DIRECTORS' REPORT

The directors present their report together with the financial report of Peter Lehmann Wines Limited ("the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2001 and the auditor's report thereon.

Directors

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

Name, Qualifications & Special Responsibilities	Age	Experience
Richard Anthony Fountayne ENGLAND FCA, MAICD Chairman since October 1999 Non-Executive Director Member of the Audit and Remuneration Committees	51	Chartered Accountant in public practice with 29 years in management advisory work. Chairman of Tower Trust Limited, GroPep Limited and Director of Healthscope Limited. Director since June 1998. Appointed Chairman October 1999.
Peter Leon LEHMANN, AM Deputy Chairman Executive Director	71	Peter Lehmann has 54 years experience in the wine industry and is renowned for his strong and enduring relationships with the independent Barossa grape growers as well as commitment to producing top quality wines. Deputy Chairman and Director since March 1993.
Douglas McCaig LEHMANN, FAICD Managing Director Executive Director	49	Douglas Lehmann's formative experience in the wine industry was as a winemaker. Over the last 29 years he has developed skills in wine production, marketing and distribution as well as general management. Managing Director since March 1993.
Harold William George TILLEY, BEc, ASA, ABIA Non-Executive Director Chairman of the Audit Committee Member of Remuneration Committee	64	Harold Tilley has 44 years experience in the capital markets and has specialist skills in the financing of well managed small and medium sized growth businesses. Director since May 1993.
Roger Maxwell WILSON, LLB Non-Executive Director Chairman of the Remuneration Committee and Member of the Audit Committee	60	Roger Wilson has 39 years experience as a practicing solicitor specialising in commercial law. Director since March 1993.
Neil Charles LISTER, BEc Non-Executive Director Member of the Audit and Remuneration Committees	54	Neil Lister has over 30 years in the food industry in Australia, Asia and the UK with a strong marketing and strategic focus. Formerly CEO of The Uncle Toby's Company he is currently a director of Goodman Fielder Ltd and the Peanut Company of Australia Ltd. Appointed Director August 1999.
Robert Victor EDWARDS, BCom Executive Director	55	Robert Edwards has over 20 years marketing and selling experience in the wine industry. He has been Marketing Manager with PLW since 1995. Appointed Marketing Director August 1999.

Name, Qualifications & Special Responsibilities	Age	Experience
Margaret Elizabeth LEHMANN, BA, Dip Ed Alternate Director	58	Responsible for liaising with the media and winery functions. Appointed alternate for Peter Lehmann March 1994.
Andrew Douglas WIGAN, BSc (App Chem) Dip Oen Alternate Director	52	Chief Winemaker and leads the team of winemakers and technical staff. Appointed alternate for Robert Edwards August 1999.

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
R A F England	13	13	3	3	3	3
P L Lehmann[1]	11	13	-	-	-	-
D McC Lehmann	12	13	-	-	-	-
N C Lister	12	13	3	3	3	3
H W G Tilley	12	13	3	3	3	3
R M Wilson	13	13	3	3	3	3
R V Edwards	12	13	-	-	-	-

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year.
[1] M E Lehmann attended 3 directors' meetings as an alternate

Principal Activities

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

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

Consolidated Result

The consolidated operating profit after tax for the year was $6,195,000 (2000: $5,009,000).

Review of Operations

The strong 2000/01 financial result was assisted by improved margins, robust sales growth in the major export markets and the excellent outcome of the 2001 vintage.

Dividends

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

As proposed and provided for in last year's report a final fully franked dividend at 5.25 cents per share amounting to $1,746,000 in respect of the year ended 30 June 2000, was paid on 10 November 2000.

In respect of the current financial year:	$'000
An interim fully franked dividend (at the 34% rate) of 3.25 cents per share in respect of the year ended 30 June 2001 was paid on 11 May 2001.	1,135
The directors recommend a final fully franked dividend (at the 30% rate) of 6.75 cents per share for the year ended 30 June 2001 payable 5 October 2001.	2,357
	3,492

State of Affairs

The consolidated entity acquired property, plant and equipment totalling $2,725,000 during the year. The acquisitions were primarily due to the upgrading of the consolidated entity's winemaking and storage facilities.

The Consolidated entity extended its borrowings by a net amount of $2,540,000. These funds were used for the acquisition of property, plant and equipment as noted above and additional working capital requirements, particularly for holding wine for future sales.

During the year ended 30 June 2001 equity increased by 1,663,634 shares to 34,923,933 shares following the issue of shares pursuant to the share purchase plan. The shares were issued at $2.12 each for proceeds of $3,527,000.

Events Subsequent to Balance 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 operation of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Likely Developments

The Company will continue to pursue its strategy of increasing the profitability and market share of its major business sectors during the next financial year.

Employee Share Plan

Under an employee share plan the Company provided 17,589 fully paid shares to 41 employees resident in Australia and 1,893 fully paid shares to 3 employees resident in the UK.

Environmental Regulation

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.

Directors' and Senior Executives' Emoluments

Policy
The remuneration committee, consisting of non-executive directors, advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages applicable to board members and senior executives of the consolidated entity.

The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's operations.

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time. The Board undertakes an annual review of its performance. Non-executive directors do not receive any performance related remuneration.

Executive remuneration is reviewed annually by the committee having regard to performance, relevant comparative information and the size of the organisation. Independent advice is sought when required.

Executive directors and senior executives may receive bonuses based on the achievement of specific goals related to the performance of the consolidated entity. The ability to exercise options is conditional on the consolidated entity achieving certain performance hurdles.

Emoluments
Details of the nature and amount of each major element of the emoluments of each director of the Company and each of the 4 named officers of the consolidated entity receiving the highest emolument are:

	Base Emolument	Bonuses	Non-Cash and Other Benefits	Superannuation Contributions	Total
	$	$	$	$	$
Non-executive Directors of the Company					
R A F England	50,000	0	3,139	4,000	57,139
N C Lister	31,000	0	3,780	2,480	37,260
H W G Tilley	34,000	0	3,405	2,720	40,125
R M Wilson	34,000	0	483	2,720	37,203
Executive Directors of the Company					
D McC Lehmann	175,000	26,250	54,283	26,250	281,783
P L Lehmann	107,015	0	35,029	1,024	143,068
R V Edwards	168,600	33,720	36,447	25,290	264,057

	Base Emolument $	Bonuses $	Non-Cash and Other Benefits $	Superannuation Contributions $	Total $
Executives of the Company					
B K Clapton	121,275	18,191	34,504	12,128	186,098
A D Wigan	138,600	20,790	30,396	13,860	203,646
H T Astrom	146,400	23,400	66,856	14,640	251,296
Executives of the Consolidated Entity					
W I Whigham	214,100	33,228	21,526	21,411	290,265

Under the terms of the Service Agreement with Peter Lehmann retirement benefits are payable on termination in certain circumstances.

