



**PETER LEHMANN WINES LIMITED  
AND ITS SUBSIDIARIES  
FULL YEAR FINANCIAL STATEMENTS  
TO 30 JUNE 2008**

## PETER LEHMANN WINES LIMITED AND ITS SUBSIDIARIES

### DIRECTORS' REPORT

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

<b><i>Name, Qualifications &amp; Special Responsibilities</i></b>	<b><i>Age</i></b>	<b><i>Experience and other directorships</i></b>
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.
<b>Company Secretary</b> 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
<b><i>Paid and declared during the year 2008</i></b>				
- 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.				
<b><i>Declared after end of year</i></b>				
- 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 Employment	Total	
		Salary & Fees	Cash Bonus	Increment in Annual & Long Service Leave Entitlements	Non-Monetary Benefits	Super-annuation Contributions		Proportion of remuneration performance related
		\$	\$	\$	\$	\$	\$	%
<b>Directors</b>								
<b>Non-executive</b>								
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	-
<b>Executive</b>								
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	-

<b>Executives</b>								
H T Astrom <sup>(1)</sup>	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 <sup>(1)</sup>	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	-
<b>Total compensation: key management personnel</b>	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%

<sup>(1)</sup> 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>	<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>
<b>Audit services:</b>		
Audit and review of the financial reports (KPMG Australia)	<b>84</b>	72
Audit of the financial reports (KPMG UK)	<b>7</b>	33
	<b>91</b>	105
<b>Services other than statutory audits:</b>		
Taxation compliance services (KPMG Australia)	<b>19</b>	19

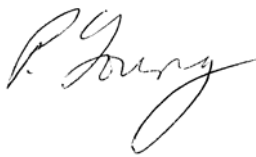
## Lead auditors independence declaration

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



## 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 2008 there have been:

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

KPMG

Grant Drabsch  
Partner  
Adelaide  
22 September 2008



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

**PETER LEHMANN WINES LIMITED**  
**BALANCE SHEETS**  
As at 30 June 2008

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Assets</b>					
Cash and cash equivalents	20	<b>2,401</b>	3,314	<b>1,929</b>	1,769
Trade and other receivables	19	<b>14,530</b>	17,208	<b>14,109</b>	15,588
Inventories	18	<b>49,245</b>	46,877	<b>49,245</b>	46,749
<b>Total current assets</b>		<b>66,176</b>	67,399	<b>65,283</b>	64,106
Investments	16	-	-	<b>81</b>	81
Property, plant and equipment	13	<b>31,547</b>	32,024	<b>31,545</b>	31,991
Intangible assets	14	<b>338</b>	330	<b>338</b>	330
Biological assets	15	<b>471</b>	483	<b>471</b>	483
<b>Total non-current assets</b>		<b>32,356</b>	32,837	<b>32,435</b>	32,885
<b>Total assets</b>		<b>98,532</b>	100,236	<b>97,718</b>	96,991
<b>Liabilities</b>					
Bank overdraft	22	<b>291</b>	149	<b>291</b>	149
Trade and other payables	24	<b>11,247</b>	8,846	<b>14,067</b>	8,984
Employee benefits	23	<b>1,677</b>	1,695	<b>1,677</b>	1,695
Current tax payable	17	<b>1,716</b>	934	<b>1,291</b>	621
<b>Total current liabilities</b>		<b>14,931</b>	11,624	<b>17,326</b>	11,449
Loans and borrowings	22	<b>15,834</b>	27,243	<b>15,834</b>	27,243
Deferred tax liabilities	17	<b>709</b>	571	<b>709</b>	571
Employee benefits	23	<b>142</b>	100	<b>142</b>	100
<b>Total non-current liabilities</b>		<b>16,685</b>	27,914	<b>16,685</b>	27,914
<b>Total liabilities</b>		<b>31,616</b>	39,538	<b>34,011</b>	39,363
<b>Net assets</b>		<b>66,916</b>	60,698	<b>63,707</b>	57,628
<b>Equity</b>					
Share capital	21	<b>30,624</b>	30,624	<b>30,624</b>	30,624
Reserves	21	<b>(174)</b>	(53)	-	-
Retained earnings	21	<b>36,466</b>	30,127	<b>33,083</b>	27,004
<b>Total equity</b>		<b>66,916</b>	60,698	<b>63,707</b>	57,628

The notes on pages 20 to 54 are an integral part of these consolidated financial statements.

**PETER LEHMANN WINES LIMITED**  
**INCOME STATEMENTS**  
For the year ended 30 June 2008

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Revenue	6	<b>61,999</b>	63,487	<b>57,941</b>	55,421
Cost of sales		<b>(32,741)</b>	(36,401)	<b>(30,024)</b>	(30,287)
<b>Gross profit</b>		<b>29,258</b>	27,086	<b>27,917</b>	25,134
Other income	6	<b>806</b>	121	<b>806</b>	118
Administration expenses		<b>(2,509)</b>	(2,522)	<b>(2,487)</b>	(2,470)
Marketing and public relations expenses		<b>(1,725)</b>	(1,582)	<b>(1,725)</b>	(1,582)
Selling and distribution expenses		<b>(9,843)</b>	(11,725)	<b>(9,745)</b>	(10,614)
Other expenses	7	<b>(1,164)</b>	(904)	<b>(1,166)</b>	(904)
<b>Results from operating activities</b>		<b>14,823</b>	10,474	<b>13,600</b>	9,682
Financial income	9	<b>325</b>	163	<b>863</b>	143
Financial expenses	9	<b>(1,299)</b>	(1,900)	<b>(1,299)</b>	(1,900)
<b>Net financing (costs)/income</b>		<b>(974)</b>	(1,737)	<b>(436)</b>	(1,757)
<b>Profit before tax</b>	12	<b>13,849</b>	8,737	<b>13,164</b>	7,925
Income tax expense	12	<b>(4,245)</b>	(2,762)	<b>(3,820)</b>	(2,449)
<b>Profit for the year</b>		<b>9,604</b>	5,975	<b>9,344</b>	5,476

The notes on pages 20 to 54 are an integral part of these consolidated financial statements.

**PETER LEHMANN WINES LIMITED**  
**STATEMENTS OF RECOGNISED INCOME & EXPENSE**  
For the year ended 30 June 2008

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Foreign exchange translation differences	21	<b>(121)</b>	<b>(50)</b>	-	-
<b>Income and expenses recognised directly in equity</b>		<b>(121)</b>	<b>(50)</b>	-	-
<b>Profit for the year</b>	21	<b>9,604</b>	<b>5,975</b>	<b>9,344</b>	5,476
<b>Total recognised income and expense for the year</b>		<b>9,483</b>	<b>5,925</b>	<b>9,344</b>	5,476

The notes on pages 20 to 54 are an integral part of these consolidated financial statements.

