

PETER LEHMANN WINES LIMITED

2008 ANNUAL REPORT

Peter
LEHMANN
of the Barossa

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

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MANAGING DIRECTOR'S REPORT

Company Overview

We had a good twelve months with Peter Lehmann Wines (PLW) recording total revenue of \$62M (2007: \$63.4M) and an after tax profit of \$9.6M (2007: \$5.9M) for the year ended 30 June 2008.

The directors have declared a fully franked dividend of 13.9 cents per share (2007: 8.6 cents) to be paid on 7 November 2008.

The result has been particularly pleasing as we have been steadily building momentum since the major expansion of the winery facility in 2002/03 and the Hess Group takeover in 2003/04. We are indebted to Swiss based Chairman Dr Max Lienhard who has been instrumental in ensuring the successful inclusion of PLW into the Hess Group of wine companies. The underlying philosophies are similar with the different company cultures complementing each other. Dr Max Lienhard will be retiring from the PLW board at the annual general meeting and we thank him for his support, wisdom and good humour.

Trading

Over the last year trading conditions in the domestic market remained as competitive as ever. Despite predictions that the much smaller 2007 vintage would reduce the oversupply imbalance, this was not significantly reflected in the market. While companies were able to effect small price increases, the reality was that there were still abundant supplies of wine available, a problem that has been further exacerbated by the larger than estimated 2008 vintage. PLW sales volumes were in line with that for the previous year, with revenue up 4%. These difficult trading conditions are expected to continue over the next few years.

PLW total export sales of branded wine were strong with volume increasing by 11% over that of the previous year. Global market conditions also remain very competitive and year on year the cost of doing business continues to increase.

The United Kingdom continues to be our largest export destination. Twelve months ago PLW entered into a joint venture with Enotria Winecellars Limited, a large London based wholesaler and distributor and I am happy to report that this arrangement has started soundly, with sales volume mirroring that of the previous year. The joint venture has

significantly reduced distribution and administrative costs which were previously incurred by Peter Lehmann Wines (UK) Ltd, the company's subsidiary distribution company. The reduced business costs have seen a positive contribution from the joint venture in its first year of operation.

Continental Europe recorded strong growth with sales volume increasing by 12% over that of the previous year and sales revenue by 10%. The majority of the EU countries performed well, with Sweden, Switzerland, Finland, Norway and Iceland, being the significant performing markets with double digit growth. Continued growth is expected from the markets in the EU region over the next twelve months.

A robust performance for the year was recorded in the US market, with shipments increasing by 45% over that of the previous year and revenue lifting by 26%. Although revenue was dampened by the stronger Australian dollar which reduced margins, the impact is cushioned by the positioning of our wines in the premium and upper premium segments. The Hess Collection Winery, PLW's importer, has made significant inroads with the Peter Lehmann brand since it commenced representing the company in 2004. Further strong gains are expected over the next financial year.

PLW recorded sound growth in the Canadian market with revenue and sales volume up 7% and 6% respectively over that for the previous year. The brand is now well established in the west coast markets and we are in the process of building distribution in the very important Ontario market and a number of eastern provinces. This will give PLW extensive representation across the whole Canadian market leading to increased growth over the next year and beyond.

Sales to Asia, the Middle East and a number of other small markets recorded strong growth with volume increasing by 52% and revenue by 42% over the previous year's results. Despite being still relatively small markets, they are growing at a very acceptable rate and collectively, they are starting to grow into significant volumes. Further sales increases are expected in these markets over the next number of years.

We continually monitor our stock holdings and align these with bottled wine sales and sales forecasts. Wine surplus to our requirements is sold on the bulk wine spot market. This year's revenue from bulk wines was again a significant contributor with sales of \$5.2M, up 2% on the previous year's sales.

Wine Quality

The company had another very successful year, performing strongly in national and international wine shows. In total PLW was awarded 16 trophies, 43 gold medals, 44 silver and 104 bronze medals, which is strong testimony to the strength of the Barossa as an outstanding viticulture district and PLW's uncompromising pursuit of quality. I would like to say special thanks to the company's loyal independent grape growers, the winery staff and the wine making team headed by Chief Winemaker Andrew Wigan for these consistent, outstanding achievements.

2008 Vintage

The 2008 vintage commenced on January 30 and this was the earliest start date on record for PLW. The grapes ripened quite quickly, compressing the vintage. This put considerable pressure on grape picking as well as the winemaking side.

The cropping level was up to estimate and can be described as a good average crop, particularly in view of the water restrictions. Apart from a burst of hot weather in early February, the month saw stable weather conditions, resulting in even ripeness. A large proportion of our fruit came in during this period and the resulting wines look very good.

Then in March we had a record stretch of 15 days where the maximum temperature did not drop below 35 degrees Celsius. This caused elevated sugar levels and some breakdown in fruit condition among the later ripening varieties. However in the scheme of the total PLW vintage this was relatively minor.