Executive officers are those involved in the strategic direction, general management or control of business at a company or operating division level. This group numbers four in total.

Non-cash and other benefits comprise motor vehicles at their salary package value, an allowance for the promotion of the Company's wine, location allowances and Fringe Benefits Tax on relevant fringe benefits.

The salary package of the executive resident in the UK and the executive domiciled in Switzerland has been converted to Australian dollars at the average exchange rate during the financial year.

Options
No options were granted during or since the end of the financial year.

Shares under option
Unissued ordinary shares of Peter Lehmann Wines Limited under option at the date of this report are as follows:

Exercise Period	Exercise Price	No of Options
12/12/00 – 12/12/02	$2.01	37,500
1/1/02 – 31/12/03	$2.01	75,000
29/11/99 – 29/11/06	$1.22	115,000
12/12/00 – 12/12/07	$2.01	172,500
1/1/02 – 31/12/08	$2.01	420,000

The ability to exercise the options is conditional upon the achievement of certain performance hurdles. The options do not entitle the holder to participate in any share issue of the Company.

Directors' Interest

The relevant interest of each director in the share capital of the Company, as notified by the directors to the Australian Stock Exchange at the date of this report is as follows:

Director	Shares Directly Held	Indirectly held	Options
R A F England	36,523	8,072	-
P L Lehmann	5,478,278	517,177	-
D McC Lehmann	73,981	-	275,000
N C Lister	18,235	-	-
H W G Tilley	93,036	-	-
R M Wilson	31,415	3,585	-
R V Edwards	-	55,000	100,000

Indemnification and Insurance of Officers

Indemnification
The Company has agreed to indemnify the following current directors of the Company, Mr R A F England, Mr P L Lehmann, Mr D McC Lehmann, Mr N C Lister, Mr H W G Tilley, Mr R M Wilson, and Mr R V Edwards, and the following former directors, Mr D G Ross and Mr C Millard, against all liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

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

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

Rounding Off

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

Signed in accordance with a resolution of the directors.

R A F England (Chairman)

D McC Lehmann (Managing Director)

Dated at Adelaide this 14th day of September 2001

STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2001

	NOTE	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	THE COMPANY 2001 $'000	THE COMPANY 2000 $'000
Revenue from ordinary activities	3	**42,152**	36,511	**35,912**	30,357
Expenses from ordinary activities, excluding borrowing costs expense	4	**(32,323)**	(28,236)	**(26,735)**	(22,987)
Borrowing costs expense	4	**(723)**	(657)	**(722)**	(656)
Profit from ordinary activities before income tax expense		**9,106**	7,618	**8,455**	6,714
Income tax expense relating to ordinary activities	6(a)	**(2,911)**	(2,609)	**(2,704)**	(2,312)
Profit from ordinary activities after related income tax expense	21	**6,195**	5,009	**5,751**	4,402
Decrease in equity on the initial adoption of AASB 1041 *Revaluation of Non-Current Assets* and AASB 1037 *Self Generating and Regenerating Assets*					
Decrease in asset revaluation reserve	20	**(1,482)**	-	**(1,482)**	-
Decrease in retained earnings	21	**(103)**	-	**(103)**	-
Net exchange difference on translation of financial statements of self-sustaining foreign operations	20	**164**	82	**-**	-
Total revenues, expenses and valuation adjustments to members of the parent entity recognised directly in equity		**(1,421)**	82	**(1,585)**	-
Total changes in equity other than those resulting from transactions with owners as owners		**4,774**	5,091	**4,166**	4,402
Basic earnings per share		**18.1 cents**	15.1 cents		
Diluted earnings per share		**17.5 cents**	14.9 cents		

The statements of financial performance are to be read in conjunction with the notes to and forming part of the financial statements

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2001

		CONSOLIDATED		THE COMPANY	
		2001	2000	**2001**	2000
	NOTE	**$'000**	$'000	**$'000**	$'000
CURRENT ASSETS					
Cash		**1,178**	799	**2**	2
Receivables	9	**10,621**	9,149	**9,078**	7,799
Inventories	10	**24,230**	19,931	**24,030**	19,827
Other	11	**454**	203	**408**	163
Total current assets		**36,483**	30,082	**33,518**	27,791
NON-CURRENT ASSETS					
Inventories	10	**13,101**	7,810	**13,101**	7,810
Investments	12	**23**	9	**104**	90
Property, plant and equipment	13	**15,943**	16,726	**15,905**	16,679
Grape Vines	14	**966**	-	**966**	-
Deferred tax assets	6	**431**	381	**431**	381
Total non-current assets		**30,464**	24,926	**30,507**	24,960
TOTAL ASSETS		**66,947**	55,008	**64,025**	52,751
CURRENT LIABILITIES					
Accounts Payable	15	**11,905**	7,523	**12,713**	8,480
Interest bearing liabilities	16	**3,764**	9,610	**3,764**	9,610
Current tax liabilities	6	**1,283**	1,315	**1,232**	1,172
Provisions	18	**3,197**	2,449	**3,197**	2,449
Total current liabilities		**20,149**	20,897	**20,906**	21,711
NON-CURRENT LIABILITIES					
Interest bearing liabilities	16	**11,110**	3,325	**11,110**	3,325
Deferred tax liabilities	6	**933**	846	**933**	846
Provisions	18	**60**	41	**60**	41
Total non-current liabilities		**12,103**	4,212	**12,103**	4,212
TOTAL LIABILITIES		**32,252**	25,109	**33,009**	25,923
NET ASSETS		**34,695**	29,899	**31,016**	26,828
EQUITY					
Contributed equity	19	**22,311**	18,797	**22,311**	18,797
Reserves	20	**241**	1,559	**0**	1,482
Retained profits	21	**12,143**	9,543	**8,705**	6,549
TOTAL EQUITY		**34,695**	29,899	**31,016**	26,828

The statements of financial performance are to be read in conjunction with the notes to and forming part of the financial statements

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2001

		CONSOLIDATED		THE COMPANY	
		2001	2000	**2001**	2000
	NOTE	**$'000**	$'000	**$'000**	$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts in the course of operations		**42,483**	36,943	**37,262**	28,645
Cash payments in the course of operations		**(38,181)**	(30,955)	**(33,608)**	(22,942)
Interest received	3	**95**	51	**55**	18
Interest paid	4	**(945)**	(781)	**(944)**	(781)
Income taxes paid		**(2,906)**	(2,568)	**(2,607)**	(2,006)
NET CASH PROVIDED BY OPERATING ACTIVITIES	28(ii)	**546**	2,690	**158**	2,934
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for property, plant & equipment		**(2,725)**	(2,808)	**(2,716)**	(2,767)
Payment for investments		**(14)**	(9)	**(14)**	(9)
Proceeds from sale of non-current assets	3	**-**	-	**-**	-
NET CASH USED IN INVESTING ACTIVITIES		**(2,739)**	(2,817)	**(2,730)**	(2,776)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares	19	**3,514**	30	**3,514**	30
Proceeds from borrowings		**5,200**	3,600	**5,200**	3,600
Repayment of borrowings		**(2,660)**	(840)	**(2,660)**	(840)
Lease payments		**0**	(140)	**0**	(140)
Dividends paid		**(2,881)**	(2,659)	**(2,881)**	(2,659)
NET CASH PROVIDED BY/USED IN FINANCING ACTIVITIES		**3,173**	(9)	**3,173**	(9)
NET INCREASE (DECREASE) IN CASH HELD		**980**	(136)	**601**	149
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		**149**	285	**(648)**	(797)
CASH AT THE END OF THE FINANCIAL YEAR	28(i)	**1,129**	149	**(47)**	(648)