**PETER LEHMANN WINES LIMITED**  
**STATEMENTS OF CASH FLOWS**  
For the year ended 30 June 2008

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities</b>					
Cash receipts from customers		<b>68,949</b>	64,439	<b>60,571</b>	57,468
Cash paid to suppliers and employees		<b>(48,864)</b>	(46,503)	<b>(40,267)</b>	(40,200)
Cash generated from operations		<b>20,085</b>	17,936	<b>20,304</b>	17,268
Interest received		<b>228</b>	107	<b>181</b>	87
Interest paid		<b>(1,434)</b>	(2,139)	<b>(1,434)</b>	(2,139)
Income taxes paid		<b>(3,325)</b>	(2,592)	<b>(3,012)</b>	(2,592)
<b>Net cash from operating activities</b>	20	<b>15,554</b>	13,312	<b>16,039</b>	12,624
<b>Cash flows from investing activities</b>					
Proceeds from sale of property, plant & equipment		<b>76</b>	54	<b>43</b>	27
Acquisition of property, plant & equipment	13	<b>(1,790)</b>	(3,033)	<b>(1,790)</b>	(2,994)
Acquisition of intangibles	14	<b>(70)</b>	(329)	<b>(70)</b>	(329)
Dividend received		<b>-</b>	-	<b>586</b>	-
<b>Net cash from investing activities</b>		<b>(1,784)</b>	(3,308)	<b>(1,231)</b>	(3,296)
<b>Cash flows from financing activities</b>					
Repayment of borrowings		<b>(11,500)</b>	(4,700)	<b>(11,500)</b>	(4,700)
Dividends paid	21	<b>(3,265)</b>	(3,151)	<b>(3,265)</b>	(3,151)
<b>Net cash from financing activities</b>		<b>(14,765)</b>	(7,851)	<b>(14,765)</b>	(7,851)
Net increase (decrease) in cash and cash Equivalents		<b>(995)</b>	2,153	<b>43</b>	1,477
Effect of exchange rate fluctuations on cash held		<b>(60)</b>	(28)	<b>(25)</b>	-
Cash and cash equivalents at 1 July		<b>3,165</b>	1,040	<b>1,620</b>	143
<b>Cash and cash equivalents at 30 June</b>	20	<b>2,110</b>	3,165	<b>1,638</b>	1,620

The notes on pages 20 to 54 are an integral part of these consolidated financial statements.

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## NOTES TO THE FINANCIAL STATEMENTS

### 1 Reporting Entity

Peter Lehmann Wines Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is off Para Road, Tanunda, South Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2008 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as "Group entities"). The Group primarily is involved in the manufacture of wine for sale.

### 2 Basis of preparation

#### (a) Statement of compliance

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

The financial statements were approved by the Board of Directors on 22 September 2008.

#### (b) Basis of measurement

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

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

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

#### (c) Functional and presentation currency

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

#### (d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

- note 28 – provisions and contingencies
- note 25 – valuation of financial instruments

### 3 Significant accounting policies

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

#### (a) Basis of consolidation

##### (i) Subsidiaries

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

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

**(ii) Jointly controlled operations**

The interest of the Group in an unincorporated joint venture is brought to account by recognising in its financials statements the expenses it incurs and its share of income that it earns from the sale of goods by the joint venture.

**(iii) Transactions eliminated on consolidation**

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

**(b) Foreign currency**

**(i) Foreign currency transactions**

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

**(ii) Foreign operations**

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

Foreign exchange differences are recognised directly in equity. Since 1 July 2004, the Group's date of transition to AASBs, such differences have been recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to the income statement.

Foreign exchange gains and losses arising from a monetary items receivable or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are recognised to form part of a net investment in a foreign operation and are recognised directly in equity in the FCTR.

**(c) Financial instruments**

**(i) Non-derivative financial instruments**

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

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the income statement, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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

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

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

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

**(ii) Derivative financial instruments**

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

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

**(iii) Share capital**

*Ordinary shares*

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

*Dividends*

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

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

**(i) Recognition and measurement**

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

Cost includes expenditures that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are recognised in the income statement as incurred.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in the income statement.

**(ii) Subsequent costs**

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

**(iii) Depreciation**

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

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

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

**(e) Intangible assets**

**(i) Intangible assets**

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

**(ii) Amortisation**

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

- computer software 3 years

**(f) Biological assets**

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

*Vines*

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

**(g) Leased assets**

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

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

**(h) Inventories**

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

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

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

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

**(i) Impairment**

**(i) Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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

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

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

**(ii) Non-financial assets**

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

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

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

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

**(j) Employee benefits**

**(i) Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in the income statement when they are due.

**(ii) Other long-term employee benefits**

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

**(iii) Termination benefits**

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

**(iv) Short-term benefits**

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

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

**(k) Revenue and other income**

**(i) Revenue from sale of wine**

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

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

**(ii) Services**

Contract revenue earned from winery processing activity and laboratory analysis is recognised in the income statement when the service is provided.

**(l) Lease payments**

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

**(m) Finance income and expenses**

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

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

Foreign currency gains and losses are reported on a net basis.

**(n) Income tax**

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

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

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

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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

***Tax Consolidation***

The Company and its wholly-owned Australian resident entity are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity from that date. The head entity within the tax-consolidated group is Peter Lehmann Wines Limited.

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

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

***Nature of tax funding arrangements and tax sharing arrangements***

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

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

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

**(o) Goods and services tax**

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

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

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

**(p) New standards and interpretations not yet adopted**

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report.

- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.
- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Group has not yet determined the potential effect of the revised standard on future earnings.
- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in the income statement; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

**4 Determination of fair values**

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

(i) **Biological assets**

*Grapes and Vines*

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

(ii) **Derivatives**

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

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

## 5 Financial risk management

### Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities. The Company and the Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Company's and Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company and Group.

### Credit risk

Credit risk is the risk of financial loss to the Company and the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company and the Group's receivables from customers.

#### *Trade and other receivables*

The Company's and Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base include the default risk of the industry and country in which customers operate.

The Board of Directors has established a credit policy under which each new customer is analysed individually for creditworthiness before the appropriate payment and delivery terms and conditions are offered. The Group's review includes external ratings. Purchase limits are established for each

customer, which represents the maximum open amount. Approval by the Board of Directors is required for limits above a certain amount. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, geographic location, aging profile, maturity and existence of previous financial difficulties. The Group's trade and other receivables relate mainly to the Group's distributors, wine industry customers and retailers. The Company generally arranges trade credit insurance for transactions with overseas customers to protect against default.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables.

The Company and Group have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables. The allowance comprises specific loss amounts for any individually significant exposures.

#### *Guarantees*

Group policy is to provide financial guarantees only to wholly-owned subsidiaries. Details of outstanding guarantees are provided in note 22.

#### **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its cash flow requirements on a monthly basis by reviewing receipts from trading activities in conjunction with the timing of payments for operational costs, the annual grape intake as well as capital and other commitments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Group maintains a bank facility, details of which are provided in note 22.

#### **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group enters into derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors.

#### **Currency risk**

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities, the Australian dollar (AUD) and Sterling (GBP). The currencies in which transactions primarily are denominated are AUD, euro, GBP, US dollar (USD) and Canadian dollar (CAD).

At any point in time the Group may arrange forward exchange contracts for up to 50 percent of its estimated foreign currency in respect of sales. Maturity is timed to align with incoming receipts for specific sales. When necessary, forward exchange contracts are rolled over at maturity.

In respect of other transactions and assets denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group's investment in its UK subsidiary is not hedged.

**Interest rate risk**

The Group manages its exposure to changes in interest rates on borrowings. This is achieved by entering into interest rate swaps.

**Capital management**

The Board's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as earnings before tax divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. During the year ended 30 June 2008 the return was 14% (2007: 10%).