Vintage was effectively over by 20 March and was completed on 13 May when we crushed the late harvest Botrytis Semillon. The total crush was 18,141 tonnes (2007: 11,655 tonnes) and 14,150 tonnes (2007: 8,021 tonnes) was for our own use. This was the third largest crush processed by PLW. Overall the whites show delicacy and good fruit flavours. Shiraz in particular and most of the other red varieties look strong, with excellent depth of colour and pronounced varietal fruit flavours. We are confident at PLW that the

2008 vintage is a year of above average quality across most styles and will be one for lovers of good wine to anticipate.

Wine Industry

Australia came into the 2008 vintage with a better balanced supply situation as the low volume 2007 national harvest of 1.4M tonnes saw a reduction in overall stock levels which had built up following the huge vintages of 2004, 2005 and 2006.

The consensus prediction that the 2008 harvest would be about the 2007 level was wrong, with approximately 1.8M tonnes being processed nationally and making it the third largest intake on record.

In 2007/08, the volume of Australian wine exports declined 12% to 702M litres and value fell 11% to \$2.66B. Volume declined for the first time since 1994/95 and value fell for the first time in the 14 year history recorded by the Australian Wine & Brandy Corporation. Lower bulk wine sales were the major contributor to the fall.

So the industry is still erring to oversupply from the combination of the large 2008 vintage and lower shipments. It would be fairly safe to assume that industry stock levels are now quite high again.

It is extremely difficult to predict what volume the 2009 vintage will deliver as much of Australia remains in drought conditions. The Murray Darling Basin situation looks extremely bleak and to put it quite simply water allocations to irrigators will not be increased if it does not rain. This will see large reductions in tonnages produced in the bulk wine grape producing areas. Many of the cooler climate districts have had good winter rains, but it is still too early to make any accurate predictions. Another large vintage nationally in 2009 would create more difficulty to an already oversupplied industry and more than likely see a significant reduction in grape prices.

PLW is estimating a 2009 intake of around 12,500 tonnes, which is reliant on the Barossa receiving favourable weather conditions throughout the growing period.

Climatic conditions and the use of resources are of real concern to PLW. We are working with our growers, suppliers and the transport sector to play our part in encouraging sustainable agriculture practices, reducing the

winery's carbon footprint and ensuring scarce resources are used effectively.

Outlook

The industry faces many challenges, perhaps more so than it ever has in the past as we are confronted by water scarcity, high oil prices, exchange rate volatility, turmoil in the credit markets and a slowing global economy. We have little influence or control over how these factors will impact on PLW.

However, the company has recorded its strongest performance ever over the past twelve months and I believe is well placed both nationally and internationally to help it ride through these difficulties over the next twelve months and beyond.

I would like to take this opportunity to thank the PLW growers, my fellow directors and in particular all of the Company's staff for their commitment, dedication, hard work and support which has been instrumental in achieving the 2007/08 year's outstanding result.



DOUG LEHMANN

DIRECTORS' REPORT

The directors present their report together with the financial report of Peter Lehmann Wines Limited (the Company) and of the Group, being the Company and its subsidiaries for the financial year ended 30 June 2008 and the auditor's report thereon.

Directors

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

Name, Qualifications & Special Responsibilities	Age	Experience and other directorships
Max LIENHARD PhD (Economics) Non-Executive Director Member of the Audit and Remuneration Committees	64	Dr Max Lienhard is Chairman & CEO of Hess Group AG. Prior to joining Hess he held positions in international marketing in the pharmaceuticals and food industries. Appointed Chairman and Director on 31 October 2003.
Paul Antony YOUNG MA (Cantab) ACA CF (ICAEW) FAICD Non-Executive Director Chairman of the Audit Committee Member of the Remuneration Committee	53	Paul Young is a director of Baron Partners Limited and has 24 years experience in corporate advisory work. Chairman of Tidewater Investments Limited and director of Thomas & Coffey Limited, Ambition Group Limited and Sapex Limited. Appointed as an Alternate Director for the Chairman on 31 October 2003. Appointed Deputy Chairman and Director 11 December 2003.
Roger Maxwell WILSON, LLB Non-Executive Director Chairman of the Remuneration Committee and Member of the Audit Committee	67	Roger Wilson has 46 years experience as a practicing solicitor specialising in commercial law. He is Chairman of Sapex Limited. Appointed as a Director in March 1993 and designated as Peter Lehmann's representative in November 2002.
Kay Elaine CAREY, BCom Non-Executive Director Member of the Audit and Remuneration Committees	54	Kay Carey gained significant brand development and marketing skills internationally whilst employed by a multi-national consumer product company. Product portfolios included health and well being products and food, flavours and fragrances. Director of Australian Pork Limited. Appointed to the board in December 2004.
Robert Victor EDWARDS, BCom Non-Executive Director Member of the Audit and Remuneration Committees	62	Robert Edwards has considerable wine industry marketing and selling experience and joined as Marketing Manager in 1995. He was appointed as an executive director in August 1999 and following retirement continues as a non-executive director.
Douglas McCaig LEHMANN, FAICD Executive Director	56	Douglas Lehmann's formative experience in the wine industry was as a winemaker. Over the last 36 years he has developed skills in wine production, marketing and distribution as well as general management. Managing Director since March 1993.
Andrew Douglas WIGAN, BSc (App Chem) Dip Oen Alternate Director	59	Chief Winemaker and leads the team of winemakers and technical staff. Appointed alternate for Robert Edwards in August 1999.
Company Secretary Barbara Kay CLAPTON, BEd Grad Dip Acc FCA, FCIS	54	Chief Financial Officer & Company Secretary and leads the finance and administration team. Appointed Company Secretary 5 March 1993.

