MWE MARLBOROUGH WINE ESTATES

ANNUAL REPORT

For the year ended 30 June 2023

Management commentary
(no financial statements)

Management commentary
(no financial statements)

CONTENTS

The Board of Marlborough Wine Estates Limited is pleased to present the Annual Report for the year ended 30 June 2023.

Min Ja
Executive Chairman

Andrew Stafford
Chief Executive Officer

25 September 2023

Management commentary
(no financial statements)

Management commentary
(no financial statements)

The Otuwhero Estate is set on remote, and exposed coastal terroir in the Awatere Valley which is cooler, windier and drier than the main Wairau Valley of Marlborough. This terroir naturally de-vigours the vines resulting in low yields of small, intensely flavoured berries which deliver vibrant, zesty and distinctive wines.

OTU is named after the ancient Otuwhero river which runs through our estate.

OUR WINES

The OTU brand and our wines reflect an authentic expression of our place. They are crafted from our rugged wild coast terroir and deliver bold intensity and distinctly memorable wines.

The wines are crafted to appeal to engaged wine consumers seeking out unique and distinctive wines from the world's leading wine regions.

OUR VINEYARDS

Marlborough Wine Estates owns and operates three vineyards comprising 149 planted hectares of Sauvignon Blanc and Pinot Noir located in the Awatere Valley in Marlborough.

Supply of other varieties in the range is sourced from contracted growers in both Marlborough and Hawkes Bay.

Management commentary
(no financial statements)

Management commentary
(no financial statements)

ACCOLADES AND TOP REVIEWS IN FY23

**OTU
SAUVIGNON BLANC 2022**

New Zealand International Wine Show

**OTU
ROSÉ 2021**

New World Wine Awards

**OTU LIMITED RELEASE
SAUVIGNON BLANC 2021**

New World Wine Awards

Wine Orbit
95/100 ★★★★★

**OTU LIMITED RELEASE
PINOT NOIR 2021**

New Zealand International Wine Show

New World Wine Awards

Wine Orbit
95/100 ★★★★★

Management commentary
(no financial statements)

FY23 AT A GLANCE

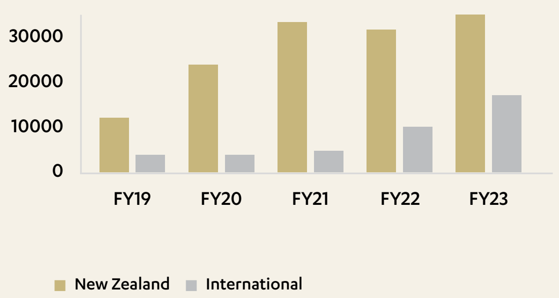
- Further year of profitability driven by continued focus on premium branded wine strategy and global distribution
- Focus on sales of premium branded wines driving increase in sales revenue and volumes, both domestically and internationally
- OTU wine brand continues to gain recognition for high quality and distinctive wine style
- International branded wine sales volumes up 69%; domestic sales volumes up 10%
- Positive sales growth in key markets including UK, USA, Canada and China through partnership with quality distributors
- OTU wines now ranged by the two major grocery accounts in New Zealand
- The 2023 vintage produced high quality wine and a stable supply position for FY24
- Investment in vineyard initiatives to deliver long term and sustainable productivity improvements to meet future demand
- Strong platform in place to support growth. Expansion of MWE's global distribution network remains a key priority and a significant growth opportunity for the business

Management commentary
(no financial statements)

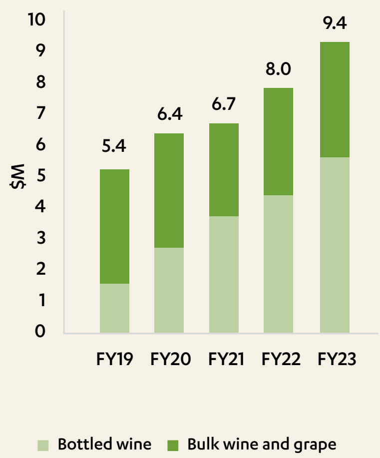
FY23 FINANCIAL SNAPSHOT

- Increase in sales revenue, gross profit, and cashflows year on year
- Sales revenue up 18.5% with branded wine sales revenue increasing by 27.5%
- Gross profit up 24.7% to $3.63m
- Cashflow from operating activities improved by $1.24m on prior year
- Net profit after tax of $0.295m, in line with the prior year's results and reflects ongoing cost pressures across all parts of the business
- Strong financial structure in place to support future growth, with expansion of global distribution network remaining a key priority

SALES VOLUME (9LE)



SALES REVENUE



Management commentary
(no financial statements)

CHAIR AND CEO'S REPORT

WELCOMING NEW LEADERSHIP IN 2023

We were delighted to welcome Andrew Stafford as our new Chief Executive Officer in March 2023.

Andrew comes to the business with over 20 years' relevant leadership and global markets experience with some of New Zealand's leading global exporters, including Delegat, Carter Holt Harvey and AFFCO New Zealand.

Andrew's career includes a range of senior sales management roles which spanned both domestic and international markets. He brings strong leadership and strategic planning and execution capability and is passionate about taking New Zealand products to the world.

"We are very pleased to report another profitable year for Marlborough Wines Estates group as we have continued to focus on our strategy of growing branded wine revenue across our global distribution network. Our premium OTU wine brand is central to this success and OTU continues to gain recognition for its high quality and distinctive wine style by consumers and the wine trade".

Min Jia, Chairman
Andrew Stafford, Chief Executive Officer

PRODUCING AWARD WINNING WINES

Our wines are proudly produced from vineyards in New Zealand's two leading wine regions – Marlborough & Hawkes Bay. These regions excel in the production of world class wines.

The 2022 vintage signalled a return to expected yields in Marlborough following a very low yielding vintage in 2021. The 2022 wines have been well received in the market with strong ratings and reviews both domestically and internationally.

OTU was invited by the prestigious Wine Spectator magazine in the US to showcase the 2022 OTU Limited Release Sauvignon Blanc in their Grand Tour Event. This is a consumer event across three US cities and OTU was one of five New Zealand wine brands invited to participate in the 2023 event.

The New Zealand industry vintage in 2023 was down 6% on the previous year with some regions being significantly impacted by adverse weather events. The Marlborough region, which supplies the majority of the group's grapes, was down 5% but enjoyed favourable growing conditions to deliver high quality fruit in very good condition.

Our 2023 vintage was 1.7% up on the previous year and in-line with pre-vintage expectations. The group is well positioned with inventory of high quality wine to meet customer demand in FY24.

We continue to invest in productivity initiatives in the vineyards including improved viticultural practices, new equipment and vines. These investments will enable MWE to deliver long term and sustainable productivity improvements to meet future demand.

Management commentary
(no financial statements)

GROWING PREMIUM BRANDED WINE SALES

International distribution and sales continue to increase

We continue to focus on our strategy of growing premium branded wine revenue across our global distribution network. The OTU wine brand is central to this success and continues to gain recognition for its high quality and distinctive wine style with consumers and the wine trade.

New Zealand wine continues to be sought after globally and, in June 2023, New Zealand wine exports reached $2.4 billion, an increase of 23% on the previous year.

During FY23, MWE's sales volumes of branded wine internationally grew by 69% while domestic sales grew by 10%. Growth has been driven by sales of our premium OTU brand in the UK, USA, Canada, China and New Zealand.

The US market is New Zealand's largest export wine market and grew by 14% in FY23. The OTU brand has been present in the US market for 14 months and has made pleasing progress in establishing distribution in both the Retail and On-Premise channels.

In Canada, the OTU brand was selected for releases across three varieties by the Liquor Control Board of Ontario.

In the UK, the OTU brand grew by 50% with our distribution partner focussing on the On Premise and Independent retail channels.

In China, we have made good progress over the last year. Volumes have doubled year on year, with growth driven by the OTU brand.

New Zealand market remains strong

The New Zealand market remains MWE's largest single market for branded wine sales.

The OTU branded wines are now ranged by the two major grocery accounts in New Zealand. The brand has been well received by consumers and OTU Sauvignon Blanc was ranked number 10 Sauvignon Blanc in the $15+ category (Quarter ending July 2023)[1].

STRATEGIC PROGRESS

MWE has made considerable progress over the past year, despite the wider economic challenges and inflationary cost increases across the business.

These economic conditions are not unique to New Zealand and the wine industry globally continues to be impacted by the macro-economic environment.

Pleasingly, the global supply chain disruption experienced over the past two years has reduced.

We remain positive about the future for our brands. New Zealand wine is highly sought after globally and the long term demand and supply equations remains favourable. This is being reflected in the record prices being paid for vineyard properties in Marlborough.

The wine industry has also proved to be resilient during difficult economic conditions. Consumers view premium wine as an affordable luxury which remains important to their lifestyle despite reductions in disposable incomes.

OUR PEOPLE

MWE has a small but experienced and skilled team. We would like to thank them and acknowledge their contributions over the past year. The ongoing success of MWE's wines in the domestic and global markets is made possible by our team and the high calibre of the people we have working in our business.

[1] Source: AC Neilson

Management commentary
(no financial statements)

FINANCIAL PERFORMANCE

Continued Profitability

For the year ended 30 June 2023, MWE reported revenue of $9.43m, up 18.5% on the prior year. This was driven by a 27.5% increase in branded wine revenue to $5.73m which reflects the group's ongoing focus on premiumisation.

Gross profit increased by 24.7% from $2.91m to $3.63m and cashflow from operating activities improved by $1.24m.

Net profit after tax of $295,193 (FY22: $328,012) was in line with guidance and reflects the ongoing cost pressures across all parts of the business.

We are also pleased to report the renewal of the Group's bank finance facility with ICBC for a further three years to fund future growth. We are very appreciative of our close collaboration with ICBC as our major funding partner.

POSITIVE OUTLOOK

We are very focused on building on the strong platform that has been created in recent years. The OTU brand has generated strong consumer appeal in a short period of time. Expansion of our global distribution network remains a key priority and that represents a significant growth opportunity for the business.

The group has a strong financial structure to support future growth and maintains a low debt position.

We have the people, partners and business foundation to be successful in a globally challenging business environment.

In FY24, we will target continued growth with our priorities being:

- Premium branded wine growth
- Expansion of market share
- Expansion of our international distributor network
- Identify opportunities to enhance growth through acquisition

The Board would like to thank our team, suppliers, business partners and shareholders for their continued support over the last year.

We look forward to delivering further success in FY24.

Min Jia
Chairman

Andrew Stafford
Group Chief Executive Officer

Management commentary
(no financial statements)

RESPONSIBLE BUSINESS

As a proud New Zealand winegrower, we understand that the beauty of our land and the vitality of our vineyards are the cornerstones of our exceptional wines. We're committed to caring for, protecting and nurturing our environment for generations to come. And we know that our consumers care too.

When looking at how we can reduce our impact on the environment, we take into consideration all aspects of our business, from energy efficiency and waste minimisation to packaging.

We follow the practices of Sustainable Winegrowing New Zealand. Our wines are packaged in New Zealand using New Zealand sourced, recycled glass bottles. We have also chosen to package many of our wines in lighter weight bottles which reduce waste and improve transport efficiencies. Label materials are produced from recycled and renewable materials and are compostable and biodegradable. We also source caps which incorporate recycled materials. In our vineyards, we are progressively upgrading our tractors to more efficient models, and converting our vehicle fleet, including petrol quad bikes, to Electric Vehicles.

Sustainable Winegrowing New Zealand (SWNZ)

MWE is fully accredited to the Sustainable Winegrowing New Zealand (SWNZ) standard, a New Zealand industry standard for sustainable winegrowing.

NEW ZEALAND SUSTAINABLE WINEGROWING

Management commentary
(no financial statements)

OUR BOARD AND LEADERSHIP TEAM

LEADERSHIP CHANGE

After seven years in the role, Catherine Ma stepped down as CEO in March 2023. She has been appointed as an Alternate Director for James Jia.

The board extend their sincere appreciation to Catherine for her significant contribution to the business over 12 years. Under Catherine's leadership, Marlborough Wine Estates reached profitability in FY22 and established a good distribution network as the foundation of growth in both the domestic and international markets.

Andrew Stafford was appointed as the incoming CEO.

MIN (JAMES) JIA MBA
Executive Chairman
Appointed 27 June 2016

James is the founder of MWE and its largest shareholder. He is responsible for initiating the Group's strategic direction to the business and driving business performance. James has diverse business and investment experience in both China and New Zealand.

DANNY CHAN BCA(HONS), ACA, CMA, FCSAP, MINSTD
Non-executive Independent Director
Appointed 27 June 2016

Danny is a third generation New Zealand Chinese and an experienced New Zealand director. He holds a number of directorships with private and public companies, as well as numerous companies associated with his private investments in both New Zealand and overseas. He was a Member of the Department of Prime Minister and Cabinet - China Project. He is a member of the NZ China Council and a trustee of the Asia New Zealand Foundation. Danny has an extensive network of contacts in both New Zealand and Asia and is fluent in Mandarin and Cantonese, as well as very familiar with the protocols of Asian and Western cultures.

CHRISTINE PEARS MINST, CA, B COM
Non-executive Independent Director
Appointed 1 October 2020

Christine is currently the Independent Chair of Y North Inc and a Non-executive Director of McKay Limited, Franklin Veterinary Services and NZX listed Cannasouth Limited. Previously she held CEO roles within horticulture, laboratory services, and the wine sectors and Chief Financial Officer roles within an NZX listed wine company, a successful property group, and several technology companies.

Christine is a Chartered Accountant with a Bachelor of Commerce from The University of Auckland, and is a Member of the Institute of Directors.

Management commentary
(no financial statements)

ANDREW STAFFORD BBS
Group Chief Executive Officer

Andrew is responsible for developing and executing business plans, as well as maintaining and growing the organisation. Andrew joined the group in 2023. Before joining MWE, Andrew worked in a range of senior sales management roles at Delegat, Carter Holt Harvey and AFFCO. He brings strong leadership and strategic planning and execution capability and is passionate about taking New Zealand products to the world.