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## 6 Revenue and other income

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Revenue from customers – wine sales		<b>60,872</b>	62,598	<b>56,814</b>	54,532
Revenue from customers – service provision		<b>1,127</b>	889	<b>1,127</b>	889
<b>Total revenue</b>		<b>61,999</b>	63,487	<b>57,941</b>	55,421
Release of unused provisions		-	5	-	5
Gains from change in fair value of biological assets – crop		<b>194</b>	-	<b>194</b>	-
Joint venture profit		<b>498</b>	-	<b>498</b>	-
Net gain on disposal of property, plant and equipment	20	-	11	-	8
Other		<b>114</b>	105	<b>114</b>	105
<b>Total other income</b>		<b>806</b>	121	<b>806</b>	118
<b>Total revenue and other income</b>		<b>62,805</b>	63,608	<b>58,747</b>	55,539

## 7 Other expenses

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Losses from change in fair value of biological assets – crop		-	159	-	159
Losses from change in fair value of biological assets - vines	20	<b>12</b>	10	<b>12</b>	10
Licence Fee paid to ultimate parent Company	24	<b>524</b>	551	<b>524</b>	551
Net loss on sale of property, plant and equipment	20	<b>141</b>	-	<b>143</b>	-
Writedown of slow moving stock		<b>356</b>	-	<b>356</b>	-
Other		<b>131</b>	184	<b>131</b>	184
		<b>1,164</b>	904	<b>1,166</b>	904

## 8 Personnel expenses

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Salaries & wages		<b>7,018</b>	6,346	<b>6,962</b>	5,394
Increase in liability for annual leave		<b>302</b>	361	<b>302</b>	361
Increase in liability for long service leave		<b>161</b>	98	<b>161</b>	98
Other associated personnel expenses		<b>802</b>	771	<b>802</b>	668
Contributions to defined contribution superannuation funds		<b>657</b>	833	<b>657</b>	759
Termination benefit		-	43	-	-
		<b>8,940</b>	8,452	<b>8,884</b>	7,280

Personnel expenses are included in the income statement within administration \$1,711,000 (2007: \$1,957,000), marketing and public relations \$824,000 (2007: \$725,000), selling and distribution \$3,207,000 (2007: \$2,878,000). Personnel expenses for the winery of \$3,198,000 (2007: \$2,892,000) are included in inventory and released through the income statement when the wine is sold.

A one-off bonus totalling \$288,000 is included for payment to the workforce in recognition of their collective efforts in the achievement of the after tax profit of \$9,604,000 for year ended 30 June 2008.

## 9 Finance income and expense

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Interest income on bank deposits		(229)	(107)	(181)	(87)
Dividend income – controlled entity		-	-	(586)	-
Net change in fair value of financial assets					
Designated at fair value through profit or loss		(96)	(56)	(96)	(56)
Financial income		(325)	(163)	(863)	(143)
Interest expense		1,524	2,149	1,524	2,149
Interest capitalised to maturing Inventory		(225)	(249)	(225)	(249)
Financial expenses		1,299	1,900	1,299	1,900
Net financing costs/(income)		974	1,737	436	1,757

The carrying value of inventories includes wine held for maturation and \$225,000 (2007: \$249,000) of borrowing costs have been capitalised using the weighted average cost of capital rate of 1.49% (2007: 2.11%) to the maturing wines.

## 10 Foreign exchange gains and losses relating to operating activities

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Foreign exchange gain		(126)	-	(79)	-
Foreign exchange loss		213	511	213	480
Net foreign exchange loss (gain)		87	511	134	480

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

## 11 Depreciation and amortisation costs

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Depreciation of property, plant and equipment</b>					
Property	13	177	181	177	181
Plant and equipment	13	1,816	1,828	1,816	1,772
Less capitalised depreciation expense		(1,907)	(1,870)	(1,907)	(1,870)
		86	139	86	83
<b>Amortisation of intangibles</b>					
Computer software	14	62	67	62	47
Total amortisation and depreciation		148	206	148	130

Net depreciation and amortisation costs are included within the following expense categories on the income statements: administration \$106,000 (2007: \$120,000), marketing and public relations \$34,000 (2007: \$30,000) and selling and distribution \$8,000 (2007: \$56,000).

## 12 Income tax expense

	<i>Note</i>	<b>Consolidated</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Current tax expense</b>					
Current period		<b>4,096</b>	2,920	<b>3,671</b>	2,607
Adjustment to prior periods		<b>11</b>	5	<b>11</b>	5
		<b>4,107</b>	2,925	<b>3,682</b>	2,612
<b>Deferred tax expense</b>					
Origination and reversal of temporary differences		<b>162</b>	(152)	<b>162</b>	(152)
Adjustment to prior periods		<b>(24)</b>	(13)	<b>(24)</b>	(13)
		<b>138</b>	(165)	<b>138</b>	(165)
Total income tax expense		<b>4,245</b>	2,762	<b>3,820</b>	2,449
<b>Numerical reconciliation between tax expense and pre-tax net profit</b>					
<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Profit for the period		<b>13,849</b>	8,737	<b>13,164</b>	7,925
Income tax using the domestic corporation Tax rate of 30% (2007: 30%)		<b>4,154</b>	2,621	<b>3,949</b>	2,378
Increase in income tax expense due to:					
Non-deductible expenses/(income)		<b>60</b>	86	<b>60</b>	79
Overseas subsidiary loss		<b>44</b>	63		-
Decrease in income tax expense due to:					
Non-assessable income		-	-	<b>(176)</b>	-
		<b>4,258</b>	2,770	<b>3,833</b>	2,457
Under/(over) provided in prior years		<b>(13)</b>	(8)	<b>(13)</b>	(8)
Income tax expense on pre-tax net profit		<b>4,245</b>	2,762	<b>3,830</b>	2,449

## 13 Property, plant and equipment

<i>In thousands of AUD</i>	<b>Note</b>	<b>Freehold Land &amp; Improvement</b>	<b>Buildings</b>	<b>Plant &amp; Equipment</b>	<b>Capital Works in Progress</b>	<b>Total</b>
<b>Cost</b>						
<b>Consolidated</b>						
Balance at 1 July 2006		3,012	8,010	31,999	286	43,307
Acquisitions		-	16	149	2,868	3,033
Transfer of capital works		-	41	1,890	(1,931)	-
Disposals		-	-	(623)	-	(623)
Balance at 30 June 2007		<u>3,012</u>	<u>8,067</u>	<u>33,415</u>	<u>1,223</u>	<u>45,717</u>
<b>Cost</b>						
<b>Consolidated</b>						
Balance at 1 July 2007		3,012	8,067	33,415	1,223	45,717
Acquisitions		-	-	210	1,580	1,790
Transfer of capital works		-	42	1,076	(1,118)	-
Disposals		-	-	(1,400)	(57)	(1,457)
Balance at 30 June 2008		<u>3,012</u>	<u>8,109</u>	<u>33,301</u>	<u>1,628</u>	<u>46,050</u>
<b>Cost</b>						
<b>Company</b>						
Balance at 1 July 2006		3,012	8,010	31,872	286	43,180
Acquisitions		-	16	110	2,868	2,994
Transfer of capital works		-	41	1,890	(1,931)	-
Disposals		-	-	(593)	-	(593)
Balance at 30 June 2007		<u>3,012</u>	<u>8,067</u>	<u>33,279</u>	<u>1,223</u>	<u>45,581</u>
<b>Cost</b>						
<b>Company</b>						
Balance at 1 July 2007		3,012	8,067	33,279	1,223	45,581
Acquisitions		-	-	210	1,580	1,790
Transfer of capital works		-	42	1,076	(1,118)	-
Disposals		-	-	(1,266)	(57)	(57)
Balance at 30 June 2008		<u>3,012</u>	<u>8,109</u>	<u>33,299</u>	<u>1,628</u>	<u>46,048</u>
<b>Depreciation and impairment losses</b>						
<b>Consolidated</b>						
Balance at 1 July 2006		33	1,131	11,121	-	12,285
Depreciation charge for the year		1	180	1,828	-	2,009
Disposals		-	-	(601)	-	(601)
Balance at 30 June 2007		<u>34</u>	<u>1,311</u>	<u>12,348</u>	<u>-</u>	<u>13,693</u>
<b>Depreciation and impairment losses</b>						
<b>Consolidated</b>						
Balance at 1 July 2007		34	1,311	12,348	-	13,693
Depreciation charge for the year		1	176	1,816	-	1,993
Disposals		-	-	(1,183)	-	(1,183)
Balance at 30 June 2008		<u>35</u>	<u>1,487</u>	<u>12,981</u>	<u>-</u>	<u>14,503</u>