Corporate governance statement

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

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

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

Board of directors & its committees

Role of the board

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

Responsibilities of the board

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

Matters considered by the board

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

Specific matters reserved for the board -

- Review and approval of the business strategies and governance developed by management
- Approval of financial and other reporting
- Review and approval of the operating budget and capital expenditure projects
- Monitoring the financial performance and capital management of the business
- Reviewing the risk management system and ensuring the integrity of internal controls and management information systems including adherence to the codes of conduct and legal compliance program

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

Composition of the board

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

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

The board presently comprises five non-executive directors, one of whom is the chairman, and one executive director. Four of the five non-executive directors are not considered to be independent as one is 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, the third acted as a professional advisor to the Company's parent company during the year ended 30 June 2004 and the fourth was employed as an executive director within the last three years.

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

The composition of the board is reviewed regularly to ensure it meets its responsibilities. The board has determined that a broad portfolio of skills and experience are required to complement the specific wine industry experience of the executive 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. The range of expertise covers both national and international markets.

Process

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

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. A copy of the advice received by the director is made available to all other members of the board. The deputy chairman has the discretion to approve expenditure without prior reference to the board or to refer the request to the board.

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

Conflict of interest

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

Audit committee

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

The objectives of the committee include:

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

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

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

The audit committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year to discuss the external audit, identify any significant changes which are likely to impact on the financial statements and review the fees proposed for the audit work to be performed. The audit committee provides advice to the board in respect of whether the provision of non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001. The external audit firm was appointed in 1993 and the audit engagement partner was last rotated in 2004. Each reporting period the external auditor provides an independence declaration in relation to the audit or review.

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

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

effective lifecycle management of packaging and paper products, and the hazard analysis critical control point methodology as applied to the wine industry.

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

Remuneration committee

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

The committee reviews and makes recommendations to the board on the remuneration packages of directors and senior executives. It is also responsible for incentive performance policies, superannuation entitlements, retirement and termination entitlements and fringe benefits policies.

The non-executive directors form the committee with the managing director invited to attend at the discretion of the committee. The remuneration committee meets once a year and as required.

Ethical standards

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

Risk management

Oversight of the risk management system

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

The managing director and the chief financial officer have declared, in writing to the board, that the financial reporting, risk management and associated compliance and controls have

been assessed to be operating effectively and efficiently. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Group and joint ventures.

Risk profile

PLW has a simple business model with these features:-

- sourcing of grapes from 169 independent growers who bear the agricultural risks
- a single processing site
- stable workforce
- packaging work outsourced
- wine is sold through independent distributors in Australian and overseas markets except for the UK and USA
- distribution in the UK is through a joint venture
- wine is sold to a commonly controlled company in the USA
- retail sales through the Cellar Door
- operates in a market subject to rapid changes in consumer preferences
- potential government policy changes regarding the taxing and regulation of the alcohol industry

Major business risks include

- *Grape intake* – 85% of the 2008 grape intake was from contracted growers. Severe restrictions on water allocations have the potential to constrain crop levels.
- *Occupational health and safety* - Occupational health and safety standards and management systems are monitored and reviewed by the board to assess performance and compliance with regulations. The Company has not had any health and safety prosecutions.
- *Environmental impact* - The Company's operation has the potential to impose environmental risks through chemical storage and handling and winery wastewater. An onsite treatment plant has been constructed to process the wastewater. The Company reports its emissions to the National Pollutants Index and is a member of the National Packaging Covenant which seeks to reduce packaging materials entering the waste stream.
- *Wine Quality* - Winemakers, laboratory, cellar and maintenance staff are trained to ensure PLW complies with the highest production standards. The

hazard analysis critical control point program (HACCP program) has been implemented to ensure PLW addresses food safety issues. The contract bottler is HACCP and ISO 9001 accredited.