WENHAN (ERIC) LI B COM, CPA AUST
Financial Controller

Eric joined the Group in 2012 and has an extensive understanding of the business operations. Eric ensures that MWE complies with its audit requirements, monitors internal controls and advises on budgeting. He is a member of CPA Australia.

CONAN WANG B ENG, B COM, CFA
Operations Manager

Conan is an experienced manager, with a background in customer management and business transformation in the technology sector. He joined MWE in 2016 and oversees sales and production, with a focus on continuous improvement in MWE's business process and revenue growth.

Management commentary
(no financial statements)

MARLBOROUGH WINE ESTATES

FINANCIAL STATEMENTS

For the year ended 30 June 2023

DIRECTOR'S RESPONSIBILITY STATEMENT

The Directors present the Annual Report including the consolidated financial statements of Marlborough Wine Estates Group Limited (the 'Company') and its subsidiaries (together the 'Group'), for the year ended 30 June 2023 and the auditor's report thereon.

The Directors are responsible for ensuring that the consolidated financial statements present fairly the financial position of the Group as at 30 June 2023 and its financial performance and cash flows for the year ended on that date in accordance with NZ GAAP. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Directors consider that the consolidated financial statements of the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed. The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the consolidated financial statements with the Financial Markets Conduct Act 2013. The Directors consider that adequate steps have been taken to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Signed for and on behalf of the Board by:

Min Jia
Executive Chairman

Danny Chan
Director

25 September 2023

BDO Auckland

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MARLBOROUGH WINE ESTATES GROUP LIMITED

Opinion

We have audited the consolidated financial statements of Marlborough Wine Estates Group Limited ("the Company") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 30 June 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company or any of its subsidiaries.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. This matter has been addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

BDO Auckland

Key Audit Matter	How The Matter Was Addressed in Our Audit

Valuation of land and land improvements
 	
The Group accounts for land and land improvements under a revaluation model. As disclosed in note 15 to the consolidated financial statements, the Group recorded the following assets at fair value:
• Land of $17.40 million
• Land improvements of $15.97 million
 	
The Group appointed an independent valuer to undertake the valuation of land and land improvements as at 30 June 2023. There has been no change in the independent valuer from prior year.
 	
The valuation of land and land improvements has been prepared using a comparative sales approach ("market approach"), where a number of recent vineyard sales were analysed to establish a range of benchmarks. The benchmarks are adjusted based on size of the land, location, soil quality, access to water and land purpose mix held by the Group.
 	
The valuation includes a discounted block of land which is contaminated from the previous use of "Taskforce" herbicide in the area to eradicate Chilean Needlegrass, a pest known to the Marlborough region.
 	
The valuer has taken into account the key assumptions mentioned above and current market conditions to arrive at an approximate value of for each property, from which the fair value estimate was derived.
 	
The valuation of these assets is considered to be a key audit matter due to the subjective judgements and assumptions in the valuations, including those that related to the impact of significant weather events during the year and the impact of the contamination to the value of one vineyard block.
	We have evaluated the appropriateness of the valuation in respect of land and land improvements by performing the following:
	• Assessing the independence, objectivity and competence of the valuer.
	• Making inquiries with the valuer to understand the procedures undertaken in respect of the valuation methodology and key assumptions applied in the valuation.
	• Engaging an independent auditor valuation expert to assess:
	  ○ The appropriateness of the valuation methodology used for each asset type;
	  ○ The validity, accuracy and appropriateness of comparative sales transactions used and how these have been applied in deriving the fair value of land and land improvements; and
	  ○ The impact of the contamination as results of the previous use of herbicide "Taskforce" on the valuation of one vineyard block.
	• Challenging the key assumptions made on the valuation including those that relate to:
	  ○ Treatment of biological work in progress;
	  ○ Contamination of one vineyard block;
	  ○ Impact of significant weather events during year; and
	  ○ Valuation uncertainty due to the current economic climate.
	• We have also assessed the appropriateness of the disclosures included in note 15 *Property, plant & equipment* and note 2(s)(ii) *Key sources of judgement of estimation uncertainty*.

BDO Auckland

Other Information

The directors are responsible for the other information. The other information comprises the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/.

This description forms part of our auditor's report.

BDO Auckland

Who we Report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Blair Stanley.

BDO Auckland

BDO Auckland
Auckland
New Zealand
25 September 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Note	Group Year Ended June 2023 $	Group Year Ended June 2022 $
Revenue	3	9,426,455	7,955,066
Cost of sales		(5,793,153)	(5,040,383)
Gross profit		3,633,302	2,914,683
Other operating income	4	74,257	157,665
Selling, marketing and promotion expenses		(1,418,610)	(1,272,760)
Administration and corporate governance expenses		(1,418,119)	(1,043,618)
Profit before tax and finance cost	5	870,830	755,970
Finance income - financial assets at amortised cost		1,819	155
Finance costs	6	(436,442)	(274,792)
Net finance cost		(434,623)	(274,637)
Profit for the period before taxation		436,207	481,333
Tax expense	7	(141,014)	(153,321)
Profit for the period attributable to shareholders of the company		295,193	328,012
Other comprehensive income (OCI)			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of property, plant and equipment	15	1,048,971	8,860,995
Income tax on items taken directly to or transferred from OCI	7	(117,511)	(623,839)
Other comprehensive income for the year, net of tax		931,460	8,237,156
Total comprehensive income for the period attributable to the shareholders of the Company		1,226,653	8,565,168
Basic and diluted earnings per share	28	0.001	0.001

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the attached notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

Group	Note	Share capital	Capital contribution	Accumulated losses	PPE revaluation reserve	Share-based payment reserve	Total
Balance at 30 June 2021		16,416,098	210,886	(3,700,324)	8,207,264	39,783	21,173,707
Total comprehensive income for the year							
Profit for the year		-	-	328,012	-	-	328,012
Other comprehensive income		-	-	-	8,237,156	-	8,237,156
Total comprehensive income for the year		-	-	328,012	8,237,156	-	8,565,168
Balance at 30 June 2022		16,416,098	210,886	(3,372,312)	16,444,420	39,783	29,738,875
Total comprehensive income for the year							
Profit for the year		-	-	295,193	-	-	295,193
Other comprehensive income		-	-	-	931,460	-	931,460
Total comprehensive income for the year		-	-	295,193	931,460	-	1,226,653
Transactions with owners							
Capital contribution via interest free loan	19	-	114,893	-	-	-	114,893
		-	114,893	-	-	-	114,893
Balance at 30 June 2023		16,416,098	325,779	(3,077,119)	17,375,880	39,783	31,080,421

The above consolidated statement of changes in equity should be read in conjunction with the attached notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note	Group Year Ended June 2023 $	Group Year Ended June 2022 $
ASSETS			
Current assets			
Cash and bank balances	9	417,426	337,284
Accounts receivable	13	1,082,550	1,671,876
Inventory	11	6,471,214	5,076,710
Biological work in progress	12	484,674	923,663
Prepayments		113,899	66,013
GST receivable		48,282	101,586
Total current assets		8,618,045	8,177,132
Non-current assets			
Property, plant and equipment	15	34,168,220	32,502,928
Deposits paid		20,000	46,625
Related party loan	23	44,206	48,005
Investments	16	28,365	28,365
Right-of-use assets	20	96,698	350,313
Intangible assets	14	15,290	19,047
Total non-current assets		34,372,779	32,995,283
Total assets		42,990,824	41,172,415
LIABILITIES			
Current liabilities			
Trade and other payable	17	1,627,705	1,572,682
Employee benefit liabilities	18	164,011	131,747
Contract liabilities		120,000	-
Lease liabilities	20	107,503	117,484
Interest bearing borrowings	19	51,938	150,000
Income tax payables		52,415	323
Total current liabilities		2,123,572	1,972,236
Non-current liabilities			
Shareholder Loan	19	1,363,379	1,414,614
Interest bearing borrowings	19	5,077,840	4,800,000
Lease liabilities	20	17,890	125,393
Deferred tax	7	3,327,722	3,121,297
Total non-current liabilities		9,786,831	9,461,304
Total liabilities		11,910,403	11,433,540
Total net assets		31,080,421	29,738,875
EQUITY			
Share Capital	8	16,416,098	16,416,098
Capital contribution	19	325,779	210,886
Share-based payment reserve	8	39,783	39,783
PPE revaluation reserve	8	17,375,880	16,444,420
Accumulated losses		(3,077,119)	(3,372,312)
Total equity		31,080,421	29,738,875

Signed for and on behalf of the Board by:

Min Jia
Executive Chairman
25 September 2023

Danny Chan
Director
25 September 2023

The above consolidated statement of financial position should be read in conjunction with the attached notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	Note	Group Year Ended June 2023 $	Group Year Ended June 2022 $
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		10,135,781	7,039,644
Other income		72,552	157,665
GST refund		53,304	19,226
Interest received		1,819	155
		10,263,456	7,216,690
Cash was disbursed to:			
Payment to suppliers and employees		(9,293,526)	(7,639,595)
Interest paid on loans and borrowings		(340,572)	(182,064)
Interest paid on lease liabilities		(10,079)	(13,941)
Income tax paid		(8)	(44)
		(9,644,185)	(7,835,644)
Net cash flow (used in) / generated by operating activities	24	619,271	(618,954)
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sales of property, plant and equipment		4,789	-
		4,789	-
Cash was disbursed to:			
Payments for property, plant and equipment		(606,212)	(303,034)
Payments for intangible assets		-	(6,843)
		(606,212)	(309,877)
Net cash flow (used in) investing activities		(601,423)	(309,877)
Cash flows from financing activities			
Cash was provided from:			
Proceeds from borrowing	24	1,389,430	600,000
		1,389,430	600,000
Cash was disbursed to:			
Principal paid on lease liabilities		(117,484)	(113,642)
Repayment of loans	24	(1,209,652)	(950,000)
		(1,327,136)	(1,063,642)
Net cash flow (used in) / generated by financing activities		62,294	(463,642)
Net cash and cash equivalents (used in) / generated by		80,142	(1,392,473)
Cash and cash equivalents at the beginning of the year		337,284	1,729,757
Cash and cash equivalents at the end of the year	9	417,426	337,284

The above statement of cash flows should be read in conjunction with the attached notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

1. REPORTING ENTITY

These financial statements are for Marlborough Wine Estates Group Limited (the Company) and its subsidiaries (together the Group, or MWE).

The Company and its subsidiaries are incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and the parent company is listed on main board of the New Zealand Stock Exchange ("NZX").

The Company is designated as a Tier 1 for-profit entity for financial reporting purposes.

These financial statements were authorised for issue by the Board of Directors on 25 September 2023.

The principal activities of the Group are grape production and sales, wine making, marketing and sales of premium wine in New Zealand and various export markets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"), and they comply with the New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS"). The financial statements comply with International Financial Reporting Standards (IFRS).

The Group is a Financial Markets Conduct (FMC) reporting entity under the Financial Markets Conduct Act 2013. These consolidated financial statements have been prepared in accordance with the requirements of Financial Markets Conduct Act 2013.

There are no new standards impacting the Group that have had a material impact on the consolidated financial statements for the year ended 30 June 2023. Certain comparatives have been reclassified to align with the current year's treatment. There have been no changes in accounting policies and the policies adopted by the Group have been applied consistently to all periods presented.

Historical cost convention
The consolidated financial statements have been prepared on a historical cost basis except for Biological work in progress, Land and Land improvements (vineyards) which have been measured at fair value.

Functional and presentation currency
The consolidated financial statements are presented in New Zealand dollars, which is the functional currency of the Company, its subsidiaries, and presentation currency of the Group.

Accounting estimates & judgements
The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. Refer to Note 2(s) for further information.

(b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(c) Revenue Recognition

Sales of grapes and wine
The primary source of revenue for the Group is from the sales of grapes harvested and the sale of wines produced. Revenue on sales of goods is recognised at the point in time the performance obligation is satisfied. The Group consider the performance obligation is satisfied when control of goods has transferred being when the goods have been delivered to the customer or free on board (FOB) port/delivery point or as otherwise contractually determined. A contract liability is recognised when a payment received prior to the performance obligation being satisfied. Revenue will be recognised and the corresponding amount will be moved from contact liability when the performance obligation is satisfied.

(d) Interest income and expenses

Interest income and expense
Interest income and expense are recognised on an accrual basis using the effective interest method.

Other income
Other income is recognised when the Group's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

(e) Goods and Services Tax

With the exception of accounts receivable and payable, all items are stated exclusive of Goods and Services Tax. The net amount of GST recoverable from or payable to the taxation authority is included as part of current assets or current liabilities in the statement of financial position.

(f) Foreign Currencies

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). All values are rounded to the nearest dollar.

At reporting date, foreign monetary assets and liabilities are translated into the functional currency at the closing exchange rate and exchange variations arising from these translations are recognised in profit or loss.

Transactions in foreign currencies are translated into New Zealand currency at the rate of exchange ruling at the transaction date or a rate approximating that rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

(g) Property, Plant and Equipment

The Group has applied the revaluation model for land and land improvements including bearer plants (grapes vines) and other vineyard infrastructure, and these are valued at fair value less accumulated depreciation. Fair value is determined on the basis of an independent valuation prepared by external valuation experts annually. Fair value is determined by reference to market-based evidence, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Land improvements include all costs incurred in planting grape vines and developing vineyards, dams and irrigation systems, including direct material and direct labour. These are not depreciated until the integrated vineyard asset reaches full commercial production which is typically three years after planting.

Revaluations

Revaluation increases are recognised in other comprehensive income and accumulated as a separate component of equity in the property, plant, and equipment (PPE) revaluation reserve, except to the extent that they reverse a revaluation decrease of the same asset previously recognised in the profit or loss, in which case the increase is recognised in the profit or loss to the extent of the decrease previously expensed. Decreases in value are debited directly to the revaluation reserve to the extent that they reverse previous surpluses of the same asset and are otherwise recognised as expenses in profit or loss.

All other items of property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Any resulting impairment losses are recognised as an expense in profit or loss.