### 13 Property, plant and equipment continued

<i>In thousands of AUD</i>	<i>Note</i>	Freehold Land & Improvement	Buildings	Plant & Equipment	Capital Works in Progress	Total
<b>Depreciation and impairment losses</b>						
<b>Company</b>						
Balance at 1 July 2006	33	1,131	11,046	-	-	12,210
Depreciation charge for the year	1	180	1,772	-	-	1,953
Disposals	-	-	(573)	-	-	(573)
Balance at 30 June 2007	34	1,311	12,245	-	-	13,590
<b>Depreciation and impairment losses</b>						
<b>Company</b>						
Balance at 1 July 2007	34	1,311	12,245	-	-	13,590
Depreciation charge for the year	1	176	1,816	-	-	1,993
Disposals	-	-	(1,080)	-	-	(1,080)
Balance at 30 June 2008	35	1,487	12,981	-	-	14,503
<b>Carrying amounts</b>						
<b>Consolidated</b>						
At 1 July 2006		2,979	6,879	20,878	286	31,022
At 30 June 2007		2,979	6,756	21,067	1,223	32,024
At 1 July 2007		2,978	6,756	21,067	1,223	32,024
At 30 June 2008		2,977	6,622	20,320	1,628	31,547
<b>Company</b>						
At 1 July 2006		2,979	6,879	20,826	286	30,970
At 30 June 2007		2,978	6,756	21,034	1,223	31,991
At 1 July 2007		2,978	6,756	21,034	1,223	31,991
At 30 June 2008		2,977	6,622	20,318	1,628	31,545

#### **Security**

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

#### **Contractual commitments for the acquisition of property, plant and equipment**

At 30 June 2008 the Company has commitments for plant and equipment of \$223,000 (2007: \$350,000).

## 14 Intangible assets

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>	<b>Company</b>
<b>Cost</b>			
Balance at 1 July 2006		264	234
Acquisitions and development costs		329	329
Disposals		(79)	(79)
Balance at 30 June 2007		514	484
Balance at 1 July 2007		514	484
Acquisitions and development costs		70	70
Disposals		(33)	(3)
Balance at 30 June 2008		551	551
<b>Amortisation and impairment losses</b>			
Balance at 1 July 2006		196	186
Amortisation charge for the year		67	47
Disposals		(79)	(79)
Balance at 30 June 2007		184	154
<b>Amortisation and impairment losses</b>			
Balance at 1 July 2007		184	154
Amortisation charge for the year		62	62
Disposals		(33)	(3)
Balance at 30 June 2008		213	213
<b>Carrying amounts</b>			
At 1 July 2006		68	48
At 30 June 2007		330	330
At 1 July 2007		330	330
At 30 June 2008		338	338

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

## 15 Biological assets

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Balance 1 July 2007		483	493	483	493
Increase/(decrease) in fair value		(12)	(10)	(12)	(10)
Balance at 30 June 2008		471	483	471	483

The Company has 41 hectares planted to grape vines in the premium grape growing areas of the Barossa and Clare Valleys. The vineyards yielded 275 tonnes (2007: 121 tonnes) at a market value of \$451,000 (2007: \$138,000). The crops represent 1.9% (2007: 1.5%) of the total intake of 14,151 tonnes (2007: 8,021 tonnes).

The values of the vineyards were determined by McGees Property, an independent valuation company, as at 30 June 2008 and 30 June 2007 based on the discounted net present value of expected future cash flows. The net market value of grapes vines has been determined as the difference between the vineyard values and the values of land and other vineyards improvements thereon. In determining the net market values certain assumptions have been made about the yields and market prices of grapes in future vintages, the cost of running the vineyards and quality of grapes grown.

## Climate and other risks

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

## 16 Other investments

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Non-current investments</b>					
Investments in subsidiaries		-	-	81	81

## 17 Tax assets and liabilities

### Current tax assets and liabilities

The current tax liability for the Group of \$1,716,000 (2007: \$934,000) and for the Company of \$1,291,000 (2007: \$621,000) represent the amount of income taxes payable in respect of current and prior financial periods. In accordance with tax consolidation legislation, the Company as the head entity of the Australian tax-consolidated group has assumed the current tax liability initially recognised by the members in the tax-consolidated group.

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

### Deferred tax assets and liabilities

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

<b>Consolidated</b> <i>In thousands of AUD</i>	<b>Assets</b>		<b>Liabilities</b>		<b>Net</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Property, plant and equipment	-	-	1,389	1,524	1,389	1,524
Biological assets	-	-	30	(14)	30	(14)
Employee benefits	(546)	(539)	-	-	(546)	(539)
Provisions	(60)	(25)	-	-	(60)	(25)
Other items	(160)	(392)	56	17	(104)	(375)
Net tax (assets)/liabilities	(766)	(956)	1,475	1,527	709	571

<b>Company</b> <i>In thousands of AUD</i>	<b>Assets</b>		<b>Liabilities</b>		<b>Net</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Property, plant and equipment	-	-	1,389	1,524	1,389	1,524
Biological assets	-	-	30	(14)	30	(14)
Employee benefits	(546)	(539)	-	-	(546)	(539)
Provisions	(60)	(25)	-	-	(60)	(25)
Other items	(160)	(392)	56	17	(104)	(375)
Net tax (assets)/liabilities	(766)	(956)	1,475	1,527	709	571

#### Unrecognised deferred tax assets

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

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Capital loss	8	8	8	8
Overseas subsidiary tax loss	227	183	-	-
	235	191	8	8

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

The overseas subsidiary sustained a tax loss of \$44,000 for the year ended 30 June 2008 (2007: \$57,000). A deferred tax asset has not been recognised as it is not probable that future taxable profit will be available to utilise the tax loss.

## 18 Inventories

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Packaging materials and souvenirs	<b>461</b>	384	<b>461</b>	384
Finished goods	<b>48,784</b>	46,493	<b>48,784</b>	46,365
Inventories stated at lower of cost and net realisable Value	<b>49,245</b>	46,877	<b>49,245</b>	46,749

The carrying amounts of inventories are stated at net realisable value. Inventories are shown net of provisions for write-downs of \$200,000 (2007: \$29,000) recognised in the current year. The Company holds stocks of fortified wines which are slow moving as consumer preference has moved away from this wine style and accordingly a provision for write-down has been made.

The carrying value of inventories includes wine held for maturation and \$225,000 (2007: \$249,000) of borrowing costs have been capitalised using the weighted average cost of capital rate of 1.49% (2007: 2.11%) to the maturing wines.

The carrying value of inventories held and expected to be realised within the next twelve months is estimated at \$20,779,000 (2007: \$20,450,000).

## 19 Trade and other receivables

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Current</b>					
Trade receivables due from subsidiaries		-	-	-	3,149
Trade receivables due from commonly controlled entities		<b>1,959</b>	1,118	<b>1,959</b>	1,118
Other trade receivables and prepayments		<b>12,349</b>	15,908	<b>11,928</b>	11,139
Receivables due from the ultimate parent entity		-	2	-	2
Receivables due from commonly controlled entities		<b>16</b>	70	<b>16</b>	70
Fair value derivatives		<b>206</b>	110	<b>206</b>	110
		<b>14,530</b>	17,208	<b>14,109</b>	15,588

At 30 June 2008 trade receivables are shown net of an allowance for doubtful debts of \$nil (2007: \$54,000) arising from the likely non-payment from a customer.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 25.

