	7	7	1	1	1	1
D McC Lehmann	7	7	-	-	-	-
R M Wilson	7	7	1	1	1	1
R V Edwards	7	7	-	-	-	-
K E Carey	3	3	-	-	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.

Remuneration Policies

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

Executive directors and senior executives may receive bonuses based on the achievement of specific performance hurdles. The performance hurdles may be a blend of the consolidated entity's and each relevant market. Non-executive directors do not receive any performance related remuneration.

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.

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

The retirement scheme has been discontinued from 31 October 2003. Mr Roger Wilson is entitled to \$113,667 on retirement.

		Salary & Fees	Bonuses	Non-Monetary Benefits	Superannuation Contributions	Termination Benefits	Total
		\$	\$	\$	\$	\$	\$
Specified directors							
Non-executive							
Dr M Lienhard	2005	70,000	-	-	-	-	70,000
Chairman	2004	46,705	-	-	-	-	46,705
Appointed 31 October 2003							
P A Young	2005	39,000	-	3,175	3,510	-	45,685
Deputy Chairman	2004	26,000	-	2,893	2,340	-	31,233
Appointed 31 October 2003							
R M Wilson	2005	39,000	-	4,075	3,510	-	46,585
	2004	44,000	-	3,543	3,640	-	51,183
Kay Carey	2005	18,419	-	1,000	1,658	-	21,077
Appointed 12 December 2004	2004	-	-	-	-	-	-
H W G Tilley	2005	-	-	-	-	-	-
Retired 31 October 2003	2004	15,000	-	3,476	1,300	113,667	133,443
R A F England	2005	-	-	-	-	-	-
Retired 31 October 2003	2004	28,333	-	3,030	2,333	98,333	132,029
N C Lister	2005	-	-	-	-	-	-
Resigned 31 October 2003	2004	15,000	-	3,424	1,300	45,467	65,191
A G Froggatt	2005	-	-	-	-	-	-
Resigned 21 August 2003	2004	5,833	-	-	583	-	6,416
Executive							
D Mc Lehmann	2005	197,491	-	72,795	29,624	-	299,910
Managing Director	2004	191,739	-	60,448	28,761	-	280,948
R V Edwards	2005	187,785	-	51,751	28,168	-	267,704
Marketing Director	2004	182,316	-	38,877	27,347	-	248,540
Total, all specified directors	2005	551,695	-	132,796	66,470	-	750,961
	2004	554,926	-	115,691	67,604	257,467	995,688

		Salary & Fees	Bonuses	Non-Monetary Benefits	Superannuation Contributions	Termination Benefits	Total
		\$	\$	\$	\$	\$	\$
Specified executives							
<i>The Company</i>							
H T Astrom ⁽¹⁾	2005	232,141	-	83,035	23,214	-	338,390
VP - EU & USA Brand Development	2004	230,443	-	84,341	23,045	-	337,829
T M Brown	2005	94,500	-	28,586	9,450	-	132,536
Operations Manager	2004	90,000	-	25,082	8,100	-	123,182
B K Clapton	2005	138,314	-	32,827	13,831	-	184,972
CFO & Company Secretary	2004	134,285	-	32,259	13,429	-	179,973
A D Wigan	2005	162,814	-	31,192	16,281	-	210,287
Chief Winemaker	2004	158,072	-	30,908	15,807	-	204,787
<i>Controlled entity</i>							
W I Whigham ⁽¹⁾	2005	275,718	-	33,983	23,415	-	333,116
Managing Director Peter Lehmann Wines (Europe)	2004	252,497	-	23,031	21,329	-	296,857
Total, all specified executives	2005	903,487	-	209,623	86,191	-	1,199,301
	2004	865,297	-	195,621	81,710	-	1,142,628

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

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 in accordance with written advice provided by resolution of the audit committee, 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 Professional Standard F1 *Professional independence*, 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.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is included in the directors' report.

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

	CONSOLIDATED	
	2005	2004
	\$'000	\$'000
Statutory audit:		
Audit and review of the financial reports (KPMG Australia)	49	55
Audit and review of the financial reports (KPMG UK)	30	24
	79	79
Services other than statutory audits:		
Taxation services (KPMG Australia)	26	13
Other assurance services (KPMG Australia)	-	25
	26	38



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 2005 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Grant Drabsch
Partner

Adelaide
16 September 2005



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

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.

Rounding Off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report and the directors' report thereon have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors.

P A Young (Deputy Chairman)

D McC Lehmann (Managing Director)

Dated at Tanunda this 16th day of September 2005

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.

Although a recent study of 135 sectors making up the Australian economy prepared jointly by the CSIRO Sustainable Ecosystems and the University of Sydney indicates the wine industry rates 5% below average for employment generation it does provide employment opportunities in regional Australia.

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

Workforce

Australia

Males 33 Females 47

Average age 40

Staff turnover 11%

Supplemented by 22 casuals in the cellar and 2 casuals in the laboratory during vintage.

Europe

Males 2 Females 7

Average age 42

Staff turnover 10%

Working Conditions

- Appointments to new positions, together with the engagement of staff to replace people who have left PLW employment, exposes the Company to new ideas, broader experience & additional expertise.
 - Temporary staff are not used to avoid our employer obligations. We engage labour hire company staff for work which is subject to unpredictable timing such as the packing of containers for the export markets.
 - Balancing work responsibilities with family and community interests - vintage is a particularly busy time when employees work long hours and we strive to provide a family friendly work environment.
 - Employees who take maternity 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**
- The trainee winemaker is studying a degree course externally.
 - 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 participate in winery engineer conferences.
 - The winemakers, grower liaison officer and laboratory technicians participate in wine industry technical sessions and seminars.
 - Finance staff attend seminars to maintain professional expertise.
 - The IT Manager is undertaking a business management course.
 - Marketing staff attend wine industry marketing conferences.