- *Channels to market* – PLW has developed a network of quality distributors and works closely with them to promote wines with a range of buyers including wholesalers, retailers, mail order businesses, duty free operators and the restaurant trade.
- *Exchange rate movements* - PLW transacts export sales in Australian dollars, Euros, US dollars and Canadian dollars and has developed a treasury management policy to ensure personnel do not engage in unauthorised trading positions.
- *Interest rate movements* - Interest rate risk emanates from changes in market interest rates impacting on the Company's short and long term debt. This exposure is managed by combining interest rate swaps with floating rate arrangements.

Risk management and compliance and control

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

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

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

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

Financial controls and procedures are clearly defined with the operating and capital budgets used as key controls for business operations. Management regularly report monthly actual

results against budgets approved by the board. Rolling forecasts for the year are regularly prepared in line with market conditions and expectations.

Assessment of the effectiveness of risk management

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

Communication with shareholders

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

- The half yearly report contains summarised financial information about the operations of the Group during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investments Commission and sent to any shareholder who requests it. A summary of the half-year result is sent to all shareholders in February each year.
- The vintage outcome is communicated in May each year.
- PLW prepares an annual report which contains the full financial statements and it is available in the latter part of September each year.
- The annual report and other relevant information about the operations of the

Group during the financial year, changes in the state of affairs and details of future developments are made available on the Company's website.

- The annual report is lodged with the Australian Securities and Investments Commission and sent to any shareholder who requests a copy.
- The Managing Director's address to the AGM and outcome of the AGM are sent to all shareholders in November each year.
- Shareholders, who elect to do so, receive promotional information in the form of newsletters which are usually circulated twice a year.
- Shareholders may also join the electronic mailing list and receive notices of the winery's activities and promotional information.
- All announcements to the market, financial statements and other relevant reports are made available on the Company's website within a day of public release.

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

Directors' meetings

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

	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
M Lienhard	2	2	-	-	-	-
P A Young	6	7	2	2	2	2
D McC Lehmann	7	7	-	-	-	-
R M Wilson	7	7	2	2	2	2
R V Edwards	5	7	-	-	2	2
K E Carey	7	7	2	2	2	2

A – Number of meetings attended

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

Principal activities

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

The Company entered into a joint venture arrangement with London based Enotria Winecellars Ltd for the promotion and distribution of its wine in the UK. This arrangement commenced on 1 July 2007.

Specific information relating to employment and occupational health and safety management, environment management, 10 year financial history, capital investment cycle and the review of operations and financial conditions for year ended 30 June 2008 are on the Company's website.

Shareholder returns

	2008	2007	2006	2005	2004
Net profit for the year	\$9,604,000	\$5,975,000	\$5,748,000	\$6,434,000	\$3,830,000
Basic EPS	25.3 cents	15.7 cents	15.1 cents	16.9 cents	10.1 cents
Dividends paid/payable	\$5,282,000	\$3,265,000	\$3,151,000	\$3,531,000	\$2,088,000
Dividends per share	13.9 cents	8.6 cents	8.3 cents	9.3 cents	5.5 cents
Return on capital employed	14%	10%	10%	12%	7%

Net profit amounts and earnings per share (EPS) for years 2004 and 2005 were calculated in accordance with previous Australian GAAP. Net profit amounts for 2006 to 2008 have been calculated in accordance with Australian Accounting Standards (AASBs).

Returns to shareholders increase through both dividends and capital growth. Dividends for 2008 were fully franked and it is expected that dividends in future years will continue to be fully franked.

Dividends

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

	Cents per share	Total amount \$000	Franked/ Unfranked	Date of payment
<i>Paid and declared during the year 2008</i>				
- Final 2007 ordinary	8.6 cents	3,265	franked	8 Nov 2007
Franked dividends declared as paid during the year were franked at the rate of 30 per cent.				
<i>Declared after end of year</i>				
- Final 2008 ordinary	13.9 cents	5,282	franked	7 Nov 2008

After the balance sheet date the 2008 dividend was proposed by the directors. The dividends have not been provided and there are no income tax consequences.

The financial effect of the 2008 dividend has not been brought to account in the financial statements for the year ended 30 June 2008 and will be recognised in subsequent financial reports.

Review of operations

Wine Industry

The global wine oversupply continued to affect local producers who, as well as facing strong competition from other wine producing countries, have been combating a strengthening Australian dollar. Australia came into the 2008 vintage with a better balanced supply situation as the low volume 2007 national harvest of 1.4M tonnes saw a reduction in overall stock levels which had built up following the huge vintages of 2004, 2005 and 2006.

The consensus prediction that the 2008 harvest would be about the 2007 level was wrong, with approximately 1.8M tonnes being processed nationally and making it the third largest intake on record.

In 2007/08, the volume of Australian wine exports declined 12% to 702M litres and value fell 11% to \$2.66B. Volume declined for the first time since 1994/95 and value fell for the first time in the 14 year history recorded by the Australian Wine & Brandy Corporation. Lower bulk wine sales were the major contributor to the fall. So the industry is still erring to oversupply from the combination of the large 2008 vintage and lower shipments.