When an item of property, plant and equipment is disposed of, any gain or loss is recognised in profit or loss and is calculated as the difference between the sale price and the carrying value of the item. On disposal of a revalued item of property, plant and equipment, the balance of the revaluation reserve related to that asset if any is transferred to retained earnings.

Depreciation is provided for on a straight line or diminishing value basis on all tangible property, plant and equipment other than land, at depreciation rates calculated to allocate the assets' cost less estimated residual value, over their estimated useful lives. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Rates used during the current and prior year were:

- Land improvements - Straight line (5 - 35 years) and Diminishing value (2.0% - 13.5%)
- Computer equipment - Diminishing value (50.0%)
- Tools, equipment & sheds - Diminishing value (6.0% - 67.0%)
- Motor vehicles - Diminishing value (13.0% - 30.0%)

(h) Impairment

The Group reviews the carrying value of its non-financial assets except for inventories and deferred tax assets and assesses whether there is any indication that an asset may be impaired at each reporting date. Where an indication of impairment exists, the Group makes a formal assessment of recoverable amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

If the recoverable amount of an asset is less than its carrying amount, the asset is written down to its recoverable amount. The write-down of the asset recorded at historical cost is recognised as an expense in profit or loss. Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

The carrying amount of an asset that has previously been written down to recoverable amount is increased to its current recoverable amount if there has been a change in the estimates used to determine the amount of the write-down. The increased carrying amount of the asset will not exceed the carrying amount that would have been determined if the write-down to recoverable amount had not occurred.

Reversals of impairment write downs on property, plant and equipment are accounted for in profit or loss.

(i) Financial instruments

Financial assets

Financial assets are measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The determination is made at the initial recognition. The Group classifies its financial assets as at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets are measured at amortised cost arise principally from the provision of goods and services to customers (eg trade receivables). It also includes the deposit paid and related party loan. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within NZ IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

If there is any significant increase in credit risk or objective evidence of impairment in relation to any of the debt instruments (eg related party loan) since initial recognition, the Group would need to recognise lifetime expected credit loss for those instruments.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position. Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

Financial assets at fair value are carried in the consolidated statement of financial position at fair value with changes in fair value recognised profit or loss. The Group's financial assets measured at fair value comprise the investment in Blind River Irrigation Limited (note 16).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

Financial liabilities

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables are initially recognised at fair value and then carried at amortised cost, and due to their short-term nature, they are not discounted.

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis and includes the fair value less cost to sell of the grapes, the agricultural produce, at the time the grapes are harvested in accordance with NZ IAS 41 Agriculture (note 11). Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(k) Income Tax

Income tax expense comprises both current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income, in which case it is recognised in equity or other comprehensive income.

The charge for current income tax expense is based on the profit for the period adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantively enacted by the reporting date.

Deferred tax is calculated on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. No deferred tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. No deferred tax is recognized for all temporary difference associated with investment in subsidiaries for following reasons: (1) the parent is able to control the timing of the reversal of the temporary difference; and (2) it is probable that the temporary difference will not be reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability settled based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxation authority.

The amount of income tax benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realized and comply with the conditions of deductibility imposed by law.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

When there is uncertainty concerning the Group's filling position regarding the tax bases of assets and liabilities, the taxability of certain transactions or other tax-related assumptions, then the Group

- considers whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provided better predictions of the resolution;
- determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or the expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have the full knowledge of all related information when making those examinations.

(l) Borrowing costs

Borrowing costs are recognised as an expense except when incurred to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset will be capitalised as part of the cost of that asset.

(m) Agriculture (biological assets produce and biological work in progress)

All costs incurred in maintaining agricultural assets are recognised in profit or loss. Costs incurred in deriving produce from a future harvest are capitalised and treated as biological work in progress in the Statement of Financial Position. Since there are no direct quotes or market prices accessible and the fair value of the Biological work in progress can only be reasonably determined upon harvest, therefore it is measured at cost.

The fair value less costs to sell of picked grapes is recognised in profit or loss as a gain/loss on harvested grapes at the point of harvest when these are transferred to inventories. The fair value of grapes is referenced to market prices for grapes in the local area, at the time of harvest. This becomes the deemed 'cost' for inventory valuation purposes.

(n) Fair value estimation

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Directors of the Company has determined the appropriate valuation techniques and inputs for fair value measurements.

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group applies an alternative valuation technique.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; and

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

The carrying value less estimated credit adjustments of trade receivables and payables is assumed to approximate its fair values due to their short-term nature.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

(o) Intangible assets

i. ***Intangible assets acquired separately***
Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Amortisation rates used during the current and prior year were:

- Trademarks - Straight line (10 years)
- Website - Diminishing value (40.0%)

ii. ***Derecognition of intangible assets***
An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(p) Share-based payment transactions

The grant date fair value of equity settled share based payment awards granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(q) Leases

The Group as lessee
The lease liability is initially measured at the present value of the future lease payments, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The lease liability is measured at amortised cost using the using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Group changes its assessment of whether it will exercise a purchase, extension of termination option, with a corresponding adjustment made to the carrying value of the right-of-use asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. Right-of-use assets relating to office premises are subsequently depreciated on a straight line basis from the commencement date until the end of the lease term or if shorter, over the life of the underlying assets. The depreciation policy for leased machines and equipment are consistent with that for depreciable assets which are owned. The Group applies NZ IAS 36: Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2(h) Impairment.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset

All leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets and leases with a duration of 12 months or less.

The Group as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(r) Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group the grants are intended to compensate.

(s) Key sources of judgement of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

i. *Fair value less costs to sell of grapes at the point of harvest (refer to note 10)*
The fair value less costs to sell of grapes at the point of harvest is determined by reference to market prices for each variety of grape grown in the local area at the time of harvest. The Directors' assessment of the fair value less costs to sell at the point of harvest is determined after reviewing the market price at which the Group sells the harvested grapes. Based on this valuation technique these fair values are included in Level 2 in the fair value hierarchy.

ii. *Fair value of land and land improvement (refer to note 15)*
The fair value of land and land improvements is determined by an independent valuer. The fair value is determined under the principle of highest and best use at reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is determined by direct reference to recent market transactions on arm's length terms for vineyards comparable in size, location and varietal mix to those held by the Group. To determine the fair value the independent valuer uses valuation techniques which are inherently subjective and involve estimation. The Directors consider that market data exists to support this basis of valuation. Based on these valuation techniques these fair values are included in Level 3 in the fair value hierarchy.

One of Group's vineyard block is contaminated by herbicide "Taskforce" which was used over the recent years to control the Chilean Needle grass. None of the currently producing area was impacted by the contamination. The contaminated area contains about 10 hectares of plantable area. At this stage, it is uncertain how long the contaminants will dissipate through the soil, it is likely to be in the order of five to ten years. The value of the contaminated land is substantially discounted. The block is not used for production at the moment.

iii. *Effective interest rate for interest-free shareholder loan (refer to note 19)*
The Group obtained an interest-free loan from the majority shareholder which was refinanced in June 2023 to have a maturity date of October 2024. The loan was discounted to fair value, with the discounted amount being recorded as capital contribution. The Group determined the effective interest rate to be 7.89% in June 2023, based on a mix of its current bank borrowings interest rate, Inland Revenue prescribed rate and unsecured loan rates.

(t) Cash flows

The Group's cash flows are classified based on the following:

- Operating activities are the principal revenue producing activities of the Group and other activities that are not investing or financing activities.
- Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.
- Financing activities are activities that result in changes in the borrowings of the Group.

(u) Accounting standards and interpretations

Standards and interpretations effective in the current year
The following Standards and Amendments to NZ IFRS, which are relevant to the Group's financial statements, and became effective mandatorily for the annual periods beginning on or after 1 January 2022, were adopted by the Group from 1 July 2022. The adoption of these have not and will not lead to any change in the Group's accounting policies with measurement or recognition impact on the period presented in these financial statements:

- NZ IAS 37 Onerous Contracts – Cost of Fulfilling a Contract – Clarifies the costs to be included when determining the cost of fulfilling a contract, for the purpose of assessing whether the contract is onerous – mandatory for annual periods beginning on or after 1 January 2022 with early application permitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

- NZ IAS 16 Property, Plant and Equipment – Proceeds Before Intended Use – Prohibits an entity from deducting amounts received from selling items produced while the entity is preparing an item of property, plant and equipment for its intended use from the cost of the equipment – mandatory for annual periods beginning on or after 1 January 2022 with early application permitted.
- NZ IFRS 3 Reference to the Conceptual Framework – mandatory for annual periods beginning on or after 1 January 2022 with early application permitted.
- Annual Improvements to NZ IFRS Standards 2018-2020 – These amendments include the Taxation in fair value measurements (NZ IAS 41 Agriculture) – mandatory for annual periods beginning on or after 1 January 2022.

Standards and interpretations effective in future periods
Certain new Standards, Interpretations and Amendments to existing standards have been published that are mandatory for later periods and which the Group has not early adopted. The key items include:

- NZ IAS 1 Classification of Liabilities as Current or Non-current – This Standard sets out amendments to clarify the classification of liabilities as current or non-current – Effective for annual periods beginning on or after 1 January 2023.
- NZ IAS 1 Disclosure of Accounting Policies – This Standard sets out amendments to NZ IAS 1 to require entities to disclose their material accounting policy information rather than their significant accounting policies – Effective for annual periods beginning on or after 1 January 2023.
- NZ IAS 8 Definition of Accounting Estimates – This Standard sets out amendments to clarify: (a) how accounting policies and accounting estimates relate to each other, by explaining that accounting estimates are used in applying accounting policies; and making the definition of accounting estimates clearer and more concise; (b) that selecting an estimation technique, or valuation technique, used when an item in the financial statements cannot be measured with precision, constitutes making an accounting estimate; and (c) that, in applying IAS 2 Inventories, selecting the first-in, first-out (FIFO) cost formula or the weighted average cost formula for interchangeable inventories constitutes selecting an accounting policy – Effective for annual periods beginning on or after 1 January 2023.
- IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Applying this exception, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. The amendments apply to taxable and deductible temporary differences associated with right-of-use assets and lease liabilities, and decommissioning obligations and corresponding amounts recognised as assets. Any resulting adjustment is recognised at the beginning of the earliest comparative period presented. Effective for annual periods beginning on or after 1 January 2023 with early application permitted.
- Non-current Liabilities with Covenants (Amendments to IAS 1) – This amendments aim to improve the information an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within twelve months after the reporting period.
- NZ CS1 Climate-related Disclosures(effective 1 January 2023) – This standard provides a consistent framework for entities to consider the climate-related risks and climate-related opportunities that climate change presents for third activities over the short, medium and long term.
- NZ CS 2 Adoption of Aotearoa New Zealand Climate Standards(effective 1 January 2023) – This standard provides a limited number of adoption provisions from the disclosure requirements in Aotearoa New Zealand Climate Standards.
- NZ CS 3 General Requirements for Climate-related Disclosures (effective 1 January 2023) – This standard is to establish principles and general requirements to enable the provision of high-quality climate-related disclosures.
- Amendments to FRS 44 – Disclosure of fees for audit firm's services.

The Group's management have completed an initial assessment of the new standards and do not expect the adoption of these standards to have a material financial impact on the financial statements of the Group but may affect disclosure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

3. REVENUE

	Year Ended June 2023 $	Year Ended June 2022 $
Grape sales	1,614,054	1,299,622
Bulk wine sales	2,085,817	2,165,505
Branded wine sales	5,726,584	4,489,939
	9,426,455	7,955,066

Prices of certain grape sale agreements are based on the Marlborough district regional average price (MDA) which will become available sometime in the following financial year. The Group uses its best estimation of transaction prices for each agreement to record the revenue. Adjustment, if any, will be made when official regional price is published. A geographical analysis of the sales revenue was provided in the note 29 - Segment Reporting.

4. OTHER INCOME

	Year Ended June 2023 $	Year Ended June 2022 $
Lease of farmland	3,546	3,546
Government Grants	7,809	42,302
Office lease	42,675	68,280
Foreign exchange gains	-	11,754
Others	20,227	31,783
	74,257	157,665

5. EXPENSES

	Year Ended June 2023 $	Year Ended June 2022 $
Specific expenses included in profit / (loss) before tax and finance cost for the year:		
Wages and salaries	1,256,512	848,252
Kiwisaver contribution	29,301	16,712
Directors Fees (note 23)	134,000	95,000
Contractor payment	248,860	188,237
Depreciation - includes right-of-use assets (note 15 and 20)	884,484	736,599
Amortisation (note 14)	3,757	4,472
Foreign exchange losses	2,429	-
Auditor remuneration for audit of the 30 June 2022 financial statements - BDO	8,015	83,695
Auditor remuneration for audit of the 30 June 2023 financial statements - BDO	99,330	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

6. INTEREST EXPENSE AND FINANCING COST

	Year Ended June 2023 $	Year Ended June 2022 $
Interest expense on financial liabilities at amortised cost	426,363	260,851
Interest expense on lease liabilities (note 20)	10,079	13,941
	436,442	274,792

The above Interest expense on loans and borrowings includes non-cash interest expense of $63,658 incurred from shareholder loan (note 19) for the year ended in 30 June 2023 (June 2022: $61,080).