OCCUPATIONAL HEALTH & SAFETY MANAGEMENT

Management Commitment

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

Consultation

Consultation between the employees and management is the basis for developing and maintaining appropriate policies and procedures. The safety committee, which encompasses all 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

The OHSW Co-ordinator organises training for all employees. 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 provided for the specific tasks and that training is provided.

Performance

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

PLW has recorded 4 serious, long term injuries over the last 2 years. On-going efforts are being made to rehabilitate the workers but this is proving to be problematic given the type of injuries sustained and the physical nature of the available work.

Rates per 1M hours worked	SAWIA 2005	PLW 2005	PLW 2004	PLW 2003	PLW 2002	PLW 2001
Injury incidence	3.53	12.99	11.69	5.52	1.52	4.84
Lost time injury frequency	18.49	64.01	77.48	27.34	7.55	23.8
Days lost time during year	17.74	45.2	15.67	21	7	3

Serious Injury Report 1/7/93 to 30/6/05

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

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 classified as being non-current 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.

FINANCIAL HISTORY

PROFIT & LOSS (\$000's)

Revenue from operating activities

Depreciation

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)

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
17,167	22,113	31,275	35,266	36,492	45,152	45,179	46,639	52,298	55,797
586	641	757	879	864	1,042	1,291	1,465	1,709	1,839
3,180	4,398	5,771	7,499	8,275	9,829	10,654	9,093	7,234	11,065
305	357	402	540	657	723	787	1,420	1,624	1,952
2,875	4,041	5,369	6,959	7,618	9,160	9,867	7,673	5,610	9,113
1,068	1,452	1,905	2,484	2,609	2,911	2,952	2,254	1,780	2,679
1,807	2,589	3,464	4,475	5,009	6,195	6,915	5,419	3,830	6,434
911	1,396	1,934	2,493	2,743	3,492	4,088	4,095	2,088	3,539
5,407	5,914	7,829	9,582	9,149	10,621	14,423	13,765	15,148	15,809
10,575	14,477	19,658	25,095	27,741	37,331	46,028	49,362	53,591	56,310
7,405	8,512	10,805	14,781	16,726	16,909	22,099	28,970	29,066	30,148
23,803	29,358	39,182	51,181	55,008	66,947	85,606	96,234	101,626	106,538
6,625	5,286	6,332	8,709	7,523	11,905	13,867	13,601	12,398	11,568
3,685	6,003	9,449	10,465	12,935	14,874	21,410	31,800	34,200	35,700
12,587	13,829	19,215	23,660	25,109	32,252	41,356	47,784	50,045	50,741
11,216	15,529	19,967	27,521	29,899	34,695	44,250	48,450	51,581	55,797
19,170	25,371	30,946	33,235	33,260	34,924	37,148	37,311	37,969	37,969
9.4c	11.9c	12.2c	13.9c	15.1c	18.1c	19.0c	14.5c	10.1c	16.9c
4.75c	5.5c	6.25c	7.5c	8.25c	10c	11c	9c	5.5c	9.3c
58.5c	61.2c	65c	83c	90c	99c	119c	130c	136c	146c
50%	54%	56%	56%	55%	56%	59%	62%	54%	55%
2,303	2,771	4,412	5,555	7,569	11,692	11,995	7,894	8,511	10,272
19%	20%	18%	21%	23%	23%	24%	19%	14%	20%
11%	12%	11%	13%	14%	15%	15%	12%	7%	12%
16%	17%	17%	16%	17%	15%	18%	11%	7%	12%
8%	9%	9%	9%	9%	9%	8%	6%	4%	6%
1.1	1.3	1.3	1.4	1.4	1.8	2.2	2.9	2.8	3.5
33%	39%	47%	38%	43%	43%	48%	66%	66%	64%
10	12	14	11	11	10	11	5	3.5	5.7

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

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

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

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

Water is used in the winery to wash down plant and machinery as well as to clean barrels and tanks. As the table indicates we have been successful over the last 4 years in reducing the volume of water used and are below the industry average of 2,000 litres per tonne.

Year	KLs per tonne crushed
1997	1.36
1998	1.46
1999	1.79
2000	1.99
2001	1.52
2002	1.2
2003	1.3
2004	1.2
2005	1.21

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

The disposal of winery wastewater is a critical issue and PLW has installed a winery wastewater treatment plant which uses a system of screening, aeration and solids removal. The winery wastewater is pumped through a series of tanks and ponds. At the end of the processing the reclaimed is suitable for vineyard irrigation. The by-product of solid pressings is deposited on vacant land to dry and then used as nutrients in the vineyard.

	Per tonne crushed		
	2005	2004	2003
PLW waste processed			
Wastewater processed	1.52 KL	1.45 KL	1.79 KL
Solid Pressings	14.2 Kg	11.6 Kg	5.8 Kg

Energy Efficiency Best Practice in Australian wineries is the subject of a Commonwealth Government Department of Industry, Tourism and Resources program. In conjunction with the SA Wine Industry Association and partnered with five major Australian wineries the program has linked energy management to innovation and competitiveness. Good energy management seeks to reduce energy consumption, reduce expenditure, reduce energy-related emissions and alleviate overload on electrical transformers and circuits.