The statements of financial performance are to be read in conjunction with the notes to and forming part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

a) Basis of Preparation
The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

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

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

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

b) Reclassification of financial information
Some line items and sub-totals reported in the previous financial year have been reclassified and repositioned in the financial statements as a result of the first time application on 1 July 2000 of the revised standards AASB 1018 Statement of Financial Performance, AASB 1034 Financial Report Presentation and Disclosures and the new AASB 1040 Statement of Financial Position.

c) Principles of Consolidation
The consolidated accounts of the economic entity include the financial statements of the Company, being the parent entity, and its controlled entities ("the consolidated entity"). The balances, and effects of transactions, between controlled entities included in the consolidated financial statements have been eliminated.

d) Revenue Recognition – Note 3
Sales Revenue
Sales revenue comprises revenue earned (net of returns, discounts, trade allowances and duties and taxes paid) from the provision of products and services to entities outside the consolidated entity. Revenue is recognised for the major business activities as follows:

Bottled and Bulk Wine
Revenue is recognised pursuant to sales orders and associated deliveries. In some instances the volume to be delivered is estimated and the revenue recorded is adjusted to reflect volume delivered within the reporting period.

Contract Services
Contract revenue is recognised when the service is provided.

Interest Income
Interest income is recognised when it is received.

Sale of non-current assets
The gross proceeds of asset sales are included as revenue. The gain or loss on disposal of assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

e) ***Goods and services tax***

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost acquisition of the asset or as part of an item 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 ATO is included as a current asset or liability in the statement of financial position.

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.

f) ***Foreign Currency***

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Translation of Controlled Foreign Entities

The assets and liabilities of an overseas controlled entity that is a self-sustaining foreign operation is translated at the rate of exchange ruling at balance date. Equity items are translated at historical rates. The statement of financial performance is translated at a weighted average rate for the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve.

g) ***Borrowing Costs***

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finance charges. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which generally take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

h) ***Taxation - Note 6***

Income Tax

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt.

i) Acquisitions of Assets

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributed to the acquisition.

The cost of assets constructed or internally generated by the consolidated entity, include the cost of materials and direct labour. Incidental costs are also capitalised to the asset. Borrowing costs are capitalised to qualifying assets as set out in Note 1 g).

j) Receivables - Note 9

Trade Debtors

Trading terms vary between 30 and 180 days depending upon the market into which the wine is sold with settlement usually occurring within 60 days. Sales of vintage bulk wine are made in March with payments due at the end of April, June and September. The amount owing to the Company at balance date from the sale of such material is 7% of the total outstanding by customers to the consolidated entity (2000: 6%).

Doubtful Debts

The collectibility of debts is assessed at year end and specific provision is made for any doubtful accounts. In addition, a general provision is maintained by the parent entity.

k) Investments

Controlled entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

Other entities

Investments in other unlisted companies are carried at the lower of cost and recoverable amount, being a directors' valuation based on the market values at the time of the valuation. Dividends are brought to account as they are received.

l) Inventories - Note 10

Inventories are carried at the lower of cost and net realisable value.

Manufacturing Activities

Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. In the case of finished goods cost includes an appropriate share of both variable and fixed costs.

Net Realisable Value

Net realisable value is determined on the basis of each inventory line's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

Maturation of Wine

Generally red wine is matured for a period of two years or more prior to its release. This wine forms the substantial portion of the non-current inventory. Borrowing costs are capitalised to wine which is generally held for more than 12 months.

Stock Writedowns

The inventories have been reviewed for slow moving items and a provision made for possible writedown of the relevant items.

m) Recoverable amount of non-current assets valued on cost basis

The carrying amount of non-current assets valued on the cost basis, are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

Useful lives

Items of property, plant and equipment, excluding freehold land, are depreciated/amortised over their estimated useful lives using the straight line method over their estimated useful lives.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Depreciation rates and methods are received annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

The depreciation rates used for each class of asset are as follows:-

• Buildings	2%
• Plant and equipment	2% - 20%
• Leased plant and equipment	3% - 20%

Leased Plant and Equipment

Leases of plant and equipment under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are written off as an expense of the accounting period in which they are incurred. Capitalised lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed.

Payments made under operating leases are expensed on a straight line basis over the term of the lease.

n) Accounts Payable - Note 15

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or consolidated entity. Trade creditors are normally settled within 60 days. The Company purchases its grape intake predominantly in March with settlement taking place at the end of April, June and September. The amount owing by the Company at balance date for such material is 44% of the trade creditors of the consolidated entity (2000: 35%).

o) Interest bearing liabilities - Note 16

Bills of exchange and bank loans are carried on the statement of financial position at their principal amounts. Interest is expensed as it is incurred.

p) Employee Entitlements - Note 25

Wages, Salaries, and Annual Leave

The provisions for employee entitlements to wages, salaries and annual leave represents the amount which the economic entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates and include related on-costs.

Long Service Leave

The provision for employees' entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

Liabilities for employee entitlements which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates, and the economic entity's experience with staff departures. Related on-costs have also been included in the liability.

Superannuation Plan

The Company contributes to employee superannuation funds. Contributions are charged against income as they are made.

Employee Share Plan

The Company provided ordinary shares to a number of employees during the year. Further information is set out in Note 25 to the financial statements.

q) Number of employees

The number of employees measured on a full time equivalent basis at 30 June 2001 was 58.

2 CHANGES IN ACCOUNTING POLICY

Revaluation of non-current assets

The Company has applied the revised AASB 1041 Revaluation of Non-current Assets for the first time since 1 July 2000. The standard requires each class of non-current asset to be measured on either the cost or fair value basis. AASB 1041 does not apply to inventories, deferred tax assets and other assets measured at net market value where the market value movements are recognised in the statement of financial performance.

The Company has applied AASB 1041 as follows:

Other financial assets
The Company has continued to apply the cost basis of valuation for shares in controlled entities and unlisted shares in other entities.