7. TAXATION

		Year Ended June 2023 $	Year Ended June 2022 $
(a)	**Income tax recognised in profit and loss**		
	Tax expense - current year	52,100	-
	Deferred tax movement	88,914	153,321
	Income tax expense as reported	141,014	153,321
	Numerical reconciliation of income tax expense to prima facie tax payable		
	Profit before taxation	436,207	481,333
	Income tax @ 28%	122,138	134,773
	Permanent differences	18,876	18,548
	Income tax expense as reported	141,014	153,321
(b)	**Income tax - Comprehensive Income**		
	Deferred tax on items taken directly to or transferred from OCI (note 7(d))	117,511	623,839
		117,511	623,839
(c)	**Imputation credits are as follows:**		
	Balance available for use in subsequent reporting periods	720,684	720,684

The above amounts represent the imputation credit balance as at the end of reporting period, it was generated from the payment of income tax in the previous periods. No dividends were paid in FY23 and prior periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

7. TAXATION (CONTINUED)

	Year Ended June 2023 $	Year Ended June 2022 $
(d) Deferred tax balances		
The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:		
Deferred tax (liability)	(3,327,722)	(3,121,297)
	(3,327,722)	(3,121,297)

June 2022	Opening balance $	Recognised in profit or loss $	Recognised in other comprehensive income $	Closing balance $
Deferred tax assets/(liabilities) in relation to:				
Land improvements at fair value	(2,881,659)	120,069	(623,839)	(3,385,429)
Accrued expenses	21,132	35,594	-	56,726
Inventory provision	27,683	2,082	-	29,765
Property, plant & equipment	(39,384)	(3,943)	-	(43,327)
Tax losses	511,478	(303,574)	-	207,904
Lease liability	74,557	(22,342)	-	52,215
Right of use asset	(57,944)	18,793	-	(39,151)
	(2,344,137)	(153,321)	(623,839)	(3,121,297)

June 2023	Opening balance $	Recognised in profit or loss $	Recognised in other comprehensive income $	Closing balance $
Deferred tax assets/(liabilities) in relation to:				
Land improvements at fair value	(3,385,429)	147,193	(117,511)	(3,355,747)
Accrued expenses	56,726	3,286	-	60,012
Inventory provision	29,765	(19,056)	-	10,709
Property, plant & equipment	(43,327)	(7,137)	-	(50,464)
Tax losses	207,904	(207,904)	-	-
Lease liability	52,215	(24,089)	-	28,126
Right of use asset	(39,151)	18,793	-	(20,358)
	(3,121,297)	(88,914)	(117,511)	(3,327,722)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

8. EQUITY

Share Capital	June 2022 Shares	June 2022 $
Balance of ordinary share capital at 1 July 2021	296,234,115	16,416,098
Balance at 30 June 2022	296,234,115	16,416,098

	June 2023 Shares	June 2023 $
Balance of ordinary share capital at 1 July 2022	296,234,115	16,416,098
Balance at 30 June 2023	296,234,115	16,416,098

PPE revaluation reserve	Year Ended June 2023 $	Year Ended June 2022 $
Balance at beginning of the financial year	16,444,420	8,207,264
Revaluation increments	1,048,971	8,860,995
Deferred tax on items taken directly to or transferred from OCI	(117,511)	(623,839)
Balance at end of financial year	17,375,880	16,444,420

The PPE revaluation reserve records the revaluation of land and land improvements. Where a revalued asset is sold that proportion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred directly to retained earnings.

Share-based payment reserve	June 2022 Shares	June 2022 $
Balance of share based payment reserve at 1 July 2021	720,000	39,783
Balance at 30 June 2022	720,000	39,783

	June 2023 Shares	June 2023 $
Balance of share based payment reserve at 1 July 2022	720,000	39,783
Balance at 30 June 2023	720,000	39,783

Total number of shares on issue as at 30 June 2023	296,954,115	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

8. EQUITY (CONTINUED)

At 30 June 2023, share capital comprised 296,234,115 authorised and issued shares (June 2022: 296,234,115) which are fully paid and 720,000 shares issued (June 2022: 720,000) under the Group's Employee Share Ownership Plan (ESOP) are not paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Company and on any written resolution and rank equally with regards to the Company's residual assets. Ordinary shares have no par value.

Proportionate rights for the holders of unpaid shares issued under ESOP- until a Share is fully paid it shall have the same rights and privileges as an Ordinary Share but only in the proportion to which it has been paid up. For example if a Share is 50% paid up it will confer half of a right to vote on a poll at a meeting of shareholders and a right to receive half of the amount of any dividend paid on an Ordinary Share. However, the Shares will carry identical rights to Ordinary Shares in terms of entitlements to participate in any issue of equity (including securities convertible into equity capital) in the Company.

9. CASH AND BANK BALANCES

	Year Ended June 2023 $	Year Ended June 2022 $
Cash at bank (ANZ Bank, BNZ Bank and Industrial Commercial Bank of China)	417,426	337,284
	417,426	337,284

Cash and cash equivalents comprise cash on hand and cash at bank. There are no term deposits at year end.

10. BIOLOGICAL ASSET PRODUCE

The Group grows grapes to sell and use in the production of wine, as a part of normal operations. Vineyards are located in Marlborough, New Zealand. Grapes are harvested between March and April each year.

At 30 June 2023, the Group held approximately 336 hectares of land owned by the Company in Marlborough, New Zealand (June 2022: 336) and the total producing area is 149 hectares (June 2022: 149).

During the year ended 30 June 2023, the Group harvested 1,902 tonnes of grapes (June 2022: 1,879) from MWE's own vineyards. The grapes harvested are recognised at fair value less costs to sell at the point of harvest after taking into consideration various market factors, as well as reviewing the district average price report for grapes of similar quality and variety. The fair value adjustment included in cost of sale for the 2023 vintage was $1,799,742 (June 2022: $1,590,403). Refer to note 12 for recognition of the biological transformation between the time of harvest and reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

11. INVENTORIES

	Year Ended June 2023 $	Year Ended June 2022 $
Bottled wine	1,522,646	1,138,940
Bulk wine	4,859,567	3,799,278
Dry goods	89,001	138,492
Total wine in inventory and work in progress (net of impairment)	6,471,214	5,076,710
Impairment of Inventory		
Balance as at 1 July	106,305	98,871
Provision provided during the year	38,251	106,305
Inventory written off during the year	(106,305)	(98,871)
Balance as at 30 June	38,251	106,305

Inventories are valued at the lower of cost, net realisable value. Cost is calculated on a FIFO basis. Inventories recognised as cost of sale during the year ended 30 June 2023 amounted to $4,579,178 (June 2022:$ 4,181,547).

12. BIOLOGICAL WORK IN PROGRESS

	Year Ended June 2023 $	Year Ended June 2022 $
Biological work in progress	484,674	923,663

The Group grows and harvests grapes. Harvesting of grapes is from March to April each year. The growth on the vines in the period from harvest to 30 June 2023 cannot be reliably measured due to the lack of market information and the variables in completing the biological transformation process between the time of harvest and the reporting date. The cost of agricultural activity in the period to 30 June 2023 has been recognised as Biological work in progress for the next harvest. This assumes the cost of the agricultural activity approximates the fair value of the biological transformation that has occurred in that period. The value of Biological work in progress at reporting date was $484,674 (June 2022: $923,663).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

13. ACCOUNTS RECEIVABLE

	Year Ended June 2023 $	Year Ended June 2022 $
Trade receivables	1,082,550	1,671,876
Provision for doubtful debts	-	-
	1,082,550	1,671,876

The standard credit terms on sales of goods given to domestic branded wine customers are 20th of the month following the issue of invoice. Before accepting any new customer, the Group assess the potential customer's credit quality and defines credit limits by customer. For overseas and other major customers, credit quality is assessed individually. Clients with customised purchase orders might receive a different payment term, normally not longer than 180 days.

The Group recognises a loss allowance for expected credit losses on trade and other receivables. Expected credit losses are not material as at 30 June 2023 and 30 June 2022. The Group also considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Refer to note 2(i).

Included in the total receivable amount above, there is no material past due accounts. As of 30 June 2023, there were 6 customers who represent more than 5% of the total balance of trade receivables individually (June 2022: 3 customers).

Payment due schedule from major customers as of 30 June 2023	Total receivable amount $	Due in 0 - 30 days $	Due in 31 - 90 days $	Due in 91 days + $	Past due $
Customer 1	442,560	-	322,560	120,000	-
Customer 2	168,893	168,893	-	-	-
Customer 3	165,742	165,742	-	-	-
Customer 4	120,033	118,862	157	-	1,014
Customer 5	99,349	99,349	-	-	-
Customer 6	90,037	48,157	41,880	-	-

Payment due schedule from major customers as of 30 June 2022	Total receivable amount $	Due in 0 - 30 days $	Due in 31 - 90 days $	Due in 91 days + $	Past due $
Customer 1	1,113,360	1,050,840	62,520	-	-
Customer 2	126,906	126,073	-	-	833
Customer 3	114,386	114,386	-	-	-

The Group determines the expected credit losses on receivables by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted for any material expected changes to the future risk. In determining the historical loss rate to be applied to these ageing buckets, the Group has reviewed whether there were any bad debts written off over the past five years and has identified that there was $nil (June 2022: $nil). Accordingly the historical loss rate applied at 30 June 2023 was 0% (June 2022: 0%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

The loss allowance for accounts receivable was tested as follows.

Accounts receivable as of 30 June 2023	Current $	Less than 30 days past due $	30 to 60 days past due $	More than 60 days past due $	Total $
Trade receivables	968,921	89,869	19,415	4,345	1,082,550
Provision for expected credit losses	-	-	-	-	-

Accounts receivable as of 30 June 2022	Current $	Less than 30 days past due $	30 to 60 days past due $	More than 60 days past due $	Total $
Trade receivables	1,627,990	5,879	1,966	36,041	1,671,876
Provision for expected credit losses	-	-	-	-	-

14. INTANGIBLES

(a) Cost and accumulated amortisation	Trademarks $	Website $	Total $
Cost:			
Balance as at 1 July 2021	22,285	12,410	34,695
Additions for the year	6,843	-	6,843
Balance at 30 June 2022	29,128	12,410	41,538
Balance at 30 June 2023	29,128	12,410	41,538
Amortisation and impairment losses:			
Balance as at 1 July 2021	10,077	7,942	18,019
Amortisation for the year	2,685	1,787	4,472
Balance at 30 June 2022	12,762	9,729	22,491
Amortisation for the year	2,685	1,072	3,757
Balance at 30 June 2023	15,447	10,801	26,248

(b) Carrying amount	Trademarks $	Website $	Total $
June 2022			
Cost	29,128	12,410	41,538
Accumulated amortisation and impairment loss	(12,762)	(9,729)	(22,491)
Balance at 30 June 2022	16,366	2,681	19,047
June 2023			
Cost	29,128	12,410	41,538
Accumulated amortisation and impairment loss	(15,447)	(10,801)	(26,248)
Balance at 30 June 2023	13,681	1,609	15,290

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

15. PROPERTY, PLANT & EQUIPMENT

Year ended 30 June 2022	Land at fair value $	Land improvements at fair value $	Computer equipment at cost $	Tools, equipment & sheds at cost $	Motor vehicles at cost $	Total $
Cost or fair value (before depreciation)						
Balance at 1 July 2021	10,141,529	15,634,813	14,075	582,386	208,512	26,581,315
Additions for the year	-	226,521	6,319	45,694	23,500	302,034
Revaluation	6,632,997	2,227,998	-	-	-	8,860,995
Balance at 30 June 2022	16,774,526	18,089,332	20,394	628,080	232,012	35,744,344
Accumulated Depreciation:						
Balance at 1 July 2021	-	2,169,511	12,714	313,627	120,416	2,616,268
Depreciation for the year	-	567,217	2,758	40,049	15,124	625,148
Balance at 30 June 2022	-	2,736,728	15,472	353,676	135,540	3,241,416
Carrying amount:						
Cost or fair value	16,774,526	18,089,332	20,394	628,080	232,012	35,744,344
Accumulated depreciation	-	(2,736,728)	(15,472)	(353,676)	(135,540)	(3,241,416)
Carrying amount at 30 June 2022	16,774,526	15,352,604	4,922	274,404	96,472	32,502,928

Of the above $567,217 depreciation for land improvements, $424,005 was classified to cost of sales and $143,212 was capitalised into Biological work in progress as this were directly attributable to grapes growing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

Year ended 30 June 2023	Land at fair value $	Land improvements at fair value $	Computer equipment at cost $	Tools, equipment & sheds at cost $	Motor vehicles at cost $	Total $
Cost or fair value (before depreciation)						
Balance at 1 July 2022	16,774,526	18,089,332	20,394	628,080	232,012	35,744,344
Additions for the year	-	872,337	4,674	290,035	84,287	1,251,333
Transfer from ROU assets (note 20)	-	-	-	47,837	123,198	171,035
Disposal for the year	-	-	-	-	(30,435)	(30,435)
Revaluation	629,289	419,682	-	-	-	1,048,971
Balance at 30 June 2023	17,403,815	19,381,351	25,068	965,952	409,062	38,185,248
Accumulated Depreciation:						
Balance at 1 July 2022	-	2,736,728	15,472	353,676	135,540	3,241,416
Depreciation for the year	-	677,509	3,688	80,285	43,506	804,988
Depreciation reversed for disposal	-	-	-	-	(29,376)	(29,376)
Balance at 30 June 2023	-	3,414,237	19,160	433,961	149,670	4,017,028
Carrying amount:						
Cost or fair value	17,403,815	19,381,351	25,068	965,952	409,062	38,185,248
Accumulated depreciation	-	(3,414,237)	(19,160)	(433,961)	(149,670)	(4,017,028)
Carrying amount at 30 June 2023	17,403,815	15,967,114	5,908	531,991	259,392	34,168,220

The vineyards are situated in Marlborough. Land and land improvements by the Group are subject to a registered charge in favour of the ICBC Bank. This is up to the extent of the loan balance, $5m (note 19) at reporting date.

Of the above $677,509 depreciation for land improvements, $501,408 was classified to cost of sales and $176,461 was capitalised into Biological work in progress as this were directly attributable to grapes growing.

The carrying amount of land and land improvement had they been recognised under the historic cost model would have been $6,716,695 and $7,531,398 respectively (June 2022: $6,716,695 and $6,972,203).

Revaluation of land and land improvements

The land and land improvements (which include grape vines) shown at valuation were valued at fair value under the principle of highest and best use (viticulture purposes) by Alexander Hayward Limited (June 2022: Alexander Hayward Limited), registered independent valuer on 30 June 2023. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The revaluation of land and land improvements are carried out on a frequent basis.