Electricity is the major source of energy used with the remainder derived from the combustion of fossil fuels such as natural gas, LPG and diesel. Refrigeration plays an important part in the winemaking process as it is used to control the temperature of wine/juice during production. Peak usage occurs during the vintage period. We have commenced a project whereby energy usage for different processes and particular equipment is monitored to determine actions to reduce energy consumption and expenditure.

Greenhouse emissions

Electricity consumption, LPG consumption and direct emissions from fermentation are the major sources of emissions. The emissions from fermentation are considered to be offset by the take up of CO₂ as the vines grow and produce fruit. PLW uses ammonia as the refrigerant and consequently the technology does not require the use of CFC's and their emission into the atmosphere.

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 requested its fees be used to plant trees along the Murray River.

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

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

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

- Bottles – as part of the kerbside recycling programs used bottles are returned to the manufacturer where they are broken down with the resultant material returned to the furnace and used again to manufacture glass
- Corks – a renewable resource and collected by the Australia Girl Guide Association for recycling
- Aluminium closures – these are being used increasingly instead of corks and are recyclable
- Labels – PLW purchases 90% 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
- Recyclable materials are used to package visitors' purchases from PLW's Cellar Door.

Efforts are made to ensure the odour, noise, dust and activity from the winery operations do not impact on the neighbours. PLW has trialled the use of a bioremediation product in water bodies which have algae growth caused by high levels of nutrients. The microbes effectively degrade these nutrients to restrict the food supply available for algae growth. By removing algae, the water quality and appearance improves significantly and odour emission is eliminated from water bodies. PLW has achieved success with the product in a shallow lagoon used to hold treated wastewater.

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. During the year approximately 451 were planted and this takes the total trees and shrubs planted since 1980 to 7,491.

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. Mulch is used on the garden beds to reduce weeds and thus minimise the use of herbicides and watering.

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.

CAPITAL INVESTMENT CYCLE

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

Year	Project	\$000's
1993/94	Winery extension	400
1994/95	Stonewell vineyard	325
1995/96	Crossing vineyard	725
	Red wine fermentation	580
1996/97	1 st Barrel warehouse	490
	Refrigeration upgrade	295
	Stainless steel tanks	250
1997/98	Trillians Hill vineyard	980
1998/99	Red wine fermentation	1,758
1999/00	2 nd Barrel warehouse	459
	Stainless steel tanks, insulation & fittings	272
2000/01	Finished goods warehouse	444
	Stainless steel tanks	487
2001/02	Land including the Andriske vineyard	2,073
	Land acquisition	161
	Stainless steel tanks	716
	Water treatment plant	321
	Winery plant	409
	Processed water dam	141
2002/03	Red wine fermentation	3,955
	Tankfarm	2,019
	Barrel fermentation warehouse	482
	Water treatment plant additions	112
2003/04	Stainless steel tanks	336
	IT	119
	Wastewater irrigation	38
2003/04	Sale of the Crossing vineyard	-1,100
	Stainless steel tanks, insulation & fittings	327
2004/05	Stainless steel tanks, insulation & fittings	653

COMMUNITY INVOLVEMENT

As well as paying relevant taxes PLW provides both direct and indirect employment in a regional area of South Australia. Although PLW is not a large employer the business generates a certain flow on effect as fruit is sourced from about 180 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.

PLW actively supports the many activities which reflect the rich heritage, diverse interests and strong community spirit of the district. Support encompasses hosting visits from local school students interested in the winemaking process and job opportunities, sponsorship of sporting teams and community groups as well as participation in food and wine events.

DISCUSSION AND ANALYSIS OF THE 2004/05 RESULT

CONCISE REPORT

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

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” crush is used for sale under the Peter Lehmann brand, for sale in bulk to other wineries and under buyers’ own brand labels. The increased availability of fruit has seen reductions in the prices for some varieties.

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	11,883
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

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	-	2000	57
1995	18	2001	57
1996	18	2002	71
1997	36	2003	71
1998	36	2004	41
1999	57	2005	41

Sales Revenue – PLW’s strategy of moving to sell more into the value added bottled wine markets is evidenced in the tables below. Export sales accounted for 56% of sales revenue.

	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%

	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	40%	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

PLW continues to experience growth in sales, both domestically and internationally. Sales of branded wines grew by 6% in both volume and revenue in Australia. Total export sales of branded wine increased by 8% and 9% in volume and revenue respectively over the prior year. Substantial growth was achieved in the UK, USA and Canadian markets.

The Company is expecting to sustain the growth in sales over the coming years. The Barossa district is highly regarded as a world class producer of top quality fruit. PLW has good volumes of high quality wine available from outstanding vintages which will greatly assist in meeting future sales aspirations.

Profitability –

The Accounting Standard for self generating and regenerating assets (SGARAs) applies to the Company owned vineyards. The standard requires PLW to value the vines on the Company's own vineyards at market value and effect any change in value over the year through the Statement of Financial Performance. The market value of the vines varies with expectations of future grape prices which determine estimates of future income. PLW booked a profit of \$88,000 (2004 loss: \$65,000) to state the vines at market value. The standard also required PLW to book any difference between the market value and production costs of Company grown grapes through the Statement of Financial Performance. PLW has recorded a profit of \$14,000 (2004: \$160,000).