## 20 Cash and cash equivalents

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Bank balances		<b>2,401</b>	3,314	<b>1,929</b>	1,769
Bank overdrafts used for cash management purposes		<b>(291)</b>	(149)	<b>(291)</b>	(149)
Cash and cash equivalents in the statements of cash flows		<b>2,110</b>	3,165	<b>1,638</b>	1,620

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 25.

### Reconciliation of cash flows from operating activities

<i>In thousands AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities</b>					
Operating profit after income tax		<b>9,604</b>	5,975	<b>9,344</b>	5,476
Add/(less) items classified as investing/financing activities:					
(Profit)/loss on sale of non-current assets	6 and 7	<b>141</b>	(11)	<b>143</b>	(8)
Dividend received		-	-	<b>(586)</b>	-
Add/(less) non-cash items:					
Amounts set aside to provisions		<b>590</b>	494	<b>590</b>	494
Depreciation and amortisation expense	11	<b>148</b>	206	<b>148</b>	130
Impairment loss on capital works in progress	13	<b>56</b>	-	<b>56</b>	-
Decrease/(increase) in fair value of derivatives		<b>(96)</b>	(56)	<b>(96)</b>	(56)
SGARA (income)/loss capitalised to vines	7	<b>12</b>	10	<b>12</b>	10
(Decrease)/increase in income taxes payable		<b>782</b>	333	<b>670</b>	21
<b>Net cash provided by operating activities before change in assets and liabilities</b>					
		<b>11,237</b>	6,951	<b>10,281</b>	6,067
<b>Change in assets and liabilities during the financial year:</b>					
(Increase)/decrease in inventories		<b>(924)</b>	9,470	<b>(1,083)</b>	9,360
(Increase)/decrease in prepayments and other debtors		<b>244</b>	(1)	<b>90</b>	(47)
(Increase)/decrease in trade receivables		<b>2,434</b>	(2,024)	<b>1,389</b>	(828)
(Decrease)/increase in trade payables		<b>2,401</b>	(632)	<b>5,200</b>	(1,476)
(Decrease)/increase in provisions		<b>24</b>	(287)	<b>24</b>	(287)
(Decrease)/increase in deferred taxes		<b>138</b>	(165)	<b>138</b>	(165)
<b>Net cash provided by operating activities</b>					
		<b>15,554</b>	13,312	<b>16,039</b>	12,624

## 21 Capital and reserves

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

#### Consolidated

<i>In thousands of AUD</i>	<i>Note</i>	<b>Share capital</b>	<b>Translation reserve</b>	<b>Retained earnings</b>	<b>Total equity</b>
Balance at 1 July 2006		30,624	(3)	27,303	57,924
Total recognised income and expense		-	(50)	5,975	5,925
Dividends to shareholders		-	-	(3,151)	(3,151)
Balance at 30 June 2007		30,624	(53)	30,127	60,698
Balance at 1 July 2007		30,624	(53)	30,127	60,698
Total recognised income and expense		-	(121)	9,604	9,483
Dividends to shareholders		-	-	(3,265)	(3,265)
Balance at 30 June 2008		30,624	(174)	36,466	66,916

#### Company

<i>In thousands of AUD</i>	<i>Note</i>	<b>Share capital</b>	<b>Translation reserve</b>	<b>Retained earnings</b>	<b>Total equity</b>
Balance at 1 July 2006		30,624	-	24,679	55,303
Total recognised income and expense		-	-	5,476	5,476
Dividends to shareholders		-	-	(3,151)	(3,151)
Balance at 30 June 2007		30,624	-	27,004	57,628
Balance at 1 July 2007		30,624	-	27,004	57,628
Total recognised income and expense		-	-	9,344	9,344
Dividends to shareholders		-	-	(3,265)	(3,265)
Balance at 30 June 2008		30,624	-	33,083	63,707

#### Share capital

<i>In thousands of shares</i>	<b>Company</b>	
	<b>2008</b>	<b>2007</b>
Ordinary shares on issue at 30 June – fully paid	<b>37,969</b>	<b>37,969</b>

The Company does not have authorised capital or par value in respect of its issued shares.

#### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the foreign operation.

#### Dividends

Dividends recognised in the current year by the Company are:

<i>In thousands of AUD</i>	<b>Cents per Share</b>	<b>Total amount</b>	<b>Franked/unfranked</b>	<b>Date of payment</b>
2008	8.6	3,265	Franked	8 November 2007

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

After the balance sheet date the following dividends were proposed by the directors for 2008. The dividends have not been provided for. The declaration and subsequent payment of dividends has no income tax consequences.

<i>In thousands of AUD</i>	<b>Cents per Share</b>	<b>Total amount</b>	<b>Franked/unfranked</b>	<b>Date of payment</b>
2009	13.9	5,282	Franked	7 November 2008

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

<i>In thousands of AUD</i>	<b>Company</b>	
	<b>2008</b>	<b>2007</b>
Dividend franking account		
30 per cent franking credits available to shareholders of Peter Lehmann Wines Limited for subsequent financial years.	14,444	13,230

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

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by \$2,264,000 (2007: \$1,399,000). In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated Group has also assumed the benefit of \$425,000 (2007: \$313,000) franking credits.

## 22 Loans and borrowings

This note provides information about the contractual terms of the Company's and Group's interest-bearing borrowings. For more information about the Company's and Group's exposure to interest rate, foreign currency and liquidity risk, see note 25.

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Non-current liabilities</b>					
Bank bills		<b>15,834</b>	27,243	<b>15,834</b>	27,243
<b>Current liabilities</b>					
Bank overdraft		<b>291</b>	149	<b>291</b>	149
Bank bills		-	-	-	-
<b>Financing facilities</b>					
Bank overdraft		<b>1,000</b>	-	<b>1,000</b>	-
Multi option facility		-	7,000	-	7,000
Bank loans/leases		<b>550</b>	550	<b>550</b>	550
Bill acceptance facility		<b>30,700</b>	31,700	<b>30,700</b>	31,700
		<b>32,250</b>	39,250	<b>32,250</b>	39,250
<b>Facilities utilised at reporting date</b>					
Bank overdraft		<b>291</b>	149	<b>291</b>	149
Bank loans/leases		-	-	-	-
Bill acceptance facility		<b>15,834</b>	27,343	<b>15,834</b>	27,343
		<b>16,125</b>	27,492	<b>16,125</b>	27,492
<b>Facilities not utilised at reporting date</b>					
Bank overdraft		<b>709</b>		<b>709</b>	
Multi option facility		-	6,851	-	6,851
Bank loans/leases		<b>550</b>	550	<b>550</b>	550
Bill acceptance facility		<b>14,866</b>	4,357	<b>14,866</b>	4,357
		<b>16,125</b>	11,758	<b>16,125</b>	11,758

### Terms and debt repayment schedule

The overdraft facility is subject to annual review. Interest is charged at prevailing market rates. The weighted average overdraft interest rate as at 30 June 2008 was 12.63% (2007: 10.95%)

#### *Bill Acceptance Facility and Bank Leases*

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

The Company and Group have entered into interest rate swaps for \$12,900,000 with a weighted average interest rate at 30 June 2008 of 6.60% (2007: 6.06%). The weighted average interest rate for the other bills subject to prevailing market rates at 30 June 2008 was 7.66% (2007: 6.51%). The resultant rate when the effect of the interest rate swaps is incorporated into the total weighted average interest rate as at 30 June 2008 was 6.8% (2007: 6.53%), for the Company and Group.

The current lease facility was unused at 30 June 2008 (2007: nil).