Land and land improvements at fair value is determined by a comparable sales valuation approach where a number of recent vineyard sales were analysed to establish a range of relevant value benchmarks for land and land improvements' components. The valuer has determined a value range for vineyard land structures and vines of between $183,000 to $233,000 / planted hectare (June 2022: $175,000 to $223,000/ha).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

The main benchmarks applied are listed below:

- Valley floor / flats land value of $120,000 / ha (June 2022: $115,000 / ha).
- Contoured / undulating hill land value of $90,000 - $110,000 / ha (June 2022: $85,500 - $108,000 / ha).
- Balance non-productive land value of $3,000 - $8,000 / ha (June 2022: $3,000 - $8,000 / ha).
- Added value of vines and structures of $76,000 - $90,000 / planted ha (June 2022: $73,000 - $85,000 / ha).

The Valuer has determined an adopted rate based on comparable transactions adjusted for the specific characteristics of the viticulture land. The land value increase as the adopted land value rate per hectare increases, and vice versa. The land improvement value increase as the adopted value of vines and structures per hectare increases, and vice versa. The valuation includes inputs which are adjusted for the size, location and varietal mix held by the Group. Based on these valuation techniques these fair values are included in Level 3 in the fair value hierarchy (note 2(s)). The value allocated specifically to dams and other infrastructures included in land improvements (other than grapes vines) is based on the estimated cost to replace the assets on a like for like basis.

In addition, one of the Group's vineyard blocks is contaminated by herbicide "Taskforce" which was used over recent years to control Chilean Needle grass. None of the currently producing area was impacted by the contamination. The contaminated area contains about 10 hectares of plantable area. Further vineyard development has been put on hold until future soil test confirms the contaminants have dissipated through the soil (note 2(s)(ii)).

16. INVESTMENTS - FVTP&L

The Group has 7.8% ownership in Blind River Irrigation Limited (BRIL) and has advanced funds to the company. This gives the Group the right to draw water from Blind River Irrigation Limited. The value of the share was supported by the Net Assets value of BRIL, MWE assessed the Net Asset of BRIL as at June 2023, which has not moved materially from prior year, therefore no gain/(loss) on investment was recognised in the current year (June 2022: nil). Based on this valuation technique the fair value is included in Level 3 in the fair value hierarchy (note 2(s)). MWE has received no dividend from this investment for the year (June 2022: nil).

	Year Ended June 2023 $	Year Ended June 2022 $
Investments in equity	28,365	28,365
	28,365	28,365

17. TRADE AND OTHER PAYABLES

	Year Ended June 2023 $	Year Ended June 2022 $
Trade payables	1,362,532	1,024,468
Other payables and accruals	265,173	548,214
	1,627,705	1,572,682

Trade payables are non-interest bearing and are generally settled within 30 days. As a result of their short-term nature, trade payables and accruals are not discounted. The carrying amount disclosed above is a reasonable approximation of fair value. No interest rate is applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

18. EMPLOYEE BENEFIT LIABILITIES

	Year Ended June 2023 $	Year Ended June 2022 $
Leave payables	49,977	44,082
Remuneration payables	114,034	87,665
	164,011	131,747

19. BORROWINGS

	Year Ended June 2023 $	Year Ended June 2022 $
ICBC bank loan	5,000,000	4,950,000
Shareholder loan	1,363,379	1,414,614
Asset loan	129,778	-
	6,493,157	6,364,614
Current	51,938	150,000
Non current	6,441,219	6,214,614
	6,493,157	6,364,614

The Group entered into a loan agreement with ICBC on 18 December 2014. The loan is secured by way of registered charge over all the present and after acquired property of the Group. The term loan facility bears a weighted average interest rate of 7.54% (June 2022: 4.19%). The loan was refinanced in June 2023 with the facility amount of $8.0 million which consist of core debt facility of $5.0 million and revolving debt facility of $3.0 million which is undrawn at balance date. The revolving debt provides the Group flexibility and allows it to pay down the balance when it has more cash on hand and to repeatedly borrow to the set limit of $3.0 million, and interest of revolving debt will be calculated monthly based on balance owning. Interest for core debt facility is calculated and paid quarterly. Both facilities will mature in July 2026.

During FY23, $1.2 million withdrawal was made to the revolving debt facility and $1.15 million repayment was made to both facilities. As at 30 June 2023, the total bank loan balance is $5.0 million, another $3.0 million is available for further drawdown on these facilities.

The loan from shareholder (face value: $1.5 million) is unsecured and interest free and has been subordinated in favour of all other creditors of the company. The shareholder loan was extended for another year and it will mature in October 2024. Given the loan is interest-free, it was discounted to its fair value on 30 June 2023 with the difference between the face value of the loan and the fair value being reflected as a capital contribution from the shareholder. The Group recognised non-cash interest expense of $63,658 for FY23 and the corresponding amount was also reflected in loan balance (June 2022: $61,080). $114,893 was added the Capital Contribution account due to the extension, as of 30 June 2023 the Capital Contribution balance was $325,779 (June 2022: $210,886).

The Group entered into a asset loan agreement during FY23 for $189,430 to purchase vineyard equipment, the loan will be fully off paid in 3 years with 36 monthly instalments, and the effective interest is 4.64%. The loan is secured by the assets purchased under this agreement. As at 30 June 2023, the asset loan balance was $129,778.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

20. LEASES

Right-of-use assets	Office Premises $	Equipment & Motor vehicles $	Total $
30 June 2022			
Cost			
Balance at 1 July 2021	350,497	342,018	692,515
Additions for the year	-	27,643	27,643
Disposals for the year	-	(17,286)	(17,286)
Balance at 30 June 2022	350,497	352,375	702,872
Accumulated Depreciation:			
Balance at 1 July 2021	(143,552)	(101,987)	(245,539)
Depreciation for the year	(67,117)	(44,334)	(111,451)
Depreciation reversed for disposal	-	4,431	4,431
Balance at 30 June 2022	(210,669)	(141,890)	(352,559)
Carrying amount:			
Cost	350,497	352,375	702,872
Accumulated depreciation	(210,669)	(141,890)	(352,559)
Carrying amount at 30 June 2022	139,828	210,485	350,313
Year ended 30 June 2023			
Cost			
Balance at 1 July 2022	350,497	352,375	702,872
Additions for the year	-	-	-
Disposals for the year	-	(9,223)	(9,223)
Transfer to PPE	-	(293,559)	(293,559)
Balance at 30 June 2023	350,497	49,593	400,090
Accumulated Depreciation:			
Balance at 1 July 2022	(210,669)	(141,890)	(352,559)
Depreciation for the year	(67,117)	(12,379)	(79,496)
Depreciation reversed for disposal	-	6,139	6,139
Depreciation reversed for transfer to PPE	-	122,524	122,524
Balance at 30 June 2023	(277,786)	(25,606)	(303,392)

The ROU assets with a cumulative net value of $171,035 reached to the end of the term, the Group chose to keep the assets and they were transferred to PPE (note 15).

Carrying amount:			
Cost	350,497	49,593	400,090
Accumulated depreciation	(277,786)	(25,606)	(303,392)
Carrying amount at 30 June 2023	72,711	23,987	96,698

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

Lease liabilities	Office Premises $	Equipment & Motor vehicles $	Total $
Year ended 30 June 2022			
Lease liability recognised as at 1 July 2021	266,385	58,345	324,730
Additions	-	31,789	31,789
Interest for the period	9,577	4,364	13,941
Lease payments made	(89,370)	(38,213)	(127,583)
Carrying amount 30 June 2022	186,592	56,285	242,877
Current	86,031	31,453	117,484
Non-current	100,561	24,832	125,393
Total	186,592	56,285	242,877
Year ended 30 June 2023			
Lease liabilities as at 30 June 2022	186,592	56,285	242,877
Additions for the year	-	-	-
Interest for the period (note 6)	6,019	4,060	10,079
Lease payments made	(92,050)	(35,513)	(127,563)
Carrying amount 30 June 2023	100,561	24,832	125,393
Current	92,621	14,882	107,503
Non-current	7,940	9,950	17,890
Total	100,561	24,832	125,393

	Year Ended June 2023 $	Year Ended June 2022 $
The maturity of lease liabilities is as follows:		
Less than one year	107,503	117,484
One to two years	17,890	107,503
Two to three years	-	17,890
	125,393	242,877

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

21. CONTINGENT LIABILITIES

There were no contingent liabilities or any outstanding litigation against the Group as at 30 June 2023 (June 2022: nil).

22. CAPITAL COMMITMENTS

The Group has committed to purchase a tractor for $165,000 , with delivery expected in next financial year. There was no other capital expenditure commitment as at 30 June 2023 (June 2022: nil).

23. RELATED PARTY DISCLOSURES

(a) *Identity of related party*

The Group has a related party relationship with its key management personnel. All members of the Group are considered to be the related parties of the Parent, Marlborough Wine Estates Group Limited (MWE). This includes the subsidiaries identified below. This has remained the same as last year.

Subsidiaries	Principal Activity	Proportion of ownership	Accounting balance date	Jurisdiction
Marlborough Vineyard Group Limited	International Marketing	100%	30 June	New Zealand
Otuwhero Trustee Limited	Wine production, sales and marketing	100%	30 June	New Zealand
O:Tu Investments Limited	Vineyards operation	100%	30 June	New Zealand
MB Wine Limited	Music Bay trade mark	100%	30 June	New Zealand

The Group has related party relationship with the entities below:

New Zenith International Trading (Shanghai) Co., Ltd (NZIT)	Min Jia, the founder, major shareholder and director of MWE, owns NZIT in China. NZIT sells, distributes and markets MWE's wine in China.
Hunan Xinmeisheng Food Co., Ltd.	Min Jia, the founder, major shareholder and director of MWE, owns Hunan Xinmeisheng Food Co., Ltd which sells, distributes and markets MWE's wine in China.
Lily Investments 227 Ltd	Min Jia, director of MWE, is a director and shareholder Lily Investment 227 Ltd.
Blind River Irrigation Ltd	The Group holds 7.8% ownership in Blind River Irrigation Ltd.
Lily Investment 265 Trustee Limited	Min Jia, director of MWE, is a beneficiaries of Lily Investment 265 Trust.
Flowerzone International Ltd	Danny Chan, director of MWE, is a director and shareholder in Flowerzone International Ltd.
The Digital cafe Ltd	Danny Chan, director of MWE, is a shareholder in The Digital Cafe Ltd.
Cartier for Flower Ltd	Danny Chan, director of MWE, is a director and shareholder in Cartier for Flower Ltd.
OTU Australia Pty Ltd	Catherine Ma, alternate director and former CEO of MWE, is a close relative of the director of OTU Australia Pty Ltd.
LC Wine Ltd	Catherine Ma, alternate director and former CEO of MWE, is a director and shareholder of LC Wine Ltd.
Move Logistics Group Ltd	Danny Chan, director of MWE, is a director in Move Logistics Group Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

(b) Transactions with related party

All related party trading transactions were on standard terms and conditions.

	Total Value		Asset/(liability)	
	2023 $	2022 $	2023 $	2022 $
Wine Sales				
New Zenith International Trading (Shanghai) Co., Ltd	-	3,906	-	-
Hunan Xinmeisheng Food Co., Ltd.	319,835	72,028	90,037	72,028
Lily investment 265 Trust	-	1,158	-	-
Flowerzone International Ltd	-	33,743	-	23,648
Cartier for Flower Ltd	-	1,080	-	-
OTU Australia Pty Ltd	-	104,596	-	-
Office rent and other payments				
Lily Investments 227 Limited (for office rent)	2,845	34,140	-	-
Lily Investment 265 Trust (for office rent)	39,830	34,140	(9,815)	-
Lily Investment 265 Trust (for staff salary)	15,000	30,000	(17,250)	(34,500)
Lily Investment 265 Trust (for vehicle purchase)	17,391	-	-	-
Blind River Irrigation Limited (for water usage)	29,672	39,805	(21,661)	(23,154)
LC Wine Ltd (grapes / bulk wine purchase)	-	160,988	-	(92,137)
Move Logistic Group Ltd (freight and storage)	35,827	1,242	(5,579)	(104)
The Digital Cafe Ltd (digital marketing)	25,231	21,700	(2,300)	(2,300)
Shareholder employees other than senior officers (salary)	-	42,449	-	-

Transactions with Directors and Key Management Personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly. The key management personnel are the directors and senior officers of the Group.

	Total Value		Asset/(liability)	
	2023 $	2022 $	2023 $	2022 $
Directors' Fees				
Min Jia (Executive Chairman)	10,000	10,000	(833)	(833)
Danny Chan	62,000	40,000	(17,825)	(11,500)
Christine Pears	62,000	45,000	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

	Total Value		Asset/(liability)	
	2023 $	2022 $	2023 $	2022 $
Senior officers' compensation (excludes directors)				
Short-term employee benefits	614,356	349,727	(15,371)	(11,963)
Total senior officers' compensation (excludes directors)	614,356	349,727	(15,371)	(11,963)

Some of the senior management members were employed in a part time capacity for the Group and they are also employed on a part time basis by related parties.

	Year Ended June 2023 $	Year Ended June 2022 $
Shareholder loan - Min Jia		
Amount owed to Min Jia at 1 July	1,414,614	1,353,534
Non-cash interest payment	63,658	61,080
Fair value adjustment for the loan	(114,893)	-
Amount owed to Min Jia at 30 June (note 19)	1,363,379	1,414,614

	Year Ended June 2023 $	Year Ended June 2022 $
Amounts owing from Blind River Irrigation Limited (BRIL):		
Amount owing at 1 July	48,005	51,804
Amount withdrawn during the year	(3,799)	(3,799)
Amount owing at 30 June	44,206	48,005

The loan owning from BRIL was mainly generated via share split and buyback scheme in June 2021. It was designed to offset some future water payments to BRIL. No interests are expected to receive for this loan.

	Year Ended June 2023 $	Year Ended June 2022 $
Other related party transactions during the year		
Wine purchased by shareholder employees and senior officers during the year	2,204	2,097
Payments reimbursed to senior officers and shareholder employees for business related expenses during the year	27,797	5,749

All shareholder loan balances are interest free and are not repayable within 12 months of signing the financial statements. No amounts owed by related parties have been written off or forgiven during the year. All other related party balances are repayable within 12 months.