A measure of trading profitability is Earnings Before Interest and Tax (EBIT) expressed as a percentage of sales. The outcome is determined by the mix of revenue activities and their respective margins as well as PLW's ability to contain costs and expenses. The 2004 EBIT % was 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%	2000	23%
1995	16%	2001	23%
1996	19%	2002	24%
1997	20%	2003	20%
1998	18%	2004	19%
1999	21%	2005	20%

After tax profit and earnings per share are other indicators of profitability. PLW's profitability recovered from the 2004 result which was affected 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	6,434	16.9c	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.

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

REVIEW OF FINANCIAL CONDITION

Capital Investment and Structure

Contributed equity remained constant at \$30.6M with debt facilities unchanged at \$37.2M.

At 30 June 2005 gearing (interest bearing debt as a percentage of capital employed) was 64% (2004: 66%). Interest cover (the number of times operating profit before interest and tax is greater than the total interest charge) moved to 5.7 times, from 3.5 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 large volume 2005 vintage saw a 5% increase in PLW's total inventory of \$56.3M (2004: \$53.6M). The Company is comfortable with the volumes of wines held for future sales.

Capital projects and working capital requirements have been funded by bank finance and funds generated by operating activities. PLW increased its net borrowing by \$1.5M.

Company tax of \$2.7M at an effective rate of 29% has been provided on the operating profit before tax and compares with the company tax rate of 30%.

The Company has declared a full year dividend of 9.3 cents per share. It is in keeping with the board's policy of dividends moving broadly in line with underlying earnings per share.

FULL FINANCIAL REPORT

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

**STATEMENT OF FINANCIAL PERFORMANCE – CONCISE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2005**

	NOTE	CONSOLIDATED	
		2005 \$'000	2004 \$'000
Revenue from ordinary activities	4	55,797	52,298
Expenses from ordinary activities, excluding borrowing costs expense	5	(44,732)	(45,064)
Borrowing costs expense	5	(1,952)	(1,624)
Profit from ordinary activities before income tax expense		9,113	5,610
Income tax expense relating to ordinary activities		(2,679)	(1,780)
Profit from ordinary activities after related income tax expense		6,434	3,830
Non-owner transaction changes in equity			
Net exchange difference relating to self-sustaining foreign operations		(130)	83
Total revenues, expenses and valuation adjustments to members of the parent entity recognised directly in equity		(130)	83
Total changes in equity from non-owner related transactions attributable to members of the parent entity		6,304	3,913
Basic and dilutive earnings per share		16.94 cents	10.14 cents

The statement of financial performance is to be read in conjunction with the discussion and analysis and the notes to and forming part of the financial statements.

**STATEMENT OF FINANCIAL POSITION – CONCISE FINANCIAL REPORT
AS AT 30 JUNE 2005**

	NOTE	CONSOLIDATED	
		2005 \$'000	2004 \$'000
CURRENT ASSETS			
Cash		1,545	1,377
Receivables		15,809	15,148
Inventories		42,287	34,221
Other		1,003	702
Total current assets		60,644	51,448
NON-CURRENT ASSETS			
Inventories		14,023	19,370
Other financial assets		15	15
Property, plant and equipment		30,148	29,066
Grape vines		575	486
Deferred tax assets		1,133	1,241
Total non-current assets		45,894	50,178
TOTAL ASSETS		106,538	101,626
CURRENT LIABILITIES			
Accounts payable		11,568	12,398
Interest bearing liabilities		4,000	4,000
Current tax liabilities		664	828
Provisions		1,336	1,246
Total current liabilities		17,568	18,472
NON-CURRENT LIABILITIES			
Interest bearing liabilities		31,700	30,200
Deferred tax liabilities		1,374	1,315
Provisions		99	58
Total non-current liabilities		33,173	31,573
TOTAL LIABILITIES		50,741	50,045
NET ASSETS		55,797	51,581
EQUITY			
Contributed equity		30,624	30,624
Reserves		(31)	99
Retained profits	7	25,204	20,858
TOTAL EQUITY	9	55,797	51,581

The statement of financial position is to be read in conjunction with the discussion and analysis and the notes to and forming part of the financial statements

**STATEMENT OF CASH FLOWS – CONCISE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2005**

		CONSOLIDATED	
		2005	2004
NOTE		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
	Cash receipts in the course of operations	57,507	52,461
	Cash payments in the course of operations	(48,988)	(49,707)
4	Interest received	93	75
5	Interest paid	(2,255)	(2,057)
	Income taxes paid	(2,677)	(1,480)
	NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	3,680	(708)
CASH FLOWS FROM INVESTING ACTIVITIES			
	Payment for property, plant & equipment	(2,925)	(2,284)
	Proceeds from sale of non-current assets	1	1,144
	NET CASH USED IN INVESTING ACTIVITIES	(2,924)	(1,140)
CASH FLOWS FROM FINANCING ACTIVITIES			
	Proceeds from issue of shares	-	1,270
	Proceeds from borrowings	1,500	2,400
	Dividends paid	(2,088)	(2,052)
	NET CASH PROVIDED BY FINANCING ACTIVITIES	(588)	1,618
	NET INCREASE (DECREASE) IN CASH HELD	168	(230)
	CASH AT THE BEGINNING OF THE FINANCIAL YEAR	1,377	1,607
	CASH AT THE END OF THE FINANCIAL YEAR	1,545	1,377

The statement of cash flows is to be read in conjunction with the discussion and analysis and the notes to and forming part of the financial statements

**NOTES TO THE FINANCIAL STATEMENTS – CONCISE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2005**

1 BASIS OF PREPARATION OF CONCISE FINANCIAL REPORT

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

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy as set out in Note 3, are consistent with those of the previous year.