Company overview

The Company continues to be heavily export orientated and this year the volume shipped overseas represented 74% (2007: 74%) of branded product sales. During the year the Australian dollar strengthened against the currencies of our trading partners and this increased pressure on margins, particularly in the USA.

Trading

Difficult trading conditions persisted throughout the year with total branded domestic sales down 1% in volume compared with the previous year. Domestic branded revenue was up 4% and reflects improved product mix.

Total export sales volumes of branded wine increased by 11% over that of the previous year. Export revenue declined by 7% as the market inroads were offset by the change in the accounting treatment of sales through the joint venture for the UK market.

The joint venture with Enotria Winecellars Ltd arrangement is a profit sharing one and does not involve an investment in a joint venture entity. The interest of the Group is brought to account by recognising its share of the joint venture profit as other revenue in its financial statements.

PLW continually monitors stock holdings and aligns these with bottled wine sales and forecasts. Wine identified as being surplus to requirements is sold on the spot market. This year revenue from bulk wines was a significant contributor with PLW recording sales of \$5.2M (2007: \$5.1M).

Production

PLW crushed 14,150 tonnes for our own use (2007: 8,021) and 3,991 tonnes under contract (2007: 3,634). PLW's total crush of 18,141 tonnes is an increase of 55% on the previous year's crush of 11,655 tonnes.

Equity

There has been no change to the capital structure of the Company during the year and it remains an unlisted public company with 449 shareholders. Swiss based Hess Group AG and founder Peter Lehmann hold 85.67% and 10.37% of the issued shares respectively.

Strategy and future performance

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

Likely developments

The Group will continue to pursue its strategy of increasing the profitability and market share of its major business sectors during the next financial year. Further information about likely developments in the operations of the Group

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

Environmental regulation & management

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

Events subsequent to reporting date

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

Remuneration report - audited

Remuneration policies

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

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

The remuneration structures took into account:

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

Fixed remuneration

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

Performance linked remuneration

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

Short term incentive bonus

Each year the remuneration committee considers the key performance indicators (KPIs) for certain sales personnel. The KPIs generally include the financial performance measures relating to the relevant market and individual. The financial performance objectives are 'market contributions' compared to budgeted amounts. A bonus is not awarded where the performance falls below the KPIs.

At the end of the financial year the remuneration committee assessed the actual financial performance of the Group and compared the 'profit after tax' against budget. The 'profit after tax' result for the 2007/08 year was exceptional and in recognition of the achievement the Managing Director recommended bonus payments to the Company's workforce. On 31 July 2008 the remuneration committee approved the

recommendation for the bonus and on-costs payment of \$288,000.

Other benefits

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

Service contracts

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

Non-executive directors

Total remuneration for all non-executive directors, last voted upon by shareholders at the 2001 AGM, is not to exceed \$300,000 per annum. In the 2007/08 year the directors' base fees totalled \$188,000. Directors' base fees were set at \$34,000 per annum with an additional \$5,000 per annum paid to directors who chair board committees. The Chairman's fees were set at \$70,000 per annum. Non-executive directors do not receive any performance related remuneration.

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

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

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

		Short-term				Post	Total	Proportion of remuneration performance related
		Salary & Fees	Cash Bonus	Increment in Annual & Long Service Leave Entitlements	Non-Monetary Benefits	Employment Super-annuation Contributions		
		\$	\$	\$	\$	\$		
Directors								
Non-executive								
Dr M Lienhard	2008	70,000	-	-	-	-	70,000	-
Chairman	2007	70,000	-	-	-	-	70,000	-
P A Young	2008	39,000	-	-	2,567	3,900	45,467	-
Deputy Chairman	2007	39,000	-	-	3,969	3,900	46,869	-
R M Wilson	2008	39,000	-	-	2,628	3,900	45,528	-
	2007	39,000	-	-	3,696	3,900	46,596	-
Kay Carey	2008	34,000	-	-	2,694	3,400	42,094	-
	2007	34,000	-	-	2,697	3,400	40,097	-
R V Edwards (appointed 1 May 2008)	2008	5,666	-	-	333	567	6,566	-
Executive								
D Mc Lehmann	2008	219,995	15,000	22,067	69,275	32,999	359,336	4.2%
Managing Director	2007	213,587	-	15,372	71,509	32,038	332,506	-
R V Edwards (retired 30 April 2008)	2008	84,605	-	-	42,315	12,691	139,611	-
Marketing Director	2007	203,089	-	2,045	49,927	30,463	285,524	-