Freehold land and other improvements
The consolidated entity has adopted the cost basis for land, being the original cost, for measuring land and improvements. Consequently retrospective adjustments have been made to the carrying value of land to return to their cost of acquisition less any accumulated depreciation as if they had always been measured on a cost basis. The adjustments to the consolidated financial report as at 1 July 2000 as a result of this change are:

- $19,000 of prior period revaluation increments debited to the asset revaluation revenue.
- $2,000 debit to opening retained profits to remove the effect of prior period revaluations on the amount of accumulated depreciation.
- $21,000 reduction in the cost of land and increase in accumulated depreciation.

Buildings
The consolidated entity has adopted the cost basis, being the original cost, for measuring buildings. Consequently retrospective adjustments have been made to the carrying value of buildings to return to their cost of acquisition less any accumulated depreciation as if they had always been measured on a cost basis. The adjustments to the consolidated financial report as at 1 July 2000 as a result of this change are:

- $718,000 of prior period revaluation increments debited to the asset revaluation reserve.
- $18,000 debit to opening retained profits to remove the effect of prior period revaluations on the amount of accumulated depreciation
- $729,000 reduction in the cost of buildings and increase in accumulated depreciation.

Vineyard Land and Improvements
The consolidated entity has adopted the cost basis for measuring the value of vineyard land and improvements. Consequently retrospective adjustments have been made to the carrying value of vineyard land and improvements to return to their cost of acquisition less any accumulated depreciation as if they had always been measured on a cost basis. The adjustments to the consolidated financial report as at 1 July 2000 as a result of this change are:

- $745,000 of prior period revaluation increments debited to the asset revaluation reserve.
- $83,000 debit to opening retained profits to remove the effect of prior period revaluations on the amount of accumulated depreciation.
- $825,000 reduction in the cost of vineyard land and improvements.

Other non-current assets
The consolidated entity has continued to apply the cost basis for plant and equipment.

Self generating and regenerating assets

The consolidated entity has adopted AASB 1037 Self Generating and Regenerating Assets (SGARAs) for the first time since 1 July 2000.

Grape Vines
The standard requires grape vines to be valued at net market value. Changes in net market value are recognised as revenue or expenses in the period in which the changes occur. The Company uses the discounted net present values of expected future cash flows to determine the value of the vineyards. The net market value of grape vines has been determined as the difference between the vineyard values and the values of the land and other vineyard improvements thereon. In determining the net market valuations certain assumptions have been made about the yields and market prices of grapes in current and future vintages, the costs of running the vineyards and the quality of grapes grown.

The change in accounting policy led to an increase of $85,000 in the consolidated operating profit after income tax for the year and an increase of $85,000 in the consolidated carrying amount for grape vines at the end of the financial year. The consolidated carrying amount for grape vines at the beginning of the financial year was determined as $869,000 to reflect the effect of adopting SGARA accounting in the consolidated statement of financial position for the first time.

Grape crop
The standard requires the grape crop to be measured at net market value in the year of harvest. The difference between the market value and production cost of the crop is recognised as revenue or expenses in the year of harvest. $243,000 was recorded as revenue in the statement of financial performance for the year ended 30 June 2001.

		CONSOLIDATED		THE COMPANY	
		2001	2000	**2001**	2000
		$'000	$'000	**$'000**	$'000
3	**REVENUE FROM ORDINARY ACTIVITIES**				
	Revenue from operating activities				
	Sale of goods	**40,540**	35,479	**34,367**	29,455
	Rendering of services	**1,155**	927	**1,128**	830
	Other Revenue				
	Revenue recognised for vine valuation	**85**	-	**85**	-
	Revenue recognised for grapes harvested	**243**	-	**243**	-
	Rent received	**7**	35	**7**	35
	Interest – other parties	**95**	51	**55**	18
	Sundry income	**27**	19	**27**	19
	Total revenue from ordinary activities	**42,152**	36,511	**35,912**	30,357

4 PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE

	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	THE COMPANY 2001 $'000	THE COMPANY 2000 $'000
Profit from ordinary activities before income tax has been arrived at after charging/(crediting) the following items:				
Costs of goods sold	**24,449**	21,806	**20,212**	17,888
Administration expenses	**2,606**	2,406	**1,837**	1,565
Marketing and public relations	**849**	921	**849**	921
Selling and distribution expenses	**4,322**	3,048	**3,804**	2,590
Sundry expenses	**97**	55	**33**	23
Expenses from ordinary activities, excluding borrowing costs expense	**32,323**	28,236	**26,735**	22,987
Borrowing costs:				
- other parties	**945**	778	**944**	777
- finance charges on capitalised leases	**-**	4	**-**	4
- less: capitalised borrowing costs	**(222)**	(125)	**(222)**	(125)
Borrowing costs expensed	**723**	657	**722**	656
Depreciation of:				
- property	**90**	70	**90**	70
- plant and equipment	**952**	772	**933**	759
- leased assets capitalised	**-**	22	-	22
- less: capitalised depreciation expense	**(942)**	(783)	**(942)**	(783)
	100	81	**81**	68
Net expense from movement in provision for:				
- doubtful trade debts	**12**	-	**12**	-
- employee entitlements	**373**	103	**373**	103
- stock writedown	**141**	(12)	**141**	(12)
Operating lease rental expense	**349**	367	**313**	282
Net gain on sales of property, plant & equipment	**-**	-	**-**	-

		CONSOLIDATED		THE COMPANY	
		2001	2000	**2001**	2000
		$'000	$'000	**$'000**	$'000
5	**AUDITORS' REMUNERATION**				
	Amounts received or due & receivable for audit services by:				
	Auditors of the Company	**53**	50	**38**	35
	Amounts received or due & receivable for other services by:				
	Auditors of the Company	**45**	11	**45**	11
	Total auditors' remuneration	**98**	61	**83**	46
6	**TAXATION**				
	(a) Income Tax Expense				
	Prima facie income tax expense calculated at 34% (2000: 36%) on the profit from ordinary activities	**3,096**	2,742	**2,875**	2,417
	Increase/decrease in income tax due to non-deductible items	**(1)**	1	**(1)**	1
	Restatement of deferred tax balances due to change in company tax rate	**(170)**	(106)	**(170)**	(106)
	Overseas tax rate differential	**(15)**	(30)		-
	Add: Income tax under/(over) provided in prior year	**1**	2	**-**	-
	Income tax expense attributable to operating profit	**2,911**	2,609	**2,704**	2,312
	(b) Provision for Current Income Tax				
	Movements during the year:				
	Balance at beginning of year	**1,315**	1,517	**1,172**	1,109
	Income Tax paid	**(2,906)**	(2,568)	**(2,607)**	(2,006)
	Current year's income tax expense on operating profit	**2,873**	2,364	**2,667**	2,069
	Under/(Over) provision in prior year	**1**	2	**-**	-
		1,283	1,315	**1,232**	1,172