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

2 RECLASSIFICATION OF FINANCIAL INFORMATION

The consolidated entity changed the accounting disclosure for volume discounts during the year to more accurately reflect the nature of the underlying transactions.

The effect of this change on the prior year's comparatives are:

	CONSOLIDATED	THE COMPANY
Prior Year financial statements	2004	2004
	\$'000	\$'000
Sale of goods	50,356	47,540
Total revenue from ordinary activities	52,729	49,889
Selling and distribution expenses	8,591	6,783
Expenses from ordinary activities, excluding borrowing costs expense	45,496	42,983
Profit from ordinary activities before borrowing costs and income tax expense	7,233	6,906

	CONSOLIDATED	THE COMPANY
Restated	2004	2004
	\$'000	\$'000
Sale of goods	49,925	46,982
Total revenue from ordinary activities	52,298	49,331
Selling and distribution expenses	8,161	6,225
Expenses from ordinary activities, excluding borrowing costs expense	45,065	42,425
Profit from ordinary activities before borrowing costs and income tax expense	7,233	6,906

3 CHANGES IN ACCOUNTING POLICY

There are no changes in accounting policies in Peter Lehmann Wines Limited.

	CONSOLIDATED	
	2005	2004
	\$'000	\$'000
4 REVENUE FROM ORDINARY ACTIVITIES		
Revenue from operating activities		
Sale of goods	54,706	49,925
Rendering of services	837	894
Other Revenue		
Revenue recognised for vine valuation	88	-
Revenue recognised for grapes harvested	14	160
Rent received	2	2
Interest – other parties	93	75
Sundry income	57	98
From outside operating activities		
Gross proceeds from sale of non-current assets	-	1,144
Total revenue from ordinary activities	55,797	52,298
5 PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		
Profit from ordinary activities before income tax has been arrived at after charging/(crediting) the following items:		
Cost of goods sold	31,696	29,119
Administration expenses	2,537	2,203
Marketing and public relations	1,750	1,427
Selling and distribution expenses	8,268	8,161
Expenses recognised for grapes harvested	471	-
Loss recognised for vine valuation	-	65
Carrying amount of assets sold	-	1,210
Sundry expenses	10	85
Individually significant item – takeover costs	-	2,794
Expenses from ordinary activities, excluding borrowing costs expense	44,732	45,064
Depreciation of:		
- property	170	164
- plant & equipment	1,669	1,545
- less: capitalised depreciation expense	(1,707)	(1,607)
	132	102
Net expense from movement in provision for:		
- employee entitlements	383	180
- stock writedown	-	20
Operating lease rental expense	564	486
Net losses/(gain) on sales of property, plant & equipment	3	66
Net foreign exchange loss/(gain)	252	(185)
Borrowing costs:		
- other parties	2,255	2,057
- less: capitalised borrowing costs	(303)	(433)
Borrowing costs expensed	1,952	1,624
Borrowing costs were capitalised to maturing inventory.		

6 SEGMENT REPORTING

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets.

The consolidated entity's business segments operate geographically as follows:

- | | |
|---------------|--|
| Australasia | <ul style="list-style-type: none"> ▪ Vineyards in the Barossa and Clare Valleys of South Australia ▪ Winemaking and storage facilities in the Barossa Valley, South Australia ▪ Brand management representation in the capital cities of Queensland, New South Wales, Victoria and South Australia ▪ Customers in Australia and New Zealand with selling performed by distributors |
| Europe | <ul style="list-style-type: none"> ▪ Distribution company located in Kent, UK to service the UK and Irish markets ▪ Sales and brand management representation in Continental Europe ▪ Distributors sell wines to customers in Switzerland, Germany, Austria, Scandinavia and other European countries |
| North America | <ul style="list-style-type: none"> ▪ Distributors and agents sell wine to customers in the USA and Canada. |
| Other | <ul style="list-style-type: none"> ▪ Distributors sell wines to customers in Asia and the Pacific |

	Australasia		Europe		North America		Other		Consolidated	
	2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
Segment Revenue	25,231	25,102	22,241	20,437	7,485	5,818	840	941	55,797	52,298
Segment Result	6,848	5,776	4,234	3,847	2,300	2,167	389	441	13,771	12,231
Unallocated corporate expenses									4,658	6,621
Profit from ordinary activities									9,113	5,610
Income tax expense									2,679	1,780
Profit from ordinary activities after tax									6,434	3,830
Depreciation	1,818	1,697	21	12					1,839	1,709
Non Cash net expenses other than depreciation	265	280							265	280
Segment Assets	100,370	96,309	6,168	5,317					106,538	101,626
Segment Liabilities	11,528	12,864	3,513	2,981					15,041	15,845
Unallocated liabilities									35,700	34,200
Total liabilities									50,741	50,045
Acquisition of Non-current assets	2,881	2,283	44	1					2,925	2,284

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income earning assets and revenue, interest bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

The Australasia segment sells wine to the Europe segment and the intersegment revenue of \$9,901,000 (2004: \$9,301,000) has been eliminated in the reported Segment Revenue.

		CONSOLIDATED	
		2005	2004
		\$'000	\$'000
7	RETAINED PROFITS		
	Retained profits at beginning of year	20,858	19,080
	Net profit attributable to members of the parent entity	6,434	3,830
	Dividends	<u>(2,088)</u>	<u>(2,052)</u>
	Retained profits at the end of the year	<u>25,204</u>	<u>20,858</u>

8 DIVIDENDS

Dividends recognised by the Company are:

	Cents per share	Total amount \$'000	Franked	Date of payment
2004				
Final 2004 ordinary	5.5	2,088	franked	8 November 2004

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

Subsequent events

Since the end of the financial year, the directors declared the following dividends

Final – ordinary	9.3	3,539	franked	8 November 2005
------------------	-----	-------	---------	-----------------

The financial effect of these dividends have not been brought to account in the financial statements for the year ended 30 June 2005 and will be recognised in subsequent financial reports.