The loan from shareholder is unsecured and has been subordinated in favour of all other creditors of the company. The shareholder loan is not due for repayment for the following 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

24. NOTES TO CASHFLOW STATEMENT

(a) Reconciliation of net profit / (loss) after tax to net cash flow from operating activities:	**Year Ended June 2023 $**	**Year Ended June 2022 $**
Net profit after tax	295,193	328,012
Add: Non-cash items		
Amortisation	4,472	4,472
Depreciation on PPE and ROU assets	816,250	736,598
Interest expense on shareholder loan	63,658	61,080
Deferred tax movement recognised in profit and loss (note 7(d))	88,914	153,321
Other non-cash adjustment	2,094	21,801
(Increase) / decrease in assets:		
(Increase) / Decrease in accounts receivables	589,326	(927,638)
Decrease / (Increase) in GST receivable	53,304	15,080
(Increase) / Decrease in inventory	(1,394,504)	(1,247,273)
(Increase) / Decrease in biological work in progress	438,989	(213,608)
(Increase) / Decrease in deposit paid	26,625	(26,625)
Decrease / (Increase) in prepayments	(47,886)	49,217
Increase / (Decrease) in liabilities:		
Increase / (Decrease) in trade payables	55,023	347,228
Increase / (Decrease) in employee benefit liabilities	32,264	79,425
(Decrease) / Increase in revenue received in advance	120,000	-
(Decrease) / Increase in tax paid	52,092	(44)
Items reclassified to investing activities	(576,543)	-
Net cash provided by operating activities	619,271	(618,954)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

(b) Reconciliation of liabilities arising from financing activities	June 2023 Borrowings $	June 2023 Lease Liabilities $	June 2022 Borrowings $	June 2022 Lease Liabilities $
Balance at 1 July	6,364,614	242,877	6,653,534	324,730
Lease liabilities recognised	-	-	-	31,789
Repayment of lease liabilities - cash flow	-	(117,484)	-	(113,642)
Proceed from bank loan- cash flow	1,389,430	-	600,000	-
Repayment of bank loan - cash flow	(1,209,652)	-	(950,000)	-
Fair value adjustment for shareholder loan	(114,893)	-	-	-
Non-cash Interest	63,658	-	61,080	-
Balance at 30 June	**6,493,157**	**125,393**	**6,364,614**	**242,877**

25. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk.

(a) ***Market risk***

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are currently not managed as the foreign currency exposure is not material enough to warrant the use of foreign exchange contracts and foreign exchange option contracts. Forward foreign exchange contracts and foreign exchange option contracts will be used in the future as the Group's foreign currency exposure increases.

(b) ***Credit risk***

Credit risk is managed on a regular basis. Credit risk arises from outstanding receivables from debtors. As part of the Group's financial risk policy, limits on exposures have been set and are monitored on a regular basis. Credit risk is therefore not significant. The Group does not require any collateral or security to support financial instruments due to the quality of the financial institutions dealt with. Credit risk also arises from cash and cash equivalents and deposits which is limited because the counterparties are banks and financial institutions with high credit-ratings assigned by international agencies. The maximum exposure to credit risk is to the extent of the balance of the carrying amount of financial assets recorded in the financial statements.

(c) ***Liquidity risk***

The Group manages liquidity risk by maintaining adequate reserves and continuously monitoring forecast and actual cash flow and matching the maturity of profiles of financial assets and liabilities. The Group will consider additional funding options through loans or equity when required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

(d) Cash flow risk

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the undiscounted contractual maturity date. Interest payable has been calculated at reporting date rates, assuming bank borrowings at reporting date are held to maturity. The Group will consider additional funding options through loans or equity when required.

June 2023	Carrying amount $	Total undiscounted amount $	Less than 1 year $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $
Trade Payables	1,627,705	1,627,705	1,627,705	-	-	-
Bank Borrowings	5,000,000	6,275,000	425,000	425,000	5,425,000	-
Shareholder Loan	1,363,379	1,500,000	-	1,500,000	-	-
Lease Liability (note 20)	125,393	128,834	110,804	18,030	-	-

June 2022	Carrying amount $	Total undiscounted amount $	Less than 1 year $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $
Trade Payables	1,572,682	1,572,682	1,572,682	-	-	-
Bank Borrowings	4,950,000	5,247,045	389,085	4,857,960	-	-
Shareholder Loan	1,414,614	1,500,000	-	1,500,000	-	-
Lease Liability (note 20)	242,877	254,726	126,566	110,129	18,031	-

(e) Foreign currency risk

Foreign currency denominated assets and liabilities at reporting date are:

	Year Ended June 2023 $	Year Ended June 2022 $
Trade & other receivables	168,893	114,386
Exposure at reporting date	168,893	114,386

The Group is mainly exposed to Canadian dollars (CAD) and Australian dollars (AUD) during the year. As at 30 June 2023, the Group has a trade receivable balance of $136,327 denominated in CAD (June 2022: CAD $91,800). The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date. The 10% sensitivity rate used represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for the listed percentage change in foreign currency rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

	June 2023		June 2022	
	NZD +10% $	NZD -10% $	NZD +10% $	NZD -10% $
Pre tax profit / (loss)	(15,354)	18,766	(10,399)	12,710

(f) ***Interest rate risk***

The Group is exposed to interest rate risk as it borrows funds at floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. Financing activities are evaluated regularly with assistance of independent advice to align with interest rate views and defined risk appetite; ensuring optimal economic strategies are applied or protecting interest expense through different interest rate cycles.

If interest rates had been 300 basis point (or 3% interest rate) higher/lower and all other variables were held constant, the Group's profit for the year and equity would be decrease/increase by $150,000. This is mainly attributable to the Group's exposure to interest rates on its variable borrowing.

(g) ***Categories of financial assets and liabilities***

The table below shows the carrying amount and fair values (except where carrying amount approximates fair value) of the Group's financial assets and financial liabilities.

June 2023	Financial assets at amortised cost $	Financial assets at fair value through profit and loss $	Financial liabilities at amortised cost $	Total $
Cash and bank balances	417,426	-	-	417,426
Accounts receivable	1,082,550	-	-	1,082,550
Deposit paid	20,000	-	-	20,000
Related party loan	44,206	-	-	44,206
Financial assets at fair value through profit and loss	-	28,365	-	28,365
Total financial assets	1,564,182	28,365	-	1,592,547
Non-financial assets				41,398,277
Total assets				42,990,824

	Financial assets at amortised cost $	Financial assets at fair value through profit and loss $	Financial liabilities at amortised cost $	Total $
Liabilities				
Trade and other payable	-	-	1,627,705	1,627,705
Employee benefit liabilities	-	-	164,011	164,011
Shareholder loan	-	-	1,363,379	1,363,379
Bank loan	-	-	5,129,778	5,129,778
Total financial liabilities	-	-	8,284,873	8,284,873
Non-financial liabilities				3,625,530
Total liabilities				11,910,403

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

June 2022	Financial assets at amortised cost $	Financial assets at fair value through profit and loss $	Financial liabilities at amortised cost $	Total $
Cash and bank balances	337,284	-	-	337,284
Accounts receivable	1,671,876	-	-	1,671,876
Deposit paid	46,625	-	-	46,625
Related party loan	48,005	-	-	48,005
Financial assets at fair value through profit and loss	-	28,365	-	28,365
Total financial assets	2,103,790	28,365	-	2,132,155
Non-financial assets				39,040,260
Total assets				41,172,415

	Financial assets at amortised cost $	Financial assets at fair value through profit and loss $	Financial liabilities at amortised cost $	Total $
Liabilities				
Trade and other payable	-	-	1,572,682	1,572,682
Employee benefit liabilities	-	-	131,747	131,747
Shareholder loan	-	-	1,414,614	1,414,614
Bank loan	-	-	4,950,000	4,950,000
Total financial liabilities	-	-	8,069,043	8,069,043
Non-financial liabilities				3,364,497
Total liabilities				11,433,540

(h) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of net debt and equity of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

26. SUBSEQUENT EVENTS

There have been no other subsequent events since the reporting date which would impact these financial statements.

27. GOING CONCERN

Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the Group has the resources to continue in business for the foreseeable future. On this basis, the Directors believe that the use of the Going Concern assumption in preparation of the financial statements remains appropriate.

28. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares.

	June 2023 Number	June 2022 Number
Number of ordinary share at 1 July	296,234,115	296,234,115
Ordinary shares issued and paid during the period	-	-
Number of ordinary share at 30 June	296,234,115	296,234,115
Weighted average number of ordinary shares	296,234,115	296,234,115

	Year Ended June 2023	Year Ended June 2022
Profit / (Loss) attributable to equity holders of the Company (in dollars)	295,193	328,012
Weighted average number of ordinary shares on issue	296,234,115	296,234,115
Basic earnings / (loss) per share (in dollars)	0.001	0.001

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

(b) Diluted earnings per share

The calculation of diluted earnings per share (DEPS) is based on profit/(loss) attributable to equity holders of the Company and a weighted average number of ordinary shares whether issued or able to be issued during the year. As a profit was made this year, share options have been included in the DEPS calculation.

	Year Ended June 2023	Year Ended June 2022
Profit / (Loss) attributable to equity holders of the Company (in dollars)	295,193	328,012
Weighted average number of ordinary shares used in the calculation of basic earnings per share	296,234,115	296,234,115
Weighted average number of share options	720,000	720,000
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	296,954,115	296,954,115
Diluted earnings / (loss) per share (in dollars)	0.001	0.001

29. SEGMENT REPORTING

The Group operates in the wine industry and is considered to operate in a single segment.

The Group operates in one principal geographical area - Marlborough, New Zealand. During the financial year, majority of Group's sales were generated from supplying products to customers based in New Zealand, North America, UK/Europe and Australasia. At reporting date, the Group held all non-current assets in Marlborough, New Zealand.

The below represents a geographical analysis of sales:

	Year Ended June 2023 $	Year Ended June 2022 $
Sales		
New Zealand and Oceania	6,259,683	5,261,474
North America (USA and Canada)	1,664,426	2,124,829
UK/Europe	922,869	305,550
Australasia	579,477	263,213
Total (note 3)	9,426,455	7,955,066

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

For the year ended 30 June 2023, there were 2 customers (30 June 2022: 2 customers) who individually accounted for greater than 10% of the Group's total sales. The sales amount to these customers in total was $3.85 million (30 June 2022: $4.54 million). The following table shows the sales amount to those customers.

	Year Ended June 2023 $	Year Ended June 2022 $
Customer A	1,405,090	2,019,163
Customer B	2,442,797	2,525,282
Total	3,847,887	4,544,445

30. EMPLOYEE BENEFITS

Share options programme (equity - settled)

On 31 January 2016 the Group established a share option programme that entitled directors and key management personnel and staff to purchase shares in the Company. Under this programme, holders of vested options are entitled to purchase shares at $0.20 per share. The key terms and conditions related to the grants under this programme are as follows. As at 30 June 2023, 720,000 options are still outstanding and fully vested.

Grant Date	Number of instruments outstanding	Vesting conditions
2/03/16	300,000	Fully vest in 5 years, 1/5th vest on each anniversary of the grant date subject to the holder continuing to be employed by the Group (Service Condition only). The options expire 10 years from the grant date and they will be cancelled if not exercised and fully paid at expiry date (02/03/2026).
3/03/16	420,000	Fully vest in 5 years, 1/5th vest on each anniversary of the grant date subject to the holder continuing to be employed by the Group (Service Condition only). The options expire 10 years from the grant date and they will be cancelled if not exercised and fully paid at expiry date (03/03/2026).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

Measurement of fair value

The fair value of the employee share options has been measured using the Black-Scholes formula. The inputs used in measurement of the fair values at grant date of the equity-settled share based payment plan were as follows.

Fair value at grant date	$113,000
Share price at grant date	$0.20
Exercise price	$0.20
Expected volatility (weighted-average)	31.79%
Expected life (weighted-average)	10 years
Expected dividends	0%
Risk-free rate	2.01% - 2.47%

The expected volatility in the measurement of fair value at grant date has been based on an evaluation of the historical volatility of a list of comparable listed companies as a proxy for the Company's future volatility. The Company had no trading history as at valuation date.

Reconciliation of the outstanding share options

The number and weighted-average exercise prices of share options under the share option programme were as follows:

	June 2023		June 2022	
	Number of Options	Exercise price	Number of Options	Exercise price
Outstanding at 1 July	720,000	$0.20	720,000	$0.20
Granted during the year	-	N/a	-	N/a
Forfeited during the year	-	N/a	-	N/a
Exercised during the year	-	N/a	-	N/a
Outstanding at 30 June	720,000	$0.20	720,000	$0.20
Exercisable at 30 June	720,000	$0.20	720,000	$0.20

Share-based payment reserve

	June 2023		June 2022	
	Number	$	Number	$
Outstanding at 1 July	720,000	39,783	720,000	39,783
Share based payment expense	-	-	-	-
Share options forfeited during the year	-	-	-	-
Outstanding at 30 June	720,000	39,783	720,000	39,783

STATUTORY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2023

1. The name of the directors holding office during the year are:

Marlborough Wine Estates Group Limited	Min Jia Christine Pears Danny Chan
Marlborough Vineyard Group Limited	Min Jia Catherine Ma
Otuwhero Trustee Limited	Min Jia Andrew Stafford (appointed on 06 April 2023)
O:Tu Investments Limited	Min Jia Andrew Stafford (appointed on 06 April 2023)
MB Wine Limited	Catherine Ma

2. 20 largest shareholdings

The 20 largest shareholdings as at 31 July 2023 are provided in the table below.