Executives								
H T Astrom ⁽¹⁾	2008	246,900	57,500	25,245	83,819	24,690	438,154	13.1%
VP - EU & USA Brand Development	2007	224,885	57,500	46,001	78,822	22,416	429,624	13.3%
T M Brown	2008	115,268	8,000	9,533	27,727	11,527	172,055	4.6%
Operations Manager	2007	102,202	-	(404)	28,222	10,220	140,240	-
B K Clapton	2008	157,066	15,000	8,302	38,241	15,707	234,316	6.4%
CFO & Company Secretary	2007	149,587	-	(1,291)	37,212	14,959	200,467	-
P S Turale (appointed 21 Jan 2008)	2008	84,096	4,000	8,440	15,239	8,410	120,185	3.3%
Marketing Manager								
W I Whigham ⁽¹⁾	2008	220,944	-	28,698	18,562	22,094	290,298	-
Director of Sales – UK & Ireland	2007	251,217	-	-	21,105	25,122	297,444	-
A D Wigan	2008	184,888	15,000	11,653	34,209	18,489	264,239	5.7%
Chief Winemaker	2007	176,084	-	16,784	35,061	17,608	245,537	-
Total compensation: key management personnel	2008	1,501,428	114,500	113,938	339,600	158,373	2,227,848	5.1%
	2007	1,502,652	57,500	78,507	332,220	164,026	2,134,905	2.7%

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

Indemnification and insurance of officers

Indemnification

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

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

Insurance premiums

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

Non-audit services

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

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

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

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

<i>In thousands of AUD</i>	Consolidated	
	2008	2007
Audit services:		
Audit and review of the financial reports (KPMG Australia)	84	72
Audit of the financial reports (KPMG UK)	7	33
	91	105
Services other than statutory audits:		
Taxation compliance services (KPMG Australia)	19	19


Lead auditors independence declaration

The Lead auditor's independence declaration is set out on page 14 and forms part of the directors' report for the financial year ended 30 June 2008.

Rounding off

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

Signed in accordance with a resolution of the directors.



P A Young (Deputy Chairman)



D McC Lehmann (Managing Director)

Tanunda, South Australia
22 September 2008

CAPITAL INVESTMENT CYCLE

The significant capital expenditure undertaken during 2002 and 2003 to improve and enlarge the winemaking capacity has enabled the company to increase its production in line with forecasts, without necessitating any major capital works to the winemaking plant for the next three to four years. Apart from purchases of new oak barrels, the major movements in capital expenditure items over the last 12 years include:-

Year	Project	\$000's	Year	Project	\$000's
1993/94	Winery extension	400	2002/03	Red wine fermentation	3,955
1994/95	Stonewell vineyard	325		Tankfarm	2,019
1995/96	Crossing vineyard	725		Barrel fermentation warehouse	482
	Red wine fermentation	580		Water treatment plant additions	112
1996/97	1 st Barrel warehouse	490	2003/04	Stainless steel tanks	336
	Refrigeration upgrade	295		Information Technology	119
	Stainless steel tanks	250		Wastewater irrigation	38
1997/98	Trillians Hill vineyard	980	2003/04	Sale of the Crossing vineyard	-1,100
1998/99	Red wine fermentation	1,758		Stainless steel tanks, insulation & fittings	327
1999/00	2 nd Barrel warehouse	459	2004/05	Stainless steel tanks, insulation & fittings	653
	Stainless steel tanks, insulation fittings	272	2005/06	Stainless steel tanks, insulation & fittings	872
2002/01	Finished goods warehouse	444		Winery equipment	279
	Stainless steel tanks	487	2006/07	Stainless steel tanks, insulation & fittings	719
2001/02	Land including the Andriske vineyard	2,073		Winery equipment	344
	Land acquisition	161	2207/08		
	Stainless steel tanks	716			
	Water treatment plant	321			
	Winery plant	409			
	Processed water dam	141			

COMMUNITY INVOLVEMENT

Supporting regional South Australia

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

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

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

Involvement in regional events

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

Transition from school and further education to the workplace

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

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

Community groups

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

Support for Charities

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

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

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

EMPLOYMENT

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

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

Workforce

Australia, UK & Continental Europe

Males: 42 & Females: 44

Average age: 42 years

Staff turnover: 9%

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

Working Conditions

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

Training - employees are encouraged to improve their skills and qualifications

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

Supplier Ethical Data Exchange (SEDEX)

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

OCCUPATIONAL HEALTH & SAFETY MANAGEMENT

Management Commitment

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

Consultation

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

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

Training

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

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

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

Perlite Bulk Handling System

In 2008/09 PLW will improve its systems by installing equipment to better control the dust particles in the atmosphere when using the rotary drum vacuum filters. The system will

handle bulk bags and this will also reduce manual handling risks.