	CONSOLIDATED		THE COMPANY	
	2001	2000	**2001**	2000
	$'000	$'000	**$'000**	$'000
6 TAXATION continued				
(c) Provision for Deferred Income Tax Provision for deferred income tax comprises the estimated expense at the applicable rate of 30%, (2000: 34%) on the following items:				
Difference in depreciation and amortisation of property, plant & equipment for accounting and income tax purposes.	**857**	844	**857**	844
SGARA income on grape harvest	**73**	-	**73**	-
Expenditure currently deductible but deferred and amortised for accounting purposes	**3**	2	**3**	2
	933	846	**933**	846
(d) Future Income Tax Benefit Future income tax benefit comprises the estimated future benefit at the applicable rate of 30%, (2000: 34%) on the following items:				
Provisions & accrued employee entitlements not currently deductible	**408**	339	**408**	339
Sundry items	**23**	42	**23**	42
	431	381	**431**	381

The potential future income tax benefits will be obtained if:

1. the relevant entities derive future assessable income of a nature and an amount sufficient to enable the benefit to be realised;

2. the relevant entities continue to comply with the conditions for deductibility imposed by the law; and

3. no changes in tax legislation adversely affect the relevant entities in realising the benefit.

7 DIVIDENDS

Dividends proposed or paid by the Company are:

	Cents per share	Total amount $'000	Date of payment	Franked Tax Rate	Percentage franked
2001					
Interim – ordinary	3.25	1,135	11 May 2001	34% (Class C)	100%
Final – ordinary	6.75	2,357	5 October 2001	30% (Class C)	100%
Total franked amount		3,492			
2000					
Interim – ordinary	3.0	997	12 May 2000	36% (Class C)	100%
Final – ordinary	5.25	1,746	10 November 2000	34% (Class C)	100%
Total franked amount		2,743			

	CONSOLIDATED	
	2001 $'000	2000 $'000
DIVIDEND FRANKING ACCOUNT		
Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements, and after deducting franking credits to be used in payment of the above dividends.		
- Class C (30% (2000: 34%)) franking credits	**11,692**	7,569

The ability to utilise the franking account credits is dependent upon there being sufficient available profits to declare dividends.

8 EARNINGS PER SHARE

	2001	2000
Basic earnings per share	**18.1 cents**	15.1 cents
Diluted earnings per share	**17.5 cents**	14.9 cents
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**34,146,699**	33,235,436
Weighted average number of potential ordinary shares used in the calculation of diluted earnings per share	**36,768,933**	34,105,299

		CONSOLIDATED		THE COMPANY	
		2001	2000	**2001**	2000
		$'000	$'000	**$'000**	$'000
9	**RECEIVABLES**				
	Current				
	Trade debtors	**10,860**	9,440	**7,365**	6,867
	Less: Provision for doubtful trade debtors	**(312)**	(308)	**(312)**	(300)
		10,548	9,132	**7,053**	6,567
	Other debtors	**73**	17	**1**	1
	Amounts owing by controlled entities	**-**	-	**2,024**	1,231
		10,621	9,149	**9,078**	7,799
10	**INVENTORIES**				
	Current				
	Packaging materials & souvenirs – at cost	**451**	345	**451**	345
	Finished goods - at cost	**23,925**	19,591	**23,725**	19,487
		24,376	19,936	**24,176**	19,832
	Less: Provision for writedown	**(146)**	(5)	**(146)**	(5)
		24,230	19,931	**24,030**	19,827
	Non-Current				
	Finished goods - at cost	**13,101**	7,810	**13,101**	7,810
	TOTAL INVENTORIES	**37,331**	27,741	**37,131**	27,637

Borrowing costs of $222,000 (2000:$125,000) have been capitalised to non-current inventory.

		CONSOLIDATED		THE COMPANY	
		2001	2000	**2001**	2000
11	**OTHER CURRENT ASSETS**				
	Prepayments	**454**	203	**408**	163
12	**INVESTMENTS**				
	Non-Current				
	Shares in controlled entities	**-**	-	**81**	81
	Other corporations unlisted shares at cost	**23**	9	**23**	9
		23	9	**104**	90

Refer Note 22 for particulars in relation to controlled entities.

	NOTE	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	THE COMPANY 2001 $'000	THE COMPANY 2000 $'000
13 PROPERTY, PLANT & EQUIPMENT					
Freehold land and improvements					
At independent valuation 1999		**-**	179	**-**	179
At Cost		**1,050**	75	**1,050**	75
Less: Accumulated depreciation		**(25)**	(3)	**(25)**	(3)
		1,025	251	**1,025**	251
Buildings					
At independent valuation 1999		**-**	3,301	**-**	3,301
At Cost		**4,212**	822	**4,212**	822
Less: Accumulated depreciation		**(426)**	(68)	**(426)**	(68)
		3,786	4,055	**3,786**	4,055
Vineyard Land and Improvements					
At independent valuation 1999		**-**	3,179	**-**	3,179
At Cost		**-**	79	**-**	79
Less Accumulated Depreciation		**-**	(10)	**-**	(10)
		-	3,248	**-**	3,248
Plant and equipment					
At Cost		**15,778**	12,904	**15,658**	12,802
Less: Accumulated depreciation		**(4,700)**	(3,743)	**(4,618)**	(3,688)
		11,078	9,161	**11,040**	9,114
Capital Works in Progress					
At Cost		**54**	11	**54**	11
TOTAL PROPERTY, PLANT & EQUIPMENT					
- net book value		**15,943**	16,726	**15,905**	16,679

Valuations

The independent valuation in 1999 was carried out as at 30 June 1999 by Mr R H Brooke, a Fellow of the Australian Property Institute and a director of Taylor Brooke Pty Ltd, and is on the basis of the open market value of the properties concerned in their existing use.

These valuations were reversed on the adoption of the revised Accounting Standard AASB 1041 Revaluation of Non-Current Assets.

13 PROPERTY, PLANT & EQUIPMENT continued

Reconciliations

Reconciliations of the carrying amount of vines and of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

	$000's						
	Freehold Land & Improvement	Buildings	Vineyard Land & Improvement	Plant & Equipment	Capital Works in Progress	Vines	Total
Consolidated							
Carrying amount at 1 July	251	4,055	3,248	9,161	11	0	16,726
Additions	0	533	0	2,126	54	12	2,725
Transfer from capital works	0	0	0	0	(11)	0	(11)
Transfer to/from Vineyard Land & Improvements	798	13	(2,423)	743	0	869	0
Adjustment due to change in accounting policies	(21)	(729)	(825)	0	0	0	(1,575)
Restatement at 30 June	0	0	0	0	0	85	85
Depreciation	(3)	(86)	0	(953)	0	0	(1,042)
Foreign currency exchange differences	0	0	0	1	0	0	1
Carrying amount at 30 June	1,025	3,786	0	11,078	54	966	16,909
Parent Entity							
Carrying amount at 1 July	251	4,055	3,248	9,114	11	0	16,679
Additions	0	533	0	2,117	54	12	2,716
Transfer from Capital Works	0	0	0	0	(11)	0	(11)
Transfer to/from Vineyard	798	13	(2,423)	743	0	869	0
Adjustment due to change in accounting policies	(21)	(729)	(825)	0	0	0	(1,575)
Restatement at 30 June	0	0	0	0	0	85	85
Depreciation	(3)	(86)	0	(934)	0	0	(1,023)
Carrying amount at 30 June	1,025	3,786	0	11,040	54	966	16,871

		CONSOLIDATED		THE COMPANY	
		2001	2000	**2001**	2000
	NOTE	**$'000**	$'000	**$'000**	$'000
14 GRAPE VINES					
At independent valuation		**966**	-	**966**	-

Peter Lehmann Wines has 57 hectares planted to grape vines in the premium grape growing areas of the Barossa and Clare Valleys.