		CONSOLIDATED	
		2005	2004
		\$'000	\$'000
9	TOTAL EQUITY RECONCILIATION		
	Total equity at beginning	51,581	48,450
	Total changes in parent entity interest in equity recognised in statement of financial performance	6,304	3,913
	Transactions with owners as owners		
	Contributions of equity	-	1,270
	Dividends	<u>(2,088)</u>	<u>(2,052)</u>
	Total equity at end of year	<u>55,797</u>	<u>51,581</u>

10 CONTINGENT LIABILITIES

The details and estimated maximum amounts of contingent liabilities that may become payable are set out below. The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Environmental

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

The directors are not aware of any current breaches of legislation which are material in nature and have no reason to believe that any possible legal or remedial action required would result in a material cost or loss to the consolidated entity.

Deed of cross guarantee

Peter Lehmann Wines Limited, Peter Lehmann Wines (Europe) Ltd and Austral Wines Pty Ltd are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the others. Lehmann Wines Pty Ltd has been formed and acts as trustee to represent the interests of the creditors of the closed group. The Deed of Cross Guarantee was approved by the Australian Securities and Investments Commission on 18 June 1999. By entering into the deed, the wholly-owned entity incorporated in Australia has been relieved from the requirements to prepare a financial report and directors' report under Class Order 98/1418.

Indemnities

Indemnities have been provided to directors, (current, former and alternate) and an executive officer of the Company and directors of subsidiary companies in respect of liabilities to third parties arising from their positions, except where the liability arises out of conduct involving a lack of good faith. No monetary limit applies to these agreements and there are no known obligations outstanding at 30 June 2005.

11 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian Accounting Standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ended 30 June 2005.

Transition Management

An implementation project has been established to assess the impact of the transition to Australian International Financial Reporting Standards (AIFRS) and to achieve compliance with AIFRS reporting for the financial year commencing 1 July 2005.

The project is monitored by the audit committee. The consolidated entity is expected to be in a position to fully comply with the requirements of AIFRS for the 30 June 2006 financial year.

Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS. This will form the basis of accounting for AIFRS in the future.

There is a significant amount of judgement involved in the preparation of disclosures from current Australian GAAP to AIFRS and the actual effects of transition may differ due to:

- potential implications in financial reporting requirements that are relevant to the Company's and consolidated entity's first complete AIFRS financial report resulting from new or revised accounting standards or interpretations issued by the Australian Accounting Standards Board subsequent to the preparation of the 30 June 2005 financial report
- additional guidance on the application of AIFRS in a particular industry or to a particular transaction
- changes to the Company's and consolidated entity's operations.

Expected Changes

The significant changes in accounting policies expected to be adopted in preparing the AIFRS reconciliations and the elections to be made under *ASSB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards* are set out below.

(a) **Reclassifications**

Based on preliminary work, adjustments are unlikely to be material.

(b) **Property, plant and equipment**

Property, plant and equipment is measured at cost under AIFRS and it is expected that the consolidated entity will continue to adopt these values.

(c) **Leased assets**

At the date of transition to AIFRS leases will be classified as operating leases or finance leases on the basis of circumstance existing at inception of the lease. Based on preliminary work leases are considered to be operating leases and adjustments are unlikely to be material for the consolidated entity or the Company.

(d) **Impairment**

Under AIFRS, the carrying amount of the consolidated entity's non-current assets, excluding, deferred tax assets, will be reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset will be tested for impairment by comparing its recoverable amount to its carrying amount.

If there is any indication that an asset is impaired (or for those tested annually), the recoverable amount will be estimated for the individual asset. If it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount of the cash generating unit to which the asset belongs will be determined.

A cash generating unit will be the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or group of assets, each cash-generating unit must be no larger than a segment.

Under current Australian GAAP, the recoverable amount of non-current assets are as assessed at an entity level using undiscounted cash flows.

Under AIFRS the recoverable amount of the consolidated entity's non-current assets will be the greater of the fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows will be discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the risks specific to the asset or cash generating unit. Preliminary work indicates that it will be unlikely material adjustments will be required for the consolidated entity or the Company.

An impairment loss will be recognised whenever the carrying amount of an asset, or its cash generating unit exceeds its recoverable amount.

Under the current Australian GAAP the Company has created a bad debt provision raised on the age of outstanding receivables. The impact of the change in the basis of impairment testing for trade receivables has still to be evaluated.

(e) Taxation

On transition to AIFRS the balance sheet method of tax effect accounting will be adopted, rather than the liability method applied currently under Australian GAAP.

Under the balance sheet approach, income tax on the profit and loss for the year comprises current and deferred taxes. Income tax will be recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it will be recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided will be based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantially enacted at reporting date.

A deferred tax asset will be recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets will be reduced to the extent it is no longer probable that the related tax benefit will be realised.

The expected impact on the consolidated entity at 1 July 2004, of the change in basis and the transition adjustments on the deferred tax balances and the previously reported tax expense has not been finalised. Accordingly the adjustments which may be material have not been estimated at this stage.

Under the tax consolidation regime in the AIFRS framework the wholly owned subsidiaries in a tax consolidated group will be required to recognise their own tax balances directly. The impact, if any, of this change has not been quantified at this stage.