#### Security

Registered first ranking mortgage debenture over all the assets and undertakings of Peter Lehmann Wines Limited up to \$41,650,000 (2007: \$41,650,000).

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

### 23 Employee benefits

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Current</b>					
Liability for annual leave		<b>734</b>	770	<b>734</b>	770
Liability for long service leave		<b>943</b>	925	<b>943</b>	925
		<b>1,677</b>	1,695	<b>1,677</b>	1,695
<b>Non Current</b>					
Liability for long service leave		<b>142</b>	100	<b>142</b>	100
<b>Total employee benefits</b>		<b>1,819</b>	1,795	<b>1,819</b>	1,795

### 24 Trade and other payables

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Trade payables and accrued expenses		<b>10,576</b>	7,882	<b>10,359</b>	6,695
Accrued expenses due to ultimate parent entity	7	<b>524</b>	551	<b>524</b>	551
Accrued expenses owing to subsidiaries		-	-	<b>3,037</b>	1,496
Accrued expenses due to commonly controlled entities		<b>147</b>	413	<b>147</b>	242
		<b>11,247</b>	8,846	<b>14,067</b>	8,984

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

\$76,000 US Dollars (2007: \$260,000)

Nil Pounds Sterling (2007: \$87,000)

\$31,000 Swiss Francs (2007: \$16,000)

\$36,000 Euros (2007: \$29,000)

## 25 Financial instruments

### Credit risk

#### *Exposure to credit risk*

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

#### Consolidated

<i>In thousands of AUD</i>	Carrying amount	
	2008	2007
Trade receivables	14,324	17,098
Cash and cash equivalents	2,401	3,314
Interest rate swaps used for hedging: Assets	196	100
Forward exchange contracts used for hedging: Assets	10	10
	<b>16,931</b>	<b>20,522</b>

The Group's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

<i>In thousands of AUD</i>	Carrying amount	
	2008	2007
Domestic market - Australia	6,435	6,790
Export markets – UK & Europe	4,255	7,010
Export markets – North America	3,030	2,593
Export markets - Other	604	705
	<b>14,324</b>	<b>17,098</b>

The Group's maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

<i>In thousands of AUD</i>	Carrying amount	
	2008	2007
Bulk wine and contract services to wine industry customers	1,317	856
Bottled wine to distributors, direct mail and retail customers	13,007	16,242
	<b>14,324</b>	<b>17,098</b>

#### Company

<i>In thousands of AUD</i>	Carrying amount	
	2008	2007
Trade receivables	13,903	15,478
Cash and cash equivalents	1,929	1,769
Interest rate swaps used for hedging: Assets	196	100
Forward exchange contracts used for hedging: Assets	10	10
	<b>16,038</b>	<b>17,357</b>

The Group's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

<i>In thousands of AUD</i>	Carrying amount	
	2008	2007
Domestic market - Australia	6,026	5,848
Export markets – UK & Europe	4,243	6,332
Export markets – North America	3,030	2,593
Export markets - Other	604	705
	<b>13,903</b>	<b>15,478</b>

The Group's maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

<i>In thousands of AUD</i>	<b>Carrying amount</b>	
	<b>2008</b>	2007
Bulk wine and contract services to wine industry customers	<b>1,317</b>	856
Bottled wine to distributors, direct mail and retail customers	<b>12,986</b>	14,622
	<b>13,903</b>	15,478

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

The Company takes out trade credit insurance on certain overseas debts to reduce its risk. At 30 June 2008 38% (2007: 27%) of the trade receivables carrying amount was covered by trade credit insurance.

Concentration of credit risk on trade receivables exists in respect of the Group. As at 30 June 2008, 80% (2007: 60%) of the Group's trade receivables was owed by 10 customers (2007: 10). The Group's most significant customer, an Australian distributor, accounts for 28% of the trade receivables carrying amount at 30 June 2008 (2007: 25%). The Group also trades with some large Australian organisations that represent material exposure. However the long term associations and close trading relationships provide an acceptable level of comfort.

### **Impairment losses**

The aging of the Group's trade receivables at the reporting date was:

No impairment was made for 2008 as the overdue receivables were still considered collectable.

#### **Consolidated**

<i>In thousands of AUD</i>	<b>Gross 2008</b>	<b>Impairment 2008</b>	<b>Gross 2007</b>	<b>Impairment 2007</b>
Not past due	12,427	-	14,113	-
Past due 0-30 days	1,807	-	2,070	-
Past due 31-60 days	80	-	662	-
Past due 61-90 days	3	-	95	-
Past due 121 days to one year	7	-	212	54
	<b>14,324</b>	-	<b>17,152</b>	<b>54</b>

#### **Company**

<i>In thousands of AUD</i>	<b>Gross 2008</b>	<b>Impairment 2008</b>	<b>Gross 2007</b>	<b>Impairment 2007</b>
Not past due	12,175	-	11,809	-
Past due 0-30 days	1,640	-	1,259	-
Past due 31-60 days	80	-	680	-
Past due 61-90 days	3	-	1,703	-
Past due 121 days to one year	5	-	81	54
	<b>13,903</b>	-	<b>15,532</b>	<b>54</b>

#### **Consolidated and Company**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

<i>In thousands of AUD</i>	<b>2008</b>	<b>2007</b>
Balance at 1 July	54	12
Impairment loss recognised	-	42
Impairment loss realised	(32)	-
Impairment loss reversed	(22)	-
Balance at 30 June	-	54

## Liquidity risk

The following are the contractual maturities of financial liabilities.

<b>Consolidated</b>						
<b>30 June 2008</b>						
<i>In thousands of AUD</i>						
<b>Non-derivative financial liabilities</b>	<b>Carrying amount</b>	<b>Contractual Cash Flows</b>	<b>6 months or less</b>	<b>6 -12 months</b>	<b>1-2 years</b>	<b>2-3 years</b>
Unsecured bank facility	15,834	(17,345)	(545)	(536)	(16,264)	
Bank overdraft	291	(303)	(15)	(14)	(301)	
Trade and other payables	11,247	(11,247)	(11,247)			
<b>Derivatives</b>						
Interest rate swap assets used for hedging	196	(216)	(110)	(43)	(53)	(10)
Forward exchange contracts used for hedging (asset).	9	(9)	(9)			
	<b>27,577</b>	<b>(29,147)</b>	<b>(11,926)</b>	<b>(593)</b>	<b>(16,618)</b>	<b>(10)</b>
<b>30 June 2007</b>						
<i>In thousands of AUD</i>						
<b>Non-derivative financial liabilities</b>	<b>Carrying amount</b>	<b>Contractual Cash Flows</b>	<b>6 months or less</b>	<b>6 -12 months</b>	<b>1-2 years</b>	<b>2-3 years</b>
Unsecured bank facility	27,343	(29,560)	(870)	(855)	(27,835)	
Bank overdraft	149	(169)	(8)	(8)	(153)	
Trade and other payables	8,846	(8,846)	(8,846)			
<b>Derivatives</b>						
Interest rate swap asset used for hedging	100	(396)	(147)	(92)	(125)	(32)
Forward exchange contracts used for hedging	12	(12)	(12)			
	<b>36,450</b>	<b>(38,983)</b>	<b>(9,883)</b>	<b>(955)</b>	<b>(28,113)</b>	<b>(32)</b>
<b>Company</b>						
<b>30 June 2008</b>						
<i>In thousands of AUD</i>						
<b>Non-derivative financial liabilities</b>	<b>Carrying amount</b>	<b>Contractual Cash Flows</b>	<b>6 months or less</b>	<b>6 -12 months</b>	<b>1-2 years</b>	<b>2-3 years</b>
Unsecured bank facility	15,834	(17,345)	(545)	(536)	(16,264)	
Bank overdraft	291	(330)	(15)	(14)	(301)	
Trade and other payables	14,067	(14,067)	(14,067)			
<b>Derivatives</b>						
Interest rate swap assets used for hedging	196	(216)	(110)	(43)	(53)	(10)
Forward exchange contracts used for hedging (asset).	9	(9)	(9)			
	<b>30,397</b>	<b>(31,967)</b>	<b>(14,748)</b>	<b>(593)</b>	<b>(16,618)</b>	<b>(10)</b>
<b>30 June 2007</b>						
<i>In thousands of AUD</i>						
<b>Non-derivative financial liabilities</b>	<b>Carrying amount</b>	<b>Contractual Cash Flows</b>	<b>6 months or less</b>	<b>6 -12 months</b>	<b>1-2 years</b>	<b>2-3 years</b>
Unsecured bank facility	27,343	(29,560)	(870)	(855)	(27,835)	
Bank overdraft	149	(169)	(8)	(8)	(153)	
Trade and other payables	8,984	(8,984)	(8,984)			
<b>Derivatives</b>						
Interest rate swap asset used for hedging	100	(396)	(147)	(92)	(125)	(32)
Forward exchange contracts used for hedging	12	(12)	(12)			
	<b>36,588</b>	<b>(39,121)</b>	<b>(10,021)</b>	<b>(955)</b>	<b>(28,113)</b>	<b>(32)</b>