Performance

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

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

Serious Injury Report 1/7/93 to 30/6/08

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

KEY RATIO ANALYSIS

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

Profitability

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

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

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

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

Financial stability

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

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

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

10 YEARS OF FINANCIAL HISTORY

PROFIT & LOSS (\$000's)

Revenue from operating activities

Depreciation & amortisation
Earnings before interest & tax (EBIT)
Interest paid (net)
Operating profit before tax
Income tax expense

Operating profit after tax

Dividends paid/payable

BALANCE SHEET (AU\$000's)

Receivables
Total inventory
Depreciated property, plant & equipment

Total assets

Accounts payable
Total borrowings
Total liabilities

Shareholders' equity

STATISTICS

Number of shares at year end (000's)
Earnings per share
Dividend per share
Asset backing per share
Dividend as % of after tax profit
Franking for future dividends (AU\$000's)
EBIT as % of sales
After tax profit as % of sales (%)
Return on shareholders' equity (%)
Return on assets %
Current assets/current liabilities (times)
Debt to equity (%)
Interest cover at 30 June (times)

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

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
35,266	36,492	45,152	45,179	46,639	52,298	55,797	57,592	63,487	61,999
879	864	1,042	1,291	1,465	1,709	1,839	2,013	2,076	2,055
7,499	8,275	9,829	10,654	9,093	7,234	11,065	10,090	10,474	14,823
540	657	723	787	1,420	1,624	1,952	1,679	1,737	974
6,959	7,618	9,160	9,867	7,673	5,610	9,113	8,411	8,737	13,849
2,484	2,609	2,911	2,952	2,254	1,780	2,679	2,663	2,762	4,245
4,475	5,009	6,195	6,915	5,419	3,830	6,434	5,748	5,975	9,604
2,493	2,743	3,492	4,088	4,095	2,088	3,531	3,151	3,265	5,282
9,582	9,149	10,621	14,423	13,765	15,148	15,809	14,416	17,208	14,530
25,095	27,741	37,331	46,028	49,362	53,591	56,310	54,490	46,877	49,245
14,781	16,726	16,909	22,099	28,970	29,066	30,148	31,583	32,837	32,356
51,181	55,008	66,947	85,606	96,234	101,626	106,538	101,529	100,236	98,532
8,709	7,523	11,905	13,867	13,601	12,398	11,568	8,767	8,846	11,247
10,465	12,935	14,874	21,410	31,800	34,200	35,700	31,877	27,392	15,834
23,660	25,109	32,252	41,356	47,784	50,045	50,741	43,605	39,538	31,616
27,521	29,899	34,695	44,250	48,450	51,581	55,797	57,924	60,698	66,916
33,235	33,260	34,924	37,148	37,311	37,969	37,969	37,969	37,969	37,969
13.9c	15.1c	18.1c	19.0c	14.5c	10.1c	16.9c	15.1c	15.7c	25.3c
7.5c	8.25c	10c	11c	9c	5.5c	9.3c	8.3c	8.6c	13.9
83c	90c	99c	119c	130c	136c	146c	152c	160c	176c
56%	55%	56%	59%	62%	54%	55%	55%	55%	55%
5,555	7,569	11,692	11,995	7,894	8,511	10,272	11,792	13,230	14,444
21%	23%	23%	24%	19%	14%	20%	19%	16%	24%
13%	14%	15%	15%	12%	7%	12%	10%	9%	15%
16%	17%	15%	18%	11%	7%	12%	10%	10%	14%
9%	9%	9%	8%	6%	4%	6%	6%	6%	10%
1.4	1.4	1.8	2.2	2.9	2.8	3.5	4.6	5.8	4.4
38%	43%	43%	48%	66%	66%	64%	55%	45%	24%
11	11	10	11	5	3.5	5.7	6.0	6.0	15.2

ENVIRONMENT REPORT

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

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

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

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

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

Year	Tonnes Crushed	Weather Conditions leading up to and during vintage
1999	14,182	Hot summer with rain in late March
2000	10,914	Cool, wet spring and wet Jan, Feb & March
2001	15,371	Good winter rain, very hot Jan & Feb
2002	17,070	Good winter rain, cool summer
2003	14,302	Prolonged dry conditions
2004	18,948	Good winter rain, hot December, cool January and 2 week heatwave in Feb
2005	21,079	Good winter & spring rain; mild summer
2006	17,395	Good winter & spring rain; heavy rain in late Feb & Mar; warm at the end
2007	11,655	Frost damage and prolonged dry conditions during the growing season
2008	18,141	Earlier ripening & PLW crushed during the height of the summer

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

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

Year	KLs per tonne crushed
1999	1.79
2000	1.99
2001	1.52
2002	1.20
2003	1.30
2004	1.20
2005	1.21
2006	1.53
2007	1.98
2008	1.32

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

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

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.

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

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

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

At the end of processing the reclaimed water is suitable for vineyard irrigation. This is getting harder to achieve though as reduced water usage results in more concentrated wastewater. Also the stored water is subject to evaporation and the remaining water becomes more saline. We are planning a trial of a small, onsite desalination plant.

In 2007/08 PLW planted 1.5 hectares of vacant winery land with sugar gums (*Eucalyptus cladocalyx*). Although the trees were irrigated with recovered water we did not achieve total success and will be replanting about one third. The small to medium tree is endemic to South Australia and is quite hardy and useful for windbreaks and wood production.