The values of the vineyards were determined by Taylor Brooke Pty Ltd as at 30 June 2000 and again as at 30 June 2001 based on the discounted net present value of expected future cashflows. 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.

		NOTE	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	THE COMPANY 2001 $'000	THE COMPANY 2000 $'000
15	**ACCOUNTS PAYABLE**					
	Trade creditors		**10,389**	6,586	**9,731**	6,100
	Other creditors and accruals		**1,516**	937	**1,085**	690
	Amounts owing to controlled entities		**-**	-	**1,897**	1,690
			11,905	7,523	**12,713**	8,480
16	**INTEREST BEARING LIABILITIES**					
	Current					
	Multi option facility Overdraft – secured	17	**49**	650	**49**	650
	Multi option facility – Bills secured	17	**3,300**	5,300	**3,300**	5,300
	Commercial bills – secured	17	**415**	3,660	**415**	3,660
			3,764	9,610	**3,764**	9,610
	Non Current					
	Commercial bills – secured	17	**11,110**	3,325	**11,110**	3,325
17	**FINANCING ARRANGEMENTS**					
	The consolidated entity has access to the following lines of credit:					
	Total facilities available:					
	Multi-option facility		**4,000**	7,000	**4,000**	7,000
	Bank loans/leases		**500**	95	**500**	95
	Bill acceptance facility		**19,015**	8,955	**19,015**	8,955
			23,515	16,050	**23,515**	16,050
	Facilities utilised at balance date:					
	Multi-option facility		**3,349**	5,950	**3,349**	5,950
	Bank loans/leases		**-**	-	**-**	-
	Bill acceptance facility		**11,525**	6,985	**11,525**	6,985
			14,874	12,935	**14,874**	12,935
	Facilities not utilised at balance date:					
	Multi-option facility		**651**	1,050	**651**	1,050
	Bank loans/leases		**500**	95	**500**	95
	Bill acceptance facility		**7,490**	1,970	**7,490**	1,970
			8,641	3,115	**8,641**	3,115

Multi Option Facility

The $4M line incorporates an overdraft and commercial bill facility. The facility is subject to annual review. Interest is charged at prevailing market rates. The weighted average interest rate as at 30 June 2001 was 9.85% (2000: 10.75%)

Bill Acceptance Facility

The facility is reviewed annually and is on a rolling two year term. The weighted average interest rate as at 30 June 2001 was 5.37% (2000: 6.45%).

Bank Loans/Leases

Various bank loans have been consolidated into Bill Acceptance Facilities with the pre-existing instalment payment schedules and approved terms retained.

Lease commitments were completed in March 2000. The current lease facility was unused at 30 June 2001.

Security

Registered first ranking mortgage debenture over all the assets and undertakings of Peter Lehmann Wines Limited up to $23,515,000 (2000: $16,650,000).

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

			CONSOLIDATED		**THE COMPANY**	
		NOTE	**2001 $'000**	2000 $'000	**2001 $'000**	2000 $'000
18	**PROVISIONS**					
	Current					
	Final dividend	7	**2,357**	1,746	**2,357**	1,746
	Employee entitlements		**840**	703	**840**	703
			3,197	2,449	**3,197**	2,449
	Non-Current					
	Employee entitlements		**60**	41	**60**	41
19	**CONTRIBUTED EQUITY**					
	Issued and Paid Up Capital					
	34,923,933 (2000 – 33,260,299) ordinary shares, fully paid		**22,311**	18,797	**22,311**	18,797
	Movements in ordinary share capital					
	Balance at the beginning of the financial year		**18,797**	18,767	**18,797**	18,767
	Shares issued					
	Shares issued from Share Purchase Plan		**3,527**	-	**3,527**	-
	Transaction costs arising from issue for cash pursuant to share purchase plan		**(13)**	-	**(13)**	-
	Shares issued from exercise of options		**-**	30	**-**	30
			22,311	18,797	**22,311**	18,797

		NOTE	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	THE COMPANY 2001 $'000	THE COMPANY 2000 $'000
20	**RESERVES**					
	Asset revaluation		**-**	1,482	**-**	1,482
	Foreign currency translation		**241**	77	**-**	-
			241	1,559	**-**	1,482
	Movements during year					
	Asset revaluation					
	Balance at beginning of year		**1,482**	1,482	**1,482**	1,482
	Net effect on initial adoption of AASB 1041 *Revaluation of Non-Current Assets* and AASB 1037 *Self Generating and Regenerating Assets*		**(1,482)**	-	**(1,482)**	-
	Balance at end of year		**-**	1,482	**-**	1,482
	Foreign Currency Translation					
	Balance at beginning of year		**77**	(5)	**-**	-
	Add: Translation adjustment on controlled foreign entity's financial statements		**164**	82	**-**	-
			241	77	**-**	-

Nature and purpose of reserves

Asset Revaluation
The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets. The revaluations have been written back as the Company has elected to record property, plant and equipment at cost.

Foreign currency reserve
The foreign currency translation reserve records the foreign currency differences arising from the translation of self-sustaining foreign operations, the translation of transactions that hedge the Company's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in a self-sustaining operation. Refer to accounting policy Note 1(f).

		NOTE	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	THE COMPANY 2001 $'000	THE COMPANY 2000 $'000
21	**RETAINED PROFITS**					
	Retained profits at beginning of year		**9,543**	7,277	**6,549**	4,890
	Net profit attributable to members of the parent entity		**6,195**	5,009	**5,751**	4,402
	Net effect of initial adoption of AASB 1041 *Revaluation of Non-Current Assets* and AASB 1037 *Self Generating and Regenerating Asset.*		**(103)**	-	**(103)**	-
	Dividends		**(3,492)**	(2,743)	**(3,492)**	(2,743)
	Retained profits at the end of the year		**12,143**	9,543	**8,705**	6,549

22 PARTICULARS IN RELATION TO CONTROLLED ENTITIES

Name	Class of Shareholding	Percentage Ownership 2001 %	Amount of Investment 2001 $'000	Contribution to Consolidated Profit 2001 $'000	Contribution to Consolidated Profit 2000 $'000
Peter Lehmann Wines Limited				**5,751**	4,402
Controlled entities:					
Peter Lehmann Wines (Europe) Ltd	ORD	**100**	81	**131**	163
Austral Wines Pty Ltd	ORD	**100**	-	**313**	444
			81	**6,195**	5,009

All entities are incorporated in Australia, except Peter Lehmann Wines (Europe) Ltd (formerly Peter Lehmann Wines (UK) Ltd) which is incorporated in the UK. The ultimate parent entity is Peter Lehmann Wines Limited.