## Currency risk

The Group's exposure to foreign currency risk at balance date was as follow, based on notional amounts:

<b>Consolidated</b>						
<b>30 June 2008</b>	<b>AUD</b>	<b>Euro</b>	<b>GBP</b>	<b>USD</b>	<b>CAD</b>	<b>CHF</b>
<i>In thousands of AUD</i>						
Trade receivables	9,804	1,561	12	1,919	1,028	-
Trade payables	(10,389)	(495)	(197)	(79)	-	(85)
Unsecured bank facility and cash on hand	(16,154)	1,461	666	237	-	-
Gross exposure	(16,739)	2,527	481	2,077	1,028	(85)
Forward exchange contracts	-	-	-	407	-	-
Net exposure	(16,739)	2,527	481	1,670	1,028	(85)
<b>30 June 2007</b>	<b>AUD</b>	<b>Euro</b>	<b>GBP</b>	<b>USD</b>	<b>CAD</b>	<b>CHF</b>
<i>In thousands of AUD</i>						
Trade Receivables	8,680	1,638	4,278	1,146	1,357	-
Trade payables	(6,519)	(637)	(1,069)	(348)	-	(273)
Unsecured bank facility	(26,474)	330	1,203	3	-	-
Gross exposure	(24,313)	1,331	4,412	801	1,357	(273)
Forward exchange contracts	-	-	-	(337)	-	-
Net exposure	(24,313)	1,331	4,412	464	1,357	(273)
<b>Company</b>						
<b>30 June 2008</b>	<b>AUD</b>	<b>Euro</b>	<b>GBP</b>	<b>USD</b>	<b>CAD</b>	<b>CHF</b>
<i>In thousands of AUD</i>						
Trade receivables	9,395	1,561	-	1,919	1,028	-
Trade payables	(13,408)	(495)	-	(79)	-	(85)
Unsecured bank facility and cash on hand	(16,154)	1,461	194	237	-	-
Gross exposure	(20,167)	2,527	194	2,077	1,028	(85)
Forward exchange contracts	-	-	-	(407)	-	-
Net exposure	(20,167)	2,527	194	1,670	1,028	(85)
<b>30 June 2007</b>	<b>AUD</b>	<b>Euro</b>	<b>GBP</b>	<b>USD</b>	<b>CAD</b>	<b>CHF</b>
<i>In thousands of AUD</i>						
Trade Receivables	10,888	1,638	450	1,146	1,357	-
Trade payables	(7,898)	(616)	-	(197)	-	(273)
Unsecured bank facility	(26,122)	330	12	-	-	-
Gross exposure	(23,132)	1,352	462	949	1,357	(273)
Forward exchange contracts	-	-	-	(337)	-	-
Net exposure	(23,132)	1,352	462	612	1,357	(273)

The following exchange rates applied during the year:

<b>AUD</b>	<b>Average rate</b>		<b>Reporting date spot rate</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
CAD 1	0.9047	0.9047	0.9742	0.9064
Euro 1	0.6097	0.6012	0.6073	0.6295
GBP 1	0.4470	0.4060	0.4804	0.4228
USD 1	0.8958	0.7840	0.9563	0.8469

**Sensitivity analysis**

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>Company</b>	
	<b>Equity</b>	<b>Profit or loss</b>	<b>Equity</b>	<b>Profit or loss</b>
<b>30 June 2008</b>				
GBP	(18)	(18)	(18)	(18)
CAD	(93)	(93)	(93)	(93)
CHF	5	5	5	5
EURO	(224)	(224)	(224)	(224)
USD	(172)	(172)	(172)	(172)
	<u>(502)</u>	<u>(502)</u>	<u>(502)</u>	<u>(502)</u>
<b>30 June 2007</b>				
GBP	(136)	(136)	(42)	(42)
CAD	(123)	(123)	(123)	(123)
CHF	22	22	22	22
EURO	(117)	(117)	(117)	(117)
USD	(121)	(121)	(121)	(121)
	<u>(475)</u>	<u>(475)</u>	<u>(381)</u>	<u>(381)</u>

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

### Interest rate risk

The Company and Group adopts a policy of ensuring that up to 50 percent of its exposure to changes in interest rates on borrowings is on a fixed rate basis. The length of time commercial bills subject to variable interest rates are generally held ranges between 30 and 120 days. Interest rate swaps, denominated in Australian dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure in accordance with the Group's policy. The swaps mature over the next 3 years and the fixed rate swap rates range between 5.77% to 7.44%. At 30 June 2008, the Company and Group had interest rate swaps with a notional contract amount of \$12,900,000 (30 June 2007: \$12,900,000).

The Company and Group classifies interest rate swaps as derivatives held for trading and state them at fair value. The net fair value of swaps for both the Company and Group at 30 June 2008 was \$196,000 (30 June 2007: \$99,000) comprising assets of \$196,000 (30 June 2007: \$100,000) and liabilities of \$Nil (30 June 2007: nil). These amounts were recognised as fair value derivatives.

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

### Company and Consolidated

<i>Effect in thousands of AUD</i>	<b>Profit or loss</b>		<b>Equity</b>	
	<b>100bp increase</b>	<b>100bp decrease</b>	<b>100bp increase</b>	<b>100bp decrease</b>
<b>30 June 2008</b>				
Variable rate instruments	(191)	191	(191)	191
Interest rate swap	129	(129)	129	(129)
Cash flow sensitivity (net)	<u>(62)</u>	<u>62</u>	<u>(62)</u>	<u>62</u>
<b>30 June 2007</b>				
Variable rate instruments	(295)	295	(295)	295
Interest rate swap	129	(129)	129	(129)
Cash flow sensitivity (net)	<u>(166)</u>	<u>166</u>	<u>(166)</u>	<u>166</u>

The effective interest rate on call deposits in 2008 was 3.17% (2007: 5.56%).

### Foreign currency risk

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

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

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

### *Recognised assets and liabilities*

The fair value of forward exchange contracts used as economic hedges of monetary assets and liabilities in foreign currencies at 30 June 2008 was \$10,000 (2007: \$10,000) for the Group and the Company recognised in fair value derivatives.