No.	Shareholders	No. of shares	% of shares
1	Min Jia	214,637,014	72.28%
2	Mpmb Trustee Limited	25,000,000	8.42%
3	Wen Hui Lin	10,000,000	3.37%
4	Wenhan Li	9,100,000	3.06%
5	Xirong Zhou	8,823,509	2.97%
6	Yefan Hong	5,013,000	1.69%
7	Xiroy Zhou	4,489,606	1.51%
8	Wenhui Lin	2,935,810	0.99%
9	Cong Wang	2,680,000	0.90%
10	New Zealand Depository Nominee	1,957,566	0.66%
11	Jiaxing Li	1,450,000	0.49%
12	Yan Wang	822,000	0.28%
13	Shane David Edmond	550,392	0.19%
14	Ronald William Quinn	450,462	0.15%
15	Chi Yuan	330,000	0.11%
16	Anna Dai	310,000	0.10%
16	Yuanfu Dai	310,000	0.10%
18	Jan Kux	240,000	0.08%
19	Custodial Services Limited	215,390	0.07%
20	Joseph Daniel Botha	213,464	0.07%

Management commentary
(no financial statements)

STATUTORY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2023

3. Distribution of equity securities

The total number of ordinary shares on issue as at 31 July 2023 is 296,954,115. The company has only ordinary shares on issue. Details of the distribution of ordinary shares amongst shareholders as at 31 July 2023 are set out below:

Size of holdings	No. of shareholders	% of shareholders	No. of shares held	% of shares held
Less than 5,000	3,172	88.90%	1,769,916	0.24%
5,000 to 59,999	347	9.73%	4,420,012	1.27%
60,000 to 599,999	38	1.07%	5,813,248	1.87%
600,000 to 999,999	1	0.03%	822,000	0.28%
1,000,000 to 9,999,999	7	0.20%	34,491,925	12.27%
10,000,000 and over	3	0.07%	249,637,014	84.07%
TOTAL	3,568	100.00%	296,954,115	100.00%

4. Substantial Security holders

Details of substantial security holders and their total relevant interests in not less than 5% of the total number of ordinary shares on issue in MWE as at 31 July 2023.

Name of substantial shareholders	Nature of relevant interest	No. of shares held	% of shares held
Min Jia	1. Registered Holder	214,637,014	72.28%
	2. Beneficial Owner	25,000,000	8.42%
	3. Relevant Interest	8,800,000	2.96%
Ly Lee	Beneficial Interest as wife of Min Jia	248,437,014	83.66%

Management commentary
(no financial statements)

STATUTORY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2023

5. Directors' shareholding and share dealings

At the reporting date of 30 June 2023, the following directors and senior managers of MWE hold relevant interest in the ordinary shares of MWE.

Name of substantial shareholders	Role within MWE	Nature of relevant interest	No. of shares held	% of shares held
Min Jia (James)	Executive Chairman	1. Registered Holder	214,637,014	72.28%
		2. Beneficial Owner	25,000,000	8.42%
		3. Relevant *	8,800,000	2.96%
Danny Chan	Non-executive Director	Registered Holder	135,000	0.05%
Wenham Li (Eric)	Financial Controller	Registered Holder	9,100,000	3.06%
Cong Wang (Conan)	Operations Manager	Registered Holder	2,935,810	0.99%

* The shares giving rise to this relevant interest have been purchased from James Jia by Eric Li, over a loan that James has advanced to Eric. The loan is secured, which gives rise to James' relevant interest.

6. Interested Transactions and Directors' Remuneration

Interested transactions and directors' remuneration details are provided in the note 23 of the consolidated financial statements.

7. Directors' Loan

There is no loan made by the Group to Directors.

8. Employee

The number of employees within the Group receiving remuneration and benefits above $100,000, as is required to be disclosed in accordance with Section 211(g) of the Companies Act 1993, is indicated in the following table:

Remuneration	Year Ended June 2023 Number	Year Ended June 2022 Number
$100,000 - $110,000	2	-
$110,000 - $120,000	1	-
$120,001 - $130,000	-	-
$130,001 - $140,000	-	-
$140,001 - $150,000	-	-
$150,001 - $160,000	1	1
$160,001 - $170,000	1	-

Management commentary
(no financial statements)

STATUTORY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2023

9. Indemnification and insurance of directors and officers

In accordance with section 162 of the Companies Act 1993 and the constitution of the company, the company has provided insurance for, and indemnity to Directors and employees of the Group and its subsidiaries for losses from actions undertaken in the course of their duties, unless the liability related to conduct involving lack of good faith.

10. Net tangible assets per share

	Year Ended June 2023	Year Ended June 2022
Net tangible assets (in dollars)	31,065,131	29,719,828
Net tangible assets per share (in dollars)	0.105	0.100

11. Donation

During the year ended 30 June 2023 the Group made donations worth of $nil (June 2022: $nil).

12. Auditor remuneration

The auditor of the Group is BDO Auckland (June 2022: BDO Auckland). Amounts received, or due and receivable, by BDO Auckland (June 2022: BDO Auckland) are as disclosed below.

Remuneration	Year Ended June 2023 Number	Year Ended June 2022 Number
Assurance Services		
Audit of the prior year financial statements – BDO Auckland	8,015	17,292
Audit of the current year financial statements – BDO Auckland	99,330	83,695
Total remuneration	107,345	100,987

No other services were provided by BDO Auckland.

CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 JUNE 2023

Marlborough Wine Estates Group Limited (MWE) believes in the benefit of good corporate governance and the value it provides for shareholders and other stakeholders. MWE is committed to meeting best practice corporate governance principles, to the extent that it is appropriate for the nature of MWE's operations.

The board of MWE (Board) is responsible for establishing and implementing MWE's corporate governance frameworks, and is committed to fulfilling this role in accordance with best practice having regard to applicable laws, the NZX Corporate Governance Code dated 17 June 2022 (Code) and the Financial Markets Authority Corporate Governance – Principles and Guidelines.

This corporate governance statement provides an overview of MWE's governance framework and discloses MWE's practices in relation to the recommendations contained in the Code. The information contained in this corporate governance statement has been prepared in accordance with NZX Listing Rule 3.8.1(a).

MWE regularly reviews its policies, codes and charter documents to ensure the company maintains appropriate governance standards and behaviours that reflect the requirements and best practice under the Code, which are included and referred to in the NZX Listing Rules.

MWE's approach to applying the recommendations outlined in the Code is set out below. This statement is structured in the same order as the principles detailed in the Code and explains how MWE is applying the Code's recommendations.

The Board considers that for the 12 months ended 30 June 2023 (FY23), MWE's corporate governance practices and policies have been appropriately aligned with the Code. Any exceptions are identified within the relevant sections of this governance report.

A copy of the policies, codes and charter documents referred to in this statement are available on MWE's website at http://www.nzmwe.com/governance-documents/.

PRINCIPLE 1 – CODE OF ETHICAL BEHAVIOUR

1.1 Code of Ethics

As part of the Board's commitment to the highest standards of behaviour and accountability, MWE has adopted a code of ethics to guide its directors, and any employees or contractors MWE may have from time to time (MWE People) in carrying out their duties and responsibilities.

MWE's code of ethics is the framework by which MWE People are expected to conduct their professional lives. It is intended to support decision making that is consistent with MWE's values, goals and obligations, rather than to prescribe an exhaustive list of acceptable and non-acceptable behaviour.

The Board approves the code of ethics, which covers a wide range of areas including standards of behaviour, conflicts of interest, proper use of company information and assets, compliance with laws and policies, reporting concerns and receiving gifts.

The code of ethics can be found on MWE's website and is communicated to MWE People as part of their initial and ongoing training. It is expected that MWE People have read and understand each of the ethical expectations as outlined in the code of ethics.

Any person who becomes aware of a breach or suspected breach of the code of ethics is required to report it immediately in accordance with the procedure set out in the code of ethics.

Management commentary
(no financial statements)

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FOR THE YEAR ENDED 30 JUNE 2023

Whistleblower Policy

MWE is committed to supporting MWE People who report potential breaches. This support will be given regardless of whether action is taken in respect of the reported breach. MWE recognises the importance of open channels of communication within MWE, particularly in respect of reasonable concerns surrounding potential breaches of the code of ethics and any laws, regulations, or policies. The code of ethics was last reviewed by the Board in January 2023.

MWE does not make political donations.

1.2 Financial Product Trading Policy

MWE supports the integrity of New Zealand's financial markets. This integrity is maintained, in part, through the insider trading laws that apply in New Zealand. MWE's financial product trading policy outlines how those laws apply, as well as the rules that MWE has put in place to ensure those laws are followed by MWE People.

MWE People must seek approval from MWE's chair of the Board (Chair) or CEO prior to trading in the company's financial products. Generally, approval will only be granted in the 30 day period commencing on the first day of trading after:

- release of MWE's half year results to NZX;
- release of MWE's full year results to NZX; or
- release of a product disclosure statement or cleansing notice for a retail offer of MWE financial products.

The shareholdings of MWE's directors (Directors) and all trading of shares during the year by the Directors is disclosed each year in MWE's annual report.

The financial product trading policy can be found on MWE's website.

PRINCIPLE 2 – BOARD COMPOSITION AND PERFORMANCE

2.1 Board Charter

The Board operates under a written charter which defines the respective functions and responsibilities of the Board, focusing on the values, principles and practices that provide the corporate governance framework (Charter). The Charter complies with the relevant recommendations in the Code and is reviewed annually. The Charter was last reviewed by the Board in January 2023

The Board has overall responsibility for all decision making within MWE. The Board is responsible for the direction and control of MWE and is accountable to shareholders and others for MWE's performance and its compliance with appropriate laws and standards. The Board establishes MWE's objectives, overall policy framework within which the business of MWE is conducted and confirms strategies for achieving these objectives, monitors management's performance and ensures that procedures are in place to provide effective internal financial control. The Board uses committees to address certain matters that require detailed consideration. The Board retains ultimate responsibility for the function of its committees and determines their responsibilities.

2.2 Nomination and appointment of directors

Procedures for the appointment and removal of Directors are governed by the Charter. MWE does not maintain a separate nomination committee, given the current size and nature of MWE's business, rather Director nominations and appointments are the responsibility of the Board.

Management commentary
(no financial statements)

CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 JUNE 2023

The Board asks for Director nominations each year prior to the Annual Shareholders' Meeting, in accordance with the constitution of MWE and the NZX Listing Rules. In accordance with the NZX Listing Rules, Directors will retire and may stand for re-election by shareholders at least every three years. A Director appointed since the previous Annual Meeting holds office only until the next Annual Shareholders' Meeting but is eligible for re-election at that meeting.

Directors' selection is based on the value they bring to the Board table including their skills, commercial experience, strategic thinking and general business acumen. The composition of the Board is reviewed regularly to ensure the Board maintains an appropriate balance of skills, experience and expertise. The Board believes the current Directors offer valuable skill sets and experience to MWE and that each Director has the necessary time available to devote to the position.

Newly elected Directors are expected to familiarise themselves with their obligations under the constitution, MWE's governance documents, including the Board Charter, and the NZX Listing Rules.

2.3 Written Agreements with directors

MWE will enter into written agreements with any newly appointed Directors establishing the terms of their appointment.

2.4 Director Information and Independence

The Board comprises three Directors plus an Alternate Director, all of whom have different backgrounds, skills, knowledge, experience and perspectives. Information about each Director is available at http://www.nzmwe.com/our-team/.

All Directors have had their independence assessed against the Code. Director independence is considered annually. Directors are required to inform the Board as soon as practicable if they think their status as an independent Director has (or may have) changed. Information in respect of Directors' ownership interests and independence is contained in this Annual Report.

In assessing Danny Chan and Christine Pears' independence, the Board has assessed their roles with MWE against the Code and confirmed their independent status. The Board has determined that Mia Jing is a non-independent executive director, due to his substantial shareholding in MWE and the limited executive duties he undertakes on behalf of MWE.

2.5 Diversity Policy

MWE welcomes diversity. MWE's approach to diversity is to continually develop an environment that supports equality and inclusion, regardless of difference. MWE has a formal diversity policy and assesses progress against this on an annual basis and is available to view on MWE's website.

For the 12 months ended 30 June 2023, the Board is comfortable that MWE's employment practices and HR processes and practices were in line with the intent of its Diversity Policy. The Board will continue to look to enhance its diversity into the future.

As at 30 June 2023, the gender balance of the Company's directors, officers and all employees and contractors was as follows:

	June 2023			June 2022		
	Female	Male	Total	Female	Male	Total
Directors	1	2	3	1	2	3
Executive	-	5	5	1	4	5
Employees & contractors	11	4	15	11	5	16
Total	12	11	23	13	11	24
Percentage	52%	48%	100%	54%	46%	100%

Management commentary
(no financial statements)

CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 JUNE 2023

2.6 Director Training

All Directors are responsible for ensuring they remain current in understanding their duties as Directors. Where necessary, MWE will support Directors to help develop and maintain Directors' skills and knowledge relevant to performing their role.

2.7 Director Performance

In accordance with the Charter and the Code, the Board has established and reviews performance criteria for itself and Directors. The Remuneration Committee reviewed the Director's performance against those criteria annually to ensure Directors are performing to a high standard. The Board recognises that the quality with which it performs its functions is an integral part of the performance of MWE and that there is a strong link between good governance and performance.

The Board will regularly review the performance of the committees in accordance with their relevant charters.

2.8 Majority of the Board should be Independent Directors

The majority of MWE's Directors are Independent. The Board comprises two Independent Directors and one non-independent Director.

2.9 Independence of the Chair

The Chair is not independent due to his substantial shareholding in the company and the executive duties he carries out on behalf of MWE, which are limited in nature. The Board has processes in place to manage any conflicts.

2.10 Separation of the Chair and CEO

In accordance with the Charter, the Chair and CEO are separate people.

PRINCIPLE 3 – BOARD COMMITTEES

The Board currently has two standing committees: Audit and Risk, and Remuneration. Each committee operates under a specific charter which is approved by the Board and will be reviewed annually. Any recommendations made by these committees are recommendations to the Board.