(f) Foreign Currency

Under Australian GAAP, the assets and liabilities of the self-sustaining foreign operations are translated at the rates of exchange ruling at reporting date. Equity items are translated at historical rates. The statements of financial performance are translated at a weighted average rate for the year. Exchange differences arising on translation are recognised directly in the foreign currency translation reserve.

Under AIFRS each entity in the consolidated entity determines its functional currency, the currency of the primary economic environment in which the entity operates reflecting the underlying transactions, events and conditions that are relevant to the entity. The entity maintains its books and records in its functional currency. The assets and liabilities of the foreign operation are translated from the entity's functional currency to the consolidated entity's presentation currency of Australian dollars at foreign exchange rates ruling at reporting date. The revenues and expenses of the foreign operation are translated to Australian dollars at the exchange rates approximating the exchange rates ruling at the date of the transactions. Foreign exchange differences arising on translation are recognised directly in a separate component of equity.

There are no expected changes in functional currency for the Company or its foreign operation. The AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards* election to reset the existing foreign currency translation reserve balance to nil is not expected to be adopted. Foreign currency translation differences that have risen prior to the date of transition are expected to continue to be presented as a separate component of equity.

(g) Borrowing costs

Current Australian GAAP requires borrowing costs relating to qualifying assets to be capitalised as part of the cost of the asset.

Under AIFRS borrowing costs may either be recognised as an expense in the period in which they are incurred, or where they are directly attributable to the acquisition, construction or production of a qualifying asset they may be capitalised as part of the cost of the asset.

Under Australian GAAP Peter Lehmann Wines Limited capitalises borrowing costs to the production of maturing inventory.

(h) Earnings per share

Under AIFRS basic and diluted earnings per share are calculated using the profit or loss from continuing operations attributable to the ordinary equity holders of the Company. As the impact of the adoption of AIFRS has not been finalised no estimate has been made for the AIFRS adjusted results. Accordingly no estimate for the earnings per share for the financial year ended 30 June 2005 calculated under AIFRS has been made.

(i) Financial instruments

Peter Lehmann Wines Limited expects to take advantage of the election in AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards* to not restate comparatives for AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*.

The expected impact on the consolidated entity at 1 July 2004, of the change in basis and the transition adjustments on the financial instruments has not been finalised. Accordingly the adjustments, if any, have not been estimated at this stage.

12 EVENTS SUBSEQUENT TO REPORTING DATE

Dividends

For dividends declared after 30 June 2005 see Note 8.

International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005 the consolidated entity must comply with Australian equivalents to International Financing Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board. The implementation plan and potential impact of adopting AIFRS are detailed in Note 11 to the financial statements.

DIRECTORS' DECLARATION

In the opinion of the directors of Peter Lehmann Wines Limited, the accompanying concise financial report of the consolidated entity, comprising Peter Lehmann wines and its controlled entities for the year ended 30 June 2005, set out on pages 21 to 35:

- a) has been derived from or is consistent with the full financial report for the financial year; and
- b) complies with Australian Accounting Standard AASB 1039 "Concise Financial Reports".

Dated at Tanunda this 16th day of September 2005

Signed in accordance with a resolution of the Directors:

P A Young (Deputy Chairman)

D McC Lehmann (Managing Director)

Independent Audit Report on Concise Financial Report to the members of Peter Lehmann Wines Limited

Scope

We have audited the financial report of Peter Lehmann Wines Limited ("the Company") and its controlled entities for the financial year ended 30 June 2005, consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes 1 to 12, and the accompanying discussion and analysis on the statement of financial performance, statement of financial position and statement of cash flows, in order to express an opinion on it to the members of the Company. The Company's directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of Peter Lehmann Wines Limited and its controlled entities for the year ended 30 June 2005. Our audit report on the full financial report was signed on 16th day of September, 2005, and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039 "Concise Financial Reports".

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the concise financial report of Peter Lehmann Wines Limited and its controlled entities for the year ended 30 June 2005 complies with Australian Accounting Standard AASB 1039 "Concise Financial Reports".

KPMG

G DRABSCH
Partner
Adelaide
16 September 2005

SHAREHOLDER INFORMATION

20 LARGEST HOLDERS AT 2 SEPTEMBER 2005

	No	% of Total Shares
Hess Group Australia Pty Ltd	32,527,594	85.67
Peter Leon Lehmann	3,928,278	10.35
Joan Isabel Hopkins	132,400	0.35
Margaret Elizabeth Lehmann	100,000	0.26
Brian Francis Charles Kearns	55,066	0.15
Philip Edward Lehmann	50,000	0.13
Tevrama Pty Ltd	40,000	0.11
Logela Pty Ltd	35,000	0.09
Barry Collingham & Marlene Joy Moore	21,415	0.06
Chummy Nominees Pty Limited	20,000	0.05
Robert John Coleman	20,000	0.05
Roger Maxwell Wilson	19,622	0.05
Thomas & Elsie Mavis 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 2 SEPTEMBER 2005

Range	Holders	Shares	%
1 – 1,000	239	119,181	0.31
1,001 – 5,000	152	403,239	1.06
5,001 – 10,000	48	339,827	0.90
10,001 – 100,000	21	518,414	1.37
100,001 – OVER	3	36,588,272	96.36
	463	37,968,933	100.00

SUBSTANTIAL SHAREHOLDERS

- Hess Group Australia Pty Ltd holds 85.67% of the issued capital
- Peter Lehmann holds 10.35% of the issued capital

Annual General Meeting (AGM)

The AGM will be held at the Peter Lehmann Winery, Tanunda, South Australia on Friday 28 October 2005 at 12 noon.