In 2008/09 we commence the relocation of the southern tankfarm to alongside the northern tankfarm near the winery complex with the capital project to take place over two years. As well as reducing the volume of water required to clean the wine lines between operations the change will also boost productivity and in a small way reduce electricity consumption as the need to pump wine between the two locations will be eliminated.

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

DISCUSSION AND ANALYSIS OF THE 2007/08 RESULT

REVIEW OF OPERATIONS

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

Grape Intake – The Company sources 98% of the grapes from the independent growers with the balance being harvested from the Company's own vineyards. The resultant wine from the "own use" is used for sale under the Peter Lehmann brand, for sale in bulk to other wineries and under buyers' own brand labels. Crop levels increased as the vines recovered from the drought affected 2007 harvest.

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

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

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

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

Sales Revenue –

PLW continually monitors stock holdings and aligns these with bottled wine sales and forecasts. Wine identified as being surplus to requirements is sold on the spot market. Strong bulk wine sales continued to contribute significantly to sales volumes. Export sales accounted for 52% (2007: 48%) of sales volume.

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

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

PLW achieved 8% volume growth for the brand in what continues to be very difficult trading environment. Domestic sales have been affected by the oversupplied market and the dominance of the two retail chains with revenue increasing by 4% and volume decreasing by 1%. The higher revenue compared with lower volume reflects improved product mix.

Total export sales volumes of branded wines grew by 11% with revenue decreasing by 7%. The lower revenue is attributed to the change in accounting treatment of the wines sold to Enotria Winecellars for the UK joint venture. Also revenue, particularly for sales to the USA, was affected by the stronger Australian dollar.

The Group is expecting to sustain growth in sales volumes over the coming years. The Barossa district is highly regarded as a world class producer of top quality fruit. PLW has sufficient volumes of high quality wine available which will greatly assist in meeting future sales aspirations. The outlook for the national 2009 vintage is quite uncertain as water allocation restrictions remain in place in many grape growing areas.

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

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

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

A measure of trading profitability is Earnings Before Interest & Tax (EBIT) expressed as a percentage of sales. The outcome is determined by the mix of revenue activities and their respective margins as well as PLW's ability to contain costs and expenses. The 2004 EBIT % has been calculated exclusive of the takeover costs in order to compare the performance with prior years. The Australian dollar strengthened appreciably during the 2007/08 year.

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

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

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

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

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

REVIEW OF FINANCIAL CONDITION

Capital Investment and Structure

Contributed equity remained constant at \$30.6M with the use of debt facilities reducing from \$27.4M at 30 June 2007 to \$16.1M at 30 June 2008.

At 30 June 2008 gearing (interest bearing debt as a percentage of capital employed) was 24% (2007: 45%). Interest cover (the number of times operating profit before interest and tax is greater than the total interest charge) moved to 15.2 times, from 6 times last year. This rate is comfortably ahead of the financial covenant level.

The nature of the industry requires the maturation of red and fortified wines beyond a 12 month period. The 2008 grape crop volume increased markedly over the 2007 intake and the value of inventory holdings at 30 June 2008 of \$49.2M is 5% higher than the 2007 level of \$46.9M. The Group is comfortable with the volumes of wines held for future sales.

Capital projects and working capital requirements have been funded by funds generated by operating activities. At 30 June 2008 PLW's net borrowings were \$11.3M lower than at 30 June 2007. The relocation of the southern tankfarm to alongside the winery complex will be carried out over the next two financial years. The estimated cost is \$900,000 with the relocation expected to improve productivity, reduce the use of water required to clean the wine lines and reduce electricity currently required to pump wine between the two separate locations.

Company tax for the Group of \$4.2M at an effective rate of 31% 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 13.9 cents per share. It is in keeping with the board's policy of dividends moving broadly in line with underlying earnings per share.

SHAREHOLDER INFORMATION

20 LARGEST HOLDERS AT 15 SEPTEMBER 2008

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

SIZE OF HOLDINGS AT 15 SEPTEMBER 2008

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

SUBSTANTIAL SHAREHOLDERS

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

Annual General Meeting (AGM)

The AGM will be held at the Peter Lehmann Winery, Tanunda, South Australia on Saturday 25 October 2008 at 11 am.

Dividends

The final dividend of 13.9 cents per share is payable on 7 November 2008. The final dividend will be 100% franked at the 30% rate.

Dividend Policy

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

Payment Dividends

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

Dividend History

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

Information for Capital Gains Tax Purposes

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

Trading in PLW Shares

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

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

Company publications

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

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

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

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

PO Box 315

Tanunda SA 5352

Telephone: +61 8 8563 2100

Facsimile: +61 8 8563 3920

Email: cellar.door@peterlehmannwines.com

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

Share Register

Computershare Investor Services Pty Ltd

GPO Box 1903, Adelaide SA 5001

Information Matching Service –

Telephone: +61 8236 2355

Facsimile: +61 8236 2305

Website: www.computershare.com