### Derivatives

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

### Receivables and Payables

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

### Interest-bearing loans and borrowings

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

## 26 Operating leases

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
Less than one year	<b>443</b>	460	<b>443</b>	415
Between one and five years	<b>956</b>	165	<b>956</b>	143
More than five years	-	-	-	-
	<b>1,399</b>	625	<b>1,399</b>	558

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

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

The Group had a lease agreement for the office in Kent, England until 31 December 2008 with a right to sublease. Notice was given to the landlord that the premises will no longer be required after 30 September 2007 and provision for lease payments until that date were made. The premises was relet by the landlord from 1 April 2008.

During the financial year ended 30 June 2008, \$560,000 was recognised as an expense in the income statement in respect of operating leases (2007: \$589,000).

## 27 Capital and other commitments

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
<b>Capital expenditure commitments payable within one year</b>				
<i>Plant and equipment</i>	<b>223</b>	350	<b>223</b>	350

## 28 Contingencies

The directors are of the opinion that there are no matters which will require a future sacrifice of economic benefits.

### Deed of Cross Guarantee

Under the terms of the Deed of Cross guarantee the Company has guaranteed the debts of all subsidiaries. No deficiencies in net assets for these subsidiaries existed at reporting date.

### Environment

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

## 29 Related parties

The key management personnel compensation included in 'personnel expenses' (see note 8) is as follows:

<i>In AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Short-term employee benefits		<b>2,069,476</b>	1,913,379	<b>2,096,476</b>	1,641,056
Post employment benefits		<b>158,373</b>	164,026	<b>158,373</b>	138,904
		<b>2,227,849</b>	2,077,405	<b>2,227,849</b>	1,779,960

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

### Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation as permitted by the Corporations Regulation 2M 30.03 is provided in the remuneration report section of the directors' report.

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

### Other key management personnel transactions with the Company or its subsidiaries

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

### Movement in shares

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

	Held at 1 July 2007	Purchases	Sales	Held at 30 June 2008 Direct
<b>Director</b>				
M Lienhard	-	-	-	-
P A Young	-	-	-	-
R M Wilson	35,000	-	-	35,000
K E Carey	-	-	-	-
D Mc Lehmann	-	-	-	-
R V Edwards	-	-	-	-

	Held at 1 July 2007	Purchases	Sales	Held at 30 June 2008 Direct
<b>Executive</b>				
H T Astrom	-	-	-	-
T M Brown	-	-	-	-
B K Clapton	-	-	-	-
P Turale	-	-	-	-
W I Whigham	-	-	-	-
A D Wigan	10,000	-	-	10,000

No shares were granted to key management personnel during the reporting period as compensation in 2007 or 2008. No shares were held by related parties of key management personnel.

## **Non-key management personnel disclosures**

### **Entities with joint control or significant influence over the group**

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

### **Ultimate parent entity**

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

### **Subsidiaries**

The Company has designated Peter Lehmann Wines (UK) Ltd as importer for the UK and European markets. The Company sold wine to Austral Wines Pty Ltd for sale to customers who distribute the wine under their own label. The financial effect of these transactions has been eliminated on consolidation.

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

### **Commonly Controlled Entities**

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

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

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

### **Joint Venture**

The Company has entered into a profit sharing agreement with UK based distributor Enotria Winecellars Ltd. The joint venture is not a separate entity and the Company accounts for the assets it controls, the liabilities it incurs and its share of income from the sale of goods undertaken by the joint venture at reporting date there are no contingencies or commitments.

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

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Revenue from sale of goods – subsidiaries	-	-	<b>1,418</b>	8,859
Revenue from sale of goods – commonly controlled entity	<b>5,907</b>	5,479	<b>5,907</b>	4,783
Revenue from service fees – commonly controlled entities	<b>385</b>	318	<b>385</b>	318
Licence fee paid – controlling entity	<b>524</b>	551	<b>524</b>	551
Service fee paid – commonly controlled entity	<b>365</b>	402	<b>365</b>	402
Commission fee paid – subsidiary	-	-	<b>37</b>	200
Dividend from wholly owned subsidiary	-	-	<b>586</b>	-
Joint Venture net profit	<b>498</b>	-	<b>498</b>	-

Amounts owing to or by other related parties are:

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Receivables – Current</b>				
Controlling entity	-	2	-	2
Subsidiaries	-	-	-	3,149
Commonly controlled entities	<b>1,975</b>	1,188	<b>1,975</b>	1,188
	<b>1,975</b>	1,190	<b>1,975</b>	4,339
<b>Payables – Current</b>				
Ultimate parent entity	<b>524</b>	551	<b>524</b>	551
Subsidiaries	-	-	<b>3,037</b>	1,496
Commonly controlled entities	<b>147</b>	242	<b>147</b>	242
	<b>671</b>	793	<b>3,708</b>	2,289

### 30 Group entities

	<b>Country of incorporation</b>	<b>Ownership interest</b>	
		<b>2008</b>	<b>2007</b>
<b>Ultimate parent entity</b>			
Hess Group AG	Switzerland	<b>100%</b>	100%
<b>Immediate parent entity</b>			
Hess Group Australia Pty Ltd	Australia	<b>85.67%</b>	85.67%
<b>Parent entity of the Group</b>			
Peter Lehmann Wines Limited	Australia		
<b>Subsidiaries</b>			
Austral Wines Pty Ltd	Australia	<b>100%</b>	100%
Peter Lehmann Wines (UK) Ltd	United Kingdom	<b>100%</b>	100%

### 31 Subsequent events

There have been no events subsequent to balance date which would have a material effect on the Group's financial statements at 30 June 2008.

### 32 Auditors' remuneration

<i>In thousands of AUD</i>	<b>Note</b>	<b>Consolidated</b>		<b>Company</b>	
		<b>2008</b>	2007	<b>2008</b>	2007
<b>Audit services</b>					
<i>KPMG Australia</i>					
Audit and review of financial reports		<b>84</b>	72	<b>84</b>	72
<i>Overseas KPMG Firms</i>					
Audit of financial reports		<b>7</b>	33	-	-
		<b>91</b>	105	<b>84</b>	72
<b>Other services</b>					
<i>KPMG Australia</i>					
Taxation services		<b>19</b>	19	<b>19</b>	19

### 33 Deed of cross guarantee

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

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

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

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

## DIRECTORS' DECLARATION

1. In the opinion of the directors of Peter Lehmann Wines Limited ("the Company"):
  - (a) the financial statements set out on pages 15 to 17 and notes and the remuneration disclosures that are contained in the Remuneration report in the Directors' report, on pages 15 to 54, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Company's and Group's financial position as at 30 June 2008 and of their performance, for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
  - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).
  - (c) the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting standard AASB 124 *Related Party Disclosures*, the Corporations Act 2001 and the corporations Regulations 2001; and
  - (d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
  
2. There are reasonable grounds to believe that the Company and the group entities identified in Note 33 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.

Signed in accordance with a resolution of the directors:



P A Young (Deputy Chairman)



D McC Lehmann (Managing Director)

Tanunda, South Australia  
22 day of September 2008.



## Independent auditor's report to the members of Peter Lehman Wines Limited

### Report on the financial report

We have audited the accompanying financial report of Peter Lehmann Wines Limited (the Company), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

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

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

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

#### *Auditor's opinion*

In our opinion:

- (a) the financial report of Peter Lehmann Wines Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's and the Group's financial position at 30 June 2008 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

## Report on the remuneration report

We have audited the Remuneration Report included pages 9 to 11 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

### *Auditor's opinion*

In our opinion, the remuneration report of Peter Lehmann Wines Limited for the year ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.



KPMG



G Drabsch  
*Partner*

Adelaide  
22 September 2008



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