Director Meeting Attendance

	Board Meetings	Audit and Risk	Remuneration
Total Number of Meetings Held	7	2	1
Min Jia (Executive Chairman)	3/7	0/2	0/1
Danny Chan	7/7	2/2	1/1
Christine Pears	7/7	2/2	1/1

3.1 Audit and Risk Committee

The Audit and Risk Committee Charter sets out the objectives of the Audit and Risk Committee which are to provide assistance to the Board in fulfilling its responsibilities in relation to the company's financial reporting, internal controls structure, risk management systems and the external audit function.

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CORPORATE GOVERNANCE

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The Audit and Risk Committee currently comprises of Danny Chan (Chair), Christine Pears and Min Jia. Danny Chan and Christine Pears are considered Independent Directors for the purposes of Listing Rule 2.13.2. All members of the Audit and Risk Committee have appropriate financial experience and an understanding of the industry in which MWE operates.

MWE does not comply with recommendation 3.1 of the NZX Corporate Governance Code as an Executive Director is a member of the Audit and Risk Committee. Recommendation 3.1 provides that the Audit and Risk Committee should solely consist of non-executive directors. MWE's Board comprises of only three directors at the current time and the Listing Rules require that the Audit and Risk Committee consist of at least three directors. Accordingly, to comply with the Listing Rules it is necessary for an Executive Director to sit on the Audit and Risk Committee. If the Board composition of MWE changes, the Board will review Audit and Risk Committee membership with a view to bringing MWE into compliance with Recommendation 3.1.

The Audit and Risk Committee focusses on audit and risk management and specifically addresses responsibilities relative to financial reporting and regulatory compliance. The Audit and Risk Committee is accountable for ensuring the performance and independence of the external auditor, including that MWE provides for 5-yearly rotation of either the external auditor or the lead audit partner.

The Audit and Risk Committee provides a forum for the effective communication between the Board and external auditors. The responsibilities of the committee include:

- reviewing the appointment of the external auditor, the annual audit plan, and addressing any recommendations from the audit;
- reviewing any financial information to be issued to the public; and
- ensuring that appropriate financial systems and internal controls are in place.

The Audit and Risk Committee may have in attendance the CEO and/or others including the external auditor as required from time to time.

3.2 Meeting Attendance by Non-Committee Members

Directors who are not members of the Audit and Risk Committee are able to attend the committee meetings as they wish. Employees may only attend those meetings at the invitation of the committee.

3.3 Remuneration Committee

The Remuneration Committee Charter sets out the objectives of the Remuneration Committee which is to set and review the level of directors' remuneration, following the policies set out in the Remuneration Policy.

The responsibilities of the committee include:

- reviewing and recommending to the Board the MWE Remuneration Policy for executive and non-executive directors to ensure that the structure of the policy allows MWE to attract and retain directors of sufficient calibre to facilitate the efficient and effective management of MWE's operations;
- annually reviewing and recommending to the Board remuneration packages for all Directors of MWE; and
- establishing appropriate performance criteria, from time to time, for employee incentive plans and making recommendations to the Board.

The Remuneration Committee currently comprises of Christine Pears (Chair), Danny Chan and Min Jia. Danny Chan and Christine Pears are considered Independent Directors for the purposes of Listing Rule 2.13.2. Management is only permitted to attend Remuneration Committee meetings at the invitation of the Remuneration Committee.

Management commentary
(no financial statements)

CORPORATE GOVERNANCE

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3.4 and 3.5 Other Committees

The Board does not have a Nomination Committee. This work is undertaken by the Board as a whole and the nomination process is outlined in the Charter. The Board has no other standing Committees.

3.6 Takeover Response Protocol

The Board has protocols in place that set out the procedure to be followed if there is a takeover offer for MWE. This procedure is set out in the Charter.

PRINCIPLE 4 – REPORTING AND DISCLOSURE

4.1 Continuous Disclosure

The Board focusses on providing accurate, adequate and timely information both to existing shareholders and the market generally. This enables all investors to make informed decisions about MWE.

MWE, as a company listed on the NZX Main Board, has an obligation to comply with the disclosure requirements under the NZX Listing Rules, and the Financial Markets Conduct Act 2013. MWE recognises that these requirements aim to provide equal access for all investors or potential investors to material price-sensitive information concerning issuers or their financial products. This in turn promotes confidence in the market.

MWE has a written Continuous Disclosure Policy designed to ensure compliance that outlines the obligations of MWE People in order to satisfy these disclosure requirements. MWE's Disclosure Officer (currently the CEO) is responsible for ensuring compliance with the NZX continuous disclosure requirements and overseeing and co-ordinating disclosure to the Exchange.

4.2 Key Governance Documents

A copy of MWE's key governance policies, codes and charter documents are available on MWE's website at http://www.nzmwe.com/governance-documents/.

4.3 Financial Reporting

MWE believes its financial reporting is balanced, clear and objective. MWE is committed to ensuring integrity and timeliness in its financial and non-financial reporting, ensuring the market and shareholders are provided with an objective view on the performance of the company.

The Audit and Risk Committee oversees the quality and integrity of external financial reporting including the accuracy, completeness and timeliness of financial statements. The Audit and Risk Committee reviews half-yearly and annual financial statements and if necessary, may make recommendations to the Board concerning accounting policies, areas of judgment, compliance with accounting standards, NZX and legal requirements and the results of the external audit.

4.4 Non-financial Reporting

MWE is committed to using its resources responsibly and will look for opportunities to reduce any negative environmental risk or impact from business operations, products and services. The Board encourages diversity and will not knowingly participate in business situations where MWE could be complicit in human rights and labour standard abuses.

Management commentary
(no financial statements)

CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 JUNE 2023

MWE discusses its non-financial objectives and its progress against these objectives in shareholder reports, communications and at other investor events during the year including investor presentations and the Annual Shareholders' Meeting.

Given MWE's size, the Board has elected not to adopt a formal environmental, social and governance framework. MWE will continue to assess whether it is appropriate that an ESG framework is adopted for MWE in the future.

The Company remains aware of changes to non-financial reporting standards, particularly changes to climate-related disclosures. MWE's Continuous Disclosure Policy governs the responsibilities and procedures for releasing material information to the market.

PRINCIPLE 5 – REMUNERATION

5.1 Directors' Remuneration

In accordance with the NZX Listing Rules, MWE shareholders fix the total remuneration available for Directors. Approval is sought for any increase in the pool available to pay Directors' fees, and any recommendations to shareholders regarding Director remuneration are provided for approval in a transparent manner.

MWE's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. A written Remuneration Policy is available to view on MWE's website.

Non-executive Directors' remuneration is paid in the form of directors' fees. The current Director fee pool of $300,000 per annum was approved by shareholders at the time of listing in June 2016. The value of the fixed fees will reflect the time commitment of each individual Director and the level of responsibility each have in performing part of the collective duties of the Board. Non-executive directors' do not receive performance based remuneration. MWE recognises the importance of non-executive directors' independence and freedom from any potential or perceived bias in decision making. No sum is paid to a non-executive Director upon retirement or cessation of office.

Executive Directors are paid a base salary. The determination of a base salary for executive Directors is based on responsibilities, individual performance and experience, market data, and, to some extent, performance of MWE and the Group.

Further detail on the Director fees and individual Director remuneration, including a breakdown of remuneration for committee roles and other benefits and fees received by the directors can be found in the Annual Report.

5.2 and 5.3 CEO and Senior Executive Remuneration

The CEO and Senior Executive remuneration consists of a salary (including KiwiSaver contributions from MWE) that is based on responsibilities, individual performance and experience, market data, and, to some extent, performance of MWE and the Group, and participation in MWE's Employee Share Ownership Plan.

In determining the CEO or senior executive's salary, the Remuneration Committee may seek external advice from a recognised and competent source, including an evaluation against comparable peers (i.e. through external remuneration surveys). Where external advice is relied upon in a review of the Director's salaries, any public statement of reliance of this advice should include a summary of the advice and attest to the advisor's independence.

Catherine Ma was the CEO of MWE until 5 April 2023 who was employed in a part time capacity for MWE. Andrew Stafford joined MWE on 6 March 2023 and succeeded Catherine as CEO.

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(no financial statements)

CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 JUNE 2023

	CEO	Salary	Benefits and Incentives	Total Remuneration
FY23	Andrew Stafford	$91,542	-	$91,542
	Catherine Ma	$54,660	-	$54,660

FY22 numbers were not disclosed because Catherine was employed in a part-time capacity for MWE and her remuneration in FY22 does not provide comparable information. More information on Executive Remuneration is set out in the note 23 of the financial statements.

PRINCIPLE 6 – RISK MANAGEMENT

6.1 Risk Management

The MWE Board is committed to managing risks proactively. Key risk management tools used by MWE include the MWE's risk management framework, MWE's Audit and Risk Committee function and the outsourcing of certain functions to service providers (such as legal and audit). The Audit and Risk Committee reports against, and the MWE Board reviews at least annually, the risk management framework that measures the impact of the risks, the likelihood of occurrence and outlines the practices and processes in place to address and mitigate the identified risk. The material risks facing the business include: financial risks such as interest rate related risks, vineyard risks such as agricultural and labour related risks, and operational risks such as health and safety and climate related risks. MWE manages these risks by continually reviewing its risk mitigation strategies and the MWE Board maintains insurance policies that are considered adequate to meet insurable risks. As the Company expands, the Board will consider whether it is appropriate for a risk management committee to be appointed should the nature and size of the business change in the future.

6.2 Health and Safety

The responsibility for health and safety is viewed as a collective responsibility for the Board. The Board has responsibility for ensuring that MWE maintains a health and safety management system that meets best practice standards to protect the health and safety of employees and contractors engaged by MWE.

Under the health and safety management system, a workplace health and safety report will be presented to the Board as part of the materials prepared for each Board meeting. The report will detail MWE's process for identifying risks to health and safety and a review of any outstanding risks. The Board will then actively ensure that any risks to health and safety are managed.

The Board recognises the importance of health and safety considerations, and will continue to assess any risks, management and performance in this regard in the future.

Management commentary
(no financial statements)

CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 JUNE 2023

PRINCIPLE 7 – AUDITORS

7.1 External Auditors

The Audit and Risk Committee makes recommendations to the Board on the appointment of the external auditor as set out in Audit and Risk Committee Charter. The committee also monitors the independence and effectiveness of the external auditor and reviews and approves any non-audit services performed by the external auditor. BDO provided only audit work in FY23. The amount of fees paid to BDO during FY23 is identified in note 5 of the Financial Statement.

For FY23, BDO was MWE's auditor. BDO was first appointed as auditor on 22 December 2020. Rotation of the audit partner occurs every five years.

BDO has provided the Audit and Risk Management Committee with written confirmation that, in its view, it was able to operate independently during the year.

7.2 Auditor attendance at ASM

The Board considers that MWE's financial statements and audit report is simple and relatively self-explanatory given the size and nature of its current business. Accordingly, the Board does not consider it necessary for the company to follow recommendation 7.2 in the Code, which recommends that the external auditor attend the issuer's annual meeting to answer questions from shareholders in relation to the audit. The Board considers that at present it is in the best interests of shareholders to keep operating costs to a minimum. Should a shareholder have a question regarding the audit which is unable to be answered by the Audit and Risk Committee, the Board will seek a response from the external auditor on an "as required" basis.

7.3 Internal Audit Function

Given the nature of the business of MWE and the internal financial controls MWE has in place, it is not considered necessary to have an internal auditor in addition to the Audit and Risk Committee.

PRINCIPLE 8 – SHAREHOLDER RIGHTS AND RELATIONS

8.1 Information for Shareholders

MWE seeks to ensure that investors understand its activities by communicating effectively with them and providing access to clear and balanced information.

MWE's website http://www.nzmwe.com/ provides an overview of the business and information about MWE. This information includes details of investments, latest news, investor information, key corporate governance information, and copies of significant NZX announcements. The website also provides profiles of the directors and the senior executive team. Copies of previous annual reports, financial statements, and results presentations are available on the website.

Shareholders have the right to vote on major decisions of the company in accordance with requirements set out in the Companies Act 1993 and the NZX Listing Rules.

Management commentary
(no financial statements)

CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 JUNE 2023

8.2 Communicating with Shareholders

MWE endeavours to communicate regularly with its shareholders through its market updates and other investor communications. The company receives questions from time to time from shareholders, and has processes in place to ensure shareholder communications are responded to in a timely and accurate manner. MWE's website sets out appropriate contact details for communications from shareholders, including the phone number and email address of the CEO. MWE provides the opportunity for shareholders to receive and send communications by post or electronically.

8.3 Voting on major decisions

In accordance with the NZX Listing Rules, shareholders have the right to vote on major decisions which may change the nature of the Company. Each shareholder has one vote per share and voting is conducted by polls.

8.4 Additional equity offers

Should MWE consider raising additional capital, MWE will structure the offer having regard to likely levels of shareholder participation and optimising and enhancing the ability to maximise the level of capital raised. The Board will look to give all shareholders an opportunity to participate in any capital raising.

8.5 Notice of Meeting

MWE seeks to send the annual shareholders notice of meeting and publish it on the company website as soon as possible and at least 20 working days before the meeting each year. In 2022, 11 working days was provided as it was at this time that this notice of meeting was finalised and ready to be published to shareholders.

Management commentary
(no financial statements)

COMPANY DIRECTORY

AS AT 30 JUNE 2023

Company Registration Number
5639568

Registered Office
Level 6, 5-7 Kingdon St, Newmarket
Auckland Central
New Zealand

Directors
Min Jia (chairman)
Danny Chan (independent)
Christine Pears (independent)

Auditors
BDO Auckland
Level 4, BDO Centre
4 Graham Street, Auckland CBD, Auckland 1010
PO Box 2219, Auckland 1140
New Zealand

Solicitors
Duncan Cotterill
Level 2, Chartered Accountants House
50 Custom House Quay
Wellington

Bankers
Industrial Commercial Bank of China (New Zealand) Limited
ANZ Bank Limited
BNZ Bank Limited

Share Registrar
Link Market Services Limited
Level 30, PWC Tower,
15 Customs Street West
Auckland 1010

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(no financial statements)

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(no financial statements)

MWE MARLBOROUGH WINE ESTATES

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