Peter Lehmann Wines (Europe) Ltd and Austral Wines Pty Ltd have entered into a Deed of Cross Guarantee with Peter Lehmann Wines Limited. In accordance with a Class Order Austral Wines Pty Ltd is granted relief from specific accounting and financial reporting requirements.

23 SEGMENTAL INFORMATION

a) Industry Segments - The economic entity operates in the wine industry only.

b) Geographical Segments - Peter Lehmann Wines Limited and Austral Wines Pty Ltd operate predominantly in Australia with Peter Lehmann Wines (Europe) Ltd (formerly Peter Lehmann Wines (UK) Ltd) distributing wine in Europe. Thirty percent of revenue was generated by Peter Lehmann Wines (Europe) Ltd (2000: 31%). Sales were made to other export markets and generated twenty four percent of total revenue (2000: 16%)

24 FINANCIAL INSTRUMENTS DISCLOSURE

Interest Rate Risk

Interest rate risk emanates from changes in market interest rates impacting on the economic entity's short and long term debt. This exposure is managed by combining fixed, capped and range rate facilities with floating rate arrangements. These are set out in Note 17.

Foreign Exchange Risk

The Company's sales commitments are transacted in Australian dollars.

Transactions between the UK subsidiary and its customers are predominantly in the supplier's currency. The UK subsidiary translates transactions denominated in foreign currencies (Australian dollars and US dollars) into sterling at the rate ruling at the date of settlement of transaction. Amounts receivable and payable in foreign currencies at balance date are translated at the rate ruling at that date.

Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customers in various countries. The parent entity takes out insurance on certain overseas debts to reduce its credit risk.

The consolidated entity operates under a board approved credit risk managed policy for the granting, management and reporting of credit risk exposures. The consolidated entity does trade with some large Australian wineries and UK retailers that represent material exposure. However the long term associations and close trading relationships provide an appropriate level of comfort.

			CONSOLIDATED		THE COMPANY	
			2001	2000	**2001**	2000
		NOTE	**$'000**	$'000	**$'000**	$000
25	**EMPLOYEE ENTITLEMENTS**					
	Aggregate employee entitlements including on-costs					
	- Current		**840**	703	**840**	703
	- Non-Current		**60**	41	**60**	41
			900	744	**900**	744
	The present value of employee entitlements not expected to be settled within 12 months of balance date have been calculated using the following weighted averages:					
	Assumed rate of increase in wage and salary rates		**4%**	3%	**4%**	3%
	Discount rate		**6%**	6%	**6%**	6%
	Settlement term (years)		**10**	10	**10**	10

Employee Share Plans
Under the Exempt Employee Share Plan the Company provided 17,589 fully paid ordinary shares in the capital of the Company to 41 employees at a cost of $41,000. Under the terms of the plan the shares are to be held in custody for 3 years for employees resident in Australia.

Under the General Employee Share Plan the Company provided 1,893 fully paid ordinary shares in the capital of the Company at a cost of $4,000 to 3 employees resident in the United Kingdom.

Executive Option Plan
Unissued ordinary shares of the Company under option at balance date are:

Exercise Period	Exercise Price	No of Options
29/11/99 – 29/11/01	$1.22	25,000
12/12/00 – 12/12/02	$2.01	37,500
1/1/02 – 31/12/03	$2.01	75,000
29/11/99 – 29/11/06	$1.22	115,000
12/12/00 – 12/12/07	$2.01	172,500
1/1/02 – 31/12/08	$2.01	420,000

All options expire on the earlier of their expiry date or termination of the employee's employment. In addition, the ability to exercise the options is conditional on the consolidated entity achieving certain performance hurdles.

The market value of shares under these options at 30 June 2001 was $2.56.

No options expired during the year ended 30 June 2001.

	CONSOLIDATED		THE COMPANY	
	2001	2000	**2001**	2000
	$'000	$'000	**$'000**	$'000
26 COMMITMENTS				
Capital Expenditure Commitments				
Contracted but not provided for and payable not later than one year	**-**	39	**-**	39

Superannuation Commitments

The Company contributes to employee superannuation funds at various percentages of employees' gross salaries. Employees are entitled to benefits on retirement, disability or death. The funds provide benefits on an accumulation basis for all employees. The Company is under no legal obligation to make up any shortfall in the funds' assets to meet payments due to employees.

Operating Lease Commitments

Future operating lease rental of the cellar door outlet for 2000/01, not provided for in the financial statements, is $137,000 per annum. The lease is for a period of 5 years to 22 April 2003 with a right of renewal for another two 5 year terms. Refer to Note 31 Related Parties.

	CONSOLIDATED		THE COMPANY	
	2001	2000	**2001**	2000
	$'000	$'000	**$'000**	$'000
Future operating lease rentals for motor vehicles not provided for in the financial statements are payable as follows:				
not longer than one year	**206**	187	**194**	167
longer than one year but not longer than two years	**153**	160	**153**	143
longer than two years but not longer than five years	**35**	35	**-**	-
	394	382	**347**	310

27 CONTINGENT LIABILITIES

Environmental

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

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

Deed of cross guarantee

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

	NOTE	CONSOLIDATED **2001** **$'000**	CONSOLIDATED 2000 $'000	THE COMPANY **2001** **$'000**	THE COMPANY 2000 $'000

28 NOTES TO THE STATEMENTS OF CASH FLOWS

(i) RECONCILIATION OF CASH

For the purposes of the Statements of Cash Flows, cash includes cash on hand and at bank, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the statement of financial position as follows:

	NOTE	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	THE COMPANY 2001 $'000	THE COMPANY 2000 $'000
Cash		**1,178**	799	**2**	2
Bank overdraft	16	**(49)**	(650)	**(49)**	(650)
		1,129	149	**(47)**	(648)