Dividends

The final dividend of 9.3 cents per share is payable on 8 November 2005. 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

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 outcome of the vintage
- Annual Report and Notice of AGM
- Outcome of the AGM.

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

PLW maintains a mailing list for shareholders and friends who are interested in receiving news of the winery. Wine offers are also included. To join the mailing list please contact the PLW Cellar Door staff –
PO Box 315
Tanunda SA 5352
Telephone: +61 8 8563 2100
Facsimile: +61 8 8563 3920
Email: cellar.door@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
Telephone: 1300 556 161 (within Australia)
Telephone: +61 3 9415 4000 (outside Australia)
Facsimile: +61 8236 2305
Website: www.computershare.com



WINES

Ambassador Range:

Stonewell Shiraz
Eight Songs Shiraz
Mentor
The Futures Shiraz
Reserve Riesling
Reserve Semillon

Barossa Range:

Semillon
Semillon Sauvignon Blanc
Semillon Chardonnay
Chardonnay
Riesling
Eden Valley Riesling
Chenin Blanc
Noble Semillon
Rosé
GSM
Shiraz Grenache
Shiraz
Cabernet Sauvignon
Merlot
The Mudflat Shiraz

Clancy's Red:

Cellar Reserve Range:

Black Queen Sparkling Shiraz
Pinot Noir Chardonnay Cuvée
Late Harvest Frontignac
Pinot Noir
Cabernet Franc
Light Pass Cabernet Sauvignon
1885 Shiraz
Eden Valley Shiraz
The King AD 2008
Old Tawny
Liqueur Muscat
Fino Sherry

International Selection:

Barossa Grenache

Weighbridge Chardonnay
Weighbridge Shiraz
Weighbridge Cabernet Merlot

Wildcard Chardonnay
Wildcard Shiraz
Wildcard Cabernet Merlot

CONTACTS FOR WINE DISTRIBUTION

AUSTRALIA

Peter Lehmann Wines Cellar Door
Off Para Road
TANUNDA, SOUTH AUSTRALIA 5352
PO Box 315
Telephone: +61 8 85 632100
Facsimile: +61 8 85 633920
Email: cellar.door@peterlehmannwines.com

AUSTRALIAN DISTRIBUTION

Samuel Smith & Son Pty Ltd
PO Box 10
ANGASTON SOUTH AUSTRALIA 5353
Telephone: +61 8 85 613301
Facsimile: +61 8 85 613411
Email: info@yalumba.com

EUROPEAN DISTRIBUTION

Hess Group Wine Distribution
Hess AG
Steinhoelzli
CH 3097 Liebefeld-Bern
SWITZERLAND
Telephone: +41 31 9703131
Facsimile: +41 31 9703232
Email: welcome@hess-group.ch

UK & IRELAND DISTRIBUTION

Peter Lehmann Wines (Europe) Ltd
Godmersham Park
Godmersham
Nr Canterbury
KENT CT4 7DT
UNITED KINGDOM
Telephone: +44 1227 731353
Facsimile: +44 1227 738538
Email: plwuk@peterlehmannwines.com

USA DISTRIBUTION

The Hess Collection Winery
PO Box 4140
NAPA CA 94558
UNITED STATES OF AMERICA
Telephone: +1 707 2551144
Facsimile: +1 707 2531682
Email: info@hesscollection.com

CANADIAN DISTRIBUTION

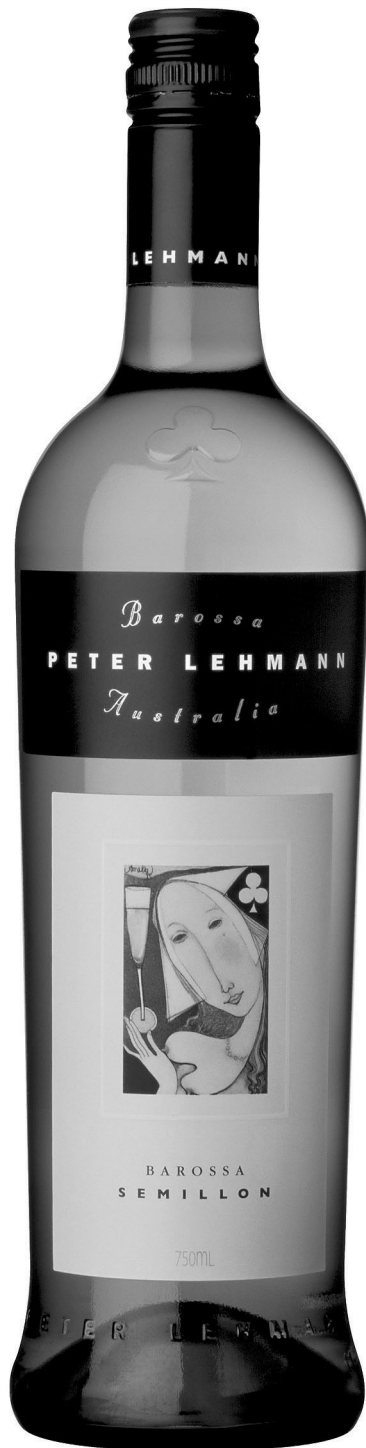
C/- Peter Lehmann Wines

ASIA PACIFIC DISTRIBUTION

C/- Peter Lehmann Wines

NEW ZEALAND DISTRIBUTION

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



www.peterlehmannwines.com