(ii) RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	CONSOLIDATED 2001 $'000	CONSOLIDATED 2000 $'000	THE COMPANY 2001 $'000	THE COMPANY 2000 $'000
Operating profit after income tax	**6,195**	5,009	**5,751**	4,402
Add/(less) items classified as investing/financing activities:				
(Profit)/loss on sale on non-current assets		-		-
Add/(less) non-cash items:				
Amortisation	**-**	21	**-**	22
Amounts set aside to provisions	**526**	251	**526**	243
Depreciation	**1,042**	841	**1,023**	828
SGARA income capitalised to vines	**(85)**	-	**(85)**	-
(Decrease)/increase in income taxes payable	**(32)**	(202)	**60**	62
Net cash provided by operating activities before change in assets and liabilities	**7,646**	5,920	**7,275**	5,557
Change in assets and liabilities during the financial year:				
(Increase)/decrease in inventories	**(9,731)**	(2,633)	**(9,636)**	(2,603)
(Increase)/decrease in prepayments and other debtors	**(308)**	5	**(245)**	19
(Increase)/decrease in trade debtors	**(1,428)**	412	**(498)**	(1,697)
(Increase)/decrease in loans to controlled entities	-	-	**(587)**	791
(Decrease)/increase in trade creditors	**4,382**	(1,189)	**4,028**	774
(Decrease)/increase in provisions	**(217)**	(152)	**(217)**	(152)
(Decrease)/increase in deferred taxes payable	**38**	245	**38**	245
(Decrease)/increase in foreign currency translation reserves	**164**	82	-	-
Net cash provided by operating activities	**546**	2,690	**158**	2,934

(iii) FINANCING FACILITIES

Refer Note 17

29 DIRECTORS' REMUNERATION

The number of directors of the Company, including executive directors, who received or in respect of whom income is due and receivable, from the Company within the following bands is:

	THE COMPANY 2001	THE COMPANY 2000
\$ 10,000 - \$ 19,999	**-**	1
\$ 30,000 - \$ 39,999	**2**	1
\$ 40,000 - \$ 49,999	**1**	2
\$ 50,000 - \$ 59,999	**1**	1
\$140,000 - \$149,999	**1**	-
\$200,000 - \$209,999	**-**	1
\$210,000 - \$219,999	**-**	1
\$260,000 - \$269,999	**1**	1
\$280,000 - \$289,999	**1**	-

	CONSOLIDATED		THE COMPANY	
	2001	2000	**2001**	2000
	\$	\$	**\$**	\$
Total income paid or payable, or otherwise made available to all directors of the Company and controlled entities from the Company or any related party.	**1,195,752**	1,167,099	879,623	884,067

Directors' income includes an allocation of insurance premiums paid by the Company in respect of directors' and officers' liabilities and legal expenses insurance contracts, in accordance with common commercial practice.

30 EXECUTIVES' REMUNERATION

Executive officers are those officers involved in the strategic direction, general management or control of business at a company or operating division level.

The number of executive officers of the Company and controlled entity whose income from the Company or related parties, and from entities in the consolidated entity, falls within the following bands:

	CONSOLIDATED 2001	CONSOLIDATED 2000	THE COMPANY 2001	THE COMPANY 2000
\$170,000 - \$179,999	**-**	1	-	1
\$180,000 - \$189,999	**1**	1	1	1
\$200,000 - \$209,999	**1**	-	1	-

30 EXECUTIVES' REMUNERATION (continued)

	CONSOLIDATED		THE COMPANY	
	2001	2000	**2001**	2000
	$	$	**$**	$
Total income received, or due and receivable, by the executive officers of the Company and of controlled entities whose income exceeds $100,000	**395,169**	353,666	**395,169**	353,666

Executives' income includes an allocation of insurance premiums paid by the Company in respect of directors and officers' liabilities and legal expenses, insurance contracts, in accordance with common commercial practice.

31 RELATED PARTIES

The names of each person holding the position of director of Peter Lehmann Wines Limited during the financial year are Messrs P L Lehmann, R A F England, D McC Lehmann, H W G Tilley, R M Wilson, N C Lister and R V Edwards.

Directors' holdings of shares and share options

The interests of directors of the reporting entity and their director-related entities in shares and share options within the consolidated entity at year end are set out below.

	2001 Number held	2000 Number held
Ordinary shares	6,311,717	6,244,897
Options over ordinary shares	375,000	375,000

Directors' Transactions in shares and share options
Directors' transactions in shares have been notified to the Australian Stock Exchange in accordance with the listing rules.

No options to unissued shares under the Executive Option Plan were granted during the year ended 30 June 2001.

Details of Directors' remuneration and superannuation are set out in Note 29.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company.

The Company sells wine to Peter Lehmann Wines (Europe) Ltd (formerly Peter Lehmann Wines (UK) Ltd) for distribution in the European market. The Company sells wine also to Austral Wines Pty Ltd for sale to customers who distribute the wine under their own label.

The Company leases from Elmar Nominees Pty Ltd, a Company controlled by Peter Lehmann, the cellar door sales outlet. The lease entered into in 1993 and disclosed in the Prospectus expired in April 1998. The lease was renegotiated and approved by shareholders at a meeting on 27 March 1998. The new five year lease with a rent of $130,000 per annum, subject to annual CPI adjustments, became effective on 23 April 1998. The amount paid to Elmar Nominees Pty Ltd was $137,000 (2000: $132,000).

The Company purchased grapes from Peter & Margaret Lehmann. The grapes were purchased at the same rate as paid to other growers and cost $93,000 (2000: $31,000). The Company purchased grapes from Elmar Trust, a trust controlled by Peter Lehmann. The grapes were purchased at the same rate as paid to other growers and cost $146,000 (2000: $66,000).

The Company crushed grapes from Runyon Investments Pty Ltd, a Company controlled by Peter and Margaret Lehmann. The crushing charge was at normal commercial rates and amounted to $4,000 (2000: $4,000).

A Service Agreement was signed with Peter Lehmann on 11 December 1998. Under the terms of the Agreement retirement benefits payable on termination in certain circumstances total $390,000.

A director of the Company, Roger Wilson, is a consultant to a law firm which provided legal advice to the Company. He has no interest or entitlement to the fees paid.

From time to time directors of the Company or its controlled entities, purchase wine from the consolidated entity. These purchases are on the same terms and conditions as those entered into by employees.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Peter Lehmann Wines Limited:

   a) the financial statements and notes, set out on pages 8 to 35, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2001 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

      (ii) complying with Accounting Standards and the Corporations Regulations 2001; and

   b) 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 subsidiaries identified in Note 22 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to ASIC Class Order 98/1418.

Dated at Adelaide this 14th day of September 2001

Signed in accordance with a resolution of the Directors:

R A F England (Chairman)

D McC Lehmann (Managing Director)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PETER LEHMANN WINES LIMITED

SCOPE

We have audited the financial report of Peter Lehmann Wines Limited for the financial year ended 30 June 2001, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes 1 to 31, and the directors' declaration set out on pages 8 to 36. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the year's end. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

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

AUDIT OPINION

In our opinion, the financial report of Peter Lehmann Wines Limited is in accordance with:

(a) the Corporations Act 2001, including;

  (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2001 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements.

KPMG

G D DRABSCH
Partner
Adelaide
14 September 2001